SIG

ANNUAL REPORT AND ACCOUNTS 2011

REGISTERED IN ENGLAND 998314

MOVING IN THE RIGHT DIRECTION

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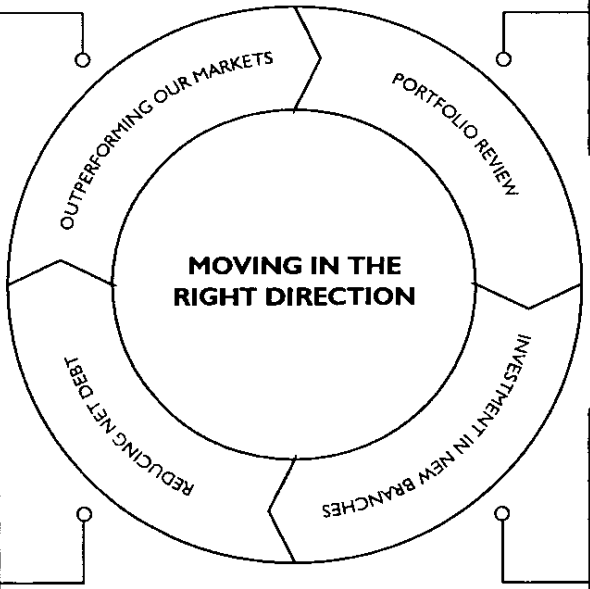
OUR BUSINESS

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

Our 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

MOVING IN THE RIGHT DIRECTION



OUTPERFORMING OUR MARKETS
The Group continues to outperform its markets in all of its countries of operation
See page 18 for further details

PORTFOLIO REVIEW
The Group has reviewed its business portfolio in order to focus on strategic priorities for growth and investment, resulting in the divestment of three businesses in 2011
See page 24 for further details

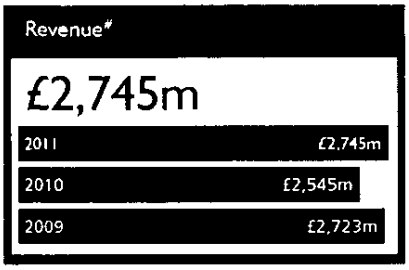
REDUCING NET DEBT
The Group has reduced its level of net debt from £185 0m at 31 December 2010 to £115 9m at 31 December 2011
See page 34 for further details

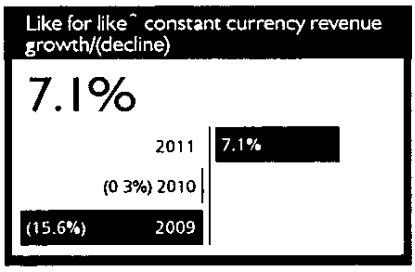
INVESTMENT IN NEW BRANCHES
The opening of new trading sites is an important part of SIG's organic growth strategy 18 new branches were opened in 2011, including two in the Builders Express format
See page 20 for further details

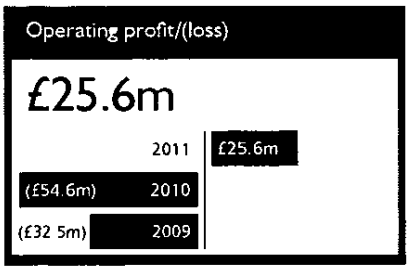
Highlights

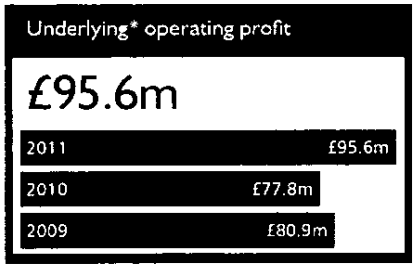
- Sales from continuing operations up by nearly 8%
- Underlying profit before tax up 27% to £81 7m
- Invested further in organic growth with another 18 branches opened in the year
- Final dividend of 1 5p per share proposed
- £5m of further annual cost savings identified
- Recently opened trading sites performing very strongly

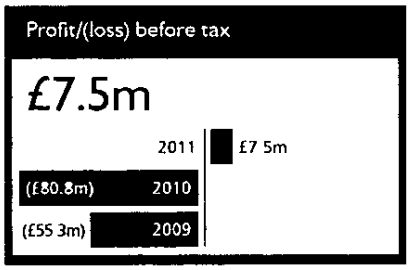
AT A GLANCE: PERFORMANCE

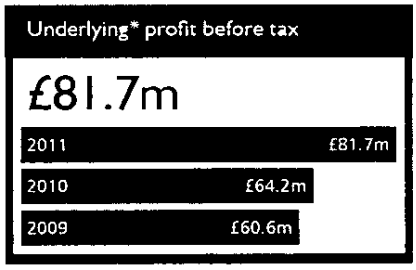


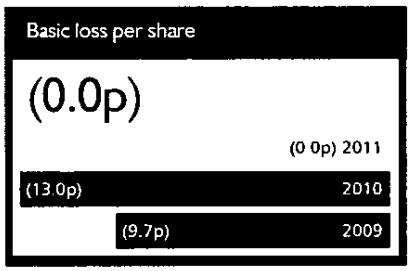


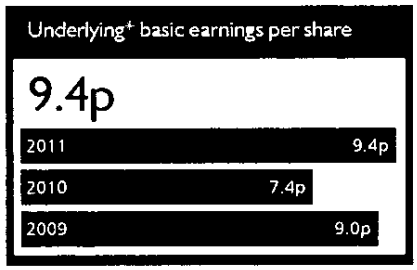


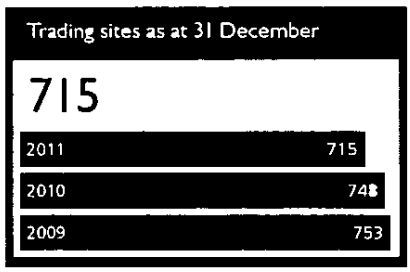


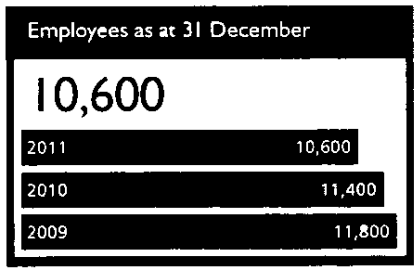












* Revenue in 2011 and 2010 is presented on a continuing basis

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

* Underlying figures are stated before the amortisation of acquired intangibles impairment charges restructuring costs profit and loss arising on the sale of businesses trading profits and losses associated with disposed businesses and gains and losses on derivative financial instruments

Note the 2009 comparatives have not been adjusted for the impact of businesses divested in 2011

REVIEW OF THE YEAR
IFC OUR BUSINESS
01 AT A GLANCE PERFORMANCE
02 INSULATION AND ENERGY MANAGEMENT
04 EXTERIORS
06 INTERIORS
08 CHAIRMAN S STATEMENT
10 2011 BUSINESS REVIEW

CORPORATE GOVERNANCE
38 CORPORATE RESPONSIBILITY REPORT
48 BOARD OF DIRECTORS
49 COMPANY INFORMATION
49 FINANCIAL CALENDAR
49 SHAREHOLDER ANALYSIS
50 STATUTORY INFORMATION
54 DIRECTORS RESPONSIBILITY STATEMENT
55 CORPORATE GOVERNANCE
61 DIRECTORS REMUNERATION REPORT
70 REPORT OF THE AUDIT COMMITTEE

GROUP ACCOUNTS
73 CONSOLIDATED INCOME STATEMENT
74 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
75 CONSOLIDATED BALANCE SHEET
76 CONSOLIDATED CASH FLOW STATEMENT
77 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
78 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
83 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
84 NOTES TO THE ACCOUNTS
114 INDEPENDENT AUDITOR'S REPORT
115 FIVE YEAR SUMMARY

COMPANY ACCOUNTS
117 COMPANY BALANCE SHEET
118 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
119 NOTES TO THE COMPANY ACCOUNTS
123 INDEPENDENT AUDITOR S REPORT
124 PRINCIPAL ADDRESSES
125 PRINCIPAL TRADING SUBSIDIARIES

ANNUAL REPORT 2011 ONLINE

Go to our online report for additional features and supporting content:
www.sigplc.com

INSULATION AND ENERGY MANAGEMENT

SIG is the largest supplier of insulation and related products in Europe. The Group is the market leader in the UK, Ireland, Germany and Poland and is the leader in industrial insulation in France.

Insulation products have three main applications thermal management, fire protection, and sound control.

AT A GLANCE

KEY MARKET DRIVERS

- Reducing energy consumption
- Government regulation
- Reducing emissions

CONTINUING REVENUE
£1,251 7m
45 6% of Group Revenue

INSULATION PRODUCTS HAVE THREE MAIN APPLICATIONS

Thermal management – the most widespread use for insulation is to retain heat within a building or industrial process or to keep heat out, such as for cold stores

Fire protection – good design material specification and installation are vital in protecting buildings from fire

Sound control – the ability to minimise the transmission of noise between dwellings is now an integral part of building design, with technical capabilities developing apace

INSULATION DEMAND DRIVERS

Reducing energy consumption – increasingly higher energy costs drive the use of insulation products across a wide range of construction and industrial applications

Government regulation – the use of insulation is subject to specific building regulations which are becoming increasingly stringent and complex

Reducing emissions – driven by Government policy increasing importance is being placed on the use of appropriate insulation materials to help reduce emissions of greenhouse gases

Based on these drivers, demand for insulation products is expected to outperform overall construction demand in the medium to long term

RETROFITTING OF INSULATION INTO DOMESTIC PROPERTIES

In the UK through its Energy Management business the Group retrofits thermal insulation in the walls and lofts of existing residential properties Demand is driven through a number of Government supported schemes such as the Carbon Emissions Reduction Target ("CERT)

AIR HANDLING AND AIR CONDITIONING

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 with activities spread across eight countries in Europe This market offers excellent growth prospects driven by increasing regulation on thermal efficiencies in the non-residential environment

SIG'S COMPETITIVE ADVANTAGE

The Group has 243 trading sites (71 of which also supply interiors products) which are able to provide a wide stock holding and rapid service and delivery

As building regulations become more complex customers are increasingly relying upon the expert advice only a specialist distributor such as SIG can provide

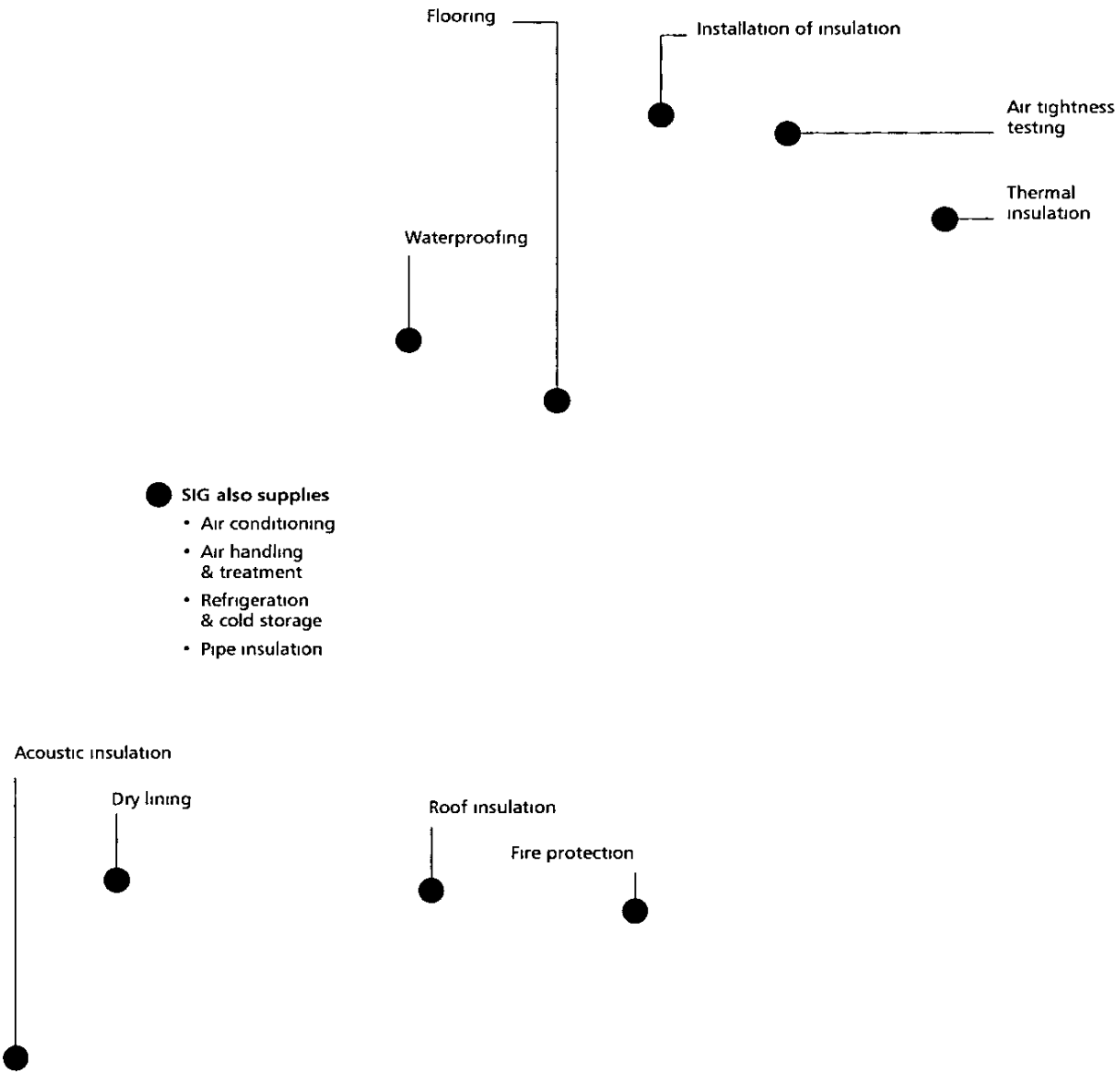
SIG's sales and technical staff receive continuous training in the latest legislation, building methods products and applications

SIG works closely with manufacturers to introduce wide ranges of new, specialist sustainable products to progress innovative building methods

COUNTRIES OF OPERATION

- United Kingdom
- Ireland
- Germany and Austria
- France
- Poland
- Czech Republic and Slovakia
- Benelux

OUR PRODUCTS



EXTERIORS

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

The Exteriors division supplies products for pitched, flat, industrial and agricultural applications sourced from the leading manufacturers of roofing materials. In addition, SIG supplies a range of photovoltaic products in France, Germany and the UK, which are also sold through the Group's UK Energy Management business.

AT A GLANCE

KEY MARKET DRIVERS

- Essential RMI requirement
- New products
- Growth of specialist distribution channels

CONTINUING REVENUE
£888 6m
32 4% of Group Revenue

EXTERIORS DEMAND DRIVERS

Essential RMI requirement – the ongoing 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

New products – to reduce building exterior maintenance costs and improve energy efficiency

Growth of specialist distribution channels – as the main supply route displacing builders' merchants and direct sales from the manufacturers

SIG'S COMPETITIVE ADVANTAGE

As the largest specialist supplier of roofing materials in Europe, with 341 trading sites, SIG is able to provide its customers with a level of technical know-how unrivalled in the market

Our specialist nature means that we can hold a broad range of local stock which is ideally suited to supplying products particularly for emergency repairs

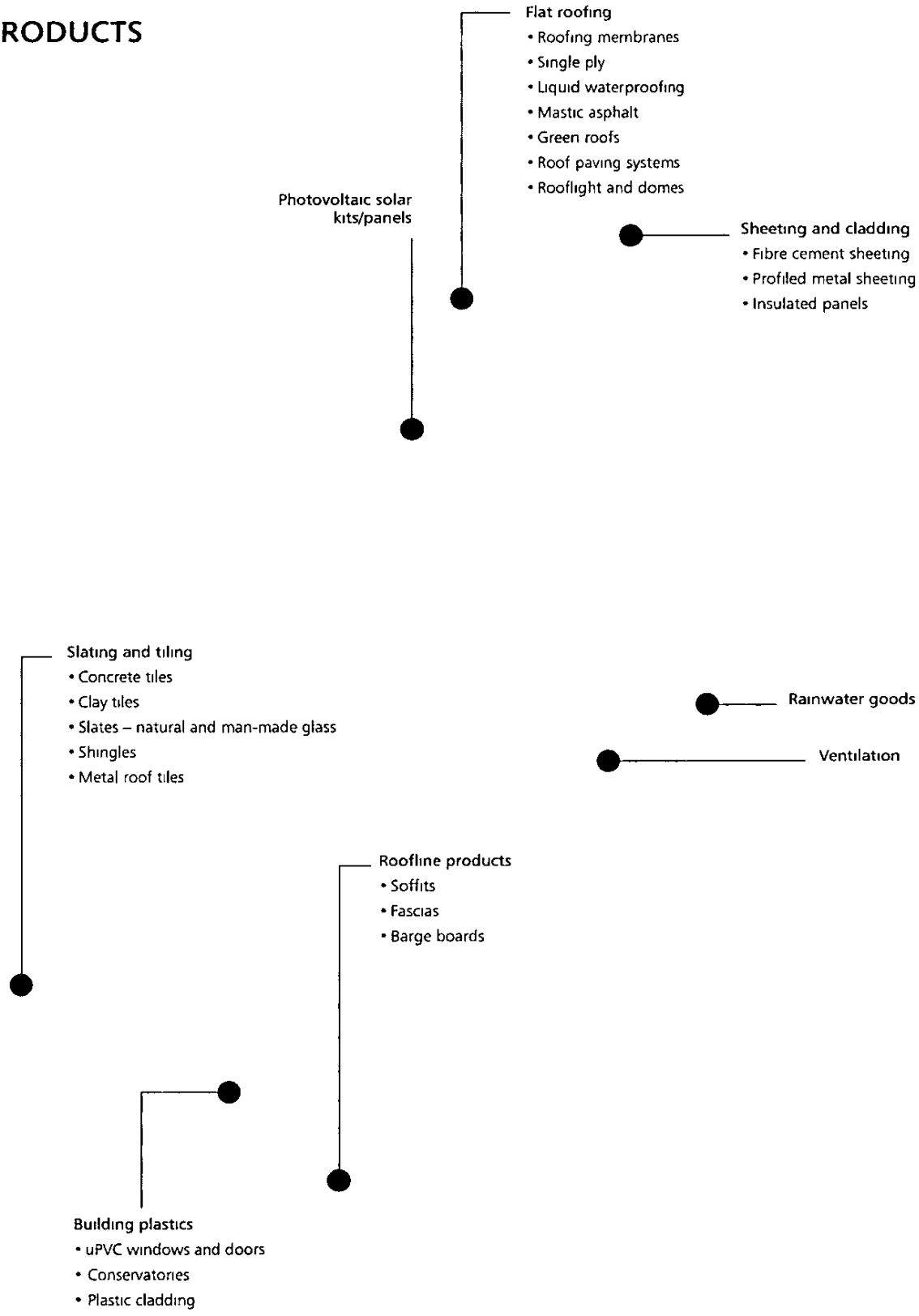
As well as specialist roofing materials, each location offers a range of accessories such as tools and fixings, ventilation, access equipment safety products and insulation materials Many of these accessories are core product areas for other Group businesses and the Exteriors business is able to draw on the technical knowledge of its sister businesses and take 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 to match that of the local environment

COUNTRIES OF OPERATION

- United Kingdom
- Ireland
- Germany and Austria
- France
- Poland

OUR PRODUCTS



INTERIORS

SIG is a leading supplier of all products required for the interior fit out of non-residential buildings in Europe.

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 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

AT A GLANCE

KEY MARKET DRIVERS

- Increasingly stringent fire and acoustic regulations
- Improving standards of internal fit out

CONTINUING REVENUE
£604 5m
22 0% of Group Revenue

INTERIORS DEMAND DRIVERS

Increasingly stringent fire and acoustic regulations – as well as driving demand this also benefits the larger specialist suppliers who can provide the necessary technical expertise

Improving standards of internal fit out – product innovation is essential to respond to changing standards

SIG'S COMPETITIVE ADVANTAGE

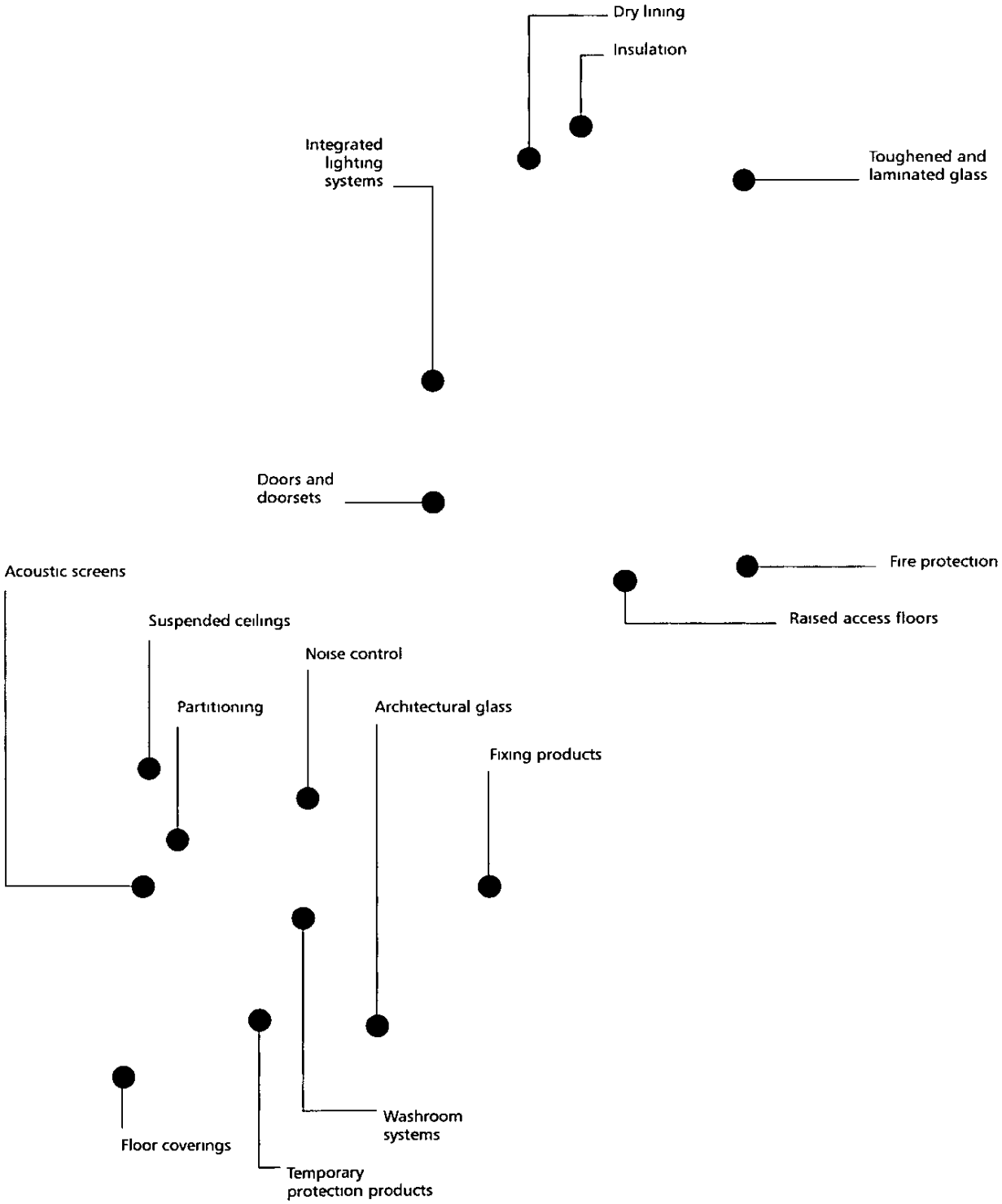
The Group has 202 trading sites (71 of which also supply insulation products) that blend the requirements of small, maintenance-orientated projects requiring ready access to materials with those of larger, specification-based contracts where specialist advice, service and support are required to secure orders

SIG's customer and client support includes technical design and development of visual appearance, together with logistics and delivery scheduling in order to meet the fit out requirements

The Group's delivery service is an important element of its offering as city locations can often have difficult access and minimal space for holding stock If materials are not available on time then contractors face down-time and potential time penalties

COUNTRIES OF OPERATION

- United Kingdom
- Ireland
- Germany and Austria
- France
- Poland
- Czech Republic and Slovakia
- Benelux


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

CHAIRMAN'S STATEMENT

Revenues from continuing operations grew by nearly 8%, a strong performance in what continues to be a challenging macroeconomic environment.

Leslie Van de Walle Chairman

In summary

- Revenues from continuing operations grew by nearly 8%
- Underlying profit before tax increased by 27 3% to £81 7m
- Return on Capital Employed improved significantly, by 230 basis points to 7 9%
- The Group recorded a total profit before tax of £7 5m

I am pleased to report that 2011 was a year of significant progress for SIG The Group returned to sales growth, and based on this good financial performance and a further strengthening of its balance sheet, reinstated its dividend as promised

Revenues from continuing operations grew by nearly 8% a strong performance in what continues to be a challenging macroeconomic environment Profit benefited not only from the operational gearing on the additional sales but also from an improved gross margin which was increased by 20 basis points As a result, the Group s underlying operating margin improved to 3 5% and underlying profit before tax increased by 27 3% to £81 7m SIG's Return on Capital Employed also improved significantly, by 230 basis points to 7 9%, measured on a post-tax basis

As a result of non-underlying charges totalling £74 2m (2010 £145 0m) the Group recorded a total profit before tax of £7 5m (2010 loss of £80 8m) Including these charges statutory loss after tax amounted to £ nil (2010 loss of £76 8m)

As well as increasing returns the Group continued to reduce net debt by £69 1m to £115 9m with leverage (net debt/underlying EBITDA) falling to less than 1x and interest cover now above 7x

STRATEGY

While improved trading conditions, particularly in Mainland Europe certainly helped to drive growth, the Group s strong performance can also be attributed to the delivery by the management team on a number of key objectives and self-help measures

Operationally SIG continued to outperform the market as it has done over recent years This was due to improved performance at existing sites, driven by new sales resources and increased cross-selling, together with the increased contribution from recently opened branches New branches are an important element of SIG s organic growth strategy and the Group opened another 18 sites in 2011

In addition to capitalising on growth opportunities, SIG is continually looking to improve efficiency and the Group recently announced that it had identified an additional £5m of future operating cost savings from the further rationalisation of its branch network mainly in the UK & Ireland

STRATEGY CONTINUED

Strategically SIG divested three non-core businesses during 2011 helping to reduce its risk profile and upgrade its business portfolio The Group also simplified its management structure in the UK & Ireland making it consistent with the structure already in place in Mainland Europe These changes give the Group a clearer strategic focus on its core markets of Insulation and Energy Management Interiors and Exteriors and will bring benefits in terms of improved cross-selling and synergy savings

BOARD

During the year Janet Ashdown and Mel Ewell joined the Board as Non-Executive Directors Ms Ashdown is currently Chief Executive Officer of Blue Ocean Associates Limited having previously held a number of senior positions with BP p l c Mr Ewell is currently Chief Executive of Amey Plc

With SIG's restructuring programmes now largely completed and its finances restored to a sound condition Gareth Davies Group Finance Director stepped down from the Board in the year and was replaced by Doug Robertson who was appointed to the Board on 1 December 2011

Doug was previously Group Finance Director of Umeco plc and brings extensive strategic operational and financial experience to SIG, which will prove invaluable through the next stage of the Group s development

In addition it was announced in November that John Chivers, Managing Director of UK Exteriors, was to retire from the Group The Board thanks both Gareth and John for their significant contribution to SIG over a number of years and wishes them well for the future

These appointments mean that the composition of the Board has gone through a period of significant change in recent years with the average tenure of a current Director now being less than two years

CORPORATE GOVERNANCE

SIG is committed to business integrity high ethical values and professionalism in all of its activities At SIG we believe that good governance comes from an effective Board which provides strong leadership to the Company and engages well with both management and stakeholders As an essential part of this commitment the Group supports the highest standards in corporate governance The Corporate Governance Report on pages 55 to 60 sets out how these principles are applied and operated within SIG

EMPLOYEES

On behalf of the Board and shareholders I would like to thank our employees for their continued hard work and dedication, which has enabled the Group to deliver this significantly improved performance

DIVIDENDS

Based on more stable markets and improved business performance SIG resumed dividend payments this year paying an interim dividend of 0 75p per share in November 2011

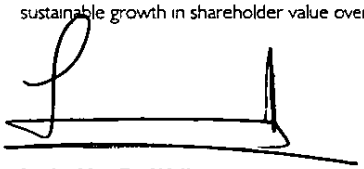
The Board is proposing a final dividend of 1 5p per share providing a total dividend of 2 25p for the year The final dividend is expected to be paid on 30 May 2012 to shareholders on the register at close of business on 4 May 2012 The ex-dividend date is 2 May 2012

Going forward the Board is committed to a progressive dividend policy whilst maintaining a dividend cover of 2-3x (on an underlying basis) over the medium term

OUTLOOK

The Group has been through a period of significant change in recent years and has emerged as a much more efficient and stronger business with an increased focus on its core markets This provides SIG with a solid platform on which it can build in 2012 despite the ongoing uncertainties in the macroeconomic environment

Looking further forward based on its specialist expertise, high levels of customer service and leading market positions, SIG is targeting to continue to outperform its competitors and increase returns on capital generating sustainable growth in shareholder value over the longer term



Leslie Van De Walle
Chairman
13 March 2012

2011 BUSINESS REVIEW

SIG plays a crucial role in the supply chain of specialist building products, both for new construction and for Repairs, Maintenance and Improvement, and its main countries of operation are the UK, France and Germany.

