SIG plc
Annual Report and Accounts 2010

REGISTERED NUMBER
Registered in England
998314

RESHAPED FOR THE FUTURE

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COMPANIES HOUSE

AT A GLANCE: PERFORMANCE

Revenue

£2,668m

2008 £3,033m
2009 £2,723m
2010 **£2,668m**

Like for like# constant currency revenue

(0.3%)

2008 (0.8%)
2009 (15.6%)
2010 **(0.3%)**

Underlying* operating profit

£76.1m

2008 £169.8m
2009 £80.9m
2010 **£76.1m**

Operating (loss)/profit

(£54.6m)

2008 £107.0m
2009 (£32.5m)
2010 **(£54.6m)**

Underlying* profit before tax

£62.5m

2008 £137.3m
2009 £60.6m
2010 **£62.5m**

(Loss)/profit before tax

(£80.8m)

2008 £33.1m
2009 (£55.3m)
2010 **(£80.8m)**

Underlying* basic earnings per share

7.2p

2008 58.9p
2009 9.0p
2010 **7.2p**

Basic (loss)/earnings per share

(13.0p)

2008 3.8p
2009 (9.7p)
2010 **(13.0p)**

Trading sites as at 31 December

748

2008 807
2009 753
2010 **748**

Employees as at 31 December

11,400

2008 13,300
2009 11,800
2010 **11,400**

* Underlying figures are stated before the amortisation of acquired intangibles impairment charges restructuring costs and gains and losses on derivative financial instruments

Like for like is defined as the business excluding the impact of acquisitions and disposals made in the current and prior year

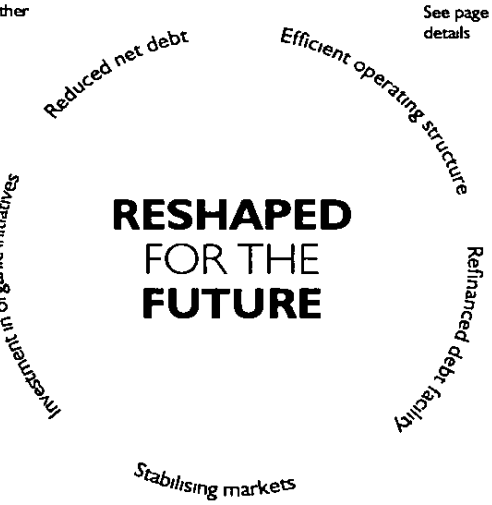
OUR BUSINESS

SIG plc is a leading European specialist supplier of insulation, exteriors, interiors and specialist construction products.

SIG's strategy is to develop and grow the Group as a leading supplier of specialist products to the construction and related markets, in order to achieve sustainable long term growth in shareholder value.

The Group s level of net debt reduced by £70m from £255m at 31 December 2009 to £185m at 31 December 2010 The Group's significantly strengthened financial position ensures that the Group has the financial stability to support the Group s growth plans in the medium and longer term See page 23 for further details

The Group continued its cost saving and restructuring programme in 2010 Since mid-2008, the Group s cost saving and restructuring programme has delivered £110m of annualised net cost savings. These carefully designed operating cost saving measures will stand the Group in good stead to benefit from the recovery in each of SIG's markets See page 21 for further details



Despite the downturn and the Group s cost saving and restructuring programme in order to ensure the business is reshaped to benefit fully from the recovery in its markets, the Group has continued to invest throughout the downturn in carefully selected organic development growth initiatives See page 11 for further details

In 2010 the Group took the strategic decision to refinance its UK bank debt and has recently signed a new £250m four year bank facility The new debt facility provides the Group with a strong financial platform to support future growth See page 29 for further details

Overall the Group s end markets in which it operates began to stabilise as 2010 progressed, with sales on a constant currency basis up 2 3% in H2 2010 compared to the equivalent period in 2009 The continuing stabilisation of the Group's markets will provide a platform to improve the Group's return on sales See page 15 for further details

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ANNUAL REPORT 2010 ONLINE
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AT A GLANCE: ACTIVITIES

WHERE WE OPERATE

UK and Ireland

£1,281.2m

48.0%

of total revenue

Mainland Europe

£1,386.8m

52.0%

of total revenue

Insulation and Building Environments

SIG is the largest specialist supplier of insulation and related products in Europe It holds leading market positions in the UK, Ireland, Germany and Poland and is the leader in industrial insulation in France

SIG also operates in The Netherlands, Belgium, Austria, Czech Republic, Slovakia and Hungary

Revenue:

£1,020.6m

38%

of total revenue

Principal countries of operation

	Insulation and Building Environments	Exteriors	Interiors	Specialist Construction Products
United Kingdom	✓	✓	✓	✓
Ireland	✓	✓	✓	✓
Germany and Austria	✓	✓	✓	✓
France	✓	✓	✓	✓
Poland	✓	✓	✓	✓
Benelux	✓		✓	
Czech Republic, Slovakia and Hungary	✓		✓	

In addition to SIG's principal countries of operation the Group also has a small trading presence in six other jurisdictions being Turkey, Romania, Bulgaria, UAE Spain and Luxembourg The operations in these six jurisdictions amount in total to less than 1% of Group revenue and have therefore not been included in the table above

Key Market Drivers

- The need to reduce energy consumption
- More stringent Government regulation
- Government initiatives around renewable energy

Exteriors

SIG is the largest specialist supplier of exterior roofing products in the UK and Ireland, a leading independent supplier in France and a key regional supplier in Germany and Poland

SIG supplies products and systems to every sector of the roofing industry for both new projects and repair and maintenance

Revenue:

£788.7m

30%

of total revenue

Key Market Drivers

- Essential RMI requirement
- Growth of specialist distribution as the main supply route
- New products

Interiors

SIG is a leading supplier of branded complementary products for the interior fit out of non-residential buildings with trading sites in the UK, Ireland, Germany, France, Poland, The Netherlands, Belgium, Austria, Czech Republic, Slovakia and Hungary In the UK and Ireland SIG also supplies purpose-made partitions and performance doorsets for all types of commercial and other non-residential buildings

Revenue:

£661.3m

25%

of total revenue

Key Market Drivers

- Refurbishment of non-residential buildings (e g schools, offices hospitals, retail)
- Improving standards of internal fit out
- Thermal, acoustic and safety standard

Specialist Construction Products

SIG is a leading supplier of specialist construction products in the UK and Ireland and offers a wide portfolio of products including concrete accessories, waterproofing systems and chemicals, brickwork support systems specialist fixings safety products and tools SIG also supplies specialist construction products in Poland, Germany and France

Revenue:

£197.4m

7%

of total revenue

Key Market Drivers

- Investment in infrastructure and non-discretionary spending by utilities
- Demand for high performance solutions and innovative products
- Supply chain efficiency and specific technical "just in time" project management

CHAIRMAN'S STATEMENT

SIG's performance in 2010 was a tale of two halves, albeit with a similar beginning and end to the year. As 2010 progressed, the end markets in which SIG operates gradually stabilised.

Leslie Van de Walle Non-Executive Chairman

HIGHLIGHTS

- End markets gradually stabilising as the year progressed
- The Group remained focused on its cost saving and restructuring programme
- New £250m bank debt facility signed on favourable terms

GLOSSARY OF TERMS

Underlying is before the amortisation of acquired intangibles impairment charges, restructuring costs and gains and losses on derivative financial instruments

SIG's performance in 2010 was a tale of two halves, albeit with a similar beginning and end to the year Adverse weather conditions across Europe curtailed construction site activity during the first quarter and also lead to challenging market conditions towards the end of the year However, as 2010 progressed, the end markets in which SIG operates gradually stabilised

Across the Group the pattern of recovery during the year was uneven, individual countries improved at different rates, with some segments and geographies still to fully level out. In our major markets of the UK, France and Germany, residential construction levels turned modestly positive from a low base The rate of decline in private sector non-residential construction activity slowed in H2 2010 while public sector construction work continued to benefit from government investment programmes

Reported Group sales were down 2% for the year and in constant currency were down 0 3% However, improving trading conditions resulted in a 2 3% advance in H2 2010 reported sales over the same period in 2009 (on a constant currency basis) Gross margins in H2 2010 were slightly ahead of those achieved in H1 2010, in markets which remained highly competitive, although they finished the year overall down 0 2% compared to 2009 at 26 0% (2009 26 2%)

Underlying operating profit was £76 1m (2009 £80 9m) Underlying net finance costs reduced by 33 0% to £13 6m (2009 £20 3m) leaving underlying profit before tax at £62 5m (2009 £60 6m) Underlying basic earnings per share reduced to 7 2p (2009 9 0p)

As a result of non-underlying charges totalling £143 3m (2009 £115 9m) the Group recorded a total loss before tax of £80 8m (2009 Loss of £55 3m) Including these charges basic earnings per share amounted to a loss of 13 0p (2009 loss per share 9 7p)

The Group remained focused on its cost saving and restructuring programme, and implemented further measures to improve working capital and reduce capital expenditure in line with our objective of optimising cash flow and reducing net debt

Our intense focus on cash management continued throughout the year A combination of good trading cash flows, strong working capital management and a tight rein on capital expenditure produced good cash conversion Net debt decreased by £69 5m to £185 0m (£254 5m at 31 December 2009)

REFINANCING

In November the Board took the strategic decision to refinance its UK relationship bank debt The Group has recently signed a new £250m four year revolving credit facility with four banks on favourable terms as follows

- £250m 4 year unsecured Revolving Credit Facility
- Pricing – Margin on LIBOR between 150 and 187 5 bps at 1 0x to 2 0x leverage
- Covenants
  - Interest cover > 3x
  - Leverage < 3x
  - Fixed charge cover > 1 75x

Three of the banks (Barclays Lloyds and RBS) are longstanding lenders to the Group whilst the fourth HSBC, introduces a new relationship

Upon signing of the new facility the Group's existing UK bank facilities were replaced and the remaining borrowings were repaid from cash held on deposit The Group s existing private placement notes remain in place with maturities ranging from 2011 to 2018

This new four year £250m facility will ensure that the Group maintains a conservative level of headroom and provide funds for selective investment over the medium term

BOARD

As announced on 13 January 2011, Les Tench retired on 31 January 2011 I would like to take this opportunity to thank Les for his leadership of the Board since his appointment as Non-Executive Chairman in May 2004 He leaves with the Group in good shape, with a strong balance sheet and excellent long term prospects We wish him every success in the future Following my appointment as Non-Executive Director on 1 October 2010 last year I was delighted to accept the invitation to replace Les as Non-Executive Chairman and I look forward to leading the Board through the next stage of the Group's development

Vanda Murray resigned as a Non-Executive Director of the Company with effect from 16 March 2011 Vanda is also a Non-Executive Director of Carillion plc and her resignation is pursuant to Carillion plc s offer for Eaga plc and her future potential conflict of interest as a result of that transaction in respect of SIG s energy management business I would like to thank Vanda for her valuable contribution to the Board since her appointment in July 2009 I can also confirm that we are in the process of seeking to appoint a new independent Non-Executive Director in order that the Company will return to compliance with Code Provision A 3 2 of the Combined Code on Corporate Governance

EMPLOYEES

Our employees have responded outstandingly to the task of returning SIG to growth and on behalf of the Board and shareholders I would like to thank them all for their contribution

DIVIDENDS

The Board remains committed to a progressive dividend policy and given that markets are now beginning to stabilise it believes that it is appropriate to announce its intention to declare a dividend with the 2011 interim results

OUTLOOK

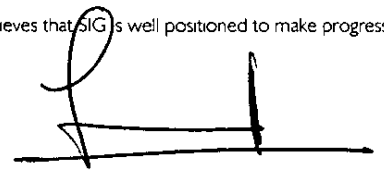
Demand trends overall in the Group s sectors and countries of operation are expected to continue to stabilise during the coming year

The Board expects to see 2010's modest growth trend in residential building continuing in 2011 and the decline in private non-residential construction levelling out in H1 2011 However, Government expenditure cuts are expected to cause public sector new construction activity to decline as the year progresses, counteracting mild growth in the private sector particularly in the UK

Trading in the first two months of 2011 was in line with management s expectations and well ahead of the particularly weak, weather-affected comparative sales levels of last year

While maintaining a firm control on operating costs and working capital the Group will continue to make carefully selected organic investments, notably in the area of renewables and carbon reduction and in further controlled expansion of its branch network in both the UK and Mainland Europe

The Board believes that SIG is well positioned to make progress through 2011



LESLIE VAN DE WALLE
CHAIRMAN

2010 BUSINESS REVIEW

SIG plc is a leading supplier of specialist products to professionals in the building, construction and related industries, with 748 trading sites throughout the UK and Ireland and Mainland Europe and employed 11,400 people as at 31 December 2010.

Chris Davies Chief Executive

Gareth Davies Finance Director

This Business Review has been prepared by the Board solely for the members of SIG plc It is intended to provide Shareholders with a summary of the development, performance and financial position of the Group for 2010 It also provides details of the main trends and factors underlying the year's results and which are likely to affect future performance and describes the Group's business and its key objectives, strategies, values and resources together with the principal risks and uncertainties it faces A cautionary comment relating to forward looking statements is provided on page 31

INTRODUCTION TO SIG

SIG plc is a leading supplier of specialist products to professionals in the building construction and related industries, with 748 trading sites throughout the UK and Ireland and Mainland Europe and employed 11 400 people as at 31 December 2010

Founded in 1957 in Sheffield, UK, SIG has grown from a single site insulation distribution business into a multi-national specialist supplier operating in four different market sectors The Company was listed on the London Stock Exchange in May 1989 and is a constituent member of the FTSE 250 index, listed within the Support Services Sector

On 16 March 2011 the share price closed at £1 211 At this date there were 590,829,339 shares in issue, giving a market capitalisation at that date of £715m

SIG'S ORGANISATIONAL STRUCTURE

SIG's operations are managed on a country-by-country basis Within each country there is dedicated divisional management focusing on each market sector This is critical to the success of the business, ensuring that focus is provided to the specific requirements of the customer and the supply chain required to service the customer Back office functions such as HR IT, finance property and fleet management are provided on a country-by-country basis and are shared across business units in each country where it is appropriate and economic to do so

The Parent Company of the Group, SIG plc, oversees and supports the strategic development of each business via the activities of the Group Board the Corporate Development Department and the Group Finance Department

GLOSSARY OF TERMS

Underlying is before the amortisation of acquired intangibles impairment charges, restructuring costs and gains and losses on derivative financial instruments

Trading cash conversion is defined as cash flow from operations divided by underlying operating profit

SIG'S BUSINESS MODEL

SIG is the market leader in most of the specialist markets in which it trades Specialist markets are characterised by the need to hold a broad and comprehensive range of stock supported by technical advice and extensive service and delivery capability

SIG's leading position in specialist markets has enabled the Group's sales growth to outperform each of its markets in recent years

Specialist markets provide opportunity for superior growth as they tend to be more fragmented in nature and require technical product and application knowledge which provide entry barriers to the general merchanting community SIG's strategy in fragmented markets is to build scale and market share whilst generating superior purchasing power and achieving economies of scale in back office activities thereby delivering superior returns

The supply of specialist products requires a proactive sales approach rather than a passive retail approach together with a more collaborative process of supply chain management

SIG'S ACTIVITIES

SIG is primarily a distributor handling and supplying specialist products manufactured by other companies In markets where the supply chain requires bespoke products to be made and supplied direct to the end user SIG's route to market has been by manufacturing products for its specialist customer contractors to fit SIG manufactures partition systems and doorsets in the UK and fabricates certain custom products across the Group Fabrication involves adding value by cutting reshaping or attaching two or more core products together The largest fabrication activities are the cutting and shaping of industrial insulation, the cutting and processing of glass products and the assembly of roofing panels

In addition, in the UK SIG also installs loft and cavity wall insulation in residential properties

SIG operates under a wide variety of trading names Many of these brands are widely recognised throughout their respective market sectors or countries as the leading supplier of specialist products and services to the construction trade

SIG'S PRODUCTS

Insulation and Building Environments

- Thermal insulation
- Fire protection
- Acoustic insulation
- Dry lining
- Refrigeration and cold storage
- Flooring
- Installation of insulation
- High temperature insulation
- Air tightness testing
- Heating and ventilation products
- Industrial lining
- Pipe insulation
- Roofing insulation
- Waterproofing
- Air handling and treatment
- Air conditioning

Exteriors

- Flat roofing
  - Roofing membranes
  - Single ply
  - Liquid waterproofing
  - Mastic asphalt
  - Roof lights and domes
  - Green roofs
  - Roof paving systems
- Slating and tiling
  - Concrete tiles
  - Clay tiles
  - Slates – natural and man-made glass
  - Shingles
  - Metal roof tiles
- Sheeting and cladding
  - Fibre cement sheeting
  - Profiled metal sheeting
  - Insulated panels
- Rainwater goods
- Roofline products
  - Soffits
  - Fascias
  - Barge boards
- Ventilation
- Building plastics
  - uPVC windows doors
  - Conservatories
  - Plastic cladding
- Photovoltaic solar kits/panels

Interiors

- Suspended ceilings
- Partitioning
- Doors and doorsets
- Category lighting
- Dry lining
- Fire protection
- Insulation
- Architectural glass
- Toughened and laminated glass
- Raised access floors
- Office/acoustic screens
- Noise control
- Fixing products
- Temporary protection products
- Floor coverings
- Washroom systems

Specialist Construction Products

- Mechanical engineering fixings and accessories
- Fixings and fastenings
- Groundwork products
  - Shoring equipment
  - Geotextiles
  - Reinforcement products
  - Ground stabilisation products
- Temporary fencing and scaffolding
- Masonry components
- Construction chemicals
- Safety helmets
- Protective clothing
- Safety glasses
- Safety boots
- Ear plugs
- Gloves
- Dust respirators
- Tools (including power tools and accessories)
- Concrete accessories
- Waterproofing
- Render
- Precast
- Steel support systems
- Site set-up equipment

2010 BUSINESS REVIEW CONTINUED

The products that SIG supplies are specialist in nature and are provided to specialist contracting companies and professional trades, both for new construction and for Repairs, Maintenance and Improvement.

INTRODUCTION TO SIG CONTINUED
SIG'S ROLE IN THE SUPPLY CHAIN

The products that SIG supplies are specialist in nature and are provided to specialist contracting companies and professional trades both for new construction and for Repairs Maintenance and Improvement ("RMI") Whilst general jobbing builders may purchase some items from SIG they are more broadly served through the general builders merchant supply chain

SIG provides a crucial role in the specialist building products supply chain by

Providing access to a broad and diverse customer base

SIG provides a diverse range of specialist products from manufacturers to support specialist contractors Manufacturers deliver products in bulk to SIG's trading sites throughout each country of operation SIG then focuses upon delivering a packaged range of products in job specific quantities on a time critical basis to a broad and diverse customer base as required by the construction cycle SIG provides an efficient channel by which manufacturers can access thousands of specialist contractors

Providing technical advice and product expertise

As building regulations, environmental issues and modern methods of construction become ever more complex SIG's customer base values the comprehensive technical knowledge that SIG's sales staff have of each product s specific application to ensure their suitability for purpose and that legal and safety standards are met in buildings and industry Where particularly complex queries arise SIG is able to call upon advice from its supplier base This is an important value-added element of the service offered by SIG No other European company has the depth of experience and expertise that SIG has in its product fields

Providing "immediate" availability of product close to site location

Through SIG's 748 trading sites contractors are able to obtain product in rapid timeframes to meet the demands of a fast moving construction site The majority of construction sites do not have a large area to store product safely and securely and so the ability to source product quickly overcomes the problems caused by such a space constraint

Enabling contractors to maximise efficient use of labour

It is estimated that there is up to a 40% loss of efficiency whilst skilled labour waits for material delivery SIG s ability to deliver product at short notice enables contractors to flex their work schedule depending upon the daily needs of the construction site thus minimising this inefficiency This part of the service offering is highly valued by SIG's customer base and ensures SIG maintains its critical role in the supply chain

Having an extensive delivery fleet

SIG delivers the majority of its goods sold to the construction site SIG has a wide range of delivery vehicles, including a number of mechanical offload and crane facilities to deliver the product to exactly where it is needed

Providing credit terms to contractors

SIG's typical customer is relatively small to medium sized SIG provides credit to enable a contractor generally to fit goods before they are paid for to ensure continuity of the supply chain SIG has very well established and rigorous credit control procedures that limits its risk exposure whilst having regard to the needs of the customer base

These activities have enabled SIG to build businesses that are able to differentiate themselves from mainstream competitors

SIG'S MARKET SECTORS

Over the last two decades, SIG has continuously expanded the range of products it sells to specialist contracting companies and professional trades SIG now sells different lines of specialist construction products across a number of different countries The principal countries in which SIG trades are

	Insulation and Building Environments	Exteriors	Interiors	Specialist Construction Products
United Kingdom	✓	✓	✓	✓
Ireland	✓	✓	✓	✓
Germany and Austria	✓	✓	✓	✓
France	✓	✓	✓	✓
Poland	✓	✓	✓	✓
Benelux	✓		✓	
Czech Republic, Slovakia and Hungary	✓		✓	

In addition to SIG's principal countries of operation, the Group also has a small trading presence in six other jurisdictions, being Turkey, Romania, Bulgaria UAE, Spain and Luxembourg The operations in these six jurisdictions amount in total to less than 1% of Group revenue and have therefore not been included in the table above

MARKETS SUPPLIED BY SIG

SIG is well diversified, serving a wide range of industries and markets The following table provides an indicative estimate, based upon SIG's analysis of market information, of the breakdown of the Group's 2010 revenue into its different end markets

	Total % of Group	New build % of sub-Group	RMI % of sub-Group
Non-residential	53%	56%	44%
Residential	37%	46%	54%
Industry (non-construction)	10%	38%	62%

Source SIG estimates

The non-residential market is SIG's largest market This includes both private and public expenditure on schools hospitals prisons warehouses leisure complexes retail developments, sports stadia, airports and offices

Residential is SIG's second largest market In this market SIG is more heavily weighted to the essential repairs and maintenance market which is less sensitive to the economic fluctuations which can impact the new build sector and provides an underlying market in periods of economic downturn

The final market for SIG is Industry (non-construction) SIG predominantly supplies industrial (technical) insulation to this market which includes for example power stations and process industries where heat is an important part of the production process

Revenue by country

UK	**45%**
Ireland	**3%**
Germany and Austria	**21%**
France	**20%**
Poland	**5%**
Belerux	**5%**
Central Europe	**1%**

Markets supplied by SIG

Non-residential	**53%**
Residential	**37%**
Industry (non-construction)	**10%**

2010 BUSINESS REVIEW CONTINUED

INTRODUCTION TO SIG CONTINUED

DEMAND FOR SIG'S PRODUCTS

Demand for the products sold by SIG is influenced by a wide range of factors Overall economic GDP growth drives construction activity on a long term basis As the economy grows and contracts construction activity reflects this trend New build is driven by the economic cycle whilst RMI activity is more constant in nature and in certain markets can be counter cyclical, offering a more constant level of activity

In addition, construction activity is also largely dependent on both the level and cost of credit available in order to finance large construction projects Since mid-2008, the availability of credit has reduced and the cost of credit has increased significantly, thus having a dampening effect on construction activity

The current economic downturn is inevitably affecting the short term demand for SIG's products However, the medium to long term prospects for SIG's market sectors remain strong The current low levels of residential and private non-residential building activity across certain parts of Europe are not sustainable when set against demographic growth trends Given that SIG enjoys leading positions in the majority of its markets and geographies, the Group is in a prime position to benefit from any upturn in market demand over the medium term

Whilst demand is principally influenced by the macroeconomic conditions described above, other factors by product range are detailed below

Business	Sector-specific market drivers	
Insulation and Building Environments	• Demand for products that reduce energy consumption in both new and existing residential and non-residential buildings to reduce the impact of high energy costs and to reduce carbon dioxide ("CO_2") emissions • Demand for insulation products will be driven by regulation in addition to environmental and economic factors	Insulation usage in new construction is affected by the building regulations in operation in each country Over time, it is expected that governments, businesses and the public will increasingly focus on reducing energy consumption more vigorously than in the past and that as a result insulation demand will continue to rise
Exteriors	• A regular and essential RMI requirement for roofs subject to increasingly variable and severe weather conditions • Demand for new products to reduce building exterior maintenance costs • Growth of specialist distribution as the main supply route • Government incentives surrounding solar energy feed-in tariffs providing significant impetus to demand for Solar Photovoltaic Systems	The age profile of roofs across the UK and Europe gives rise to an ongoing RMI requirement This provides a core product demand Certain products are used extensively for both new build and repair and maintenance in commercial property and demand over time is expected to increase as people look for low-maintenance products and energy efficient options
Interiors	• Rising standards of internal fit out and the growing importance of acoustic and fire safety standards • Increased demand for integrated solutions • Government expenditure to improve the internal environments of schools and hospitals and other public buildings	New interiors are often required following a change of use or a change of occupancy within existing non-residential buildings requiring refitting and removal of partitions, wall storage and ceiling systems Fire and acoustic regulations are set to become more stringent in the next few years This will favour the larger suppliers with a depth of technical expertise such as SIG
Specialist Construction Products	• Government and utility investment in major infrastructure projects • Requirement for value engineered solutions on construction projects • "Just-in-time" approach to project management	Complex major construction projects require specialist application and performance knowledge This is provided by SIG's specialist businesses in this area Over recent years, methods of construction have changed leading to a requirement for new innovative specialist products which SIG is ideally placed to supply
All Businesses	• Convergence of trades and requirement from major contractors for "bundled" solutions and supply chain management thus benefiting businesses with significant scale and breadth of product offering such as SIG	

The Group's core strategy is to continue the growth and development of SIG as a leading European specialist supplier to the building and construction industries, in order to create long term growth in Shareholder value.

SIG'S STRATEGY

The Group s core strategy is to continue the growth and development of SIG as a leading European specialist supplier to the building and construction industries, in order to create long term growth in Shareholder value This includes but is not limited to

- operating efficiency improvements in core businesses
- upgrading the Group s portfolio by prioritising investment in high growth/profitable markets, and
- organic growth initiatives supported by selected acquisitions

In light of deteriorating macroeconomic conditions which first impacted the Group in the second half of 2008 and the associated reduction in demand for construction related products, SIG has reacted quickly to align the cost base of its businesses to anticipated levels of market demand The Group has also taken a number of actions which drive operational and commercial efficiencies These actions ensure that the Group is in good shape to take advantage of stabilising markets

In order to further reduce the Group's net debt, cash generation has again been a key focus during 2010 This has been driven by a number of initiatives

- strict management of working capital through the issue of stringent working capital targets to all business units,
- the deferral of non essential capital expenditure and the redeployment of certain assets,
- an increased drive for process efficiency through the adoption of best practice principles,
- further cross business unit resource sharing and cost saving initiatives and
- procurement logistics and property reviews

PORTFOLIO REVIEW

As part of the Group's Strategic Development planning, SIG maintains an active portfolio management process to ensure

- operating businesses are positioned to deliver sustainable long term growth,
- efficient allocation of cash to optimise return on capital employed and
- focussed and prioritised investment for growth and business development

The review process is conducted at business unit level and includes a rigorous analysis of external market conditions and competitive dynamics together with an assessment of internal capabilities and resource requirements from which three year rolling business plans are developed feeding into the Group Strategic Review

A key output of this process is the identification of development initiatives at both business unit and Group level Each initiative is the subject of a full investment appraisal to include capital requirements, return on investment profile, implementation and execution risk analysis

RESHAPED FOR THE **FUTURE**

INVESTMENT IN ORGANIC DEVELOPMENT GROWTH INITIATIVES

As a direct consequence of the recent economic downturn which first impacted the Group s end markets in mid-2008 resulting in a significant fall in demand for SIG's products, the Group focused on reducing its operating cost base through its cost saving and restructuring programme and also focused on the reduction of net debt through the minimisation of working capital and the deferral of all non-essential capital expenditure

However in order to ensure the business is in good shape to benefit fully from recovery in its markets, the Group has continued to invest throughout the downturn in carefully selected organic growth initiatives including

- new trading sites – despite the closure of 171 trading sites since 1 January 2008 as part of the Group's cost saving and restructuring programme the Group has also opened 75 new trading sites in the same period,
- new geographies – the Group has established a trading presence in UAE (SIG Emirates) Whilst this is currently a relatively small (single site) operation the growth prospects in this region are anticipated to be good,
- new formats – Following the successful trial of the SIG Express concept, which offers a stripped down range of essential specialist products from across all our UK divisions to new customers and in locations where gaps remain in our geographical coverage, the Group is continuing to develop this model and gradually roll out elsewhere in the UK, and
- SIG Energy Management – we are focused on further extending our offering in the field of energy management of buildings, through SIG Energy Management, and as part of this strategy during 2010 we acquired a small stake in Ice Energy Technologies Limited, a designer and installer of heat pumps and solar PV systems This investment was made to secure access to essential expertise and new products at a point in time where demand for sustainable energy solutions is set to grow as a result of the new Solar feed-in tariff and the anticipated Renewable Heat Incentive

Investment in the above organic growth initiatives ensures that the Group is well positioned to benefit from future growth in its markets

2010 BUSINESS REVIEW CONTINUED

Despite the recent economic downturn, where appropriate the Group has continued to invest in its branch network, opening 75 new branches in the three year period from 1 January 2008 to 31 December 2010.

SIG'S STRATEGY CONTINUED
PORTFOLIO REVIEW CONTINUED

Acquisition opportunities are also generated from the portfolio review and are subject to the same rigorous filtering process to ensure compatibility with strategic priorities and that they are in line with strict investment criteria in terms of commercial financial and operational risk and return

Management of the development pipeline for both organic and acquisition initiatives forms part of the Board's ongoing performance monitoring and is reviewed on a regular basis to ensure development opportunities and outcomes are in line with Group expectations

DEVELOPMENT OF OUR PEOPLE

SIG is committed to ensuring that all employees and management know what is expected of them in their roles and that they receive the necessary training and development to be highly competent in what they do An integrated approach to the identification of training needs and the development of talent is core to our people development strategy To this end a UK Talent Manager has been appointed to coordinate our activities in the UK Development activities are organised generally on a business-by-business or country-by-country basis depending on local priorities However the Group continues to invest in its Executive Development Programme run in conjunction with Sheffield Hallam University This has shown huge benefits, not least in the development of cross company working at a senior level The Group has also launched an Executive Coaching and Mentoring Programme aimed at continuing the development of senior talent and reinforcing the values and behaviours that underpin our activities Following on from the success of the New Manager of the Year Award we have launched the Emerging Manager of the Year Award aimed at identifying encouraging and nurturing potential managers for the future The Group continues to recruit and invest in commercial trainees and graduate talent to help feed our future management requirements

KEY LONG TERM OBJECTIVES

SIG remains committed to the following key long term objectives

- create long term growth in shareholder value through a progressive dividend policy and capital growth
- develop and grow by applying the Group's core principles of Focus, Specialisation and Service,
- expand the Group and its activities as a leading specialist supplier to professional trades in the construction and related industries
- supplement organic growth with targeted acquisition and development initiatives and
- be an employer of choice and provide a rewarding and fulfilling environment for its people

In order to achieve the Group's key long term objectives, SIG's long term growth plan is focused around five key growth strategies as follows

- consolidate and exploit existing market leading positions,
- market demand growth,
- wider product range,
- pipeline of development initiatives, and
- geographical development into attractive new markets

1 CONSOLIDATE AND EXPLOIT EXISTING MARKET LEADING POSITIONS

SIG's strategy is to develop its distribution footprint in order to achieve further penetration in core markets SIG continually evaluates its existing trading site network and trading format structure to take advantage of synergistic opportunities within the Group

Such opportunities include the sharing of trading sites across different trading brands, sharing of transport and inventory across multiple trading sites and combining purchasing capabilities across different business streams throughout the Group

Since mid-2008 SIG has reviewed rigorously the appropriate structure of its trading site network and has quickly resized it to align with anticipated future market demand This has resulted in the closure of 171 trading sites since 1 January 2008

SIG has ensured that it has retained its most profitable and successful trading sites across each of its businesses to ensure that it is well positioned to benefit from future improvements in market demand

Furthermore, as part of the Group's cost saving and restructuring programme, a number of SIG businesses have been merged to deliver cost savings but more importantly to deliver operational and commercial efficiencies including the enhancement of the Group s cross selling capabilities This has included the merger of the UK's Insulation and Interiors Distribution businesses and also the merger of the Group s Polish businesses into one entity

SIG'S STRATEGY CONTINUED

KEY LONG TERM OBJECTIVES CONTINUED

1 CONSOLIDATE AND EXPLOIT EXISTING MARKET LEADING POSITIONS CONTINUED

Despite the recent economic downturn, where appropriate the Group has continued to invest in its trading site network opening 75 new trading sites in the three year period from 1 January 2008 to 31 December 2010

The change in the number of the Group's trading sites over the last three years is shown below

	UK and Ireland	Mainland Europe	Total
31 December 2007	461	318	779
Closures	(73)	(7)	(80)
Openings	9	34	43
Acquired	36	29	65
31 December 2008	433	374	807
Closures	(58)	(14)	(72)
Openings	3	15	18
31 December 2009	378	375	753
Closures	(18)	(1)	(19)
Openings	4	10	14
31 December 2010	**364**	**384**	**748**

2 MARKET DEMAND GROWTH

SIG is well placed to exploit its product and market knowledge to take a larger share of the European construction markets in which it already operates Given the relative size of the wider European construction market, the opportunity for growth for SIG is significant

SIG believes that the market demand growth for insulation products and sustainable construction products in particular will outstrip the demand for other building products as the world attempts to address the issues caused by climate change and increasing energy costs SIG is ideally placed to serve this additional demand

In addition, it is anticipated that the recovering residential sector will provide greater growth in the short to medium term than the non-residential sector At present, approximately 37% of the Group's sales are attributable to the residential sector, and it is part of the Group s medium term strategy to increase the proportion of Group sales made to this sector

3 WIDER PRODUCT RANGE

Extending the range of specialist products and services which SIG offers improves customer service and market penetration Once SIG has identified a new product offering, consideration is then given to widening the supply of this product through the existing trading site network In order to demonstrate SIG's diverse product offering it is estimated that on a typical non-residential project in the UK, in excess of 35% of the total material cost can be supplied through SIG In addition SIG is at the forefront of product innovation and has developed a number of own brand product ranges

4 PIPELINE OF DEVELOPMENT INITIATIVES

In support of SIG s long term growth objectives, SIG employs an active business development and portfolio management strategy This involves identifying attractive growth opportunities for the Group where SIG s key skills and capabilities match with those necessary in developing attractive new market opportunities This includes a targeted acquisition strategy as well as organic growth initiatives

In light of the challenging market environment the Group has ceased its acquisition programme since September 2008

Despite the temporary cessation of the Group s acquisition programme, the Group continues to maintain an excellent knowledge of its market place and has ensured that it remains aware of possible future acquisition opportunities across Europe The Board will be very careful in its considerations regarding the most appropriate time to recommence this part of the Group's strategy, with carefully chosen acquisitions being initially funded out of divestment proceeds

In the meantime the Group continues to develop and exploit the synergistic benefits that its historical acquisition programme has provided These benefits include maximising cross business trading selling new products to existing Group customers, selling existing products to new Group customers and the sharing of resources to enhance current cash flow and profitability

Whilst management's main focus in the year was on optimising revenue and gross margin and also on delivering cost savings in existing operations, the Group did selectively continue to allocate some modest additional resources to core businesses where opportunities to extend market coverage were identified

Further detail can be found on page 11 regarding these specific growth opportunities

5 GEOGRAPHICAL DEVELOPMENT INTO ATTRACTIVE NEW MARKETS

SIG is continually evaluating the construction market prospects of a number of countries to assess where the best growth prospects lie SIG analyses the supply chain structure of each market and evaluates the future potential for SIG to enter the market as a specialist supplier within its chosen four market sectors

Due to the economic downturn and the cessation of the Group's acquisition programme in September 2008 since that date, the Group s extension of its geographic coverage into new countries has been limited Geographical development, however remains an integral part of SIG s long term growth plan and to this end the Group began trading from an existing site in the UAE in Q2 2010

2010 BUSINESS REVIEW CONTINUED

KEY PERFORMANCE INDICATORS

The Group uses the following key performance indicators to evaluate the success of its business

1. Like for like constant currency sales growth

Like for like constant currency sales growth

(0.3%)

Like for like constant currency sales growth is defined as the percentage growth/(decline) in the sales of the Group excluding the impact of current year and prior year acquisitions

The measure reflects the underlying sales growth in the business which typically arises from increased sales volumes to both new and existing customers, product price inflation and selling new products through the existing infrastructure The growth is supported by investment in new brownfield trading site openings and trading site relocations into larger premises with additional stockholding capability together with merging of divisions in order to enhance the quality and value of offering to customers Maintaining positive like for like growth in every business is a key target by which every business is measured and is a key component of being able to drive profit growth

Like for like sales growth rates/(rates of decline) on a constant currency basis are set out below

	2008	2009	**2010**
UK and Ireland	(3 4%)	(22 2%)	**(2.7%)**
Mainland Europe	4 2%	(7 6%)	**2.0%**
Group	(0 8%)	(15 6%)	**(0 3%)**

The like for like sales reduction of 2 7% in the UK and Ireland in 2010 reflects the continued reduction in market demand as a direct result of the current economic downturn which first impacted the Group in the second half of 2008 However, overall the end markets in which SIG operates continued to stabilise in the second half of 2010, with like for like constant currency sales in H2 2010 for the UK and Ireland being down only 0 6% despite the extreme winter weather which severely impacted trading activity in November and December

In Mainland Europe the Group recorded a like for like constant currency sales increase of 2 0% in the full year Similar to the UK and Ireland sales performance in H2 2010 was much stronger than H1 2010, with like for like constant currency sales being up 5 0% in the second half of the year

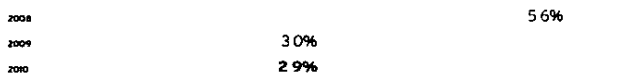
The geographical spread of the business provides the Group with diversity and an ability to manage risk Whilst the Group has recorded an overall decline in like for like constant currency sales in each year since 2008, over the ten year period 2000–2010 the Group has averaged a like for like sales increase of 5 5%

Despite the Group recording like for like sales declines in each of the last three years, management believes that most of its businesses have either held or grown its market share

2. Underlying operating profit margin

Underlying operating profit margin

2.9%



The underlying operating profit margin is the ratio of underlying operating profit to sales Underlying operating profit being before the amortisation of acquired intangibles impairment charges restructuring costs and gains and losses on derivative financial instruments

SIG seeks to improve its underlying operating profit margin by managing its selling prices in the local markets in which it operates and by controlling the cost base through operational efficiencies

The majority of operating costs in the business relate to people property and transport and in light of the macroeconomic environment since late 2008 SIG took swift action to align these operating costs with the anticipated underlying market demand for its products

Despite the incremental cost savings of £30m (£25m operating costs) being achieved in 2010 arising from the Group's cost saving and restructuring programme, gross margin and inflationary cost pressures resulted in the Group's underlying operating profit margin reducing slightly from 3 0% in 2009 to 2 9% in 2010

On an ongoing basis the mix of sales between the Group's two main regions will have an influence on the overall Group underlying operating profit margin The table below shows the underlying operating profit margin achieved over the last three years

	2008	2009	**2010**
UK and Ireland	6 7%	2 9%	**3 1%**
Mainland Europe	4 9%	3 6%	**3 1%**
Group (after Parent Company costs)	5 6%	3 0%	**2 9%**

The Group s current underlying operating profit margin at 2 9% is well below that historically achieved Given the operational gearing impact of the business where the majority of operating costs are fixed, it is envisaged that the Group's operating margins will improve once the Group begins to experience continued sales growth

3. Working capital to sales

Working capital to sales

9.0%

2008	10.8%
2009	9.3%
2010	**9.0%**

Working capital to sales is defined as the ratio of working capital (including provisions) to annualised sales (i e after adjusting for acquisitions and disposals in the current and prior year) on a constant currency basis

The ability of the Group to manage its working capital in relation to the value of sales made by each business is essential to ensure that the Group generates cash from its operations Cash generation is important to enable the Group to pay its taxes and to ensure that the Group complies with its debt covenants

Following the significant reduction in working capital in 2009 of £103m the Group has continued to focus on working capital management and as a result has further reduced its working capital to sales ratio to 9 0% in the year (2009 9 3%) It is not envisaged that significant further improvement in the Group's working capital to sales ratio will be achieved in 2011 given the anticipation of increased sales volumes

CASH CONVERSION

Cash conversion is defined as cash flow from operations divided by underlying operating profit Cash conversion measures the Group s ability to convert its underlying operating profits into cash

Over the medium term, the Group aims to have a minimum average cash conversion ratio of 100% However as the Group begins to benefit from the upturn in construction markets, a small investment in working capital will be required making a cash conversion target of 100% more difficult to achieve

Given the continued focus on working capital management the cash conversion percentage in 2010 at 130% (2009 215%) is above the Group s long term average target of 100%

Cash conversion

130%

2008	92%
2009	215%
2010	**130%**

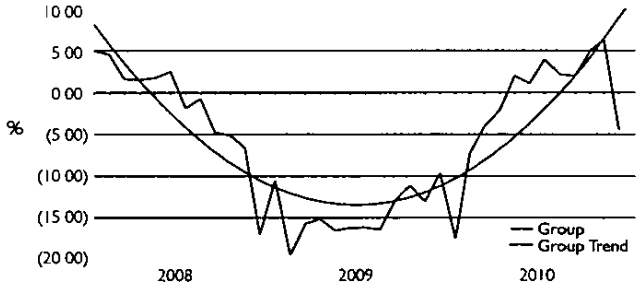
RESHAPED FOR THE FUTURE STABILISING MARKETS

Whilst overall in 2010 Group sales fell by 0 3% on a constant currency basis, the Group saw a gradual stabilisation in it s end markets following the extreme cold weather conditions in Q1 across all geographies

Accordingly despite the poor winter weather conditions which adversely impacted late November and December activity levels, Group sales in H2 2010 were up 2 3% on a constant currency basis The sales growth in the second half was largely driven by the recovering residential sector, where activity levels have improved albeit from a low base

Although market growth is expected to be modest in 2011, the continuing stabilisation of the Group s markets will provide a platform for improving the Group's return on sales, through sales volume and gross margin improvement and the continued tight management of operating costs Stabilisation in the Group s markets overall is illustrated in the graph below

Like for like constant currency sales trend*



* The above graph shows the Group's monthly sales performance on a constant currency basis compared to the equivalent month in the prior year

2010 BUSINESS REVIEW CONTINUED

The Group continued to experience challenging market conditions through 2010 but, notably in the second half, there were signs that the operational improvements we have undertaken over the last two years were beginning to assist our overall performance.