Chris Davies Chief Executive

Doug Robertson Finance Director

GLOSSARY OF TERMS

Underlying	is before the amortisation of acquired intangibles impairment charges, restructuring costs profit and loss arising on the sale of businesses, trading profits and losses associated with disposed businesses and gains and losses on derivative financial instruments
Like for like	is defined as excluding the impact of acquisitions and disposals made in the current and prior year
Trading cash conversion	is defined as cash flow from total operations divided by underlying operating profit
Continuing	is excluding the impact of disposals made in 2011
KPIs	The methodology for calculating the Group's Key Performance Indicators is set out on pages 14 and 15

INTRODUCTION

SIG is a leading distributor of specialist building products in Europe The Group has a product and service offering of significant scale with strong positions in its three core markets of Insulation and Energy Management, Interiors and Exteriors SIG is positioned to continue to achieve market share growth as its branch network develops and matures

SIG plays a crucial role in the supply chain of specialist building products, both for new construction and for Repairs Maintenance and Improvement ("RMI"), and its main countries of operation are the UK, France and Germany which together accounted for 85% of its revenues in 2011

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 SIG operates from 715 trading sites across the UK & Ireland and Mainland Europe, and employed c 10 600 people as at 31 December 2011 The Company operates under a variety of trading names which are widely recognised throughout their respective market sectors and countries

While the vast majority of the products SIG distributes have been manufactured by other companies, SIG fabricates certain custom products which 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 and the assembly of roofing panels

In the UK, SIG also installs loft and cavity wall insulation in residential properties through its Energy Management business Furthermore, SIG is developing this business as a provider of whole house energy efficiency solutions to take advantage of the growth opportunities in this market

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 close attention is given to the specific requirements of the customer

BUSINESS PORTFOLIO REVIEW AND GROUP STRUCTURE

SIG recently conducted an in-depth review of its business portfolio to determine strategic priorities for growth and investment

This review confirmed that SIG has a strong core portfolio of distribution and merchanting businesses with good prospects for growth and profit enhancement but that it also had some non-core businesses which were unlikely to provide a reasonable return to shareholders in the medium term

As a result SIG disposed of its UK Interiors Manufacturing, UK Safety & Workwear and UK Scaffolding businesses during 2011 Following these divestments the Company is now focused on its three core markets of Insulation and Energy Management Interiors and Exteriors Accordingly the Group has not separately disclosed the sales relating to specialist construction products

	2011 % revenue*	2010 % revenue*
Insulation and Energy Management	**46**	45
Interiors	**22**	23
Exteriors	**32**	32

* Excludes divested businesses

BUSINESS PORTFOLIO REVIEW AND GROUP STRUCTURE CONTINUED

With effect from 1 January 2012 SIG has also streamlined its UK and Ireland management structure and appointed Robert Barclay to the new post of UK and Ireland Managing Director This structure is now consistent with Mainland Europe and will enable SIG to increase cross-selling opportunities in the region as well as helping to drive further efficiencies

In addition given that the Insulation and Energy Management and Interiors divisions are managed as a single unit, this new simplified structure means that SIG now has a maximum of three product streams and two divisions in every country in which it operates

ORGANIC GROWTH INITIATIVES

New branch openings are an important part of SIG's growth strategy and this investment programme, which focuses on the careful selection of trading sites was maintained during the recent downturn

The Group believes that this strategy has been successful with new branches opened during the 2008-10 period performing strongly In 2011 these branches added over £100m to Group revenues, with a c 4% return on sales (Operating profit/Sales) Further sales and profit progression is expected from these branches as they reach full maturity which typically takes 5 to 6 years

During 2011 SIG continued to execute this strategy and opened a further 18 new trading sites in the year, 14 in Mainland Europe and 4 in the UK

The Group has also strengthened a number of its European sales teams, to improve geographical sales coverage and niche market expertise This has helped to drive the strong sales development seen in Mainland Europe in 2011 and will support future growth

Looking forward the Group aims to roll out new branch openings at a rate of 15-20 per annum subject always to the right opportunity and economic conditions

SIG'S MARKET SECTORS AND BRANCHES

	Insulation & Energy Management	Exteriors	Interiors	Number of branches 31 Dec 2011	Change compared to 31 Dec 2010
United Kingdom	✓	✓	✓	318	(32)
Ireland	✓	✓	✓	12	(2)
Germany & Austria	✓	✓	✓	86	4
France	✓	✓	✓	189	8
Poland	✓	✓	✓	60	(3)
Central Europe	✓		✓	23	(7)
Benelux*	✓		✓	27	(1)
Total				715	(33)

* includes international air conditioning and air handling business (headquartered in the Netherlands)

In addition the Group also has a small trading presence in Turkey, Romania, Bulgaria UAE, Spain and Luxembourg, which in total amount to less than 1% of its revenues

SIG'S ROLE IN THE SUPPLY CHAIN

SIG's main focus is on the distribution of products to specialist contracting companies and the professional trades The Company plays a crucial role in this supply chain and derives its competitive advantage by

Taking bulk delivery from the manufacturers, storing product safely and securely and breaking it into specific job quantities that are manageable for specialist contractors

Providing an efficient sales channel through which manufacturers can access thousands of specialist contractors

Using its extensive delivery fleet and geographical coverage to provide immediate availability of product on site and at short notice, enabling contractors to maximise labour efficiency

Providing customers with technical advice and product expertise in order to comply with increasingly complex building regulations and help to optimise their costs

Providing credit to customers based on established and rigorous control procedures ensuring continuity of the supply chain

2011 BUSINESS REVIEW CONTINUED
OUR MARKETS

SIG is well diversified and distributes products to three end markets, the largest of which is the Non-residential sector and includes offices, schools, hospitals, warehouses, retail developments and airports.

SIG's second largest market is the Residential sector, which is more weighted towards essential expenditure on repairs and maintenance and therefore less sensitive to fluctuations in the wider economy. SIG's third market is Industry (non-construction) where the Company predominantly supplies technical insulation to industries where heat is an important part of the production process

SIG is well diversified, serving a wide range of industries and markets

NON-RESIDENTIAL

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

49%
of continuing revenue

RESIDENTIAL

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

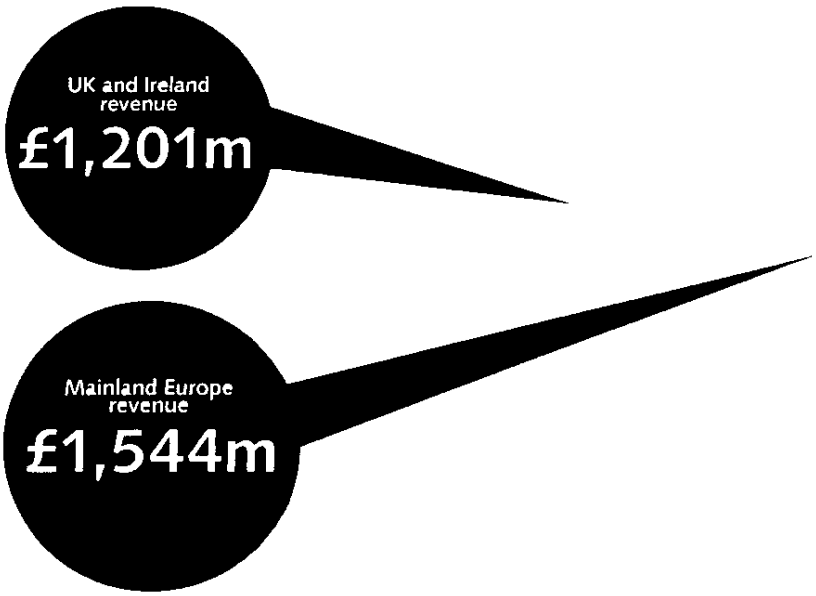
41%
of continuing revenue

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

10%
of continuing revenue

WHERE WE OPERATE



DRIVERS OF DEMAND FOR SIG'S PRODUCTS

The main driver of demand for SIG's products in the new build residential and non-residential markets is construction activity, which in turn is largely determined by economic growth Conversely, demand for construction products in the RMI market tends to be more constant and in some markets can even be counter-cyclical to the macroeconomy

Although current economic conditions are subdued SIG believes that the medium to long term drivers for its products remain strong given that the current relatively low levels of residential and private non-residential building activity do not appear sustainable when compared to demographic growth trends Given the Group s strong market position in the majority of the countries in which it operates SIG believes that it is well positioned to benefit from any upturn in demand over the medium term

Other demand drivers in addition to macroeconomic conditions described above are detailed as follows

INSULATION AND ENERGY MANAGEMENT

- The need for reducing energy consumption and related costs particularly given recent higher energy prices
- Increasingly stringent government regulation across Europe aimed at lowering energy usage and reducing greenhouse gas emissions

EXTERIORS

- The replacement of old/damaged roofs gives rise to an ongoing RMI requirement providing a core product demand
- Demand for new products to reduce building exterior maintenance costs
- Growth of specialist distribution as the main supply route in the market

INTERIORS

- Increasingly stringent fire and acoustic regulations, which as well as driving demand also benefits the larger specialist suppliers who can provide the necessary technical expertise
- Increased demand for integrated solutions
- Demand for higher standards of internal fit outs

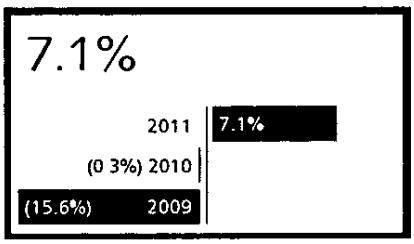
2011 BUSINESS REVIEW CONTINUED
KEY PERFORMANCE INDICATORS

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**
2. **Underlying operating profit margin**
3. **Working capital to sales**
4. **Medium term cash conversion**
5. **Return on Capital Employed**

1 LIKE FOR LIKE CONSTANT CURRENCY SALES GROWTH



	2009	2010	2011
UK & Ireland	(22 2%)	(2 7%)	**3 6%**
Mainland Europe	(7 6%)	2 0%	**10 1%**
Group	**(15 6%)**	**(0 3%)**	**7 1%**

Like for like constant currency sales growth is defined as the percentage growth/(decline) in the Group s total sales excluding any current and prior year acquisitions or disposals The measure reflects the sales growth in the business which arises from increased sales volumes through existing and new trading sites, together with any product price inflation

The Group recorded a like for like constant currency sales increase of 7 1% in 2011 Growth was driven by three main factors improved trading conditions, with market volumes increasing by c 1% compared to 2010, moderate product price inflation of c 3% across the Group and market outperformance of c 3%

In Mainland Europe sales were up by 10 1% on a constant currency basis The strong performance in Mainland Europe is in part attributable to the Group's investment in new branches in recent years, which are contributing significant additional sales and profit as they mature In the UK & Ireland markets were weaker and revenues from continuing operations were up by 3 6% in constant currency terms

2 UNDERLYING OPERATING PROFIT MARGIN

	2009	2010	2011
UK & Ireland	3 4%	3 6%	**4 1%**
Mainland Europe	3 6%	3 1%	**3 5%**
Group*	**3 2%**	**3 1%**	**3 5%**

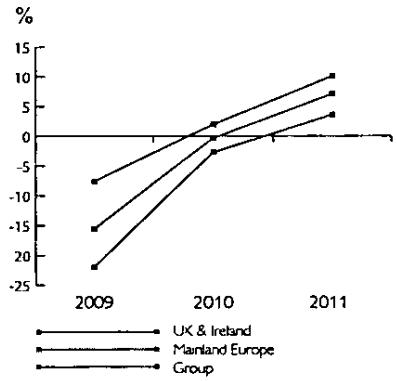
*after parent company costs

Underlying operating profit margin is the ratio of underlying operating profit to sales after adjusting for acquisitions or disposals in the current and prior year

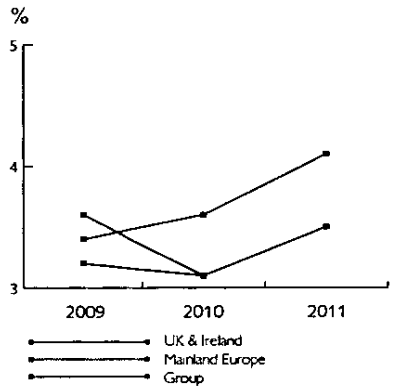
Although on an improving trend the Group s current underlying operating profit margin at 3 5% is well below its peak level SIG is targeting to improve its underlying operating profit margin by increasing its volume of sales managing its selling prices in the markets in which it operates and by controlling its cost base through operational efficiencies

Given that the majority of SIG s operating costs are relatively fixed the Group derives a significant benefit from operational gearing as sales increase

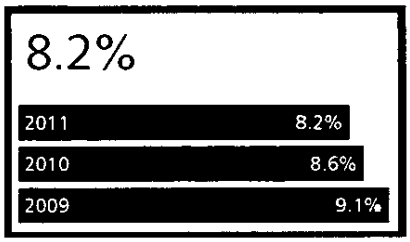
Like for like constant currency sales growth vs prior year



Underlying operating profit margin



3 WORKING CAPITAL TO SALES



	2009	2010	2011
Working capital to sales	9.1%	8.6%	**8.2%**

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

The management of working capital is important given its impact on the Group's overall cash position and level of net debt. This focus has helped SIG successfully strengthen its balance sheet over recent years

In 2011 the Group's working capital to sales ratio fell to 8.2% representing an historic low for SIG. It is not envisaged that significant further improvement in the Group's working capital to sales ratio will be achieved in future years given this current low level

4 MEDIUM TERM CASH CONVERSION

	2009	2010	2011
Medium term cash conversion	130%	150%	**170%**

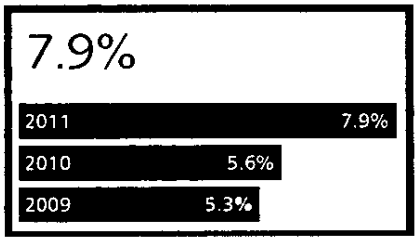
Cash conversion is defined as cash flow from total operations (excluding cash paid on exceptional restructuring costs and one-off pension contributions) divided by underlying operating profit

Cash conversion measures the Group's ability to convert its underlying operating profits into cash

Over the medium term, on a three year rolling basis, the Group aims to have a minimum 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 and this may make a cash conversion target of 100% in any one year more difficult to achieve

Given the continued focus on working capital management, the three year cash conversion percentage to 2011 at 170% is well above the Group's long term average target of 100%

5 RETURN ON CAPITAL EMPLOYED



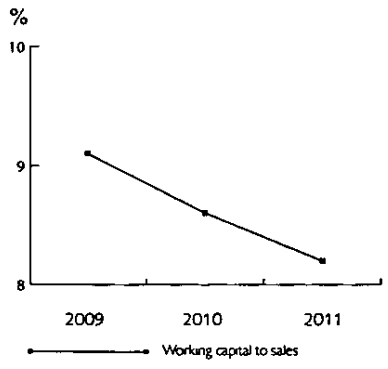
	2009	2010	2011
Return on Capital Employed	5.3%	5.6%	**7.9%**
Weighted Average Cost of Capital	8.1%	8.6%	**8.2%**

Return on Capital Employed ("ROCE") is defined as underlying operating profit less taxation divided by average net assets plus average net debt. ROCE is then compared to the Weighted Average Cost of Capital ("WACC")

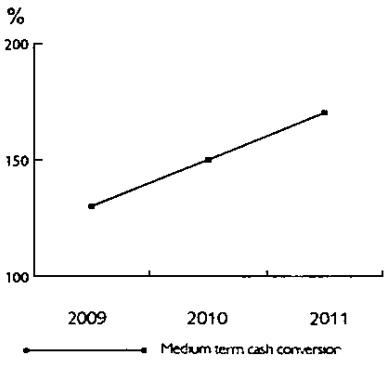
The difference between ROCE and WACC determines whether the Company is creating an economic profit for its shareholders. If ROCE equals WACC then profit is just compensating investors for the risk they bear in holding the Company's equity or debt

SIG is making good progress towards returning the Group to economic profitability following the downturn and increased ROCE to 7.9% in 2011, just below its WACC. SIG is targeting for ROCE to exceed its WACC in 2012

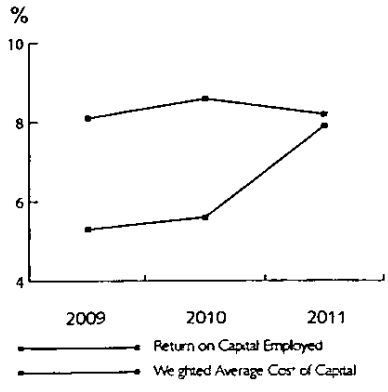
Working capital to sales



Medium term cash conversion



Return on Capital Employed



2011 BUSINESS REVIEW CONTINUED
CHIEF EXECUTIVE'S REVIEW

Underlying operating profit from continuing operations increased by 22.9% to £95.6m (2010: £77.8m) and the underlying operating margin improved by 40bps to 3.5% (2010: 3.1%).

Chris Davies Chief Executive

In summary

- Sales from continuing operations were up by 7 8% to £2,744 8m
- Gross margin from the Group's continuing operations improved by 20bps to 25 6%
- Underlying operating profit from continuing operations increased by 22 9% to £95 6m
- Profit before tax was £7 5m compared to a loss of £80 8m in 2010
- Net debt at 31 December 2011 was £115 9m
- The Board has proposed a final dividend of 1 5p per ordinary share

SUMMARY

Sales from continuing operations were up by 7 8% to £2 744 8m and by 7 1% in constant currency Growth was driven by three main factors improved trading conditions, with market volumes increasing by c 1% compared to 2010, product price inflation of c 3% across the Group and market outperformance of c 3%

Trading towards the end of the year benefited from relatively mild weather particularly in comparison to the exceptionally severe conditions in December 2010

In Mainland Europe revenues were up by 11 3% to £1,543 8m and by 10 1% on a constant currency basis with France demonstrating the most marked progress of the countries in which SIG operates The strong performance in Mainland Europe is in part attributable to the Group s investment in new branches in recent years which are contributing significant additional sales and profit as they mature

In the UK & Ireland revenues from continuing operations increased by 3 7% to £1,201 0m with sales in the UK up by 3 9% and down marginally in Ireland by 0 5% in Euros In line with its strategy of upgrading its portfolio SIG divested three UK businesses during the year for net proceeds of £30 6m

Gross margin from the Group s continuing operations improved by 20bps to 25 6% (2010 25 4%)

Underlying operating profit from continuing operations increased by 22 9% to £95 6m (2010 £77 8m) and the underlying operating margin improved by 40bps to 3 5% (2010 3 1%)

Underlying net finance costs increased marginally to £13 8m (2010 £13 6m) leaving underlying profit before tax from continuing operations up by 27 3% at £81 7m (2010 £64 2m) This significant profit development reflects the operational gearing benefit of sales growth partly moderated by the impact of cost inflation and investment in organic development of the business Underlying basic earnings per share from continuing operations increased by 27 0% to 9 4p (2010 7 4p)

Non-underlying net charges before taxation during the period totalled £74 2m (2010 £145 0m) and included amortisation of acquired intangibles of £24 6m (2010 £28 5m) £22 7m (2010 £ nil) relating to the net loss on disposal of businesses in 2011 exceptional restructuring costs of £12 0m (2010 £21 8m), impairment charges of £11 0m (2010 £80 4m), trading profits associated with divested businesses of £0 3m (2010 losses of £1 7m) and net losses on derivative financial instruments of £4 2m (2010 £12 6m) Including these charges profit before tax was £7 5m compared to a loss of £80 8m in 2010 Basic loss per share was 0 0p (2010 loss per share of 13 0p)

Net debt at 31 December 2011 was £115 9m (31 December 2010 £185 0m) having benefited from the proceeds from the divestment of SIG s UK Safety & Workwear UK Scaffolding and UK Interiors Manufacturing businesses together with a continued strong focus on working capital which at 8 2% (2010 8 6%) of sales on a constant currency continuing operations basis, represents an historical low for the Group

SUMMARY CONTINUED

Return on Capital Employed ("ROCE") increased to 7 9% on a post-tax basis (2010 5 6%) The Group is targeting further improvements in ROCE in 2012 and beyond

DIVIDEND

The Board has proposed a final dividend of 1 5p per ordinary share Taken together with the interim dividend of 0 75p per ordinary share which was paid in November 2011, this provides a total dividend of 2 25p per ordinary share for the year The final dividend is expected to be paid on 30 May 2012 to shareholders on the register at close of business on 4 May 2012 The ex-dividend date is 2 May 2012

Going forward the Board is committed to a progressive dividend policy while maintaining a dividend cover of 2-3x on an underlying basis over the medium term

MARKET OUTPERFORMANCE

As SIG operates in a number of different market segments there is no single source of market data by which it can compare its relative performance

Therefore the Group has developed a standard in-house methodology which incorporates published research data government statistics sector reports supplier and competitor information to establish market performance The same procedure is applied every time to ensure consistency

Based on this methodology, SIG estimates that overall market volume and price growth was 4 3% in 2011 weighted according to the sectors in which it operates As Group revenues grew by 7 1% in constant currency during the year this equates to a market outperformance of 2 8% Using the same methodology the Group estimates that it outperformed its markets by nearly 3% in 2010

SIG estimates that around two-thirds of this outperformance can be attributed to improved performance at its existing sites with the other third being derived from recent branch openings

NEW BRANCH OPENINGS

The careful identification and opening of new trading sites is an important part of SIG's organic growth strategy, and this investment programme was maintained during the recent downturn

The Group believes that this strategy has been vindicated, with new branches opened during the 2008-10 period performing very strongly In 2011 these branches added over £100m to Group revenues, with a c 4% return on sales well ahead of expectations Further sales and profit progression is expected from these branches as they reach full maturity which typically takes 5 to 6 years

SIG expanded its network coverage with a further 18 new trading sites during 2011 including 4 in the UK 7 in France and 4 in Germany and intends to open around 15-20 new branches per annum over the medium term

However this indicative figure may be flexed upwards or downwards depending on suitable opportunities for site openings and the prevailing macroeconomic environment

In the immediate future new branch openings in the UK will be mainly focused on the Builders Express format, where SIG is targeting new customer types and filling gaps in geographical coverage To date the Group has opened 5 Builders Express branches and is aiming to open at least 6 further sites in 2012 mostly in London and South East England

ORGANISATION AND STRUCTURE DIVESTMENTS

During 2011 the Group disposed of its UK Interiors Manufacturing UK Scaffolding and UK Safety & Workwear businesses Net proceeds from the divestments were £30 6m During their period of SIG ownership in 2011 these businesses generated aggregate revenues of £63 6m (2010 £122 6m) with an operating profit of £0 3m (2010 loss of £1 7m)

As a result of these disposals the Group has strengthened its competitive advantage and is now strategically focused on its core markets of Insulation and Energy Management, Interiors and Exteriors in each country Accordingly and reflecting this focus, SIG will now report sales in these three business areas as follows

	2011 % revenue*	2010 % revenue*
Insulation and Energy Management	**46**	45
Interiors	**22**	23
Exteriors	**32**	32

* Excludes divested businesses

INTERNAL RESTRUCTURING & OPERATING COST SAVINGS

With effect from 1 January 2012 SIG has altered its management structure and appointed Robert Barclay, previously Managing Director of SIG Distribution to the new post of Managing Director UK & Ireland This is now consistent with the Group's organisational structure in Mainland Europe and will enable SIG to drive further cross-selling and operational efficiencies in the region

In this regard and as announced in its trading update of 12 January 2012 the Group has identified approximately £5m of additional annual cost savings principally related to the rationalisation of its branch network The bulk of the savings are from the closure of 16 branches of which 15 are in the UK & Ireland These closures began towards the end of 2011 and will complete during 2012

The Group expects to gain the majority of the operating cost savings in 2012, subject to the precise timing of closures with the full benefit being realised in 2013 Exceptional restructuring costs of £12 0m relating to this rationalisation and previous branch closures have been charged to the 2011 accounts

2011 BUSINESS REVIEW CONTINUED
CHIEF EXECUTIVE'S REVIEW CONTINUED

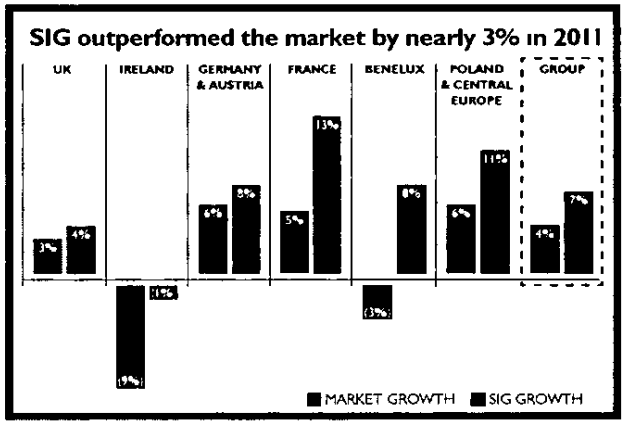
OUTPERFORMING OUR MARKETS

SIG has a well developed methodology for assessing its performance compared to the markets in which it operates, based on published research data, Government statistics, sector reports and supplier and competitor information The same procedure is applied every time to ensure consistency

As can be seen from the graph to the right, in 2011 SIG has outperformed in almost all of its countries and businesses and the market as a whole by c 3% This continues the trend of outperformance from last year, when the Group estimates it outgrew the market by nearly 3%

SIG believes that two thirds of its market outperformance can be attributed to its existing sites, which have benefited from new sales resources and exploitation of cross-selling opportunities, and a third due to new branches that have been recently opened New sites opened during the 2008-10 period contributed over £100m in sales with returns of c 4% in 2011

In addition, the Group is benefiting from maintaining the integrity of its trading site network and service offering during the downturn, which has enabled a strong rebound as trading conditions improve



STRATEGY

SIG seeks to become the leading distributor of specialist building products in Europe Its strategy is to develop and grow in its three core markets of Insulation and Energy Management Interiors and Exteriors by combining the reputational strengths of its local brands with the scale efficiencies and know-how of a multinational group Moreover with its focus on specialist expertise and high customer service levels SIG aims to continue to outperform its markets and thereby generate sustainable long term growth in shareholder value

GROWING THE BUSINESS

SIG is targeting to deliver sustainable sales growth and outperform the wider market in which it operates based on

1 An attractive portfolio of businesses with good geographical diversification and sector balance

2 Leveraging the Group s specialist distribution model across Northern and Central Europe

3 Capitalising on regulatory developments especially in insulation and energy management

4 Building out the branch network organically and rolling out selective "new format" platforms such as Builders Express in the UK

5 Subject to opportunity and based on strict financial performance criteria investing in small bolt-on acquisitions

6 Increasing exposure to key national account customers and further capitalising on opportunities for cross-selling

DEVELOPMENT OF OUR PEOPLE

SIG is committed to ensuring that all employees receive the necessary training and development to be highly competent in their roles The Group takes an integrated approach to the identification of training needs and the development of talent as part of its people development strategy Development activities are organised generally on a business-by-business or country-by-country basis depending on local priorities

SIG continues to invest in its Executive Development Programme run in conjunction with Sheffield Hallam University This has shown significant benefits not least in the development of cross-company working at a senior level The Executive Coaching and Mentoring Programme has been successfully established and received strong support throughout the Group The Programme is aimed at continuing the development of senior talent and reinforcing the values and behaviours that underpin our activities

Having successfully launched the New Manager of the Year Award in 2009 and the Emerging Manager of the Year Award in 2010 it was recognised that the two Awards should run biennially to continually seek out new and future management talent across the Group The New Manager of the Year Award ran successfully again in 2011 The Group continues to recruit and invest in commercial trainee and graduate talent to help feed our future management requirements In 2011 the student summer placement scheme was formalised and launched in the UK. The successful scheme will help us to maintain the pipeline of high quality graduates joining SIG

SIG believes that two thirds of its market outperformance can be attributed to its existing sites, which have benefited from new sales resources and are exploiting cross-selling opportunities

TRADING REVIEW
MAINLAND EUROPE (56% OF GROUP SALES)

- Total sales up by 11 3% to £1 543 8m (2010 £1,386 8m)
- Gross margin improved by 20bps to 24 9% (2010 24 7%)
- Underlying operating profit increased by 25 9% to £53 5m (2010 £42 5m)
- Underlying operating margin improved by 40bps to 3 5% (2010 3 1%)
- Statutory operating profit of £32 0m (2010 £19 7m)

The Group s overall performance was driven in large part by the good progress it made in Mainland Europe where sales were up by 10 1% on a constant currency basis Mainland Europe has steadily increased as a proportion of total sales and now accounts for 56% of Group revenues compared to 38% in 2007

	Revenue 2011 £m	% change	% change constant currency	% of Group revenues 2011
Germany and Austria	616 6	9 1	7 5	22 5
France	605 2	14 5	12 9	22 0
Poland and Central Europe	165 6	9 7	11 3	6 0
Benelux*	156 4	9 8	8 2	5 7

* Includes international air conditioning and air handling business (headquartered in the Netherlands)

During 2011 SIG opened 14 new trading sites in the region, of which 7 were in France and 4 in Germany In order to improve efficiency and reduce cost the Group also rationalised its operations in Poland and Central Europe closing 12 small branches As a result including one further closure in Benelux the total number of trading sites in Mainland Europe increased by one, to 385 as at 31 December 2011

SIG'S PILLARS OF GROWTH

OUTSTANDING CUSTOMER SERVICE

- Technical expertise of employees
- Availability/range of specialist stock
- Speed/reliability/mode of delivery
- Improved customer communications

SALES OUTPERFORMANCE

- Focus on core markets
- Increased cross-selling
- Expanding branch network/new formats
- UK national initiatives
- Increasing residential exposure
- Bolt-on acquisitions

GROSS MARGIN ENHANCEMENT

- Price management programmes
- Control of mix
- Use of better IT systems
- Improved procurement

OPERATIONAL EFFICIENCY

- £3m savings achieved in 2011, further £5m identified 2012
- Further site sharing
- Leveraging UK network
- Continuous improvement programme
- 2012 cost inflation c 2%
- Investment in growth

FOCUS ON FINANCIAL RETURNS

- Maintain focus on cash conversion and working capital
- Target annual Return on Sales improvement in all businesses
- Target annual ROCE improvement

2011 BUSINESS REVIEW CONTINUED
CHIEF EXECUTIVE'S REVIEW CONTINUED

BUILDERS EXPRESS – REACHING A NEW CUSTOMER BASE

SIG developed the Builders Express concept in order to target a new customer base and fill gaps in its current market coverage

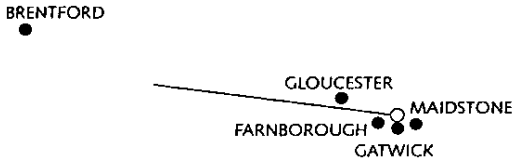
Builders Express branches offer a core range of SIG's products from one location, with a typical branch expected to generate up to £2m sales per annum at maturity

Differentiation is based on a first class localised service coupled with the unrivalled technical expertise that SIG can provide as a specialist

To date the Group has opened five sites and is aiming to open at least a further six in 2012, subject to opportunity and economic conditions This model provides the Group with significant further growth opportunities in the UK

How we differentiate Builders Express

- First class localised service
- In-depth product expertise and technical know-how
- Multi-specialist providing customers with a one-stop shop