Chris Davies Chief Executive

CHIEF EXECUTIVE'S REVIEW OF TRADING PERFORMANCE

The Group continued to experience challenging market conditions through 2010 but notably in the second half, there were signs that the operational improvements we have undertaken over the last two years were beginning to assist our overall performance

The Group experienced extreme winter weather conditions in all its geographies in the first quarter of 2010 which affected construction site activity and consequently demand for SIG's products and services Harsh weather was also a feature of the fourth quarter, with trading in December disrupted by what, in many of our territories, were the coldest temperatures for more than a century However, overall the Group's markets gradually stabilised as the year progressed, with modest growth in residential markets in the UK France and Germany offsetting a continuing decline in non-residential construction activity

Against this background total Group turnover in 2010 was £2,668m a decrease of 2% on the prior year Underlying profit before tax was 3% higher at £62 5m

One-off restructuring costs incurred in 2010 amounted to £21 8m taking total exceptional costs since the start of the programme in mid-2008 to £98 8m The restructuring programme in total has delivered annualised net cost savings of £110m, of which £10m is incremental in 2011

Amortisation of acquired intangibles amounted to £28 5m (2009 £28 6m) In addition following the decline of construction activity in the Group's Interiors Manufacturing, Central European UK Access Hire UK Fixings and Irish businesses when reviewing the carrying value of goodwill and intangibles associated with these business units, the Board has concluded that in light of the anticipated medium term view of profitability that these assets are impaired As a result an impairment charge of £80 4m (2009 £30 0m) has been made Non-cash amortisation charges relating to previously cancelled interest rate derivative financial instruments amounted to £12 6m (2009 £2 5m)

The restructuring we have undertaken over the last two and a half years is beginning to bring commercial benefits in addition to targeted cost savings Throughout the downturn our aim was to re engineer our business both to improve its underlying operational efficiency and to drive competitive advantage not least to leverage SIG's strengths to enhance the quality and value of our offering to customers

Most of the substantive organisational changes and divisional mergers which we announced between August 2009 and March 2010 have been successfully implemented, namely

- the merger of SIG Insulations, CPD, Fixings and Construction Accessories to create SIG Distribution,
- the merger of our UK Roofing and Roofline operations,
- the full integration of our Polish operations and
- a number of cross-divisional UK site cohabitation initiatives

In all these cases, the businesses have responded well to restructuring and their subsequent performance has been in line with expectations Further opportunities for organisational and operational fine-tuning were identified and implemented during the course of the year In addition to actions previously announced the latest programme of measures generated annualised cost savings of £10m of which £6m has been carried forward into 2011

The restructuring of the Interiors Manufacturing Division was considerably more challenging, with the move from twelve to six factories, which began at the end of 2009, coming against the backdrop of an ongoing steep deterioration in its non-residential markets

Whilst management's main focus in the year was on optimising revenue and gross margins and delivering cost savings and efficiencies in existing operations, the Group continued to allocate modest additional resources to core businesses where there were clear opportunities to extend market coverage on favourable commercial terms

The combined effect of our rationalisation and investment initiatives was a net reduction of five in the total number of the Group's trading locations to 748 at the end of December 2010 (2009 753), comprising

- 19 closures or mergers, of which 18 were in the UK and one in Hungary, and
- 14 new trading site openings, of which four were in the UK, six in France two in Benelux (including Air Trade Centre) and two in Poland and Central Europe

TRADING HIGHLIGHTS

UK AND IRELAND (48% OF TOTAL SALES)

- Total sales decreased by £38 9m (2 9%) to £1 281 2m (2009 £1,320 1m)
- In the UK, sales decreased by £29 1m (2 4%) H2 sales were down only 0 8%
- Underlying operating profit increased by £2 3m (6 0%) to £40 0m (2009 £37 7m)
- Underlying operating profit margin was 20 basis points higher at 3 1% (2009 2 9%)
- Operating loss increased by £6 3m to £67 9m (2009 operating loss of £61 6m)
- Four trading sites were added in the year organically with 18 closures taking the total at 31 December 2010 to 364 (31 December 2009 378)

Our newly formed UK National Sales team made excellent progress in building supply chain arrangements with major contractors, working closely with them on major projects and promoting the full range of SIG's products and services to win incremental business for the individual Divisions

Sales of the **UK distribution** business (i e excluding manufacturing and installation), were up 0 2% overall in the year and up 1 1% in H2 2010

In **Insulation** and related products in the UK and Ireland, sales for the full year, excluding our Energy Management business Miller Pattison were up 1 8%, on a gradually improving trend after the difficult start to the year

Sales in our Energy Management business whose main area of activity is retrofitting insulation in residential property decreased by 21% due entirely to power generating utilities holding back CERT funding until the Government's position on the future of the scheme was finalised The necessary legislation to extend the CERT scheme was eventually passed into law in July 2010, and although the rate of decline reduced in H2 2010, the resulting increased funding will only feed through into improved sales volumes during the course of 2011

The **Exteriors** Division is the most exposed of our businesses to the improving residential new build and RMI sectors and notwithstanding weather related disruption in both the first and last months of the year sales in the UK merchanting part of this business were ahead by 2 5% in the year, with growth rates reasonably consistent in H1 and H2 Within the Division's overall mix, demand for roofing and cladding products into the non-residential building sector was flat across the year

Unlike the Exteriors Division **Interiors** is weighted overwhelmingly towards non-residential construction and the sales reduction was attributable to the continuing decline in overall market activity A reduction in the rate of decline was experienced in H2, with sales down 5 6% in the period compared to a full year decline of 7 6%

Our UK interiors distribution business which benefited from a modest recovery in refurbishment activity in H2, saw a decline in sales of 3 1% whilst Interiors Manufacturing sales fell a further 17 2% compared to 2009

Turnover in **Specialist Construction Products** which supplies a wide range of specialist and niche products to building contractors, was down by 6 9% for the full year, but by only 2 8% in H2 Its performance improved during the year as a result of the divisional organisational and management changes implemented in the first quarter of 2010

In **Ireland**, which accounts for around 3% of Group turnover trading conditions remained difficult and local currency sales were down 8% However, against weak prior year comparatives constant currency sales moved into positive territory in each of the last four months of 2010

MAINLAND EUROPE (52% OF TOTAL SALES)

Mainland Europe sales breakdown

Germany and Austria	**41%**
France	**38%**
Poland and Central Europe	**11%**
Benelux*	**10%**

* Includes international air handling business (Headquartered in Holland)

- Total sales in Sterling reduced by £16 2m (1 2%) to £1 386 8m (2009 £1,403 0m)
- Sales in constant currency increased by 2 0%, in H2 constant currency sales were up 5 0%
- Underlying operating profit decreased by £7 7m (15 3%) to £42 5m (2009 £50 2m)
- Underlying operating profit margin fell 50 basis points to 3 1% (2009 3 6%)
- Operating profit reduced by £16 4m to £19 7m (2009 £36 1m)

2010 BUSINESS REVIEW CONTINUED

Our mix of market sectors means that we are later cycle than many of our peers, and against that backdrop our improving sales performance as we went through 2010 was encouraging.

TRADING HIGHLIGHTS CONTINUED
MAINLAND EUROPE (52% OF TOTAL SALES) CONTINUED

Following a difficult start to the year in which extreme weather on the continent severely reduced Q1 construction activity, trading improved in H2 across SIG's Mainland European businesses Whilst non-residential construction activity remained weak in all of SIG's countries of operation as in the UK those businesses most exposed to residential construction moved into positive territory in Q2 and continued to show progressive improvement throughout the year

Within SIG s Mainland European portfolio, France and Germany (79% of Mainland Europe sales) showed the best progress Since the summer the decline in volumes in the Poland and Central European region has also moderated and sales are now showing year-on-year growth

In contrast in Benelux where the economic recession took hold later than elsewhere in Europe trading remains difficult and sales have continued to decline

In **Germany and Austria** (41% of sales in Mainland Europe) total sales were 1 7% behind prior year in Sterling and up 2 1% in Euros Overall construction activity in the region in the Group s segments is estimated to have been down around 5% on 2009, although after several years of stagnation the residential distribution sector is expected to have grown by around 4% Whilst our German operations outperformed the market again in all segments, the development of the Roofing division was particularly encouraging with sales in Euros up 7 5% Sales in the insulation and interiors business in Euros were up 0 4%

The number of trading sites remained unchanged at 82

In **France** (38% of sales in Mainland Europe) total sales in Sterling grew 1 7% versus prior year, and by 5 6% in Euros Lanvière continued to strongly outperform the general French roofing market with sales in Euros versus prior year up by 8 1% in a residential construction market which grew an estimated 0 5% Incremental sales from trading sites opened in the previous four years, and from a further four trading sites opened in 2010, contributed significantly to the advance

The Group's French Insulation and Interiors operations traded exceptionally well in challenging conditions achieving 2 5% growth in sales in local currency in non-residential construction and industrial insulation markets which are estimated together to have fallen around 4% versus 2009 As was the case with Lanvière, these divisions benefited from organic sales growth from recently opened sites – in this case those opened in the previous three years – as well as from a further two sites opened in 2010

The number of trading sites increased by 6 to 181 at the end of December 2010

In **Poland and Central Europe** (11% of sales in Mainland Europe), total sales in Sterling fell by 0 9% and fell by 3 9% in constant currency

The larger core business in Poland where the Group has traded since 1996 and which accounted for 8 9% of sales in Mainland Europe in 2010 saw sales in local currency reduce by 4 2% against a market decline estimated at around 9% Trading conditions were extremely difficult in the first half with the severe winter conditions in Q1 being followed by flooding in Southern Poland in May and June H2 showed evidence of steady improvement, with sales in this period up by 6 5% compared to 2009

In Czech Republic, Slovakia and Hungary a combination of domestic political issues and adverse currency moves exacerbated the global macroeconomic pressures on the region severely reducing construction activity and leading to further price deflation Sales in local currency in this sub-region which represented 2 1% of Mainland European sales in 2010 were down 3% against prior year, though as elsewhere in Mainland Europe there were signs of modest improvement later in the year with H2 sales up 4% against very weak comparators

The number of trading sites increased by 1 to 93 at the end of December 2010

Sales in **Benelux** (6% of total sales in Mainland Europe) were down 7% in Euros against a market estimated to be around 11% lower The core business in Benelux is focused on Industrial Insulation and Interiors, and both of these Divisions continued to outperform their difficult respective markets

The number of trading sites increased by 1 to 15 at the end of December 2010

Sales in **Air Trade Centre**, the pan-European air conditioning and air handling business headquartered in Benelux, amounted to 4% of total sales in Mainland Europe This business provides SIG with a platform for growth in the energy management of buildings, with its target HVAC (Heating Ventilation and Air Conditioning) business being highly complementary to the Group s insulation energy saving and carbon reduction activities Sales in Euros in Air Trade Centre in 2010 were up 0 4%

The number of Air Trade Centre trading sites at 31 December 2010 increased by 1 to 13

Our new Middle East operation, SIG Emirates, began trading from an existing site in Q2 2010 and made good progress in establishing supply chain arrangements and winning business in its first year of operation

STRATEGY

With around one third of our business exposed to the gradually recovering residential construction segment our mix of market sectors means that we are later cycle than many of our peers, and against that backdrop our improving sales performance as we went through 2010 was encouraging

Of course macroeconomic uncertainties persist and management is alert to the possibility of a stalling in the gradual improvement in trading conditions which we have experienced in recent quarters We believe that recovery in our markets will be slow and uneven, but our view is that, across the Group s range of segments and countries of operation, overall demand in 2011 is likely to be stable if not mildly positive Although we estimate that UK construction levels will be at best flat compared with 2010, the outlook on the Continent is slightly more optimistic notably in Germany and France

On a sectoral basis, whilst we anticipate that non-residential construction activity will decline in all our regions, driven in large measure by reductions in Government capital budgets residential new build and RMI should continue to exhibit modest growth

Since the middle of 2008 we have made major changes to our cost base and operating structure, not only to adjust our resources to markets which are substantially lower than at 2007/08 peak levels and look likely to remain so for some time to come but also to enable us to enhance our commercial effectiveness and customer service levels Whilst we have now completed all the major restructuring work we will continue to fine-tune our operations as appropriate

Our focus on cash management will continue, and with a healthy balance sheet and the recent refinancing of our bank debt we are in a strong financial position

Notwithstanding the substantial cost cutting measures we have implemented, throughout the downturn we have continued to selectively invest in organic development initiatives in core markets, filling in gaps in our geographical coverage and creating a platform for future development as markets recover

During 2010 we completed extended trials of our "SIG Express" concept, with two trading sites offering a stripped down range of essential specialist products from across our UK divisions to new customers and in locations where there are gaps in our market coverage The trials have gone well and we intend to proceed with a roll out of this model, starting with a small number of new locations in 2011 We also have further plans to add to our branch network in Mainland Europe

We are focused on further extending our offering in the field of energy management of buildings through SIG Energy Management and as part of this strategy during 2010 we acquired a small stake in Ice Energy Technologies Limited, a designer and installer of heat pumps and solar PV systems This investment was made to secure access to essential expertise and new products at a point in time where demand for sustainable energy solutions is set to grow as a result of the new Solar feed-in tariff and the anticipated Renewable Heat Incentive

In summary we believe we have the right strategy a solid operational base and exceptional employees to take the Company forward

2010 BUSINESS REVIEW CONTINUED

On a constant currency basis, like for like sales fell by only 0.3%, despite the severe adverse winter weather conditions which hampered sales at the start and end of the year.

Gareth Davies Finance Director

FINANCIAL REVIEW

REVENUE

Sales fell by 2% overall or £55m to £2,668m (2009 £2,723m) On a constant currency basis, like for like sales fell by only 0 3% despite the severe adverse winter weather conditions which hampered sales at the start and end of the year Whilst trading conditions for the Group remained challenging in 2010, overall the end markets in which SIG operates began to stabilise as the second half of the year progressed with sales in H2 2010 being up 2 3% on a constant currency basis compared to the same period in 2009

MARGINS

Gross profit margin overall decreased slightly from 26 2% to 26 0%, which remains well below the Group s historical average (gross margin 2005–2008 average = 27 9%) Whilst gross margin pressures are expected to remain in 2011, an improvement of gross margin remains of key importance to the Group As the Group's markets continue to stabilise and ultimately recover the Group's long term aim is to improve gross margins back towards those achieved historically

Underlying operating costs as a percentage of sales reduced slightly from 23 2% to 23 1% as the Group benefited from the comprehensive range of cost reduction programmes implemented since mid-2008 This benefit however was largely offset by inflationary cost pressures

As detailed in the Key Performance Indicators section the Group's current operating profit margin at 2 9% is well below that historically achieved Given the operational gearing impact of the business where the majority of operating costs are fixed, it is envisaged that the Group's operating margins will improve once the Group begins to experience continued sales growth

OPERATING PROFIT

Underlying operating profit decreased by £4 8m or 6% to £76 1m, representing the continued difficult trading conditions faced by the Group and the subsequent sales and gross margin decline noted previously The Group recorded an operating loss of £54 6m (2009 operating loss of £32 5m) reflecting a number of "Other items" that are described on page 21

FINANCE COSTS

Net finance costs before gains and losses on derivative financial instruments and financing items relating to our defined benefit pension schemes (i e net borrowing costs) reduced by £5 9m to £13 1m in 2010

Net borrowing costs benefited from the significant reduction in net debt in the period, which reduced from £254 5m at 31 December 2009 to £185 0m at 31 December 2010 Details of the reduction in net debt of £69 5m in the year are provided in the "Cash Flow and Financial Position" section on page 23

In addition, the continued low interest rate (UK and Euro base rates are currently 0 5% and 1 0% respectively) continued to have a beneficial impact on the Group s interest charge in 2010 Further details of SIG s interest rate policies are provided in the Interest Rate Risk section on page 29 Net finance costs relating to our defined benefit pension schemes amounted to £0 5m in 2010 (2009 net finance costs of £1 3m) Further details are provided in Note 28c to the Accounts on pages 107 to 109

Finance costs included in the "Other items column of the Consolidated Income Statement amounted to £12 6m (2009 £3 9m) as outlined below

Following the Group s equity issuance in H1 2009 and the subsequent reduction in the Group s level of net debt, SIG cancelled certain interest rate derivative contracts at a cash cost of £32 2m This termination payment did not increase the Group s overall level of debt as this payment cancelled the mark-to-market liability already included in the Group's Consolidated Balance Sheet The associated amounts recorded in reserves are being amortised through the Consolidated Income Statement over the life of the associated debt to 2018 in line with relevant accounting standards However, upon repayment of certain debt facilities in 2010, the amortisation was accelerated and as a result, the amortisation included within the "Other items" column amounted to £12 6m (2009 £3 9m) The remaining balance recorded in reserves in relation to the settlement of interest rate derivative contracts, which is to be amortised in the Consolidated Income Statement over a period of 7 5 years, is £15 7m (2009 28 3m)

In 2009, a £1 4m finance income credit was also included within the "Other items" column of the Consolidated Income Statement to account for hedge ineffectiveness arising from the Group s hedging structures The Group took actions in late 2009 to ensure that no hedge ineffectiveness would arise on these structures going forward and as a result, no hedge ineffectiveness has been recognised in 2010

PROFIT BEFORE TAX

Underlying profit before tax increased by 3 1% or £1 9m to £62 5m (2009 £60 6m) Loss before tax increased by £25 5m to £80 8m (2009 loss before tax of £55 3m)

FINANCIAL REVIEW CONTINUED

OTHER ITEMS

Amounts included in the "Other items" column of the Consolidated Income Statement which in total amounted to £143 3m (2009 £115 9m) before tax are as follows

- amortisation of acquired intangibles – £28 5m (2009 £28 6m) The Accounting Policies section on page 75 and Note 13 to the Accounts on page 93 provide details of what is included within intangible assets and over what periods the assets are amortised,
- impairment charges of £80 4m (2009 £30 0m) Following the decline of construction activity in the Group's Interiors Manufacturing, Central European, UK Access Hire, UK Fixings and Irish businesses when reviewing the carrying value of Goodwill and Intangibles associated with these business units, the Board has concluded that in light of the anticipated medium term view of profitability that these assets are impaired These are considered in greater detail in the goodwill impairment section below and in Note 12 to the Accounts on pages 91 and 92,
- restructuring costs of £21 8m (2009 £54 8m) The Group has taken a number of actions to reduce operating costs in the year These one-off actions have resulted in redundancy costs of £4 4m, property closure costs of £10 0m, asset write down costs of £3 8m and other items of £3 6m and
- net finance costs of £12 6m (2009 £2 5m) The Finance Costs section on page 20 explains these items

FOREIGN CURRENCY TRANSLATION

Overseas earnings streams are translated at the average rate of exchange for the year whilst balance sheets are translated using closing rates The table below sets out the principal exchange rates used

	Average rate		Closing rate	
	2010	2009	**2010**	2009
Euro	**1 17**	1 12	**1 16**	1 12
Polish Zloty	**4 67**	4 89	**4 63**	4 62
Czech Koruna	**29 52**	29 86	**29 28**	29 72
Hungarian Forint	**323 01**	316 43	**324 85**	304 15

Fluctuations in exchange rates have and will continue to give rise to translation differences on overseas earnings streams when translated into Sterling Sterling appreciated against the Euro during 2010 on both an average and year end basis

As a result, the movement in average exchange rates compared to 2009 had an effect on total overseas earnings streams Total sales decreased by £46 9m and underlying operating profit decreased by £1 7m due to foreign exchange rate movements Conversely, the Group s reported net debt position benefited by £5 6m due to the strengthening of Sterling in the period Further details of SIG s foreign exchange policies are detailed in the "Foreign currency risk" section on pages 29 and 30

TAXATION

The income tax charge on underlying profits amounts to £19 7m (2009 £18 0m) which represents an underlying effective rate of 31 5% (2009 29 7%) The Group's underlying effective tax charge increased by 1 8% in 2010 driven principally by the increased proportion of Group profits attributable to the Group's Mainland European countries of operation which on average have higher corporation tax rates than the UK As anticipated, cash tax payments amounted to £13 4m, £6 3m below the £19 7m income tax charge on underlying profits primarily as a result of the restructuring costs incurred in the year included within "Other items" and the utilisation of the Group's brought forward tax losses also recorded within "Other items" which reduced UK taxable profits

In 2011 the Group's underlying tax rate will depend on the mix of Group profits from different jurisdictions although it is anticipated that the Group's underlying tax rate in 2011 will continue to be above 30% The Group will seek to utilise brought forward tax losses arising principally from 2008 foreign exchange rate losses in order to reduce UK taxable profits in 2011 and beyond

The effective income tax credit on the total loss before tax of £80 8m is 5 0% (2009 credit of 18 4%) These movements are a result of amounts included as "Other items" in the year In both 2010 and 2009 tax relief was not obtained in respect of the goodwill impairment charge and certain restructuring costs

RESHAPED FOR THE FUTURE
EFFICIENT OPERATING STRUCTURE

Against a backdrop of much reduced construction activity in mid-2008 the Group instigated a comprehensive range of measures aimed at reducing the Group's operating cost base and realising commercial and operating efficiencies, whilst at the same time maintaining customer service and defending market position

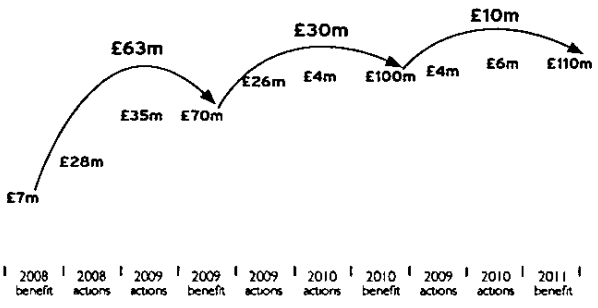
Since the inception of the restructuring and cost saving programme in 2008 to 31 December 2010 the Group has delivered total annualised cost savings amounting to £110m Details of the restructuring and cost saving programme are as follows

	Branch closures	Headcount reduction	Exceptional costs £m	Annualised savings £m
UK and Ireland	149	2 727	90	98
Mainland Europe	22	437	9	12
Group	171	3 164	99	110

As can be seen from the above table, although cost savings were achieved in each country of operation given the scale of the market decline and the density of market coverage, the impact of such measures was biased towards the UK and Ireland

Notwithstanding continuing inflationary cost pressures, these carefully designed operating cost saving measures will stand the Group in good stead to benefit from the recovery in each of SIG s markets

Incremental net savings benefit by period



GOODWILL IMPAIRMENT

The Group has recognised an impairment charge of £80 4m in 2010 This is allocated as follows

Cash-generating unit	Goodwill £m	Intangible assets £m	Total £m
UK Interiors Manufacturing	24 6	17 9	42 5
Central Europe	12 0	–	12 0
UK SCP – Access Hire	7 5	5 1	12 6
Ireland	7 1	5 5	12 6
UK Distribution (Cornish Fixings)	0 6	0 1	0 7
Total	**51 8**	**28 6**	**80 4**

Further information on the impairment charges noted above is disclosed in Note 12 to the Accounts on pages 91 and 92

2010 BUSINESS REVIEW CONTINUED

The continued focus on working capital management in 2010 resulted in a further reduction in the overall level of working capital in the Group.

FINANCIAL REVIEW CONTINUED

EARNINGS PER SHARE ("EPS")

Underlying basic EPS amounted to 7 2p (2009 9 0p) which represents a decrease of 1 8p Basic EPS amounted to a loss per share of 13 0p (2009 loss per share of 9 7p) which takes into account amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments The weighted average number of shares in issue in the period rose by 121 4m to 590 8m (2009 469 4m) This increase in the average weighted number of shares was primarily due to the annualised impact of the placing and open offer and firm placing of 455 047 973 ordinary shares approved by Shareholders on 9 April 2009

ACQUISITIONS

Whilst acquisitions remain a key component of SIG's long term growth strategy as a result of the global financial crisis and difficult trading conditions in the majority of its markets, SIG temporarily ceased its acquisition programme in September 2008 The acquisition programme has remained on hold since that date and as a result, no acquisitions have been completed this year The Board will be very careful in its consideration regarding the most appropriate time to recommence its acquisition programme

In respect of prior period acquisitions £0 9m was paid in 2010 relating to deferred/ contingent consideration payments and also the purchase of a small non-controlling interest shareholding

INVESTMENT IN ASSOCIATE

On 4 May 2010 the Company made a strategic trade investment in Ice Energy Technologies Limited (a specialist designer and installer of heat pumps and Solar PV systems) by acquiring a 25% stake in the business for a consideration of £1 6m (including £0 1m of associated costs)

SHAREHOLDERS' FUNDS

Shareholders funds reduced by £80 1m to £749 5m (2009 £829 6m) The decrease comprised the following elements

	£m
Loss after tax attributable to equity holders of the Company	77 1
Exchange differences on assets and liabilities after tax	13 3
Movements attributable to share options	(0 3)
Actuarial loss on pension schemes (net of deferred tax)	1 3
Effect of change in tax rate	0 2
Gains and losses on cash flow hedges	(19 4)
Purchase of non-controlling interest and recognition of put options regarding non-controlling interests	7 9
Decrease in Shareholders funds	80 1

PENSION SCHEMES

In total the Group operates five defined benefit pension schemes the largest defined benefit pension scheme is a funded scheme held in the UK The remaining four defined benefit pension schemes are unfunded book reserve schemes held in the Group s Mainland European businesses Together the UK defined benefit scheme and the four book reserved schemes are referred to as "defined benefit pension schemes"

In addition to the defined benefit pension schemes the Group also operates a number of defined contribution pension schemes

SIG contributed £2 8m (2009 £2 4m) into its five (2009 five) defined benefit pension schemes during the year The total charge in respect of defined benefit pension schemes to the Consolidated Income Statement was £2 4m (2009 £2 9m) of this total £1 9m (2009 £1 6m) was charged to operating expenses and £0 5m was charged to net finance costs (2009 £1 3m)

The overall gross defined benefit pension schemes' liability increased during the year by £1 2m to £25 2m This can be broken down as follows

	Increase/ (decrease) in pension scheme liability £m
Actual return less expected return on assets	(5 4)
Change in financial assumptions in all schemes*	7 2
Profit and loss charge above cash contributions to the schemes	(0 4)
Exchange gain	(0 2)
Increase in pension scheme liability	1 2

* There have been a number of changes in financial assumptions in 2010 the key items being a decrease in the discount rate used to value the pension scheme liabilities from 5 7% to 5 4% and changes in the assumptions relating to the settlement of liabilities

The Group continues to monitor the life expectancy assumptions used to value its pension scheme liabilities For the UK defined benefit pension scheme the life expectancy for a male employee beyond the normal retirement age of 60 is 28 5 years (2009 28 5 years), which is considered appropriate for a scheme of this nature

The cost of the Group's defined contribution pension schemes increased by 12% (£0 5m) to £4 8m Details of the pension schemes operated by SIG are set out in Note 28c to the Accounts on pages 107 to 109

FINANCIAL REVIEW CONTINUED

CASH FLOW AND FINANCIAL POSITION

The Group has continued to reduce its level of net debt through strong cash generation during the year The following table explains the movement in SIG's net debt

	2010 £m	2009 £m
Cash flow from operating activities	**98 8**	174 1
Interest and tax	**(26 9)**	(37 9)
Maintenance capital expenditure*	**(12 0)**	(9 5)
Free cash flow available for investment	**59 9**	126 7
Acquisition investment (including loan notes issued to vendors)	**(2 5)**	(3 9)
Dividends to non-controlling interests	**(0 4)**	(0 2)
Proceeds from issue of share capital	**–**	325 0
Foreign exchange gains	**5 6**	19 5
Other items (including fair value movements)	**6 9**	(24 5)
Movement in net debt	**69 5**	442 6
Opening net debt	**(254 5)**	(697 1)
Closing net debt	**(185 0)**	(254 5)

* Where capital expenditure is equal to or less than depreciation all such capital expenditure is assumed to be maintenance capital expenditure. To the extent that capital expenditure exceeds depreciation the balance is considered investment capital expenditure. No investment capital expenditure was incurred in 2010 or 2009 Capital expenditure shown above includes finance leases drawn down in each year

Key points to note are

- included within "Cash flow from operating activities" is a reduction in working capital of £5 5m (2009 £103 3m) which relates to a reduction in trade receivables and an increase in trade creditors partially offset by an increase in stock,
- included within "Cash flow from operating activities" is a cash outflow representing the cash costs associated with the Group's cost saving and restructuring programme amounting to £19 3m (2009 £27 1m),
- as trading conditions continued to remain challenging the level of investment in new vehicles and new trading sites has remained relatively low in the year Net capital expenditure amounted to £12 0m in 2010 (2009 £9 5m) For the year as a whole the net capital expenditure to depreciation ratio amounted to 0 33 times (2009 0 24 times) Where possible the Group has redeployed certain assets from trading sites which have been closed as a result of the Group's cost saving and restructuring programme and
- as a result of the strengthening of Sterling versus SIG's foreign currencies during 2010 the Group s reported Sterling debt position benefited from an exchange gain of £5 6m (2009 £19 5m) during the year The principal currency to which the Group has exposure is the Euro and this moved from €1 12 at the start of the year to €1 16 at the end of the year In addition to these foreign exchange rate gains, Group net debt also benefited by fair value movements primarily associated with the Group s private placement derivative financial instruments of £6 9m (2009 loss of £24 5m)

The Group s cash flow from operating activities amounted to £98 8m (2009 £174 1m) This represents a trading cash conversion ratio of 130% (2009 215%) which is above the Group's stated long term average target of 100% Trading cash conversion is defined as cash flow from operating activities divided by underlying operating profit and is a key measure that will continue to be a matter of high focus in 2011

The key working capital ratios underlying the trading cash conversion are set out below on a like for like constant currency basis

	2010	2009
Inventory days	**41**	40
Trade receivable days	**43**	44
Trade payable days	**36**	36

The continued focus on working capital management in 2010 resulted in a further reduction in the overall level of working capital in the Group

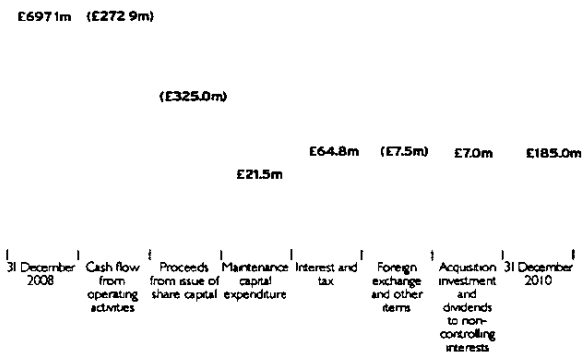
RESHAPED FOR THE FUTURE
REDUCED NET DEBT

Over the last two years, the Group has been resolutely focused on working capital management and the reduction of net debt At 31 December 2010, net debt at £185 0m is £512 1m lower than the £697 1m reported at 31 December 2008 This reduction in net debt has been facilitated as follows

- focus on cash management has generated £272 9m from operating activities since 1 January 2009 to 31 December 2010 through significant working capital reductions Working capital has reduced by £108 8m during this two year period,
- deferral of all non-essential capital expenditure
- reduced interest and taxation payments,
- in April 2009 the Group raised £325m via a placing and open offer and firm placing of new shares and
- exchange differences and positive fair value movements have reduced debt by £7 5m in the two years ended 31 December 2010

The significantly strengthened financial position of the Group achieved through the reduction in net debt ensures that the Group has the financial stability to support the Group s growth plans in the medium and longer term

Net debt reduction from 1 January 2009 to 31 December 2010



The Group s bad debt charge (being both bad debts written off and the movement in the allowance for bad debt) amounted to 0 6% of sales (2009 0 8% of sales)

The reduction in the Group's bad debt charge as a percentage of sales in difficult trading conditions is testament to the Group s strong credit control procedures Despite this encouraging performance the Group is very mindful of the risk of bad debts increasing as the economies in which it operates continue to remain weak, construction activity remains subdued and that the Group s customer base is at risk of having credit withdrawn by banks The Group's credit control policies and procedures are regularly reviewed and a number of the Group's businesses have credit insurance to protect them from bad debts rising above prescribed aggregate loss levels

2010 BUSINESS REVIEW CONTINUED

The Group has signed a new £250m four year revolving credit facility in Q1 2011, which replaces the Group's existing UK bank debt facilities.

FINANCIAL REVIEW CONTINUED

DEBT COVENANTS AT 31 DECEMBER 2010

The Company's debt facilities in place at 31 December 2010 contained a number of covenants to which the Group must adhere to The Group's debt covenants are tested at 30 June and 31 December each year with the main covenants being leverage and interest cover

The leverage covenant is a requirement to maintain a ratio of net debt to annualised EBITDA of less than 3 5 times Annualised EBITDA is defined as operating profit before amortisation of acquired intangibles, impairment charges, depreciation and restructuring costs, plus interest receivable and adjusted if applicable to annualise the EBITDA of acquisitions made during the previous twelve months

The interest cover covenant is a requirement to maintain a ratio of the previous twelve months' underlying operating profit to underlying net finance costs (excluding pension scheme finance income and costs) of greater than 3 0 times

The actual ratio for each of the debt covenants is set out below

Leverage covenant	**Year ended 31 December 2010**	Year ended 31 December 2009
Annualised EBITDA	**£114 2m**	£127 1m
Closing net debt	**£185 0m**	£254 5m
Leverage ratio	**1 6x**	2 0x

Interest cover covenant	**Year ended 31 December 2010**	Year ended 31 December 2009
Underlying operating profit	**£76 1m**	£80 9m
Underlying net finance costs*	**£13 1m**	£19 0m
Interest cover ratio	**5 8x**	4 3x

* Excluding pension scheme finance income and costs

As can be seen in the table opposite the Company is in compliance with its financial covenants in all respects and has not requested or gained any waivers thereof

As set out on page 29, subsequent to the balance sheet date the Group has signed a new £250m four year revolving credit facility in Q1 2011 which replaces the Group's existing UK bank debt facilities As a result of this successful refinancing, the Group's ongoing debt covenant requirements differ slightly to those in place at 31 December 2010 The Group s refinanced debt facilities and new covenants are detailed further on pages 29 and 30

CAPITAL STRUCTURE

The Group manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance The capital structure of the Group consists of debt which includes the borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the Parent Company, comprising issued capital, reserves and retained earnings as detailed in the Consolidated Statement of Changes in Equity on page 73

The main measure used to assess the appropriateness of the Group s capital structure is its net debt to EBITDA ratio (i e leverage), thus ensuring that the Group s capital structure is aligned to the Group's debt covenants The Group's long term target is to manage its leverage within the range of 1 0x–1 5x The Group's leverage position has reduced from 2 0x at 31 December 2009 to 1 6x at 31 December 2010 The Group aims to continue to reduce leverage in the immediate short term in line with its long term target range

OUTLOOK

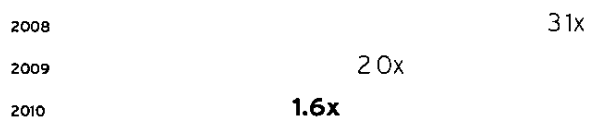
The Directors' view of the outlook and prospects for the Group are set out in the Chairman s Statement on page 5

Interest cover

5.8x

Leverage

1.6x



RESOURCES

The Group is able to draw upon a number of key resources which allow SIG to take a leading position in most of the specialist markets in which it trades These include the following

Employees

The commitment, drive and enthusiasm of all SIG's employees is key to the success of SIG meeting the demands of its customers, suppliers and Shareholders Throughout SIG regardless of country or sector, we believe our people are recognised as the best in their particular field SIG's policy and strategy towards its employees is detailed further in the Corporate Responsibility Report on page 47 Staff turnover is monitored monthly personal performance is managed on an ongoing basis and a formal appraisal programme is in place Training, coaching and the opportunity for personal career advancement within the Company are important features of how SIG seeks to recruit, retain and develop skilled staff

Trading sites

SIG has an extensive network of trading sites as demonstrated in the table on page 13 These are an important resource and an important feature of the SIG business model in each country of operation, as they enable the local market surrounding each trading site to be serviced on an immediate availability basis As a result of the Group's cost saving and restructuring programme, a further 19 trading sites have been closed in 2010 (171 since mid 2008) As part of the consultation process when identifying trading sites for closure particular attention has been focused on ensuring that the closure of these trading sites has not affected the Group's service offering to its customers However, despite the downturn and the closure of a number of branches the Group has also opened 75 new branches since 1 January 2008 representing the continued investment the Group has made in its trading site network

For customers conducting work on a regional or national basis in each country SIG can provide a full national service using locally held inventory thus avoiding the time and cost penalties of shipping products over large distances

Competitive position

SIG aims to occupy leading positions as a specialist supplier in each of its main markets of insulation and building environments, exteriors, interiors and specialist construction products A position of market leadership has been achieved in a number of specific markets Operations in the other countries and market sectors are continuing to develop their position SIG continually seeks to improve customer service, believing customer service plays a crucial role in maintaining a competitive advantage

Brand strength

SIG operates under a wide range of trading names in the respective markets and countries in which it has trading sites

Many of these brands including the original company name Sheffield Insulations, are widely recognised throughout their respective market sectors or countries as the leading supplier, offering focused products and strong customer service

SIG believes that the strength and market awareness of its brands are important assets

Inventory

Immediate availability of a wide range of specialist materials is vital to the customers served by SIG

Materials are often required within hours on an emergency basis For example, when a roof leaks and immediate repairs are necessary to prevent damage to the building and its contents or in a chemical processing plant where a pipeline becomes dangerously overheated due to a breakdown of the insulation In both of these examples, customers have an unplanned emergency need for specific and specialist products in order to prevent substantial damage and costs

A fundamental feature of SIG's position in the supply chain is having a wide range of these products in depth in strategically located trading sites to ensure customer requirements can be met

Fleet delivery capability

SIG uses a mix of own delivery vehicles and external hire to deliver goods to customers This enables availability and service to customers to be maximised whilst ensuring that the cost base is flexible to cope with periods of higher or lower daily demand

The direct ownership of a large proportion of the fleet and the management of this resource on a local basis is an important feature of the speed, flexibility and responsiveness that SIG offers to customers

2010 BUSINESS REVIEW CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is the identification and evaluation of risks and is the responsibility of the Group Board The field of risk management is constantly evolving within SIG, and during 2010 a comprehensive review of the Group s risk management processes was undertaken to ensure that the ongoing process is robust and emerging risks are identified assessed and managed effectively The review process involved the consideration of the objectives and targets of the strategic business plan the development of a risk universe, and the identification of key strategic risks These risks are then continually evaluated using a consistent measurement criteria mitigating controls identified and opportunities for the enhancement of the Group's control environment implemented

Further information on our risk management procedures is included in the Corporate Governance section on pages 57 and 58

There are a number of potential risks and uncertainties which could have a material impact on SIG s long term performance The key risks and uncertainties identified as part of the Group's risk management process are as follows

Principal Risks	Nature of Risk	Key Controls and Mitigation Strategies
LEVEL OF MARKET DEMAND IN SIG'S OPERATING MARKETS	Approximately 90% of SIG's sales are made to the building, construction and civil engineering industries These industries are driven by both private and Government expenditure SIG is exposed to changes in the level of activity and therefore demand from these industries Government policy and expenditure plans, private investor decisions the general economic climate and both business and (to a lesser extent) consumer confidence are all factors which can influence the level of building activity and therefore the demand for many of SIG s products	The Group continually reviews all available indicators of market activity including market data, economic forecasts, surveys and also has regular communication with key suppliers and customers to ensure that any fall in market demand is anticipated as early as possible Early identification of reducing market demand ensures that the Group is able to act swiftly to changing market conditions The Group operates in a number of different countries and market sectors This differentiation provides an element of protection against reduced market activity in any individual country or sector The Group Board's portfolio review ensures that the Group's capital is appropriately allocated to the geographies and markets which remain core to the Group and which have strong long term growth prospects
COMPETITORS AND MARGIN MANAGEMENT	SIG has a mix of both direct specialist competition and some overlap with more general suppliers (such as general builders merchants) in all its markets and countries of operation Challenging trading conditions further increase competition which in turn increases margin pressures faced by the Group	The majority of products that are sold by SIG are relatively bulky and inexpensive in relation to their mass and the cost of transport This means that the risk faced by SIG of price disruption and possible cross border or international trading having a detrimental impact on prices in any particular country is low Similarly, the risk posed by internet-based trading dependent upon parcel-carrier service is mitigated by the bulky nature of most of the products sold by SIG and the fact that specialist handling and delivery services are an important feature of the service provided by SIG to many customers The Group operates in a number of different countries and market sectors and has a strong trading presence in the majority of these markets This strong market position and balanced portfolio provides an element of protection against increased competition in any individual country or sector Notwithstanding the above, the Group has a number of initiatives designed to improve the Group's core competencies surrounding customer service, including enhanced sales support and training Operating profit margin is considered a key performance indicator by the Group (see page 14) In order to improve operating profit margin the Group must reduce its operating costs as a percentage of sales and/or improve gross margins The Group has a number of ongoing pricing and purchasing initiatives designed to improve gross margin on an ongoing basis
COMMERCIAL RELATIONSHIPS	Failure to negotiate competitive terms of business with our suppliers or failure to satisfy the needs of our customers could harm the Group's business Customer or supplier consolidation and/or manufacturers dealing directly with customers	It is a key task for the operational management in each country and business unit to maintain and develop their relationships with customers and suppliers In particular the following key tasks are undertaken **Suppliers:** Long term key supplier harmonisation and national account strategy planning The Group purchases its products from a number of suppliers thereby ensuring it is not overly reliant upon any one supplier In addition, each business performs alternative key suppliers scenario planning should product not be available from any one individual supplier Strategically important suppliers are reviewed globally to assess their financial health to ensure that any disruption to product supply is minimised **Customers** Long term key customer harmonisation and national account strategy planning Customer behaviour and performance is continually monitored and analysed

Principal Risks	Nature of Risk	Key Controls and Mitigation Strategies
GOVERNMENT LEGISLATION	SIG operates in a number of countries across Europe, each with its own laws and regulations, encompassing environmental, legal, health and safety employment and tax matters Changes in these laws and regulations could impact on SIG's ability to conduct its business, or make such conduct of business more costly	The Group has continued to add to its resources dedicated to legal and regulatory compliance in order to further enhance its capability to identify and manage the risk of compliance failure Policies, procedure and associated training schemes are in place, which are constantly reviewed with reference to changing legislation requirements The Group has a number of affiliations with regulatory bodies and trade associations
DEBT	Group net debt at 31 December 2010 amounted to £185m The Group has to manage the following risks relating to its net debt (1) Future availability of funding (2) Interest rate risk (3) Foreign currency risk (4) Compliance with debt covenants	The Group has a comprehensive treasury policy which covers the Group's management of treasury risk Further details of the Group's policies and mitigation of treasury risk can be found in the "Treasury Risk" section on pages 28 to 30
WORKING CAPITAL/ CASH MANAGEMENT	Failure to effectively manage working capital may lead to a significant increase in the Group s net debt, thereby reducing the Group's funding headroom and liquidity	Cash flow targets are agreed with each business unit as part of the annual budget process All targets are reviewed to plan on a monthly basis The Group has well established and stringent authorisation procedures which control all capital expenditure and working capital requirements
IT INFRASTRUCTURE AND RESILIENCE	SIG uses a range of computer systems to provide order processing, inventory control and financial management within each country Outages and interruptions could affect SIG's ability to conduct day-to-day operations Any lengthy failure or disruption to the IT system in any business unit or country would result in loss of sales and delays to cash flow	Each operating business unit has a documented IT strategy with fully tested IT Disaster Recovery Plans in place for all major data centres The Group employs dedicated internal IT support teams together with external support service providers to monitor the IT systems Technology, infrastructure, communications and application systems are regularly updated The Group has advanced hardware/software security in place to ensure protection of commercial and sensitive data For new IT projects, external consultants are utilised in conjunction with internal project management teams New national IT platforms were put in place in Germany and Benelux in 2010 The final selection phase for a new fully-integrated IT platform for our UK Distribution businesses is currently ongoing
AVAILABILITY OF KEY RESOURCES	Unavailability of key resources (i e assets such as property stock and personnel) will impact on the ability of SIG to operate effectively and efficiently Failure to retain key individuals or the failure to attract and retain strong management and technical staff in the future, could have an adverse effect upon the Group s business	The Group has a series of review processes in place (including annual strategic reviews budget reviews and rolling forecast reviews) which ensure that all key resource requirements are identified and managed accordingly In respect of transportation costs (fuel), the Group continually monitors fuel price and availability, although no hedging is currently performed In respect of key personnel, senior management succession planning is performed with a regular review of current and future management requirements The Group also performs regional talent management programmes and management development initiatives which are reviewed regularly by the Group Board

2010 BUSINESS REVIEW CONTINUED

The reduction in Group net debt since 1 January 2009, driven largely by cash generation from trading activities and the raising of £325m in April 2009 via a placing and open offer and firm placing, significantly strengthens the financial position of the Group.

TREASURY RISK MANAGEMENT

TREASURY RISK – INTRODUCTION

SIG enters into derivative financial instruments (principally foreign currency and interest rate swaps) to hedge certain currency risks arising from SIG's operations and to hedge interest expenses arising from SIG's sources of finance. SIG's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items such as trade receivables and trade payables that arise directly from its operations.

SIG's Finance and Treasury Policies set out the Company's approach to managing treasury risk. These policies are approved by the Board on a regular basis. It is Company policy that no trading in financial instruments or speculative transactions be undertaken. To minimise the credit risk associated with derivative financial instruments, SIG only enters into derivative financial instruments with its principal UK banks.

SIG finances its operations through a mixture of retained profits, Shareholders' equity, bank, private placement and other borrowings. SIG uses derivative financial instruments to change the Group's currency and interest rate profile, so managing SIG's exposure to exchange rate and interest rate fluctuations. A small proportion of SIG's assets are funded using fixed rate finance lease contracts.

The Group's financial liabilities (including derivative financial assets but excluding trade receivables and payables) at 31 December 2010 of £314.5m (2009: £473.9m) is made up of the following categories:

	2010 £m	2009 £m
Finance lease contracts	**7.2**	9.4
Bank overdrafts	**2.5**	2.5
Bank loans	**31.5**	185.6
Private placement notes	**312.7**	299.2
Loan notes	**–**	0.1
Derivative financial instruments	**12.6**	15.7
Total	**366.5**	512.5
Derivative financial instruments (assets)	**(52.0)**	(38.6)
Net total	**314.5**	473.9

The Group's gross financial liabilities as detailed above can be further analysed as follows:

	2010 £m	2010 %	2009 £m	2009 %
Financial liabilities with a maturity profile of greater than 5 years	**134.5**	**43%**	141.3	30%
Financial liabilities held on an unsecured basis	**304.2**	**97%**	460.2	97%

In addition to the Group's gross financial liabilities (including derivative financial assets) of £314.5m (2009: £473.9m), the Group also had £129.5m (2009: £219.4m) of positive cash held on deposit, bringing the net financial indebtedness (net debt) of the Group to £185.0m (2009: £254.5m). The Group's net debt of £185.0m (2009: £254.5m) can be analysed as follows:

	2010 £m	2010 %	2009 £m	2009 %
Financial liabilities denominated in foreign currencies held partially to hedge the assets of our overseas businesses	**82.6**	**45%**	147.0	58%
Financial liabilities at fixed rates of interest	**165.9**	**90%**	151.2	59%

Details of derivative financial instruments are shown in Note 18 to the Accounts on pages 96 to 99.

Treasury risk management incorporates liquidity risk, interest rate risk, foreign currency risk and debt covenants. These specific risks and the Group's management of them, are detailed below.

LIQUIDITY RISK AND FINANCIAL FACILITIES

Liquidity risk is the risk that SIG is unable to meet its financial obligations as they fall due. In the longer term, a substantial reduction in operating performance and cash generation may result in the Group being unable to service its debt, which would have a material adverse effect on the Group's business.

In order to mitigate the risk of not being able to meet its financial obligations, SIG seeks a balance between certainty of funding and a flexible, cost-effective borrowing structure, using a mixture of sources of funding in order to reduce the risk of being over reliant upon any one provider. The key sources of finance are private placement note providers, being mainly US-based pension funds and principal bank debt. The last private placement transaction completed on 1 November 2006 which increased the certainty of the Group's debt funding, providing a committed 7, 10 and 12 year facility.

There is a risk that funding will not be made available to the Group or that the cost of accessing and servicing the funding may be prohibitive. The reduction in Group net debt since 1 January 2009, driven largely by cash generation from trading activities and the raising of £325m in April 2009 via a placing and open offer and firm placing, significantly strengthens the financial position of the Group.

In 2011 the Group has debt repayment obligations amounting to £78m. In order to meet this debt repayment obligation, at 31 December 2010 the Group had long term (2013) undrawn debt facilities of £75m and cash held on deposit of £129.5m, thereby creating a funding surplus at 31 December 2010 of £126.5m.

TREASURY RISK MANAGEMENT CONTINUED
LIQUIDITY RISK AND FINANCIAL FACILITIES CONTINUED

In order to secure longevity and certainty of funding and to support the Group's medium term strategic plans the Group has made the strategic decision to refinance its bank debt facilities

The year end maturity profile and value of undrawn committed borrowing facilities are set out in Note 19 to the Accounts on pages 99 to 101

INTEREST RATE RISK

The Company's interest costs in respect of its borrowings will increase in the event of rising interest rates To reduce this risk the Company has a policy of aiming to fix between 60% and 85% of its net debt by entering into appropriate derivative financial instruments As the Group s net debt has reduced, the percentage level of net debt at fixed rates of interest has increased In addition the Group has entered into an interest rate derivative contract in 2010 which fixes a further £20m of debt at 1 385% (excluding borrowing margin)

At 31 December 2010, 90% (31 December 2009 59%) of the Group's net debt is at fixed rates of interest Whilst the level of fixed rate debt at 90% is above the Group's stated policy range this has arisen as the Group has looked to benefit from the current low interest rate environment to minimise the Group's interest charge but also reduce the Group's exposure to future interest rate increases In addition, the Group has taken advantage of the current low interest rate environment by entering into three forward starting interest rate derivative financial instruments which fix the interest rate on £50m of floating rate debt starting August 2011 These interest rate fixes will effectively replace the fixed rate private placement notes which mature in August 2011, thereby maintaining the level of fixed rate debt in the Group at that date The blended rate achieved on these three interest rate derivative contracts was 2 75% (excluding borrowing margin) which compares favourably to the rate on the private placement notes which mature in August 2011 where the rate is 7 2% Given that 90% of the Group's net debt is subject to fixed rates of interest, the Group's exposure to future interest rate increases is reduced

FOREIGN CURRENCY RISK

SIG has a number of overseas businesses whose revenues and costs are denominated in the currencies of the countries in which the operations are located 55% of SIG's 2010 (55% in 2009) revenues were in foreign currencies being primarily Euros, Polish Zloty Czech Koruna and Hungarian Forint The vast majority of SIG's sales and purchases are not cross-border When cross-border transactions occur it is SIG's policy to eliminate currency exposure at that time through forward currency contracts, if the exposure is considered to be material

RESHAPED FOR THE **FUTURE**
REFINANCED DEBT FACILITY

In 2011 the Group has debt repayment obligations amounting to £78m In order to meet this debt repayment obligation, at 31 December 2010 the Group had long term (maturing in 2013) undrawn debt facilities of £75m and also cash held on deposit of £129 5m At 31 December 2010 the Group therefore had a funding surplus of £126 5m

Despite this funding surplus, in order to secure longevity and certainty of funding and to support the Group's strategic plans the Group decided to refinance its bank debt facilities As a result on 14 March 2011, the Group signed a new £250m four year revolving credit facility on favourable terms with Royal Bank of Scotland ("RBS") Lloyds Banking Group ("Lloyds"), Barclays Bank ("Barclays") and HSBC acting as joint mandated lead arrangers Upon successfully completing the new £250m bank facility the Group s existing UK bank facilities were immediately cancelled and any borrowings repaid using cash held on deposit at that time The Group's existing private placement loan notes remain in place with maturities ranging from 2011 to 2018

The continuing commitment of the Group's existing relationship banks (RBS Lloyds and Barclays) and the addition of a new relationship bank HSBC is a clear signal of their support of the Group and its long term prospects

As well as providing the Group with greater longevity of funding, this new bank facility also provides additional headroom against the Group s debt repayment obligations in the short to medium term Together with the existing private placement loan notes, the Group's committed debt facilities are as follows

	Total facilities £m
At 31 December 2010	490
Facility maturities/cancelled in 2011	(254)
New facilities	250
At 31 December 2011	**486**

The new £250m debt facility together with the Group s reduced level of net debt at 31 December 2010 provides the Group with a strong financial platform to support future growth

2010 BUSINESS REVIEW CONTINUED

TREASURY RISK MANAGEMENT CONTINUED

FOREIGN CURRENCY RISK CONTINUED

SIG faces a translation risk in respect of the local currencies of its primary foreign operations being Euro, Polish Zloty, Czech Koruna and Hungarian Forint profits SIG also faces a translation risk from the US Dollar in respect of its private placement borrowings which was swapped into Sterling and Euro at the time the US Dollar private placement borrowings were transacted

The Consolidated Balance Sheet of the Group is inherently at risk from movements in the Sterling value of its net investments in foreign businesses and the Sterling value of its foreign currency net debt

For currencies where the Group has significant translational risk SIG seeks to mitigate this risk by combining financial liabilities and derivatives in currencies that partially hedge the net investment values The Group's policy is that for currencies where a material translational exposure exists the Group will hold financial liabilities in that particular currency in proportion to the overall ratio of net debt to capital employed

At 31 December 2010, SIG had the following net foreign currency borrowings (including cash and cash equivalents)

	Local currency net borrowings/(cash) LC m	Sterling equivalent borrowings/(cash) £m
Euro	**110 4**	**95 2**
HUF	**64 9**	**0 2**
PLN	**(49 0)**	**(10 6)**
CZK	**(41 0)**	**(1 4)**
Other currencies	**various**	**(0 8)**
Total		**82.6**

As noted above, net Euro borrowings at 31 December 2010 amounted to £95 2m and therefore represented 51% of Group net debt (2009 63%)

Gearing being net debt divided by net assets decreased during the year from 30 6% to 24 6%, reflecting the £69 5m reduction in net debt

The net after tax effect on the Consolidated Balance Sheet of currency transaction and translation differences relating to our overseas subsidiaries in 2010 was a reduction in net assets of £13 3m (2009 reduction of £40 6m) This reduction in net assets arose principally as a result of the 4% year on year appreciation of Sterling versus the Euro (€1 16/£ at 31 December 2010 versus €1 12/£ at 31 December 2009), thus decreasing the carrying value of SIG s net investments in its Euro denominated businesses

DEBT COVENANTS

SIG s debt facilities provided by its private placement note holders and its relationship banks in the UK contain certain covenants The key covenants are leverage and interest cover and are tested at 30 June and 31 December each year At 31 December 2010, the Group s principal covenants were as follows

- Leverage covenant – net debt/annualised EBITDA must be less than 3 5x.
- Interest cover – underlying operating profit/underlying net finance costs (excluding pension scheme finance income and costs) must be greater than 3 0x

At 31 December 2010 the Group s leverage was 1 6x (2009 2 0x) and interest cover was 5 8x (2009 4 3x) comfortably within the covenant levels detailed above

As detailed on page 29 in Q1 2011 the Group successfully refinanced its UK bank debt facilities As part of this, the Group's revised principal debt covenants are as follows

- Leverage covenant – net debt/annualised EBITDA must be less than 3 0x
- Interest cover – underlying operating profit/underlying net finance costs (excluding pension scheme finance income and costs) must be greater than 3 0x

The new debt facilities also includes the following covenant which only applies should certain triggers points (leverage exceeds 2 25x and/or operating lease rentals exceed £90m per annum) be realised

- Fixed charge cover – (EBITDA + operating lease rentals)/(operating lease rentals + underlying net finance costs) must be greater than 1 75x

SIG must manage its business and its capital structure so that it meets its debt covenants, thus ensuring it can meet its liabilities as they fall due

GAINS AND LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

As detailed previously the Group has a number of treasury hedging arrangements that attempt to eliminate foreign exchange, interest rate and associated tax risks under the terms of SIG's Treasury Policy Where these hedges are deemed imperfect or where exceptional gains and losses arise then these are included within "Other items" in the middle column of the Consolidated Income Statement No instances arose in 2010 (2009 £1 4m income) Further details are set out in the Finance Costs section on page 20

OTHER MATTERS

SHAREHOLDER RETURN

SIG has delivered a 5 6% return on capital employed in 2010 (2009 5 3%), which remains below that historically achieved by the Group Two important management KPIs are underlying operating margin and the Group's working capital to sales ratio Whilst further significant improvements in the Group s working capital to sales ratio

OTHER MATTERS CONTINUED

GOING CONCERN BASIS

is unlikely as markets begin to recover the Group anticipates an improvement in its underlying operating profit margin Improvements in both of these ratios will drive an improvement in the Group s return on capital employed and as a result, are of key management focus in 2011

As at 16 March 2011, SIG's share price closed at £1 211 per share representing a market capitalisation of £715m at that date SIG monitors relative Total Shareholder Return (TSR") for assessing relative financial performance The Group's TSR performance has been detailed in the Directors Remuneration Report on page 63

In determining whether the Group's 2010 Accounts can be prepared on a going concern basis the Directors considered all factors likely to affect its future development performance and its financial position including cash flows liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities These are set out in the Chairman s Statement and Business Review on pages 4 to 31 and in the Notes to the Group Accounts

The key factors considered by the Directors were as follows

- the implications of the challenging economic environment and continuing weak levels of market demand in the building and construction markets on the Group s revenues and profits The Group prepares forecasts and projections of revenues profits and cash flows on a regular basis Whilst this is essential for targeting performance and identifying areas of focus for management to improve performance and mitigate the possible adverse impact of a deteriorating economic outlook these also provide projections of working capital requirements,
- the impact of the competitive environment within which the Group's businesses operate,
- the availability and market prices of the goods that the Group sells
- the credit risk associated with the Group's trade receivable balances
- the potential actions that could be taken in the event that revenues are worse than expected to ensure that operating profit and cash flows are protected and
- the committed and renewed finance facilities available to the Group

Having considered all the factors above impacting the Group s businesses, including downside sensitivities, the Directors are satisfied that the Group will be able to operate within the terms and conditions of the Group s financing facilities for the foreseeable future

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the Group s 2010 Accounts

CAUTIONARY STATEMENT

This Business Review has been prepared to provide the Company s Shareholders with a fair review of the business of the Group and a description of the principal risks and uncertainties facing it It may not be relied upon by anyone, including the Company s Shareholders, for any other purpose

This Business Review and other sections of this report contain forward looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates and risk factors associated with the building and construction sectors By their nature, forward looking statements involve a number of risks uncertainties and assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward looking statements No assurance can be given that the forward looking statements in this Business Review will be realised Statements about the Directors expectations beliefs hopes plans intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events circumstances and other factors which are in some cases outside the Group's control Actual results could differ materially from the Group's current expectations

It is believed that the expectations set out in these forward looking statements are reasonable but they may be affected by a wide range of variables which could cause actual results or trends to differ materially including but not limited to changes in risks associated with the level of market demand fluctuations in product pricing and changes in exchange and interest rates

The forward looking statements should be read in particular in the context of the specific risk factors for the Group identified on pages 26 to 30 of this Business Review The Company's Shareholders are cautioned not to place undue reliance on the forward looking statements This Business Review has not been audited or otherwise independently verified The information contained in this Business Review has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this Business Review during the financial year ahead

CHRIS DAVIES
CHIEF EXECUTIVE

GARETH DAVIES
FINANCE DIRECTOR

INSULATION AND BUILDING ENVIRONMENTS

SIG is the largest supplier of insulation and related products in Europe. Insulation products have three main applications, being thermal management, fire protection and sound control. In the longer term, demand for insulation products, driven by continued and more stringent government legislation and environmental issues, is expected to outperform overall construction demand.

Revenue

£1,020.6m
38%

Growth drivers

- **The need to reduce energy consumption**
- **More stringent Government regulation**
- **Government initiatives around renewable energy**

The most widespread application for insulation is that of thermal management where insulation is most commonly used to retain heat within a building or industrial process However there are also applications such as cold stores, where the requirement is to keep heat out Fire protection is another important application for insulation where good design, material specification and installation are vital in protecting buildings from the ravages of fire and ultimately help save lives The third application of insulation is that of sound control Cities and towns are becoming increasingly dense and the ability to minimise the transmission of noise between dwellings is now an integral part of building design The technical capabilities for this application are developing apace and the Group has positioned itself as a leader within this area as well as the wider insulation market

High energy costs and environmental concerns drive the use of insulation products across a wide range of construction and industrial applications In general, insulation is used to control the transfer of heat and sound and provide resistance to fire all of which are subject to the specific Building Regulations in each country In addition, the goal of reducing carbon emissions driven by government policy and regulation is placing increasing importance on the use of appropriate insulation materials and systems As Building Regulations, environmental issues and modern methods of construction become ever more complex, customers increasingly rely upon the knowledge, support and impartial advice only a specialist distributor can provide SIG's sales and technical staff receive continuous training in the latest legislation building methods, products and applications

Building methods and products are rapidly changing SIG works closely with manufacturers to introduce wide ranges of new specialist, sustainable products to progress innovative building methods

The Group has 228 trading sites in Europe focused on the requirements of the insulation and building environment market and are able to provide expert advice wide stock holding and rapid service and delivery In the UK, the Group is also engaged in domestic insulation contracting being predominantly the retrofitting of thermal insulation in the walls and lofts of houses, thus improving the efficiency of existing residential properties Demand for domestic retrofitting of insulation is driven through a number of Government supported schemes such as the Carbon Emissions Reduction Target ("CERT") SIG has built upon its extensive experience in the industrial and Heating, Ventilation and Air Conditioning ("HVAC") insulation market to develop into the adjacent and complementary area of air handling and air conditioning materials with activities spread across eight countries and thirteen trading sites across Europe This market offers excellent growth prospects driven by increasing regulation on thermal efficiencies in the non-residential environment

1 Heating/Ventilating/ Air Conditioning ("HVAC")
2 Flat Roof Insulation
3 Steel Framing System ("SFS")
4 Rainscreen Cladding
5 Underscreed Isolation Materials
6 External Renders
7 Fire Protection Boards
8 Heavy Duty Plasterboard Systems

1 Pitched Roof Insulation
2 Loft Insulation
3 Breather Membranes
4 Cavity Wall Insulation
5 Acoustic Wall and Floor Insulation
6 Plasterboard/Metal Stud
7 Thermal Laminates
8 Floor Insulation
9 Vapour Control Layer/Polythene
10 Chip board
11 Damp Proof Courses
12 Chimneys/Dormers
13 Velux Windows
14 Cavity Closers/Insulation DPC
15 Foundation Systems

EXTERIORS

The roof is one of the most critical parts of any building. It protects the integrity of the building's structure and the building's contents from the elements. Repair and maintenance is often an urgent requirement and requires suitable products to be readily available on demand.

Revenue

£788.7m
30%

Growth drivers

- **Essential RMI requirement**
- **Growth of specialist distribution as the main supply route**
- **New products**

The 344 trading sites in this division offer materials from the leading manufacturers of roofing materials and supply products for pitched flat industrial and agricultural applications As the largest specialist supplier of roofing materials in Europe the Group is able to keep at the forefront of innovations and provide its customers with a level of technical know-how unrivalled in the market In addition, for certain bespoke product solutions the Group also has in-house manufacturing capability in the UK As well as specialist roofing materials, each location offers a range of accessories such as tools and fixings ventilation, access equipment, safety products and insulation materials Many of these accessories are core product areas for other Group businesses and the Exteriors business is able to draw on the experience and technical knowledge of its sister businesses as well as taking advantage of Group procurement.

SIG is also a leading supplier in the UK of reclaimed and pre-used roof tiles and slates which have two key advantages over newly manufactured products Firstly, they remove the need for energy consuming manufacture and secondly, their aged and worn character provides an aesthetically pleasing appearance that matches that of the local environment, something that is increasingly important to local communities and planning agencies

The on-going need for repair or replacement of existing roofs, whether as the result of natural wear and tear or of storm damage creates a resilient market for roofing materials The emergency nature of some repairs requires materials to be readily available from local stock and these demands dictate the nature of the market, which is for a large number of depots holding a broad range of stock For new-build applications, where consumers or designers require certain styles or finishes, SIG also provides "Roof Libraries" which offer a very wide selection of materials and facilitate the specification process During the last few years SIG has also broadened its product offering to include roofline products such as rainwater and guttering, soffit, fascia and barge boards

SIG has also expanded its range of Photovoltaic products which are supplied through the Group's trading sites in both France and Germany The Group also sells Photovoltaic products in the UK although these sales are predominantly made through the Group s UK Energy Management division (included within Insulation) Government initiatives are expected to support and drive demand for these products going forward

1 Single Skin Metal Sheeting Fibre Cement Sheeting and Bituminous Sheeting
2 Guttering
3 Roof Lights
4 Flashings
5 Fixings
6 Purlins
7 Composite Panels Insulated Metal Tile and Twin Skin Metal
8 Cladding/Composite Architectural Wall Panels

1 Roof Coverings
2 Roofline and Rainwater
3 Roof Accessories
4 Renewable Energies and Natural Daylight
5 Roof Build Up
6 Roof Structure

1 Waterproofing
2 Vents and Outlets
3 Roof Build Up
4 Roof Domes and Access Hatches
5 Promenade Tiles and Roof Paving
6 Vapour Barriers and Vapour Control Layers
7 Compounds and Sealants

INTERIORS

SIG Interiors businesses are leading designers, manufacturers and specialist distributors of all products required for interior fit out projects. The interiors market place is demanding, sophisticated and fast moving with product innovation being essential to respond to changing legislation and standards. Emphasis is on achieving a balance between efficient utilisation of space and the quality and comfort of the working environment. There is also an added requirement of flexibility to meet the changing business requirements of today's world.

Revenue

£661.3m
25%

Growth drivers

- **Refurbishment of non-residential buildings (e.g. schools, offices, hospitals, retail)**
- **Improving standards of internal fit out**
- **Thermal, acoustic and safety standards**

The Group has a combination of businesses within the Interiors market sector, incorporating both distribution and manufacturing based businesses

The interiors products sold by the Group include ceilings partitioning dry lining floor coverings glass and specialist door systems used in non-residential buildings together with a wide range of ancillary products supplied to support individual contracts All types of non-residential buildings such as schools hospitals hotels offices and shops are supplied with products for either new build or refurbishment projects The Group supplies ceiling and dry lining products from leading suppliers and manufactures its own door and partitioning systems

The Group has 219 trading sites (81 of which also supply insulation products) which blend the requirements of small, maintenance-orientated projects which require ready access to materials with those of larger, specification-based contracts where specialist advice, service and support are required to secure orders Customer and client support may include technical design and development of visual appearance together with logistics and delivery scheduling in order to meet the fit out requirements Delivery service is an important element of project planning as city locations can often have difficult access and minimal space for holding stock If materials are not available "on time" then contractors face lost "downtime" and potential time penalties

1 Lighting
2 Integrated Pumping Systems
3 Washrooms
4 Doorsets (including emergency exits)
5 Suspended Ceilings
6 Partitioning
7 Graphics
8 Floor Coverings
9 Raised Access Flooring
10 Storage Wall

SPECIALIST CONSTRUCTION PRODUCTS

SIG's Specialist Construction Products division distributes specialist, leading brand construction materials to a wide range of markets which are essential to the construction process. Detailed product knowledge and a keen understanding of specific technical applications are vital elements of customer support. A large part of SIG's sales in this market sector are into new construction projects.

Revenue

£197.4m
7%

Growth drivers

- **Investment in infrastructure and non-discretionary spending by utilities**
- **Demand for high performance solutions and innovative products**
- **Supply chain efficiency and specific technical "just-in-time" project management**

SIG supplies a wide portfolio of specialist construction products such as concrete accessories waterproofing systems construction chemicals and admixtures, brickwork support systems, specialist fixings safety products and tools from 38 trading sites Typically products are supplied to large commercial or civil engineering projects Examples include tunnels and bridges, schools and hospitals, retail developments hotels and office buildings

The products supplied by SIG are often of critical importance to the whole building programme and must perform to tight specifications and be available for use at the right time and right location Consequently relationships throughout the supply chain with manufacturers, major contractors and specialist sub-contractors are vital The capability to resolve problems with expert technical advice and the ability to offer rapid delivery times to maintain workflows on large projects is a big point of differentiation on time critical projects

Public sector investment in large scale infrastructure projects together with non-discretionary spending by utility companies generates high levels of continuing opportunity for SIG's products in this sector

Major construction contractors are increasingly looking to shrink their supplier base and to outsource more work to less suppliers SIG's extensive range of products and service make it ideally positioned to take advantage of this opportunity

1 Scaffolding
2 PPE and Workwear
3 Temporary Fencing
4 Masonry Components
5 Mechanical and Electrical Products
6 Waterproofing
7 Groundwork Engineering
8 Specialist Fixings
9 Concrete Repair and Protection

CORPORATE RESPONSIBILITY REPORT

SIG is continually developing its approach to Corporate Responsibility and is a constituent member of the FTSE4Good Index of socially responsible companies. As such, SIG fully recognises its corporate responsibilities to its Shareholders, employees, customers and suppliers and is committed to good practice in all its activities.

FTSE Group confirms that SIG plc has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series Created by the global index company FTSE Group FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards Companies in the FTSE4Good Index Series have met stringent social and environmental criteria and are positioned to capitalise on the benefits of responsible business practice

SIG is a member of Business in the Community in the UK and has worked with that organisation to develop its approach and practices

The SIG Board believes that the progressive integration of Corporate Responsibility ("CR") across the Group and the inclusion of broader social and environmental issues into its decision making will help us to achieve our business goals and act as an essential building block for growth in Shareholder value

SIG continues to be a constituent member of the FTSE4Good Index of socially responsible companies, and recognises its corporate responsibilities to its Shareholders employees, customers and suppliers and is committed to good practice in all its activities The Company continues to develop its approach to CR and is pleased to be able to inform its stakeholders of the measures which it is taking to continue to monitor and improve its CR performance reporting

Through the CR Committee set up in 2009, the SIG Board takes regular account of the significance of social, environmental and ethical matters to the business of the Group and it has in place a comprehensive risk management and internal control process which identifies and assesses the significant risks to the Company's short and long term value arising from such matters The Board receives a report on CR issues at each of its Board meetings and reviews CR strategy CR issues also form part of the overall internal control process and are covered in the training of Directors

As a founder member of the Association for the Conservation of Energy SIG is active in promoting and encouraging the raising of mandatory standards for thermal insulation

SIG has in place a Group-wide Ethics Policy, which sets out a number of fundamental principles that all Group companies are required to follow In addition we have in place a Group-wide Anti-corruption Policy and Ethical Trading and Human Rights Policy These policies underpin our CR programme and support our business integrity

The three year rolling CR plan, maintained by the CR Committee continues to inform the objectives and target actions of the Group and drives continual improvement of its CR performance The objectives provide valuable key performance indicators for the Group to focus its CR efforts and work to continually improve the Group s index ratings

The Group s CR credentials have proven key to its commercial aspirations in 2010 providing access to tender lists for major contractors through formal assessment and Pre-qualification Questionnaires

SIG has retained externally verified certification under ISO 14001 2004 (Environment) and OHSAS 18001 2007 (Health and Safety) across all of the Group s UK sites with Moody International and BSI being the appointed Assessors

BUSINESS PRINCIPLES AND CODE OF ETHICS

SIG has a clear and unequivocal approach to business integrity and ethics which underlies the Group s core values of openness collaboration, mutual dependency sustainable profitable growth professional delivery and innovation The Group s Ethics Policy has been designed to ensure that SIG conducts all of its business to the highest ethical standards

The Group's Ethics Policy which has been issued to all employees sets out the standards and behaviours that all SIG employees are expected to meet throughout the Group s operations The policy makes clear a number of fundamental principles which all Group companies are required to follow The policy can be viewed on the Company's website at www sigplc com The Ethics and Anti-corruption Policies include the Company s prohibition on the giving or receiving of bribes or other payments The key business principles contained in the Ethics Policy are set out below

- SIG's policy is to operate within applicable laws
- discrimination or harassment of any kind will not be tolerated
- SIG aims to be a responsible partner within its local communities,
- the legal and moral rights of others will be taken into account in all SIG s business transactions
- we will maintain a safe and healthy environment for people to work in
- we will be proactive in managing our responsibilities to the environment
- we will not knowingly make misrepresentations,
- as a matter of policy we do not make political donations,
- no bribes can be given or received,
- conflicts of interest must be avoided and in all cases must be reported, and
- employees are encouraged to report any suspected wrongdoings

The Group operates a culture of openness and has in place a confidential hotline service so that employees can raise on a confidential basis any concerns about how we conduct our business The service is provided by an independent third party and a full investigation is carried out on all matters raised and a report is prepared for feedback to the complainant The confidential hotline service is available to all SIG employees

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

SIG maintains a Health, Safety and Environmental Policy signed by the Group Chief Executive and operates an integrated Health, Safety and Environmental (HS&E) Management system which in the UK is externally accredited to ISO14001 (Environment) and OHSAS 18001 (Health and Safety) The policy has been translated into local languages for display at all SIG locations

The quantitative Environmental Audit process was again completed in the UK by the internal HS&E Advisers to include all SIG UK locations and the process was extended to include all Northern Ireland branches The average score by branch again increased against the prior year

This was also the second year of quantitative benchmarking carried out across the Mainland European and Ireland businesses The rating for each business also improved in comparison to the prior year

The Group has received no prosecutions relating to environmental matters during 2010 and received a clear report following an audit from the Environment Agency against SIG Interiors Manufacturing's compliance with the PRO (Packaging Waste) Regulations

The Group has identified the significant environmental impacts of its operations which are summarised on pages 41 to 45

TRANSPORT

Vehicle fuel consumption forms a major part of the Group s carbon footprint Fuel cards are provided across the business to enable full and accurate measurement of consumption for company vehicles All businesses operate a vehicle purchasing policy which includes information about the emissions of the vehicles Vehicle servicing programs are tightly controlled to maintain efficiency

An Occupational Road Risk Policy was developed in 2010 for the UK followed by a major information and training campaign whose aims included

- an absolute reduction in fuel consumption,
- improving driving efficiency, and
- 20% reduction in accidents in 2011 compared to 2010

Target actions included SIG UK Logistics Specialists accredited to deliver CPC and Road Risk Policy training a "City Initiative Project" which optimises vehicle use by sharing vehicles and consolidating loads and sharing trips to distant contracts provision of Freight Best Practice guidance to all commercial drivers, and the introduction of an online driver assessment linked to a risk assessment programme

ENERGY

In the UK in 2010 an Energy Efficiency Manager was recruited to progress the Low Carbon Plan and identify best practice and energy reduction opportunities Working with the Carbon Trust and energy efficient equipment providers, an internal Energy Audit procedure was developed and the internal audit team trained in its delivery This forms a major part of the 2011 campaign for energy reduction across the Group

Reducing energy consumption is a priority for all of our operations As well as reducing the amount of vehicle fuel used in delivery, SIG has set objectives to increase the energy efficiency of heating and lighting and to maximise the use of natural light in the Group's properties

A best practice and awareness campaign which commenced in 2010 will continue in 2011 to include all UK locations and will be communicated across all Group businesses

WATER

Water consumption throughout the Group is minimal as the majority of consumption is from welfare use At present SIG is unable to provide consumption information relating to the water used throughout its operations However as part of the ongoing data gathering process improvements it is envisaged that future reports will include this data.

CARBON MANAGEMENT

SIG is registered with the UK's CRC Energy Efficiency Scheme in 2010 and has set out its plan to meet the stringent requirements of the scheme including assigning officer roles, adjusting data gathering procedures and compiling the Evidence Pack In addition in response to the principles of the Scheme SIG has committed itself to become a Low Carbon Business through its policies and procedures

The Low Carbon Committee which was formed in January 2010 advises on strategy target actions and progress against the plan A Low Carbon Policy ("LCP") has been published signed by Mr C J Davies, Chief Executive who is the Board Director responsible for the environmental performance of the Group This policy supports the Group s HS&E Policy with the overall aim to reduce the Company s impact on the global environment and in particular climate change

A key objective of the LCP for 2010 was to achieve the Carbon Trust Standard which was awarded in October This is an important achievement for the business as it independently validates the UK's reduction in carbon emissions and it demonstrates the Group's ongoing commitment to reducing emissions year on year This achievement is also evidence of the Group's commitment to continual improvement as set out in the HS&E Policy and certification to ISO 14001 and OHSAS 18001 Management Systems

CORPORATE RESPONSIBILITY REPORT CONTINUED

SIG's key objective over the past three years has been to improve the standards of measurement and data gathering to provide a verifiable Carbon Footprint. The introduction of IT systems and databases and the recruitment of key personnel, has lead to the achievement of the Carbon Trust Standard in 2010 and has provided the focus for our objectives for 2011.

ENVIRONMENT CONTINUED

CARBON MANAGEMENT CONTINUED

Best practice and information about opportunities is spread across the Group through sharing of information and communication This was achieved in 2010 through a Group-wide Environmental Management Review covering all businesses which included carbon measurement CR reporting waste management and objectives and targets

SIG's key objective over the past three years has been to improve the standards of measurement and data gathering to provide a verifiable Carbon Footprint This has been achieved through the introduction of IT systems and databases and the recruitment of key personnel This investment has lead to the achievement of the Carbon Trust Standard in 2010 and has provided the focus for our objectives for 2011 which include targets for reducing fuel and energy consumption

CARBON (CO_2) EMISSIONS

SIG continues to improve the quality of data captured by working with local data champions for each region, auditing the data gathering processes, sharing best practice improving take-up of national contracts and practical measures for instance carrying out meter readings to reduce reliance on estimated bills In addition the Company has formal written procedures for data gathering The disclosures of emission include all of its operations with the exception of the Air Trade Centre business which represents 2% of Group revenue

SIG has reported CO_2 equivalent emissions by scope in accordance with the "Greenhouse Gas Protocol" These include Scope 1 emissions for which businesses are directly responsible, Scope 2 emissions which are indirect emissions from the generation of supplied electricity and Scope 3 emissions over which the businesses have limited control Reporting of Scope 3 emissions are limited to third-party provided air and rail transportation and waste management However the Group's objectives for carbon reduction will reduce non-reported Scope 3 emissions, for instance, road vehicle accident reduction targets will reduce emissions from repair companies and emergency services

Recorded Scope 1, Scope 2 and Scope 3 emissions are included in the data reported below and on the opposite page

The figures show a 1 1% reduction in carbon equivalent emissions per £million of revenue in 2010 in comparison to the prior year and an absolute reduction of 3 9% The major reductions have been achieved in Scope 1 with emissions falling by 4 0% year on year with a 4 5% absolute reduction in emissions from road vehicle fuel consumption

CO_2 EMISSIONS – SCOPE 1 – DIRECT

Source	Definition	Data source and calculation methods	**Metric tonnes (Group) 2010**	Metric tonnes (Group) 2009
Road vehicle fuel	Emission from vehicle use	Fuel cards and direct purchase records in litres converted according to DEFRA guidelines	**78,933**	82,675
Plant vehicle fuel	Emission from vehicle use	Direct purchase records in litres converted according to DEFRA guidelines	**2,059**	1 973
Natural gas	Directly purchased gas which generates greenhouse gases including CO_2 emissions	Actual or estimated consumption in kWh converted according to DEFRA guidelines	**4,386**	4,481
Gas oil	Directly purchased gas oil, which generates greenhouse gases including CO_2 emissions	Actual or estimated purchases in litres converted according to DEFRA guidelines	**4,185**	4 158
Coal/coke	Directly purchased coal/coke, which generates greenhouse gases including CO_2 emissions	Actual or estimated purchases in tonnes converted according to DEFRA guidelines	**61**	55
Kerosene	Directly purchased Kerosene, which generates greenhouse gases including CO_2 emissions	Actual or estimated purchases in litres converted according to DEFRA guidelines	**52**	38
Total			**89,676**	93 380

The data relating to CO_2 emissions has been collected from all of the Group's operations, with the exception of the Air Trade Centre businesses

The above table does not include CO_2 emission data relating to the wood burning (generation of heat) at the Crawley, Nottingham and Barnstaple operations as these operations are deemed to be carbon neutral

ENVIRONMENT CONTINUED

CARBON (CO_2) EMISSIONS CONTINUED

CO_2 EMISSIONS – SCOPE 2 – INDIRECT

Source	Definition	Data source and calculation methods	Metric tonnes (Group) 2010	Metric tonnes (Group) 2009
Electricity	Directly purchased electricity, which generates greenhouse gases including CO_2 emissions	Actual or estimated consumption in kWh converted according to DEFRA guidelines	**27,337**	28,438
Total			**27,337**	28,438

The data above is based on CO_2 emission data captured from businesses representing circa 98% of Group revenue for the year ended 31 December 2010

CO_2 EMISSIONS – SCOPE 3 – OTHER INDIRECT

Source	Definition	Data source and calculation methods	Metric tonnes (Group) 2010	Metric tonnes (Group) 2009
Business travel	Third-party provided transport (air and rail)	Actual or estimated distance travelled converted according to DEFRA guidelines	**323**	244
Total			**323**	244

The data relating to business travel has been collected from all of the Group s operations with the exception of the Air Trade Centre businesses

	Metric tonnes 2010	Metric tonnes 2009
Emissions per £m of revenue (Scope 1, 2 and 3)	**44 9**	45 4

WASTE MANAGEMENT

SIG recognises its responsibilities to measure and minimise the waste generated by its business operations and has put in place waste segregation arrangements for the purpose of recycling materials across all its businesses The policy has resulted in an increase in the amount of waste diverted from landfill overall from 42% in 2009 to 47% in 2010 Further strategies are in place to increase this figure to 50% in the medium term

As well as providing for segregation of waste generated at its own sites and setting up national and local contracts with waste recycling businesses, SIG has developed close relationships with manufacturers to facilitate their obligations under the principles of "Producer Responsibility Obligations" to operate waste take-back schemes for its customers for plasterboard uPVC and glass and is actively looking to develop further schemes for this purpose

Waste minimisation is a key aspect of the Company s management strategy and as a break bulk supplier, SIG recognises that the major impact of our organisation on environmental waste is through packaging and we have taken a proactive approach to minimise the amount of new packaging entering the market and the amount of waste generated at branch level This is achieved by

- purchasing recycled and recyclable packaging where practicable, including pallets and cartons,
- returning reusable pallets to suppliers and similarly returning transit pallets from deliveries to customers,
- reusing packaging opened at branch level for internal transfers and deliveries,
- actively taking part in recycling and reclamation schemes through the membership of compliance schemes and working with local authorities and waste carriers
- carrying out pre-treatment activities at branch level including segregation of materials and baling for recycling through a third party and
- objectives and targets are set at branch and national level to improve the Company s waste management processes

In addition SIG developed a 'Print Policy' in 2010 designed to reduce the amount of unnecessary printing of documents at all locations This will help to save waste paper, ink and electricity The key aspect of the policy is to reduce the number of personal printers and provide where practicable communal, energy efficient and multi-functional printer copier fax machines To avoid an increase in Waste Electrical and Electronic Equipment ("WEEE") the programme will be introduced as equipment becomes unserviceable

SIG actively seeks to reduce the number of printed copies of its Annual Report and Accounts and will be actively encouraging Shareholders to elect to receive their communications from the Company in electronic form

SIG s commitment to environmental issues is reflected in this Annual Report which has been printed on Satimatt Green and Revive 50, both recycled paper stocks comprising 75% recycled fibre and 25% virgin fibre This document was printed by CPG using vegetable-based inks and water soluble lacquers and all production processes used make the minimum demand on the environment and produce the minimum amount of waste Both the printer and the paper mill are registered to ISA 14001 and FSC approved

In addition improved paper and cardboard recycling has resulted in saving over 36 465 trees based on the calculation that one tonne of waste recyded is the equivalent of 17 trees saved Waste data is divided into hazardous and non-hazardous

CORPORATE RESPONSIBILITY REPORT CONTINUED

SIG recognises its responsibilities to measure and minimise the waste generated by its business operations.

The Group has in place policies to ensure that its customers receive the level of service and the quality of product that they have come to expect from SIG.

ENVIRONMENT CONTINUED
WASTE MANAGEMENT CONTINUED
HAZARDOUS WASTE

	Definition	Data source and calculation methods	**Absolute tonnes (Group) 2010**	Absolute tonnes (Group) 2009
Landfill	Hazardous waste sent to landfill	Volume per annum converted to tonnes	**2**	34
Recycled	Hazardous waste diverted from landfill	Volume per annum converted to tonnes	**873**	762
Incinerated	Hazardous waste incinerated	Volume per annum converted to tonnes	**118**	13
Total			**993**	809

	Absolute (Group) tonnes 2010	Absolute (Group) tonnes 2009
Hazardous waste per £m of revenue	**0 4**	0 3

NON-HAZARDOUS WASTE

	Definition	Data source and calculation methods	**Absolute tonnes (Group) 2010**	Absolute tonnes (Group) 2009
Landfill	Non-hazardous waste to landfill	Volume per annum converted to tonnes	**15,724**	17,696
Incinerated	Non-hazardous waste incinerated	Volume per annum converted to tonnes	**184**	160
Total			**15,908**	17 856

OTHER WASTE DIVERTED FROM LANDFILL

	Definition	Data source and calculation methods	**Absolute tonnes (Group) 2010**	Absolute tonnes (Group) 2009
WEEE	Diverted from landfill	Volume per annum converted to tonnes	**8**	11
Glass	Diverted from landfill	Volume per annum converted to tonnes	**194**	194
Wood	Diverted from landfill	Volume per annum converted to tonnes	**5,926**	5,260
Metal	Diverted from landfill	Volume per annum converted to tonnes	**1,209**	1,157
Plasterboard	Diverted from landfill	Volume per annum converted to tonnes	**963**	441
Paper/cardboard	Diverted from landfill	Volume per annum converted to tonnes	**2,145**	2,113
Plastic	Diverted from landfill	Volume per annum converted to tonnes	**1,520**	1,376
Other	Diverted from landfill	Volume per annum converted to tonnes	**633**	1 057
Total			**12,598**	11 609

	Absolute tonnes (Group) 2010	Absolute tonnes (Group) 2009
Non-hazardous and other waste per £m of revenue	**10 7**	10 8

The data above comprises waste data captured from businesses representing circa 98% of Group revenue for the year ended 31 December 2010 and is based on a combination of actual and estimated data

HEALTH, SAFETY AND ENVIRONMENT

SIG employs a dedicated Health, Safety and Environmental ("HS&E") Co-ordinator in each of the businesses In the UK Ireland, Poland and France qualified competent HS&E personnel are employed to provide advice and support to the business In all other regions and countries external consultants are employed

All businesses have common written procedures with a training programme for managers Local HS&E risk assessments have been completed and HS&E inspections are carried out across all businesses through the competent assistance Inspection reports are provided detailing any defects and target actions In the UK quantitative audits are carried out and scores have continued to improve in 2010 against the prior year

The UK HS&E Training Manager has continued the internal HS&E Management training programme for Branch Managers and Directors to include new management in 2010

The review of HS&E objectives carried out in 2010 across the Mainland Europe and SIG Ireland businesses identified a high level of compliance with minimum standards and SIG policy with an average score of 89% in 2010 compared to 77% in 2009

2010 saw the launch of the first Group-wide "Accident Reduction" campaign The "Slips Trips and Falls" campaign included posters translated into the eleven local languages across all businesses Further campaigns are planned for 2011 in a similar format targeting traffic management in branch and manual handling

Forklift and commercial driver training form an important part of SIG's Workplace Safety Policy which impacts on reduced insurance costs enhanced pedestrian and site safety and an improved working environment Daily inspections complement periodic training to keep the vehicle and driver at peak performance

The Group's accident performance is monitored by the Board on a monthly basis The overall rate of workplace accidents within the UK operations and the overall Group performance showed a slight improvement The number of injury accidents reportable to the HS&E under the Reporting of Injuries Diseases and Dangerous Occurrence Regulations ("RIDDOR") reduced from 16 8 per 1 000 employees in 2009 to 15 5 per 1,000 employees in 2010 The equivalent rate for the Group also decreased from 21 4 per 1 000 employees in 2009 to 17 3 per 1,000 employees in 2010 Regrettably there was an increase in the number of major injuries in the UK

RoSPA Award Scheme
Group HS&E Manager Kevin Moore and HS&E Advisor David Lee receive the RoSPA Silver Occupational Health and Safety Award on behalf of the Company at the award ceremony at the Birmingham Hilton Metropole NEC Birmingham

SIG's Health and Safety Managers and Advisors with the RoSPA Silver Occupational Health and Safety Award ahead of the quarterly management review meeting in May 2010

Site inspection, supplier China
In support of the Group's Ethical trading & Human Rights Policy Dave Smith European HR Manager conducting an initial key supplier site audit based on the Ethical Trading Initiative Base Code at a Chinese supplier in Guang Dong Province

ACCIDENT AND INCIDENTS

UK

	Rate per 1 000 employees		
	2010	2009	2008
Major injury	**3 1**	2 5	2 9
Injury resulting in over three absence days from work	**12 3**	13 2	11 7
All RIDDORs	**15 5**	16 8	15 0
Average UK headcount	**6,414**	7,211	8,230
Lost work day rate – number of work days per 100 employees	**42 8**	33 4	28 5

GROUP

	Rate per 1 000 employees		
	2010	2009	2008
Major injury	**2 2**	2 0	2 6
Injury resulting in over three absence days from work	**15 2**	18 7	19 0
All RIDDORs (equivalent)*	**17 4**	21 4	21 8
Average Group headcount	**11,508**	12,348	13,520

*This includes accidents in non-UK businesses which would meet the criteria for reporting in the UK under RIDDOR.

CORPORATE RESPONSIBILITY REPORT CONTINUED

The commitment, drive and enthusiasm of all SIG's employees are key to the success of SIG meeting the demands of its customers, suppliers and Shareholders. Throughout SIG, regardless of country or sector, we believe our people are recognised as the best in their particular field.