TRADING REVIEW CONTINUED
MAINLAND EUROPE (56% OF GROUP SALES) CONTINUED

Revenues in **Germany and Austria** were up by 7 5% in Euros representing a market outperformance of over 1% Gross margin was up by 20bps Overall, both the German residential and non-residential markets experienced good growth with residential the slightly stronger segment During the period the roofing division grew by 5 3% and its insulation and interiors business was up by 8 3% in Euros compared to prior year

Sales in **France** were up by 12 9% in Euros, representing a market outperformance of c 8% and gross margin increased by 30bps There was good growth in the French residential market particularly in new build construction driven by low interest rates relatively mild weather and tax incentives In contrast the non-residential market remained sluggish

SIG s roofing business, Lanvière, performed well, with sales up by 11 9% in Euros benefiting significantly from new trading sites opened during the last four years where revenues were up by around a third compared to 2010 The Group continues to be the market leader in France for industrial insulation, growing sales in this business by 14 2% in Euros

Trading conditions in **Benelux** remained challenging with the economic recession having impacted later than elsewhere in Europe Against this background SIG was pleased with its performance growing its business by 8 2% in Euros compared to a fall in the market of around 3% Gross margin was up slightly by 10bps These results include sales from SIG's pan-European air conditioning and air handling business **Air Trade Centre**, which performed particularly well in Belgium, Bulgaria and Turkey despite difficult market conditions This business provides SIG with a platform for growth in the energy management of buildings, being highly complementary to the Group's insulation activities

In **Poland and Central Europe** SIG consolidated its management team so that its operations in the region are run as a single unit, and the benefits of these cost saving measures are now being realised SIG s core business in Poland which accounts for around 80% of the sales in the region performed extremely well, growing by 11 5% in constant currency and improving gross margin by 20bps The Group has also recently taken the decision to close down its small operation in Hungary having already scaled back in 2011 against the background of a rapidly deteriorating political and economic environment

UK & IRELAND (44% OF GROUP SALES)

- Total sales on a continuing basis up by 3 7% to £1 201 0m (2010 £1,158 6m)
- Gross margin on a continuing basis improved by 30bps to 26 5% (2010 26 2%)
- Underlying operating profit increased by 18 9% to £49 6m (2010 £41 7m)
- Underlying operating margin improved by 50bps to 4 1% (2010 3 6%)
- Statutory operating profit of £1 1m (2010 loss of £67 9m)

In the **UK**, sales from continuing operations increased by 3 9% to £1 123 7m and gross margin improved by 30bps Revenue in **Ireland** was up by 0 9% to £77 3m but marginally down in Euros by 0 5% For the UK & Ireland combined sales increased by 3 6% on a constant currency basis

During the year the Group opened 4 new trading sites in the UK of which 2 were of the new Builders Express format, closed 19 branches and disposed of a further 19 branches In total these movements reduced the number of branches in the UK & Ireland by 34 from 364 to 330

With regard to the UK during the year growth in residential markets maintained a slightly positive trend and non-residential construction activity levels were broadly flat Commercial market activity varied by region with the majority of growth weighted towards London and the South East of England Towards the end of the year SIG began to observe a reduction in public sector construction activity and although this had a minimal impact on 2011 the effect of the slowdown is likely to be more pronounced in 2012

Around 85% of products sold in a Builders Express branch are sourced from SIG's existing specialist product range

TRADING REVIEW CONTINUED
UK & IRELAND (44% OF GROUP SALES) CONTINUED

Performance across SIG's divisions was broadly uniform in 2011 with Insulation sales (excluding SIG Energy Management) up by 3 3% Exteriors up by 4 6% and Interiors increasing by 2 2% compared with 2010

Sales in SIG Energy Management, whose main activity is retrofitting insulation in residential properties in the UK, increased by 10% despite a slower than anticipated release of CERT (Carbon Emissions Reduction Target) funding, though profitability declined due to the mix of work There was some evidence that major energy suppliers were starting to respond to the requirements of CERT by increasing their sales generation efforts in the second half of 2011

CERT and CESP (Community Energy Savings Programme) both expire towards the end of 2012 and are to be replaced by the Green Deal and ECO (Energy Company Obligation) The consultation period for these schemes to which SIG contributed, is now closed, and the Government's response is due shortly

OUTLOOK

Following recent initiatives SIG enters 2012 as a leaner stronger and more focused organisation Sales per day in constant currency so far this year were around 1% ahead of strong prior year comparators, despite the impact of severe weather across Mainland Europe in February this year

Given the ongoing uncertainties in the macroeconomic environment the Group continues to expect market volumes to be slightly down overall in 2012 However, SIG has a solid platform on which to build and is targeting further market outperformance, with new branches expected to continue to make a significant contribution to future growth

2011 BUSINESS REVIEW CONTINUED
FINANCIAL REVIEW

SIG has delivered a 7.9% post-tax ROCE in 2011 (2010: 5.6%). Further improvement in the Group's ROCE ratio remains of key management focus.

Doug Robertson Finance Director

In summary

- Underlying basic EPS from continuing operations amounted to 9 4p (2010 7 4p), which represents an increase of 2 0p
- The Group has continued to reduce its level of net debt in 2011 through strong operating cash generation and proceeds received on the disposal of businesses
- Cash flow from operating activities amounted to £96 1m (2010 £98 8m)
- The Group's working capital to sales ratio at 31 December 2011 was 8 2% (2010 8 6%), representing an historic low for the Group
- The Group's leverage position has reduced from 1 6x at 31 December 2010 to 0 9x at 31 December 2011

FINANCIAL REVIEW
REVENUE

Total sales increased by £140m to £2,808m (2010 £2 668m) Sales on a continuing basis (i e excluding businesses disposed of in 2011) grew by £200m from £2,545m to £2,745m On a constant currency basis like for like sales increased by over 7% While trading conditions for the Group remained challenging in 2011, driven by heightened macroeconomic concerns and upheaval in financial markets, the Group achieved sales growth year on year in all of its continuing businesses and geographies with the exception of Ireland where a small sales decline was noted

The Group has continued to outperform its markets and gain market share It is estimated that the Group overall outperformed its markets by c 3% in 2011 This outperformance has in part been achieved by the maturing of newly opened branches (93 opened since 1 January 2008)

MARGINS

On a continuing basis the Group's gross profit margin overall increased slightly from 25 4% to 25 6% While gross margins have been broadly stable over the last 24 months, they remain well below the Group s historical average (gross margin 2005–2008 average=27 9%) Gross margin pressures are expected to remain in the short to medium term however ongoing improvement of gross margin remains of great 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 on a continuing basis as a percentage of sales reduced slightly from 22 3% to 22 1% as the Group benefited from positive operational gearing effects and the incremental benefit of the Group s comprehensive range of cost reduction programmes implemented since mid-2008 These benefits however were largely offset by inflationary cost pressures and investment in organic growth initiatives

As detailed in the Key Performance Indicators section while the Group's current operating profit margin on a continuing basis at 3 5% is 40 basis points above that achieved in 2010 (3 1%) it remains well below that historically achieved As demonstrated in 2011 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 continue to improve once the Group begins to experience sustained sales growth

OPERATING PROFIT

Underlying operating profit from continuing operations increased by £17 8m or 23% to £95 6m (2010 £77 8m), driven by strong sales growth at relatively stable gross margins while minimising operating cost increases Based upon sales growth (on a continuing basis) of £200m in 2011, the increase in underlying operating profit of £17 8m represents an operational gearing impact of c 9%

The Group recorded a total operating profit of £25 6m (2010 operating loss of £54 6m) reflecting a number of "Other items" that are described on page 23

FINANCIAL REVIEW CONTINUED

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) increased slightly by £0 3m to £13 4m in 2011

While net borrowing costs benefited from the reduction in net debt in the period which reduced from £185 0m at 31 December 2010 to £115 9m at 31 December 2011 overall the Group's net borrowing costs increased in 2011 due to the amortisation of arrangement fees and commitment fees associated with the Group's refinanced bank debt facility Details of the reduction in net debt of £69 1m in the year are provided in the Cash Flow and Financial Position section on pages 26 to 28

Net finance costs relating to our defined benefit pension schemes amounted to £0 4m in 2011 (2010 £0 5m) Further details are provided in Note 29c to the Accounts on pages 111 to 113

Finance costs included in the Other items" column of the Consolidated Income Statement amounted to £4 2m (2010 £12 6m) 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 amounts recorded in reserves are being amortised through the Consolidated Income Statement over the life of the associated debt to 2018 in line with the relevant accounting standards The amortisation included within the Other items" column amounted to £3 9m (2010 £12 6m) 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 6 5 years is £11 8m (2010 £15 7m)

The remaining £0 3m of finance costs (2010 £ nil) included within Other items relates to hedge ineffectiveness incurred on the Group's financial instruments

Further details of SIG s interest rate policies are provided in the Interest Rate Risk section on page 35

PROFIT BEFORE TAX

Underlying profit before tax from continuing operations increased by 27% or £17 5m to £81 7m (2010 £64 2m) Total profit before tax increased by £88 3m to £7 5m (2010 loss before tax of £80 8m)

OTHER ITEMS

Amounts included in the "Other items" column of the Consolidated Income Statement which in total amounted to a loss before tax of £74 2m (2010 £145 0m) are as follows

- Amortisation of acquired intangibles of £24 6m (2010 £28 5m) The Accounting Policies section on page 79 and Note 14 to the Accounts on page 97 provide details of what is included within intangible assets and over what periods the assets are amortised,
- Goodwill and intangible asset impairment charges of £11 0m (2010 £80 4m) Given the extremely challenging economic environment in the Group s Central Europe business exacerbated by the current Eurozone crisis the recovery of the Group s sales and operating profits in this region is now anticipated to take longer than previously envisaged Accordingly the Directors have concluded that the carrying value of goodwill and intangible assets associated with Central Europe is no longer supportable and as such has been written off in full creating an impairment charge of £11 0m in the year Further detail can be found in Notes 13 and 14 to the Accounts on pages 95 to 97 respectively,
- Net loss arising on sale of businesses of £22 7m (2010 £ nil) Following the sale of the Group s UK Interiors Manufacturing UK Safety & Workwear and UK Scaffolding businesses the Group recorded a net loss on sale of £22 7m Accordingly the trading profits and losses associated with these businesses have been included within "Other items" In 2011 (up to the date of disposal) these businesses generated a trading profit of £0 3m (2010 loss of £1 7m) Further detail can be found in Note 12 to the Accounts on page 95,
- Restructuring costs of £12 0m (2010 £21 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 £3 0m property closure costs of £8 7m and asset write down costs of £0 3m and
- Net finance costs of £4 2m (2010 £12 6m) The Finance Costs section opposite explains these items

FOREIGN CURRENCY TRANSLATION

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

	Average rate		Closing rate	
	2011	2010	**2011**	2010
Euro	**1 15**	1 17	**1 19**	1 16
Polish Zloty	**4 77**	4 67	**5 34**	4 63
Czech Koruna	**28 29**	29 52	**30 53**	29 28
Hungarian Forint	**322 84**	323 02	**376 83**	324 85

Fluctuations in exchange rates have and will continue to give rise to translation differences on overseas earnings streams when translated into Sterling On an average basis Sterling weakened against the Euro but on a closing year end basis Sterling actually strengthened against the Euro

2011 BUSINESS REVIEW CONTINUED
FINANCIAL REVIEW CONTINUED

PORTFOLIO REVIEW

The Group has reviewed its business portfolio in order to focus on strategic priorities for growth and investment

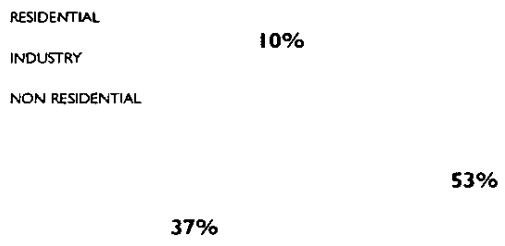
This review confirmed that the Group has a strong core portfolio of distribution and merchanting businesses, with good prospects for growth and profit enhancement but that it also had some non-core businesses which were unlikely to provide a reasonable return to shareholders in the medium term

As a result, this year SIG has divested three of its UK businesses, Interiors Manufacturing, Safety & Workwear and Scaffolding, for net proceeds of £30 6m

These disposals will increase the Group's focus on its core markets of Insulation and Energy Management, Interiors and Exteriors, thereby strengthening its competitive advantage going forward

They are also expected to be helpful in terms of de-risking the Group s portfolio, improving overall returns and in achieving a more even balance between residential and non-residential exposures

2010 split of sales



FINANCIAL REVIEW CONTINUED
FOREIGN CURRENCY TRANSLATION CONTINUED

As a result, the movement in exchange rates compared to 2010 had a beneficial effect on total overseas earnings streams Total reported sales increased by £18 8m and underlying operating profit increased by £0 7m due to foreign exchange rate movements While on a closing rate basis Sterling strengthened against the Euro creating a beneficial translation effect on the Group s Euro denominated debt Sterling also strengthened significantly against Polish Zloty which had a negative effect on translation of the Group s Polish Zloty denominated cash Overall the Group s reported net debt position benefited by £1 1m 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 page 36

TAXATION

The income tax charge on underlying profits from continuing operations amounts to £25 7m (2010 £20 1m) which represents an underlying effective rate of 31 5% (2010 31 3%) The Group s underlying effective tax charge increased by 0 2% in 2011, driven principally by a larger proportion of the Group s profits being earned in countries with a higher standard rate of corporation tax As anticipated, cash tax payments amounted to £10 2m £15 5m below the £25 7m income tax charge on underlying profits primarily as a result of the restructuring costs incurred in the year included within "Other items" and also the utilisation of the Group s brought forward tax losses recorded within "Other items" which reduced UK taxable profits

In 2012 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 2012 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 2012 and beyond

The effective income tax charge on the total profit before tax of £7 5m is 100% (2010 credit of 5 0%) These movements are a result of amounts included as "Other items" in the year

EARNINGS PER SHARE ("EPS")

Underlying basic EPS from continuing operations amounted to 9 4p (2010 7 4p) which represents an increase of 2 0p Basic EPS amounted to a loss per share of 0 0p (2010 loss per share of 13 0p) which takes into account amortisation of acquired intangibles impairment charges restructuring costs, profit and loss arising on the sale of businesses trading profits and losses associated with disposed businesses and gains and losses on derivative financial instruments The weighted average number of shares in issue in the period remained constant at 590 8m (2010 590 8m)

Based upon improved business performance and financial stability SIG resumed dividend payments in 2011 with an interim dividend of 0 75p per share Following the interim dividend SIG has declared a final dividend of 1 5p per share taking the 2011 full year dividend to 2 25p per share

Going forward the Board is committed to a progressive dividend policy while maintaining a dividend cover of 2-3x (on an underlying basis) over the medium term

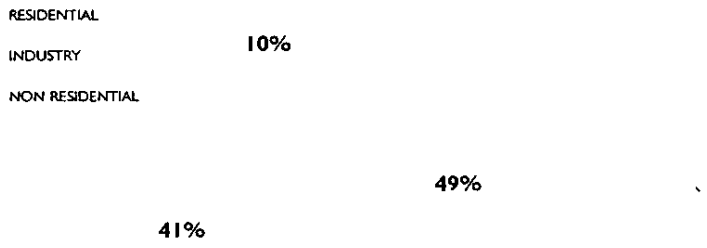
ACQUISITIONS

While 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 consider very carefully when to recommence its acquisition programme

In respect of prior period acquisitions £1 4m was paid in 2011 relating to deferred/contingent consideration payments and also the purchase of a small non-controlling interest shareholding

In addition in December 2011, Gerry Carr a director of the Group's Irish businesses exercised his option (which was originally signed in 1996 and then amended in 2004 and 2007) to sell his 20% non-controlling interest

2011 split of sales



FINANCIAL REVIEW CONTINUED
ACQUISITIONS CONTINUED

in Insulation Distributors Limited (an indirect subsidiary of SIG plc) to the Group for £5 4m The amount payable was pre-determined based on the historic profits of the business Accordingly the Group reclassified the £5 4m accrual held at 31 December 2010 to deferred consideration in 2011 The £5 4m deferred consideration was settled in cash in January 2012

DIVESTMENTS

In line with SIG's stated objective of upgrading its business portfolio the Group sold its UK Safety & Workwear UK Scaffolding and UK Interiors Manufacturing businesses in the year In total consideration proceeds (net of expenses) of £30 6m were realised and a net loss on disposal (including impairment charges) of £22 7m was recognised in the year

The divestments enable SIG to better focus on its core distribution and merchanting operations and help to rebalance the Group's exposure towards residential markets

SHAREHOLDERS' FUNDS

Shareholders funds reduced by £43 0m to £706 5m (2010 £749 5m)
The decrease comprised the following elements

	£m
Loss after tax attributable to equity holders of the Company	0 3
Exchange differences on assets and liabilities after tax	21 6
Movements attributable to share options	(0 2)
Actuarial loss on pension schemes (net of deferred tax)	16 4
Effect of change in tax rate	0 3
Gains and losses on cash flow hedges	1 2
Purchase of non-controlling interest shareholding	(1 1)
Dividends paid to equity holders of the Company	4 4
Decrease in Shareholders funds	43 0

PENSION SCHEMES

In total, the Group operates five (2010 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 reserve 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

In 2011 the Group in conjunction with the Trustee Board commenced the triennial valuation of the main UK defined benefit scheme as at 31 December 2010

The IAS 19 actuarial valuation at 31 December 2011 incorporates the valuation assumptions currently proposed in the 31 December 2010 triennial valuation and as a result the IAS 19 gross pension deficit of the main UK defined benefit scheme increased from £20 2m at 31 December 2010 to £38 8m at 31 December 2011 The Group made a special contribution to the UK defined benefit pension scheme of £2 4m in December 2011 and is due to make a further special contribution in 2012 of £7 6m

SIG contributed £4 9m (2010 £2 8m) into its five defined benefit pension schemes during the year (including the £2 4m special contribution noted above) The total charge in respect of defined benefit pension schemes to the Consolidated Income Statement was £2 6m (2010 £2 4m) of this total £2 2m (2010 £1 9m) was charged to operating expenses and £0 4m was charged to net finance costs (2010 £0 5m)

2011 BUSINESS REVIEW CONTINUED
FINANCIAL REVIEW CONTINUED

NATIONAL SALES

SIG's UK Sales and Marketing department works with major projects and national accounts in order to lead a more co-ordinated approach across all of the Group's UK businesses

The team unlocks commercial opportunities through a more collaborative,co-ordinated approach to the construction market key elements of which are the ability to enhance the range and quality of our service and product offering to national accounts major projects and new customer groups

Working with Balfour Beatty on the Queen Elizabeth hospital
In 2006 Balfour Beatty was appointed to build a new teaching hospital in Birmingham, part of a programme of work totalling a £600m development on an existing hospital site The project was one of the largest PFI hospital contracts ever awarded and it involved a complex build on a site that would remain in use throughout the five-year build programme Balfour Beatty assembled a project team to deliver the buildings according to the specification of the local healthcare trust and at its peak the team alone was over 300 strong Early on in the process Balfour Beatty reviewed the product packages that would be needed on the hospital build, and they identified an opportunity to consolidate a number of these packages into a single supply route

SIG were involved at an early stage with this project, and negotiated on a number of separate product ranges, covering insulation drylining suspended ceiling systems performance doors, and demountable partition systems Early in 2007 SIG was called to a meeting with Balfour Beatty to discuss the opportunity to manage each of these packages under a single arrangement This was agreed, and from then on the operations of each of SIG's business units became part of a larger responsibility on behalf of the Group This allowed closer liaison between the parties involved in the project, and early resolution of challenges as they occurred One example was that SIG ensured the correct matching of interfaces (doors to walls walls to ceilings) before building began, and on occasions innovations were introduced to speed up the installation process

The programme of work included three mental health buildings and the largest Acute Health new build project outside of London The project was handed over in phases commencing March 2008 and was finally fully occupied in September 2011 The handovers amounted to some 40 phases, all of which were completed on time, with three phases being up to a year ahead of schedule Commenting on the experience of working with SIG, Roger Frost, Project Director said "We found SIG to be a professional partner who understood our needs, and the challenges of delivering to a complex work site in the middle of a residential area They worked with us both on site, and at our offsite fabrication facility in the West Midlands to ensure that materials were delivered on time and to specification Their attention to detail was exemplary and we are looking to build on our experiences from this project in order to continue developing our relationship on to other schemes'

FINANCIAL REVIEW CONTINUED
PENSION SCHEMES CONTINUED

The overall gross defined benefit pension schemes liability increased during the year by £19 3m to £44 5m This can be broken down as follows

	Increase/ (decrease) in pension scheme liability £m
Actual return less expected return on assets	4 4
Change in financial assumptions in all schemes*	14 9
Experience gains and losses	2 5
Profit and loss charge below cash contributions to the schemes	(2 3)
Exchange gain	(0 2)
Increase in pension scheme liability	19 3

* There have been a number of changes in financial assumptions in 2011 the key item being a decrease in the discount rate used to value the pension scheme liabilities from 5 4% to 4 7%

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 6 years (2010 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 2% (£0 1m) to £4 9m Details of the pension schemes operated by SIG are set out in Note 29c to the Accounts on pages 111 to 113

CASH FLOW AND FINANCIAL POSITION

The Group has continued to reduce its level of net debt in 2011 through strong operating cash generation and proceeds received on the disposal of businesses The following table explains the movement in SIG's net debt

	2011 £m	2010 £m
Cash flow from operating activities	**96 1**	98 8
Interest and tax	**(25 0)**	(26 9)
Maintenance capital expenditure*	**(15 5)**	(12 0)
Free cash flow available for investment	**55 6**	59 9
Acquisition investment (including deferred consideration)	**(6.8)**	(2 5)
Proceeds from sales of businesses	**30 6**	–
Dividend payments to non-controlling interests	**(0 1)**	(0 4)
Foreign exchange gains	**1 1**	5 6
Dividends paid to equity holders of the Company	**(4 4)**	–
Other items (including fair value movements)	**(6 9)**	6 9
Movement in net debt	**69 1**	69 5
Opening net debt	**(185 0)**	(254 5)
Closing net debt	**(115 9)**	(185 0)

* 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 2011 or 2010 Capital expenditure shown above includes finance leases drawn down in each year

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"We found SIG to be a professional partner who understood our needs, and the challenges of delivering to a complex work site"

Balfour Beatty

FINANCIAL REVIEW CONTINUED
CASH FLOW AND FINANCIAL POSITION CONTINUED

Key points to note are

- included within "Cash flow from operating activities" is an increase in working capital of £17 6m (2010 reduction of £6 7m), which relates to an increase in trade receivables and an increase in stock driven by stronger sales towards the end of 2011 partially offset by an increase in trade creditors Included within this working capital increase is the £2 4m special pension contribution Excluding this payment, the working capital increase is reduced to £15 2m,
- also 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 £12 4m (2010 £19 3m) and
- 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 £15 5m in 2011 (2010 £12 0m) For the year as a whole the net capital expenditure to depreciation ratio amounted to 0 53x (2010 0 33x) The Group s reported net debt position at 31 December 2011 reduced by £1 1m (2010 reduced by £5 6m) as a result of foreign exchange rate movements Exchange rate gains were noted on the Group s Euro denominated debt with the Euro/£ exchange rate appreciating from €1 16 at 1 January 2011 to €1 19 at 31 December 2011

However given that the Group holds positive Polish Zloty cash the strengthening of Sterling against the Polish Zloty (opening rate of PLN 4 63 versus closing rate of 5 34) resulted in a foreign exchange loss which partially offset the gains recorded on the Group's Euro denominated debt In 2011 Group net debt increased as a result of adverse fair value movements primarily associated with the Group s private placement derivative financial instruments of £6 8m (2010 gain of £6 9m)

The Group s cash flow from operating activities amounted to £96 1m (2010 £98 8m) This represents a trading cash conversion ratio of 101% (2010 130%) 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 2012 On an underlying basis i e excluding cash payments on previously expensed restructuring costs of £12 4m (2010 £19 3m) and one-off pension contributions of £2 4m (2010 £ nil) cash conversion in 2011 was 116% (2010 155%)

The key working capital ratios underlying the trading cash conversion are set out below on a constant currency basis (continuing operations)

	2011	2010
Inventory days	**41**	42
Trade receivable days	**42**	42
Trade payable days	**34**	35

2011 BUSINESS REVIEW CONTINUED
FINANCIAL REVIEW CONTINUED

The Group's working capital to sales ratio (on a constant currency basis for continuing operations) at 31 December 2011 was 8.2% (2010: 8.6%), representing an historic low for the Group.

FINANCIAL REVIEW CONTINUED
CASH FLOW AND FINANCIAL POSITION CONTINUED

Despite the increased sales volume in the year, in particular in the month of December, the continued focus on working capital management in 2011 resulted in only a small increase in the overall level of working capital in the Group As a result the Group s working capital to sales ratio (on a constant currency basis for continuing operations) at 31 December 2011 was 8 2% (2010 8 6%) representing an historic low for the Group

The Group's bad debt charge on an underlying basis (being both bad debts written off and the movement in the allowance for bad and doubtful debts) amounted to 0 6% of sales (2010 0 6% of sales)

Maintaining 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 remain weak construction activity is 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

DEBT COVENANTS AT 31 DECEMBER 2011

The Company's debt facilities in place at 31 December 2011 contained a number of covenants to which the Group must adhere The Group s debt covenants are tested at 30 June and 31 December each year with the key financial covenants being leverage, interest cover and fixed charge cover

The leverage covenant is a requirement to maintain a ratio of net debt to annualised EBITDA of less than 3 0x Annualised EBITDA is defined as operating profit before amortisation of acquired intangibles, impairment charges gains and losses arising on disposal of businesses, depreciation and restructuring costs, and adjusted if applicable for the impact of acquisitions and disposals 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 0x.

The fixed charge cover ("FCC") covenant is a requirement to maintain a ratio of EBITDAR (being EBITDA plus operating lease cash costs) to operating lease cash costs plus underlying net finance costs (excluding pension scheme finance income and costs) of greater than 1 75x However this covenant only applies should certain trigger points be met (i e leverage exceeding 2 25x or annual operating lease rentals exceeding £90m)

Whilst the trigger points for the FCC covenant have not been realised in 2011 and therefore the covenant does not apply at this stage the Group manages its financial position as if the covenant were in place at all times

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

Leverage covenant	Year ended 31 December 2011	Year ended 31 December 2010
Covenant EBITDA	**£123 9m**	£114 2m
Closing net debt	**£115 9m**	£185 0m
Leverage ratio	**0 9x**	1 6x

Interest cover covenant	Year ended 31 December 2011	Year ended 31 December 2010
Covenant EBIT	**£95 9m**	£76 1m
Underlying net finance costs*	**£13 4m**	£13 1m
Interest cover ratio	**7 2x**	5 8x

Fixed Charge Cover covenant	Year ended 31 December 2011	Year ended 31 December 2010
Covenant EBITDAR	**£192 6m**	n/a
Operating lease rentals plus underlying net finance costs	**£82 1m**	n/a
Fixed Charge Cover ratio	**2 3x**	n/a

^ 2010 covenant calculations include the results of businesses divested in 2011
* Excluding pension scheme finance income and costs

As can be seen in the table above, the Company is in compliance with its financial covenants in all respects

CAPITAL STRUCTURE

The Group manages its capital structure to ensure that entities in the Group will be able to continue as going concerns 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 19 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 77

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 1 6x at 31 December 2010 to 0 9x at 31 December 2011 In the immediate term it is envisaged that the Group s leverage ratio will be below the lower end of the target range noted above

OUTLOOK

The Directors view of the outlook and prospects for the Group are set out in the Chairman s Statement on page 9

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 are key in enabling SIG to meet 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 pages 46 and 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 the way SIG seeks to recruit retain and develop skilled staff

BRAND STRENGTH

SIG operates under a wide range of trading names in the 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 specialist products and strong customer service

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

TRADING SITES

SIG has an extensive network of trading sites as shown in the table on page 11 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 A further 32 trading sites have been closed in 2011 (203 since mid 2008) As part of the consultation process, when identifying trading sites for closure particular attention has been given to 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 18 new branches in 2011, (93 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

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

COMPETITIVE POSITION

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

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 while 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

2011 BUSINESS REVIEW CONTINUED
PRINCIPAL RISKS AND UNCERTAINTIES

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management involves 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 following the comprehensive review of the Group s risk management processes undertaken during 2010 the process was reviewed again during 2011 to ensure that it remained robust and that emerging risks are identified, assessed and managed effectively The review process involved the consideration of the objectives and targets of the Group s strategic business plan the ongoing development of a risk universe, and the identification of key strategic risks These risks are then continually evaluated using 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 59 and 60

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 RISK	NATURE OF RISK	CHANGE	KEY CONTROLS AND MITIGATION STRATEGIES
Eurozone risk	SIG operates in a number of countries across Mainland Europe The current Eurozone crisis and the uncertainty regarding the future of the Euro will potentially have a number of consequences on SIG s operations The main risks faced by SIG are (1) the overall impact on global consumer demand (2) translational risk (P&L, balance sheet and net debt) and (3) transactional risk	▲	The Group Board has considered a number of alternative Eurozone outcomes and the potential impact these may have on SIG Where appropriate mitigating strategies have been put in place While the potential impact on overall global consumer demand has been considered within the "level of market demand" risk below, it should also be noted that the Group s Mainland European operations are based in the "stronger" Northern European countries (i e France and Germany) and therefore the risk associated with a break-up of the Euro on SIG is reduced to some extent The Group s cross-border activities are relatively low and therefore the transactional risk is considered to be low
Level of demand in SIG's operating markets	The vast majority 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 and 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 In 2011 the Group divested three non-core operations which were more exposed to changes in market demand thereby de-risking the Group s portfolio

Understanding movements in business risk ▲ Increase in risk ▼ Decrease in risk ◆ No change

PRINCIPAL RISK	NATURE OF RISK	CHANGE	KEY CONTROLS AND MITIGATION STRATEGIES
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 of 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 implemented 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 to be 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 and tight control of operating costs is a permanent feature of management practice.
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.

2011 BUSINESS REVIEW CONTINUED
PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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.

PRINCIPAL RISK	NATURE OF RISK	CHANGE	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, procedures and associated training schemes are in place which are frequently reviewed with reference to changing legislative requirements. The Group has a number of affiliations with regulatory bodies and trade associations
Debt	Group net debt at 31 December 2011 amounted to £115.9m. 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; and (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 34 to 36. Given the continued reduction in the Group's level of net debt and the refinancing of the Group's bank debt facilities in 2011, this risk has reduced year on year.
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. Given the reduction in Group net debt in 2011, the inherent risk associated with working capital management is reduced.