COMMUNITY

The Group endeavours to contribute to the communities in which it operates particularly those neighbouring its sites SIG is a member of Business in the Community in the UK and has worked with that organisation to help to develop its approach and practices This is mainly achieved through charitable donations and other initiatives that help the community

2010 saw the third year for which SIG Insulations was the main sponsor for the Sheffield Half Marathon event, which raised £95,000 for good causes

The Human Resources ("HR") Director has responsibility for community issues within the Group and reports to the Chief Executive who is responsible for community issues at Board level

DONATIONS

During the year the Group made donations of £117,000 (2009 £138 000) It is the Group s policy not to make political donations and no political donations were made in the year (2009 £nil)

The Group has a Charitable Donations Policy The policy, in addition to supporting local causes where SIG employees are involved is to provide support for three main charities for a period of three years For the three years ending December 2010 the three main charities that the Group supported were

- Henshaws College, www henshaws org uk (a charity working with young people, all of whom are visually impaired with additional disabilities),
- Action For Kids www actionforkids org uk (a charity working with disabled and young people their parents and carers) and
- St Lazarus Hospice, www hospicjum krakow pl (a charity providing assistance for terminally ill individuals and help and support for families in Krakow, Poland)

SIG sponsored Henshaws for a six year period commencing in 2005

From 2008, continuing in 2010 SIG's donation was used to fund a Henshaw s College Volunteer Co-ordinator The role is currently filled by the ex-Mayor of Harrogate John Fox

2010 was the third year of SIG's partnership with Action for Kids, a national charity working to create independence, provide opportunities and offer support to disabled children young people and their families all around the UK

SIG's funding in 2010 was used to allow disabled young people to receive relevant training programmes focusing on office skills and preparation for entering the workplace

From top to bottom
1 Finalists for Emerging Manager of the Year at Dunboyne Castle Hotel, Dublin, January 2011
2. The Chief Executive presented certificates to the successful candidates for the Institute of Leadership and Management Awards in July 2010
3 Emerging Manager of the Year Award presented at the SIG Management Conference in February 2011 (L to R) Darren Swift, Sales Rep, Longs Ireland (Winner), Susan Harris Sales/Wood Specialist, Carpet & Flooring (Runner up) and Mirko Habich, Sales Rep, Wego Dresden (Runner up)

DONATIONS CONTINUED

Access to SIG's E-Learning programme was available for the charity's employees to enhance their computer-based skills

2010 was the third year of the Group's support of St Lazarus Hospice in Krakow Poland which was nominated by European employees SIG's continued support ensured that vital equipment was purchased In 2010 this included water decalcifying devices, torches for diagnosis, pulse oxymeters and new cabinets and doors

2010 was the final year of SIG's sponsorship with its three main charities The Company is currently reviewing which charities to support in 2011 in line with its policy

Staff are kept informed of charitable activities and are encouraged to attend events as appropriate as a means of encouraging them to be personally associated with charitable work and in particular the causes supported by the Group This has included sponsorship for individuals entering specific events and support in kind for building projects

The Group has in place a Payroll Giving Scheme which is available to all UK employees Employees are free to choose one of the current SIG sponsored charities or any other charity of their choice Donations of £25,000 were made through the scheme in 2010

SIG has been awarded a Payroll Giving Quality Mark Silver Award in the UK for commitment to good causes and the local community

Employees also undertake personal fundraising endeavours for a wide range of charities The UK intranet, which is available at each location, has a dedicated forum for employees to highlight their fundraising efforts and receive support from their colleagues

EMPLOYEES

The commitment drive and enthusiasm of all SIG's employees are key to the success of SIG meeting the demands of its customers, suppliers and Shareholders Throughout SIG, regardless of country or sector we believe our people are recognised as the best in their particular field Staff turnover is monitored monthly, personal performance is managed on an on-going basis and a formal appraisal programme is in place Training, coaching and the opportunity for personal career advancement within the Company are important features of how SIG seeks to recruit retain and develop skilled staff

During 2010 SIG celebrated 30 years of LITT business (specialist interiors and product suppliers in France) as well as 10 years of SIG's presence in Benelux

SIG is committed to ensuring that all employees and management know what is expected of them in their roles and that they receive the necessary training and development to be highly competent in what they do An integrated approach to the identification of training needs and the development of talent is core to our people development strategy To this end a UK Talent Manager was appointed to coordinate our activities in the UK

Development activities are organised generally on a business-by-business or country-by-country basis depending on local priorities However the Group continues to invest in its Executive Development Programme run in conjunction with Sheffield Hallam University This has shown huge benefits, not least in the development of cross-company working at a senior level Cohorts are increasingly attended by a variety of nationalities whose learning experiences benefit communication and working practice across the Group, making us a stronger and more connected organisation

The Group has also launched an Executive Coaching and Mentoring Programme aimed at continuing the development of senior talent and reinforcing the values and behaviours that underpin our activities This is being delivered with support from Sheffield Hallam University with courses and training designed in conjunction with SIG to ensure a real focus on the Company's requirements and nurturing of talent

Following on from the success of the New Manager of the Year Award in 2009 we have launched the Emerging Manager of the Year Award This is aimed at identifying, encouraging and nurturing potential managers for the future Nominees were put forward from the business and 12 successful candidates took part in a two day assessment event in Dublin The three finalists attended the SIG Management Conference where the overall winner was announced All nominees' careers as are those who attended the New Manager of the Year Award, will be monitored through the talent management process

The Group continues to recruit and invest in commercial trainee and graduate talent to help feed our future management requirements Ensuring our future management cadres have the mix of backgrounds and experience that is relevant to our customer base The programmes have been designed to provide a 360 degree view of the business and to fully prepare graduates for working within SIG in a branch management, regional or functional role

SIG relies on the expertise and commitment of its employees whose knowledge and experience differentiate it in the market place During 2009 significant restructuring took place in the UK providing a wide range of opportunities for employees to take up new positions and work within new product streams This was supported by dedicated personnel being appointed to focus and deliver tailor-made training to help employees learn about different product streams in a structured manner

The Group's policy is to provide equal opportunities to all existing and prospective employees SIG recognises that its reputation is dependent on the quality, effectiveness and skill base of its employees and is committed to the fair and equitable treatment of all its employees and specifically to prohibit discrimination on the grounds of race, religion, gender disability sexual orientation, age, nationality or ethnic origin A project to improve monitoring and reporting was undertaken within the UK during the year, from which organisational priorities have been established

Employment opportunities are available to disabled persons in accordance with their abilities and aptitudes on equal terms with other employees If an employee becomes disabled during employment the Group makes every effort to enable them to continue employment, by making reasonable adjustments in the workplace and with retraining for alternative work where necessary

SIG recognises the importance of good communication with its employees and during the year Group-wide internal publications were introduced Considerable effort was made in upgrading the Company website www.sigplc.com, as well as the content of internal intranets Directors in operating businesses tended to focus on local roadshows and presentations to communicate to a wider audience rather than focus on management conferences

Employees are encouraged to become Shareholders in the Company The Group introduced a Share Incentive Plan ("SIP") in November 2005 in place of the Save As You Earn Scheme The Company gives one matching share for each share purchased by the employee up to a maximum of four matching shares per month At 31 December 2010 there were 1 213 employees saving under the Company's SIP

The Group operates a number of employee pension schemes across its businesses In the UK it operates a defined contribution scheme, which is open to all employees The Group's UK defined benefit scheme has been closed to new members since 1997

The HR Director has responsibility for HR issues within the Group and reports to the Chief Executive who is responsible for HR issues at Board level

BOARD OF DIRECTORS

LESLIE VAN DE WALLE HEC
NON-EXECUTIVE CHAIRMAN
Leslie Van de Walle (age 54) became a Non-Executive Director on 1 October 2010 and became Non-Executive Chairman on 1 February 2011. He is also Chairman of the Nominations Committee. He is a Non-Executive Director of Aviva plc, DCC plc and La Seda de Barcelona S.A. Formerly he was Chief Executive Officer of Rexam plc, Executive Vice President of Global Retail a division of Royal Dutch Shell plc and Non-Executive Director of Aegis Group plc. He has previously held a number of senior management positions with Cadbury Schweppes plc and United Biscuits Limited.

CHRIS DAVIES BA (OXON)
CHIEF EXECUTIVE
Chris Davies (age 57) joined Sheffield Insulations in 1994, having previously gained UK and overseas management experience of manufacturing, contracting and specialist distribution in the metals and construction industries. He moved to a Group role in 1996 and in 2001 took up the post of Managing Director Europe. He was appointed to the main Board on 12 February 2007 and was appointed Deputy Chief Executive on 10 January 2008. He was appointed Chief Executive on 1 July 2008.

GARETH DAVIES BA, ACA
FINANCE DIRECTOR
Gareth Davies (age 47) joined the Group in November 1993 as Group Financial Controller, having previously been a senior manager with Arthur Andersen. He was appointed to the main Board in August 2002 as Finance Director.

JOHN CHIVERS
EXECUTIVE DIRECTOR
John Chivers (age 58) joined the Group in July 1975 and was appointed a Director of Sheffield Insulations in April 1989. He was appointed to the main Board in September 2001. He is Managing Director of UK Extenors.

CHRIS GEOGHEGAN FRAES
NON-EXECUTIVE DIRECTOR
Chris Geoghegan (age 56) became a Non-Executive Director on 1 July 2009 and is Chairman of the Remuneration Committee. He is currently Chairman of Hampson Industries plc and E2V Technologies plc and a Non-Executive Director of Volex plc and Kier Group plc. Prior to his retirement he was Chief Operating Officer of BAE Systems plc with responsibility for all European joint ventures and UK defence electronics assets. He is a Fellow of the Royal Aeronautical Society and a past President of the Society of British Aerospace companies.

VANDA MURRAY OBE, BA (HONS)
NON-EXECUTIVE DIRECTOR
Vanda Murray (age 50) became a Non-Executive Director on 1 July 2009. She is Deputy Chairman of the North West Regional Development Agency, Chairs Business Link North West and is a Non-Executive Director of Carillion plc, the Manchester Airport Group and Chairman of Vphase plc. She previously held Executive positions as Chief Executive Officer of Blick plc, President of Europe Stanley Security Solutions and Managing Director of Ultraframe (UK) Limited. She is a Fellow of the Chartered Institute of Marketing and was appointed OBE in 2002 for services to Industry and to Export.

Vanda Murray resigned as a Non-Executive Director on 16 March 2011.

JONATHAN NICHOLLS BA, ACA, FCT
NON-EXECUTIVE DIRECTOR
Jonathan Nicholls (age 53) became a Non-Executive Director on 6 November 2009 and is Chairman of the Audit Committee. He is a Non-Executive Director of DS Smith plc and Great Portland Estates plc. Most recently he was Group Financial Director of Old Mutual plc and prior to that he was Group Finance Director of Hanson plc.

BOARD COMMITTEES

AUDIT COMMITTEE
Mr J C Nicholls – Chairman
Mr C V Geoghegan
Mrs V Murray

REMUNERATION COMMITTEE
Mr C V Geoghegan – Chairman
Mrs V Murray
Mr J C Nicholls

NOMINATIONS COMMITTEE
Mr L Van de Walle – Chairman
Mr C V Geoghegan
Mrs V Murray
Mr J C Nicholls
Mr C J Davies

COMPANY INFORMATION

PRESIDENT
Sir Norman Adsetts OBE MA

SECRETARY
Richard Monro FCIS

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998314

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MARKET UK Listed
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SHAREHOLDERS' ENQUIRIES

Our share register is managed by Computershare who can be contracted by

0870 707 1293 (This is an SIG plc helpline that is available 24 hours a day with operator assistance available between 08 30 and 17 30 each business day)

Number for overseas callers +44 870 707 1148

Text phone for shareholders with hearing difficulties 0870 702 0005

Email Access the Computershare website (www.uk.computershare.com/investor) and click on Contact us from where you can e-mail Computershare

Post Computershare The Pavilions Bridgwater Road Bristol BS13 8AE United Kingdom

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING	–	To be held on 11 May 2011
INTERIM RESULTS 2011	–	Announcement August 2011
FULL YEAR RESULTS 2011	–	Announcement March 2012
REPORT AND ACCOUNTS 2011	–	Posted to Shareholders April 2012

SHAREHOLDER ANALYSIS AT 31 DECEMBER 2010

Size of Shareholding	Number of Shareholders	%	Number of Ordinary Shares	%
0 – 999	1,144	35 50	527,521	0 09
1 000 – 4,999	1,169	36 28	2 501,478	0 42
5 000 – 9,999	266	8 26	1,765 492	0 30
10,000 – 99,999	365	11 33	10,477 737	1 77
100 000 – 249 999	79	2 45	12,884 555	2 18
250 000 – 499 999	65	2 02	23 031 723	3 90
500,000 – 999,999	45	1 40	31 108 768	5 27
1 000,000+	89	2 76	508 532,065	86 07
Total	**3,222**	100 00	**590,829,339**	100 00

STATUTORY INFORMATION

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Group is the supply of specialist products to construction and related markets in the UK Ireland and Mainland Europe The main products supplied are insulation, exteriors, interiors and specialist construction products

The Chairman s Statement and Business Review on pages 4 to 31 contain a review of these activities and comments on the future outlook The financial risk management objectives and policies of the Company are set out in the Business Review on pages 6 to 31

As at the date of this report, there have been no important events affecting the business of the Company or any of its subsidiaries, which have occurred since the end of the financial year other than on 14 March 2011 the Group signed a new £250m four year revolving credit facility with four banks On completion of the new facility the Group's existing UK bank facilities were immediately cancelled and any borrowings repaid using cash held on deposit The Group s existing private placement notes remain in place with maturities ranging from 2011 to 2018 Details of the Group s borrowing facilities can be found on page 29

Details of the Group s policies in relation to employees (including disabled employees) and information on charitable and political donations are disclosed on pages 46 to 47

Details of the Group's policies in relation to corporate governance are disclosed on pages 55 to 58

GROUP RESULTS AND DIVIDENDS

The Consolidated Income Statement for the year ended 31 December 2010 is shown on page 69 The movement in the Group reserves during the year is shown on page 73 in the Consolidated Statement of Changes in Equity Segmental information is set out in Note 1 on pages 80 to 81

The Board is not recommending a final dividend for the year ended 31 December 2010 (2009 nil) The Board remains committed to a progressive dividend policy and, having ceased paying dividends after the interim payment in 2008, has announced its intention to resume dividend payments at the 2011 interim stage

DIRECTORS

The Directors who held office during the year were

Mr L O Tench	Non-Executive Chairman (resigned 31 January 2011)
Mr L Van de Walle	Non-Executive Chairman (appointed an independent Non-Executive Director on 1 October 2010 and Non-Executive Chairman on 1 February 2011)
Mr C J Davies	Chief Executive
Mr G W Davies	Finance Director
Mr M J Chivers	Executive Director
Mr C V Geoghegan	Senior Independent Non-Executive Director
Mrs V Murray	Independent Non-Executive Director (resigned 16 March 2011)
Mr J C Nicholls	Independent Non-Executive Director
Mr D A Haxby	Senior Independent Non-Executive Director (resigned 13 May 2010)

Biographical details of the Directors holding office at the date of this report appear on page 48 Details of Committee memberships are set out on page 48

Mrs V Murray resigned as a Non-Executive Director of the Company on 16 March 2011 Mrs V Murray is also a Non-Executive Director of Carillion plc and her resignation was pursuant to that company s agreed offer for Eaga plc and her future potential conflict of interest as a result of that transaction in respect of SIG s energy management business The Company has confirmed that it is in the process of seeking a replacement for Mrs V Murray with the intention of appointing a new independent Non-Executive Director as soon as possible in order that the Company will return to compliance with Code Provision A 3 2 of the Combined Code on Corporate Governance which requires that at least half of the Board (excluding the Chairman) should comprise Non-Executive Directors determined by the Board to be independent

There is no maximum number of Directors but there shall at no time be less than two Directors may be appointed by the Company by ordinary resolution or by the Board A Director appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for re-appointment by the Shareholders The Board may from time to time appoint one or more Directors as Managing Director or to fulfil any other Executive function within the Company for such term remuneration and other conditions of appointment as they may determine and may revoke such appointment (subject to the provisions of the Companies Acts)

ELECTION AND RE-ELECTION OF DIRECTORS

All Directors are subject to election at the Annual General Meeting immediately following their appointment and to re-election every three years

The Company may, by ordinary resolution, of which special notice has been given in accordance with the Companies Acts remove any Director before the expiration of his/her period of office The office of a Director shall be vacated if (i) he/she ceases to be a Director by virtue of any provision of law or is removed pursuant to the Company's Articles of Association or he/she becomes prohibited by law from being a Director (ii) he/she becomes bankrupt or compounds with his/her creditors generally (iii) he/she becomes of unsound mind or a patient for any purpose of any statute relating to mental health and the Board resolves that his/her office is vacated, (iv) he/she resigns (v) he/she fails to attend Board meetings for six consecutive months without leave of absence from the Board and the Board resolves that his/her office is vacated, (vi) his/her appointment terminates in accordance with the provisions of the Company s articles (vii) he/she is dismissed from Executive office, (viii) he/she is convicted of an indictable offence and the Directors resolve that it is undesirable in the interests of the Company that he/she remains a Director, or (ix) the conduct of the Director is the subject of an investigation and the Directors resolve that it is undesirable in the interests of the Company that he/she remains a Director

In accordance with a new provision included in the Governance Code all continuing Directors will seek re-election at the forthcoming Annual General Meeting Mr L Van de Walle will seek election having been appointed to the Board during the year

It is the view of the Board that each of the Non-Executive Directors standing for election or re-election brings considerable management experience and an independent perspective to the Board s discussions and is considered to be independent of management and free from any relationship or circumstance that could affect, or appear to affect the exercise of their independent judgement

It is the view of the Board that each of the Executive Directors standing for re-election brings considerable management experience to the Board s discussions

Full details of Directors' remuneration, interests in the share capital of the Company and of their share options are set out on pages 59 to 65 in the Directors Remuneration Report

RELATED PARTY TRANSACTIONS

Except for Directors service contracts the Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in the periods in which any Director is or was materially interested

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITIES

The Company purchases liability insurance cover for Directors and Officers of the Company and its subsidiaries which gives appropriate cover for any legal action brought against them The Company has also provided an indemnity for its Directors to the extent permitted by the law in respect of liabilities incurred as a result of their office The indemnity would not provide any coverage to the extent that a Director is proved to have acted fraudulently or dishonestly

No claims or qualifying indemnity provisions and no qualifying pension scheme indemnity provisions have been made either during the year or by the time of approval of this Statutory Information Report

FINANCIAL INSTRUMENTS

Information on the Group s financial risk management objectives and policies and on the exposure of the Group to relevant risks of financial instruments is set out on pages 6 to 31 and in Note 18 to the Consolidated Financial Statements on pages 96 to 99

INVESTMENT IN ASSOCIATE

In May 2010 the Group made a strategic investment in Ice Energy Technologies Limited a specialist designer and installer of heat pumps and Solar PV systems Further details can be found in Note 11 to the Consolidated Financial Statements

SHARE CAPITAL

The Company has a single class of share capital which is divided into ordinary shares of 10p each At 31 December 2010, the Company had a called up share capital of 590 829 339 shares of 10p each (2009 590,829,339)

During the year ended 31 December 2010, no options were exercised pursuant to the Company s share option schemes No new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this report Details of outstanding options under the Group's Employee and Executive Schemes are set out in Note 24 on page 105 which also contains details of options granted over unissued share capital

RIGHTS ATTACHING TO SHARES

The rights attaching to the ordinary shares are defined in the Company's Articles of Association The Articles of Association may be changed with the agreement of Shareholders A Shareholder whose name appears on the Company's Register of Members can choose whether his shares are evidenced by share certificates (i e in certificated form) or held in electronic (i e uncertificated) form in CREST (the electronic settlement system in the UK)

Subject to any restrictions below, Shareholders may attend any general meeting of the Company and, on a show of hands, every Shareholder (or his representative) who is present at a general meeting has one vote on each resolution and, on a poll, every Shareholder (or his representative) who is present has one vote on each resolution for every ordinary share of which they are the registered Shareholder A resolution put to the vote of a general meeting is decided on a show of hands unless before or on the declaration of the result of a vote on a show of hands, a poll is demanded by the Chairman of the meeting or by at least five Shareholders (or their representatives) present in person and having the right to vote or by any Shareholders (or their representatives) present in person having at least 10% of the total voting rights of all Shareholders, or by any Shareholders (or their representatives) present in person holding ordinary shares in which an aggregate sum has been paid up of at least one tenth of the total sum paid up on all ordinary shares

Shareholders can declare final dividends by passing an ordinary resolution but the amount of the dividends cannot exceed the amount recommended by the Board The Board can pay interim dividends on any class of shares of the amounts and on the dates and for the periods they decide provided the distributable profits of the Company justify such payment The Board may, if authorised by an ordinary resolution of the Shareholders, offer any Shareholder the right to elect to receive new ordinary shares, which will be credited as fully paid, instead of their cash dividend

Any dividend which has not been claimed for twelve years after it became due for payment will be forfeited and will then belong to the Company, unless the Directors decide otherwise

If the Company is wound up, the liquidator can, with the sanction of an extraordinary resolution passed by the Shareholders, divide among the Shareholders all or any part of the assets of the Company and he can value any assets and determine how the division shall be carried out as between the members or different classes of members The liquidator can also transfer the whole or any part of the assets to trustees upon any trusts for the benefit of the members No Shareholders can be compelled to accept any asset which would give them a liability

VOTING AT GENERAL MEETINGS

Any Form of Proxy sent by the Company to Shareholders in relation to any general meeting must be delivered to the Company whether in written form or in electronic form not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote

No Shareholder is, unless the Board decides otherwise entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a Shareholder if he or any person with an interest in shares has been sent a notice under Section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered

These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant Section 793 notice, whichever is the earlier

STATUTORY INFORMATION CONTINUED

TRANSFER OF SHARES

The Board may refuse to register a transfer of a certificated share which is not fully paid provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis The Board may also refuse to register a transfer of a certificated share unless (i) the instrument of transfer is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Board accompanied by a certificate for the share which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (ii) is in respect of only one class of shares and (iii) is in favour of not more than four transferees

Transfer of uncertificated shares must be carried out using CREST and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST

The Board may decide to suspend the registration of transfers, for up to 30 days a year by closing the register of Shareholders The Board cannot suspend the registration of transfers of any uncertificated shares without gaining consent from CREST There are no other limitations on the holding of ordinary shares in the Company

VARIATION OF RIGHTS

If at any time the capital of the Company is divided into different classes of shares the special rights attaching to any class may be varied or revoked either

(i) with the written consent of the holders of at least 75% in nominal value of the issues shares of the class or

(ii) with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class

The Company can issue new shares and attach any rights to them If there is no restriction by special rights attaching to existing shares rights attaching to new shares can take priority over the rights of existing shares, or the new shares and the existing shares are deemed to be varied (unless the rights expressly allow it) by a reduction of paid up capital or if another share of that same class is issued and ranks in priority for payment of dividend or in respect of capital or more favourable voting rights

AGREEMENTS WITH EMPLOYEES AND SIGNIFICANT AGREEMENTS

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid

The Company s UK committed debt facilities are terminable upon a change of control of the Company

CREST

The Company's ordinary shares are in CREST the settlement system for stocks and shares

2011 INTERIM REPORT

In 2007 the Company changed its Articles of Association to permit the use of electronic communications for all notices documents and information to be sent to Shareholders, in accordance with Shareholder preference This would enable the Company to use website communication with Shareholders as the default position The Company has at this time not made any decision as to whether to move to electronic communication as the default position Shareholders will therefore for the time being continue to receive paper copies of all the Group's Annual Report and Accounts Current regulations do however permit the Company not to have to send copies of its Interim Reports to Shareholders and therefore Interim Reports will no longer be sent to Shareholders The Interim Report will be published on the Company s website at www sigplc com

ACQUISITION BY THE COMPANY OF ITS OWN SHARES

Shareholder's authority for the purchase by the Company of 59 082 930 of its own shares existed at the end of the year The Company has made no purchases of its own shares pursuant to this authority The Company will seek to renew this authority at the 2011 Annual General Meeting

SUBSTANTIAL SHAREHOLDINGS

As at 16 March 2011 the Company had received formal notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the Financial Services Authority

Shareholder	Number of ordinary shares of 10p each	% of issued voting share capital
Aviva plc	53 901 172	9 12
Blackrock Inc	53 789 069	9 10
IKO Enterprises Limited	34,319,598	5 81
Schroders plc	24,485,481	4 14
Legal & General plc	23,547 821	3 99

PAYMENT TO SUPPLIERS

The Group follows the CBI's prompt payment code and operates and abides by a clearly defined policy which has been agreed with all major suppliers As at 31 December 2010 the Company had no trade creditors as it does not trade in its own right The Group s average number of days outstanding on a like for like constant currency basis as at 31 December 2010 in respect of trade payables was 36 (2009 36)

STATEMENT OF THE DIRECTORS ON THE DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Statutory Information confirm that

- so far as they are each aware there is no relevant audit information of which the Company's Auditors are unaware, and
- each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

GOING CONCERN

After making enquiries the Directors have formed a judgement, at the time of approving the Accounts that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason the Directors continue to adopt the going concern basis in preparing the financial statements The key factors considered by the Directors in making this statement are set out on page 31 of the Business Review

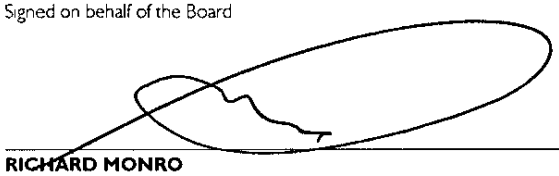
AUDITORS

On the recommendation of the Audit Committee in accordance with Section 489 of the Companies Act 2006 resolutions are to be proposed at the Annual General Meeting for the re-appointment of Deloitte LLP as Auditors of the Company and to authorise the Board to fix their remuneration The remuneration of the Auditors for the year ended 31 December 2010 is fully disclosed in Note 4 to the Consolidated Financial Statements on page 83

ANNUAL GENERAL MEETING

The Notice convening the Annual General Meeting to be held at the Aston Hotel, Britannia Way, Catcliffe Sheffield S60 5BD at 12noon on Wednesday 11 May 2011 together with explanatory notes on the resolutions to be proposed and full details of the deadlines for exercising voting rights is contained in a circular to be sent to Shareholders with this report

Signed on behalf of the Board



RICHARD MONRO
COMPANY SECRETARY
16 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing the Parent Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies
- present information including accounting policies, in a manner that provides relevant reliable comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company s ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

DIRECTORS RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge

- the financial statements prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets liabilities financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole,
- the management report which is incorporated into the Statutory Information, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and
- the financial statements include a fair review of all related party transactions

CHRIS DAVIES
DIRECTOR
16 March 2011

GARETH DAVIES
DIRECTOR
16 March 2011

CORPORATE GOVERNANCE

SIG is committed to business integrity, high ethical values and professionalism in all of its activities As an essential part of this commitment the Group supports the highest standards in corporate governance The Board is accountable to the Company's Shareholders for good governance and this report the Directors' Remuneration Report on pages 59 to 65 and the Report of the Audit Committee on pages 66 to 67 describe how the principles of good governance, set out in The Combined Code on Corporate Governance ("the Code") of June 2008 as issued by the Financial Reporting Council ("FRC") are applied within SIG In June 2010, following lengthy review and consultation the FRC published a new code the UK Corporate Governance Code (the "Governance Code") which will replace the Code for financial years beginning on or after 29 June 2010 The FRC has stated that changes have been made to help company boards to become more effective and more accountable to shareholders Where applicable, the Company has already adopted principles from the Governance Code

COMPLIANCE WITH THE COMBINED CODE

The Board considers that throughout the year under review the Company has complied with the governance rules and best practice provisions applying to UK listed companies as contained in Section 1 of the Code The Combined code can be accessed at www frc org uk/corporate/combinedcode cfm, and the Governance Code can be accessed at www frc uk/corporate/ukcgcode cfm

The Company s Auditors, Deloitte LLP are required to review whether the above statement reflects the Company s compliance with the nine provisions of the Code specified for their review by the Listing Rules of the UK Listing Authority and to report if it does not reflect such compliance No such report has been made

THE BOARD

As at 31 December 2010, the Board was made up of eight members comprising the Non-Executive Chairman, three Executive Directors and four Non-Executive Directors

Mr D A Haxby retired as a Director at the conclusion of the Company s Annual General Meeting on 13 May 2010 Mr L Van de Walle was appointed a Non-Executive Director on 1 October 2010 and became Non-Executive Chairman on 1 February 2011 Further details regarding Mr L Van de Walle are included in his biography on page 48 Mr L O Tench retired as both Chairman of the Company and a Non-Executive Director on 31 January 2011

Mrs V Murray resigned as a Non-Executive Director of the Company on 16 March 2011 Mrs Murray is also a Non-Executive Director of Carillion plc and her resignation was pursuant to that company s agreed offer for Eaga plc and her future potential conflict of interest as a result of that transaction in respect of SIG s energy management business The Company has confirmed that it is in the process of seeking a replacement for Mrs Murray with the intention of appointing a new independent Non-Executive Director as soon as possible in order that the Company will return to compliance with Code Provision A 3 2 of the Combined Code on Corporate Governance which requires that at least half of the Board (excluding the Chairman) should comprise Non-Executive Directors determined by the Board to be independent

The Non-Executive Directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement The Board has satisfied itself that there is no compromise to the independence of those Directors who have other appointments in outside entities The Board considers that each of the Non-Executive Directors brings their own senior level of experience and expertise and that the balance between Non-Executive and Executive representation encourages healthy independent challenge to the Executive Directors and Senior Management The Non-Executive Directors have been appointed for their specific areas of expertise and knowledge and their wide ranging experience and backgrounds ensure that they can debate matters constructively in relation to both the development of strategy and performance against objectives set out by the Board Biographical details of each of the Directors which illustrate their range of experience, are set out on page 48 The Company s policy relating to the terms of appointment and remuneration of both the Executive and Non-Executive Directors is detailed in the Directors Remuneration Report on pages 59 to 65

The division of responsibilities between the Chairman and Chief Executive is clearly established and is understood by the Board The Chairman at the time of his appointment met and continues to meet the independence criteria set out in the Code

The Senior Independent Director is currently Mr C V Geoghegan Mr D A Haxby was the Senior Independent Director until 13 May 2010

All Directors are subject to election at the Annual General Meeting immediately following their appointment and to re-election every three years However in accordance with a new provision included in the Governance Code all continuing Directors will be seeking re-election at the forthcoming Annual General Meeting

BOARD PROCEDURES

The Board meets regularly during the year, as well as on an ad hoc basis as required by time-critical business needs The Board met formally on ten occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table on page 56 All Board members are supplied with information in a form and of a quality appropriate to enable them to discharge their duties Board and Committee papers are sent out seven days before meetings take place There is an agreed schedule of matters reserved to the Board for collective decision and these include

- determining the strategy and control of the Group,
- amendments to the structure and capital of the Company and Group
- approval of financial reporting and controls
- approval of capital and revenue expenditure of a significant size
- acquisitions and disposals above a prescribed level, and
- corporate governance matters and approval of Group policies and risk management strategies

The Board has formally delegated specific responsibilities to Board Committees, including the Nominations, Audit and Remuneration Committees The Board will also appoint Committees to approve specific processes as deemed necessary For example, during the year, Board Committees were established to approve bank documentation and the preliminary and interim announcements

To enable the Board to perform its duties effectively all Directors have full access to all relevant information and to the services of the Company Secretary whose responsibility it is for ensuring that Board procedures are followed The appointment and removal of the Company Secretary is a matter reserved for the Board There is an agreed procedure whereby Directors wishing to take independent legal advice in the furtherance of their duties may do so at the Company's expense Directors have the right to ensure that any concerns they raise about the running of the Company or a proposed action will be recorded in the Board minutes Further, on resignation if a Non-Executive Director had any such concerns, the Chairman would invite him to provide a written statement for circulation to the Board

All Board Committees are provided with sufficient resources to undertake their duties Appropriate training is available to all Directors on appointment and on an ongoing basis as required

The Terms of Reference for each of the Board Committees are available on request from the Company Secretary or on the SIG website (www sigplc com)

CORPORATE GOVERNANCE CONTINUED

BOARD PROCEDURES CONTINUED

From 1 October 2008, there has been a requirement that Directors must avoid a situation where they have or can have, a direct or indirect interest that conflicts or possibly may conflict with the Company's interests Directors of public companies may authorise conflict and potential conflicts where appropriate, if a company's Articles of Association permit and Shareholders have approved appropriate amendments

Procedures have been put in place for the disclosure by Directors of any such conflicts and also for the consideration and authorisation of any conflicts by the Board These procedures allow for the imposition of limits or conditions by the Board when authorising any conflict if they think this is appropriate These procedures have been applied during the year and up to the date of this report and are included as a regular item for consideration by the Board at its meetings

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of Directors at meetings of the Board Audit Remuneration and Nominations Committees during the year to 31 December 2010

	Board (10 meetings)	Meetings eligible to attend	Audit Committee (4 meetings)	Meetings eligible to attend	Remuneration Committee (7 meetings)	Meetings eligible to attend	Nominations Committee (3 meetings)	Meetings eligible to attend
M J Chivers	10	(10)	N/A	N/A	N/A	N/A	N/A	N/A
C J Davies	10	(10)	N/A	N/A	N/A	N/A	3	(3)
G W Davies	10	(10)	N/A	N/A	N/A	N/A	N/A	N/A
C V Geoghegan	9	(10)	4	(4)	7*	(7)	3	(3)
D A Haxby	3	(4)	1	(1)	3	(4)	1	(1)
V Murray	10	(10)	4	(4)	7	(7)	3	(3)
J C Nicholls	10	(10)	4*	(4)	7	(7)	3	(3)
L O Tench	10*	(10)	N/A	N/A	N/A	N/A	3*	(3)
L Van de Walle	3	(3)	N/A	N/A	N/A	N/A	0	(0)

* Chairman

This table only shows those meetings which each Director attended as a member rather than as an invitee

Where N/A appears in the table the Director listed is not a member of that Committee

All of the Directors in office at the date of the Annual General Meeting on 13 May 2010 were in attendance at that meeting

Directors do not participate in meetings when matters relating to them are discussed

The Chairman also holds meetings with the Non-Executive Directors without the Executive Directors present The Senior Independent Director also meets with the other Independent Non-Executive Directors without the Chairman present

The Board arranges to hold at least two Board meetings each year at Group business locations to help all Board members gain a deeper understanding of the business This also provides Senior Managers from across the Group the opportunity to present to the Board as well as to meet the Directors on more informal occasions Board members also attend divisional and Group management conferences whenever possible

BOARD EFFECTIVENESS

The effectiveness of the Board and its Committees is vital to the success of the Company and during the year the Board continued its ongoing evaluation process to assess its performance and that of its three principal Committees

In 2010 as part of this programme, the Board commissioned an independent third party to prepare a tailored Board Evaluation Questionnaire with the emphasis in addition to the evaluation of the performance of the Board and its Committees being targeted at identifying the future needs of the Board, including Board composition and succession planning Each Director completed their questionnaire and these were then evaluated by the independent third party who then prepared a report for the Chairman The Chairman and the independent third party presented the results of the evaluation to the Board which discussed the results of the evaluation in detail The discussions then focused on how the actions identified through the process should be implemented The Board was satisfied that the evaluation of this performance was a worthwhile exercise and that the Directors had participated in an open and frank basis

During the year a number of the Directors attended training courses and seminars on subjects and topics in conjunction with those that the Chairman had identified as being areas where training would increase the knowledge and effectiveness of the Director The Board as a whole also undertook training in 2010 Further training is programmed for 2011

The Non-Executive Directors, chaired by the Senior Independent Director meet once a year without the Chairman present to assess his performance taking into account the views of the Executive Directors

RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of communicating with its Shareholders including its employee Shareholders, to ensure that its strategy and performance is understood This is achieved principally through the Annual Report and the Annual General Meeting The Group s annual and interim results as well as all announcements issued to the London Stock Exchange are published on the Company's website The Company issues regular trading updates to the market and these, together with copies of the presentations made to analysts can also be found on the Company's website In addition a range of other corporate information is available to investors on the Company's website (www sigplc com)

RELATIONS WITH SHAREHOLDERS CONTINUED

The Chief Executive and Finance Director are primarily responsible for direct investor relations The Board is kept informed of investors views through distribution and regular discussion of analysts and brokers briefings and a summary of investor opinion feedback In addition feedback from major Shareholders is reported to the Board by the Chairman and the Finance Director and discussed at its meetings Formal presentations are made to institutional Shareholders following the announcement of the Company s annual and interim results Contact is also maintained where appropriate, with Shareholders to discuss overall remuneration plans and policies The Chairman and the Senior Independent Director are available to discuss governance and strategy with major Shareholders if requested and both are prepared to contact individual Shareholders should any specific areas of concern or enquiry be raised We respond throughout the year to correspondence received from Shareholders on a wide range of issues and also participate in a number of surveys and questionnaires submitted by a variety of investor research bodies During the year the Chairman of the Remuneration Committee met with a number of the Company's major shareholders in connection with the review of the Company's senior executive Remuneration Policy Although the other Non-Executive Directors have not been asked to meet the Company s Shareholders they regularly attend presentations of the annual and interim results The Board recognises that the Annual General Meeting is the principal forum for dialogue with private Shareholders and all Shareholders are invited to attend All Directors attend the Annual General Meeting and are available to answer any questions that Shareholders may wish to raise The Notice of Meeting is sent to Shareholders at least 20 working days before the meeting The Company provides a facility for Shareholders to vote electronically and the Form of Proxy provides Shareholders with the option of withholding their vote on a resolution if they so wish

Shareholders in attendance at the Annual General Meeting vote on a show of hands, unless a poll is validly called and after each such vote the number of Proxy votes received for or against the resolution together with the number of absolutions is announced The Company Secretary ensures that votes are properly received and recorded Details of the Proxies lodged on all resolutions are published on the Company s website immediately after the Annual General Meeting (www sigplc com)

THE REMUNERATION COMMITTEE

The Remuneration Committee operates under written Terms of Reference which are consistent with current best practice The Committee comprises only independent Non-Executive Directors The Chairman of the Committee attends the Annual General Meeting to respond to any Shareholder questions that might be raised on the Committee s activities The Committee's Report is set out on pages 59 to 65

NOMINATIONS COMMITTEE

The Nominations Committee operates under written Terms of Reference, which are consistent with current best practice Its principal duty is the nomination of suitable candidates for the approval of the Board to fill Executive and Non-Executive vacancies on the Board Members of the Committee are not involved in matters affecting their own positions The Nominations Committee comprises the Chairman Chief Executive and the independent Non-Executive Directors The meetings of the Committee are chaired by the Non-Executive Chairman The Committee meets as appropriate but at least once a year A quorum is four members at least two of whom shall be independent Non-Executive Directors

The Committee reviews the structure size diversity gender and composition balance of skills knowledge and experience of the Board and makes recommendations concerning the re-appointment of any Non-Executive Director at the conclusion of their specified term of office and in the identification and nomination of new Directors The Committee retains external search and selection consultants as appropriate The Committee also advises the Board on succession planning to ensure that processes are in place with regards to both Board and senior appointments although the Board itself is responsible for succession generally

In general terms when considering candidates for appointment as Directors of the Company, the Nominations Committee would, in conjunction with the Board draft a detailed job specification and candidate profile In drafting this consideration would be given to the existing experience knowledge and background of Board members as well as the strategic and business objectives of the Group Once a detailed specification has been agreed with the Board the Committee would then work with an appropriate external search and selection agency to identify candidates of the appropriate calibre and with whom an initial candidate shortlist could be agreed The drawing up of this list is entirely consistent between external and internal candidates Shortlisted candidates would then be invited to interview with members of the Committee and, if recommended by the Committee, would be invited to meet the entire Board before any decision is taken relating to the appointment This process was followed in identifying Mr L Van de Walle as a candidate for appointment as a Non-Executive Director

Following the appointment of a new Director the Chairman, in conjunction with the Company Secretary, is responsible for ensuring that a full formal and tailored induction to the Company is given Such an induction programme was given to Mr L Van de Walle on his appointment as Non-Executive Director in October 2010

AUDIT COMMITTEE

The Audit Committee operates under written Terms of Reference which are consistent with current best practice The Committee comprises only independent Non-Executive Directors The Chairman of the Committee attends the Annual General Meeting to respond to any Shareholder questions that might be raised on the Committee's activities

The Group does not have a dedicated internal audit function The Board annually reviews the need for such a function In 2006 the Audit Committee recommended and the Board accepted that the Group s internal control and risk management systems would be further strengthened by the appointment of an outsourced internal audit function and Ernst & Young LLP were appointed in April 2006 to provide an outsourced internal audit function for the Group

The Committee's Report is set out on pages 66 to 67

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has ultimate responsibility for the Group s system of internal control and for reviewing its effectiveness It is the role of management to implement the Board's policies on risk and control through the design and operation of appropriate internal control systems Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can therefore only provide reasonable and not absolute assurance against material misstatement or loss

The Audit Committee monitors and reviews the effectiveness of the Group's internal control systems, accounting policies and practices standards of risk management and risk management procedures and compliance controls

The key elements of the existing systems of internal control, which accord with the revised Turnbull Guidance (2005) are as follows

OPEN CULTURE

The Board considers that the Group operates a risk-aware culture with an open style of communication This facilitates the early identification of problems and issues, so that appropriate action is taken quickly to minimise any impact on the business

CORPORATE GOVERNANCE CONTINUED

RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

ONGOING PROCESS FOR RISK IDENTIFICATION, EVALUATION AND MANAGEMENT

During 2010 the Board conducted a review of the effectiveness of the Group's system of internal control This review covered all controls including operational compliance and risk management procedures as well as financial The review is undertaken on a six monthly basis This process includes the following

- a defined organisation structure with appropriate delegation of authority
- formal authorisation procedures for all investments with clear guidelines on appraisal techniques and success criteria
- clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production and review of detailed accurate and timely financial management information
- a comprehensive system of financial reporting An annual budget for each operating company is prepared in detail and approved by the Chief Executive The Board approves the overall Group s budget and plans Monthly actual results are reported against budget and prior year and the forecast for the year is revised where necessary Any significant changes and adverse variances are questioned by the Board and remedial action is taken where appropriate There is weekly cash and treasury reporting to the Finance Director and periodic reporting to the Board on the Group s tax and treasury position,
- provision to management and the Board of relevant accurate and timely information including relevant key performance indicators, based on reliable management information systems which are continually being improved and updated
- monthly reports to the Board from the Chief Executive and Finance Director
- regular business unit management Board meetings (periodically attended by the Chief Executive or Finance Director), executive Board meetings and company Board meetings at which existing new and evolving operational financial and other risks are discussed, and appropriate actions to manage these risks are agreed and followed up
- discussion of any significant issues or control weaknesses identified and, if considered necessary their inclusion in reports to the executive Board and company Board,
- the maintenance of business unit risk registers
- the maintenance of a Group risk register which sets out the most significant risks facing the Group and the actions being taken in mitigation regularly updated and reviewed by the Board and summarised in the Business Review on pages 26 and 27
- operating units both trading sites and central functions complete comprehensive Control Self Assessment ("CSA") Questionnaires every six months These questionnaires require managers to respond to questions about procedures and controls in the unit for which they have responsibility These are analysed by local and Group management and all potential risks or control failure issues which are raised by the CSA process are classed in terms of escalation levels with any significant Group level issues being reported to the Audit Committee, and
- a structured and approved programme of internal audit visits with the implementation of recommendations made being monitored as part of a continual programme of improvement

ANNUAL ASSESSMENT OF THE EFFECTIVENESS OF SYSTEMS OF INTERNAL CONTROL

The Board and Audit Committee requested received and reviewed reports from senior management, its advisers Group internal audit and our external Auditors in order to assist the Board with their annual assessment of the effectiveness of the Group s systems of internal controls Through the ongoing processes outlined above areas for improvement in internal controls are continually identified and action plans are devised Progress towards completion of actions is regularly monitored by management and the Board The Board considers that none of the areas of improvement identified constitute a significant failing or weakness The Board considers that the information that it receives is sufficient to enable it to review the effectiveness of the Group s internal controls in accordance with the internal control guidance for Directors on the Combined Code issued by the Turnbull Review Group

FINANCIAL REPORTING

In addition to the general internal controls and risk management processes described above the Group also has specific internal controls and risk management systems to govern the financial reporting process and preparation of the annual financial statements These systems include clear policies and procedures for ensuring that the Group s financial reporting processes and the preparation of its consolidated accounts comply with all relevant regulatory reporting requirements These are comprehensively detailed in the Group Finance Manual which is used by the businesses in the preparation of their results Financial control requirements are also set out in the Group Finance Manual

WHISTLEBLOWING

The Group has in place a Whistleblowing Policy under which employees may, in confidence raise concerns about possible wrongdoing in financial reporting or other matters A copy of this policy is available on the Company's website (www sigplc com) The Company also has in place a confidential hotline which is available to all of the Group s employees and provides a facility for them to bring matters to management's attention on a confidential basis The hotline is provided by an independent third party During 2010 these systems were operational throughout the Group A full investigation is carried out on all matters raised and a report is prepared for feedback to the complainant The Company Secretary is required to report to the Audit Committee biannually on the integrity of these procedures the state of ongoing investigations and conclusions reached During 2010 Group employees used this system to raise concerns about a number of separate issues all of which were appropriately responded to

The risk framework, as outlined above gives reasonable assurance that the structure of controls in operation is appropriate to the Group's situation and that there is an acceptable level of risk throughout the business

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that this has been in place for the year under review and up to the date of approval of the Annual Report and Accounts

RICHARD MONRO
COMPANY SECRETARY
16 March 2011

DIRECTORS' REMUNERATION REPORT
INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2010

DEAR SHAREHOLDER

On behalf of the Board I am pleased to present the Remuneration Committee's Report of the Directors' remuneration for 2010 for which we will be seeking Shareholder approval at the Annual General Meeting in May

The Board noted with disappointment the vote against the approval of the Directors Remuneration Report at last year s Annual General Meeting The opposition of Shareholders reflected concerns about the decision of the Committee to award a salary increase to the Chief Executive given the historical performance of the Company and the external environment The Committee subsequently undertook extensive consultations with a number of the Company's major institutional Shareholders as part of a review of SIG remuneration for 2011 The key points noted in the discussions held with Shareholders were as follows

- Executive Director salary increases in 2011 should be restricted,
- mandatory deferral of part of the annual bonus should be considered, and
- consideration should be given to incorporating an additional performance measure in the Long Term Incentive Plan

Taking into account the views of our Shareholders together with what the Committee believes to be appropriate for SIG, the Committee has determined the following approach for Executive Director remuneration in 2011

- base salaries for the Executive Directors to be frozen at 2010 levels For Shareholders' information, without prior knowledge of the Remuneration Committee s position, the Executive Directors had earlier in the year advised that they would decline any salary increase offered in 2011
- no change in the total annual bonus opportunity which will remain at 100% of base salary,
- introduction of mandatory deferral for Executive Directors of one third of their annual bonus into SIG shares for three years subject to potential clawback,
- opportunity to defer up to 50% of any post tax bonus into the 2004 Deferred Annual Bonus Scheme
- no change in long term incentive award opportunity The LTIP Award for the Executive Directors will remain at 100% of base salary and
- in advance of each LTIP cycle the Committee will review the use of additional performance measures (including TSR both absolute and relative and Return on Capital as well as the continuing appropriateness of EPS) At the current time the Committee believes the use of EPS provides the best measure of performance for SIG

The Committee considers the approach outlined above to be appropriate for executive remuneration in 2011 Our major institutional Shareholders were consulted before this approach was implemented and were supportive We hope this will be formally endorsed by Shareholders in their vote on the Directors' Remuneration Report at the Annual General Meeting in May

CHRIS GEOGHEGAN
CHAIRMAN OF THE REMUNERATION COMMITTEE

INTRODUCTION

This report prepared by the Remuneration Committee on behalf of the Board, sets out the policy and disclosures on remuneration for the Executive and Non-Executive Directors of the Board It takes full account of the Combined Code and the latest ABI/NAPF guidelines and has been prepared in accordance with the provisions of the Companies Act 2006 ('the Act) the Listing Rules of the Financial Services Authority and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 The Act requires the Auditors to report to the Company s Shareholders on the audited information within this report and to state whether in their opinion, those parts of the report have been prepared in accordance with the Act The Auditors' opinion is set out on page 110 and those aspects of the report which have been subject to audit are clearly marked A resolution will be put to Shareholders at the Company's Annual General Meeting on 11 May 2011 inviting them to approve this report

THE REMUNERATION COMMITTEE

The Remuneration Committee (the Committee") comprises the following Non-Executive Directors Mr C V Geoghegan (who chairs the Committee), Mrs V Murray and Mr J C Nicholls all of whom are independent Non-Executive Directors within the definition set out in the Code Mr D A Haxby who retired as a Director of the Company on 13 May 2010 was a member of the Committee up to that date Mrs V Murray was a member of the Committee until she resigned as a Director on 16 March 2011 Both the constitution and operation of the Remuneration Committee comply with the principles incorporated in the Combined Code The fees paid to Non-Executive Directors are determined by the Board The Non-Executive Directors do not participate in any way in connection with the determination of their own fees

The role of the Committee is to determine on behalf of the Board the salary and benefits received by the Chairman and the Executive Directors and for overseeing the remuneration of other Senior Executives The Committee s Terms of Reference, which are reviewed regularly are set out on the Company s website www sigplc com Its key responsibilities are

- to determine the remuneration policy for Executive Directors and such other members of the Executive Management as it is designated to consider
- to design specific remuneration packages which include salaries, bonuses, equity incentives pension rights and benefits,
- to review the Executive Directors' service contracts
- to ensure that failure is not rewarded and that steps are always taken to mitigate loss on termination within contractual obligations,
- to review remuneration trends across the Group, and
- to approve the terms of and recommend grants under the Group s incentive plans

The Chief Executive, Mr C J Davies is consulted on the remuneration of Executive Directors and attends meetings by invitation but does not participate when his own remuneration is discussed The Chairman of the Board also attends meetings by invitation but does not participate in any way in connection with the determination of his own fee The Company Secretary provides information to the Committee and is in attendance at meetings

During the year the Committee met seven times Attendance by individual members of the Committee is disclosed in the table on page 56 The Committee also takes independent professional advice on an ad hoc basis, as required Kepler Associates ("Kepler") provided advice to the Committee in respect of the Group s remuneration strategy and relevant market information for 2010 Kepler does not provide any other services to the Company

The Committee reviews its own performance annually and considers where improvements can be made as appropriate

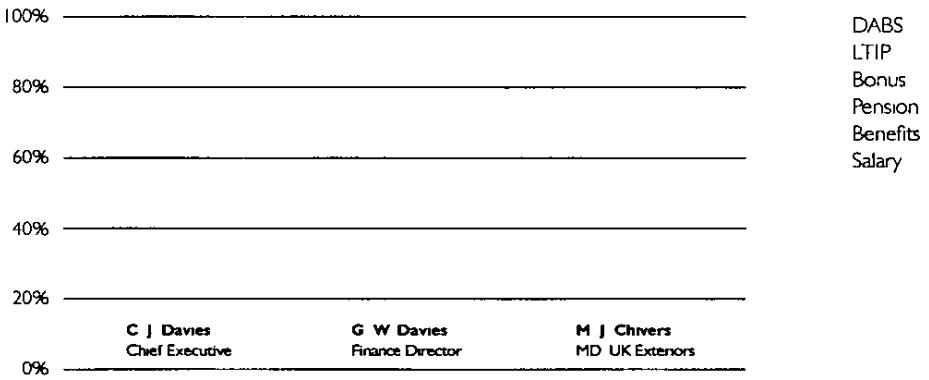
DIRECTORS' REMUNERATION REPORT CONTINUED
INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2010

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

The Company's policy is to provide remuneration packages that fairly reward the Executive Directors for the contribution they make to the business and that are appropriately competitive to attract retain and motivate Executive Directors and Senior Managers of the right calibre The policy is designed to incentivise the Directors to meet the Company s financial and strategic objectives such that a significant proportion of remuneration is performance related The Company's financial and strategic objectives are set out in the Business Review on pages 11 to 31

The Remuneration Committee has the discretion to consider the Company s performance on environmental social and governance issues when determining the overall reward for the Executive Directors The Committee also takes into account pay and conditions across the Group when determining remuneration for the Executive Directors

The bar chart below explains the relevant importance of the elements of the remuneration package that are performance related and those that are not



For the purposes of the chart set out above salary and benefits are the amounts received in 2010 Annual bonus, LTIP and DABS Awards are included on a fair value basis

Deloitte LLP, in their capacity as Auditors, are requested to examine outcomes for the Long Term Incentive Plan before any Awards vest

The main components of Executive Directors' remuneration are given below

BASE SALARY AND BENEFITS (AUDITED)

Base salary and benefits are determined on an annual basis by the Committee based upon the recommendations of the Chief Executive and after a review of the individual s performance, experience and market trends The Chief Executive does not make recommendations to the Committee in respect of his own remuneration The Committee takes into account published remuneration information from circa 30 companies of similar size (excluding financial services and real estate companies) and salary policy within the rest of the Group

For 2011 the Executive Directors' base salaries have been frozen at their 2010 levels Base salaries across the rest of the SIG Group were increased by an average of 1 5%

Benefits comprise a company car medical and permanent health insurance The value of benefits is not pensionable

The annual rates of base salary during the year are shown in the table below

Name	Annual rate of salary 2010	**Annual rate of salary 2011**	Increase
C J Davies	£532 875	**£532,875**	0%
G W Davies	£305 000	**£305,000**	0%
M J Chivers	£275 000	**£275,000**	0%

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED

ANNUAL PERFORMANCE BONUS

The annual performance related bonus provides Executive Directors with an incentive to achieve annual performance targets which are set at the beginning of a financial year The performance metrics for the year under review and the following year are shown in the table below

Name	Year	Debt management/ working capital improvement	Underlying profit before tax % of salary	Personal objectives % of salary	Maximum bonus of % of salary
C J Davies	2010	30%	50%	20%	100%
	2011	20%	60%	20%	100%
G W Davies	2010	30%	50%	20%	100%
	2011	20%	60%	20%	100%
M J Chivers	2010	30%	50%	20%	100%
	2011	20%	60%	20%	100%

In an exceptionally difficult environment the Group s underlying profit before tax in 2010 was sufficient for the entry level target of £62m to be achieved This resulted in a payment of circa 12% of salary being earned by Mr C J Davies and Mr G W Davies Mr M J Chivers pre-determined performance targets relate to the profit performance of those businesses under his control as well as SIG Group as a whole and the profit performance of those elements has resulted in payment of 38 5% of salary in relation to the profit element The debt management and working capital improvement targets were achieved in full resulting in payment in full for this element Performance against pre-determined personal objectives varied by individual and resulted in overall bonuses of 59%, 56%, and 87% of salary for Mr C J Davies, Mr G W Davies and Mr M J Chivers

The Committee has agreed that for 2011 the maximum bonus that can be earned should remain at 100% of base salary for each Executive Director Executive Directors will also be required to mandatorily defer one third of their annual bonus into SIG shares for a period of three years subject to clawback Also for 2011 the Committee has increased the weighting on the underlying profit before tax element of the bonus opportunity from 50% to 60% reflecting its increased importance The working capital improvement element reduces from 30% to 20% and is based on achieving cash conversion targets

PENSION SCHEMES

All Executive Directors are members of the Group's contributory defined benefit pension scheme which enables members to retire at age 60 with a maximum pension after 40 years pensionable service equivalent to two thirds of final pensionable salary Pensionable salary is basic salary excluding bonuses Final pensionable salary is the average of the highest three consecutive pensionable salaries in the last ten years before retirement For service up to 31 July 2002 pensions in payment are guaranteed to increase by 5% per annum compound Following consultation with the active membership of the scheme certain changes were made to the contribution levels and benefits in order to limit future liabilities and, consequently for service from 1 August 2002 pensions in payment are guaranteed to increase by the lower of 5% per annum or the increase in the Retail Prices Index (RPI") On death before retirement, a lump sum equal to four times current salary is paid together with a spouse s pension of 50% of pensionable salary As part of this scheme all Executive Directors are covered by permanent health insurance

In March 2006 the Board agreed that the rules of the Group's contributory defined benefit pension scheme should be amended to permit continued accrual in the scheme to age 65 All members will be permitted to take their benefits at age 60 without abatement if they so wish

SHARE OPTION SCHEMES

LONG TERM INCENTIVE PLANS (LTIP")

All Executive Directors are eligible to participate in the LTIP which was approved by Shareholders in 2004 Under the LTIP participating Directors and other designated Senior Managers are granted nil cost share options up to a maximum of 100% of base salary Awards under the LTIP are not pensionable Awards under the LTIP are exercisable between three and seven years from the date of grant but the right to exercise options terminates upon the employee ceasing to hold office with the Group subject to certain exceptions and the discretion of the Remuneration Committee

All LTIP Awards granted to date are subject to EPS performance conditions The performance targets attaching to LTIP Awards that are still subject to performance are set out below

In the case of the 2007 Award the performance condition is based on real (in excess of RPI) annual compound growth in EPS as shown below The three year performance period for Awards starts at the beginning of the financial year in which the Award is made There is no facility for retesting the performance condition after the end of the three year performance period The performance target for the 2007 Award was not met and consequently all of these Awards have lapsed

	Real annual compound growth in Group EPS over three years	Percentage of Award vesting
Threshold	5%	30%
Maximum	10%	100%
Between threshold and maximum	5%–10%	Pro-rata between 30% and 100%

DIRECTORS' REMUNERATION REPORT CONTINUED
INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2010

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED
SHARE OPTION SCHEMES CONTINUED
LONG TERM INCENTIVE PLANS ("LTIP") CONTINUED
In the case of the 2008 Award the performance condition is based on real (in excess of RPI) annual compound growth in EPS as shown below The three year performance period for Awards starts at the beginning of the financial year in which the Award is made There is no facility for retesting the performance condition after the end of the three year performance period

	Real annual compound growth in Group EPS over three years	Percentage of Award vesting
Threshold	5%	30%
Maximum	12%	100%
Between threshold and maximum	5%–12%	Pro-rata between 30% and 100%

In 2009, Awards were made under the LTIP to Mr C J Davies and Mr G W Davies with a value of 50% of base salary at 1 January 2009 and to Mr M J Chivers with a value of 40% of base salary These Awards are subject to a performance target relating to the underlying EPS of the Company for the year ending 31 December 2011 For 25% of the award to vest the underlying EPS must be 10p and for the Award to vest in full then 13 5p must be achieved

The Committee decided that for 2010 Award sizes should be made at their pre-2009 levels Awards are subject to a performance target relating to the underlying EPS of the Company for the three years ending 31 December 2012 If the Company s three year cumulative underlying EPS is less than or equal to 30p no shares vest Awards vest in full for a three year cumulative EPS of 40p or higher and vesting is on a straight line basis between these two points

In 2011, the Committee intend to make Awards under this LTIP to Executive Directors of 100% of salary subject to a performance target relating to the underlying EPS of the Company for the three years ending 31 December 2013 The three year performance target will be set at the same level as that for the 2010 Award If the Company's three year cumulative underlying EPS is less than or equal to 30p, no shares will vest Awards will vest in full for a three year cumulative EPS of 40p or higher and vesting is on a straight line basis between these two points

The Committee believes Earnings per Share ("EPS") continues to be a key measure of long term performance and is appropriate for its share incentive schemes (i e LTIP and DABS) as it requires substantial improvements in the underlying financial performance of the Company in order to become exercisable In advance of each LTIP cycle the Committee will review the use of additional performance measures

DEFERRED ANNUAL BONUS SCHEME (DABS")
In 2004 Shareholders approved the introduction of the DABS Participants (including Executive Directors) are invited to defer up to 50% of their annual performance related cash bonus (after income tax and national insurance) in respect of the preceding financial year in order to purchase shares in the Company The purchased shares must be retained for three years Participants purchasing such shares will be eligible to receive up to a maximum of one additional free matching share for every share purchased providing certain pre-set real (in excess of RPI) annual compound EPS growth targets are met over a three year period The performance target for the 2007 Award was not met and consequently all of these Awards have lapsed For 2007 and 2008 the performance targets for the DABS are shown below

	Real annual compound growth in Group EPS over three years	Percentage of Award vesting
Threshold	3%	50%
Maximum	5%	100%
Between threshold and maximum	3%–5%	Pro-rata between 50% and 100%

For 2009 the performance target set for the DABS was the same as that for the LTIP as described above

No Awards under DABS were made in 2010

The above performance conditions were chosen because they were believed to be challenging and not only take account of the need for long term performance and commitment but also are an important means of aligning the interests of executives and Shareholders At the end of the relevant period the Remuneration Committee assesses whether the performance conditions have been satisfied

Awards made under the DABS are not pensionable and are set out in the table on page 65

Under the rules of the LTIP and the DABS outstanding Awards vest on termination for certain reasons such as death retirement and redundancy or on a change of control, on a time related, pro-rata basis subject to the satisfaction of the relevant performance criteria If however, the termination of employment is for a reason other than one of those specified in the rules, an individual s full award lapses

EMPLOYEE SHARE SCHEMES
The Executive Directors are also eligible to participate in the Company s SIP which commenced in November 2005 and is open to all UK employees of the Group The SIP is an HMRC approved arrangement which entitles all employees to purchase shares and receive matching shares in a potentially tax-advantageous manner The Company gives one matching share for each share purchased by the employee up to a maximum of four matching shares per month

NON-EXECUTIVE DIRECTORS
The Non-Executive Directors, including the Chairman do not have service contracts The Company s policy is that Non-Executive Directors are appointed for specific terms of three years unless otherwise terminated earlier by and at the discretion of either party upon three months written notice Non-Executive Directors appointments are reviewed at the end of each three year term Non-Executive Directors will normally be expected to serve two three year terms, although the Board may invite them to serve for an additional period

The Executive Directors are responsible for recommending to the Board the fees of Non-Executive Directors The basic Non-Executive Director fee is calculated by reference to current market levels and takes account of the time commitment and the responsibilities of the Non-Executive Directors Non-Executive Directors do not receive benefits from the Company and they are not eligible to join the Company s pension scheme or participate in any bonus or incentive scheme or any of the Company s share option schemes Any reasonable expenses that they incur in the furtherance of their duties are reimbursed by the Company The Chairman and Non-Executive Directors fees are reviewed in May each year with any increase being payable from 1 June These fees were reviewed in May 2010 and were left unchanged

NON-EXECUTIVE DIRECTORS CONTINUED

The dates of their letters of engagement and annual entitlement to fees are set out below

	Original date of appointment	Date of letter of engagement	Basic fee £	Senior Independent Director fee £	Chairman of Remuneration/ Audit Committee fee £	**Total current annual fees £**
L Van de Walle*	01/10/2010	15/09/2010	145,000	–	–	**145,000**
C V Geoghegan	01/07/2009	08/05/2009	44 500	2 000	6 000	**52,500**
V Murray	01/07/2009	08/05/2009	44,500	–	–	**44,500**
J C Nicholls	06/11/2009	08/05/2009	44 500	–	8 000	**52,500**

* Mr L Van de Walle was paid the basic fee of £44 500 per annum from the date of his appointment until 31 January 2011 From 1 February 2011 his basic fee was increased to £145 000 on his appointment as Non-Executive Chairman

Mr L O Tench resigned as a Non-Executive Director and Chairman on 31 January 2011 Mr L O Tench was receiving a basic fee of £145 000 per annum for his services as Non-Executive Chairman up to the date of his resignation on 31 January 2011

Mr D A Haxby resigned as a Non-Executive Director on 13 May 2010

Mrs V Murray resigned as a Non-Executive Director on 16 March 2011

SERVICE CONTRACTS

The Executive Directors have service contracts for a continuous term to retirement age providing for a rolling twelve months notice period in writing by either party

The service contracts for Mr M J Chivers, Mr G W Davies and Mr C J Davies are dated 1 January 1995 1 August 2002 and 28 January 2009 respectively The Company can discharge any obligation in relation to the unexpired portion of their notice period or any notice required to be given under their service contracts by making a payment in lieu of notice subject to the deduction of tax and national insurance If the Company terminates employment without giving notice or making a payment in lieu any damages to which the Executive may be entitled is to be calculated in accordance with common law principles, including those relating to mitigation of loss and accelerated receipt There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur in the event of a takeover

SHARE OWNERSHIP GUIDELINES

To ensure alignment between Executive Director interests and those of Shareholders, the Company has established the principle of requiring Executive Directors to build up and maintain a beneficial holding of shares in the Company equivalent to a minimum of one times basic salary Under normal circumstances it is expected that this should be achieved within five years of 31 December 2004, or within five years of appointment whichever is the later It is anticipated that the satisfaction of this target will be mainly achieved by the vesting of shares through the Company s share schemes

PERFORMANCE GRAPH

The graph below shows the Company's TSR performance (share price plus dividends paid) compared with the performance of the FTSE All Share Support Services Index over the five year period to 31 December 2010 This index has been selected because the Company believes that the constituent companies comprising the FTSE All Share Support Services Index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to SIG

1 JANUARY 2006 TO 31 DECEMBER 2010

TSR (rebased = 100 at 1 January 2006)

DIRECTORS' REMUNERATION REPORT CONTINUED
INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS' INTERESTS IN THE SHARES OF SIG PLC (AUDITED)

The interests of the Directors in office at 31 December 2010 and of their families in the ordinary shares of the Company at the following dates were

	31 December 2010	1 January 2010 or date of appointment
M J Chivers	**137,868***	121 552*
C J Davies	**134,501***	108,185*
G W Davies	**168,346***	157,030*
C V Geoghegan	**40,000**	40,000
V Murray (resigned 16 March 2011)	**11,500**	11,500
J C Nicholls	**14,220**	14,220
L O Tench (resigned 31 January 2011)	**87,248**	87,428
L Van de Walle (appointed 1 October 2010)	**Nil**	Nil

* Includes shares purchased under the SIG plc SIP

On 17 January 2011 Mr G W Davies Mr C J Davies and Mr M J Chivers acquired a further 84 shares each under the SIG plc SIP, on 15 February 2011, Mr C J Davies Mr G W Davies and Mr M J Chivers acquired a further 92 shares each under the SIP and on 15 March 2011, Mr G W Davies Mr C J Davies and Mr M J Chivers acquired a further 100 shares each under the SIP All shareholdings were unchanged as at 16 March 2011

DIRECTORS' EMOLUMENTS (AUDITED)

	Salary and fees £000	Annual performance related bonus £000	Benefits £000	**2010 Total emoluments £000**	2009 Total emoluments £000
Chairman					
L O Tench (resigned 31 January 2011)	145	–	–	**145**	145
Executive					
C J Davies	533	314	20	**867**	694
M J Chivers	275	239	24	**538**	394
G W Davies	305	171	22	**498**	457
Non-Executive					
P H Blackburn (resigned 30 September 2009)	–	–	–	–	39
M J C Borlenghi (resigned 30 September 2009)	–	–	–	–	33
C V Geoghegan (appointed 1 July 2009)	52	–	–	**52**	24
D A Haxby (resigned 13 May 2010)	17	–	–	**17**	52
V Murray (appointed 1 July 2009, resigned 16 March 2011)	45	–	–	**45**	22
J C Nicholls (appointed 6 November 2009)	53	–	–	**53**	8
L Van de Walle (appointed 1 October 2010)	11	–	–	**11**	–
Total	1 436	724	66	**2,226**	1 868

There were no expense allowances or compensation for loss of office payments

The highest paid Director in the year was Mr C J Davies

Benefits relate to the estimated value of the provision of a company car and medical insurance premiums

DIRECTORS' PENSIONS (AUDITED)

The following Directors had retirement benefits accruing under the Company's main contributory defined benefit scheme in respect of qualifying services during the year

	Increase in accrued benefits £000	Increase in accrued benefits net of inflation £000	Transfer value of increase in benefits net of inflation* £000	Accrued benefits at 31 December 2010 £000	**Transfer value at 31 December 2010 £000**	Transfer value at 1 January 2010 £000	Contributions made by Executive to the scheme in the year £000	Transfer value (decrease)/ increase after deducting Executive contributions £000
M J Chivers	6	(37)	(600)	123	**3,757**	3 811	10	(64)
C J Davies	60	11	99	109	**2,505**	2 167	40	298
G W Davies	7	8	89	86	**1,398**	1 212	23	163

* After deducting Executive contributions

The transfer values disclosed above do not represent a sum paid or payable to the individual Director, but instead represent a potential liability of the pension scheme

Mr C J Davies stopped accruing pension benefit in the main registered scheme from 1 January 2009 and began accruing benefit in the Employer Financed Retirement Benefits Scheme ("EFRBS") The figures quoted in the table above represent his total entitlement in both schemes

DIRECTORS' PENSIONS (AUDITED) CONTINUED

NOTES RELATING TO PREVIOUS PAGE

1 Pension accruals shown are the amounts which would be paid annually from normal retirement age based on service to the end of the year for Mr C J Davies and Mr G W Davies and service to date of leaving the Plan for Mr M J Chivers

2 Where members took cash or early retirement options during the year the increase in accrued benefits is based on pension figures prior to commutation or early retirement factors being applied whereas the remainder of the figures are based pension figures post-commutation and early retirement factors

3 Mr M J Chivers and Mr C J Davies retired from the scheme during 2010 and commuted some of their benefits for tax-free cash The disclosure amounts opposite at 31 December 2010 are in relation to pension only (i e does not include cash lump sums paid in addition to these amounts)

4 Transfer values have been calculated in accordance with the revised transfer value basis adopted by the Trustees in July 2009

5 The figures in the second and third columns comply with the Greenbury requirements The value of the net increase represents the incremental value to the Director of his service during the year, calculated on the assumption service terminated at the year-end It is based on the accrued pension increase after deducting the Director's contribution

6 The change in the transfer value in the final column includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors such as market movements and also includes the effect of the change in the transfer value basis It is calculated after deducting the Director s contribution

7 Voluntary contributions paid by Directors and resulting benefits are not shown in the table opposite

DIRECTORS' SHARE OPTIONS (AUDITED)

Mr C V Geoghegan Mr D A Haxby, Mrs V Murray, Mr J C Nicholls Mr L Van de Walle and Mr L O Tench as Non-Executive Directors who held office during the year did not hold or have granted any share options during the year

The share options for the other Directors who held office at any time during the year ended 31 December 2010 are set out below

		Number of shares						Market price at date of		Exercise dates		
Date on which scheme interest was awarded	Market price when scheme interest was awarded	At 1 January 2010	Granted	Exercised	Lapsed	**At 31 December 2010**	Exercise price per 10p share	Vesting	Exercise	Earliest vesting date	Date exercised	Date on which option expires
Deferred Annual Bonus												
C J Davies												
17/04/2007	1 300 8p	1 298	–	–	(1 298)	**–**	Nil	–	–	17/04/2010	–	16/04/2017
Long Term Incentive Plan												
M J Chivers												
17/04/2007	1 300 8p	12 010	–	–	(12 010)	**–**	Nil	–	–	17/04/2010	–	16/04/2017
14/04/2008	801 1p	30 612	–	–	–	**30,612**	Nil	–	–	14/04/2011	–	13/04/2018
16/09/2009	138 2p	80 476	–	–	–	**80,476**	Nil	–	–	16/09/2012	–	15/09/2019
07/06/2010	110 0p	–	239,338	–	–	**239,338**	Nil	–	–	07 06,2013	–	06/06/2020
C J Davies												
17/04/2007	1,300 8p	10 474	–	–	(10 474)	**–**	Nil	–	–	17/04/2010	–	16/04/2017
14/04/2008	801 1p	55 178	–	–	–	**55,178**	Nil	–	–	14/04/2011	–	13/04/2018
08/09/2008	542 3p	11 168	–	–	–	**11,168**	Nil	–	–	08/09/2011	–	07/09/2018
16/09/2009	138 2p	173 248	–	–	–	**173,248**	Nil	–	–	16/09/2012	–	15/09/2019
07/06/2010	110 0p	–	463,772	–	–	**463,772**	Nil	–	–	07/06/2013	–	06/06/2020
G W Davies												
17/04/2007	1,300 8p	13,267	–	–	(13 267)	**–**	Nil	–	–	17/04/2010	–	16/04/2017
14/04/2008	801 1p	34,014	–	–	–	**34,014**	Nil	–	–	14/04/2011	–	13/04/2018
16/09/2009	138 2p	111 773	–	–	–	**111,773**	–	–	–	16/09/2012	–	15/09/2019
07/06/2010	110 0p	–	265 448	–	–	**265,448**	Nil	–	–	07/06/2013	–	06/06/2020
Total		533,518	968,558	–	(37 049)	**1,465,027**						

No price has been paid for any Awards of share options which were unexpired at any time in the financial year

The market price of the shares at 31 December 2010 was 128 7p and the range during 2010 was 90 7p to 137 8p

The aggregate of the total theoretical gains on options exercised by the Directors during 2010 amounted to £nil (2009 £nil) This is calculated by reference to the difference between the closing mid-market price of the shares on the date of exercise and the exercise price of the options disregarding whether such shares were sold or retained on exercise and is stated before tax

A resolution to approve this report will be proposed at the Annual General Meeting

The Board of SIG plc has approved this Directors Remuneration Report

On behalf of the Board

CHRIS GEOGHEGAN
CHAIRMAN OF THE REMUNERATION COMMITTEE
16 March 2011

REPORT OF THE AUDIT COMMITTEE

PURPOSE AND AIM

The purpose of the Audit Committee ("the Committee") is to make recommendations on the reporting, control risk management and compliance of the Directors and the Group's responsibilities, providing independent monitoring, guidance and challenge to executive management in these areas

Through this process its aim is to ensure the highest standards of corporate and regulatory reporting, controls risk management and compliance The Committee believes that excellence in these areas enhances the effectiveness and reduces the risks of the business

STRUCTURE

The Committee operates under Terms of Reference which can be found on the Company s website and which are available on application to the Company Secretary at the registered office They are reviewed annually by the Committee and changes are recommended to the Board for approval

The main duties of the Committee set out in its Terms of Reference are

- monitoring the integrity of the Company s Accounts including its Annual Report and Accounts and Interim Report,
- reviewing the consistency of accounting policies including any changes
- reviewing the effectiveness of the Company's internal control and risk management systems
- reviewing the Company s arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters
- monitoring and reviewing the effectiveness of the Company s outsourced internal audit function,
- reviewing the annual audit plan and receiving the Auditors' reports and the Company's response
- considering and making recommendations to the Board in relation to the appointment re-appointment and removal of the Company's external Auditors,
- overseeing the relationship with the external Auditors, including (but not limited to) approving their remuneration, assessing annually their independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the Auditors as a whole, including the provision of any non-audit services and
- reporting to the Board and identifying any matters on which the Committee considers that action or improvement is needed and making recommendations as to the steps to be taken

The Chairman of the Committee attends the Annual General Meeting to respond to any Shareholder questions that might be raised on the Committee's activities

The Committee has in its Terms of Reference the power to engage outside advisers and to obtain its own independent external advice at the Company's expense should it deem it necessary During 2010 no member of the Committee nor the Committee collectively found it necessary to obtain such separate advice beyond the advice that is directly provided to the Committee by the external Auditors, Deloitte LLP or from Ernst & Young LLP, who operate the Group s outsourced internal audit function

The Committee reviews its own performance annually and considers where improvements can be made

MEMBERSHIP

Throughout 2010 the Committee comprised the independent Non-Executive Directors of the Company The Board considers that each member of the Committee is independent within the definition set out in the Combined Code The Chairman of the Committee is Mr J C Nicholls He is a Chartered Accountant and was most recently Group Finance Director of Old Mutual plc and, prior to that, Group Finance Director of Hanson plc He is Audit Committee Chairman for Great Portland Estates plc and DS Smith plc The other members of the Committee, Mr C V Geoghegan and Mrs V Murray, have a wide range of business experience, which is evidenced by their biographical summaries on page 48 Mr D A Haxby was a member of the Committee until his retirement from the Board on 13 May 2010 Mrs V Murray was a member of the Committee until she resigned as Director on 16 March 2011 The Board is responsible for making appointments to the Committee and the Company Secretary acts as Secretary to the Committee

Members of the Committee undertake ongoing training as required

MEETINGS

The Committee meets regularly throughout the year with four planned meetings and its agenda is linked to events in the Company s financial calendar The agenda is mostly cyclical although each member of the Committee may request reports on matters of interest in addition to the regular items In 2010 the Committee met four times Attendance by individual members of the Committee is disclosed in the table on page 56 The Finance Director attended all four of the meetings by invitation of the Committee Chairman The external Auditors attended meetings of the Committee on three occasions The external Auditors have direct access to the Committee Chairman The Chairman of the Board and the other Executive Directors attend certain of the meetings of the Committee at the invitation of the Committee Chairman The external Auditors had confidential discussions with members of the Committee without the Chairman of the Board and the Executive Directors being present on two occasions in 2010 and in March 2011 before the signing off of the 2010 Annual Report and Accounts Ernst & Young LLP, who provide an outsourced internal audit function for the Group, are invited to meetings to present their reports and attended on two occasions in 2010 The Committee also meets with Ernst & Young LLP without the Executive Directors present and did so on two occasions in 2010

WORK OF THE COMMITTEE

The main activities of the Committee in 2010 were as follows

- with the assistance of reports received from management and the external Auditors the critical review of the significant financial reporting issues in connection with the preparation of the Company's financial statements
- assessing the scope and effectiveness of the systems established to identify assess manage and monitor financial and non-financial risks The Group's risk identification and management process is fully set out on pages 26 to 30 of the Business Review
- monitoring the integrity of the Company s internal financial controls
- monitoring and reviewing the plans work and effectiveness of the internal audit function, including any actions taken following any significant failures in internal controls
- reviewing, with the external Auditors, its terms of engagement its audit plans the findings of its work and at the end of the audit process reviewing its effectiveness
- reviewing the independence and objectivity of the external Auditors and
- reviews and makes a recommendation concerning the reappointment of the external Auditors

The Chairman of the Committee reports to the subsequent meeting of the Board on the key issues covered by the Committee identifying any matters on which it considers that action or improvement is needed and makes recommendations on the steps to be taken The Board also receives copies of the minutes of each meeting

INDEPENDENCE OF AUDITORS

The Board is aware of the need to maintain an appropriate degree of independence and objectivity on the part of the Group s external Auditors The external Auditors report to the Committee on the actions taken to comply with both professional and regulatory requirements and with best practice designed to ensure its independence

The Group has an agreed policy with regard to the provision of audit and non-audit services by the external Auditors which was operated during 2010 The policy is based on the principles that they should only undertake non-audit services where they are the most appropriate and cost-effective provider of the service and where the provision of non-audit services does not impair or is not perceived to impair, the external Auditors independence and objectivity It categorises such services between Auditor permitted services, Auditor excluded services and Auditor authorised services The policy, which can be viewed on the Company s website (www sigplc com) defines the types of services falling under each category and sets out the criteria to be met and the internal approvals required prior to the commencement of any Auditor authorised services The external Auditors cannot be engaged to perform any assignment where the output is then subject to their review as external Auditors The Committee regularly reviews an analysis of all services provided by the external Auditors The policy is reviewed annually by the Committee and is approved by the Board

The total sum invoiced to the Group by its external Auditors for non-audit services provided in 2010 was £0 1m (2009 £0 9m) The total sum invoiced by them for audit services in respect of the same period was £1 2m (2009 £1 1m)

The external Auditors report to the Committee each year on the actions they have taken to comply with professional and regulatory requirements and best practice designed to ensure their independence, including the rotation of key members of the external audit team Deloitte LLP have formally confirmed their independence to the Board in respect of the period covered by these financial statements Having reviewed and expressed satisfaction with the level of fees independence, objectivity expertise resources and general effectiveness of Deloitte LLP, the Committee recommends (and the Board agrees) that a resolution for the re-appointment of Deloitte LLP as Auditors of the Company will be proposed at the forthcoming Annual General Meeting

As a result of its work during the year the Audit Committee has concluded that it has acted in accordance with its Terms of Reference and has ensured the independence and objectivity of the external Auditors

On behalf of the Board

JONATHAN NICHOLLS
CHAIRMAN OF THE AUDIT COMMITTEE
16 March 2011

GROUP ACCOUNTS
PREPARED IN ACCORDANCE WITH IFRS

GROUP ACCOUNTS

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Before other items* 2010 £m	Other items* 2010 £m	Total 2010 £m	Before other items* 2009 £m	Other items* 2009 £m	Total 2009 £m
Revenue							
Continuing operations	1	**2,668 0**	–	**2,668 0**	2,723 1	–	2,723 1
Cost of sales	2	**(1,975 4)**	–	**(1,975 4)**	(2 010 0)	–	(2,010 0)
Gross profit		**692 6**	–	**692 6**	713 1	–	713 1
Other operating expenses	2	**(616 5)**	**(130 7)**	**(747 2)**	(632 2)	(113 4)	(745 6)
Operating (loss)/profit							
Continuing operations		**76.1**	**(130 7)**	**(54 6)**	80 9	(113 4)	(32 5)
Finance income	3	**7.8**	–	**7 8**	10 3	1 4	11 7
Finance costs	3	**(21.4)**	**(12 6)**	**(34 0)**	(30 6)	(3 9)	(34 5)
(Loss)/profit before tax	4	**62.5**	**(143.3)**	**(80.8)**	60 6	(115 9)	(55 3)
Income tax credit/(expense)	6	**(19.7)**	**23 7**	**4 0**	(18 0)	28 2	10 2
(Loss)/profit after tax		**42.8**	**(119 6)**	**(76 8)**	42 6	(87 7)	(45 1)
Attributable to							
Equity holders of the Company		**42.5**	**(119 6)**	**(77.1)**	42 1	(87 7)	(45 6)
Non-controlling interests		**0 3**	–	**0 3**	0 5	–	0 5
Earnings per share							
Basic (loss)/earnings per share	8	**7 2p**	**(20 2p)**	**(13 0p)**	9 0p	(18 7p)	(9 7p)
Diluted (loss)/earnings per share	8	**7 2p**	**(20 2p)**	**(13 0p)**	9 0p	(18 7p)	(9 7p)

* "Other items" relate to the amortisation of acquired intangibles impairment charges restructuring costs and gains and losses on derivative financial instruments "Other items have been disclosed separately in order to give an indication of the underlying earnings of the Group Further information is provided within the Statement of Significant Accounting Policies on page 74

The accompanying Statement of Significant Accounting Policies and Notes to the Accounts are an integral part of this Consolidated Income Statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £m	2009 £m
Loss after tax	**(76 8)**	(45 1)
Other comprehensive income/(expense)		
Exchange difference on retranslation of foreign currency Goodwill and intangibles	**(8 8)**	(33 1)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	**(6 8)**	(21 2)
Exchange and fair value movements associated with borrowings and derivative financial instruments	**3 2**	16 5
Tax charge on exchange difference arising on borrowings and derivative financial instruments	**(0 9)**	(5 5)
Gains and losses on cash flow hedges	**6 8**	(20 1)
Transfer to profit and loss on cash flow hedges	**12 6**	1 3
Actuarial loss on defined benefit pension schemes	**(1 8)**	(4 7)
Deferred tax movement associated with actuarial loss	**0 5**	1 3
Effect of change in rate on deferred tax	**(0 2)**	–
Other comprehensive income/(expense)	**4 6**	(65 5)
Total comprehensive expense	**(72 2)**	(110 6)
Attributable to		
Equity holders of the Company	**(72 5)**	(111 1)
Non-controlling interests	**0 3**	0 5
	(72 2)	(110 6)

The accompanying Statement of Significant Accounting Policies and Notes to the Accounts are an integral part of this Consolidated Statement of Comprehensive Income

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010 £m	2009 £m
Non-current assets			
Property plant and equipment	10	**183 6**	213 5
Interest in associate	11	**1 6**	–
Goodwill	12	**447 1**	506 9
Intangible assets	13	**92 2**	150 6
Deferred tax assets	22	**28 7**	27 5
Derivative financial instruments		**52 0**	–
		805 2	898 5
Current assets			
Inventories	14	**230 9**	227 7
Trade receivables	15	**373 9**	385 8
Other receivables	15	**24 8**	28 0
Derivative financial instruments	15	**–**	38 6
Cash and cash equivalents		**129 5**	219 4
		759 1	899 5
Total assets		**1,564 3**	1 798 0
Current liabilities			
Trade and other payables	16	**347 6**	340 7
Obligations under finance lease contracts	16	**1 7**	2 3
Bank overdrafts	16	**2 5**	2 5
Bank loans	16	**31 2**	173 5
Private placement notes	16	**49 1**	–
Loan notes	16	**–**	0 1
Derivative financial instruments	16	**4 9**	0 1
Current tax liabilities	16	**0 1**	2 8
Provisions	16	**12 7**	9 5
		449 8	531 5
Non-current liabilities			
Obligations under finance lease contracts	17	**5 5**	7 1
Bank loans	17	**0 3**	12 1
Private placement notes	17	**263 6**	299 2
Derivative financial instruments	17	**7 7**	15 6
Deferred tax liabilities	17	**26 5**	38 9
Other payables	17	**5 5**	6 1
Retirement benefit obligations	17	**25 2**	24 0
Provisions	17	**28 8**	31 7
		363 1	434 7
Total liabilities		**812 9**	966 2
Net assets		**751 4**	831 8
Capital and reserves			
Called up share capital	24	**59 1**	59 1
Share premium account		**447 0**	447 0
Capital redemption reserve		**0 3**	0 3
Share option reserve		**1 0**	0 9
Hedging and translation reserve		**32 8**	46 1
Retained profits		**209 3**	276 2
Attributable to equity holders of the Company		**749 5**	829 6
Non-controlling interests		**1 9**	2 2
Total equity		**751 4**	831 8

The Accounts were approved by the Board of Directors on 16 March 2011 and signed on its behalf by

CHRIS DAVIES
DIRECTOR

GARETH DAVIES
DIRECTOR

The accompanying statement of Significant Accounting Policies and Notes to the Accounts are an integral part of this Consolidated Balance Sheet

Registered in England 998314

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £m	2009 £m
Net cash flow from operating activities			
Cash generated from operating activities	25	**98 8**	174 1
Borrowing costs paid		**(15 6)**	(27 4)
Interest received		**2.1**	6 0
Income tax paid		**(13 4)**	(16 5)
Net cash generated from operating activities		**71 9**	136 2
Cash flows from investing activities			
Purchase of property, plant and equipment		**(16 8)**	(19 6)
Proceeds from sale of property plant and equipment		**4.8**	10 1
Settlement of amounts payable for purchase of businesses		**(0.9)**	(3 9)
Investment in associate		**(1 6)**	–
Net cash used in investing activities		**(14 5)**	(13 4)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**–**	325 0
Capital element of finance lease rental payments		**(1 9)**	(2 3)
Repayment of loans/settlement of derivative financial instruments		**(143 4)**	(278 6)
Dividend payments to non-controlling interests		**(0.4)**	(0 2)
Net cash (used)/generated in financing activities		**(145 7)**	43 9
(Decrease)/increase in cash and cash equivalents in the year	26	**(88 3)**	166 7
Cash and cash equivalents at beginning of year	27	**216 9**	52 9
Effect of foreign exchange rate changes		**(1 6)**	(2 7)
Cash and cash equivalents at end of year	27	**127 0**	216 9