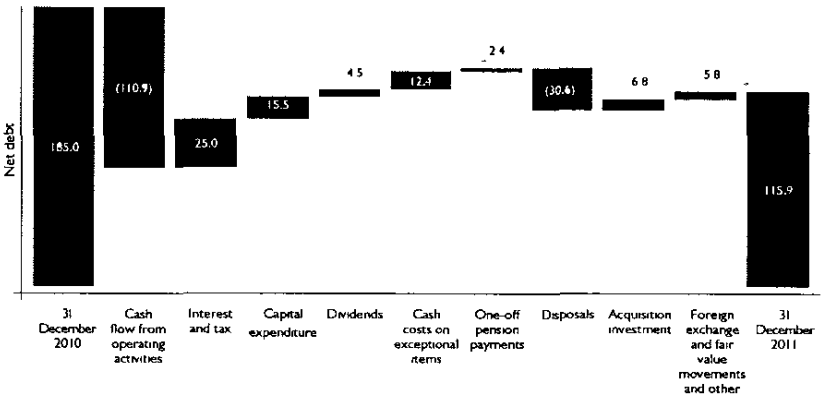
Understanding movements in business risk ▲ Increase in risk ▼ Decrease in risk ◆ No change

PRINCIPAL RISK	NATURE OF RISK	CHANGE	KEY CONTROLS AND MITIGATION STRATEGIES
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 and 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 The new national IT platforms put in place in Germany and Benelux in 2010 have now been fully implemented and have provided significant benefits to the business The final selection phase for a new fully-integrated IT platform for our UK Distribution businesses was completed during 2011 and the next phase of the development programme is underway
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, 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 an annual 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

2011 BUSINESS REVIEW CONTINUED
TREASURY RISK MANAGEMENT

REDUCING NET DEBT AND LEVERAGE

The Group has continued to reduce its level of net debt in 2011 through strong operating cash generation and proceeds received on the disposal of businesses



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 2011 of £242.8m (2010: £314.5m) is made up of the following categories:

	2011 £m	2010 £m
Finance lease contracts	**7.3**	7.2
Bank overdrafts	**4.0**	2.5
Bank loans	**3.1**	31.5
Private placement notes	**265.2**	312.7
Deferred consideration	**5.4**	–
Derivative financial instruments	**10.5**	12.6
Total	**295.5**	366.5
Derivative financial instruments (assets)	**(52.7)**	(52.0)
Net total	**242.8**	314.5

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

	2011 £m	2011 %	2010 £m	2010 %
Financial liabilities with a maturity profile of greater than 5 years	**24.4**	**10%**	134.5	43%
Financial liabilities held on an unsecured basis	**230.5**	**95%**	304.2	97%

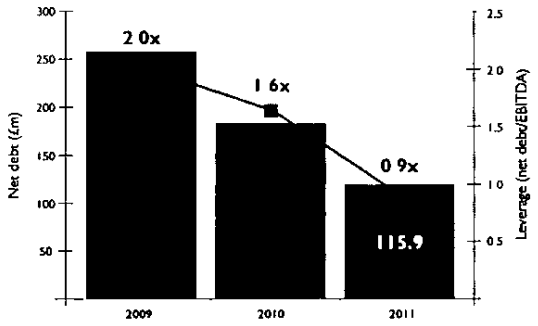
In addition to the Group's gross financial liabilities (including derivative financial assets) of £242.8m (2010: £314.5m), the Group also had £126.9m (2010: £129.5m) of positive cash held on deposit, bringing the net financial indebtedness (net debt) of the Group to £115.9m (2010: £185.0m) which can be analysed as follows:

	2011 £m	2011 %	2010 £m	2010 %
Net debt denominated in foreign currencies held partially to hedge the assets of our overseas businesses	**67.2**	**58%**	82.6	45%
Net debt at fixed rates of interest	**166.2**	**143%**	165.9	90%

Details of derivative financial instruments are shown in Note 19 to the Accounts on pages 100 to 103.

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 overleaf.

Strengthened balance sheet
Leverage now less than 1x



TREASURY RISK MANAGEMENT CONTINUED
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 investors, being mainly US-based pension funds and principal bank debt The last private placement transaction completed on 1 November 2006 increasing the certainty of the Group's debt funding by providing a committed seven ten and twelve year facility

More recently, in order to further secure longevity and certainty of funding the Group refinanced its bank debt facilities in March 2011 On 14 March 2011 the Group signed a new £250m four year bank facility At 31 December 2011 this facility remained undrawn and therefore represents the committed funding headroom for the Group The new £250m bank debt facility provides sufficient funding headroom and liquidity to support the Group's medium term strategic plans

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

The year end maturity profile and value of undrawn committed borrowing facilities are set out in Note 20 to the Accounts on pages 103 to 105

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 proportion of net debt at fixed rates of interest has increased

At 31 December 2011 143% (31 December 2010 90%) of the Group s net debt is at fixed rates of interest While the level of fixed rate debt at 143% is above the Group's stated policy range this has arisen as the Group s level of net debt has continued to reduce However although the Group s net debt has reduced the Group s gross debt (i e debt excluding cash deposits) has remained relatively constant Accordingly the interest exposure on the Group s gross debt has continued to be hedged At 31 December 2011 68% of the Group's gross debt was at fixed rates of interest As a result, despite the proportion of net debt at fixed rates of interest increasing above the Group's stated policy range, given that the current interest rate derivative contracts that the Group hold are at attractive rates of interest and hedge specific gross interest payable exposures it has been deemed appropriate not to cancel any existing interest rate fixes at this stage Given that the Group is currently above its stated policy range, no further interest rate fixes have been entered into during the year

On a longer term basis, as the Group utilises its positive cash balances the Group anticipates that the level of net debt at fixed rates of interest will move back in line with its stated policy range Given that 68% of the Group s gross debt and 143% of the Group s net debt is subject to fixed rates of interest the Group s exposure to future interest rate increases is minimal

2011 BUSINESS REVIEW CONTINUED
TREASURY RISK MANAGEMENT CONTINUED

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.

TREASURY RISK MANAGEMENT CONTINUED
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 59% of SIG's 2011 (57% in 2010) revenues from continuing operations 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

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 were swapped into Sterling and Euro at the time the US Dollar private placement borrowings were drawn down

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 2011 SIG had the following net foreign currency borrowings (including cash and cash equivalents)

	Local currency net borrowings/ (cash) £m	Sterling equivalent borrowings/ (cash) £m
Euro	96 5	80 8
HUF	150 7	0 4
PLN	(63 5)	(11 9)
CZK	(27 5)	(0 9)
Other currencies	Various	(1 2)
Total		67 2

As noted above net Euro borrowings at 31 December 2011 amounted to £80 8m and therefore represented 70% of Group net debt (2010 51%)

Gearing being net debt divided by net assets decreased during the year from 24 6% to 16 4% reflecting the £69 1m 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 2011 was a reduction in net assets of £21 6m (2010 reduction of £13 3m) This reduction in net assets arose principally as a result of the 2 6% year on year appreciation of Sterling versus the Euro (€1 16/£ at 31 December 2010 versus €1 19/£ at 31 December 2011) thus decreasing the carrying value of SIG s net investments in its Euro denominated businesses

DEBT COVENANTS

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 The Group s principal debt covenants and the Group s performance against each covenant is detailed within the Financial Review on page 28

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 Hedge ineffectiveness resulted in a charge to the Consolidated Income Statement of £0 3m in 2011 (2010 £ nil)

OTHER MATTERS
SHAREHOLDER RETURN

SIG has delivered a 7 9% post-tax ROCE in 2011 (2010 5 6%) While the Group's post-tax ROCE has increased by 230 basis points in 2011, it still remains below that historically achieved by the Group and below the Group s current WACC of 8 2%

Further improvement in the Group's ROCE ratio remains of key management focus As such ROCE is a Key Performance Indicator ("KPI") for the Group Further information on the Group s KPIs are included on pages 14 and 15

As at 13 March 2012 SIG's share price closed at £1 155 per share, representing a market capitalisation of £682m 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 66

GOING CONCERN BASIS

In determining whether the Group s 2011 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 8 to 37 and in the Notes to the Group Accounts

OTHER MATTERS CONTINUED
GOING CONCERN BASIS CONTINUED

The key factors considered by the Directors were as follows

- the implications of the challenging economic environment, the current Eurozone crisis and the 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 While 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 2011 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 30 to 36 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
13 March 2012

Doug Robertson
Finance Director
13 March 2012

CORPORATE RESPONSIBILITY REPORT

SIG believes that the progressive integration of Corporate Responsibility 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.

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.

SIG 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, which 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 policies are reviewed regularly

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 2011 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 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

BUSINESS PRINCIPLES AND CODE OF ETHICS CONTINUED

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 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

ANTI-BRIBERY AND CORRUPTION POLICY

SIG plc has a number of fundamental principles and values which it believes are the foundation of sound and fair business practice and as such are important to uphold One such principle is a zero tolerance position in relation to bribery and corruption, wherever and in whatever form that it may be encountered The Group's Anti-Bribery and Corruption Policy supports our Ethics Policy and clearly states the standards and principles required to ensure conformance to legal requirements within the countries in which SIG and its subsidiary companies operate

SIG plc values its reputation for ethical behaviour, financial probity and reliability It recognises that over and above the commission of any crime, any involvement in bribery will also reflect adversely on its image and reputation Its aim therefore is to limit its exposure to bribery and corruption by

- setting out a clear anti-bribery & corruption policy
- training all employees so that they can recognise and avoid the use of bribery by themselves and others,
- encouraging its employees to be vigilant and to report any suspicion of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- rigorously investigating instances of alleged bribery and assisting the police and other appropriate authorities in any resultant prosecution and
- taking firm and vigorous action against any individual(s) involved in bribery or corruption

A copy of the Group's Anti-Bribery and Corruption policy can be viewed on the Company's website www sigplc com

ENVIRONMENT
ENVIRONMENTAL MANAGEMENT

SIG UK achieved certification to ISO 14001 in 2006 and is on target for the second renewal in April 2012 Through this certification we have developed an integrated Health Safety and Environmental ("HS&E") Management system whose principles have been rolled out across the Group over the past three years

Mr C J Davies, Group Chief Executive is the Board Director responsible for the environmental performance of the Group and is signatory to the HS&E Policy statement which is displayed at each location in the local language

A key objective for SIG in 2011 was to review the Environmental Aspects and Impacts assessments for each business across all of its areas of operation and this was achieved culminating in a Group Aspects and Impacts Register and Corporate Risk Assessment It is an objective for 2012 to further develop this process to provide a common approach to assessing aspects and impacts at branch level through the internal Control Self Assessment ("CSA") programme

The Group takes extremely seriously its responsibilities for the local environment and has an excellent record for legal compliance and environmentally sound operations demonstrated by the fact that we have had no prosecutions and no action from the authorities since the introduction of the Management System

Over the past four years SIG has broadened its view from local to global issues from the first Carbon Footprint report in 2008 to the introduction of a Low Carbon Business Policy in the UK in 2010 The Low Carbon Business Policy was rolled out across Group in 2011 culminating in the setting of Objectives and Targets for Carbon emission reduction in all European regions Objectives are also set for the continuous improvement of the integrity and scope of the data collected this is evident by the inclusion of water consumption in the this year s CR Report and the inclusion of data for the first time for the Group s international business Air Trade Centre ("ATC")

WATER

Water consumption throughout the Group is largely restricted to welfare use with water used for processes in the Group estimated to be less than 5% of the total consumption

However SIG recognises that water is a precious resource and there are a number of examples where we have taken action to reduce waste including, process water recycling in Alizay water flush controls across the Group and rainwater harvesting in Zaventem Further opportunities for efficiencies are being identified with the inclusion of water consumption in the audit process

CORPORATE RESPONSIBILITY REPORT CONTINUED

A key objective for 2011 was to reduce the fuel consumption of the business by 2%. This was exceeded with an absolute reduction of 3.2%.

ENVIRONMENT CONTINUED
WATER CONTINUED

and a water recycling project being undertaken in our IMS manufacturing business in Southport in the North West of England

As previously stated SIG has achieved a key objective for 2011 to include the Group's water consumption data in the CR Report Data has been included for 80% of the Group based on Carbon Footprint The objective for 2012 is to increase the scope to 100% of the Group

CARBON MANAGEMENT

As previously stated the Group Chief Executive is responsible for the environmental performance of the Group and as such he is signatory to the LC Policy Statement which supports the Group s CR Policy The aims of the policy are to reduce the Company's impact on the global environment and in particular climate change through reducing energy and fuel consumption and minimising water consumption and waste

With the achievement of the Environmental Certificate ISO14001 in 2006, SIG commenced a programme to measure and understand its impact on the global environment Initially the Company co-ordinated the systems already in place then invested in personnel software systems and with renewed focus achieved a reasonably accurate measurement of the Group s Carbon Footprint As a result of these improvements SIG were able to set targets for emissions reduction for 2011 in line with the aims of the Low Carbon Policy to become a Low Carbon Business In addition we now have a Carbon Footprint measurement down to branch level in the UK and are working towards setting regional and branch level targets as best practice

The main driver for the Low Carbon Policy has been the Low Carbon Committee which was formed in January 2010 and developed the Low Carbon Business strategy Initially UK based to meet the requirements of the CRC Energy Efficiency scheme and the Carbon Trust Standard the strategy has been broadened to include all European regions

The strategy is reviewed and updated half yearly and forms the basis of the Company's objective for continuous improvement in this area

SIG is registered with the UK s CRC Energy Efficiency Scheme and is proud to confirm that we achieved a place in the top half of the first CRC League Table published in 2011 This is largely due to the achievement of the Carbon Trust (CT) Standard in 2010 and 2011 This achievement was not only an independent confirmation of the Company s efforts to reduce our carbon emissions, but also demonstrated our commitment to reducing our emissions year on year

The Company is pleased to confirm that it is in the process of reapplying for the CT Standard with the goal of recertification in July 2012 which we believe will contribute towards the target of again achieving a top half placing in the CRC League Table in 2012

The LC Business strategy is now mature and following the appointment of the Group Health, Safety and Environment Manager in 2011 SIG has developed a set of Group level objectives and targets for 2012 which are supported by country and regional level objectives

Objectives for 2012 include providing verifiable records for business level carbon footprint for each region the reduction of carbon emissions from fuel and energy minimising waste, increasing re-cycling, and maximising waste diverted from landfill More details are set out in the following pages

To achieve these objectives SIG has Environmental Champions based in each region to support the policy, drive forward objectives and communicate best practice The Group wide Low Carbon Business' awareness campaign which commenced in 2011 with the launch of the Low Carbon Business Update and in-country Management Review Meetings will continue in 2012

ROAD RISK POLICY

The Company has in place in the UK a Road Risk Policy This Policy recognises that driving is among the most hazardous tasks performed by its employees and that its vehicles and drivers represent the Company while they are on the road It also recognises the potential impact that driving has on the local and global environment As a minimum all legal industry and other adopted standards are met across all of SIG UK s businesses

The aims of this policy are set out below and will be achieved by improving the knowledge developing the attitude and influencing the driving behaviour of employees

- to take the risks associated with the use of vehicles into account during management decision making processes
- to reduce the frequency and severity of accidents that occur during driving activities
- to reduce the adverse impact that driving and vehicles have on the local and global environment and
- for SIG drivers to be acknowledged by customers, employees and the public as being socially and environmentally responsible in their approach to driving

As part of this Policy the Company expects every driver in the organisation to participate in, and be committed to this policy and at all times to drive safely, courteously and to comply with relevant road traffic legislation

TRANSPORT

Vehicle fuel consumption forms a major part of the Group s carbon footprint and continues to be a key focus of the Group's Low Carbon Business strategy A key objective for 2011 was to reduce the fuel consumption of the business by 2% This was exceeded with an absolute reduction of 3 2% and a 10 2 % reduction per £million of revenue

This has been achieved largely through the ongoing review of the Group s Logistics and vehicle profile taking into account vehicle routing, trunking and backloads reducing delivery miles and enabling vehicle consolidation

Further project work within businesses will continue in 2012 including fuel usage monitoring through daily mileage recording Mileage measurement will enable the business to establish vehicle efficiencies and the effectiveness of the driver training programmes

SIG UK Driver of the Year Award 2011 Nominees were put forward in four categories with a further chance to win again as the overall Driver of the Year The Award helped promote and focus on fuel efficiency accident performance and compliance issues

Winners left to right Jayson Rayfield Roofing Centre Tunbridge Wells Up to 3 5 Tonne Richard Birchall SIG Energy Management Warrington 3 5 to 7 5 Tonne Scot Gerry Logistics Director Barry Richardson Steadmans Carlisle Moffett & Overall Winner Chris Davies Chief Executive and Reginald Price Proos Birkenhead Over 7 5 Tonne

ENVIRONMENT CONTINUED
TRANSPORT CONTINUED

The SIG UK Logistics Accident Review Panel formed in 2010 meets every month to review road traffic accidents and identify actions to reduce the accident numbers frequency and severity Although this will not have a direct impact on the Group s measured Carbon Footprint it will reduce non reported Scope 3 emissions, for instance from reduced emissions from repair companies and emergency services and replacement vehicles

The inaugural SIG Driver of the Year Award Scheme was launched in 2011 in partnership with the Group s stakeholders The scheme culminated in a one-day competition at MIRA in the English Midlands and was a major success The scheme was nominated for an IOSH Award and the programme will be repeated in 2012

The Group's policy is to purchase to the latest Euro standard for fuel emissions efficiency Low emissions vehicles are provided to businesses operating out of major cities such as Frankfurt and London

CO_2 EMISSIONS – SCOPE 1 – DIRECT

Source	Definition	Data source and calculation methods	**Metric tonnes (Group) 2011**	Metric tonnes (Group) 2010
Road vehicle fuel	Emission from road vehicle fuel consumption	Fuel cards and direct purchase records in litres converted according to DEFRA guidelines	**74,355**	76 806
Plant vehicle fuel	Emission from non road vehicles and plant consumption (LPG and Gas Oil)	Direct purchase records in litres converted according to DEFRA guidelines	**4,768**	5,638
Natural gas	Directly purchased gas fed into sites through national distribution networks	Actual or estimated consumption in kWh converted according to DEFRA guidelines	**3,089**	3 477
Coal/coke	Directly purchased coal/coke used for heating purposes	Actual or estimated purchases in tonnes converted according to DEFRA guidelines	**79**	61
Heating Fuels	Directly purchased Kerosene and LPG used for heating purposes	Actual or estimated purchases in litres converted according to DEFRA guidelines	**125**	90
Total			**82,416**	86 072

The data relating to CO_2 emissions has been collected from all of the Group s operations but does not include CO_2 emission data relating to Beaver 84 SIG Interiors Manufacturing and SIG Safety and Workwear which were disposed of in 2011

CO_2 EMISSIONS – SCOPE 2 – DIRECT

Source	Definition	Data source and calculation methods	**Metric tonnes (Group) 2011**	Metric tonnes (Group) 2010
Electricity	Directly purchased electricity supplied through national grid systems	Actual or estimated consumption in kWh converted according to DEFRA guidelines	**16,808**	18 342

The above table does not include CO_2 emission data relating to Beaver 84 SIG Interiors Manufacturing and SIG Safety and Workwear which were disposed of in 2011

CO_2 EMISSIONS – SCOPE 3 – OTHER INDIRECT

Source	Definition	Data source and calculation methods	**Metric tonnes (Group) 2011**	Metric tonnes (Group) 2010
Business travel	Third-party provided transport (air and rail) taken on behalf of the business	Actual or estimated distance travelled converted according to DEFRA guidelines	**469**	320

The above table does not include CO_2 emission data relating to Beaver 84 SIG Interiors Manufacturing and SIG Safety and Workwear which were disposed of in 2011

	Metric tonnes 2011	Metric tonnes 2010
Emissions per £m of revenue (Scope 1 2 and 3)	**36 3**	41 1

CORPORATE RESPONSIBILITY REPORT CONTINUED

Energy consumption is a major KPI for the Group's Low Carbon Business Plan. In 2011 we set a target for a 2% reduction compared to 2010. The target was achieved with a 4.4% reduction.

ENVIRONMENT CONTINUED
TRANSPORT CONTINUED

In 2011 SIG Poland introduced a novel programme for employees who receive a new company vehicle which required them to plant a tree on their branch premises

In the UK the Occupational Road Risk policy introduced in 2010 provided for training for more than 95% of the commercial vehicle drivers This is expected to improve fuel efficiency through improved driving techniques

ENERGY

Energy consumption is a major KPI for the Group s Low Carbon Business Plan In 2011 we set a target for a 2% reduction compared to 2010 The target was achieved with a 4 4% reduction

This was an absolute reduction and contributed to by most countries Consolidation within the Group continued to be a significant but d minishing factor with the Low Carbon strategy contributing to efficiencies

A concerted programme for energy reduction was commenced in 2011 starting with an awareness campaign across the Group including an information pack for managers Low Carbon Bulletins one to one in branch instruction for Managers and cascaded instruction for employees Also Regional meetings with in country Environmental Champions

In-house Energy Audits were completed for all branches in SIG UK and SIG Ireland, bringing some significant savings against investments Early savings have been from low cost 'easy wins such as the provision of door closers to save heat In addition the installation of timer switches to various appliances has provided an annualised saving of approximately 57 tonnes of Carbon emissions

A reduction target for scope 2 emissions for 2012 is set at 3% against the base year 2010 It is expected that this will be initially achieved through further implementation of the awareness campaign carrying out the Energy Audit Programme across the Group, a Power Management Programme and, longer term, through the implementation of capital projects to provide energy efficient lighting and heating

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

A programme of AMR (smart meter) installation in the UK in 2011 with data assessment training provided to Advisors and managers will improve the data quality further The programme will be continued in 2012 in partnership with the energy supply company

SIG disposed of a number of significant businesses in the UK in 2011 including SIG Interiors Manufacturing The data provided in this report including 2010's data does not include any disposed businesses

Data for Air Trade Centre has been included for the first time in 2011 The data for 2010 does not include Air Trade Centre, however the contribution to the 2011 footprint is approximately 1%

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 has limited control Reporting of Scope 3 emissions has broadened in 2011 to include third-party provided air and rail transportation waste management and for the first time water consumption

Recorded Scope 1, Scope 2 and Scope 3 emissions are included in the data reported on page 41

The figures show an absolute reduction for Road Vehicle fuel of 3 2% and an absolute reduction for electricity of 8 4% These are the target emissions and account for more than 90% of the Group s total emissions

There was an absolute reduction in scope 1 2 and 3 carbon equivalent emissions of 4 8% and an 11 8% reduction per £million of revenue in 2011 in comparison to the prior year

WATER CONSUMPTION

This is the first year that water consumption has been measured and reported The data below is for 80% of the business in terms of contribution to the Group s Carbon Footprint and is based largely on estimates and extrapolation The Group objectives for 2012 include a requirement to provide verifiable water consumption data for the next CR report

WATER CONSUMPTION

Resource	Definition	Data source and calculation methods	Litres (1000) (Group) 2011
Water Consumption	Third party provided water supply from national network for processes and welfare	Actual or estimated consumption in litres	**19,543**

ENVIRONMENT CONTINUED
WASTE MANAGEMENT
HAZARDOUS WASTE

	Definition	Data source and calculation methods	**Absolute tonnes (Group) 2011**	Absolute tonnes (Group) 2010
Landfill	Hazardous waste sent to landfill	Volume per annum converted to tonnes	**28**	1
Recycled	Hazardous waste diverted from landfill	Volume per annum converted to tonnes	**339**	716
Incinerated	Hazardous waste incinerated	Volume per annum converted to tonnes	**11**	5
Total			**378**	722

	Absolute tonnes (Group) 2011	Absolute tonnes (Group) 2010
Hazardous waste per £m of revenue	**0 1**	0 3

NON-HAZARDOUS WASTE

	Definition	Data source and calculation methods	**Absolute tonnes (Group) 2011**	Absolute tonnes (Group) 2010
Landfill	Non-hazardous waste to landfill	Volume per annum converted to tonnes	**9,231**	10,747
Incinerated	Non-hazardous waste incinerated	Volume per annum converted to tonnes	**31**	184
Total			**9,262**	10 931

OTHER WASTE DIVERTED FROM LANDFILL

	Definition	Data source and calculation methods	**Absolute tonnes (Group) 2011**	Absolute tonnes (Group) 2010
WEEE (Waste, Electrical and Electronic Equipment)	Diverted from landfill	Volume per annum converted to tonnes	**5**	8
Glass	Diverted from landfill	Volume per annum converted to tonnes	**38**	32
Wood	Diverted from landfill	Volume per annum converted to tonnes	**1,372**	1,552
Metal	Diverted from landfill	Volume per annum converted to tonnes	**1,158**	1 023
Plasterboard	Diverted from landfill	Volume per annum converted to tonnes	**480**	688
Paper/cardboard	Diverted from landfill	Volume per annum converted to tonnes	**932**	2,014
Plastic	Diverted from landfill	Volume per annum converted to tonnes	**914**	1 460
Other	Diverted from landfill	Volume per annum converted to tonnes	**7,306**	3,305
Total			**12,205**	10 082

	Absolute tonnes (Group) 2011	Absolute tonnes (Group) 2010
Non-hazardous and other waste per £m of revenue	**7 8**	8 3

The data above does not include waste relating to Beaver 84, SIG Interiors Manufacturing and SIG Safety and Workwear which were disposed of in 2011 and is based on a combination of actual and estimated data

CORPORATE RESPONSIBILITY REPORT CONTINUED

2011 saw the fourth year for which SIG Insulations was the main sponsor for the Sheffield Half Marathon event, which raised £110,000 for good causes.

ENVIRONMENT CONTINUED
WASTE MANAGEMENT CONTINUED

SIG's key objective is to minimise the amount of waste generated from its activities and to maximise the amount of waste diverted from landfill by the Group and its customers. Measuring waste is notoriously difficult and even waste carriers base their data on estimates and average weights. In order to ensure that the data is as accurate as it can be SIG has worked with the waste carriers and recycling companies to provide this information.

Data continues to be improved for instance through the addition of a national contract in SIG Benelux, and with the assistance of a major European waste carrier SIG has produced a self assessment procedure for businesses that do take part in the national schemes.

In addition 60% of the reported waste is generated in the UK and negotiations are underway to engage a waste contractor whose main objective is to engage with all branches carrying out compliance assessments and training to maximise waste recycling, recovery and provide accurate measurement.

Through improved measurement and targeted actions to increase recycling and recovery at branch level in 2011 58% of all reported waste was diverted from Landfill.

There was also a 6% reduction in waste reported against £million revenue.

As well as implementing waste segregation and baling arrangements in branch to minimise the business' direct impact on the environment, SIG is working in partnership with manufacturers to operate waste take-back recycling schemes for customers to assist them with their "Producer Responsibility Obligations". Schemes include vinyl flooring material, plasterboard and plaster products and uPVC windows.

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 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
- setting objectives and targets at branch and national level to improve the Company's waste management performance.

Further strategies are being introduced in 2012 to reduce waste paper and consumables through the introduction of integrated printer/copier/fax machines and the reduction of individual printers. To avoid an increase in Waste Electrical and Electronic Equipment ("WEEE") the programme will be introduced as equipment becomes unserviceable. Longer term plans include the introduction of paperless order and delivery records.

The increase in hazardous waste to landfill is accounted for through a one-off waste disposal programme for products quarantined over several years in a single business. Liquid products were pre-treated before disposal.

ACCIDENTS AND INCIDENTS

UK & IRELAND

	Rate per 1 000 employees		
	2011	2010	2009
Major injury	**2.5**	3.1	2.5
Injury resulting in over three absence days from work	**12.8**	12.3	13.2
All RIDDORs	**15.4**	15.5	16.8
Average UK headcount	**6,111**	6 414	7 211
Lost work day rate – number of work days per 100 employees	**34.0**	42.8	33.4

GROUP

	Rate per 1 000 employees		
	2011	2010	2009
Major injury	**2.1**	2.2	2.0
Injury resulting in over three absence days from work	**16.1**	15.2	18.7
All RIDDORs (Equivalent)*	**18.3**	17.4	21.4
Average Group headcount	**11,105**	11,508	12,348

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

SIG Charity Cricket Day August 2011 in aid of Cancer Research UK SIG employees with special guests including former cricket umpire Dickie Bird

HEALTH AND SAFETY

SIG operates a Health and Safety management system in accordance with OHSAS 18001 which in the UK is externally certificated The Group Chief Executive has overall responsibility for Health & Safety matters and is signatory to the Health Safety & Environment (HS&E) Policy Statement which is displayed at each location in the local language The Group employs a dedicated 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

Following a period of reorganisation of the business in 2009 a set of common principles were agreed for the Group Through the setting of objectives and targets and annual Management Reviews all businesses will have attained a high level of compliance by end Q2 2012 The average compliance score in 2011 being 95% compared to 89% for 2010

The key principles for the business require common written procedures, local risk assessments for hazardous activities, and HS&E inspections carried out across all businesses using competent personnel with inspection reports detailing any issues and target actions

The key hazards in terms of accident frequency are manual handling and slips trips and falls, followed by falls from height The principal hazard in terms of severity is Traffic Management The 'Accident Reduction campaign' for 2010 targeted 'Slips Trips and Falls' with a Group wide poster campaign The campaign for 2011 targeted Traffic Management Traffic Management will continue to be a target for action in 2012 along with Manual Handling

The post of Health and Safety Insurance Administrator (HSIA) was created in 2011 The purpose of the post is to expedite accident information and supporting data and to coordinate the approach and communication of the various interested parties following an accident, including, business managers investigators, HR and Claims Handlers The HSIA also chairs the Accident Review Panel which was established in 2011 to analyse work related accident data for the Group

To further develop this role during 2012 the Group will be introducing an internet based online accident reporting system This will improve the flow and speed of information to the HSIA and enable the business to broaden the scope of central accident recording and analysis The process will also provide for improved follow-up and close-out of identified actions This programme supports the key objective for 2012 to develop a Group wide communication process for accident information

Training for Managers was a key objective for a number of businesses in 2011 and continues to attract ongoing emphasis for 2012 with businesses setting out local objectives and targets to support the Group objective to review HS&E training provision to ensure appropriate training is provided for employees

Kim Boswell Corporate Responsibility Co-ordinator presenting a cheque to Kevin Bradley Director of St Wilfrid s Centre

Accident statistics in the form of a dashboard and supporting information is included in the monthly board report which is reviewed and discussed by the Board

The Accident statistics for SIG UK & Ireland and for the Group are set out on page 44

The UK & Ireland data indicates that there has been a slight decrease in the accident incidence rate for all RIDDORS in 2011 compared to the prior year The incidents were less severe with a reduction in the Major injuries incidence rate and fewer lost days per 1000 employees In the UK the number of Major injuries fell from 20 in 2010 to 15 in 2011

There was an overall reduction in falls from height and slips trips and falls across the Group The increase in incidence rates for the Group is largely attributed to the number of manual handling accidents in Europe

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

2011 saw the fourth year for which SIG Insulations was the main sponsor for the Sheffield Half Marathon event which raised £110,000 for good causes

In 2011 Cladding and Fascia Supplies provided products to support the refurbishment of the Norris Green Youth Centre in Liverpool The refurbishment project was part of the BBC's DIY SOS Programme

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

CORPORATE RESPONSIBILITY REPORT CONTINUED

The Group's particular focus of support is for charities that enhance SIG's engagement in the communities in which it operates, assist in managing the sustainability of the local environment or educate young people and assist disadvantaged groups.