The accompanying Statement of Significant Accounting Policies and Notes to the Accounts are an integral part of this Consolidated Cash Flow Statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Special reserve £m	Share option reserve £m	Hedging and translation reserve £m	Retained profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 31 December 2008	13 6	167 5	0 3	22 1	2 6	89 4	321 5	617 0	1 9	618 9
Loss after tax	–	–	–	–	–	–	(45 6)	(45 6)	0 5	(45 1)
Other comprehensive income/(expense)										
Exchange difference on retranslation of foreign currency goodwill and intangibles	–	–	–	–	–	(33 1)	–	(33 1)	–	(33 1)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	–	–	–	–	–	(21 2)	–	(21 2)	–	(21 2)
Exchange and fair value movements associated with borrowings and derivative financial instruments	–	–	–	–	–	16 5	–	16 5	–	16 5
Tax charge on exchange difference arising on borrowings and derivative financial instruments	–	–	–	–	–	(5 5)	–	(5 5)	–	(5 5)
Gains and losses on cash flow hedges	–	–	–	–	–	–	(20 1)	(20 1)	–	(20 1)
Transfer to profit and loss on cash flow hedges	–	–	–	–	–	–	1 3	1 3	–	1 3
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	–	(4 7)	(4 7)	–	(4 7)
Deferred tax movement associated with actuarial loss	–	–	–	–	–	–	1 3	1 3	–	1 3
Total comprehensive (expense)/income	–	–	–	–	–	(43 3)	(67 8)	(111 1)	0 5	(110 6)
New share capital issued	45 5	279 5	–	–	–	–	–	325 0	–	325 0
Transfer between reserves	–	–	–	(22 1)	–	–	22 1	–	–	–
Debit to share option reserve	–	–	–	–	(1 3)	–	–	(1 3)	–	(1 3)
Exercise of share options	–	–	–	–	(0 4)	–	0 4	–	–	–
Dividend payment to non-controlling interest	–	–	–	–	–	–	–	–	(0 2)	(0 2)
At 31 December 2009	59 1	447 0	0 3	–	0 9	46 1	276 2	829 6	2 2	831 8
Loss after tax	–	–	–	–	–	–	(77 1)	(77 1)	0 3	(76 8)
Other comprehensive income/(expense)										
Exchange difference on retranslation of foreign currency goodwill and intangibles	–	–	–	–	–	(8 8)	–	(8 8)	–	(8 8)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	–	–	–	–	–	(6 8)	–	(6 8)	–	(6 8)
Exchange and fair value movements associated with borrowings and derivative financial instruments	–	–	–	–	–	3 2	–	3 2	–	3 2
Tax charge on exchange difference arising on borrowings and derivative financial instruments	–	–	–	–	–	(0 9)	–	(0 9)	–	(0 9)
Gains and losses on cash flow hedges	–	–	–	–	–	–	6 8	6 8	–	6 8
Transfer to profit and loss on cash flow hedges	–	–	–	–	–	–	12 6	12 6	–	12 6
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	–	(1 8)	(1 8)	–	(1 8)
Deferred tax movement associated with actuarial loss	–	–	–	–	–	–	0 5	0 5	–	0 5
Effect of change in rate on deferred tax	–	–	–	–	–	–	(0 2)	(0 2)	–	(0 2)
Total comprehensive (expense)/income	–	–	–	–	–	(13 3)	(59 2)	(72 5)	0 3	(72 2)
Credit to share option reserve	–	–	–	–	0 1	–	–	0 1	–	0 1
Current and deferred tax on share options	–	–	–	–	–	–	0 2	0 2	–	0 2
Recognition of put options regarding non-controlling interests	–	–	–	–	–	–	(7 4)	(7 4)	–	(7 4)
Purchase of non-controlling interest shareholding	–	–	–	–	–	–	(0 5)	(0 5)	(0 2)	(0 7)
Dividend payments to non-controlling interests	–	–	–	–	–	–	–	–	(0 4)	(0 4)
At 31 December 2010	**59 1**	**447 0**	**0 3**	**–**	**1 0**	**32 8**	**209 3**	**749.5**	**1.9**	**751 4**

The special reserve arose as a result of a number of transfers from the Group's share premium reserve up until 1996 Goodwill arising on a number of historical acquisitions was then written off against this special reserve under the accounting convention at that time The balance on the special reserve was transferred into retained profits in 2009

The share option reserve represents the cumulative share option charge under IFRS 2 less the value of any share options that have been exercised

The hedging and translation reserve represents movements in the Consolidated Balance Sheet as a result of movements in exchange rates which are taken directly to reserves as detailed in the Statement of Significant Accounting Policies on pages 74 to 78

A liability of £7 4m has been recognised in the year for the put element of options that exist to purchase the remaining non-controlling interests of the Group

The accompanying Statement of Significant Accounting Policies and Notes to the Accounts are an integral part of this Consolidated Statement of Changes in Equity

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in this Annual Report and Accounts for the year ended 31 December 2010 are set out below

BASIS OF PREPARATION

The Accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union

The Accounts have been prepared under the historical cost convention except for derivative financial instruments that are stated at their fair value

The Accounts have been prepared on the basis of a going concern as set out on page 31

The Group has applied IFRS 3 "Business Combinations" – revision effective for accounting periods beginning on or after 1 July 2009, in the year IFRS 3 will impact upon the treatment of any acquisition-related costs (for instance finder's fees advisory legal accounting valuation and other professional or consulting fees incurred on the acquisition of new businesses), with such costs being expensed in the period IFRS 3 also impacts upon the treatment of contingent consideration associated with acquisitions There has been no impact of the application of this standard in the current year The impact on the Group's Accounts in future periods will depend upon the number and significance of any acquisitions arising

In addition to the standard detailed above, the following standards have been adopted in the current period, which have had no material impact on the Accounts

- IAS 24 (revised) "Related Party Disclosures",
- IAS 27 "Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" – (revised), effective for accounting periods beginning on or after 1 July 2009 and
- IAS 39 "Financial Instruments Recognition and Measurement – Eligible Hedged Items" – revision applies retrospectively for accounting periods beginning on or after 1 July 2009

At the date of authorisation of these Accounts there are a number of new standards and interpretations issued but not yet effective (some of which are pending endorsement by the European Union), which the Group has not applied in these Accounts These principally include

- IFRS 7 (amendment) "Financial instruments Disclosures on derecognition" – effective for accounting periods beginning on or after 1 July 2011
- IAS 12 (amendment) "Deferred tax Recovery of underlying assets" – effective for accounting periods beginning on or after 1 January 2012,
- IAS 32 (amendment) "Financial instruments Presentation on classification of rights issues" – effective for accounting periods beginning on or after 1 February 2010,
- IFRIC 14 Prepayments of a minimum funding requirement" – effective for accounting periods beginning on or after 1 January 2011,
- IFRIC 19 Extinguishing financial liabilities with equity instruments" – effective for accounting periods beginning on or after 1 July 2010,
- IFRS 1 (amendment) "Severe hyperinflation and removal of fixed dates for first time adopters" – effective for accounting periods beginning on or after 1 July 2011,
- IFRS 9 "Financial Instruments" – revision effective for accounting periods beginning on or after 1 July 2013, and
- Improvements to IFRS 2010 – effective for accounting periods beginning on or after 1 January 2011 with certain aspects on or after 1 July 2010

The adoption of these standards in future periods is not expected to have a material impact on the financial results of the Group

BASIS OF CONSOLIDATION

The Consolidated Accounts incorporate the Accounts of the Company and each of its subsidiary undertakings after eliminating all significant inter-company transactions and balances The results of subsidiary undertakings acquired or sold are consolidated for the periods from or to the date on which control passed

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately therein Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest s share of changes in equity since the date of the combination Losses applicable to the non-controlling interest in excess of their interest in the subsidiary's equity are allocated against the interest of SIG except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses

Changes in the Group s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions The carrying amount of the Group s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company

CONSOLIDATED INCOME STATEMENT DISCLOSURE

In order to give an indication of the underlying earnings of the Group, certain items are presented in the middle column of the Consolidated Income Statement entitled "Other items" together with the tax effect These include

- amortisation of acquired intangibles,
- impairment charges
- one-off restructuring costs and
- gains and losses on derivative financial instruments

GOODWILL AND BUSINESS COMBINATIONS

All business combinations are accounted for by applying the purchase method

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of identifiable assets (including intangible assets) and liabilities of the business acquired

Goodwill is stated at cost less any accumulated impairment losses Goodwill is not amortised but is tested annually for impairment or more frequently when there is an indication that goodwill may be impaired For the purposes of impairment testing goodwill is allocated to each of the Group s cash-generating units ("CGU") expected to benefit from the synergies of the combination If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period

On disposal of a subsidiary the attributable amount of remaining goodwill relating to the entity disposed of is included in the determination of any profit or loss on disposal

Goodwill recorded in foreign currency is retranslated at each period end Any movements in the carrying value of goodwill as a result of foreign exchange rate movements are recognised in the Consolidated Statement of Comprehensive Income

Any excess of the fair value of net assets over consideration arising on an acquisition is recognised immediately in the Consolidated Income Statement

INTANGIBLE ASSETS

The Group recognises intangible assets at cost less accumulated amortisation and impairment losses The Group recognises two types of intangible asset acquired and purchased Acquired intangible assets arise as a result of applying IFRS 3 which requires the separate recognition of intangible assets from goodwill on all business combinations Purchased intangible assets relate primarily to software that is separable from any associated hardware

Intangible assets are amortised on a straight line basis over their useful economic lives as follows

	Amortisation period
Customer relationships	Life of the relationship
Brands	Indefinite
Non-compete contracts	Life of the contract
Specific customer contracts	Life of the contract
Order books	Life of the order book
Software	Useful life of the software

The Group is currently amortising customer relationships and non-compete contracts on average over 7 4 years and 3 0 years respectively

An indefinite useful life has been determined for brands on the basis that the brand is expected to be maintained indefinitely and is expected to continue to drive value for the Group Brands are reviewed for impairment on at least an annual basis

Following impairment reviews in the year the brands previously recognised as intangible assets have been written down to £nil

INTEREST IN ASSOCIATE

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies

Investments in associate businesses are recognised initially at cost less impairment charges The Group then applies the equity method to investments in associates whereby the interest is carried in the Consolidated Balance Sheet at cost as adjusted for post-acquisition changes in the Group s share of the net assets of the associate less any impairment in the value of individual investments Losses in excess of the Group s interest in the associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes Revenue represents amounts receivable for goods net of allowances and value added tax Revenue from the sale of goods is recognised when the goods have been received by the customer

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale All other borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

PENSION COSTS

SIG operates five defined benefit pension schemes The Group s net obligation in respect of these defined benefit pension schemes is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in both current and prior periods That benefit is discounted using an appropriate discount rate to determine its present value and the fair value of any plan assets is deducted

Where the benefits of the plan are improved the portion of the increased benefit relating to past service by employees is recognised as an expense in the Consolidated Income Statement on a straight line basis, over the average period until the benefits become vested To the extent that the benefits vest immediately the expense is recognised immediately

The full service cost of the pension schemes is charged to operating profit The finance cost of liabilities and expected return on assets are included within finance costs and finance income respectively in the Consolidated Income Statement

The actuarial gain or loss arising is charged through the Consolidated Statement of Comprehensive Income and is made up of the difference between the expected return on assets and those actually achieved, the difference between the actuarial assumptions for liabilities and actual experience in the period and any changes in the assumptions used in the valuations

The pension scheme deficit is recognised in full and presented on the face of the Consolidated Balance Sheet The associated deferred tax asset is recognised within non-current assets in the Consolidated Balance Sheet

For defined contribution schemes the amount charged to the Consolidated Income Statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are included within either accruals or prepayments in the Consolidated Balance Sheet

SHARE-BASED PAYMENT TRANSACTIONS

The Group issues both equity-settled and cash-settled share-based payments (share options) Share options are measured at fair value at the date of grant based on the Group s estimate of shares that will eventually vest The fair value determined is then expensed in the Consolidated Income Statement on a straight line basis over the vesting period with a corresponding increase in equity (equity-settled share options) or in liabilities (cash-settled share options) The fair value of the options is measured by use of the Black-Scholes option pricing model

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity reserves

Save As You Earn share options granted to employees are treated as cancelled when employees cease to contribute to the scheme This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period

For cash-settled share-based payments a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability At each balance sheet date until the liability is settled and at the date of settlement, the fair value of the liability is remeasured with any changes in fair value recognised in profit or loss for the year

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less

Bank overdrafts that are repayable on demand and form an integral part of the Group s cash management are included as a component of cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement

FINANCIAL ASSETS

Financial assets are measured initially at fair value and then subsequently at amortised cost using the effective interest rate method

Financial assets (including trade receivables) are assessed for indicators of impairment on an ongoing basis Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows have been impacted When there is objective evidence of impairment appropriate allowances are made for estimated irrecoverable amounts based upon expected future cash flows discounted by an appropriate interest rate where applicable The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account When a trade receivable is uncollectible it is written off against the allowance account Subsequent recoveries of amounts previously written off are credited against the allowance account

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

Other financial assets are classified as either financial assets at fair value through profit or loss or loans and receivables The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition

When determining the fair value of financial assets, the expected future cash flows are discounted using an appropriate interest rate

FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities

Financial liabilities at fair value through profit or loss are initially measured and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability

Other financial liabilities (including trade payables) are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method

When determining the fair value of financial liabilities, the expected future cash flows are discounted using an appropriate interest rate

FOREIGN CURRENCY

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at that date

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Consolidated Income Statement

For the purpose of consolidation, income statements of overseas subsidiary undertakings are translated at the average rate and their balance sheets at the rates ruling at the balance sheet date

Exchange differences arising on translation of the opening net assets results of overseas operations and on foreign currency borrowings to the extent that they hedge the Group s investment in such operations are reported in the Consolidated Statement of Comprehensive Income

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments including interest rate swaps, forward foreign exchange contracts and cross-currency swaps to hedge its exposure to foreign currency exchange and interest rate risks arising from operational and financial activities In accordance with its Treasury Policy the Group does not hold or issue derivative financial instruments for trading purposes However derivative financial instruments or part thereof that do not qualify for hedge accounting are accounted for as trading instruments The fair values of derivatives are classified as a non-current asset or a non-current liability if the remaining maturity of the derivatives is more than twelve months and it is not expected to be realised or settled within twelve months Other derivatives are presented as current assets or current liabilities

Derivative financial instruments are recognised immediately at cost Subsequent to their initial recognition derivative financial instruments are then stated at their fair value The fair value of derivative financial instruments is derived from "mark-to-market" valuations obtained from the Group's relationship banks

Unless hedge accounting is achieved the gain or loss on remeasurement to fair value is recognised immediately and is included as part of finance income or finance costs together with other losses on derivative financial instruments within the column of the Consolidated Income Statement entitled "Other items"

Hedge accounting is discontinued when the hedging instrument expires or is sold terminated exercised or no longer qualifies for hedge accounting, or when the Group revokes the hedging relationship At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Consolidated Income Statement in the period

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and the hedged item along with its risk management objectives and its strategy for undertaking various hedge transactions Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

CASH FLOW HEDGES

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the Consolidated Statement of Comprehensive Income (i e equity) When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or financial liability then the associated gains or losses that were previously recognised in the Consolidated Statement of Comprehensive Income (equity) are reclassified into the Consolidated Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Consolidated Income Statement

For cash flow hedges, the ineffective portion of any gain or loss is recognised immediately as gains or losses on derivative financial instruments and is included as part of finance income or finance costs within the column of the Consolidated Income Statement entitled "Other items"

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The portion of any gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in the Consolidated Statement of Comprehensive Income (i e equity) The ineffective portion of any gain or loss is recognised immediately as gains or losses on derivative financial instruments and is included as part of finance income or finance costs within the column of the Consolidated Income Statement entitled "Other items" Gains and losses deferred in the hedging and translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of

FAIR VALUE HEDGES

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement Gains or losses from remeasuring the derivative financial instruments are recognised immediately in the Consolidated Income Statement

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

TAXATION

Income tax on the profit or loss for the periods presented comprises both current and deferred tax Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the Consolidated Statement of Comprehensive Income

Current tax is the expected tax payable on the taxable income for the year, using tax rates that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

In accordance with IAS 12, the following temporary differences are not provided for

- goodwill not deductible for taxation purposes,
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment is shown at original cost to the Group less accumulated depreciation and any provision for impairment

Depreciation is provided at rates calculated to write off the cost less estimated residual value of property, plant and equipment on a straight line basis over their estimated useful lives as follows

Freehold buildings	– 50 years
Leasehold buildings	– period of lease
Plant and machinery (including motor vehicles)	– 3 to 8 years

Freehold land is not depreciated

Residual values, which are based on market rates are reassessed annually

INVENTORIES

Inventories are stated at the lower of cost (including an appropriate proportion of attributable overheads, supplier rebates and discounts) and net realisable value The cost formula used in measuring inventories is either on a Weighted Average Cost, or a First In First Out basis, depending on the most appropriate method for each particular business

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow-moving or defective items where appropriate

LEASES AND HIRE PURCHASE AGREEMENTS

The cost of assets held under finance leases and hire purchase agreements is capitalised with an equivalent liability categorised as appropriate under current liabilities or non-current liabilities The asset is depreciated over its useful life

Rentals under finance leases and hire purchase agreements are apportioned between finance costs and reduction of the lease obligation The finance costs are charged in arriving at profit before tax Lease charges are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability

Rentals under operating leases are charged to the Consolidated Income Statement on a straight line basis over the lease term

In the event that lease incentives are received to enter into operating leases such incentives are recognised as a liability The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis over the lease term

PROPERTY PROVISIONS

The Group makes provisions in respect of onerous leasehold property contracts and leasehold dilapidation commitments where it is probable that a transfer of economic benefit will be required to settle a present obligation The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date taking into account the risks and uncertainties surrounding the obligation

TREATMENT OF EARLY SETTLEMENT DISCOUNTS

On transition to IFRS it was considered materially appropriate to continue to classify early settlement discounts granted and received within Other operating expenses Having reflected on current practice, and in conjunction with a regular review of the Group's accounting policies and their application across our subsidiary businesses the Directors consider that it would be more appropriate to disclose early settlement discounts granted as a reduction in Revenue, and early settlement discounts received as a reduction in Cost of sales in 2010 and going forward The relevant comparative amounts presented have been restated in line with this change

This change in treatment has resulted in Revenue being reduced by £20m (2009 £20m) Cost of sales being reduced by £40m (2009 £40m) and Other operating expenses increasing by £20m (2009 £20m) This change has had no effect on operating profit, cash flows or net assets

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

IMPAIRMENT OF NON-CURRENT ASSETS

The Group tests goodwill, intangible assets and property plant and equipment annually for impairment or more frequently if there are indications that an impairment may exist

The recoverable amounts of the CGUs are determined from value in use calculations The key assumptions for these value in use calculations are those regarding discount rates sales growth rates and expected changes to selling prices and direct costs The Directors estimate discount rates using pre tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU

For the majority of CGUs the Group performs goodwill impairment reviews by forecasting cash flows based upon the following year's budget and a projection of cash flows based upon industry growth expectations (0%-3%) over a period of five years Where detailed five year forecasts for a CGU have been prepared and approved by the Board which can include higher growth rates or varied results reflecting specific economic factors these are used in preparing cash flow forecasts for impairment review purposes After this period the growth rates applied to the cash flow forecasts are no more than 1% and do not exceed the long term average growth rate for the industry or economy The discount rates applied to all impairment reviews represent pre tax rates and range between 11% and 13%

Assumptions regarding sales growth are considered to be the key area of judgement in the impairment review process and appropriate sensitivities have been performed and disclosed in Note 12

The carrying amount of non-current assets at 31 December 2010 was £805 2m (2009 £898 5m) As a result of impairment reviews performed on all CGUs in the year, a number of CGUs have been impaired to reflect their recoverable amounts Details of the impairments are disclosed within Note 12 on pages 91 to 92

POST-EMPLOYMENT BENEFITS

The Group operates five defined benefit pension schemes All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 Employee Benefits" As detailed within the Statement of Significant Accounting Polices on page 76, in accordance with IAS 19, all actuarial gains and losses have been recognised immediately through the Consolidated Statement of Comprehensive Income

For all defined benefit pension schemes pension valuations have been performed using specialist advice obtained from independent qualified actuaries In performing these valuations, judgements, assumptions and estimates have been made These assumptions have been disclosed within Note 28c on pages 107 to 109

TAXATION

Accruals for corporation tax contingencies require the Directors to make judgements and estimates as to the level of corporation tax that will be payable based upon the interpretation of applicable tax legislation on a country-by-country basis and an assessment of the likely outcome of any open tax computations All such accruals are included within current liabilities

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Therefore, judgements are required to establish whether deferred tax balances should be recognised

SHARE-BASED PAYMENTS

The Company provides share-based payments under five separate schemes In accordance with IFRS 2, share options are measured at fair value at the date of grant The fair value determined is then expensed in the Consolidated Income Statement on a straight line basis over the vesting period with a corresponding increase in equity The fair value of the options is measured by use of the Black-Scholes option pricing model

The valuation of these share-based payments requires several judgements to be made in respect of the number of options that are expected to be exercised Details of the assumptions made in respect of each of the five share-based payment schemes are disclosed in Note 9 on pages 86 to 89

PROVISIONS

Using information available at the balance sheet date, the Directors make judgements based on experience of the level of provision required to satisfy all onerous lease and dilapidation commitments, to account for potential uncollectible receivables and unsaleable inventory

REBATES PAYABLE AND RECEIVABLE

The Group has a number of customer and supplier rebate agreements with the payable and receivable often being subject to negotiation after the balance sheet date At the balance sheet date, the Directors make judgements on the amount of rebate that will become both payable and due to the Group under these agreements

NOTES TO THE ACCOUNTS

1 REVENUE AND SEGMENTAL INFORMATION

REVENUE

An analysis of the Group's revenue is as follows

	2010 £m	2009 £m
Sale of goods	**2,668 0**	2 723 1
Total revenue	**2,668 0**	2,723 1
Finance income	**7 8**	11 7
Total income	**2,675 8**	2 734 8

SEGMENTAL INFORMATION

A) SEGMENTAL RESULTS

Following the adoption of IFRS 8 Operating Segments", the Group has identified its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance The Group has deemed it appropriate to aggregate its operating segments into two reported segments UK and Ireland and Mainland Europe The constituent operating segments have been aggregated as they have similar products and services production processes, types of customer methods of distribution regulatory environments and economic characteristics

	2010 UK and Ireland £m	2010 Mainland Europe £m	2010 Eliminations £m	2010 Total £m	2009 UK and Ireland £m	2009 Mainland Europe £m	2009 Eliminations £m	2009 Total £m
Revenue								
External sales	**1,281.2**	**1,386 8**	**–**	**2,668 0**	1 320 1	1,403 0	–	2,723 1
Inter-segment sales*	**0.1**	**4 3**	**(4 4)**	**–**	0 5	3 9	(4 4)	–
Total revenue	**1,281.3**	**1,391 1**	**(4 4)**	**2,668 0**	1,320 6	1,406 9	(4 4)	2 723 1
Result								
Segment result before amortisation of acquired intangibles, impairment charges and restructuring costs	**40.0**	**42.5**	**–**	**82.5**	37 7	50 2	–	87 9
Amortisation of acquired intangibles and impairment charges	**(87 4)**	**(21 5)**	**–**	**(108.9)**	(49 5)	(9 1)	–	(58 6)
Restructuring costs	**(20 5)**	**(1 3)**	–	**(21.8)**	(49 8)	(5 0)	–	(54 8)
Segment operating (loss)/profit	**(67 9)**	**19.7**	–	**(48 2)**	(61 6)	36 1	–	(25 5)
Parent Company costs				**(6 4)**				(7 0)
Operating loss				**(54 6)**				(32 5)
Net finance costs				**(13 6)**				(20 3)
Net losses on derivative financial instruments				**(12 6)**				(2 5)
Loss before tax				**(80 8)**				(55 3)
Income tax credit				**4 0**				10 2
Non-controlling interests				**(0 3)**				(0 5)
Retained loss				**(77 1)**				(45 6)
Balance sheet								
Assets								
Segment assets	**677.2**	**785 7**	**–**	**1,462.9**	800 4	826 0	–	1,626 4
Unallocated assets								
Derivative financial instruments				**52 0**				38 6
Cash and cash equivalents				**47 2**				132 7
Other items				**2 2**				0 3
Consolidated total assets				**1,564 3**				1,798 0
Liabilities								
Segment liabilities	**262.5**	**182 7**	**–**	**445 2**	260 4	188 0	–	448 4
Unallocated liabilities								
Bank loans and overdrafts				**24 7**				191 8
Private placement notes				**312.7**				299 2
Derivative financial instruments				**12 6**				15 6
Other items				**17 7**				11 2
Consolidated total liabilities				**812 9**				966 2

* Inter segment sales are charged at the prevailing market rates

1 REVENUE AND SEGMENTAL INFORMATION CONTINUED

SEGMENTAL INFORMATION CONTINUED

A) SEGMENTAL RESULTS CONTINUED

	2010 UK and Ireland £m	2010 Mainland Europe £m	2010 Total £m	2009 UK and Ireland £m	2009 Mainland Europe £m	2009 Total £m
Other segment information						
Capital expenditure on						
Property plant and equipment	**9.6**	**7 2**	**16 8**	10 7	8 9	19 6
Investment in associate	**1 6**	–	**1 6**	–	–	–
Goodwill	**(0 5)**	–	**(0 5)**	(3 0)	1 7	(1 3)
Non-cash expenditure						
Depreciation	**21.2**	**14 8**	**36 0**	25 7	14 5	40 2
Impairment of property, plant and equipment	**3 8**	–	**3 8**	6 8	–	6 8
Amortisation of acquired intangibles	**19 0**	**9 5**	**28 5**	19 5	9 1	28 6
Impairment of goodwill and intangibles	**68 4**	**12 0**	**80 4**	30 0	–	30 0

B) REVENUE BY PRODUCT GROUP

The Group focuses its activities into four product sectors Insulation and Building Environments Interiors, Exteriors and Specialist Construction Products (SCP*)

The following table provides an analysis of Group sales by type of product

	2010 £m	2009 £m
Insulation and Building Environments	**1,020 6**	1,078 3
Interiors	**661 3**	680 8
Exteriors	**788 7**	743 4
SCP	**197 4**	220 6
Total	**2,668 0**	2,723 1

C) GEOGRAPHIC INFORMATION

The Group's revenue from external customers and its non-current assets (i e property, plant and equipment goodwill and intangible assets) by geographical location are as follows

Country	2010 Revenue £m	2010 Non-current assets ^ £m	2009 Revenue £m	2009 Non-current assets ^ £m
United Kingdom	**1,204 6**	**328 7**	1,233 7	424 1
Ireland	**76 6**	**1 1**	86 4	13 4
France	**528 4**	**252 8**	519 8	267 1
Germany and Austria	**565 0**	**62.9**	575 0	70 6
Poland	**123 1**	**19.8**	122 7	21 3
Benelux*	**142 4**	**44.2**	155 8	45 9
Central Europe	**27 9**	**15 0**	29 7	28 6
Total	**2,668 0**	**724.5**	2,723 1	871 0

* Includes international air handling business (headquartered in Benelux)

^ Excluding deferred tax assets and derivative financial instruments

There is no material difference between the basis of preparation of the information reported above and the Accounting Policies adopted by the Group

NOTES TO THE ACCOUNTS CONTINUED

2 COST OF SALES AND OTHER OPERATING EXPENSES

	2010 £m	2009 £m
Cost of sales	**1,975 4**	2 010 0
Other operating expenses		
– distribution costs	**232 8**	225 9
– selling and marketing costs	**223 6**	240 6
– administrative expenses	**290 8**	279 1
	747 2	745 6

The administrative expenses above include £130 7m (2009 £113 4m) of "Other items" which have been disclosed in a separate column within the Consolidated Income Statement in order to provide a better indication of the underlying earnings of the Group Other operating expenses and net finance costs included within "Other items" are as follows

	2010 £m	2009 £m
Amortisation of acquired intangibles (Note 13)	**(28 5)**	(28 6)
Impairment charges (Note 12)	**(80 4)**	(30 0)
Restructuring costs	**(21 8)**	(54 8)
Other operating expenses	**(130 7)**	(113 4)
Net losses on derivative financial instruments	**(12 6)**	(2 5)
Loss before tax	**(143 3)**	(115 9)
Income tax credit	**23 7**	28 2
Loss after tax	**(119 6)**	(87 7)

Included within restructuring costs are redundancy costs of £4 4m (2009 £16 4m), property closure costs of £10 0m (2009 £23 2m) asset write down costs of £3 8m (2009 £6 8m) and other items of £3 6m (2009 £8 4m)

Included within impairment charges are £51 8m (2009 £30 0m) in respect of goodwill and £28 6m (2009 £nil) in respect of intangible assets

3 FINANCE INCOME AND FINANCE COSTS

	2010 £m	2009 £m
Finance income		
Interest on bank deposits	**2 1**	6 0
Finance income on pension scheme assets	**5 7**	4 3
Finance income before gains on derivative financial instruments	**7 8**	10 3
Fair value gains on derivative financial instruments	**–**	1 4
Total finance income	**7 8**	11 7
Finance costs		
On bank loans, overdrafts and other items	**2 8**	9 9
On private placement notes	**11.3**	13 8
Interest on obligations under finance lease contracts	**1 1**	1 3
Finance charge on pension scheme liabilities	**6 2**	5 6
Finance costs before losses on derivative financial instruments	**21 4**	30 6
Fair value losses on derivative financial instruments	**12 6**	3 9
Total finance costs	**34 0**	34 5
Net finance costs	**26 2**	22 8

4 (LOSS)/PROFIT BEFORE TAX

	2010 £m	2009 £m
(Loss)/profit before tax is stated after crediting		
Foreign exchange rate gains*	**0 1**	1 4
Fair value gains on derivative financial instruments	**–**	1 4
Gains on disposal of property, plant and equipment	**1 2**	1 8
And after charging		
Cost of inventories recognised as an expense	**1,947 8**	1,928 7
Depreciation of property, plant and equipment		
– owned	**33 6**	37 1
– held under finance leases and hire purchase agreements	**2 4**	3 1
Amortisation of acquired intangibles	**28 5**	28 6
Operating lease rentals		
– land and buildings	**52 3**	48 3
– plant and machinery	**7 3**	6 4
Auditors' remuneration for audit services	**1 2**	1 1
Non-audit fees	**0 1**	0 1
Increase in provision for inventories	**1 5**	2 7
Increase in provision for receivables	**10 8**	9 2
Foreign exchange rate losses*	**0 1**	0 1
Fair value losses on derivative financial instruments	**12 6**	3 9
Impairment charges	**80 4**	30 0
Restructuring costs	**21 8**	54 8
Staff costs (Note 5)	**359 9**	376 4

* Excludes gains and losses incurred as a result of applying IAS 39 "Financial Instruments Recognition and Measurement"

A more detailed analysis of Auditors' remuneration is provided below

	2010 Deloitte LLP £m	2009 Deloitte LLP £m
Audit services		
Fees payable to the Company s Auditors for the audit of the Company's consolidated accounts	**0 1**	0 1
Fees payable to the Company s Auditors and their associates for other services to the Group		
– for the audit of the Company's subsidiaries pursuant to legislation	**1 1**	1 0
Total	**1 2**	1 1
Other services	**0 1**	0 1
Total other services	**0 1**	0 1
Total fees charged to profit before tax	**1 3**	1 2
Fees treated as a deduction to share premium	**–**	0 8
Total fees incurred	**1 3**	2 0

The report of the Audit Committee on pages 66 and 67 provides an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditors

5 STAFF COSTS

Particulars of employees (including Directors) are shown below

	2010 £m	2009 £m
Employee costs during the year amounted to		
Wages and salaries	**302 1**	318 7
Social security costs	**50 2**	51 0
IFRS 2 share option charge/(credit)	**0 4**	(0 5)
Other pension costs (Note 28c)	**7 2**	7 2
	359 9	376 4

Of the pension costs noted above £2 4m (2009 £2 9m) relates to defined benefit schemes and £4 8m (2009 £4 3m) relates to defined contribution schemes

NOTES TO THE ACCOUNTS CONTINUED

5 STAFF COSTS CONTINUED

The average monthly number of persons employed by the Group during the year was as follows

	2010 Number	2009 Number
Production	**1,684**	2,105
Distribution	**3,962**	4,048
Sales	**4,175**	4,458
Administration	**1,687**	1 737
	11,508	12,348

DIRECTORS' EMOLUMENTS

Details of the individual Director's emoluments are given in the Directors' Remuneration Report on page 64

The employee costs include the following emoluments in respect of Directors of the Company

	2010 £m	2009 £m
Directors remuneration (excluding IFRS 2 share option charge/credit)	**2 2**	1 9

6 INCOME TAX

The income tax credit comprises

	2010 £m	2009 £m
Current tax		
UK corporation tax		
– on (losses)/profits for the year	**(2 1)**	(4 7)
– adjustments in respect of previous years	**(0 2)**	(0 4)
	(2.3)	(5 1)
Overseas taxation		
– on (losses)/profits for the year	**11 6**	13 0
– adjustments in respect of previous years	**(0 1)**	(0 3)
Total current tax	**9 2**	7 6
Deferred taxation		
Current year	**(13 2)**	(10 7)
Adjustments in respect of previous years	**–**	(7 0)
Deferred tax charge/(credit) in respect of pension schemes	**0 2**	(0 1)
Change in rate	**(0 2)**	–
Total deferred tax	**(13 2)**	(17 8)
Total income tax credit	**(4 0)**	(10 2)

The total tax credit for the year differs from that resulting from applying the standard rate of corporate tax in the UK of 28 0% (2009 28 0%) The differences are explained in the following reconciliation

	2010 £m	2010 %	2009 £m	2009 %
Loss before tax	**(80 8)**		(55 3)	
Tax at 28 0% (2009 28 0%) thereon	**(22 6)**	**28 0%**	(15 5)	28 0%
Factors affecting the income tax credit for the year				
– non-deductible and non-taxable items	**1.2**	**(1.5%)**	1 4	(2 5%)
– impairment charges not deductible for tax	**17 9**	**(22.1%)**	8 4	(15 2%)
– losses not recognised	**0.7**	**(0 9%)**	0 4	(0 7%)
– losses utilised not previously recognised	**(3 1)**	**3 8%**	(5 8)	10 5%
– other adjustments in respect of previous years	**(0 3)**	**0 4%**	(1 9)	3 4%
– effect of overseas tax rates	**2.4**	**(3 0%)**	2 8	(5 1%)
– effect of change in rate	**(0 2)**	**0 3%**	–	–
Total income tax credit	**(4 0)**	**5 0%**	(10 2)	18 4%

The effective tax rate for the Group on the total loss before tax of £80 8m is 5 0% (2009 18 4%) The effective tax charge for the Group on profit before tax before the amortisation of intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments of £143 3m is 31 5% (2009 29 7%), which comprises a charge of 33 1% (2009 33 0%) in respect of current year profits and a tax credit of 1 6% (2009 3 3%) in respect of prior years

6 INCOME TAX CONTINUED

The following factors that will affect the Group's future total tax charge as a percentage of underlying profits are

- the mix of profits between the UK and overseas, in particular France/Germany/Belgium (corporate tax rates greater than 28%) and Ireland/Poland/Netherlands/Czech Republic/Slovakia (corporate tax rates less than 28%) If the proportion of profits from these jurisdictions changes, this could result in a higher or lower Group tax charge
- the impact of non-deductible expenditure and non-taxable income,
- agreement of open tax computations with the respective tax authorities and
- the recognition or utilisation (with corresponding reduction in cash tax payments) of unrecognised deferred tax assets (see Note 22)

In addition to the amounts credited to the Consolidated Income Statement, the following amounts in relation to taxes have been credited/(charged) directly to the Consolidated Statement of Changes in Equity

	2010 £m	2009 £m
Deferred tax movement associated with actuarial loss	**0 5**	1 3
Current and deferred tax on share options	**0 2**	–
Tax charge on exchange difference arising on borrowings and derivative financial instruments	**(0 9)**	(5 5)
Change in rate	**(0 2)**	–
	(0 4)	(4 2)

CHANGE IN THE TAX RATE

On 28 June 2010 the Finance Bill 2010–11 was presented to the UK Parliament. The Bill proposed four annual reductions in the rate of corporation tax from 28% to 24% by 2014–15 At the balance sheet date the reduction in the UK corporation tax rate to 27% from April 2011 had been enacted The resulting net reduction in the deferred tax asset has been reflected in the Consolidated Balance Sheet as at 31 December 2010 and gave rise to a credit to the Consolidated Income Statement for the year ended 31 December 2010 of £0 2m It is currently expected that each future Finance Bill enacted will reduce the UK corporation tax rate by 1% until the rate of 24% is reached

7 DIVIDENDS

No distributions have been made to equity holders of the Company in the year (2009 £nil) No distributions to equity holders of the Company have been proposed after the year end (2009 £nil)

8 EARNINGS PER SHARE

The calculations of earnings per share are based on the following (losses)/profits and numbers of shares

	Basic and diluted	
	2010 £m	2009 £m
Loss after tax	**(76 8)**	(45 1)
Non-controlling interests	**(0 3)**	(0 5)
	(77 1)	(45 6)

	Basic and diluted before amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments	
	2010 £m	2009 £m
Loss after tax	**(76 8)**	(45 1)
Non-controlling interests	**(0 3)**	(0 5)
Amortisation of acquired intangibles	**28.5**	28 6
Impairment charges	**80 4**	30 0
Restructuring costs	**21 8**	54 8
Gains and losses on derivative financial instruments	**12 6**	2 5
Tax credit relating to other items*	**(23 7)**	(28 2)
	42.5	42 1

* "Other items" relate to the amortisation of acquired intangibles impairment charges restructuring costs and gains and losses on derivative financial instruments

Weighted average number of shares

	Before other items* 2010 Number	**Total 2010 Number**	Before other items* 2009 Number	Total 2009 Number
For basic earnings per share	**590,829,339**	**590,829,339**	469,350,343	469,350 343
Exercise of share options^	**2,333,789**	–	897,421	–
For diluted earnings per share	**593,163,128**	**590,829,339**	470 247 764	469,350,343

^ The weighted average number of shares has been presented for earnings per share both before "Other items" and after "Other items" Due to the fact that the Group has recorded a loss after tax any share options would be anti-dilutive and as such in accordance with IAS 33 "Earnings per Share" the impact of the exercise of these share options has been removed from the weighted average number of shares when calculating diluted earnings per share after "Other items"

NOTES TO THE ACCOUNTS CONTINUED

8 EARNINGS PER SHARE CONTINUED

	2010	2009
Total basic loss per share	**(13 0p)**	(9 7p)
Total diluted loss per share	**(13 0p)**	(9 7p)
Earnings per share before amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments		
Total basic earnings per share	**7 2p**	9 0p
Total diluted earnings per share	**7 2p**	9 0p

Earnings per share before amortisation of acquired intangibles impairment charges restructuring costs and gains and losses on derivative financial instruments is disclosed in order to present the underlying performance of the Group The following disclosures reconcile these adjustments to the disclosures made on the face of the Consolidated Income Statement

a) amortisation of acquired intangibles of £28 5m (2009 £28 6m) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items",

b) impairment charges of £80 4m (2009 £30 0m) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items"

c) restructuring costs of £21 8m (2009 £54 8m) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items",

d) losses on derivative financial instruments of £12 6m (2009 net losses of £2 5m) are included as finance costs within the column of the Consolidated Income Statement entitled "Other items", and

e) the amortisation of acquired intangibles, impairment charges restructuring costs and gains and losses on derivative financial instruments give rise to tax as disclosed in the table below

	2010			2009		
	Other items £m	**Tax impact £m**	**%**	Other items £m	Tax impact £m	%
Amortisation of acquired intangibles	**28 5**	**8 0**	**28 0**	28 6	8 0	28 0
Impairment charges	**80 4**	**4 3**	**5 3**	30 0	–	–
Restructuring costs	**21 8**	**4 8**	**22 0**	54 8	13 3	24 3
Net losses on derivative financial instruments	**12 6**	**3.5**	**28 0**	2 5	1 1	44 0
Utilisation of losses not previously recognised	**–**	**2.9**	**–**	–	5 8	–
Effect of change in tax rates	**–**	**0.2**	**–**	–	–	–
	143 3	**23 7**	**16 5**	115 9	28 2	24 3

9 SHARE-BASED PAYMENTS

The Group had five share-based payment schemes in existence during the year ended 31 December 2010 The Group recognised a total charge of £0 4m (2009 credit of £0 5m) in the year relating to share-based payment transactions issued after 7 November 2002 with a corresponding entry to the share option reserve The weighted average fair value of each option granted in the year was 89p (2009 121p) Details of each of the schemes are provided below

A) SAVE AS YOU EARN ("SAYE") SCHEME

The Company operates a SAYE scheme within the Republic of Ireland which is open to all employees and is linked to a monthly savings contract over three and five year periods Options have been granted to scheme participants at a percentage of the prevailing market price The market price is taken approximately one month prior to the official grant date There are no performance conditions attached to the exercise of these options These options may be exercised within a fixed six month period three or five years from the date of grant

No SAYE options have been granted in the UK since 2005 Instead the Company has operated a Share Investment Plan ("SIP") in 2009 and 2010 as approved at the 2004 Annual General Meeting (see page 89)

SAYE OPTIONS (ISSUED AFTER 7 NOVEMBER 2002)

	2010		2009	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at beginning of year	**99,216**	**315 0**	332,337	285 3
Additional shares allocated on 14 April 2009 following open offer	**–**	**–**	69,136	287 1
Granted during the year	**337,836**	**95 0**	–	–
Lapsed during the year	**–**	**–**	(297 480)	277 8
Exercised during the year	**–**	**–**	(4 777)	165 0
Outstanding at end of year	**437,052**	**144 9**	99 216	315 0

Of the above share options outstanding at the end of the year, 1,549 (2009 904) are exercisable at the balance sheet date

9 SHARE-BASED PAYMENTS CONTINUED

A) SAVE AS YOU EARN ("SAYE") SCHEME CONTINUED

The SAYE options outstanding at the balance sheet date had a weighted average exercise price of 144 9p (2009 315 0p) and a weighted average remaining contractual life of 2 5 years (2009 1 9 years) No options were exercised in the year The weighted average share price on options exercised in 2009 was 217p

The assumptions used in the Black-Scholes model in relation to the SAYE options granted in the current and prior years are as follows

	Shares granted in		
	2010	2008	2007
Share price (on date of official grant)	**100p (20 October 2010)**	212p (24 November 2008)	1,028p (26 November 2007)
Exercise price	**95p**	330p	823p
Expected volatility	**56 0%**	38 0%	26 0%
Actual life	**3 and 5 years**	3 and 5 years	3 and 5 years
Risk free rate	**4.5%**	4 5%	4 5%
Dividend	**0 0p**	26 7p	20 5p
Expected percentage of options to be exercised versus granted as at date of grant			
– 3 years	**50%**	50%	65%
– 5 years	**50%**	50%	65%
Revised expectation of percentage of options to be exercised as at 31 December 2010			
– 3 years	**50%**	0%	0%
– 5 years	**50%**	0%	0%

The fair value of Save As You Earn options granted during the year was 43p

The expected volatility was determined by calculating the historical volatility of the Group s share price over the previous three years The expected percentage of total options exercised is based on the Directors' best estimate for the effects of behavioural conditions

B) EXECUTIVE SHARE OPTION SCHEMES ("ESOS")

Under the existing ESOS (for which the last options were granted in 2003), Directors and Senior Management can be awarded an annual grant of share options at market price, provided that the total amount payable by the individual to exercise options under the ESOS or any other share option scheme of the Group (excluding savings related schemes) granted during the immediately preceding ten years does not exceed four times base salary bonus and benefits

Share options under the ESOS are exercisable between three and ten years for the Inland Revenue approved scheme and three and seven years for the unapproved scheme from the date of grant The award would vest in full if over a consecutive three year period the growth in the Group's earnings per share ("EPS") is 6% higher than the percentage increase in the Retail Prices Index ("RPI") None of the award would vest if the growth in EPS is less than 6% above the percentage increase in the RPI over the same period

ESOS (ISSUED AFTER 7 NOVEMBER 2002)

	2010		2009	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at beginning of year	**41,159**	**169 7**	35,489	169 7
Additional shares allocated on 14 April 2009 following open offer	–	–	7,486	169 7
Lapsed during the year	–	–	(1,816)	169 7
Outstanding at end of year	**41,159**	**169.7**	41,159	169 7

No ESOS options were granted in the period 2004 to 2010 The options outstanding at the balance sheet date had a weighted average exercise price of 169 7p (2009 169 7p) and were all exercisable at both 31 December 2010 and 31 December 2009 No options were exercised in the year

The assumptions used in the Black-Scholes model in relation to the ESOS options are as follows

2003 ESOS	
Share price on 11 April 2003 (date of official grant)	205 5p
Exercise price	205 5p
Expected volatility	31 8%
Actual life	3 years
Risk free rate	4 2%
Dividend	11 6p
Expected percentage of options to be exercised versus granted as at date of grant	95%
Revised expectation of percentage of options to be exercised as at 31 December 2010	95%

The expected volatility was determined by calculating the historical volatility of the Group s share price over the previous three years The expected percentage of total options exercised is based on the Directors' best estimate for the effects of behavioural conditions

NOTES TO THE ACCOUNTS CONTINUED

9 SHARE-BASED PAYMENTS CONTINUED

C) LONG TERM INCENTIVE PLAN ("LTIP")

Under the existing LTIP policy, Executives can be awarded an annual grant of nil paid share options up to a maximum value of 100% of base salary

2005 TO 2008 LTIP CRITERIA

Awards under the 2005 to 2008 LTIPs are exercisable between three and ten years from the date of grant The award vests if the following criteria are met

	EPS % growth less RPI % growth over the three year vesting period		
	2008	2007	2005–2006
Percentage of award vesting			
– none of the award vests	< 5% p a	< 5% p a	< 3% p a
– 30% of the award vests	5% p a	5% p a	3% p a
– award vests proportionately between 30% and 100%	5%–12% p a	5%–10% p a.	3%–10% p a.
– 100% of the award vests	12% p a	10% p a	10% p a

No retesting of the performance criteria will occur

2009 LTIP CRITERIA

Awards under the 2009 LTIP are exercisable between three and ten years from the date of grant None of the award vests if, at the end of the three year vesting period the Group s underlying EPS is less than 10p 25% of the award vests if the Group's underlying EPS is between 10p and 13 5p, with the full award vesting if the Group s underlying EPS is 13 5p or greater Between the two limits the awards vest proportionately The right to exercise options terminates upon the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board

2010 LTIP CRITERIA

Awards under the 2010 LTIP are exercisable between three and ten years from the date of grant None of the award vests if, over the three year vesting period the Group's cumulative underlying EPS is less than 30p The award vests proportionately if the Group's cumulative underlying EPS is between 30p and 40p with the award vesting in full if the Group s cumulative underlying EPS is 40p or greater The right to exercise options terminates upon the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board

Awards have also been made in 2010 through a shadow Cash LTIP scheme that requires the Group to pay the intrinsic value of the share appreciation rights to the employee at the date of exercise This scheme has exactly the same conditions and vesting criteria as the 2010 LTIP, the difference being that the award is settled in the cash value of the equity in the event of the options being exercised, rather than through the issue of shares This scheme has been accounted for in the same way as the equity-settled scheme, with the exception that the liability is recognised within accruals as opposed to equity

LTIP OPTIONS (ISSUED AFTER 7 NOVEMBER 2002)

	2010		2009	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at beginning of year	**814,574**	**0 0**	335,461	0 3
Additional shares allocated on 14 April 2009 following open offer	–	–	57,965	0 4
Granted during the year	**1,459,751**	**0 0**	577 862	0 0
Lapsed during the year	**(63,000)**	**0 0**	(104,918)	0 0
Exercised during the year	–	–	(51,796)	2 4
Outstanding at end of year	**2,211,325**	**0 0**	814,574	0 0

Of the above share options outstanding at the end of the year 5 707 (2009 5 707) are exercisable at the balance sheet date

The options outstanding at the balance sheet date had a weighted average exercise price of nil p (2009 nil p) and a weighted average remaining contractual life of 2 1 years (2009 2 2 years) No options were exercised in the year The weighted average share price on options exercised in 2009 was 130 0p

The assumptions used in the Black-Scholes model in relation to the LTIP options are as follows

	Shares granted in		
	2010	2009	2008
Share price (on date of official grant)	**110p (7 June 2010)**	134p (15 September 2009)	785p (14 April 2008) and 537p (8 September 2008)
Exercise price	**0 0p**	0 0p	0 0p
Expected volatility	**51 0%**	46 0%	38 0%
Actual life	**3 years**	3 years	3 years
Risk free rate	**4 5%**	4 5%	4 5%
Dividend	**0 0p**	0 0p	26 7p
Expected percentage of options to be exercised versus granted as at date of grant	**50%**	100%	99%
Revised expectation of percentage of options to be exercised as at 31 December 2010	**50%**	33%	0%

The fair value of LTIP options granted during the year was 99p

The expected volatility was determined by calculating the historical volatility of the Group s share price over the previous three years The expected percentage of total options exercised is based on the Directors best estimate for the effects of behavioural considerations

9 SHARE-BASED PAYMENTS CONTINUED

D) DEFERRED ANNUAL BONUS SCHEME ("DABS")

Options were granted under the DABS scheme for the first time in 2005 The DABS operates by inviting participants including Executive Directors, to use up to 50% of their annual performance related cash bonus (after tax and national insurance) in respect of the preceding financial year to purchase shares in the Company Providing certain criteria are met, participants purchasing such shares will be eligible to receive nil cost matching shares up to a maximum of one per share purchased by the participant The criteria are as follows

2005 TO 2008 DABS CRITERIA

	Percentage of award vesting
Percentage growth in the Company's EPS over the three year period from the commencement of the financial year in which the award is made exceeds the percentage growth in the RPI over the same period by	
– less than 3% per annum compounded	None of the award vests
– 3% per annum compounded	50% of the award vests
– between 3% and 5% per annum compounded	Award vests proportionately between 50% and 100%
– 5% per annum compounded	100% of the award vests

2009 DABS CRITERIA

Awards under the 2009 DABS are exercisable between three and ten years from the date of grant None of the award vests if, at the end of the three year vesting period, the Group s underlying EPS is less than 10p 25% of the award vests if the Group s underlying EPS is between 10p and 13 5p, with the full award vesting if the Group s underlying EPS is 13 5p or greater Between the two limits the awards vest proportionately The right to exercise options terminates upon the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board

DABS OPTIONS (ISSUED AFTER 7 NOVEMBER 2002)

	2010	2009
Outstanding at beginning of year	**82,847**	59 046
Additional shares allocated on 14 April 2009 following open offer	–	10,507
Granted during the year	–	34,730
Lapsed during the year	**(13,163)**	(19 743)
Exercised during the year	–	(1,693)
Outstanding at end of year	**69,684**	82,847

All DABS are nil paid options and therefore options outstanding at 31 December 2010 and 31 December 2009 had a weighted average exercise price of nil p and a weighted average remaining contractual life of 0 7 years (2009 1 5 years)

Of the above options outstanding at the end of the year, 5,184 (2009 5,184) are exercisable at the balance sheet date No options were exercised in the year The weighted average share price on options exercised in 2009 was 130 0p

The assumptions used in the Black-Scholes model in relation to the DABS options are as follows

	Shares granted in	
	2009	2008
Share price (on date of official grant)	134p (15 September 2009)	785p (14 April 2008)
Exercise price of matching shares	0 0p	0 0p
Expected volatility	46 0%	38 0%
Actual life	3 years	3 years
Risk free rate	4 5%	4 5%
Dividend	0 0p	26 7p
Expected percentage of options to be exercised versus granted as at date of grant	100%	100%
Revised expectation of percentage of options to be exercised as at 31 December 2010	33%	0 0%

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years The expected percentage of total options exercised is based on the Directors' best estimate for the effects of behavioural considerations

E) SHARE INCENTIVE PLAN ("SIP")

Shares were granted under the SIP scheme for the first time in 2005 The SIP is an HM Revenue and Customs approved scheme and operates by inviting participants including Executive Directors to purchase shares in the Company in a tax efficient manner on a monthly basis For each share purchased by the employee, the Company will match one free share up to a maximum of four free shares per month No performance criteria is attached to these matching shares other than to avoid forfeiture they must remain within the plan for a minimum of two years In 2010 48 622 (2009 64 122) matching shares were granted during the year Given the nature of the scheme the fair value of the matching shares equates to the cost of the Company acquiring these shares

NOTES TO THE ACCOUNTS CONTINUED

10 PROPERTY, PLANT AND EQUIPMENT

The movements in the year and the preceding year were as follows

	Land and buildings			
	Freehold £m	Short leasehold £m	Plant and machinery £m	Total £m
Cost or valuation				
At 1 January 2009	104 1	41 3	256 6	402 0
Exchange difference	(6 1)	(2 0)	(11 0)	(19 1)
Additions	1 1	0 9	17 6	19 6
Disposals	(6 2)	(1 1)	(22 5)	(29 8)
At 31 December 2009	92 9	39 1	240 7	372 7
Exchange difference	(2 2)	(0 8)	(4 1)	(7 1)
Additions	0 8	0 7	15 3	16 8
Disposals	(1 2)	(1 1)	(16 2)	(18 5)
At 31 December 2010	**90 3**	**37 9**	**235 7**	**363 9**
Accumulated depreciation and impairment				
At 1 January 2009	16 3	11 5	114 9	142 7
Charge for the year	1 9	3 2	35 1	40 2
Impairment charges	–	2 4	4 4	6 8
Exchange difference	(1 7)	(1 0)	(6 3)	(9 0)
Disposals	(0 4)	(0 9)	(20 2)	(21 5)
At 31 December 2009	16 1	15 2	127 9	159 2
Charge for the year	1 9	2 9	31 2	36 0
Impairment charges	–	–	3 8	3 8
Exchange difference	(0 7)	(0 5)	(2 6)	(3 8)
Disposals	(0 5)	(0 6)	(13 8)	(14 9)
At 31 December 2010	**16 8**	**17 0**	**146 5**	**180 3**
Net book value				
At 31 December 2010	**73 5**	**20 9**	**89 2**	**183 6**
At 31 December 2009	76 8	23 9	112 8	213 5

The net book value of plant and machinery includes an amount of £7 6m (2009 £9 3m) in respect of assets held under finance lease contracts

Included within additions are net additions in relation to hire stock of £4 1m (2009 £2 2m)

The impairment charges of £3 8m (2009 £6 8m) relate to asset write downs arising from the Group s cost saving and restructuring programme

11 INTEREST IN ASSOCIATE

On 4 May 2010, the Company made a strategic trade investment in Ice Energy Technologies Limited ("Ice"), a company incorporated in the United Kingdom, by acquiring shares in that company from existing management Ice is a specialist designer and installer of heat pumps and Solar PV systems Consideration of £1 0m was paid to the shareholders of Ice and a further £0 5m was paid for new shares in the company, taking the total cost of the investment to £1 6m including costs of £0 1m Following the investment, the Group holds a 25% stake in the company and as such this investment will be accounted for as an associate in accordance with IAS 28 "Investments in Associates"

In addition to this, at the date of signing this report the Company has made a loan to Ice amounting to £1 2m which is included within trade receivables The loan is due for repayment in 2013

The Group s share of operating income arising from this investment since 4 May 2010 has been positive but minimal Given that the Group's Consolidated Income Statement is reported in £m s in order for a figure to be separately disclosable the minimum threshold for recognition is £50,000, i e £0 1m As a result, no separate recognition of the Group s share of income attributable to this associate has been made on the face of the Consolidated Income Statement Accordingly no further analysis has been given in respect of Ice's results or balance sheet position on the grounds of materiality

The current accounting period for Ice ends on 31 March 2011 The company does not have the same accounting reference date as SIG plc as the company operates independently of SIG, and therefore may independently select the accounting reference date it considers most appropriate

12 GOODWILL

	£m
Cost	
At 1 January 2009	601 8
Exchange difference	(30 0)
Adjustments in respect of prior period acquisitions	(1 3)
At 31 December 2009	570 5
Exchange difference	(9 0)
Adjustments in respect of prior period acquisitions	(0 5)
At 31 December 2010	**561 0**
Accumulated impairment losses	
At 1 January 2009	34 7
Impairment losses for the year	30 0
Exchange difference	(1 1)
At 31 December 2009	63 6
Impairment losses for the year	51 8
Exchange difference	(1 5)
At 31 December 2010	**113 9**
Net book value	
At 31 December 2010	**447 1**
At 31 December 2009	506 9

Goodwill acquired in a business combination is allocated at the date of acquisition to the cash-generating units ("CGU") that are expected to benefit from that business combination

IMPAIRMENT REVIEW PROCESS

The Group tests Goodwill and the associated intangible assets and property, plant and equipment of CGUs annually for impairment, or more frequently if there are indications that an impairment may exist

The recoverable amounts of the CGUs are determined from value in use calculations The key assumptions for these value in use calculations are those regarding discount rates, sales growth rates and expected changes to selling prices and direct costs The Directors estimate discount rates using pre tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU

For the majority of CGUs the Group performs Goodwill impairment reviews by forecasting cash flows based upon the following year s budget and a projection of cash flows based upon industry growth expectations (0%–3%) over a period of five years Where detailed five year forecasts for a CGU have been prepared and approved by the Board, which can include higher growth rates or varied results reflecting specific economic factors these are used in preparing cash flow forecasts for impairment review purposes After this period, the growth rates applied to the cash flow forecasts are no more than 1% and do not exceed the long term average growth rate for the industry or economy The discount rates applied to all impairment reviews represent pre tax rates and range between 11% and 13%

2010 IMPAIRMENT REVIEW RESULTS

The most recent impairment reviews indicated potential impairments in a number of CGUs, as follows

CGU	Goodwill £m	Intangible assets £m	Total £m
Interiors Manufacturing	24 6	17 9	42 5
Central Europe	12 0	–	12 0
UK SCP – Access Hire	7 5	5 1	12 6
Ireland	7 1	5 5	12 6
UK Distribution (Cornish Fixings)	0 6	0 1	0 7
	51 8	28 6	80 4

The Interiors Manufacturing division has continued to experience significantly reduced levels of demand, and as such it is anticipated that the full benefits of the restructuring projects ongoing in that division will not be seen for some time As a result of this, the value in use calculation has indicated an impairment in the Interiors Manufacturing CGU of £42 5m, which has been charged to the Consolidated Income Statement during the year This impairment charge has been allocated to Goodwill (£24 6m) and to Intangible assets per Note 13 (£17 9m) This impairment charge reduces the carrying value of the Goodwill and intangible assets attributable to this CGU to £nil

The Group s Central Europe division has continued to perform poorly in an extremely challenging economic environment in particular in Hungary The Group remains committed to the development of its Central European business, however, the economic recovery in these markets (in particular Hungary) is expected to take longer than originally anticipated As a result, the Directors have reviewed the future cash flows and concluded that the carrying value of Goodwill is no longer fully supportable with the Group's value in use calculation indicating an impairment of £12 0m, which has been charged to the Consolidated Income Statement The remaining Goodwill and Intangibles assets in respect of this CGU amounted to £13 0m (£7 3m Goodwill and £5 7m Intangible assets) which is supported by the value in use calculation

NOTES TO THE ACCOUNTS CONTINUED

12 GOODWILL CONTINUED

2010 IMPAIRMENT REVIEW RESULTS CONTINUED

The Access Hire business (a specific business within the UK SCP CGU) has also suffered from the recent UK economic downturn such that a recovery to previous trading levels is considered unlikely in the near future Further to this, the business Shoring and Piling division was closed during 2010 As a result of this the value in use calculation indicates that an impairment of £12 6m is necessary split between Goodwill (£7 5m) and Intangible assets per Note 13 (£5 1m) This impairment charge reduces the carrying value of the Goodwill and Intangible assets attributable to this CGU to £nil

Given the continuing challenging trading conditions experienced in Ireland, and the resulting restructuring programme that has significantly reduced the size of the Group's operations in this region, the Directors have reviewed the future cash flows and concluded that the carrying value of the Ireland CGU is £nil which results in an impairment charge of £12 6m, being £7 1m Goodwill and £5 5m Intangible assets (see Note 13)

Finally in addition to the impairments noted above, following the disposal of Cornish Fixings in February 2011 (part of the UK Distribution CGU) the Directors have noted the Goodwill in respect of this business has been impaired in full leading to a charge to the Consolidated Income Statement of £0 7m allocated to Goodwill (£0 6m) and Intangible assets (£0 1m)

SENSITIVITY ANALYSIS

The Group currently has 14 CGUs The forecasts used in the annual impairment reviews have been prepared taking into account current economic conditions Revenue is the key assumption in the forecasts used in the Goodwill impairment reviews and therefore a 5% reduction in revenue has been determined as a reasonably possible change for the purposes of the disclosure requirements of IAS 36 "Impairment of Assets"

In the majority of cases, no impairment would arise from a 5% reduction in revenue in the forecast assumptions If a 5% reduction in revenue were to arise from that forecast in the Goodwill impairment reviews an impairment of £5 6m would arise in one CGU, Central Europe being 1% of the total carrying value of Goodwill and Intangible assets held on the Group s Consolidated Balance Sheet

An impairment charge based upon management forecasts has already been recognised in 2010 in respect of the Central Europe CGU, and therefore the reduction in revenue required to provide a breakeven position and the amount by which the recoverable amount exceeds the carrying value is zero The average per annum increase in revenue in the management forecast in this CGU from that arising in 2010 is 8% in the first five years forecast

SUMMARY ANALYSIS

Following these impairments, the recoverable amounts of Goodwill in respect of all CGUs were fully supported by the value in use calculations in the year and are as follows

	2010 £m	2009 £m
UK Distribution	**83 4**	84 5
UK Roofing and External Elements	**80 8**	80 8
UK Specialist Construction Products	**22 6**	30 1
UK Interiors Manufacturing	**–**	24 6
Ireland	**–**	7 1
Poland	**10 2**	10 2
Lanvière	**170 4**	177 1
German Roofing	**19 6**	20 4
Central Europe	**7 3**	20 1
Air Trade Centre	**13 8**	14 4
Total	**408 1**	469 3
Other CGUs	**39 0**	37 6
Total Goodwill	**447 1**	506 9

13 INTANGIBLE ASSETS

The intangible assets presented below relate entirely to acquired Intangibles These arise as a result of applying IFRS 3 which requires the separate recognition of acquired Intangibles from Goodwill As detailed in the Statement of Significant Accounting Policies, the Group has elected not to apply IFRS 3 retrospectively to acquisitions that took place before 1 January 2004 During 2009 and 2010, the Group owned other purchased intangible assets with an insignificant book value (mainly software separable from any associated hardware) and these have not been reclassified from property plant and equipment on the grounds of materiality

	Customer relationships £m	Brands £m	Non-compete clauses £m	Order books £m	Total £m
Cost					
At 1 January 2009	215 2	12 6	11 5	0 1	239 4
Exchange difference	(5 0)	–	(0 4)	–	(5 4)
At 31 December 2009	210 2	12 6	11 1	0 1	234 0
Exchange difference	(2 2)	–	(0 2)	–	(2 4)
At 31 December 2010	**208 0**	**12 6**	**10 9**	**0 1**	**231 6**
Amortisation					
At 1 January 2009	50 8	–	5 1	0 1	56 0
Charge for the year	25 8	–	2 8	–	28 6
Exchange difference	(1 1)	–	(0 1)	–	(1 2)
At 31 December 2009	75 5	–	7 8	0 1	83 4
Charge for the year	25 9	–	2 6	–	28 5
Impairment losses for the year	16 0	12 6	–	–	28 6
Exchange difference	(1 0)	–	(0 1)	–	(1 1)
At 31 December 2010	**116 4**	**12 6**	**10 3**	**0 1**	**139 4**
Net book value					
At 31 December 2010	**91 6**	**–**	**0 6**	**–**	**92 2**
At 31 December 2009	134 7	12 6	3 3	–	150 6

Amortisation of acquired Intangibles is included in the Consolidated Income Statement as part of operating expenses and is classified within "Other items"

The weighted average amortisation period for each category of intangible asset is disclosed in the Statement of Significant Accounting Policies on page 75

As a result of the annual impairment reviews referred to in Note 12 the Directors have decided that the carrying value of the intangible assets in relation to the Group s Interiors Manufacturing division is no longer supportable This has led to an impairment charge of £17 9m, of which £12 6m relates to the Leaderflush + Shapland brand The remaining £5 3m relates to customer relationship assets

Further impairments have been booked in respect of Ireland (£5 5m) and UK SCP - Access Hire (£5 1m), both customer relationship assets Furthermore a £0 1m charge has been made in respect of UK Distribution (Cornish Fixings) The basis for the above impairments is discussed in detail in Note 12

14 INVENTORIES

	2010 £m	2009 £m
Raw materials and consumables	**10 2**	9 4
Work in progress	**1 0**	1 0
Finished goods and goods for resale	**219 7**	217 3
	230 9	227 7

The estimated replacement cost of inventories is not materially different from the balance sheet value stated above

NOTES TO THE ACCOUNTS CONTINUED

15 TRADE AND OTHER RECEIVABLES

	2010 £m	2009 £m
Trade receivables	**373 9**	385 8
VAT	**3 3**	2 1
Other receivables	**6 0**	6 8
Prepayments and accrued income	**15 5**	19 1
Other receivables	**24 8**	28 0
Derivative financial instruments	**–**	38 6
	398 7	452 4

The average credit period on sale of goods and services on a like for like constant currency basis is 43 days (2009 44 days) No interest is charged on receivables An allowance has been made for estimated irrecoverable amounts from the sale of goods of £34 5m at 31 December 2010 (2009 £35 0m) This allowance has been determined by reference to past default experience

Included within the Group s trade receivable balance are debtors with a carrying amount of £103 8m (2009 £88 5m) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the Group considers that the amounts are still recoverable The Group does not hold any collateral over these balances The average age of these receivables is 28 0 days overdue (2009 30 8 days)

AGEING ANALYSIS OF TRADE RECEIVABLES FOR WHICH NO PROVISION FOR IMPAIRMENT HAS BEEN MADE

	2010 £m	2009 £m
Neither past due or renegotiated	**249 5**	275 1
Renegotiated	**–**	0 2
Balances overdue which have no provision for impairment		
0–30 days	**76 5**	64 2
31–60 days	**19 6**	14 7
61–90 days	**4 0**	4 3
91–120 days	**1 2**	1 1
121–180 days	**1 3**	1 0
180+ days	**1 2**	3 2
	103 8	88 5
Total trade receivables	**353 3**	363 8

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2010 £m	2009 £m
Beginning of year	**(35 0)**	(34 1)
Utilised	**10 3**	8 1
Charged to the Consolidated Income Statement	**(10 8)**	(9 2)
Exchange differences	**1 0**	0 2
End of year	**(34 5)**	(35 0)

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and makes a provision for impairment accordingly The concentration of credit risk is limited due to the customer base being large and unrelated The Directors therefore believe that no further credit provision is required in excess of the allowance for doubtful debts

Included in the allowance for doubtful debts are trade receivables with a gross balance of £55 1m (2009 £57 0m) and a provision for impairment of £34 5m (2009 £35 0m) The provision for impairment represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group Trade receivable credit exposure is controlled by counterparty limits that are set reviewed and approved by operational management on a regular basis

Trade receivables consist of a large number of typically small to medium sized customers, spread across a number of different market sectors and geographical areas Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee insurance cover is purchased

The Group does not have any significant credit risk exposure to any single customer

16 CURRENT LIABILITIES

	2010 £m	2009 £m
Trade and other payables		
Trade payables	**220 9**	211 4
Bills of exchange payable	**12.4**	19 1
VAT	**8.8**	4 6
Social security and payroll taxes	**15 5**	14 0
Accruals and deferred income	**90 0**	91 6
Trade and other payables	**347 6**	340 7
Obligations under finance lease contracts (Note 23)	**1.7**	2 3
Bank overdrafts	**2 5**	2 5
Bank loans	**31 2**	173 5
Private placement notes	**49 1**	–
Loan notes	–	0 1
Derivative financial instruments	**4 9**	0 1
Current tax liabilities	**0 1**	2 8
Provisions (Note 21)	**12 7**	9 5
Current liabilities	**449 8**	531 5

£2 9m (2009 £3 9m) of the above Group bank loans and overdrafts are secured on the assets of subsidiary undertakings and £25 1m (2009 £170 8m) are guaranteed by certain companies of the Group All of the above private placement notes are guaranteed by certain companies of the Group The remaining balances are unsecured

The bank overdraft is repayable on demand and attracts a floating interest rate, which at 31 December 2010 was 3 0% (2009 3 0%)

£31 0m (2009 £173 1m) of the bank loans and loan notes due within one year (after taking into account derivative financial instruments) are at variable rates of interest

£0 2m (2009 £0 5m) of the bank loans and loan notes due within one year (after taking into account derivative financial instruments) attract an average fixed interest rate of 4 0% (2009 3 7%)

The private placement notes due within one year (after taking into account derivative financial instruments) attract an average fixed interest rate of 6 6%

Trade payables, accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases on a like for like constant currency basis, is 36 days (2009 36 days)

The Directors consider that the carrying amount of current liabilities approximates to their fair value

17 NON-CURRENT LIABILITIES

	2010 £m	2009 £m
Obligations under finance lease contracts (Note 23)		
– due after one and within two years	**1 7**	1 7
– due after two and within five years	**3 4**	4 5
– due after five years	**0 4**	0 9
Bank loans	**0 3**	12 1
Private placement notes	**263.6**	299 2
Derivative financial instruments	**7 7**	15 6
Deferred tax liabilities (Note 22)	**26 5**	38 9
Other payables	**5 5**	6 1
Retirement benefit obligations (Note 28c)	**25 2**	24 0
Provisions (Note 21)	**28 8**	31 7
	363 1	434 7

	2010 £m	2009 £m
The bank loans included above are repayable as follows		
– due after one and within two years	**0 1**	11 9
– due after two and within five years	**0 2**	0 2
	0 3	12 1

Of the above bank loans, £0 2m (2009 £0 4m) is secured on certain of the assets of subsidiary undertakings and is repayable by instalments Of the debt noted above due after one year which includes bank loans, private placement notes, loan notes and derivative financial instruments £271 3m (2009 £314 8m) is guaranteed by certain companies of the Group

£0 2m (2009 £0 3m) of the bank loans and loan notes due after one year (after taking into account derivative financial instruments) attract an average fixed rate of interest of 6 4% (2009 6 1%) The remaining bank loans and loan notes due after one year of £0 1m (2009 £11 8m) are at variable rates of interest

NOTES TO THE ACCOUNTS CONTINUED

17 NON-CURRENT LIABILITIES CONTINUED

Details of the private placement notes (before applying associated derivative financial instruments) are as follows

	2010 £m	2010 Fixed interest rate %	2009 £m	2009 Fixed interest rate %
Repayable in 2011	**49 1**	**7.3%**	47 7	7 2%
Repayable in 2013	**87 2**	**4.9%**	84 6	5 1%
Repayable in 2016	**153 6**	**5.9%**	146 9	5 8%
Repayable in 2018	**22 8**	**5.1%**	20 0	5 8%
	312 7	**5 8%**	299 2	5 9%

The Directors consider that the carrying amount of non-current liabilities approximates to their fair value

As noted in the Business Review on page 29 in March 2011 the Group signed a new £250m four year bank facility Upon completion the Group s existing UK bank debt facilities were cancelled and repaid using cash held on deposit

18 FINANCIAL INSTRUMENTS

The "Treasury risk management" section of the Business Review on pages 28 to 30 includes a review of all treasury, liquidity, interest rate and foreign currency risks, and provides an explanation of the role that derivative financial instruments have had during the year in creating or changing the risks the Group faces in its activities The capital structure of the Group is outlined in the Business Review on page 24

The Group's financial assets consist of trade and other receivables cash at bank and derivative financial instruments The following financial assets form part of the net debt of the Group

	2010 £m	2009 £m
Cash at bank (including cash deposits repayable on demand)	**129 5**	219 4
Derivative financial instruments	**52 0**	38 6
	181 5	258 0

The Directors consider the fair value of financial assets to approximate to their book value The interest received on cash deposits is at variable rates of interest of up to 2%

The Group s credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies

Of the above cash at bank, £57 6m is denominated in Sterling £58 8m in Euros, £10 6m in Polish Zloty £1 4m in Czech Koruna, £0 3m in Hungarian Forints and £0 8m in other currencies

2010 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group's financial liabilities at 31 December 2010 after taking account of interest rate and currency derivative financial instruments (including derivative assets of £52 0m as noted above) was as follows

	Currency	Total £m	Floating rate £m	Fixed rate £m	Effective fixed interest rate %	Weighted average time for which rate is fixed Years	Amount secured £m	Amount unsecured £m
Private placement notes	**Sterling**	**188 0**	**63 3**	**124 7**	**6 0%**	**2.9**	**–**	**188 0**
Other borrowings	**Sterling**	**0 5**	**0 4**	**0 1**	**1 0%**	**1 0**	**0 1**	**0 4**
Finance lease contracts	**Sterling**	**0 2**	**–**	**0 2**	**2.8%**	**0 9**	**0 2**	**–**
Private placement notes	**Euro**	**85 3**	**51 7**	**33 6**	**4 4%**	**2 8**	**–**	**85 3**
Other borrowings	**Euro**	**33 0**	**32.7**	**0 3**	**6 1%**	**3 4**	**2 5**	**30 5**
Finance lease contracts	**Euro**	**7 0**	**–**	**7 0**	**14 5%**	**2 0**	**7 0**	**–**
Other borrowings	**HUF**	**0.5**	**0 5**	**–**	**N/A**	**N/A**	**0 5**	**–**
Total		**314.5**	**148 6**	**165 9**			**10 3**	**304 2**

In addition to the currency exposures above the Group has entered into a short term currency derivative financial instrument, being a net investment hedge amounting to an asset of £28 7m and a liability of €33 3m This derivative financial instrument was entered into on 31 December 2010 at market rates and therefore the fair value is deemed to equate to its book value of £nil The Group's net debt at 31 December 2010 was £185 0m of which £95 2m is denominated in Euros

All of the above finance lease contracts, totalling £7 2m, are secured on the underlying assets

The Directors consider the fair value of the Group's floating rate financial liabilities to materially approximate to the book value shown in the table above The fair value of the Group s private placement notes approximates to the amount in the value of the financial liabilities above The remaining fixed rate debt amounts to £7 6m and relates to finance lease contracts and fixed rate loans The Directors consider the fair value of these remaining fixed rate debts to materially approximate to the book values shown above

18 FINANCIAL INSTRUMENTS CONTINUED

2009 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group's financial liabilities at 31 December 2009 after taking account of interest rate and currency derivative financial instruments (including derivative assets of £38 6m as noted opposite) was as follows

	Currency	Total £m	Floating rate £m	Fixed rate £m	Effective fixed interest rate %	Weighted average time for which rate is fixed Years	Amount secured £m	Amount unsecured £m
Private placement notes	Sterling	194 6	88 8	105 8	6 3%	4 0	–	194 6
Other borrowings	Sterling	100 1	100 1	–	N/A	N/A	–	100 1
Finance lease contracts	Sterling	0 4	–	0 4	7 9%	1 3	0 4	–
Private placement notes	Euro	88 8	53 6	35 2	4 7%	3 5	–	88 8
Other borrowings	Euro	80 6	79 8	0 8	2 4%	1 5	3 9	76 7
Finance lease contracts	Euro	8 9	–	8 9	13 7%	2 8	8 9	–
Finance lease contracts	PLN	0 1	–	0 1	4 8%	0 8	0 1	–
Other borrowings	HUF	0 4	0 4	–	N/A	N/A	0 4	–
Total		473 9	322 7	151 2			13 7	460 2

In addition to the currency exposures above, the Group had entered into a short term currency derivative financial instrument being a net investment hedge amounting to an asset of £38 2m and a liability of €42 8m This derivative financial instrument was entered into on 31 December 2009 at market rates and therefore the fair value was deemed to equate to its book value of £nil The Group's net debt at 31 December 2009 was £254 5m, of which £160 2m is denominated in Euros

All of the above finance lease contracts totalling £9 4m are secured on the underlying assets

The Directors considered the fair value of the Group s floating rate financial liabilities to materially approximate to the book value shown in the table above The fair value of the Group's private placement notes approximates to the amount in the value of the financial liabilities above The remaining fixed rate debt amounts to £10 2m and relates to finance lease contracts and fixed rate loans The Directors considered the fair value of these remaining fixed rate debts to materially approximate to the book values shown above

In both 2010 and 2009, the interest rate on floating rate financial liabilities is based upon appropriate local market rates

HEDGING RELATIONSHIPS

Included within financial assets are derivative financial instruments in designated hedge accounting relationships amounting to £52 0m (2009 £38 6m) and loans and receivables (including cash and cash equivalents) of £503 4m (2009 £605 2m)

Included within financial liabilities are derivative financial instruments in designated hedge accounting relationships amounting to £12 6m (2009 £15 7m) and liabilities (including trade payables) at amortised cost of £574 8m (2009 £708 2m)

The Group does not trade in derivative financial instruments for speculative purposes Where the Group can demonstrate a hedge relationship under the rules of IAS 32 and IAS 39 movements in the fair values of these derivative financial instruments will be recognised in the Consolidated Statement of Comprehensive Income Where the Group does not meet these rules movements in the fair value will be recognised as gains and losses on derivative financial instruments in the Consolidated Income Statement in the column entitled "Other items"

In order to manage the Group's exposure to interest rate and exchange rate changes the Group utilises both currency and interest rate derivative financial instruments The fair values of these derivative financial instruments are calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at the balance sheet date

The Group is required to analyse financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices) and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All of the financial instruments entered into by the Group are categorised as Level 2

NOTES TO THE ACCOUNTS CONTINUED

18 FINANCIAL INSTRUMENTS CONTINUED

HEDGING RELATIONSHIPS CONTINUED

A) NET INVESTMENT HEDGES

As at 31 December 2010 the Group had entered into one (31 December 2009 one) cross-currency interest rate derivative financial instrument which swaps fixed Sterling denominated debt into fixed Euro denominated debt In addition as at 31 December 2010, the Group had entered into one (31 December 2009 one) cross-currency forward contract which swaps Sterling denominated debt into Euro denominated debt These derivative financial instruments form a net investment hedge of the Group s Euro denominated assets Both of these derivative financial instruments are designated and effective as net investment hedges and the fair value movement has therefore been recognised in the Consolidated Statement of Comprehensive Income

Hedge of the Group's Euro denominated trade assets	2010 £m	2009 £m
Liability at 1 January	**(9 2)**	(37 8)
Fair value gains recognised in equity	**1 5**	5 8
Cash settlements in the year	**–**	22 4
Fair value gains recognised in the Consolidated Income Statement	**–**	0 4
Liability at 31 December	**(7 7)**	(9 2)

B) CASH FLOW HEDGES

With regard to cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognised in equity and is subsequently removed and included in the Consolidated Income Statement within "Finance costs" in the same period the hedged item affects the Consolidated Income Statement The cash flow hedges described below are expected to impact upon both profit and loss and cash flow annually over the life of the hedging instrument and the related debt as interest falls due and upon maturity of the debt and related hedging instrument

As at 31 December 2010 the Group had entered into five (31 December 2009 five) cross-currency interest rate derivative financial instruments which swap fixed US Dollar denominated debt held in the UK into fixed Sterling denominated debt In addition, as at 31 December 2010, the Group had entered into one (31 December 2009 one) cross-currency interest rate derivative financial instrument which swaps fixed rate US Dollar denominated debt held in the UK into variable rate Sterling denominated debt These derivative financial instruments form a cash flow hedge as they fix the functional currency cash flows of the Group All of these derivative financial instruments are designated and effective as cash flow hedges and the fair value movement has therefore been deferred in equity via the Consolidated Statement of Comprehensive Income At 31 December 2010, the average maturity date of these swaps is 4 0 years (2009 5 0 years)

Hedge of the Group's functional currency cash flows	2010 £m	2009 £m
Asset at 1 January	**25 0**	64 0
Fair value gains/(losses) recognised in equity	**11 6**	(39 0)
Asset at 31 December	**36 6**	25 0

During the year ended 31 December 2010 the Group entered into four (31 December 2009 nil) interest rate derivative financial instruments which swap variable rate debt into fixed rate debt thereby fixing the functional currency cash flows of the Group All of these interest rate derivative financial instruments are designated and effective as cash flow hedges and the fair value movement has therefore been deferred in equity via the Consolidated Statement of Comprehensive Income
At 31 December 2010 the average maturity date of these swaps is 5 8 years

Hedge of the Group's functional currency cash flows	2010 £m	2009 £m
Liability at 1 January	**–**	(33 0)
Fair value gains recognised in equity	**1 4**	0 7
Cash settlements in the year	**–**	32 3
Asset at 31 December	**1 4**	–

As at 31 December 2009 the Group had entered into certain short term currency forward contracts which were designated and effective as cash flow hedges of the Group's functional currency cash flows All of these contracts were settled during the year ended 31 December 2010

Hedge of the Group's functional currency cash flows	2010 £m	2009 £m
(Liability)/asset at 1 January	**(0 1)**	2 7
Cash settlements in the year	**0 1**	–
Fair value losses recognised in equity	**–**	(2 8)
Liability at 31 December	**–**	(0 1)

18 FINANCIAL INSTRUMENTS CONTINUED

HEDGING RELATIONSHIPS CONTINUED

B) CASH FLOW HEDGES CONTINUED

The following table reconciles the fair value gain recognised in equity on cash flow hedges as noted on page 98 of £13 0m (2009 loss of £41 1m) to the gain on cash flow hedges recorded in the Consolidated Statement of Comprehensive Income of £19 4m (2009 loss of £18 8m)

	2010 £m	2009 £m
Movement in cash flow hedges recognised in equity	**13 0**	(41 1)
Movement in the hedged item	**(6 2)**	25 6
Adjustment relating to fair value hedging instruments*	**–**	(7 2)
Spreading charge associated with cancellation of cash flow hedges^	**12 6**	3 9
Total movement relating to cash flow hedges included in the Consolidated Statement of Comprehensive Income	**19 4**	(18 8)

* In 2009 certain instruments were noted as being incorrectly classified as cash flow hedges and were consequently recategorised as fair value hedges

^ Certain interest rate derivative financial instruments previously designated in cash flow hedging relationships were closed during 2009 with the balance deferred to reserves being recycled through the Consolidated Income Statement

C) FAIR VALUE HEDGES

As at 31 December 2010, the Group had entered into three (31 December 2009 three) derivative financial instruments which hedge the fair value of the fixed interest private placement debt drawn down on 1 February 2007 All of these interest rate derivative financial instruments are designated and effective as fair value hedges and the fair value movement has therefore been recognised immediately in the Consolidated Income Statement This is offset by the change in fair value attributable to the hedged item which is also recognised immediately in the Consolidated Income Statement

Hedge of the fair value of fixed interest borrowings	2010 £m	2009 £m
Asset at 1 January	**7 2**	6 3
Fair value gains recognised in the Consolidated Income Statement	**1 9**	0 9
Asset at 31 December	**9 1**	7 2

19 MATURITY OF FINANCIAL ASSETS AND LIABILITIES

MATURITY OF FINANCIAL LIABILITIES

The maturity profile of the Group s financial liabilities (inclusive of derivative financial assets) at 31 December 2010 was as follows

	2010 £m	2009 £m
In one year or less	**89 4**	178 5
In more than one year but not more than two years	**1 8**	60 5
In more than two years but not more than five years	**88 8**	93 6
In more than five years	**134 5**	141 3
Total	**314 5**	473 9

BORROWING FACILITIES

The Group had undrawn committed borrowing facilities at 31 December 2010 as follows

	2010 £m	2009 £m
Expiring in less than one year	**100 0**	35 0
Expiring in more than one year but not more than two years	**–**	100 0
Expiring in more than two years but not more than five years	**75 0**	75 0
Total	**175 0**	210 0

As at 31 December 2010, the Group had £490m of UK committed facilities of which £175m were undrawn as disclosed above No further funds have been drawn down since the year end

As noted in the Business Review on page 29 in March 2011 the Group signed a new £250m four year bank facility Upon completion, the Group's existing UK bank debt facilities were cancelled and repaid using cash held on deposit

NOTES TO THE ACCOUNTS CONTINUED

19 MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL LIABILITIES, DERIVATIVE FINANCIAL INSTRUMENTS AND CASH AND CASH EQUIVALENTS

IFRS 7 requires disclosure of the maturity of the Group's remaining contractual financial liabilities The tables below have been drawn up based on the undiscounted contractual maturities of the Group's financial assets and liabilities including interest that will accrue to those assets and liabilities except where the Group is entitled and intends to repay the liability before its maturity Both the inclusion of future interest and the values disclosed being undiscounted results in the total position being different to that included in the Consolidated Balance Sheet

2010 ANALYSIS

		Maturity analysis				
	Balance sheet value £m	< 1 year £m	1–2 years £m	2–5 years £m	> 5 years £m	Total £m
Current liabilities						
Trade and other payables	347 6	347 6	–	–	–	347 6
Obligations under finance lease contracts	1 7	1 8	–	–	–	1 8
Bank overdrafts	2 5	2 5	–	–	–	2 5
Bank loans	31 2	31 5	–	–	–	31 5
Private placement notes	49 1	51 5	–	–	–	51 5
Derivative financial instruments^	4 9	4 9	–	–	–	4 9
Total	**437 0**	**439 8**	**–**	**–**	**–**	**439 8**
Non-current liabilities						
Obligations under finance lease contracts	5 5	0 8	2 2	3 5	0 5	7 0
Bank loans	0 3	–	0 1	0 2	–	0 3
Private placement notes	263 6	15 3	15 3	122 5	188 1	341 2
Derivative financial instruments^	7 7	1 6	1 6	36 0	–	39 2
Total	**277.1**	**17 7**	**19 2**	**162 2**	**188 6**	**387 7**
Total liabilities	**714.1**	**457 5**	**19 2**	**162 2**	**188 6**	**827 5**
Other						
Derivative financial instrument assets*	(52 0)	(7 4)	(7 4)	(23 2)	(27 0)	(65 0)
Cash and cash equivalents*	(129 5)	(129 5)	–	–	–	(129 5)
Derivative financial instruments^	–	(1 5)	(1 5)	(28 4)	–	(31 4)
Total	**(181 5)**	**(138 4)**	**(8 9)**	**(51 6)**	**(27 0)**	**(225 9)**
Grand total	**532 6**	**319 1**	**10 3**	**110 6**	**161 6**	**601 6**

* Derivative financial instrument assets and cash and cash equivalents have also been disclosed in order to present a full analysis of the Group's financial assets and liabilities

^ In accordance with IFRS 7 for all gross settled derivative financial instruments (i e £/€ net investment hedges) the pay leg has been disclosed within liabilities and the receive leg has been included within other

19 MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL LIABILITIES, DERIVATIVE FINANCIAL INSTRUMENTS AND CASH AND CASH EQUIVALENTS CONTINUED

2009 ANALYSIS

		Maturity analysis				
	Balance sheet value £m	< 1 year £m	1–2 years £m	2-5 years £m	> 5 years £m	Total £m
Current liabilities						
Trade and other payables	340 7	340 7	–	–	–	340 7
Obligations under finance lease contracts	2 3	2 4	–	–	–	2 4
Bank overdrafts	2 5	2 5	–	–	–	2 5
Bank loans	173 5	174 1	–	–	–	174 1
Loan notes	0 1	0 1	–	–	–	0 1
Derivative financial instruments^	0 1	0 1	–	–	–	0 1
Total	**519 2**	**519 9**	**–**	**–**	**–**	**519 9**
Non-current liabilities						
Obligations under finance lease contracts	7 1	0 4	2 1	5 0	0 9	8 4
Bank loans	12 1	0 4	5 1	7 4	–	12 9
Private placement notes	299 2	18 6	65 2	124 3	188 4	396 5
Derivative financial instruments^	15 6	2 1	7 9	38 9	–	48 9
Total	**334 0**	**21 5**	**80 3**	**175 6**	**189 3**	**466 7**
Total liabilities	**853 2**	**541 4**	**80 3**	**175 6**	**189 3**	**986 6**
Other						
Derivative financial instrument assets*	(38 6)	(3 8)	(3 8)	(15 2)	(23 3)	(46 1)
Cash and cash equivalents*	(219 4)	(219 4)	–	–	–	(219 4)
Derivative financial instruments^	–	(1 6)	(1 6)	(30 0)	–	(33 2)
Total	**(258 0)**	**(224.8)**	**(5 4)**	**(45 2)**	**(23 3)**	**(298 7)**
Grand total	**595 2**	**316 6**	**74 9**	**130 4**	**166 0**	**687 9**

* Derivative financial instrument assets and cash and cash equivalents have also been disclosed in order to present a full analysis of the Group's financial assets and liabilities

^ In accordance with IFRS 7 for all gross settled derivative financial instruments (i e £/€ net investment hedges) the pay leg has been disclosed within liabilities and the receive leg has been included within other

20 SENSITIVITY ANALYSIS

IFRS 7 requires the disclosure of a sensitivity analysis that details the effects on the Group's profit or loss and other equity of reasonably possible fluctuations in market rates

This sensitivity analysis has been prepared to illustrate the effect of the following hypothetical variations in market rates on the fair value of the Group's financial assets and liabilities

i) a 1% (100 basis points) increase or decrease in market interest rates and

ii) a 10% strengthening or weakening of Sterling against all other currencies to which the Group is exposed