CHARITABLE DONATIONS

During the year the Group made donations of £145,000 (2010 £117 000) It is the Group's policy not to make political donations and no political donations were made in the year (2010 £nil)

The Group revewed its Chantable Donations Policy in 2011 As a result SIG introduced a new initiative to use funds to provide matched donations in respect of monies raised by the Group's employees for chantable causes SIG employees can apply for a matched donation (up to a maximum of £500 or local equivalent)

A Charities Committee has been set up to approve applications and to ensure that they are in line with SIG s Chantable Donations Policy Matched donations from employee applications in 2011 were made to various chanties and community projects including the Alpe d Huez Foundation in Benelux, Macmillan Cancer Support, Cancer Research UK, Tommy's Breast Cancer Campaign BBC Children in Need and local community football teams for children and adults

The Group s particular focus of support is for chanties that enhance SIG s engagement in the communities in which it operates, assist in managing the sustainability of the local environment or educate young people and assist disadvantaged groups

In addition to matched funding in 2011 SIG gave its support to the following charities

Action For Kids – A donation was made to the 12 Trikes for Xmas Appeal to help provide 12 tricycles for 12 disabled children from the UK Action For Kids is a national charity working to create independence provide opportunities and offer support to disabled children, young people and their families all around the UK Action For Kids was partnered by SIG for a 3 year period ending in 2010

LivLife – A donation to build an outreach centre in Tanzania LivLife works in Northern Tanzania with some of the world's most disadvantaged people many of whom live in desperate poverty without the chance to go to school, learn skills or find employment – many have had no education at all LivLife Centres provide the relevant opportunities for people to get themselves out of poverty through learning and employment The education centres are sustainable locally-run and locally-relevant Crucially they are entirely free to use, thereby giving everyone in the communities the opportunity to live their life, and to do so on their own terms

St Wilfrid's Centre (Sheffield UK) – Donation towards a new residential centre for homeless people This is a chanty which supports the homeless, the vulnerable and those who are socially excluded by providing a safe environment where they can learn life skills St Wilfrid s has its own printing pottery and woodwork centre staffed by homeless volunteers who craft goods for sale in the shop located in the Centre The residential centre will help educate homeless people in how to take care of themselves in social accommodation with the end goal of breaking the cycle of homelessness

Donations were also made to Myeloma UK & Alzheimer s in memory of our respected colleague Jon Hudson, who sadly passed away in 2011

The Group has in place a Payroll Giving Scheme, which is available to all UK employees Employees are free to choose any charity of their choice Donations of £22 000 were made through the scheme in 2011

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, professionalism and dedication of all SIG's employees are the 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

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 Personal Development Review forms (PDRs) were introduced in the UK in 2010 for senior managers The roll out of PDRs continued in 2011 to include all SIG employees in the UK and Europe The use of PDRs helps us to identify any training or developmental needs and support our staff as they progress through the business

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

Further to supporting Group-wide working practices a programme of week-long English language courses were run from July through September for colleagues wishing to build on their language capabilities The training took place in the Group s Sheffield Corporate Office and attendees from all parts of the Group were introduced to colleagues in the business The courses were delivered by Listen & Learn and are planned to be run again in 2012

An Executive Coaching and Mentoring Programme has been successfully established and received strong support throughout the Group The Programme is aimed at continuing the development of senior talent and reinforcing the values and behaviours that underpin our activities

Finalists for the SIG New Manager of the Year at Carden Park Cheshire

SIG New Manager of the Year Award presented at the SIG Management Conference in February 2012 Left to right Chris Window UK Carpet & Flooring (winner) Olav Holste WeGo Germany (runner up) Laura Green UK SIG Distribution (runner up) and Michael Brisson LITT France (runner up)

EMPLOYEES CONTINUED

The focus for 2012 will be to widen the pool of participants within the business to help support and nurture management at all levels Sheffield Hallam University continues to help us develop and deliver the Programme

Having successfully launched the New Manager of the Year Award in 2009 and the Emerging Manager of the Year Award in 2010 it was recognised that the two Awards should run biennially to continually seek out new and future management talent across the Group The second New Manager of the Year Award took place in 2011 The Award is aimed at identifying, encouraging and nurturing people who have risen to management positions for the first time Nominees were put forward from the businesses and 12 successful candidates took part in a two-day assessment event in Cheshire The four finalists attended the SIG Management Conference where the overall winner was announced All nominees' careers, as well as those who attended the Emerging Manager of the Year Award, will be monitored through the talent management process and included on the Group-wide mentoring Programme

The Group continues to recruit and invest in commercial trainee and graduate talent to help meet our future management requirements Our future management cadres have a mix of backgrounds and experience that is relevant to our customer base which helps us engage with our customers fully Graduates are recruited for specific functions and there are also country and international programmes designed to provide a 360 degree view of the business

In 2011 a student summer placement scheme was formalised and launched in the UK Three UK undergraduates were placed in regional or functional roles where they were assigned dedicated projects These projects gave them an insight into SIG while supporting the business they were placed in Two French undergraduates were placed in the UK while two UK undergraduates were placed in France all of whom carried out dedicated projects or branch based work This scheme will help us to maintain the pipeline of high quality graduates joining SIG The scheme will be extended in 2012 to offer undergraduate students the opportunity of a placement year working for SIG The initial focus will be to work with specific French and UK universities to advertise and fill the placements

SIG relies on the expertise and commitment of its employees whose knowledge and experience differentiate it in the market place Competency based training plans have been launched within the SIG Distribution businesses in the UK and these will continue to be rolled out throughout the rest of the UK businesses in 2012 to support the structured development of employees

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 As part of SIG's continued efforts to support and develop its employees a work group was formed in 2011 to investigate and develop SIG's approach to diversity in the workplace The initial focus of the group was on women in SIG however it was quickly established that it would be more beneficial to employees and SIG to expand the remit to the entire diversity agenda Further work was undertaken in 2011 to highlight the importance of diversity (including the under-representation of women in management positions) to senior management with a three year rolling action plan being developed to address these issues incorporated into the Group wide CR plans

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 To support this we have a Group wide newsletter as well as business specific publications and newsletters to keep colleagues up-to-date and informed The newsletters focus on communicating our operational changes examples of best practice and highlight specific cross sales activities, success stories and teamwork around the businesses In 2011 an employee survey was carried out in the UK and the feedback has been incorporated into each business strategy for 2012 to ensure continues improvement and to address any issues raised Directors in operating businesses tended to focus on local roadshows and presentations to communicate to a wider audience rather than management conferences In 2012 work will be undertaken on the UK Intranet system to further support the communication across the UK

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 2011 there were 884 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 55) 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 formerly held a number of senior management positions with Cadbury Schweppes plc and United Biscuits Limited.

CHRIS DAVIES BA (OXON)
CHIEF EXECUTIVE
Chris Davies (age 58) 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.

DOUG ROBERTSON BA, FCA
FINANCE DIRECTOR
Doug Robertson (age 58) joined the Group in November 2011 and was appointed Finance Director on 1 December 2011. He was previously Finance Director of Umeco plc from 2007 until 2011 and Finance Director of Seton House Group Limited from 2002 until 2007. From 1994 to 2000 he held a variety of Divisional Finance Director roles within Williams plc and in 2000 became Managing Director of Tesa Group. Chubb's hotel security division.

CHRIS GEOGHEGAN FRAES
NON-EXECUTIVE DIRECTOR
Chris Geoghegan (age 57) became a Non-Executive Director on 1 July 2009. He is the Senior Independent Director and Chairman of the Remuneration Committee. He is currently Chairman of 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.

JONATHAN NICHOLLS BA, ACA, FCT
NON-EXECUTIVE DIRECTOR
Jonathan Nicholls (age 54) 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.

JANET ASHDOWN BSC (HONS)
NON-EXECUTIVE DIRECTOR
Janet Ashdown (age 52) became a Non Executive Director on 11 July 2011. She is currently Chief Executive Officer of Harvest Energy Limited and Blue Ocean Oil Trading Limited, the UK's largest independent road fuels marketing and import business. She previously worked for BP p.l.c. for 29 years from 1980 to 2009, serving in a variety of posts in the UK, continental Europe and the US ranging from manufacturing to supply & trading to retail marketing. Her last role in BP was as Head of BP's Fuels Marketing & Distribution business in the UK. Janet holds a degree in Energy Management.

MEL EWELL BSC (HONS)
NON-EXECUTIVE DIRECTOR
Mel Ewell (age 53) became a Non-Executive Director on 1 August 2011. He is currently Chief Executive and an Executive Director of Amey Plc, one of the UK's leading infrastructure services providers. He previously held a number of senior management positions for TNT International, Xerox and ADI Group.

BOARD COMMITTEES

AUDIT COMMITTEE
Mr J C Nicholls – Chairman
Ms J E Ashdown
Mr M Ewell
Mr C V Geoghegan

REMUNERATION COMMITTEE
Mr C V Geoghegan – Chairman
Ms J E Ashdown
Mr M Ewell
Mr J C Nicholls

NOMINATIONS COMMITTEE
Mr L Van de Walle – Chairman
Ms J E Ashdown
Mr C J Davies
Mr M Ewell
Mr C V Geoghegan
Mr J C Nicholls

COMPANY INFORMATION

PRESIDENT
Sir Norman Adsetts OBE MA

SECRETARY
Richard Monro FCIS

REGISTERED NUMBER
Registered in England
998314

REGISTERED OFFICE
Hillsborough Works
Langsett Road
Sheffield S6 2LW
United Kingdom

Tel 0114 285 6300
Fax 0114 285 6349

Email info@sigplc.com

CORPORATE OFFICE
Signet House
17 Europa View
Sheffield S9 1XH
United Kingdom

Tel 0114 285 6300
Fax 0114 285 6349

COMPANY WEBSITE
www.sigplc.com

LISTING DETAILS

Market	UK Listed
Reference	SHIL
Sector	Support Services

REGISTRARS AND TRANSFER OFFICE
COMPUTERSHARE INVESTOR SERVICES PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

AUDITOR
DELOITTE LLP
1 City Square
Leeds LS1 2AL

SOLICITORS
PINSENT MASONS
1 Park Row
Leeds LS1 5AB

PRINCIPAL BANKERS
THE ROYAL BANK OF SCOTLAND PLC
Corporate Banking
3rd Floor
2 Whitehall Quay
Leeds LS1 4HR

BARCLAYS BANK PLC
PO Box 190
1 Park Row
Leeds LS1 5WU

LLOYDS TSB BANK PLC
2nd Floor Lisbon House
116 Wellington Street
Leeds LS1 4LT

HSBC BANK PLC
Unit 4 Europa Court
Sheffield Business Park
Sheffield S9 1XE

JOINT STOCKBROKERS
ORIEL SECURITIES LIMITED
150 Cheapside
London EC2V 6ET

PANMURE GORDON (UK) LIMITED
Moorgate Hall
155 Moorgate
London EC2M 6XB

FINANCIAL PUBLIC RELATIONS
FTI CONSULTING LIMITED
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

SHAREHOLDERS' ENQUIRIES
Our share register is managed by Computershare who can be contacted by telephone on

24 hour helpline*	**0870 707 1293**
Overseas callers	**+44 870 707 1148**
Text phone	**0870 702 0005**

* operator assistance available between 08 30 and 17 30 each business day

Email Access the Computershare website **www.uk.computershare.com/investor** and click on **"Contact Us"** from where you can email Computershare

Post **Computershare, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, United Kingdom**

FINANCIAL CALENDAR

Annual General Meeting	–	To be held on 18 May 2012
Interim Results 2012	–	Announcement 23 August 2012 (provisional)
Full Year Results 2012	–	Announcement March 2013
Annual Report and Accounts 2012	–	Posted to Shareholders April 2013

SHAREHOLDER ANALYSIS AT 31 DECEMBER 2011

Size of Shareholding	Number of Shareholders	%	Number of Ordinary Shares	%
0 – 999	996	33 94	441,345	0 07
1,000 – 4 999	1 116	38 02	2 421 392	0 41
5 000 – 9 999	247	8 42	1 627 457	0 28
10,000 – 99 999	330	11 24	9,779,809	1 66
100 000 – 249 999	75	2 56	11,714,985	1 98
250,000 – 499,999	56	1 91	19,175,881	3 25
500 000 – 999 999	29	0 98	20,524 693	3 47
1 000,000+	86	2 93	525 143 777	88 88
Total	**2,935**	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 and Energy Management Exteriors and Interiors

The Chairman s Statement and Business Review on pages 8 to 37 contain a review of these activities and comment on the future outlook The financial risk management objectives and policies of the Company are set out in the Business Review on pages 30 to 36

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

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

Details of the Group s policies in relation to corporate governance are disclosed on pages 55 to 60

CAUTIONARY STATEMENT

The purpose of the Annual Report is to provide information to the members of the Company as a body and no-one else The Company its Directors employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed The Annual Report contains certain forward-looking statements with respect to the operations performance and financial condition of the Group By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements Nothing in this Annual Report should be construed as a profit forecast

GROUP RESULTS AND DIVIDENDS

The Consolidated Income Statement for the year ended 31 December 2011 is shown on page 73 The movement in Group reserves during the year is shown on page 77 in the Consolidated Statement of Changes in Equity Segmental information is set out in Note 1 on pages 84 and 85

The Board is recommending a final dividend of 1 50p per share (2010 nil) which together with the interim dividend of 0 75p per share (2010 nil) makes a total for the year ended 31 December 2011 of 2 25p (2010 nil) Payment of the final dividend if approved at the Annual General Meeting will be made on 30 May 2012 to Shareholders registered at the close of business on 4 May 2012

DIRECTORS

The Directors who held office during the year were

Mr L Van de Walle	Non-Executive Chairman (previously Non-Executive Director from 1 October 2010 appointed Non-Executive Chairman on 1 February 2011)
Mr L O Tench	Non-Executive Chairman (resigned 31 January 2011)
Mr C J Davies	Chief Executive
Mr G W Davies	Group Finance Director (resigned 30 November 2011)
Mr M J Chivers	Executive Director (resigned 31 December 2011)
Mr D G Robertson	Group Finance Director (appointed 1 December 2011)
Ms J E Ashdown	Independent Non-Executive Director (appointed 11 July 2011)
Mr M Ewell	Independent Non-Executive Director (appointed 1 August 2011)
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

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

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 pursuant to the Company s Articles of Association However, pursuant to the UK Corporate Governance Code, it is intended that all Directors will be subject to re election annually

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

ELECTION AND RE-ELECTION OF DIRECTORS CONTINUED

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 the UK Corporate Governance Code, all Directors will seek election or re-election at the forthcoming Annual General Meeting Ms Ashdown Mr Ewell and Mr Robertson will seek election, having been appointed to the Board since the last Annual General Meeting

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 election or 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 61 to 69 in the Directors Remuneration Report

RELATED PARTY TRANSACTIONS

Save as disclosed in Note 30 to the accounts on page 113 and 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 34 to 36 and in Note 19 to the Consolidated Financial Statements on pages 100 to 103

DISPOSALS

Details of disposals during the year are covered in Note 12 and in the Business Review on page 17

SHARE CAPITAL

The Company has a single class of share capital which is divided into ordinary shares of 10p each At 31 December 2011, the Company had a called up share capital of 590 829 339 shares of 10p each (2010 590 829,339)

During the year ended 31 December 2011 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 or to the date of this report Details of outstanding options under the Group's Employee and Executive Schemes are set out in Note 25 on page 109 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

STATUTORY INFORMATION CONTINUED

RIGHTS ATTACHING TO SHARES CONTINUED

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

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 banking arrangements are terminable upon a change of control of the Company Certain other indebtedness becomes repayable if a change of control leads to a downgrade in the credit rating of the Company

FIXED ASSETS

In the opinion of the Directors, there is no material difference between the book value and the current open market value of the Group's interests in land and buildings

CREST

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

2012 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 Company communications 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 2012 Annual General Meeting

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2011, the Company had received 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	52 412 239	8 87
IKO Enterprises Limited	41 752 603	7 07
Schroders plc	29 961,817	5 07
Investec Asset Management	29,728 826	5 03
Ameriprise Financial Inc	28,953,030	4 90
Blackrock Inc	28 756 072	4 87
Legal & General plc	23 547 821	3 99
Norges Bank	17 762,016	3 01

No interests have been disclosed to the Company in accordance with DTR 5 between the end of the period under review and 13 March 2012, being the date of this Report

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 2011 the Company had no trade creditors as it does not trade in its own right The Group's average number of days outstanding for continuing operations on a like for like constant currency basis as at 31 December 2011 in respect of trade payables was 34 (2010 35)

STATEMENT OF THE DIRECTORS ON THE DISCLOSURE OF INFORMATION TO AUDITOR

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 Auditor is 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 Auditor is 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 pages 36 and 37 of the Business Review

AUDITOR

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 Auditor of the Company and to authorise the Board to fix its remuneration The remuneration of the Auditor for the year ended 31 December 2011 is fully disclosed in Note 4 to the Consolidated Financial Statements on page 87

ANNUAL GENERAL MEETING

The Notice convening the Annual General Meeting which is to be held at the Aston Hotel Britannia Way, Catcliffe, Sheffield S60 5BD at 12 noon on Friday 18 May 2012 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 which will be circulated to all shareholders at least 20 working days before such meeting along with this report This document will also be available on the SIG plc website All shareholders are invited to the Company s AGM at which they will have the opportunity to put questions to the Board

Signed on behalf of the Board

Richard Monro
Company Secretary
13 March 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

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 ("IFRSs") 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
13 March 2012

Doug Robertson
Director
13 March 2012

CORPORATE GOVERNANCE

DEAR SHAREHOLDER

SIG is committed to business integrity high ethical values and professionalism in all of its activities At SIG, we believe that good governance comes from an effective Board which provides strong leadership to the Company and engages well with both management and stakeholders As an essential part of this commitment the Group supports the highest standards in corporate governance

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE ("THE 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 the Code with the exception of Code Provision B 1 2 which requires that at least half of the Board (excluding the Chairman) should comprise Non–Executive Directors who are determined by the Board to be independent with which the Company was not compliant from 16 March 2011 to 11 July 2011 This non-compliance arose as a result of Mrs V Murray s resignation as a Non-Executive Director of the Company on 16 March 2011 pursuant to her also being a Non-Executive Director of Carillion plc 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 Nominations Committee then undertook the process of seeking a replacement for Mrs Murray in order that the Company would return to compliance with Code Provision B1 2 as soon as possible

The Combined Code can be accessed at **www frc org uk/corporate/ukcgcode cfm**

BOARD EVALUATION

The Board is required under the Code, to undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors In December 2011 the Board conducted such an evaluation which was externally facilitated Details of the process concerning this evaluation are covered on page 57 of this Corporate Governance Report

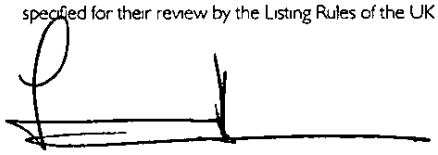
BOARD DIVERSITY

I can confirm that the SIG Board and Nominations Committee have discussed the matter of setting targets for the percentage of women that we might aim to have on our Board in 2015 Whilst the Company broadly agrees with the principles set out in the Davies Report, we do not believe it to be appropriate to set percentage representation targets for Board and Executive Committee membership as all appointments will be based on a spectrum of factors, including experience skills and diversity (including gender) In our Corporate Responsibility Report on page 47 we comment further on the work being undertaken below Board level in order to broaden both the opportunities and representation of women within the SIG Group Currently the SIG Board comprises seven Directors, with one female Director

GOVERNANCE WITHIN SIG

As Chairman I take responsibility for ensuring that good governance is operated at SIG in order that we can maintain the highest standards of corporate governance to which we continually aspire The Board is accountable to the Company s Shareholders for good governance and this Report the Directors' Remuneration Report on pages 61 to 69 and the Report of the Audit Committee on pages 70 and 71 describe how the principles of good governance set out in The UK Corporate Governance Code of June 2010 as issued by the Financial Reporting Council ("FRC"), are applied within SIG

The Company s Auditor, 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



Leslie Van de Walle
Chairman
13 March 2012

CORPORATE GOVERNANCE CONTINUED

THE BOARD

As at 31 December 2011, the Board was made up of seven members comprising the Chairman, two Executive Directors and four Non-Executive Directors

Mr L Van de Walle became Non-Executive Chairman on 1 February 2011 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 was also a Non-Executive Director of Carillion plc and her resignation was pursuant to that company s acquisition of Eaga plc and her future potential conflict of interest as a result of that transaction in respect of SIG's Energy Management business

Ms J E Ashdown was appointed a Non Executive Director on 11 July 2011 and Mr M Ewell was appointed a Non-Executive Director on 1 August 2011

Mr G W Davies resigned as Finance Director on 30 November 2011 and left the Company on 31 December 2011 Mr D G Robertson joined the Company on 1 November 2011 and was appointed Finance Director on 1 December 2011

Mr M J Chivers retired from the Board on 31 December 2011 and left the Company on the same day

At 1 January 2012 SIG has one female Board member equating to 14% of our Directors

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 61 to 69

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

Under the Articles of Association 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 the Code all Directors will seek election or re-election at the Company s AGM each year Ms Ashdown Mr Ewell and Mr Robertson will be seeking election having been appointed to the Board since the last AGM

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 12 occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table on page 57 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

The Directors are provided with opportunities for training to ensure that they are kept up to date on relevant new legislation and regulation changes corporate governance developments and changing commercial risks There is an agreed schedule of matters reserved to the Board for collective decision (which can be viewed on the Company's website at www sigplc com), which was reviewed and updated in November 2011 These matters 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)

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 are now 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 2011

	Board (12 meetings)	Meetings eligible to attend	Audit Committee (4 meetings)	Meetings eligible to attend	Remuneration Committee (4 meetings)	Meetings eligible to attend	Nominations Committee (10 meetings)	Meetings eligible to attend
J Ashdown	5	5	3	3	2	2	6	6
M J Chivers	10	12	N/A	N/A	N/A	N/A	N/A	N/A
C J Davies	12	12	N/A	N/A	N/A	N/A	10	10
G W Davies	11	11	N/A	N/A	N/A	N/A	N/A	N/A
M Ewell	4	4	2	2	2	2	5	5
C V Geoghegan	12	12	4	4	4*	4	10	10
V Murray	3	3	1	1	1	1	3	3
J C Nicholls	12	12	4*	4	4	4	10	10
D G Robertson	1	1	N/A	N/A	N/A	N/A	N/A	N/A
L O Tench	2*	2	N/A	N/A	N/A	N/A	1*	1
L Van de Walle	12*^	12	N/A	N/A	N/A	N/A	9*	9

* Chairman

^ Of the twelve Board meetings attended by Mr Van de Walle ten of these were as 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 the Committee All of the Directors in office at the date of the Annual General Meeting on 11 May 2011 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 December 2011, as part of this programme, the Board commissioned Equity Communications Limited, an independent third party, to prepare a tailored Board Evaluation process This was facilitated by way of questionnaire process 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 structure succession planning induction programmes and the Board's approach to risk and strategy Each Director completed their questionnaire and these were then evaluated by the independent facilitator who then prepared a report for the Chairman The Chairman and the facilitator presented the results of the evaluation to the Board which discussed the results of the evaluation in detail at its March 2012 meeting The discussions then focused on how the actions and improvements identified through the process should be implemented The Board was satisfied that the evaluation of its 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 Further training is programmed for 2012

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)

CORPORATE GOVERNANCE CONTINUED

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 Although the other Non-Executive Directors are not at present 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 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 61 to 69

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 During the year the Committee met ten times A quorum is four members at least two of whom shall be independent Non-Executive Directors

The Committee reviews the structure size diversity and composition 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 During the year the Committee (in recognising the impact of the Davies Report) ensured that skills experience, potential and overall balance of the Board as well as diversity including gender were fully considered in relation to the Board appointments made during the year The Committee retains external search and selection consultants as appropriate The Committee also advises the Board on succession planning for Executive Board 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 in conjunction with the Board drafts 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 Ms Ashdown and Mr Ewell as candidates for appointment as a Non-Executive Director and in the case of identifying Mr Robertson as a candidate for appointment as Group Finance 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 induction programmes were operated for Ms J Ashdown, Mr M Ewell and Mr D G Robertson who were all appointed Directors of the Company during 2011

The proposed activities for the Committee in 2012 will be to continue to monitor and assess the Board s composition and diversity longer term succession planning and potential further recruitment of Non-Executive Directors

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 70 and 71

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

ONGOING PROCESS FOR RISK IDENTIFICATION, EVALUATION AND MANAGEMENT

During 2011 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 30 to 33
- 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 continuous 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 continuously 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 Code issued by the Turnbull Review Group

CORPORATE GOVERNANCE CONTINUED

RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

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 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 2011 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 2011 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
13 March 2012

DIRECTORS' REMUNERATION REPORT

INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2011

DEAR SHAREHOLDER

On behalf of the Board I am pleased to present the Remuneration Committee s report of the Directors Remuneration for 2011 for which we will be seeking Shareholder approval at the Annual General Meeting in May

SIG's strategy is to focus on

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

During the year we reviewed the performance measures under the annual bonus and long-term incentive arrangements to improve alignment with our strategy, taking into account the feedback of our shareholders from last year The key changes for 2012 are summarised below with further detail provided later in the report

ANNUAL BONUS PERFORMANCE MEASURES

The weighting on underlying PBT performance has been increased from 60% to 65% and the weighting on cash conversion correspondingly reduced from 20% to 15% Cash conversion remains an important measure of short-term performance for the Group but the Committee believes it timely to re-balance the emphasis towards the Group s key measure of short-term performance i e growth in profit This follows a number of improvements in the Group s cash management processes over the last few years and corresponding levels of performance in this area

LONG TERM INCENTIVE PLAN PERFORMANCE MEASURES

For 2012 Awards under the Long Term Incentive Plan, the Remuneration Committee has introduced a Return on Capital Employed ("ROCE") metric to strengthen the focus on efficiency and delivering strong returns for our shareholders EPS continues to be an important measure of long-term performance for SIG Accordingly two thirds of the LTIP award will be based on three year average ROCE performance and one third on three year cumulative underlying Earnings Per Share ("EPS")

Following a review of the Group's and the individual's performance, the Committee increased the base salary for the Chief Executive by 3% Doug Robertson was appointed Group Finance Director on 1 December 2011 on an annual salary of £315 000 He did not receive any salary increase on 1 January 2012

The Committee considers the approach outlined above to be appropriate for executive remuneration in 2012 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
13 March 2012

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 UK Corporate Governance 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 Auditor 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 Auditor s opinion is set out on page 114 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 18 May 2012 inviting them to approve this report

THE REMUNERATION COMMITTEE

The role of the Remuneration Committee (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

DIRECTORS' REMUNERATION REPORT CONTINUED

INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2011

THE REMUNERATION COMMITTEE CONTINUED

The Committee comprises the following Non-Executive Directors Mr C V Geoghegan (who chairs the Committee) Ms J E Ashdown Mr M Ewell and Mr J C Nicholls, all of whom are independent Non-Executive Directors within the definition set out in the Code Mrs V Murray was a member of the Committee until her resignation as a Non-Executive Director on 16 March 2011 During the year the Committee met four times Attendance by individual members of the Committee is disclosed in the table on page 57

The Chairman of the Board, Chief Executive and Company Secretary attend the Committee s meetings by invitation but are not present when their own remuneration is discussed

The Committee also takes independent professional advice, on an ad hoc basis as required Kepler Associates ("Kepler"), provided independent advice to the Committee in respect of the Group's remuneration strategy and relevant market information in 2011 Kepler reports to the Chairman of the Committee and provided no other services to the Company during the year

Both the constitution and operation of the Remuneration Committee comply with the principles incorporated in the UK Corporate Governance Code

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

KEY ACTIVITIES OF THE COMMITTEE IN 2011

The Committee met four times in 2011 in March, May, November and December, covering

- Executive Director salaries
- performance outcomes for the annual bonus and long-term incentives
- LTIP awards for the Executive Directors
- the Chairman s fee and terms,
- the 2011 Directors' Remuneration Report
- preparation for the AGM and
- remuneration policy for 2012

In addition, the Committee considered the following:

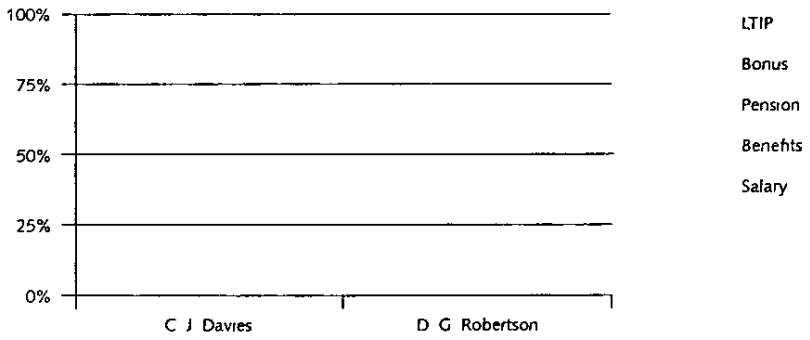
- consultation with major shareholders on remuneration policy
- approving appointment terms for Mr D G Robertson and
- final payments for Mr G W Davies and Mr M J Chivers

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 align the Directors interest with those of shareholders and 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 10 to 37

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 actual fixed and variable remuneration for the Executive Directors at "target" and "stretch" performance is illustrated below This is based on our ongoing remuneration policy



The main components of Executive Directors remuneration are given page 63

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED

BASE SALARY AND BENEFITS

Base salary and benefits are determined on an annual basis by the Committee after a review of the individual s performance experience and market trends 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

The Chief Executive s salary had been frozen in 2011 For 2012 the Chief Executive s base salary has been increased by 3% The Committee feels it was important to provide the Chief Executive with a moderate increase in base pay (i e less than price inflation) to recognise his performance in leading SIG s recovery Notwithstanding the difficult trading conditions in which the Group operates a strong performance in 2011 has been delivered largely as a result of the actions taken by the Chief Executive over the past three years Further, in a period of major changes in the organisation including a complete refreshment of the management team it is inevitable that there is increased reliance on the Chief Executive s leadership to retain stability and focus on sustaining performance The Board wants to recognise the significant contribution the Chief Executive has made and continues to make to this change process In determining this increase the Committee also considered individual salary increases across the Group, which typically ranged between 0% and 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 2011	**Annual rate of salary 2012**	Increase
C J Davies	£532,875	**£548,861**	3%
D G Robertson (appointed 1 December 2011)	£315 000	**£315,000**	0%
M J Chivers (retired 31 December 2011)	£275 000	**N/A**	–
G W Davies (left the company 31 December 2011)	£305,000	**N/A**	–

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 and the corresponding maximum bonus under each measure for 2010, 2011 and 2012 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%
	2012	15%	65%	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%
D G Robertson	2012	15%	65%	20%	100%

* For Mr M J Chivers this element is split such that 33 3% is based on SIG Group performance and 66 7% is based on UK Exteriors

The performance against each measure in 2011 is set out in the table below

Performance element	2011 performance	Remuneration Committee assessment
Debt management/working capital improvement	100% cash conversion	Target met in full
Underlying profit before tax	Group £81 7m (27 3% increase on prior year)	92% of max for Group

Performance against pre-determined personal objectives varied by individual and resulted in overall bonuses of 96% of salary for Mr C J Davies and Mr G W Davies and 65% for Mr M J Chivers Mr D G Robertson having joined the Company on 1 November 2011 was not eligible for the portion of the bonus determined against personal objectives Recognising his brief tenure with the Group thus far, he received a pro-rated bonus of 10% of his annual salary based on the underlying profit element of the Plan For good leavers, annual bonus is pro-rated for the time that they are employed by the Group In the Committee s view the level of bonus paid to Executive Directors appropriately reflects the significant growth achieved in an exceptionally difficult environment

Following a review of the annual bonus arrangement, the Committee has decided to increase the weighting on underlying PBT performance in 2012 from 60% to 65% and to correspondingly reduce the weighting on cash conversion from 20% to 15% Cash conversion remains an important measure of short-term performance for the Group but the Committee believes it timely to re-balance the emphasis towards the Group s key measure of short-term performance i e growth in profit This follows a number of improvements in the Group s cash management processes over the last few years and corresponding levels of performance in this area The maximum bonus than can be earned in 2012 will remain at 100% of base salary for each Executive Director Executive Directors will continue to be required to mandatorily defer one third of the annual bonus into SIG shares for a period of three years subject to clawback

DIRECTORS' REMUNERATION REPORT CONTINUED

INCLUDING THE STATEMENT OF REMUNERATION POLICY
FOR THE YEAR ENDED 31 DECEMBER 2011

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED

PENSION SCHEMES

Mr C J Davies and Mr G W Davies (up to 31 December 2011) 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 Price 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

LONG-TERM INCENTIVE SCHEMES

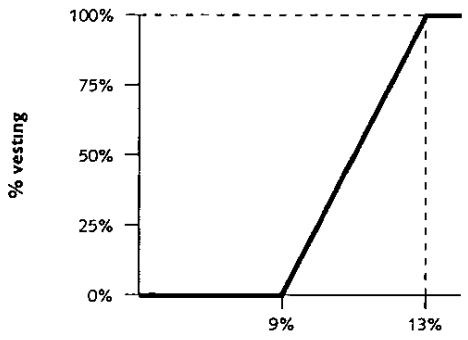
The Group operates two long-term incentive arrangements which were approved by shareholders in 2004 the Long-Term Incentive Plan (LTIP") and the Deferred Annual Bonus Scheme ("DABS")

LONG TERM INCENTIVE PLAN

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 Vested 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

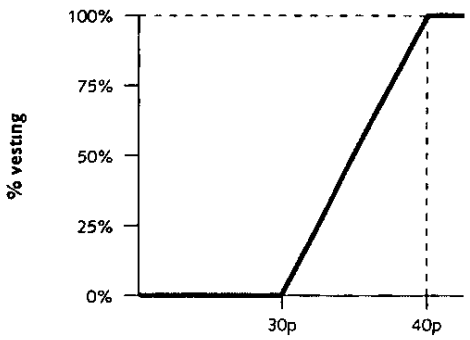
Following a review of performance measures the Committee concluded that the introduction of a ROCE metric for the 2012 Award would reinforce the focus on efficiency and delivering strong returns for our shareholders, thereby further strengthening the alignment of management's incentives with our strategy Accordingly, the 2012 Award will be based two thirds on three year average ROCE performance The Committee continues to believe that underlying EPS is a key measure of long-term performance for SIG and the remaining one third of the 2012 Award will be based on three year cumulative underlying EPS No change will be made to the size of the award to Executive Directors of 100% of salary The performance targets can be illustrated as follows

ROCE element of the award (two thirds)



Average ROCE 2012-14
(operating profit after tax divided by the sum of total equity plus net debt)

EPS element of the award (one third)



Cumulative underlying EPS 2012-14

For the ROCE element, if the three year average ROCE over financial years ending 2012-14 is less than or equal to 9%, no shares will vest Awards vest in full for a three year average ROCE of 13% or higher and vesting is on a straight-line basis between these two points Note that ROCE is measured on a post-tax basis

For the EPS element if cumulative underlying EPS over the three financial years ending 2012-14 is less than or equal to 30p, no shares will vest Awards vest in full for a cumulative EPS of 40p or higher and vesting is on a straight-line basis between these two points

As in previous years the ROCE and EPS targets have been calibrated with reference to analysis based on internal and external data and the Committee's view of what it believes will provide an appropriate level of stretch

In order to ensure targets remain commensurately stretching with what was intended at the outset and also to ensure a fair outcome for both participants and shareholders the Committee has discretion to adjust the targets, as appropriate e g to reflect changes in capital M&A activity etc Furthermore if such discretion is exercised the Committee undertakes to disclose the rationale for its decision in the Directors Remuneration Report

In advance of each LTIP cycle, the Committee will continue to review the appropriateness of the performance measures and corresponding targets

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED
LONG-TERM INCENTIVE SCHEMES CONTINUED

DEFERRED ANNUAL BONUS SCHEME

Under 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 2008 Award which required as a minimum real annual compound growth in Group underlying EPS over the three year performance period was not met and consequently all of these Awards have lapsed

For 2009 the performance target for the DABS was the same as that for the LTIP as described above No Awards under DABS were made in 2010 and 2011 The Committee does not intend to grant Awards under this plan in 2012

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 award lapses in full

Deloitte LLP, in their capacity as Auditor are requested to examine outcomes for the LTIP and DABS before any Awards vest The EPS growth target for awards granted in 2008 was not met and consequently these Awards lapsed All outstanding awards under this plan are detailed in the Directors share options table on page 69

EMPLOYEE SHARE SCHEMES

The Executive Directors are also eligible to participate in the Company s Share Incentive Plan ("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 2011 and were left unchanged

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
J E Ashdown	11/07/2011	07/07/2011	44,500	–	–	44 500
M Ewell	01/08/2011	07/07/2011	44,500	–	–	44,500
C V Geoghegan	01/07/2009	08/05/2009	44 500	2,000	6 000	52,500
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 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 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

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

DIRECTORS' REMUNERATION REPORT CONTINUED

INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 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 each of the Executive Directors are dated as follows

	Date of contract
C J Davies	28/01/2009
M J Chivers[1]	01/01/1995
G W Davies[2]	01/08/2002
D G Robertson	10/10/2011

[1] Retired from the Board on 31 December 2011

[2] Stepped down from the Board on 30 November 2011 but was employed by the Group until 31 December 2011

With regard to Mr C J Davies and Mr D G Robertson 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 excluding any variable pay which might otherwise apply over the notice period 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

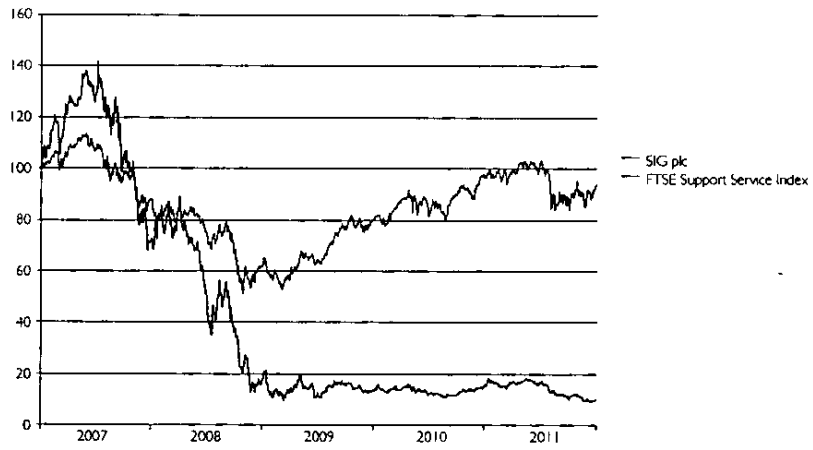
SHARE OWNERSHIP GUIDELINES

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 appointment 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 2011 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 2007 TO 31 DECEMBER 2011



TSR (rebased=100 at 1 January 2007)

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

The interests of the Directors in office at 31 December 2011 and of their families in the ordinary shares of the Company at the following dates were

	31 December 2011	1 January 2011 or date of appointment
J E Ashdown (appointed 11 July 2011)	**21,700**	Nil
M J Chivers (retired on 31 December 2011)	**277,074**	137 868*
C J Davies	**160,843**	134 501*
M Ewell (appointed 1 August 2011)	**Nil**	Nil
C V Geoghegan	**40,000**	40,000
J C Nicholls	**14,220**	14 220
D G Robertson (appointed 1 December 2011)	**30,000**	Nil
L Van de Walle	**30,000**	Nil

* Includes shares purchased under the SIG plc Share Incentive Plan ("SIP")

There were no changes between 1 January 2012 and 13 March 2012 save that on 16 January 2012 and on 15 February 2012 Mr C J Davies acquired a further 122 and 120 shares respectively under the SIG plc SIP

DIRECTORS' EMOLUMENTS (AUDITED)

	Salary and fees £000	Annual performance related bonus £000	Benefits £000	Other £000	2011 Total emoluments £000	2010 Total emoluments £000
Chairman						
L Van de Walle (i)	137	–	–	–	**137**	11
L O Tench (resigned 31 January 2011)	12	–	–	–	**12**	145
Executive						
C J Davies (ii)	533	512	20	–	**1,065**	867
M J Chivers (iii)	275	179	24	179	**657**	538
G W Davies (iv)	305	293	20	428	**1,046**	498
D G Robertson (v)	52	31	12	–	**95**	–
Non-Executive						
J E Ashdown (appointed 11 July 2011)	20	–	–	–	**20**	–
M Ewell (appointed 1 August 2011)	19	–	–	–	**19**	–
C V Geoghegan	53	–	–	–	**53**	52
D A Haxby (resigned 13 May 2010)	–	–	–	–	**–**	17
V Murray (resigned 16 March 2011)	11	–	–	–	**11**	45
J C Nicholls	53	–	–	–	**53**	53
Total	1,470	1 015	76	607	**3,168**	2 226

(i) Mr L Van de Walle was appointed as Chairman with effect from 1 February 2011 Received basic Non–Executive Director fee from date of appointment on 1 October 2010 to 31 January 2011

(ii) Of the amount set out above £170 350 being one-third of Mr C J Davies total annual performance-related bonus will be mandatorily deferred in SIG plc shares and subject to potential claw back

(iii) Mr M J Chivers retired as a Director on 31 December 2011 and left the Company on the same date He received an amount of £178 750 which represented six months base salary and benefits including an employer pension contribution in lieu of notice His annual performance related bonus was based on the Group s performance for 2011 and will be paid to him on 30 March 2012 In accordance with the LTIP rules his outstanding share awards will be pro-rated for the period up to cessation and performance will continue to be measured up to the end of the normal performance period

(iv) Mr G W Davies stepped down as a Director on 30 November 2011 but remained an employee of the Company until 31 December 2011 His salary in the above table is to 31 December 2011 His annual performance related bonus was based on the Groups performance for 2011 and will be paid to him on 30 March 2012 Mr Davies was paid an amount of £427 812 in accordance with the cessation of his employment in lieu of notice, determined by reference to the terms of his service agreement This payment included in addition to one years base salary amounts in respect of employers pension contribution and benefits for those 12 months In accordance with the LTIP rules his outstanding share awards will be pro rated for the period up to cessation and performance will continue to be measured up to the end of the normal performance period

(v) Mr D G Robertson commenced his employment with the Company on 1 November 2011 at a base salary of £315 000 per annum prior to his appointment as a Director on 1 December 2011 Mr Robertson received a payment under the 2011 Annual performance related bonus scheme based on the underlying profit element of the plan only Of the amount set out above £10 230 being one third of Mr Robertson s total annual performance related bonus will be mandatorily deferred in SIG plc shares and subject to potential claw back The salary and fees noted above include all fees since he commenced employment with the Group Mr Robertson s benefits include an amount of £7 875 which was paid into his personal pension plan by way of an employer contribution

The Committee has agreed that no part of the annual performance related bonuses payable to Mr G W Davies and Mr M J Chivers will be payable in SIG shares and will not be subject to the mandatory deferral scheme or potential clawback

There were no expense allowances payable to any Directors

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

DIRECTORS' REMUNERATION REPORT CONTINUED

INCLUDING THE STATEMENT OF REMUNERATION POLICY
FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' PENSIONS (AUDITED)

The following Directors had retirement benefits accruing under the Company s main contributory defined benefit scheme and the Employer Financed Retirement Benefits Scheme ("EFRBS") 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 2011 £000	**Transfer value at 31 December 2011 £000**	Transfer value a 1 January 2011 £000	Contributions made by Executive to the scheme in the year £000	Trans er value (decrease)/ increase after deducting Executive contributions £000
C J Davies	27	24	620	136	**3,587**	2,505	40	1 042
G W Davies	6	3	16	91	**1,813**	1 398	23	392

* 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

NOTES

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

2 Mr C J Davies retired from the main scheme on 8 December 2010 He stopped accruing pension in the main scheme from 1 January 2009 and began accruing benefits in the EFRBS The figures quoted represent his entitlement in both schemes Mr Davies took a pension of £67 500 p a and a cash sum of £450,000 from the main scheme but continues to accrue pension in the EFRBS He also took the option of an increased initial pension in exchange for lower pension increases The disclosure amounts above at 31 December 2011 are in relation to pension only i e cash lump sums paid were in addition to these amounts The pension figures include both the amount of pension paid by the plan and the accrual in the EFRBS

3 Mr M J Chivers took his benefits in 2010 and has accrued no benefits over 2011

4 Transfer values have been calculated in accordance with the Occupational Pension Schemes (Transfer Value) Regulations 1996 and the revised transfer value basis adopted by the Trustees in April 2011

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 Director 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 Contributions made by Executives to the scheme in the year were made by way of salary sacrifice

8 Voluntary contributions paid by Directors and resulting benefits are not shown in the table above

9 The Company makes a payment of 15% of Mr D G Robertson s base salary directly into his Personal Self Invested Personal Pension Plan (SIPP")

DIRECTORS' SHARE OPTIONS (AUDITED)

Ms Ashdown, Mr Ewell, Mr Geoghegan Mr Nicholls and Mr Van de Walle as Non-Executive Directors, 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 2011 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 2011	Granted	Exercised	Lapsed	**At 31 December 2011**	Exercise price per 10p share	Vesting	Exercise	Earliest vesting date	Date exercised	Date on which option expires
Long Term Incentive Plan												
M J Chivers (retired 31 December 2011)												
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
27/04/2011	140 6p	–	195 590	–	–	**195,590**	Nil	–	–	27/04/2014	–	26/04/2021
C J Davies												
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
27/04/2011	140 6p	–	379,000	–	–	**379,000**	Nil	–	–	27/04/2014	–	26/04/2021
G W Davies (stepped down 30 November 2011)												
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**	Nil	–	–	16/09/2012	–	15/09/2019
07/06/2010	110 0p	265 448	–	–	–	**265,448**	Nil	–	–	07/06/2013	–	06/06/2020
27/04/2011	140 6p	–	216 927	–	–	**216,927**	Nil	–	–	27/04/2014	–	26/04/2021
Total		**1,465,027**	**791,517**	**–**	**(130,972)**	**2,125,572**						

2009 LTIP and DABS Awards were subject to the underlying EPS for the year ended 31 December 2011 The EPS growth target for these awards was not met and they will consequently lapse in full in 2012

2010 and 2011 LTIP Awards are subject to the three year cumulative underlying EPS for the period ending 31 December 2012 No share vest for if the EPS is less than or equal to 30p Awards vest in full for EPS of 40p or higher with vesting on a straight line basis between these two points

Mr D G Robertson, who joined the Company on 1 November 2011 and was appointed a Director on 1 December 2011, has not been granted and does not hold any share options

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 2011 was 84 0p and the range during 2011 was 77 0p to 153 3p

The aggregate of the total theoretical gains on options exercised by the Directors during 2011 amounted to £ nil (2010 £ 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
13 March 2012

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 aspects 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 high 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 Auditor s 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 Auditor,
- overseeing the relationship with the external Auditor, including (but not limited to) approving its remuneration assessing annually its independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the Auditor 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 advisors and to obtain its own independent external advice at the Company's expense should it deem it necessary During 2011 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 Auditor, Deloitte LLP or from Ernst & Young LLP who operate the Group s outsourced internal audit function

As part of corporate governance the Committee reviews its own performance annually and considers where improvements can be made The results of this review are reported to the Board

MEMBERSHIP

Throughout 2011 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 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 Ms J E Ashdown Mr M Ewell and Mr C V Geoghegan all have a wide range of business experience which is evidenced by their biographical summaries on page 48 Mrs V Murray was a member of the Committee until her resignation from the Board on 16 March 2011 The Board makes appointments to the Committee 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 2011 the Committee met four times Attendance by individual members of the Committee is disclosed in the table on page 57 The Finance Director (Mr G W Davies (three) and Mr D G Robertson (one)) attended all four of the meetings by invitation of the Committee Chairman The external Auditor attended meetings of the Committee on three occasions The external Auditor has 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 Auditor had confidential discussions with members of the Committee without the Chairman of the Board and the Executive Directors being present on three occasions in 2011 and in March 2012 before the signing off of the 2011 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 2011 The Committee also meets with Ernst & Young LLP without the Executive Directors present and did so on two occasions in 2011

WORK OF THE COMMITTEE

The main activities of the Committee in 2011 were as follows,

- with the assistance of reports received from management and the external auditor, the critical review of the significant financial reporting issues in connection with the preparation of the Company's financial statements These included impairment of non-current assets post-employment benefits taxation provisions and rebates payable and receivable
- assessing the scope and effectiveness of the systems established to identify assess, manage and monitor financial and non-financial risks The Groups risk identification and management process is fully set out on pages 30 to 33 of the Business Review,
- monitoring the integrity of the Company s internal financial controls
- reviewing the Group s Whistleblowing Policy
- 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 auditor, 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 Auditor and
- reviews and makes a recommendation concerning the reappointment of the external Auditor

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

INTERNAL AUDIT

The Internal Audit function provides independent assurance to senior management and the Board on the adequacy and effectiveness of SIG s risk management framework Internal Audit forms an independent and objective assessment as to whether risks have been adequately identified adequate internal controls are in place to manage those risks and those controls are working effectively The results of all assignments have been reported to the Audit Committee during the year Any areas of weakness that are identified through this process prompt a detailed action plan and a follow up audit check to establish that actions have been completed No significant failings or weaknesses were identified during the year

The Audit Committee notes that the Company operates a control self assessment ("CSA) internal control process to support the internal audit process This process is summarised in the Corporate Governance Report on page 59

EXTERNAL AUDITOR

The Board is aware of the need to maintain an appropriate degree of independence and objectivity on the part of the Group s external Auditor The external Auditor 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 Auditor which was operated during 2011 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 Auditor s 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 Auditor cannot be engaged to perform any assignment where the output is then subject to their review as external Auditor The Committee regularly reviews an analysis of all services provided by the external Auditor The policy is reviewed annually by the Committee and is approved by the Board

The total sum invoiced to the Group by its external Auditor for non-audit services provided in 2011 was £0 2m (2010 £0 1m) The total sum invoiced by them for audit services in respect of the same period was £1 2m (2010 £1 2m)

The external Auditor report to the Committee each year on the actions taken to comply with professional and regulatory requirements and best practice designed to ensure its independence including the rotation of key members of the external audit team Deloitte LLP has formally confirmed its independence to the Board in respect of the period covered by these financial statements Deloitte LLP was invited to propose for the global audit of SIG plc in 2005 and was appointed, having previously been the auditor of certain of the Group's operations from 2003, succeeding Arthur Andersen

The current lead audit partner took over the audit as from the year ended 31 December 2008 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 Auditor 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 Auditor

On behalf of the Board

Jonathan Nicholls
Chairman of the Audit Committee
13 March 2012

GROUP ACCOUNTS

PREPARED IN ACCORDANCE WITH IFRS

GROUP ACCOUNTS

73 CONSOLIDATED INCOME STATEMENT

74 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

75 CONSOLIDATED BALANCE SHEET

76 CONSOLIDATED CASH FLOW STATEMENT

77 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

78 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

83 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

84 NOTES TO THE ACCOUNTS

114 INDEPENDENT AUDITOR S REPORT

115 FIVE YEAR SUMMARY

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Before other items* 2011 £m	Other items* 2011 £m	Total 2011 £m	Before other items* 2010 £m	Other items* 2010 £m	Total 2010 £m
Revenue	1	**2,744 8**	**63 6**	**2,808 4**	2,545 4	122 6	2 668 0
Cost of sales	2	**(2,042 3)**	**(39 5)**	**(2,081 8)**	(1,899 1)	(76 3)	(1,975 4)
Gross profit		**702 5**	**24 1**	**726 6**	646 3	46 3	692 6
Other operating expenses	2	**(606 9)**	**(94 1)**	**(701 0)**	(568 5)	(178 7)	(747 2)
Operating profit/(loss)	4	**95 6**	**(70 0)**	**25 6**	77 8	(132 4)	(54 6)
Finance income	3	**7 4**	**–**	**7 4**	7 8	–	7 8
Finance costs	3	**(21 2)**	**(4 2)**	**(25 4)**	(21 4)	(12 6)	(34 0)
Profit/(loss) before tax and loss of associate		**81 8**	**(74 2)**	**7 6**	64 2	(145 0)	(80 8)
Share of loss of associate	11	**(0 1)**	**–**	**(0 1)**	–	–	–
Profit/(loss) before tax		**81 7**	**(74 2)**	**7 5**	64 2	(145 0)	(80 8)
Income tax (expense)/credit	6	**(25 7)**	**18 2**	**(7 5)**	(20 1)	24 1	4 0
(Loss)/profit after tax		**56 0**	**(56 0)**	**(0 0)**	44 1	(120 9)	(76 8)
Attributable to							
Equity holders of the Company		**55 7**	**(56 0)**	**(0 3)**	43 8	(120 9)	(77 1)
Non-controlling interests		**0 3**	**–**	**0 3**	0 3	–	0 3
Earnings per share							
Basic (loss)/earnings per share	8	**9 4p**	**(9 4p)**	**(0.0p)**	7 4p	(20 4p)	(13 0p)
Diluted (loss)/earnings per share	8	**9 4p**	**(9 4p)**	**(0 0p)**	7 4p	(20 4p)	(13 0p)

* "Other items" relate to the amortisation of acquired intangibles impairment charges, restructuring costs profit and loss arising on the sale of businesses trading profits and losses associated with disposed businesses 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 details can be found in Note 2 and within the Statement of Significant Accounting Policies on page 79

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 2011

	Note	2011 £m	2010 £m
Loss after tax		**(0 0)**	(76 8)
Other comprehensive (expense)/income			
Exchange difference on retranslation of foreign currency goodwill and intangibles		**(9 6)**	(8 8)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)		**(14 7)**	(6 8)
Exchange and fair value movements associated with borrowings and derivative financial instruments		**3 6**	3 2
Tax charge on exchange and fair value movements arising on borrowings and derivative financial instruments		**(0 9)**	(0 9)
Gains and losses on cash flow hedges		**(5 2)**	6 8
Transfer to profit and loss on cash flow hedges		**3 9**	12 6
Actuarial loss on defined benefit pension schemes	29c	**(21 8)**	(1 8)
Deferred tax movement associated with actuarial loss	29c	**5 4**	0 5
Effect of change in rate on deferred tax		**(0 3)**	(0 2)
Other comprehensive (expense)/income		**(39 6)**	4 6
Total comprehensive expense		**(39 6)**	(72 2)
Attributable to			
Equity holders of the Company		**(39 9)**	(72 5)
Non-controlling interests		**0 3**	0 3
		(39 6)	(72 2)

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 2011

	Note	2011 £m	2010 £m
Non-current assets			
Property, plant and equipment	10	**142 7**	183 6
Interest in associate	11	**1 5**	1 6
Goodwill	13	**431 4**	447 1
Intangible assets	14	**62 7**	92 2
Deferred tax assets	23	**35 7**	28 7
Derivative financial instruments		**52 7**	52 0
		726 7	805 2
Current assets			
Inventories	15	**223 4**	230 9
Trade receivables	16	**366 6**	373 9
Other receivables	16	**25 6**	24 8
Cash and cash equivalents		**126 9**	129 5
		742 5	759 1
Total assets		**1,469 2**	1,564 3
Current liabilities			
Trade and other payables	17	**342 3**	347 6
Obligations under finance lease contracts	17	**1 8**	1 7
Bank overdrafts	17	**4 0**	2 5
Bank loans	17	**2 9**	31 2
Private placement notes	17	**–**	49 1
Derivative financial instruments	17	**–**	4 9
Deferred consideration	17	**5 4**	–
Current tax liabilities	17	**7 7**	0 1
Provisions	17	**14 6**	12 7
		378 7	449 8
Non-current liabilities			
Obligations under finance lease contracts	18	**5 5**	5 5
Bank loans	18	**0 2**	0 3
Private placement notes	18	**265 2**	263 6
Derivative financial instruments	18	**10 5**	7 7
Deferred tax liabilities	18	**20 8**	26 5
Other payables	18	**5 0**	5 5
Retirement benefit obligations	18	**44 5**	25 2
Provisions	18	**31 3**	28 8
		383 0	363 1
Total liabilities		**761 7**	812 9
Net assets		**707 5**	751 4
Capital and reserves			
Called up share capital	25	**59 1**	59 1
Share premium account		**447 0**	447 0
Capital redemption reserve		**0 3**	0 3
Share option reserve		**1 2**	1 0
Hedging and translation reserve		**11 2**	32 8
Retained profits		**187 7**	209 3
Attributable to equity holders of the Company		**706 5**	749 5
Non-controlling interests		**1 0**	1 9
Total equity		**707 5**	751 4

The Accounts were approved by the Board of Directors on 13 March 2012 and signed on its behalf by

Chris Davies
Director

Doug Robertson
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 2011

	Note	2011 £m	2010 £m
Net cash flow from operating activities			
Cash generated from operating activities	26	**96 1**	98 8
Borrowing costs paid		**(16 2)**	(15 6)
Interest received		**1 4**	2 1
Income tax paid		**(10 2)**	(13 4)
Net cash generated from operating activities		**71 1**	71 9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(16 4)**	(16 8)
Proceeds from sale of property, plant and equipment		**2 6**	4 8
Proceeds from sale of businesses	12	**30 6**	–
Settlement of amounts payable for purchase of businesses		**(1 4)**	(0 9)
Investment in associate		–	(1 6)
Net cash generated from/(used in) investing activities		**15 4**	(14 5)
Cash flows from financing activities			
Capital element of finance lease rental payments		**(1 5)**	(1 9)
Repayment of loans/settlement of derivative financial instruments		**(81 6)**	(143 4)
Dividend paid to equity holders of the Company	7	**(4 4)**	–
Dividend payments to non-controlling interests		**(0 1)**	(0 4)
Net cash used in financing activities		**(87 6)**	(145 7)
Decrease in cash and cash equivalents in the year	27	**(1 1)**	(88 3)
Cash and cash equivalents at beginning of year	28	**127 0**	216 9
Effect of foreign exchange rate changes		**(3 0)**	(1 6)
Cash and cash equivalents at end of year	28	**122 9**	127 0

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 2011

	Called up share capital £m	Share premium account £m	Capital redemption 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 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 (expense)/income									
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 and fair value movements 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
Loss after tax	–	–	–	–	–	(0 3)	(0 3)	0 3	(0 0)
Other comprehensive (expense)/income									
Exchange difference on retranslation of foreign currency goodwill and intangibles	–	–	–	–	(9 6)	–	(9 6)	–	(9 6)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	–	–	–	–	(14 7)	–	(14 7)	–	(14 7)
Exchange and fair value movements associated with borrowings and derivative financial instruments	–	–	–	–	3 6	–	3 6	–	3 6
Tax charge on exchange and fair value movements arising on borrowings and derivative financial instruments	–	–	–	–	(0 9)	–	(0 9)	–	(0 9)
Gains and losses on cash flow hedges	–	–	–	–	–	(5 2)	(5 2)	–	(5 2)
Transfer to profit and loss on cash flow hedges	–	–	–	–	–	3 9	3 9	–	3 9
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	(21 8)	(21 8)	–	(21 8)
Deferred tax movement associated with actuarial loss	–	–	–	–	–	5 4	5 4	–	5 4
Effect of change in rate on deferred tax	–	–	–	–	–	(0 3)	(0 3)	–	(0 3)
Total comprehensive (expense)/income	–	–	–	–	(21 6)	(18 3)	(39 9)	0 3	(39 6)
Credit to share option reserve	–	–	–	0 2	–	–	0 2	–	0 2
Purchase of non-controlling interest shareholdings	–	–	–	–	–	1 1	1 1	(1 1)	–
Dividend payments to non-controlling interest	–	–	–	–	–	–	–	(0 1)	(0 1)
Dividends paid to equity holders of the Company	–	–	–	–	–	(4 4)	(4 4)	–	(4 4)
At 31 December 2011	**59 1**	**447 0**	**0 3**	**1 2**	**11.2**	**187 7**	**706 5**	**1 0**	**707 5**