A) INTEREST RATE SENSITIVITY

The Group is currently exposed to Sterling Euro and US Dollar interest rates To a lesser extent the Group is also exposed to Polish Zloty, Czech Koruna and Hungarian Forint interest rates

In order to illustrate the Group's sensitivity to interest rate fluctuations, the following table details the Group's sensitivity to a 100 basis point change in each respective interest rate The sensitivity analysis of the Group's exposure to interest rate risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period A positive number indicates an increase in profit or loss and other equity

2010 ANALYSIS

	GBP		EUR		USD		PLN		CZK		HUF		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	**(0 3)**	**0.3**[(i)]	**(0 7)**	**0.7**[(iii)]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1 0)**	**1 0**
Other equity	**5 0**	**(5 4)**[(ii)]	**0 8**	**(0 8)**[(iv)]	**(9 1)**	**9 6**[(ii)]	**–**	**–**	**–**	**–**	**–**	**–**	**(3 3)**	**3 4**
Total Shareholders' equity	**4 7**	**(5 1)**	**0 1**	**(0 1)**	**(9 1)**	**9 6**	**–**	**–**	**–**	**–**	**–**	**–**	**(4 3)**	**4 4**

NOTES TO THE ACCOUNTS CONTINUED

20 SENSITIVITY ANALYSIS CONTINUED

A) INTEREST RATE SENSITIVITY CONTINUED

2009 ANALYSIS

	GBP		EUR		USD		PLN		CZK		HUF		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	100bp £m	+100bp £m	100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	(0 9)	0 9[i]	(0 8)	0 8[iv]	–	–	–	–	–	–	–	–	(1 7)	1 7
Other equity	4 5	(4 8)[ii]	1 3	(1 4)[iv]	(10 3)	10 9[iii]	–	–	–	–	–	–	(4 5)	4 7
Total Shareholders' equity	3 6	(3 9)	0 5	(0 6)	(10 3)	10 9	–	–	–	–	–	–	(6 2)	6 4

The movements noted above are described below being mainly attributable to

(i) floating rate Sterling debt

(ii) mark-to-market valuation changes in the fair value of fully effective cash flow hedges,

(iii) floating rate Euro debt and Euro cash deposits and

(iv) changes in the value of the Group's Euro denominated assets and liabilities

B) FOREIGN CURRENCY SENSITIVITY

The Group is exposed to currency rate changes between Sterling and Euros, US Dollars Polish Zloty Czech Koruna and Hungarian Forints

The following table details the Group's sensitivity to a 10% change in Sterling against each respective foreign currency to which the Group is exposed indicating the likely impact of changes in foreign exchange rates on the Group's financial position The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period A positive number indicates an increase in profit or loss and other equity

2010 ANALYSIS

	EUR		USD		PLN		CZK		HUF		Total	
	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m
Assets and liabilities under the scope of IFRS 7												
Profit or loss	0 4	(0 5)[i]	–	–[v]	–	–[v]	–	–[v]	–	–	0 4	(0 5)
Other equity	1 4	(1 0)[ii]	(3 1)	3 8[ii]	(1.2)	1 5[iii]	(0 3)	0.3[iii]	–	–	(3 2)	4 6
Total Shareholders' equity	1 8	(1 5)	(3 1)	3 8	(1 2)	1 5	(0 3)	0 3	–	–	(2.8)	4 1
Total assets and liabilities*												
Profit or loss	(2 6)	2 0[iv]	–	–	–	–[v]	0.2	(0 5)[v]	–	–	(2.4)	1 5
Other equity	(35 7)	45 6[iv]	(3 1)	3 8[iii]	(3.9)	4 7[iv]	(0.6)	1 3[iv]	–	–	(43 3)	55 4
Total Shareholders equity	(38 3)	47 6	(3 1)	3 8	(3.9)	4 7	(0.4)	0 8	–	–	(45 7)	56 9

* Certain assets and liabilities such as inventories non-current assets and provisions do not come under the scope of IFRS 7 Therefore in order to present a complete analysis of the Group s exposure to movements in foreign currency exchange rates the exposure on the Group s total assets and liabilities has been disclosed

20 SENSITIVITY ANALYSIS CONTINUED

B) FOREIGN CURRENCY SENSITIVITY CONTINUED

2009 ANALYSIS

	EUR		USD		PLN		CZK		HUF		Total	
	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m
Assets and liabilities under the scope of IFRS 7												
Profit or loss	0 8	(0 9)[i]	–	–[v]	–	–[v]	0 2	(0 2)[v]	–	–	1 0	(1 1)
Other equity	5 5	(5 9)[ii]	(2 6)	3 2[iii]	(1 3)	1 5[iii]	(0 7)	0 8[iii]	–	–	0 9	(0 4)
Total Shareholders' equity	6 3	(6 8)	(2 6)	3 2	(1 3)	1 5	(0 5)	0 6	–	–	1 9	(1 5)
Total assets and liabilities*												
Profit or loss	(2 9)	1 8[iv]	–	–	(0 1)	0 1[vi]	0 3	(0 5)[vi]	–	–	(2 7)	1 4
Other equity	(33 7)	44 2[iv]	(2 6)	3 2[iv]	(3 8)	4 6[vi]	(2 0)	3 0[vi]	–	–	(42 1)	55 0
Total Shareholders' equity	(36 6)	46 0	(2 6)	3 2	(3 9)	4 7	(1 7)	2 5	–	–	(44 8)	56 4

* Certain assets and liabilities such as inventories non current assets and provisions do not come under the scope of IFRS 7 Therefore in order to present a complete analysis of the Group's exposure to movements in foreign currency exchange rates the exposure on the Group's total assets and liabilities has been disclosed

The movements noted above are described below, being mainly attributable to

(i) gains and losses on derivative financial instruments on the Group s £/€ net investment hedges and retranslation of Euro interest flows,

(ii) mark-to-market valuation changes in the fair value of fully effective cash flow and net investment hedges and retranslation of assets and liabilities under the scope of IFRS 7

(iii) retranslation of Euro profit streams and gains and losses on derivative financial instruments on the Group's £/€ net investment hedges

(iv) retranslation of foreign currency denominated assets and liabilities outside the scope of IFRS 7 and mark-to-market valuation changes in the fair value of fully effective cash flow and net investment hedges,

(v) retranslation of US Dollar, Polish Zloty and Czech Koruna interest flows, and

(vi) retranslation of Polish Zloty and Czech Koruna profit streams

21 PROVISIONS FOR LIABILITIES AND CHARGES

	2010 Onerous leases £m	2010 Leasehold dilapidations £m	2010 Contingent consideration £m	2010 Other amounts £m	2010 Total £m
Beginning of year	**20.1**	**16 2**	**1 0**	**3 9**	**41 2**
Unused amounts reversed in the period	**(0.5)**	**(1 0)**	**(0 5)**	**(0 1)**	**(2.1)**
Utilised	**(7.3)**	**(1 1)**	**(0.1)**	**(0 5)**	**(9 0)**
New provisions	**8 5**	**1 5**	**–**	**0 2**	**10 2**
Transferred from accruals	**–**	**1 3**	**–**	**0 1**	**1 4**
Exchange difference	**–**	**(0 1)**	**–**	**(0 1)**	**(0 2)**
End of year	**20 8**	**16 8**	**0.4**	**3 5**	**41 5**

	2010 £m	2009 £m
Included in current liabilities	**12 7**	9 5
Included in non-current liabilities	**28 8**	31 7
	41 5	41 2

ONEROUS LEASES

The Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and the likely income from existing and future sub lease agreements on a contract-by-contract basis The provision covers potential transfer of economic benefit over the full range of current lease commitments disclosed in Note 28b

LEASEHOLD DILAPIDATIONS

This provision relates to contractual obligations to reinstate leasehold properties into their original state of repair The provision is calculated with reference to the expired portion of individual lease agreements where such a clause exists in the lease contract The transfer of economic benefits will be made at the end of the leases as set out in Note 28b

CONTINGENT CONSIDERATION

Contingent consideration relates to the amounts due to vendors of prior year acquisitions providing certain future profit targets are met The transfer of economic benefit is expected to be made within two years

OTHER AMOUNTS

Other amounts relate principally to claim provisions The transfer of economic benefit is expected to be made between one and three years time

NOTES TO THE ACCOUNTS CONTINUED

22 DEFERRED TAX

The net deferred tax asset/(liability) at the end of the year is analysed as follows

	2010 £m	2009 £m
Deferred tax assets	**28.7**	27 5
Deferred tax liabilities	**(26 5)**	(38 9)
Net deferred tax asset/(liability)	**2 2**	(11 4)

SUMMARY OF DEFERRED TAX

The different components of deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period is analysed below

	Goodwill and intangibles £m	Property plant and equipment £m	Tax assets £m	Retirement benefit obligations £m	Losses £m	Other £m	Total £m
As at 31 December 2008	(42 9)	(7 2)	13 9	3 9	1 0	0 5	(30 8)
Credit/(charge) to income	8 0	10 5	(1 1)	0 1	(0 4)	0 7	17 8
Credit to equity	–	–	–	1 3	–	–	1 3
Exchange difference	–	0 5	(0 2)	–	(0 2)	0 2	0 3
As at 31 December 2009	(34 9)	3 8	12 6	5 3	0 4	1 4	(11 4)
Credit/(charge) to income	13 1	0 4	1 2	(0 2)	0 8	(2 1)	13 2
Credit to equity	–	–	–	0 5	–	0 2	0 7
Exchange difference	–	0 1	(0 2)	–	–	–	(0 1)
Change of rate	–	–	–	(0 2)	–	–	(0 2)
As at 31 December 2010	**(21 8)**	**4 3**	**13 6**	**5 4**	**1 2**	**(0 5)**	**2 2**

The deferred tax credit for 2010 includes an exceptional credit of £0 2m arising from the reduction in the rate of UK corporation tax from 28% to 27% which comes into effect on 1 April 2011

Given current and forecast trading the Directors consider that recognition of the deferred tax assets above is appropriate

The Group has not taken account of excess non-trading losses associated with financial instruments in determining the above deferred tax asset at 31 December 2010 During the year, the Group has utilised £10m (gross) of previously unrecognised deferred tax on non-trading losses In this respect any future utilisation of the unrecognised deferred tax asset associated with the non-trading losses of £108m (2009 £118m) will result in a reduction of cash payments of tax and will also result in a profit and loss benefit in the year of utilisation

There are other potential deferred tax assets in relation to tax losses totalling £8m (2009 £4m) that have not been recognised on the basis that the realisation of their future economic benefit is uncertain The tax losses in the Czech Republic of £2m and Poland of £1m expire after five years The remaining tax losses of £5m may be carried forward indefinitely

The total gross value of unrecognised tax losses at 31 December 2010 therefore amounted to £116m (2009 £122m)

At the balance sheet date the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries with a lower rate of corporation tax than that suffered in the UK, for which no deferred tax liabilities have been recognised was £30m (2009 £31m) No liability has been recognised in respect of these differences as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future

23 OBLIGATIONS UNDER FINANCE LEASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	2010 £m	2009 £m	2010 £m	2009 £m
Amounts payable under finance lease contracts				
– within one year	**1 8**	2 4	**1 7**	2 3
– after one year and within five years	**6.5**	7 2	**5 1**	6 2
– after five years	**0.5**	1 2	**0 4**	0 9
	8.8	10 8	**7 2**	9 4
Less future finance charges	**1.6**	1 4		
Present value of lease obligations	**7.2**	9 4		

The Group leases certain of its motor vehicles fixtures and equipment under finance lease contracts

The average remaining lease term is 1 9 years (2009 2 7 years) For the year ended 31 December 2010, the average effective borrowing rate was 14 2% (2009 13 4%) Interest rates are fixed at the contract date

The carrying amount of the Group's lease obligations approximates to their fair value

24 CALLED UP SHARE CAPITAL

	2010 £m	2009 £m
Authorised		
800 000 000 ordinary shares of 10p each (2009 800,000,000)	**80 0**	80 0
Allotted, called up and fully paid		
590,829,339 ordinary shares of 10p each (2009 590,829 339)	**59 1**	59 1

No shares were allotted between 1 January 2010 and 31 December 2010 (2009 455,190,164 allotted)

The Company has one class of ordinary share which carries no right to fixed income

At 31 December 2010 the following share options were outstanding

	Number of shares					Exercise dates		
Scheme and date of grant	At 31 December 2009	Granted	Exercised	Lapsed	**At 31 December 2010**	Option price per 10p share	Date from which option may be exercised	Date on which option expires
Deferred Annual Bonus Scheme								
19/04/2005	5,184	–	–	–	**5,184**	0 00p	19/04/2008	18/04/2015
17/04/2007	13 163	–	–	(13,163)	**–**	0 00p	17/04/2010	16/04/2017
14/04/2008	29 770	–	–	–	**29,770**	0 00p	14/04/2011	13/04/2018
15/09/2009	34,730	–	–	–	**34,730**	0 00p	15/09/2012	14/09/2019
Long Term Incentive Plan								
19/04/2005	5 707	–	–	–	**5,707**	0 00p	19/04/2008	18/04/2012
17/04/2007	54,640	–	–	(54,640)	**–**	0 00p	17/04/2010	16/04/2014
14/04/2008	165,199	–	–	(8 360)	**156,839**	0 00p	14/04/2011	13/04/2015
08/09/2008	11,166	–	–	–	**11,166**	0 00p	08/09/2011	07/09/2015
15/09/2009	577,862	–	–	–	**577,862**	0 00p	15/09/2012	14/09/2019
07/06/2010	–	1,459,751	–	–	**1,459,751**	0 00p	07/06/2013	06/06/2020
Executive Share Option Scheme								
19/04/2002	23,342	–	–	(23,342)	**–**	265 05p	19/04/2005	18/04/2010
11/04/2003	41,159	–	–	–	**41,159**	169 68p	11/04/2006	10/04/2011
Savings Related Schemes								
21/10/2005	904	–	–	–	**904**	471 50p	01/11/2008	31/05/2011
10/11/2006	645	–	–	–	**645**	658 10p	01/01/2010	31/07/2012
26/11/2007	9,305	–	–	–	**9,305**	679 60p	01/01/2011	31/07/2013
24/10/2008	88 362	–	–	–	**88,362**	272 50p	01/01/2012	31/07/2014
20/10/2010	–	337,836	–	–	**337,836**	95 00p	01/12/2013	30/06/2015
Total	**1,061,138**	**1,797,587**	**–**	**(99,505)**	**2,759,220**			

25 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATING ACTIVITIES

	2010 £m	2009 £m
Operating loss	**(54.6)**	(32 5)
Depreciation charge	**36 0**	40 2
Impairment of property, plant and equipment	**3 8**	6 8
Amortisation of acquired intangibles	**28.5**	28 6
Goodwill and intangible impairment charges	**80 4**	30 0
Profit on sale of property, plant and equipment	**(1 2)**	(1 8)
Share-based payments	**0 4**	(0 5)
Working capital movement		
Loan issued to associate	**(1 2)**	–
(Increase)/decrease in inventories	**(7 7)**	26 1
Decrease in receivables	**9 1**	67 8
Increase in payables	**5 3**	9 4
Cash generated from operating activities	**98 8**	174 1

Included within the cash generated from operating activities is cash paid in respect of current year and prior year exceptional costs of £19 3m (2009 £27 1m)

NOTES TO THE ACCOUNTS CONTINUED

26 RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	2010 £m	2009 £m
(Decrease)/increase in cash and cash equivalents in the year	**(88 3)**	166 7
Cash flow from decrease in debt	**145 3**	280 9
Decrease in net debt resulting from cash flows	**57 0**	447 6
Non-cash items^	**6 9**	(24 5)
Exchange difference	**5 6**	19 5
Decrease in net debt in the year	**69 5**	442 6
Net debt at beginning of year	**(254 5)**	(697 1)
Net debt at end of year	**(185 0)**	(254 5)

^ Non-cash items relate to the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow

27 ANALYSIS OF NET DEBT

	At 31 December 2009 £m	Cash flows £m	Non-cash items^ £m	Exchange difference £m	At 31 December 2010 £m
Cash and cash equivalents	219 4	(88 3)	–	(1 6)	**129 5**
Overdrafts	(2 5)	–	–	–	**(2 5)**
	216 9	(88 3)	–	(1 6)	**127 0**
Financial assets – derivative financial instruments	38 6	(0 1)	6 9	6 6	**52 0**
Debts due within one year	(173 7)	88 3	–	0 2	**(85 2)**
Debts due after one year	(326 9)	55 2	–	0 1	**(271 6)**
Finance lease contracts	(9 4)	1 9	–	0 3	**(7 2)**
	(254 5)	57 0	6 9	5 6	**(185 0)**

^ Non-cash items relate to the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow

28 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

A) CAPITAL COMMITMENTS

	2010 £m	2009 £m
Contracted but not provided for	**2 1**	1 0

B) LEASE COMMITMENTS

The Group leases a number of its premises under operating leases which expire between 2011 and 2049

The rentals payable are subject to renegotiation at various dates The total future minimum lease rentals under the foregoing leases are as follows

	2010 £m	2009 £m
Minimum lease rentals due		
– within one year	**46 8**	33 6
– after one year and within five years	**118 6**	87 2
– after five years	**105 9**	135 8
	271.3	256 6

The Group also leases certain items of plant and machinery whose total future minimum lease rentals under the foregoing leases are as follows

	2010 £m	2009 £m
Minimum lease rentals due		
– within one year	**8 9**	8 7
– after one year and within five years	**17 1**	19 2
– after five years	**0 4**	0 6
	26 4	28 5

28 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES

The Group operates a number of pension schemes, five (2009 five) of which provide defined benefits based on final pensionable salary Of these schemes, one (2009 one) has assets held in a separate trustee administered fund and four (2009 four) are overseas book reserved schemes The Group also operates a number of defined contribution schemes all of which are independently managed

The pension charge for the year amounted to £7 2m (2009 £7 2m) of which £2 4m (2009 £2 9m) related to defined benefit pension schemes and £4 8m (2009 £4 3m) related to defined contribution schemes

DEFINED BENEFIT PENSION SCHEME VALUATIONS

In accordance with the amendment to IAS 19 which was issued on 16 December 2004, the Group has elected to recognise all actuarial gains and losses in full in the period in which they arise in the Consolidated Statement of Comprehensive Income

The actuarial valuations of the defined benefit pension schemes are assessed by an independent actuary every three years who recommends the rate of contribution payable each year

The last formal actuarial valuation of the SIG plc Retirement Benefits Plan, the UK scheme, was conducted at 31 December 2007 and showed that the market value of the scheme s assets was £75 0m and their actuarial value covered 83% of the benefits accrued to members after allowing for expected future increases in pensionable salaries

The other four schemes are book reserved schemes whereby the sponsoring company does not hold any separate assets to fund the pension scheme but makes a reserve in its accounts Therefore, these schemes do not hold separate scheme assets The liabilities of the schemes are met by the sponsoring companies

CONSOLIDATED INCOME STATEMENT CHARGES

The pension charge for the year relating to the defined benefit pension schemes was £2 4m (2009 £2 9m) In accordance with IAS 19 "Employee Benefits", the charge for the defined benefit schemes has been calculated as the sum of the cost of benefits accruing in the year the increase in the value of benefits already accrued and the expected return on assets

The actuarial valuations described previously have been updated at 31 December 2010 by a qualified actuary using revised assumptions that are consistent with the requirements of IAS 19 Investments have been valued for this purpose, at fair value

The UK defined benefit scheme is closed to new members has an age profile that is rising and therefore under the projected unit method, the current service cost will increase as the members of the scheme approach retirement The four overseas book reserved schemes remain open to new members

CONSOLIDATED BALANCE SHEET LIABILITY

The balance sheet position in respect of the five defined benefit schemes can be summarised as follows

	2010 £m	2009 £m
Pension liability before taxation	**(25 2)**	(24 0)
Related deferred tax asset	**5 4**	5 3
Pension liability after taxation	**(19 8)**	(18 7)

The actuarial loss of £1 8m (2009 £4 7m) for the year, together with the associated deferred tax credit of £0 5m (2009 £1 3m) and deferred tax charge of £0 2m in respect of the change in the UK standard rate of tax from 28% to 27% effective from 1 April 2011, has been recognised in the Consolidated Statement of Comprehensive Income The remaining deferred tax charge of £0 2m (2009 credit of £0 1m) has been recognised in the Consolidated Income Statement

The cumulative actuarial gains and losses gross of deferred tax (from 2004 onwards) recognised in the Consolidated Statement of Comprehensive Income amounted to a loss of £18 2m (2009 £16 4m)

Of the above pension liability before taxation, £20 2m (2009 £19 0m) relates to wholly or partly funded schemes and £5 0m (2009 £5 0m) relates to unfunded schemes

The movement in the pension liability before taxation in the year can be summarised as follows

	2010 £m	2009 £m
Pension liability at beginning of year	**(24 0)**	(19 1)
Current service cost	**(1 9)**	(1 6)
Contributions	**2 8**	2 4
Net finance cost	**(0 5)**	(1 3)
Actuarial loss	**(1 8)**	(4 7)
Exchange difference	**0 2**	0 3
Pension liability at end of year	**(25 2)**	(24 0)

Contributions of approximately £2 7m are expected to be paid to the plan during the annual period beginning 1 January 2011

The principal assumptions used for the IAS 19 actuarial valuation of the schemes were

	2010 %	2009 %	2008 %
Rate of increase in salaries	**3 9**	4 5	4 7
Rate of fixed increase of pensions in payment	**3 9**	4 5	4 7
Rate of increase LPI pensions in payment	**3 4**	3 5	2 7
Discount rate	**5 4**	5 7	6 2
Inflation assumption	**3 4**	3 5	2 7

NOTES TO THE ACCOUNTS CONTINUED

28 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES CONTINUED

CONSOLIDATED BALANCE SHEET LIABILITY CONTINUED

Deferred pensions are revalued to retirement in line with the schemes' rules and statutory requirements with the inflation assumption used for LPI revaluation in deferment

The life expectancy for a male employee beyond the normal retirement age of 60 is 28 5 years (2009 28 5 years)

If the discount rate was to be increased/decreased by 0 25%, this would decrease/increase the Group's gross pension scheme deficit by £5 3m

The fair value of the assets in the schemes, the present value of the liabilities in the schemes and the expected rate of return at each balance sheet date were

	2010 %	2010 £m	2009 %	2009 £m	2008 %	2008 £m	2007 %	2007 £m	2006 %	2006 £m
Equities	**7 2**	**55 0**	7 5	50 7	6 4	40 3	6 7	48 7	6 7	44 0
Bonds	**5 0**	**37 0**	5 3	36 7	5 2	34 3	4 7	28 0	4 6	23 7
Other	**5 2**	**6 2**	N/A	–	N/A	–	6 2	0 1	5 5	0 2
Total fair value of assets		**98 2**		87 4		74 6		76 8		67 9
Present value of scheme liabilities		**(123 4)**		(111 4)		(93 7)		(92 5)		(91 5)
Deficit in the scheme		**(25 2)**		(24 0)		(19 1)		(15 7)		(23 6)
Related deferred tax asset		**5 4**		5 3		3 9		3 4		6 7
Pension liability after taxation		**(19 8)**		(18 7)		(15 2)		(12 3)		(16 9)

The UK Government has announced that statutory pension increases and revaluation would be based on the Consumer Prices Index ("CPI") measure of price inflation rather than the Retail Prices Index ("RPI") measure The effect of this change on the Group's UK defined benefit pension scheme in the current year has been an additional gain through equity of £2 0m

The overall expected rate of return is based upon market conditions at the balance sheet date

Analysis of the amount charged to operating profit under IAS 19 in relation to the schemes

	2010 £m	2009 £m
Current service cost	**1 9**	1 6

Analysis of the amount charged to finance income and finance charges under IAS 19 in relation to the schemes

	2010 £m	2009 £m
Finance income – being expected return on pension scheme assets	**5 7**	4 3
Finance costs – being interest on pension scheme liabilities	**(6 2)**	(5 6)
Net finance cost	**(0 5)**	(1 3)

The actual gain on scheme assets was £11 1m (2009 gain of £12 2m)

Analysis of the actuarial loss recognised in the Consolidated Statement of Comprehensive Income in respect of the schemes

	2010 £m	2009 £m
Actual return less expected return on assets	**5 4**	7 9
Changes in assumptions	**(7 2)**	(12 6)
Actuarial loss recognised	**(1 8)**	(4 7)

Movements in the present value of the schemes' liabilities were as follows

	2010 £m	2009 £m
Fair value of schemes' liabilities at beginning of year	**(111 4)**	(93 7)
Current service cost	**(1 9)**	(1 6)
Interest on pension schemes' liabilities	**(6 2)**	(5 6)
Changes in assumptions	**(7 2)**	(12 6)
Contributions from schemes' members	**(0 6)**	(0 6)
Exchange differences	**0 2**	0 3
Benefits paid	**3 7**	2 4
Fair value of schemes' liabilities at end of year	**(123 4)**	(111 4)

28 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES CONTINUED

CONSOLIDATED BALANCE SHEET LIABILITY CONTINUED

Movements in the fair value of the schemes assets were as follows

	2010 £m	2009 £m
Fair value of schemes' assets at beginning of year	**87 4**	74 6
Expected return on assets	**5 7**	4 3
Actual return less expected return on assets	**5 4**	7 9
Contributions from sponsoring companies	**2 8**	2 4
Contributions from schemes' members	**0 6**	0 6
Benefits paid	**(3 7)**	(2 4)
Fair value of schemes assets at end of year	**98 2**	87 4

History of experience of gains and losses

	2010	2009	2008	2007	2006
Difference between the expected and actual return on schemes' assets					
Amount (£m)	**5 4**	7 9	(15 3)	0 4	0 5
Percentage of schemes assets	**5 5%**	9 0%	(20 5%)	0 5%	0 7%
Experience gains and losses on schemes liabilities					
Amount (£m)	**–**	–	5 5	(4 4)	(9 0)
Percentage of the present value of schemes' liabilities	**0 0%**	0 0%	5 9%	(4 9%)	(9 9%)
Total amount recognised in the Consolidated Statement of Comprehensive Income					
Amount (£m)	**(1 8)**	(4 7)	(10 6)	6 2	3 3
Percentage of the present value of the schemes' liabilities	**(1 5%)**	(4 2%)	(11 3%)	6 7%	6 3%

D) CONTINGENT LIABILITIES

As at the balance sheet date, the Group had outstanding obligations under customer guarantees, claims standby letters of credit and discounted bills of up to £12 7m (2009 £12 0m) Of this amount, £10 1m (2009 £10 6m) related to standby letters of credit issued by The Royal Bank of Scotland plc in respect of the Group's insurance arrangements

29 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed

During the year, the Group acquired a non-controlling shareholding in Ice Energy Technologies Limited Further disclosure of transactions between the Group and Ice Energy Technologies Limited are disclosed in Note 11

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors who are the key management personnel of the Group is provided in the audited part of the Directors Remuneration Report on pages 59 to 65 In addition the Group recognised a share-based payment charge under IFRS 2 in respect of the Directors of £0 1m (2009 credit of £0 4m)

30 SUBSIDIARIES

Details of the Group's principal trading subsidiaries, all of which have been included in the Consolidated Accounts, are shown on page 121

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SIG plc

We have audited the Group financial statements of SIG plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Statement of Significant Accounting Policies, the Critical Accounting Judgments and Key Sources of Estimation Uncertainty and the related notes 1 to 30 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor s report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR
As explained more fully in the Directors Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

OPINION ON FINANCIAL STATEMENTS
In our opinion the group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006
In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- certain disclosures of directors remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

- the directors statement, contained within the Statutory Information, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the company s compliance with the nine provisions of the June 2008 Combined Code specified for our review,
- certain elements of the report to shareholders by the Board on directors' remuneration

OTHER MATTER
We have reported separately on the parent Company financial statements of SIG plc for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited

CHRISTOPHER POWELL FCA (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITOR
LEEDS, UK
16 MARCH 2011

FIVE YEAR SUMMARY

	IFRS				
	Continuing operations ^				
	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Revenue*	1,846 2	2,438 6	3,032 7	2,723 1	**2,668 0**
Underlying** operating profit	121 4	159 4	169 8	80 9	**76 1**
Operating profit/(loss)	114 5	142 2	107 0	(32 5)	**(54 6)**
Finance income	7 4	10 6	11 9	11 7	**7.8**
Finance costs	(19 2)	(28 5)	(85 8)	(34 5)	**(34 0)**
Underlying** profit before tax	108 3	140 1	137 3	60 6	**62 5**
Profit/(loss) before tax	102 7	124 3	33 1	(55 3)	**(80 8)**
Profit/(loss) after tax	71 8	87 1	6 8	(45 1)	**(76.8)**
Underlying** earnings per share	61 3p	74 8p	58 9p	9 0p	**7 2p**
Earnings/(loss) per share	58 1p	66 3p	3 8p	(9 7p)	**(13 0p)**
Dividend per share	20 5p	26 7p	8 3p	nil p	**nil p**

^ SIG sold its USA business on 20 November 2006 Figures stated are from continuing operations (i e excluding the USA business)

* Restated see Accounting Policies on page 78 for details

** Underlying figures are stated before the amortisation of acquired intangibles impairment charges restructuring costs and gains and losses on derivative financial instruments

A more detailed five year summary can be found in the investor section of the Company s website (www sigplc com)

COMPANY ACCOUNTS
PREPARED IN ACCORDANCE WITH UK GAAP

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COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010 £m	2009 £m
Fixed assets			
Investments	5	**466 3**	580 1
Interest in associate	6	**1 6**	–
Tangible fixed assets	7	**0 1**	0 1
		468 0	580 2
Current assets			
Debtors – due within one year	8	**34 3**	392 5
Debtors – due after more than one year	8	**743 1**	301 3
Cash at bank and in hand		**47 2**	132 7
		824 6	826 5
Creditors amounts falling due within one year	9	**(225 3)**	(274 7)
Net current assets		**599 3**	551 8
Total assets less current liabilities		**1,067 3**	1 132 0
Creditors amounts falling due after one year	10	**(343 1)**	(401 5)
Net assets		**724 2**	730 5
Capital and reserves			
Called up share capital	12	**59 1**	59 1
Share premium account	12	**447 0**	447 0
Merger reserve	12	**21 7**	21 7
Capital redemption reserve	12	**0 3**	0 3
Share option reserve	12	**1 0**	0 9
Exchange reserve	12	**(0 2)**	(0 2)
Profit and loss account	12	**195 3**	201 7
Shareholders funds (all equity)		**724 2**	730 5

The Accounts were approved by the Board of Directors on 16 March 2011 and signed on its behalf by

CHRIS DAVIES
DIRECTOR

GARETH DAVIES
DIRECTOR

The accompanying Statement of Significant Accounting Policies and Notes to the Accounts are an integral part of this Company Balance Sheet

Registered in England 998314

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING
The separate Accounts of the Company are presented as required by the Companies Act 2006 They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (UK GAAP)

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

The Company has taken the exemption from FRS 29 "Financial Instruments Disclosures provided for a parent company s single entity financial statements

SHARE-BASED PAYMENTS
The accounting policy for share-based payments (FRS 20) is consistent with that of the Group as detailed on page 76

FINANCIAL INSTRUMENTS
The accounting policy for financial instruments is consistent with that of the Group as detailed on page 77

FINANCIAL ASSETS AND LIABILITIES
The accounting policy for financial assets and liabilities is consistent with that of the Group as detailed on pages 76 and 77

INVESTMENTS
Fixed asset investments in subsidiaries are shown at cost less provision for impairment

FOREIGN CURRENCY
Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Profit and Loss Account

INTEREST IN ASSOCIATE
The accounting policy for the interest in an associate is consistent with that of the Group as detailed on page 75

NOTES TO THE COMPANY ACCOUNTS

1 PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own Profit and Loss Account for the year SIG plc reported a loss for the financial year ended 31 December 2010 of £25 8m (2009 profit of £45 5m)

The Auditors' remuneration for audit services to the Company was £0 1m (2009 £0 1m)

2 SHARE-BASED PAYMENTS

The Company had five share-based payment schemes in existence during the year ended 31 December 2010 The Company recognised a total charge of £0 4m (2009 credit of £0 5m) in the year relating to share-based payment transactions issued after 7 November 2002 Details of the valuations of each of the five share-based payment schemes can be found in Note 9 to the Group Accounts on pages 86 to 89

3 DIVIDENDS

The Directors have proposed no final dividend for the year ended 31 December 2010 (2009 £nil)

4 STAFF COSTS

Particulars of employees (including Directors) are shown below

	2010 £m	2009 £m
Employee costs during the year amounted to		
Wages and salaries	**2 8**	2 1
Social security costs	**0 3**	0 4
FRS 20 share option charge/(credit)	**0 4**	(0 5)
Pension costs	**0 3**	0 2
	3 8	2 2

The average monthly number of persons employed by the Company during the year was as follows

	2010 Number	2009 Number
Administration	**22**	21

5 FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings, as follows

	2010 £m	2009 £m
Cost		
Beginning of year	**656 8**	519 5
Additions	**0 2**	137 5
Disposals	**(0 3)**	(0 2)
End of year	**656 7**	656 8
Provisions at beginning of year	**(76 7)**	(0 1)
Movement in provision	**(113 7)**	(76 6)
Provisions at end of year	**(190 4)**	(76 7)
Net book value, beginning of year	**580 1**	519 4
Net book value, end of year	**466.3**	580 1

During the year, the Company made an additional contribution to the share capital of SIG International Trading Limited of £0 2m Before and after the transaction the Company directly owned 100% of the share capital of that company

On 4 January 2010, the Company sold its 100% shareholding in Fitzpatrick Doors Limited to SIG Manufacturing Limited, a 100% indirectly wholly owned subsidiary undertaking of SIG plc, for a consideration of £0 3m

During the year the Company reduced the carrying value of its investment in LS Group Limited to its recoverable amount through the recognition of an impairment loss of £38 4m

Following the receipt of a dividend from SIG Financing (Jersey) Limited of £3 65 per ordinary share, totalling £77 0m, the Company reduced the carrying value of its investment to its recoverable amount through the recognition of an impairment loss of £75 3m

Details of the Company s principal trading subsidiaries are shown on page 121 The Group has taken advantage of the exemption in Section 409 of the Companies Act 2006 whereby the disclosure of a full list of all subsidiary companies is not required where this would result in information of excessive length being given in the notes to the Accounts

6 INTEREST IN ASSOCIATE

On 4 May 2010 the Company made a strategic trade investment in Ice Energy Technologies Limited by acquiring 25% of the share capital for a total consideration of £1 6m (including £0 1m associated costs) In addition, at the date of signing this report, the Company has made a loan amounting to £1 2m to Ice Energy Technologies Limited Further details can be found in Note 11 to the Group Accounts

NOTES TO THE COMPANY ACCOUNTS CONTINUED

7 TANGIBLE FIXED ASSETS

The movement in the year was as follows

	Freehold land and buildings £m	Plant and machinery £m	Total £m
Cost			
Beginning and end of year	0 1	0 3	0 4
Depreciation			
Beginning of year	0 1	0 2	0 3
Charge for the year	–	–	–
End of year	**0 1**	**0 2**	**0 3**
Net book value, beginning of year	–	0 1	0 1
Net book value, end of year	**–**	**0 1**	**0 1**

8 DEBTORS

	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	**720 7**	645 7
Corporation tax recoverable	–	0 5
Deferred tax assets (Note 11)	**1 8**	2 3
Derivative financial instruments	**52 0**	38 6
Other debtors (Note 14)	**1 2**	–
Prepayments and accrued income	**1 7**	6 7
	777.4	693 8

Of the total amount owed to the Company, £743 1m (2009 £301 3m) is due after more than one year of which £52 0m (2009 £nil) related to derivitive financial instruments with the remaining £691 1m (2009 £301 3m) being amounts owed by subsidiary undertakings

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £m	2009 £m
Bank overdrafts	**32 5**	21 0
Bank loans	**25 1**	170 8
Private placement notes	**49 1**	–
Amounts owed to subsidiary undertakings	**101 2**	69 4
Derivative financial instruments	**4 9**	0 1
Accruals and deferred income	**12 0**	13 4
Corporation tax	**0 5**	–
	225 3	274 7

All of the Company's bank loans and overdrafts are unsecured

10 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £m	2009 £m
Private placement notes	**263.6**	299 2
Bank loans	**–**	7 2
Derivative financial instruments	**7.7**	15 6
Amounts owed to subsidiary undertakings	**71 8**	79 5
	343 1	401 5

Details of the private placement notes (before applying associated derivative financial instruments) are as follows

	2010 £m	2010 Fixed interest rate %	2009 £m	2009 Fixed interest rate %
Repayable in 2011	**49 1**	**7 3%**	47 7	7 2%
Repayable in 2013	**87 2**	**4 9%**	84 6	5 1%
Repayable in 2016	**153.6**	**5.9%**	146 9	5 8%
Repayable in 2018	**22.8**	**5 1%**	20 0	5 8%
	312.7	**5 8%**	299 2	5 9%

All Group derivative financial instruments disclosed in Note 18 on pages 96 to 99 have been entered into by the Company and therefore disclosures have not been repeated within this note

As noted in the Business Review on page 29, in March 2011 the Group signed a new £250m four year bank facility Upon completion, the Group's existing UK bank debt facilities were cancelled and repaid using cash held on deposit

11 DEFERRED TAX

	2010 £m	2009 £m
Deferred tax assets	**1 8**	2 3

The deferred tax assets above relate to short term timing differences

The movement during the year was as follows

Beginning of year	**2.3**	2 3
Charge for the year	**(0.5)**	–
End of year	**1 8**	2 3

Given the current profitability of the Company (excluding the impairment of investments and dividend income) the Directors consider that the recognition of the deferred tax assets above is appropriate

The Company has not taken account of excess non-trading losses associated with financial instruments in determining the above deferred tax asset as at 31 December 2010 See Note 22 of the Group Accounts for details

NOTES TO THE COMPANY ACCOUNTS CONTINUED

12 CAPITAL AND RESERVES

	2010 £m	2009 £m
Called up share capital	**59 1**	59 1
Share premium account	**447 0**	447 0
Merger reserve	**21 7**	21 7
Capital redemption reserve	**0 3**	0 3
Share option reserve	**1 0**	0 9
Exchange reserve	**(0 2)**	(0 2)
Profit and loss account	**195 3**	201 7
Total reserves	**724 2**	730 5

The movement in reserves during the year was as follows

	Called up share capital £m	Share premium account £m	Share option reserve £m	Retained profits £m
Beginning of year	59 1	447 0	0 9	201 7
Credit to share option reserve	–	–	0 1	–
Fair value movement on cash flow hedges	–	–	–	6 8
Transfer to profit and loss on cash flow hedges	–	–	–	12 6
Loss for the period	–	–	–	(25 8)
End of year	**59 1**	**447 0**	**1 0**	**195 3**

There was no movement in the merger reserve capital redemption reserve and exchange reserve in the year

Details of the Company s share capital can be found in Note 24 of the Group Accounts on page 105

13 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

A) GUARANTEES

The Company has cross guaranteed overdrafts of subsidiary undertakings amounting to £nil (2009 £0 5m)

B) CONTINGENT LIABILITIES

As at the balance sheet date the Company had outstanding obligations under standby letters of credit of up to £10 1m (2009 £10 6m) These standby letters of credit, issued by The Royal Bank of Scotland plc are in respect of the Group's insurance arrangements

14 RELATED PARTY TRANSACTIONS

The Company owns 94 6% of the share capital of Air Trade Centre International B V a distributor of air handling equipment At the date of signing this report the Company has made a loan of £0 9m to Air Trade Centre repayable in 2013

On 4 May 2010 the Company made a strategic trade investment in Ice Energy Technologies Limited, a company incorporated in the United Kingdom, by acquiring shares in that company from existing management Further details are provided in Note 11 of the Group Accounts

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SIG plc

We have audited the parent Company financial statements of SIG plc for the year ended 31 December 2010 which comprise the Parent Company Balance Sheet Statement of Significant Accounting Policies and the related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company s members those matters we are required to state to them in an auditor s report an d for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent Company s circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion

- the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements

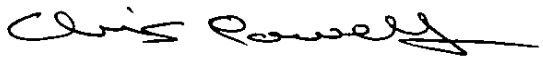
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements and the part of the Directors Remuneration Report to be audited are not in agreement with the accounting records and returns or
- certain disclosures of directors remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

OTHER MATTER

We have reported separately on the group financial statements of SIG plc for the year ended 31 December 2010



CHRISTOPHER POWELL FCA (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITOR
LEEDS, UK
16 MARCH 2011

PRINCIPAL ADDRESSES

SIG plc
CORPORATE OFFICE
Signet House
17 Europa View
Sheffield Business Park
Sheffield S9 1XH

REGISTERED OFFICE
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Langsett Road
Sheffield S6 2LW

REGISTERED NUMBER
Registered in England
998314

UNITED KINGDOM
SIG TRADING LIMITED, CURRENTLY TRADING AS

SIG INSULATIONS
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Sheffield S6 2LW

SIG ROOFING SUPPLIES
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CARPET AND FLOORING
Arrow Valley
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Sheffield S6 2LW

CPD DISTRIBUTION
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Sheffield S6 2LW

A STEADMAN & SON
Warnell
Welton
Carlisle
Cumbria CA5 7HH

SIG MANUFACTURING LIMITED, CURRENTLY TRADING AS

LEADERFLUSH + SHAPLAND
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KOMFORT WORKSPACE
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Langley Mill
Nottingham NG16 4AZ

CUBICLE SYSTEMS
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Langley Mill
Nottingham NG16 4AZ

SIG GLAZING SERVICES
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SIG ENERGY MANAGEMENT LIMITED
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IRELAND
SIG BUILDING PRODUCTS LIMITED
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Ireland

INSULATION DISTRIBUTORS LIMITED
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Dublin 12
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The Netherlands

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The Netherlands

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Odborarska 52
Slovakia

PANNON II KERESKEDELMI ES SZOLGALTATÓ KFT
2083 Solymár
Várhegy U 4–6
Hungary

PRINCIPAL TRADING SUBSIDIARIES

The Company's principal trading subsidiaries all of which are wholly owned except where stated, are currently as follows

	Insulation and Building Environments	Exteriors	Interiors	SCP
United Kingdom				
SIG Trading Limited	✓	✓	✓	✓
SIG Energy Management Limited	✓			
SIG Manufacturing Limited			✓	
Ireland				
SIG Building Products Limited	✓	✓	✓	✓
Insulation Distributors Limited	✓			
Germany				
WeGo Systembaustoffe GmbH	✓		✓	✓
Melle Dachbaustoffe GmbH		✓		✓
France				
Société de l'Ouest des Produits Isolants SAS	✓			✓
LITT Diffusion SAS			✓	
Lanvière SAS		✓		
Benelux				
SIG Nederland B V	✓		✓	
SIG Melderste Plafonneerartikelen N V			✓	
Air Trade Centre Belgium N V	✓			
Poland				
SIG Sp z o o	✓	✓	✓	✓
Czech Republic				
SIG Czech s r o	✓		✓	
Slovakia				
BEK Baustoffe Slovakia s r o	✓		✓	
Hungary				
Pannon II Kft	✓		✓	

All of the above companies are registered in the country referred to above with the exception of SIG Trading Limited, SIG Energy Management and SIG Manufacturing Limited that are registered in England and Wales

SIG European Investments Limited and SIG European Holdings Limited together hold the beneficial ownership of SIG Building Products Limited WeGo Systembaustoffe GmbH Melle Dachbaustoffe GmbH Société de l'Ouest des Produits Isolants SAS, LITT Diffusion SAS, Lanviere SAS SIG Nederland B V SIG Melderste Plafonneerartikelen N V Air Trade Centre Belgium N V SIG Sp z o o SIG Czech s r o BEK Baustoffe Slovakia s r o and Pannon II Kft

The Group owns 80% of the ordinary share capital of Insulation Distributors Limited via SIG Trading Limited The Group also owns 95% of Air Trade Centre International B V that itself owns 100% of Air Trade Centre Belgium N V

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REGISTERED NUMBER
Registered in England
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SIG's commitment to environmental issues is reflected in this Annual Report which has been printed on Satimatt Green and Revive 50, both recycled paper stocks comprising 75% recycled fibre and 25% virgin fibre. This document was printed by CPG using vegetable-based inks and water-soluble lacquers and all production processes used make the minimum demand on the environment and produce the minimum amount of waste. Both the printer and the paper mill are registered to ISO 14001 and FSC® approved