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 page 81

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 2011 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 ("EU") and therefore the Group Accounts comply with Article 4 of the EU IAS Regulation

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 pages 36 and 37

The following significant change to accounting standards has been adopted in the current period but has had no material impact on the Accounts

- "Improvements to IFRS 2010" – effective for accounting periods beginning on or after 1 January 2011

At the date of authorisation of these Accounts, the following significant standards and interpretations which have not been applied in these Accounts were in issue but not yet effective (and in some cases have not yet been adopted by the EU)

- IFRS 7 "Financial Instruments Disclosures" – effective for accounting periods beginning on or after 1 July 2011,
- IFRS 9 "Financial Instruments" – effective for accounting periods beginning on or after 1 January 2013,
- IFRS 10 Consolidated Financial Statements – effective for accounting periods beginning on or after 1 January 2013
- IFRS 11 "Joint Arrangements" – effective for accounting periods beginning on or after 1 January 2013,
- IFRS 12 "Disclosure of Interests in Other Entities" – effective for accounting periods beginning on or after 1 January 2013
- IFRS 13 "Fair Value Measurement – effective for accounting periods beginning on or after 1 January 2013
- IAS 1 "Presentation of Financial Statements" – effective for accounting periods beginning on or after 1 July 2012
- IAS 12 "Income Taxes" – effective for accounting periods beginning on or after 1 January 2012
- IAS 19 (revised) "Employee Benefits – effective for accounting periods beginning on or after 1 January 2013
- IAS 27 "Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" – effective for accounting periods beginning on or after 1 January 2013,
- IAS 28 "Investments in Associates and Joint Ventures" – effective for accounting periods beginning on or after 1 January 2013 and
- "Improvements to IFRS 2011" – effective for accounting periods beginning on or after 1 January 2013

The Directors do not expect that the adoption of the standards listed above will have a material impact on the Accounts in future periods, except as follows

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments and
- IAS 19 (revised) will impact the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures, but not the Group s total obligation It is likely that following the replacement of expected returns on plan assets with a net finance cost in the Consolidated Income Statement, the profit for the period will be reduced and accordingly Other Comprehensive Income increased

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 minority 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

The profit and loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the previous carrying amount of the net assets (including goodwill and intangible assets) of the businesses

All results are from continuing operations under International Accounting Standards as the businesses disposed of in 2011 did not meet the disclosure criteria of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as they did not represent a separate major line of business or geographical area of operations In order to give an indication of the underlying earnings of the group the results of these businesses have been included in the middle column of the Consolidated Income Statement entitled "Other items"

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
- profit and loss arising on the sale of businesses,
- trading profits and losses associated with disposed businesses and
- gains and losses on derivative financial instruments

The prior year comparatives have been re-analysed to present the results of the businesses divested in the year within "Other items"

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

INTANGIBLES

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 software

The Group is currently amortising customer relationships over 7 4 years on average

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 impairments and disposals in the year only customer relationship assets have a net book value which is subject to amortisation

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 and other allowances, VAT and other sales-related taxes Revenue from the sale of goods is recognised when the goods have been received by the customer

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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 using 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 uncollectable 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 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 interest rate 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 gains and 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 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 forecast 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 liab lities 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 forecast 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 non-financial liability If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability 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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 within "Other items" Gains or losses from remeasuring the derivative financial instruments are recognised immediately in the Consolidated Income Statement within "Other items"

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 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

DIVIDENDS

Dividends proposed by the Board of Directors that have not been paid by the end of the year are not recognised in the Accounts until they have been approved by the Shareholders at the Annual General Meeting

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the Accounts

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 to reflect the operational gearing of the business The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money for the Group For those businesses not based in the UK or Western Europe the cash flows are risk adjusted to reflect 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 further 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 sales 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 13

Impairments are allocated initially against the value of any goodwill and intangible assets held within a CGU, with any remaining impairment applied to property plant and equipment on a pro rata basis

The carrying amount of non-current assets at 31 December 2011 was £726 7m (2010 £805 2m) As a result of impairment reviews performed on all CGUs in the year one CGU has been impaired to reflect the recoverable amount Details of the impairment is disclosed within Note 13 on pages 95 and 96

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 Policies on page 80, 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 29c on pages 111 to 113

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 appl cable 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

PROVISIONS

Using information available at the balance sheet date including third party advice when available the Directors make judgements based on experience on the level of provision required to satisfy all onerous lease and dilapidation commitments to account for potential uncollectable receivables and unsaleable inventory

REBATES PAYABLE AND RECEIVABLE

The Group has a number of customer and supplier rebate agreements, with the amounts 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 based upon prices volumes and product mix

NOTES TO THE ACCOUNTS

1 REVENUE AND SEGMENTAL INFORMATION

REVENUE

An analysis of the Group s revenue is as follows

	2011 £m	2010 £m
Sale of goods	**2,808 4**	2,668 0
Total revenue	**2,808 4**	2 668 0
Finance income	**7 4**	7 8
Total income	**2,815 8**	2 675 8

SEGMENTAL INFORMATION

(A) SEGMENTAL RESULTS

Following the adoption of IFRS 8 "Operating Segments" the Group identifies 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

	2011 UK and Ireland £m	2011 Mainland Europe £m	2011 Eliminations £m	2011 Total £m	2010 UK and Ireland £m	2010 Mainland Europe £m	2010 Eliminations £m	2010 Total £m
Revenue								
Continuing sales	**1,201 0**	**1,543 8**	–	**2,744 8**	1 158 6	1 386 8	–	2,545 4
Sales attributable to businesses divested in 2011	**63 6**	–	–	**63 6**	122 6	–	–	122 6
Inter-segment sales*	**0 6**	**5 5**	**(6 1)**	**–**	0 1	4 3	(4 4)	–
Total revenue	**1,265 2**	**1,549 3**	**(6 1)**	**2,808 4**	1 281 3	1 391 1	(4 4)	2,668 0
Result								
Segment result before other items ^	**49 6**	**53 5**	–	**103 1**	41 7	42 5	–	84 2
Amortisation of acquired intangibles and impairment charges	**(15 1)**	**(20 5)**	–	**(35 6)**	(87 4)	(21 5)	–	(108 9)
Restructuring costs	**(11 0)**	**(1 0)**	–	**(12 0)**	(20 5)	(1 3)	–	(21 8)
Net loss on sale of businesses and associated impairment charges	**(22 7)**	**–**	–	**(22 7)**	–	–	–	–
Operating profit/(loss) attributable to businesses divested in 2011	**0 3**	**–**	–	**0 3**	(1 7)	–	–	(1 7)
Segment operating profit/(loss)	**1 1**	**32 0**	–	**33 1**	(67 9)	19 7	–	(48 2)
Parent company costs				**(7 5)**				(6 4)
Operating profit/(loss)				**25 6**				(54 6)
Net finance costs				**(13 8)**				(13 6)
Net losses on derivative financial instruments				**(4 2)**				(12 6)
Share of loss of associate				**(0 1)**				–
Profit/(loss) before tax				**7 5**				(80 8)
Income tax (expense)/credit				**(7 5)**				4 0
Non-controlling interests				**(0 3)**				(0 3)
Loss for the period				**(0 3)**				(77 1)
Balance sheet								
Assets								
Segment assets	**631 8**	**731 4**	–	**1,363 2**	677 2	785 7	–	1,462 9
Unallocated assets								
Derivative financial instruments				**52 7**				52 0
Cash and cash equivalents				**50 8**				47 2
Other items				**2 5**				2 2
Consolidated total assets				**1,469 2**				1,564 3

* Inter segment sales are charged at the prevailing market rates

^ "Other items" relate to the amortisation of acquired intangibles impairment charges restructuring costs profit and loss arising on the sale of businesses and trading profits and losses associated with disposed businesses

1. REVENUE AND SEGMENTAL INFORMATION CONTINUED

SEGMENTAL INFORMATION CONTINUED

(A) SEGMENTAL RESULTS CONTINUED

	2011 UK and Ireland £m	2011 Mainland Europe £m	2011 Eliminations £m	2011 Total £m	2010 UK and Ireland £m	2010 Mainland Europe £m	2010 Eliminations £m	2010 Total £m
Liabilities								
Segment liabilities	**297 6**	**179 9**	–	**477 5**	262 5	182 7	–	445 2
Unallocated liabilities								
Bank loans and overdrafts				–				24 7
Private placement notes				**265 2**				312 7
Derivative financial instruments				**10 5**				12 6
Other items				**8 5**				17 7
Consolidated total liabilities				**761 7**				812 9
Other segment information								
Capital expenditure on								
Property, plant and equipment	**9 3**	**8 8**	–	**18 1**	9 6	7 2	–	16 8
Investment in associate	–	–	–	–	1 6	–	–	1 6
Goodwill	–	–	–	–	(0 5)	–	–	(0 5)
Non-cash expenditure								
Depreciation	**15 4**	**14 0**	–	**29 4**	21 2	14 8	–	36 0
Impairment of property, plant and equipment	**0 3**	–	–	**0 3**	3 8	–	–	3 8
Impairment charges in respect of businesses disposed of in 2011	**21 1**	–	–	**21 1**	–	–	–	–
Amortisation of acquired intangibles	**15 1**	**9 5**	–	**24 6**	19 0	9 5	–	28 5
Impairment of goodwill and intangibles	–	**11 0**	–	**11 0**	68 4	12 0	–	80 4

(B) REVENUE BY PRODUCT GROUP

The Group now focuses its activities into three product sectors Insulation and Energy Management Interiors, and Exteriors

The following table provides an analysis of Group sales by type of product

	2011 £m	2010 £m
Insulation and Energy Management	**1,251 7**	1 152 6
Interiors	**604 5**	584 1
Exteriors	**888 6**	808 7
Total continuing	**2,744 8**	2 545 4
Attributable to businesses divested in 2011	**63 6**	122 6
Total	**2,808 4**	2 668 0

(C) GEOGRAPHIC INFORMATION

The Group's revenue from external customers and its non-current assets (including property, plant and equipment goodwill and intangible assets but excluding deferred tax and derivative financial instruments) by geographical location are as follows

Country	2011 Revenue £m	2011 Non-current assets ^ £m	2010 Revenue £m	2010 Non-current assets ^ £m
United Kingdom	**1,123 7**	**285 3**	1 082 0	328 7
Ireland	**77 3**	**1 0**	76 6	1 1
France	**605 2**	**237 2**	528 4	252 8
Germany and Austria	**616 6**	**56 5**	565 0	62 9
Poland	**134 3**	**16 1**	123 1	19 8
Benelux*	**156 4**	**40 7**	142 4	44 2
Central Europe	**31 3**	**1 5**	27 9	15 0
Total continuing	**2,744 8**	**638.3**	2,545 4	724 5
Attributable to businesses divested in 2011	**63 6**		122 6	
Total	**2,808 4**		2,668 0	

* Includes international air conditioning and air handling business (headquartered in the Netherlands)

^ 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

	2011 Before other items* £m	2011 Other items* £m	2011 Total £m	2010 Before other items* £m	2010 Other items* £m	2010 Total £m
Cost of sales	**2,042 3**	**39 5**	**2,081 8**	1,899 1	76 3	1,975 4
Other operating expenses						
– distribution costs	**223 2**	**9 4**	**232.6**	215 4	17 4	232 8
– selling and marketing costs	**232 3**	**6 3**	**238.6**	209 4	14 2	223 6
– administrative expenses	**151 4**	**78 4**	**229.8**	143 7	147 1	290 8
	606 9	**94 1**	**701 0**	568 5	178 7	747 2

* "Other items" relate to the amortisation of acquired intangibles impairment charges restructuring costs profit and loss arising on the sale of businesses trading profits and losses associated with disposed businesses and gains and losses on derivative financial instruments

Operating profit/(loss) includes the following 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

	2011 £m	2010 £m
Amortisation of acquired intangibles (Note 14)	**(24 6)**	(28 5)
Goodwill and intangible asset impairment charges*	**(11 0)**	(80 4)
Net loss arising on the sale of businesses and associated impairment charges (Note 12)	**(22 7)**	–
Operating profit/(loss) attributable to businesses divested in 2011	**0 3**	(1 7)
Restructuring costs^	**(12 0)**	(21 8)
Impact on operating profit	**(70 0)**	(132 4)
Fair value losses on derivative financial instruments	**(4 2)**	(12 6)
Loss before tax	**(74 2)**	(145 0)
Income tax credit	**18 2**	24 1
Loss after tax	**(56 0)**	(120 9)

* Included within impairment charges are £7 0m in respect of goodwill (2010 £51 8m) and £4 0m in respect of intangible assets (2010 £28 6m)

^ Included within restructuring costs are redundancy costs of £3 0m (2010 £4 4m) property closure costs of £8 7m (2010 £10 0m) asset write down costs of £0 3m (2010 £3 8m) and other items of £ nil (2010 £3 6m)

3. FINANCE INCOME AND FINANCE COSTS

	2011 £m	2010 £m
Finance income		
Interest on bank deposits	**1 4**	2 1
Finance income on pension scheme assets	**6.0**	5 7
Total finance income	**7 4**	7 8
Finance costs		
On bank loans overdrafts and other items	**3 7**	2 8
On private placement notes	**10 1**	11 3
Interest on obligations under finance lease contracts	**1 0**	1 1
Finance charge on pension scheme liabilities	**6 4**	6 2
Finance costs before losses on derivative financial instruments	**21 2**	21 4
Fair value losses on derivative financial instruments	**4 2**	12 6
Total finance costs	**25 4**	34 0
Net finance costs	**18 0**	26 2

4 PROFIT/(LOSS) BEFORE TAX

	2011 £m	2010 £m
Profit/(loss) before tax is stated after crediting		
Foreign exchange rate gains*	–	0 1
Decrease in provision for inventories	**2 6**	–
Gain arising on disposal of business (Note 12)	**5 4**	–
Gains on disposal of property, plant and equipment	**0.1**	1 2
And after charging:		
Cost of inventories recognised as an expense	**2,059 7**	1 947 3
Depreciation of property, plant and equipment		
– owned	**26 7**	33 6
– held under finance leases and hire purchase agreements	**2 7**	2 4
Amortisation of acquired intangibles	**24 6**	28 5
Operating lease rentals		
– land and buildings	**47 5**	52 3
– plant and machinery	**15 4**	7 3
Auditor remuneration for audit services	**1 2**	1 2
Non-audit fees	**0 2**	0 1
Increase in provision for inventories	–	1 5
Increase in provision for receivables	**8 1**	10 8
Foreign exchange rate losses*	**0 7**	0 1
Fair value losses on derivative financial instruments	**4 2**	12 6
Goodwill and intangible asset impairment charges	**11 0**	80 4
Losses arising on disposal of businesses (Note 12)	**28 1**	–
Restructuring costs	**12 0**	21 8
Staff costs (Note 5)	**366 1**	359 9

* Excludes gains and losses incurred as a result of applying IAS 39 "Financial Instruments: Recognition and Measurement"

A more detailed analysis of Auditor remuneration is provided below

	2011 Deloitte LLP £m	2010 Deloitte LLP £m
Audit services		
Fees payable to the Company's Auditor for the audit of the Company's consolidated accounts	**0 1**	0 1
Fees payable to the Company's Auditor and their associates for other services to the Group		
– for the audit of the Company's subsidiaries pursuant to legislation	**1 1**	1 1
Total audit fees	**1 2**	1 2
Audit-related assurance services	**0 1**	–
Other services	**0 1**	0 1
Total non-audit fees	**0 2**	0 1
Total fees	**1 4**	1 3

In addition to the audit fees above are amounts payable to the Company's Auditor in respect of associated pension schemes of £10 000 (2010 £10 000)

The Report of the Audit Committee on pages 70 and 71 provides an explanation of how Auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditor

5 STAFF COSTS

Particulars of employees (including Directors) are shown below

	2011 £m	2010 £m
Employee costs during the year amounted to		
Wages and salaries	**306 6**	302 1
Social security costs	**51 8**	50 2
IFRS 2 share option charge	**0 2**	0 4
Other pension costs (Note 29c)	**7 5**	7 2
	366 1	359 9

Of the pension costs noted above £2 6m (2010 £2 4m) relates to defined benefit schemes and £4 9m (2010 £4 8m) 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

	2011 Number	2010 Number
Production	**1,476**	1,684
Distribution	**3,859**	3 962
Sales	**4,156**	4,175
Administration	**1,614**	1,687
	11,105	11 508

DIRECTORS' EMOLUMENTS

Details of the individual Director's emoluments are given in the Directors' Remuneration Report on page 67

The employee costs shown above include the following emoluments in respect of Directors of the Company

	2011 £m	2010 £m
Directors remuneration (excluding IFRS 2 share option charge)	**3 2**	2 2

6. INCOME TAX

The income tax expense/(credit) comprises

	2011 £m	2010 £m
Current tax		
UK Corporation tax		
– on profits/(losses) for the year	–	(2 1)
– adjustments in respect of previous years	**(1 7)**	(0 2)
	(1 7)	(2 3)
Overseas taxation		
– on profits/(losses) for the year	**16 4**	11 6
– adjustments in respect of previous years	**0 6**	(0 1)
Total current tax	**15 3**	9 2
Deferred taxation		
Current year	**(8 5)**	(13 2)
Adjustments in respect of previous years	**(0 9)**	–
Deferred tax charge in respect of pension schemes	**0 8**	0 2
Change in rate	**0 8**	(0 2)
Total deferred tax	**(7 8)**	(13 2)
Total income tax expense/(credit)	**7 5**	(4 0)

The total tax charge for the year differs from that resulting from applying the standard rate of corporate tax in the UK at 31 December 2011 of 26 0% (31 December 2010 28 0%) The differences are explained in the following reconciliation

	2011 £m	2011 %	2010 £m	2010 %
Profit/(loss) on ordinary activities before tax	**7 5**		(80 8)	
Tax at 26 0% (2010 28 0%) thereon	**2 0**	**26 0**	(22 6)	28 0
Factors affecting the income tax expense/(credit) for the year				
– non-deductible and non-taxable items	**1 2**	**16 0**	1 2	(1 5)
– impairment charges not deductible for tax	**1 8**	**24 4**	17 9	(22 1)
– losses not recognised	**2 0**	**26 7**	0 7	(0 9)
– losses utilised not previously recognised	**(2 7)**	**(36 0)**	(3 1)	3 8
– other adjustments in respect of previous years	**(2 0)**	**(26 7)**	(0 3)	0 4
– effect of overseas tax rates	**4 4**	**58 7**	2 4	(3 0)
– effect of change in rate	**0 8**	**10 9**	(0 2)	0 3
Total income tax expense/(credit)	**7 5**	**100 0**	(4 0)	5 0

The effective tax rate for the Group on the total profit before tax of £7 5m is 100 0% (2010 5 0%) The effective tax charge for the Group on profit before tax before the amortisation of acquired intangibles, impairment charges restructuring costs profits and losses arising on the sale of businesses trading profits and losses associated with disposed businesses and gains and losses on derivative financial instruments of £74 2m is 31 5% (2010 31 3%) which comprises a charge of 32 5% (2010 32 9%) in respect of current year profits and a tax credit of 1 0% (2010 1 6%) in respect of previous 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 26%) and Ireland/Poland/Netherlands/Czech Republic/Slovakia (corporate tax rates less than 26%) 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 a corresponding reduction in cash tax payments) of unrecognised deferred tax assets (see Note 23)

In addition to the amounts charged to the Consolidated Income Statement the following amounts in relation to taxes have been credited/(charged) directly to equity and are shown in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity

	2011 £m	2010 £m
Deferred tax movement associated with actuarial loss	**5 4**	0 5
Current and deferred tax on share options	**–**	0 2
Tax charge on exchange and fair value movements arising on borrowings and derivative financial instruments	**(0 9)**	(0 9)
Change in rate	**(0 3)**	(0 2)
	4 2	(0 4)

7 DIVIDENDS

An interim dividend of 0 75p per ordinary share was paid on 4 November 2011 (2010 nil p) The Directors have proposed a final dividend for the year ended 31 December 2011 of 1 5p per ordinary share (2010 nil p) No dividends have been paid between 31 December 2011 and the date of signing the Accounts

8 EARNINGS PER SHARE

The calculations of earnings per share are based on the following (losses)/profits and numbers of shares

	Basic and diluted	
	2011 £m	2010 £m
Loss after tax	**(0 0)**	(76 8)
Non-controlling interests	**(0 3)**	(0 3)
	(0 3)	(77 1)

	Basic and diluted before other items*	
	2011 £m	2010 £m
Loss after tax	**(0 0)**	(76 8)
Non-controlling interests	**(0 3)**	(0 3)
Amortisation of acquired intangibles	**24 6**	28 5
Goodwill and intangible asset impairment charges	**11 0**	80 4
Net loss arising on the sale of businesses (Note 12)	**22.7**	–
Operating (profit)/loss attributable to businesses divested in 2011	**(0 3)**	1 7
Restructuring costs	**12 0**	21 8
Fair value losses on derivative financial instruments	**4.2**	12 6
Tax credit relating to other items*	**(18 2)**	(24 1)
	55.7	43 8

* "Other items" relate to the amortisation of acquired intangibles impairment charges restructuring costs net losses arising on the sale of businesses trading profits and losses associated with disposed businesses and gains and losses on derivative financial instruments

Weighted average number of shares

	Total 2011 Number	Total 2010 Number
For basic earnings per share	**590,829,339**	590 829,339
Exercise of share options	**3,703,528**	2,333 789
For diluted earnings per share	**594,532,867**	593 163 128

NOTES TO THE ACCOUNTS CONTINUED

8. EARNINGS PER SHARE CONTINUED

	2011	2010
Total basic loss per share	**(0 0p)**	(13 0p)
Total diluted loss per share	**(0 0p)**	(13 0p)
Earnings per share before other items ^		
Total basic earnings per share	**9 4p**	7 4p
Total diluted earnings per share	**9 4p**	7 4p

^ Earnings per share before "Other items" has been 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 £24 6m (2010 £28 5m) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items"

(b) goodwill and intangible asset impairment charges of £11 0m (2010 £80 4m) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items"

(c) net losses arising on the sale of businesses of £22 7m (2010 £ nil) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items"

(d) operating profits attributable to businesses divested in 2011 of £0 3m (2010 losses of £1 7m) are included within the column of the Consolidated Income Statement entitled Other items"

(e) restructuring costs of £12 0m (2010 £21 8m) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items"

(f) fair value losses on derivative financial instruments of £4 2m (2010 £12 6m) are included as finance costs within the column of the Consolidated Income Statement entitled "Other items" and

(g) the "Other items" give rise to tax as disclosed in the table below

	2011			2010		
	Other items £m	Tax impact £m	%	Other items £m	Tax impact £m	%
Amortisation of acquired intangibles	**24 6**	**6 0**	**24 4**	28 5	8 0	28 0
Goodwill and intangible asset impairment charges	**11 0**	**1 1**	**10 0**	80 4	4 3	5 3
Net loss arising on the sale of businesses	**22 7**	**4 6**	**20 3**	–	–	–
Operating (profit)/loss attributable to businesses divested in 2011	**(0 3)**	**(0 1)**	**33 3**	1 7	0 4	28 0
Restructuring costs	**12 0**	**2 5**	**20 8**	21 8	4 8	22 0
Fair value losses on derivative financial instruments	**4 2**	**1 1**	**26 5**	12 6	3 5	28 0
Utilisation of losses not previously recognised	–	**3 8**	–	–	2 9	–
Effect of change in tax rates	–	**(0 8)**	–	–	0 2	–
	74 2	**18 2**	**24 5**	145 0	24 1	16 6

9. SHARE-BASED PAYMENTS

The Group had five share-based payment schemes in existence during the year ended 31 December 2011 (2010 five) The Group recognised a total charge of £0 2m (2010 £0 4m) 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 126p (2010 89p) 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") since 2005 as approved at the 2004 Annual General Meeting (see below)

	2011		2010	
SAYE options (issued after 7 November 2002)	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
Outstanding at beginning of the year	**667,876**	**127 7**	99 216	315 0
Granted during the year	**–**	**–**	568 660	95 0
Lapsed during the year	**(153,603)**	**237 1**	–	–
Outstanding at the end of the year	**514,273**	**95 0**	667,876	127 7

Of the above share options outstanding at the end of the year, none (2010 1,549) are exercisable at 31 December 2011

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 95 0p (2010 127 7p) and a weighted average remaining contractual life of 1 0 years (2010 2 5 years) No options were exercised in the year

The assumptions used in the Black-Scholes model in relation to the SAYE options granted in the prior year are as follows

	Shares granted in 2010
Share price (on date of official grant)	100p (20 October 2010)
Exercise price	95p
Expected volatility	56 0%
Actual life	3 and 5 years
Risk free rate	4 5%
Dividend	0 0p
Expected percentage options exercised versus granted at date of grant	
– 3 years	50%
– 5 years	50%
Revised expectation of percentage of options to be exercised as at 31 December 2011	
– 3 years	50%
– 5 years	50%

No SAYE options were granted during the year

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

	2011		2010	
ESOS (issued after 7 November 2002)	**Options**	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at beginning of the year	**41,159**	**169 7***	41 159	169 7*
Outstanding at the end of the year	**41,159**	**169 7**	41 159	169 7

* Adjusted to reflect the impact of the placing and open offer and firm placing in 2009

No ESOS options were granted in the period 2004 to 2011

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 options exercised versus granted at date of grant	95%
Revised expectation of percentage of options to be exercised as at 31 December 2011	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

2010 AND 2011 LTIP CRITERIA

Awards under the 2010 and 2011 LTIP scheme 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 and 2011 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 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

	2011		2010	
LTIP options (issued after 7 November 2002)	**Options**	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at beginning of the year	**2,211,325**	**0 0**	814 574	0 0
Granted during the year	**1,106,021**	**0 0**	1,459 751	0 0
Lapsed during the year	**(168,005)**	**0 0**	(63,000)	0 0
Outstanding at the end of the year	**3,149,341**	**0 0**	2 211 325	0 0

Of the above share options outstanding at the end of the year 5 707 (2010 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 (2010 nil p) and a weighted average remaining contractual life of 1 6 years (2010 2 1 years) No options were exercised in the year

The assumptions used in the Black-Scholes model in relation to the LTIP options are as follows

	Shares granted in		
	2011	2010	2009
Share price (on date of official grant)	**139p (27 April 2011)**	110p (7 June 2010)	134p (15 September 2009)
Exercise price	**0 0p**	0 0p	0 0p
Expected volatility	**147 0%**	51 0%	46 0%
Actual life	**3 years**	3 years	3 years
Risk free rate	**4 5%**	4 5%	4 5%
Dividend	**0 0p**	0 0p	0 0p
Expected percentage options exercised versus granted at date of grant	**60%**	50%	100%
Revised expectation of percentage of options to be exercised as at 31 December 2011	**60%**	25%	0%

The fair value of LTIP options granted during the year was 126p

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)	2011	2010
Outstanding at beginning of the year	**69,684**	82 847
Lapsed during the year	**(29,770)**	(13,163)
Outstanding at the end of the year	**39,914**	69 684

All DABS are nil paid options and therefore options outstanding at the balance sheet date had a weighted average exercise price of nil p and a weighted average remaining contractual life of 0 6 years (2010 0 7 years)

Of the above options outstanding at the end of the year 5 184 (2010 5 184) are exercisable at the balance sheet date No options were exercised in the year

The assumptions used in the Black-Scholes model in relation to the DABS options are as follows

	Shares granted in 2009
Share price (on date of official grant)	134p (15 September 2009)
Exercise price of matching shares	0 0p
Expected volatility	46 0%
Actual life	3 years
Risk free rate	4 5%
Dividend	0 0p
Expected percentage options exercised versus granted at date of grant	100%
Revised expectation of percentage of options to be exercised as at 31 December 2011	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 a 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 2011 50 635 (2010 48 622) 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 2010	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
Exchange difference	(2 2)	(0 9)	(5 0)	(8 1)
Additions	0 6	1 3	16 2	18 1
Disposals	(3 0)	(0 8)	(35 7)	(39 5)
At 31 December 2011	**85 7**	**37 5**	**211 2**	**334.4**
Accumulated depreciation and impairment				
At 1 January 2010	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
Charge for the year	1 7	2 7	25 0	29 4
Impairment charges	2 1	0 5	8 8	11 4
Exchange difference	(0 8)	(0 6)	(4 0)	(5 4)
Disposals	(0 2)	(0 6)	(23 2)	(24 0)
At 31 December 2011	**19 6**	**19 0**	**153 1**	**191 7**
Net book value				
At 31 December 2011	**66 1**	**18 5**	**58 1**	**142 7**
At 31 December 2010	73 5	20 9	89 2	183 6

The net book value of plant and machinery includes an amount of £5 9m (2010 £6 8m) in respect of assets held under finance lease contracts

Of the impairment charges £11 1m (2010 £ nil) relates to the disposal of the Group s UK Interiors Manufacturing business and £0 3m (2010 £3 8m) relates to asset write downs arising from the Group s cost saving and restructuring programme

11. INTEREST IN ASSOCIATE

The Group s share of operating income/(expense) arising from its interest in associate Ice Energy Technologies Limited (Ice), for the year ended 31 December 2011 was a loss of £0 1m (2010 £ nil) which has been recognised on the face of the Consolidated Income Statement

The only material transaction between SIG plc and its associate is a loan made by SIG plc to Ice amounting to £1 2m as at 31 December 2011 (31 December 2010 £1 2m) which is included within other receivables Interest receivable on the loan for the year was £51 000 (2010 £24 000) The loan is due for repayment in 2013

Ice purchased goods and services from SIG plc's subsidiary undertakings amounting to £1 2m in 2011 (2010 £ nil) of which £0 8m was outstanding as at 31 December 2011 (2010 £ nil)

The current accounting period for Ice ends on 31 March 2012 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

The Group has a call option to purchase the remaining 75% shareholding of Ice in two phases, 26% in 2013, and the remaining 49% in 2015

12 DIVESTMENTS

During the period the Company sold the trade and assets of its UK Scaffolding business (30 April 2011), its UK Safety & Workwear business (1 June 2011) and its UK Interiors Manufacturing business (1 August 2011) for a total consideration net of expenses of £30 6m, resulting in a net loss on disposal (including impairment charges of £21 1m) of £22 7m The combined net assets of these businesses at disposal were as follows

	At the date of disposal £m	31 December 2010 £m
Property plant and equipment	**13 0**	22 9
Inventories	**8 6**	12 8
Trade and other receivables	**32 1**	25 3
Trade and other payables	**(21 5)**	(15 0)
	32 2	46 0
Expenses	**2 5**	
Loss on disposal	**(1 6)**	
Total consideration (satisfied by cash)	**33 1**	
Loss on disposal (per above)	**(1 6)**	
Impairment charges and other costs in respect of the UK Interiors Manufacturing business	**(21 1)**	
Total loss arising on the sale of businesses	**(22 7)**	
Profit/(loss) by business		
UK Safety & Workwear	**5 4**	
UK Scaffolding	**(6 9)**	
UK Interiors Manufacturing	**(21 2)**	
	(22 7)	

The net loss arising from the sale of the businesses of £1 6m, together with the impairment charges of £21 1m and the results for these businesses in the current and comparative periods have been disclosed within "Other items" in the Consolidated Income Statement All three businesses form part of the UK and Ireland reported segment as disclosed in Note 1

13 GOODWILL

	£m
Cost	
At 1 January 2010	570 5
Exchange difference	(9 0)
Adjustments in respect of prior period acquisitions	(0 5)
At 31 December 2010	561 0
Exchange difference	(9 3)
Disposals	(32 1)
At 31 December 2011	**519 6**
Accumulated impairment losses	
At 1 January 2010	63 6
Impairment losses for the year	51 8
Exchange difference	(1 5)
At 31 December 2010	113 9
Impairment losses for the year	7 0
Disposals	(32 1)
Exchange difference	(0 6)
At 31 December 2011	**88 2**
Net book value	
At 31 December 2011	**431 4**
At 31 December 2010	447 1

The disposals relate to the divestment of the Group's UK Interiors Manufacturing and UK Scaffolding businesses The net book value of goodwill at the date of disposal for these businesses was £ nil

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

NOTES TO THE ACCOUNTS CONTINUED

13. GOODWILL CONTINUED

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 to reflect the operational gearing of the Group The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money for the Group For those businesses not based in the UK or Western Europe the cash flows are risk adjusted to reflect 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 further 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 sales 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%

The most recent results of the impairment review process indicated that the carrying value of goodwill in one of the Group s CGUs Central Europe is currently unsupportable and that an impairment is necessary

2011 IMPAIRMENT REVIEW RESULTS

While sales have grown strongly (more than 10%) in the Group s Central European business in 2011 given the extremely challenging economic environment in this region, exacerbated by the current Eurozone crisis the recovery is now anticipated to take longer than previously envisaged This worsening outlook has therefore adversely affected projected future cash flows to the extent that the Directors have concluded that the remaining carrying value of goodwill of £7 0m and intangible assets of £4 0m are no longer supportable The Group s value in use calculation indicates an impairment in full which has been charged to the Consolidated Income Statement within Other items"

SENSITIVITY ANALYSIS

The Group currently has 13 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 turnover has been determined as a reasonably possible change for the purposes of the disclosure requirements of IAS 36 "Impairment of Assets"

If a 5% reduction in revenue were to arise from that forecast in the goodwill impairment reviews, no further impairments would arise although in one CGU, Lanvière the remaining headroom would be relatively low The Board has actively reviewed the forecast associated with Lanvière, noting its continued pattern of strong growth and are satisfied that no impairment is necessary

SUMMARY ANALYSIS

Following these impairments, the recoverable amounts of goodwill in respect of all CGUs are fully supported by the value in use calculations in the year and are as follows

	2011 £m	2010 £m
UK Distribution	**83 4**	83 4
UK Roofing and External Elements	**80 8**	80 8
UK Specialist Construction Products	**22 6**	22 6
Poland	**8 7**	10 2
Lanvière	**165 2**	170 4
German Roofing	**19 0**	19 6
Central Europe	**–**	7 3
Air Trade Centre	**11 4**	13 8
Total	**391 1**	408 1
Other CGUs	**40 3**	39 0
Total goodwill	**431 4**	447 1

14 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 2010 and 2011 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 2010	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
Disposals	(24 7)	(12 6)	–	(0 1)	(37 4)
Exchange difference	(1 1)	–	–	–	(1 1)
At 31 December 2011	**182 2**	**–**	**10 9**	**–**	**193 1**
Amortisation					
At 1 January 2010	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
Charge for the year	24 0	–	0 6	–	24 6
Impairment losses for the year	4 0	–	–	–	4 0
Disposals	(24 7)	(12 6)	–	(0 1)	(37 4)
Exchange difference	(0 2)	–	–	–	(0 2)
At 31 December 2011	**119 5**	**–**	**10 9**	**–**	**130 4**
Net book value					
At 31 December 2011	**62 7**	**–**	**–**	**–**	**62 7**
At 31 December 2010	91 6	–	0 6	–	92 2

Amortisation of acquired intangibles is included in the Consolidated Income Statement as part of operating expenses and is classified within Other items"

As a result of the annual impairment reviews referred to in Note 13 the Directors have decided that the carrying value of the intangible assets in relation to the Group s Central Europe business is no longer supportable This has led to an impairment charge of £4 0m relating to customer relationship assets The basis for this impairment is detailed in Note 13

The disposals relate to the divestment of the Group s UK Interiors Manufacturing and UK Scaffolding businesses The net book value of intangible assets at both 31 December 2010 and at the date of disposal for these businesses was £ nil

The weighted average amortisation period for each category of intangible asset is disclosed in the Statement of Significant Accounting Policies on page 79

15. INVENTORIES

	2011 £m	2010 £m
Raw materials and consumables	**3 4**	10 2
Work in progress	**0 3**	1 0
Finished goods and goods for resale	**219 7**	219 7
	223 4	230 9

The estimated replacement cost of inventories is not materially different from the balance sheet value stated above

NOTES TO THE ACCOUNTS CONTINUED

16 TRADE AND OTHER RECEIVABLES

	2011 £m	2010 £m
Trade receivables	**366 6**	373 9
VAT	**3 1**	3 3
Other receivables	**7 9**	6 0
Prepayments and accrued income	**14 6**	15 5
Other receivables	**25 6**	24 8
Trade and other receivables	**392.2**	398 7

The average credit period on sale of goods and services for continuing operations on a constant currency basis is 42 days (2010 42 days) No interest is charged on receivables An allowance has been made for estimated irrecoverable amounts from the sale of goods of £31 1m at 31 December 2011 (2010 £34 5m) 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 £107 7m (2010 £103 8m) which are past due at the reporting date for which the Group has not provided for, 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 27 days overdue (2010 28 days)

AGEING ANALYSIS OF TRADE RECEIVABLES FOR WHICH NO PROVISION FOR IMPAIRMENT HAS BEEN MADE

	2011 £m	2010 £m
Neither past due or renegotiated	**242 9**	249 5
Renegotiated	**–**	–
Balances overdue which have no provision for impairment		
1–30 days	**77 4**	76 5
31–60 days	**24 0**	19 6
61–90 days	**2 8**	4 0
91–120 days	**1 5**	1 2
121–180 days	**1 3**	1 3
180+ days	**0 7**	1 2
	107 7	103 8
Total trade receivables	**350 6**	353 3

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2011 £m	2010 £m
Beginning of year	**(34 5)**	(35 0)
Utilised	**10 1**	10 3
Disposals	**0 4**	–
Charged to the Consolidated Income Statement	**(8 1)**	(10 8)
Exchange differences	**1 0**	1 0
End of year	**(31 1)**	(34 5)

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 £47 1m (2010 £55 1m) and a provision for impairment of £31 1m (2010 £34 5m) 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

17. CURRENT LIABILITIES

	2011 £m	2010 £m
Trade and other payables		
Trade payables	**212 8**	220 9
Bills of exchange payable	**11 8**	12 4
VAT	**19 0**	8 8
Social security and payroll taxes	**15 0**	15 5
Accruals and deferred income	**83 7**	90 0
Trade and other payables	**342.3**	347 6
Obligations under finance lease contracts (Note 24)	**1 8**	1 7
Bank overdrafts	**4 0**	2 5
Bank loans	**2 9**	31 2
Private placement notes	**–**	49 1
Derivative financial instruments	**–**	4 9
Deferred consideration	**5 4**	–
Current tax liabilities	**7 7**	0 1
Provisions (Note 22)	**14 6**	12 7
Current liabilities	**378 7**	449 8

£4 9m (2010 £2 9m) of the above Group bank loans and overdrafts are secured on the assets of subsidiary undertakings and £ nil (2010 £25 1m) is guaranteed by certain companies of the Group All of the above private placement notes and derivative financial instruments are guaranteed by certain companies of the Group The remaining balances are unsecured

The bank overdrafts are repayable on demand and attract floating rates of interest which at 31 December 2011 ranged from 0 7% to 4 6% (2010 3 0%)

£7 8m (2010 £31 0m) of the bank loans and deferred consideration due within one year (after taking into account derivative financial instruments) are at variable rates of interest

£0 5m (2010 £0 2m) of the bank loans and deferred consideration due within one year (after taking into account derivative financial instruments) attract an average fixed interest rate of 5 1% (2010 4 0%)

Trade payables accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases for continuing operations on a constant currency basis is 34 days (2010 35 days)

The Directors consider that the carrying amount of current liabilities approximates to their fair value

18. NON-CURRENT LIABILITIES

	2011 £m	2010 £m
Obligations under finance lease contracts (Note 24)		
– due after one and within two years	**1 9**	1 7
– due after two and within five years	**3 1**	3 4
– due after five years	**0 5**	0 4
Bank loans	**0 2**	0 3
Private placement notes	**265 2**	263 6
Derivative financial instruments	**10 5**	7 7
Deferred tax liabilities (Note 23)	**20 8**	26 5
Other payables	**5 0**	5 5
Retirement benefit obligations (Note 29c)	**44 5**	25 2
Provisions (Note 22)	**31 3**	28 8
Non-current liabilities	**383 0**	363 1

	2011 £m	2010 £m
The bank loans included above are repayable as follows		
– due after one and within two years	**0 1**	0 1
– due after two and within five years	**0 1**	0 2
	0 2	0 3

Of the above bank loans £0 1m (2010 £0 2m) 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 and derivative financial instruments £275 7m (2010 £271 3m) is guaranteed by certain companies of the Group

£0 1m (2010 £0 2m) of the bank loans due after one year (after taking into account derivative financial instruments) attract an average fixed rate of interest of 6 6% (2010 6 4%) The remaining bank loans due after one year of £0 1m (2010 £0 1m) are at variable rates of interest

NOTES TO THE ACCOUNTS CONTINUED

18 NON-CURRENT LIABILITIES CONTINUED

Details of the private placement notes (before applying associated derivative financial instruments) are as follows

	2011 £m	2011 Fixed interest rate %	2010 £m	2010 Fixed interest rate %
Repaid in 2011	–	–	49 1	7 3%
Repayable in 2013	**85 3**	**5 0%**	87 2	4 9%
Repayable in 2016	**155 5**	**5 8%**	153 6	5 9%
Repayable in 2018	**24 4**	**4 8%**	22 8	5 1%
	265 2	**5 5%**	312 7	5 8%

The Directors consider that the carrying amount of non-current liabilities approximates to their fair value

As noted in the Business Review on page 35 in March 2011 the Group signed a new £250m four year bank facility, at which point the Group s existing UK bank debt facilities were cancelled and repaid using cash held on deposit

19 FINANCIAL INSTRUMENTS

The Treasury Risk Management section of the Business Review on pages 34 to 36 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 28

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

	2011 £m	2010 £m
Cash at bank (including cash deposits repayable on demand)	**126 9**	129 5
Derivative financial instruments	**52 7**	52 0
	179 6	181 5

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 £45 4m is denominated in Sterling, £65 8m in Euros £12 6m in Polish Zloty £1 9m in Czech Koruna £0 5m in US Dollars and £0 7m in other currencies

2011 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group s financial liabilities at 31 December 2011 after taking account of interest rate and currency derivative financial instruments (including derivative assets of £52 7m 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**	**139 5**	**14 4**	**125 1**	**4 3%**	**4 9**	–	**139.5**
Private placement notes	**Euro**	**83 5**	**50 3**	**33 2**	**4 5%**	**1 8**	–	**83.5**
Other borrowings	**Euro**	**11 8**	**11 2**	**0 6**	**5 2%**	**1 6**	**4 3**	**7 5**
Finance lease contracts	**Euro**	**6 9**	–	**6 9**	**6 0%**	**3 2**	**6 9**	–
Other borrowings	**PLN**	**0 3**	**0 3**	–	**N/A**	**N/A**	**0 3**	–
Finance lease contracts	**PLN**	**0 4**	–	**0 4**	**7 4%**	**5 0**	**0 4**	–
Other borrowings	**HUF**	**0 4**	**0 4**	–	**N/A**	**N/A**	**0 4**	–
Total		**242 8**	**76 6**	**166 2**			**12 3**	**230 5**

In addition to the currency exposures above, the Group has entered into two short term currency derivative financial instruments which alter the currency profile of the Group's financial liabilities A net investment hedge amounting to an asset of £44 4m and a liability of €53 0m was entered into on 31 December 2011 at market rates and therefore the fair value is deemed to equate to its book value of £ nil A currency derivative financial instrument which swapped CZK denominated financial liabilities into Sterling denominated financial liabilities was entered into on 31 December 2011 this amounted to an asset of £1 0m and a liability of CZK30 2m the fair value of this derivative financial instrument is a liability of less than £0 1m The Group's net debt at 31 December 2011 was £115 9m, of which £80 8m is denominated in Euros

All of the above finance lease contracts totalling £7 3m, 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 9m 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

19. FINANCIAL INSTRUMENTS CONTINUED

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 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	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	8 1%	2 8	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 had 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 was 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 was denominated in Euros

All of the above finance lease contracts totalling £7 2m, were 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 approximated to the amount in the value of the financial liabilities above The remaining fixed rate debt amounted to £7 6m and related 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 2011 and 2010 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 7m (2010 £52 0m) and loans and receivables (including cash and cash equivalents) of £494 7m (2010 £504 6m)

Included within financial liabilities are derivative financial instruments in designated hedge accounting relationships amounting to £10 5m (2010 £12 6m) and liabilities (including trade payables) at amortised cost of £497 8m (2010 £574 8m)

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 (for cash flow and net investment hedges) 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 overleaf are categorised as Level 2

NOTES TO THE ACCOUNTS CONTINUED

19. FINANCIAL INSTRUMENTS CONTINUED
HEDGING RELATIONSHIPS CONTINUED

(A) NET INVESTMENT HEDGES

As at 31 December 2011 the Group had entered into one (31 December 2010 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 2011 the Group had entered into one (31 December 2010 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	2011 £m	2010 £m
Liability at 1 January	**(7 7)**	(9 2)
Fair value gains recognised in equity	**0 9**	1 5
Liability at 31 December	**(6 8)**	(7 7)

(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 2011 the Group had entered into three (31 December 2010 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 2011 the Group had entered into one (31 December 2010 one) cross-currency interest rate derivative financial instrument which swaps fixed rate US Dollar denominated debt 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 2011 the weighted average maturity date of these swaps is 4 2 years (2010 4 0 years)

Hedge of the Group s functional currency cash flows	2011 £m	2010 £m
Asset at 1 January	**36 6**	25 0
Fair value gains recognised in equity	**5 8**	11 6
Asset at 31 December	**42 4**	36 6

As at 31 December 2011, the Group had entered into four (31 December 2010 four) 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 2011 the weighted average maturity date of these swaps is 4 8 years (2010 5 8 years)

Hedge of the Group s functional currency cash flows	2011 £m	2010 £m
Asset at 1 January	**1 4**	–
Fair value (losses)/gains recognised in equity	**(5 0)**	1 4
(Liability)/asset at 31 December	**(3 6)**	1 4

The following table reconciles the net fair value gain recognised in equity on cash flow hedges as noted above of £0 8m (2010 £13 0m) to the loss on cash flow hedges recorded in the Consolidated Statement of Comprehensive Income of £1 3m (2010 gain of £19 4m)

	2011 £m	2010 £m
Movement in cash flow hedges recognised in equity	**0 8**	13 0
Movement in the hedged item	**(6 0)**	(6 2)
Spreading charge associated with cancellation of cash flow hedges	**3 9**	12 6
Total movement relating to cash flow hedges included in the Consolidated Statement of Comprehensive Income	**(1.3)**	19 4

19 FINANCIAL INSTRUMENTS CONTINUED
HEDGING RELATIONSHIPS CONTINUED
(C) FAIR VALUE HEDGES

As at 31 December 2011 the Group had entered into three (31 December 2010 three) derivative financial instruments which hedge the fair value of the fixed interest private placement notes 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

Hedge of the fair value of fixed interest borrowings	2011 £m	2010 £m
Asset at 1 January	**9 1**	7 2
Fair value gains recognised in the Consolidated Income Statement	**1 1**	1 9
Asset at 31 December	**10 2**	9 1

The following table reconciles the losses on derivative financial instruments recognised directly in the Consolidated Income Statement to the movements in derivative financial instruments noted above

	2011 £m	2010 £m
Fair value gains on derivative financial instruments recognised in the Consolidated Income Statement	**(1.1)**	1 9
Fair value losses attributable to the hedged item recognised in the Consolidated Income Statement	**1 1**	(1 9)
Hedge ineffectiveness recognised in the Consolidated Income Statement	**0 3**	–
Spreading charge associated with cancellation of cash flow hedges	**3 9**	12 6
Total losses on derivative financial instruments included in the Consolidated Income Statement	**4 2**	12 6

20. 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 2011 was as follows

	2011 £m	2010 £m
In one year or less	**14 1**	89 4
In more than one year but not more than two years	**85 6**	1 8
In more than two years but not more than five years	**118 7**	88 8
In more than five years	**24 4**	134 5
Total	**242 8**	314 5

BORROWING FACILITIES

The Group had undrawn committed borrowing facilities at 31 December 2011 as follows

	2011 £m	2010 £m
Expiring in less than one year	**–**	100 0
Expiring in more than one year but not more than two years	**–**	–
Expiring in more than two years but not more than five years	**250 0**	75 0
Total	**250 0**	175 0

As at 31 December 2011 the Group had £484m of UK committed facilities of which £250m were undrawn as disclosed above £10m has been drawn down since the year end

As noted in the Business Review on page 35 in March 2011 the Group signed a new £250m four year bank facility at which point the Group s existing UK bank debt facilities were cancelled and repaid using cash held on deposit

NOTES TO THE ACCOUNTS CONTINUED

20. 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 Given this is a maturity analysis all trade payables (including amongst other items payroll and sales tax accruals which are not classified as financial instruments) have been included

2011 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	342 3	342 3	–	–	–	342 3
Obligations under finance lease contracts	1 8	2 0	–	–	–	2 0
Bank overdrafts	4 0	4 0	–	–	–	4 0
Bank loans	2 9	3 0	–	–	–	3 0
Deferred consideration	5 4	5 4	–	–	–	5 4
Total	**356 4**	**356 7**	**–**	**–**	**–**	**356 7**
Non-current liabilities						
Obligations under finance lease contracts	5 5	0 7	2 3	3 2	0 6	6 8
Bank loans	0 2	–	0 1	0 1	–	0 2
Private placement notes	265 2	14 5	96 2	181 1	22 1	313 9
Derivative financial instruments ^	10 5	2 4	35 7	2 5	1 3	41 9
Total	**281 4**	**17 6**	**134 3**	**186 9**	**24 0**	**362 8**
Total liabilities	**637 8**	**374 3**	**134 3**	**186 9**	**24 0**	**719 5**
Other						
Derivative financial instrument assets	(52 7)	(6 6)	(11 5)	(35 7)	(1 3)	(55 1)
Cash and cash equivalents	(126 9)	(126 9)	–	–	–	(126 9)
Derivative financial instruments ^	–	(1 6)	(28 3)	–	–	(29 9)
Total	**(179 6)**	**(135 1)**	**(39 8)**	**(35 7)**	**(1 3)**	**(211 9)**
Grand total	**458 2**	**239 2**	**94 5**	**151 2**	**22 7**	**507 6**

^ 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 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

2010 ANALYSIS

	Balance sheet value £m	Maturity analysis < 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**

^ 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

21 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

2011 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 2)**	**0 2**[(i)]	**(0 1)**	**0 1**[(iv)]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0 3)**	**0 3**
Other equity	**6.2**	**(6 6)**[(ii)]	**0 6**	**(0 6)**[(iv)]	**(7.5)**	**7 9**[(iii)]	**–**	**–**	**–**	**–**	**–**	**–**	**(0 7)**	**0 7**
Total Shareholders' equity	**6 0**	**(6 4)**	**0 5**	**(0 5)**	**(7 5)**	**7 9**	**–**	**–**	**–**	**–**	**–**	**–**	**(1 0)**	**1 0**

The movements noted above are described below, being mainly attributable to

(i) floating rate Sterling debt and cash deposits,

(ii) mark-to-market valuation changes in the fair value of 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

NOTES TO THE ACCOUNTS CONTINUED

21. SENSITIVITY ANALYSIS CONTINUED
(A) INTEREST RATE SENSITIVITY CONTINUED
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[v]	–	–	–	–	–	–	(3 3)	3 4
Total Shareholders' equity	4 7	(5 1)	0 1	(0 1)	(9 1)	9 6	–	–	–	–	–	–	(4 3)	4 4

The movements noted above are described below being mainly attributable to

(i) floating rate Sterling debt and cash deposits,

(ii) mark-to-market valuation changes in the fair value of 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

2011 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)[ii]**	–	–[iv]	–	–[iv]	–	–[iv]	–	–	**0 4**	**(0 5)**
Other equity	**1 9**	**(1 6)[iii]**	**(3 0)**	**3 7[iii]**	**(1 2)**	**1 4[ii]**	**(0 3)**	**0 4[ii]**	–	–	**(2 6)**	**3 9**
Total Shareholders' equity	**2 3**	**(2 1)**	**(3 0)**	**3 7**	**(1 2)**	**1 4**	**(0 3)**	**0 4**	–	–	**(2 2)**	**3 4**
Total assets and liabilities*												
Profit or loss	**(3 3)**	**2 5[iv]**	–	–	**(0 1)**	**0 1[iv]**	**0 1**	**(0 3)[iv]**	–	–	**(3 3)**	**2 3**
Other equity	**(30 2)**	**39 2[iv]**	**(3 0)**	**3 7[iii]**	**(3 3)**	**4 1[iv]**	**(0 4)**	**1 2[iv]**	–	–	**(36 9)**	**48 2**
Total Shareholders' equity	**(33 5)**	**41 7**	**(3 0)**	**3 7**	**(3 4)**	**4.2**	**(0 3)**	**0 9**	–	–	**(40 2)**	**50 5**

* 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 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 SENSITIVITY ANALYSIS CONTINUED
(B) FOREIGN CURRENCY SENSITIVITY CONTINUED
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(iii)	(1 2)	1 5(iv)	(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)	–	–	–	–(iv)	0 2	(0 5)(iv)	–	–	(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 disdosed

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 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

22. PROVISIONS FOR LIABILITIES AND CHARGES

	2011 Onerous leases £m	2011 Leasehold dilapidations £m	2011 Contingent consideration £m	2011 Other amounts £m	2011 Total £m
Beginning of year	**20 8**	**16 8**	**0 4**	**3 5**	**41 5**
Unused amounts reversed in the period	**(2 5)**	**–**	**(0 1)**	**(0 2)**	**(2 8)**
Utilised	**(6 6)**	**(1 2)**	**(0 1)**	**(0 1)**	**(8 0)**
New provisions	**11 4**	**0 9**	**–**	**3 2**	**15 5**
Transferred from accruals	**0 2**	**–**	**–**	**–**	**0 2**
Exchange difference	**(0 4)**	**–**	**–**	**(0 1)**	**(0 5)**
End of year	**22 9**	**16 5**	**0 2**	**6 3**	**45 9**

	2011 £m	2010 £m
Included in current liabilities	**14 6**	12 7
Included in non-current liabilities	**31.3**	28 8
	45.9	41 5

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 29

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 29

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 claims and warranty provisions The transfer of economic benefit is expected to be made between one and three years time

NOTES TO THE ACCOUNTS CONTINUED

23 DEFERRED TAX

The net deferred tax asset at the end of the year is analysed as follows

	2011 £m	2010 £m
Deferred tax assets	**35 7**	28 7
Deferred tax liabilities	**(20 8)**	(26 5)
Net deferred tax asset	**14 9**	2 2

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 are 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 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
Credit/(charge) to income	7 8	3 1	(1 1)	(0 8)	(0 6)	(0 6)	7 8
Credit to equity	–	–	–	5 4	–	–	5 4
Exchange difference	–	0 1	(0 3)	–	(0 1)	0 1	(0 2)
Change of rate	–	–	–	(0 3)	–	–	(0 3)
As at 31 December 2011	**(14 0)**	**7 5**	**12 2**	**9 7**	**0 5**	**(1 0)**	**14 9**

The deferred tax credit for 2011 includes a charge of £0 8m arising from the reduction in the rate of UK corporation tax to 25% which comes into effect on 1 April 2012

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 2011 During the year the Group has utilised £14m (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 £94m (2010 £108m) 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 £13m (2010 £8m) 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 £5m and Poland of £1m expire after five years the tax losses in Slovakia of £1m expire after seven years and the tax losses in The Netherlands of £2m expire after nine years The remaining tax losses of £4m may be carried forward indefinitely

The total gross value of unrecognised tax losses at 31 December 2011 therefore amounted to £107m (2010 £116m)

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 £27m (2010 £30m) 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

24. OBLIGATIONS UNDER FINANCE LEASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	2011 £m	2010 £m	2011 £m	2010 £m
Amounts payable under finance lease contracts				
– within one year	**2 0**	1 8	**1 8**	1 7
– after one year and within five years	**6 0**	6 5	**5 0**	5 1
– after five years	**0 6**	0 5	**0 5**	0 4
	8 6	8 8	**7 3**	7 2
Less future finance charges	**1 3**	1 6		
Present value of lease obligations	**7 3**	7 2		

The Group leases certain of its motor vehicles fixtures and equipment under finance lease contracts

The average remaining lease term is 3 3 years (2010 2 7 years) For the year ended 31 December 2011, the average effective borrowing rate was 6 0% (2010 8 0%) Interest rates are fixed at the contract date

The carrying amount of the Group's lease obligations approximates to their fair value

25. CALLED UP SHARE CAPITAL

	2011 £m	2010 £m
Authorised		
800 000 000 ordinary shares of 10p each (2010 800,000 000)	**80 0**	80 0
Allotted called up and fully paid		
590 829 339 ordinary shares of 10p each (2010 590 829 339)	**59 1**	59 1

No shares were allotted during the current or preceding year

The Company has one class of ordinary share which carries no right to fixed income

At 31 December 2011 the following share options were outstanding

	Number of shares							
Scheme and date of grant	At 31 December 2010	Granted	Exercised	Lapsed	**At 31 December 2011**	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
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
14/04/2008	156,839	–	–	(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
27/04/2011	–	1,106,021	–	–	**1,106,021**	0 00p	27/04/2014	26/04/2021
1997 Executive Share Option Scheme								
11/04/2003	41,159	–	–	–	**41,159**	169 68p	11/04/2006	10/04/2013
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	568 660	–	–	(54 387)	**514,273**	95 00p	01/12/2013	30/06/2015
Total	2,990,044	1 106 021	–	(351,378)	**3,744,687**			

26. RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATING ACTIVITIES

	2011 £m	2010 £m
Operating profit/(loss)	**25.6**	(54 6)
Depreciation charge	**29 4**	36 0
Impairment of property plant and equipment (excluding UK Interiors Manufacturing business)	**0 3**	3 8
Impairment and other costs associated with the disposal of the UK Interiors Manufacturing business (Note 12)	**21 1**	–
Net loss arising on the sale of businesses (Note 12)	**1 6**	–
Amortisation of acquired intangibles	**24 6**	28 5
Goodwill and intangible asset impairment charges	**11 0**	80 4
Profit on sale of property, plant and equipment	**(0 1)**	(1 2)
Share-based payments	**0 2**	0 4
Loan to associate	–	(1 2)
Working capital movements		
Increase in inventories	**(9 8)**	(7 7)
(Increase)/decrease in receivables	**(33 7)**	9 1
Increase in payables	**25 9**	5 3
Cash generated from operating activities	**96 1**	98 8

Included within the cash generated from operating activities is cash paid in respect of current year and prior year restructuring costs of £12 4m (2010 £19 3m)

Also included within the cash generated from operating activities is a one-off defined benefit pension scheme employers contribution of £2 4m (2010 £ nil)

NOTES TO THE ACCOUNTS CONTINUED

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	2011 £m	2010 £m
Decrease in cash and cash equivalents in the year	**(1.1)**	(88 3)
Cash flow from decrease in debt	**81.3**	145 3
Decrease in net debt resulting from cash flows	**80 2**	57 0
Non-cash items ^	**(12 2)**	6 9
Exchange difference	**1 1**	5 6
Decrease in net debt in the year	**69 1**	69 5
Net debt at beginning of year	**(185 0)**	(254 5)
Net debt at end of year	**(115 9)**	(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 and the recognition of deferred consideration payable in January 2012 (see Note 30)

In March 2011 the Group signed a new £250m four year bank facility at which point the Group s existing UK bank debt facilities were cancelled and repaid using cash held on deposit

28 ANALYSIS OF NET DEBT

	At 31 December 2010 £m	Cash flows £m	Non-cash items ^ £m	Exchange difference £m	At 31 December 2011 £m
Cash and cash equivalents	129 5	0 5	–	(3 1)	**126 9**
Overdrafts	(2 5)	(1 6)	–	0 1	**(4 0)**
	127 0	(1 1)	–	(3 0)	**122 9**
Financial assets – derivative financial instruments	52 0	–	0 7	–	**52 7**
Debts due within one year	(85 2)	80 7	(5 4)	1 6	**(8 3)**
Debts due after one year	(271 6)	0 9	(7 5)	2 3	**(275 9)**
Finance lease contracts	(7 2)	(0 3)	–	0 2	**(7 3)**
Net debt	(185 0)	80 2	(12 2)	1 1	**(115 9)**

^ 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 and the recognition of deferred consideration payable in January 2012 (see Note 30)

29 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(A) CAPITAL COMMITMENTS

	2011 £m	2010 £m
Contracted but not provided for	**1 5**	2 1

(B) LEASE COMMITMENTS

The Group leases a number of its premises under operating leases which expire between 2012 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

	2011 £m	2010 £m
Minimum lease rentals due		
– within one year	**48 4**	46 8
– after one year and within five years	**136 4**	118 6
– after five years	**86 2**	105 9
	271 0	271 3

The Group also leases certain items of plant and machinery whose total future minimum lease rentals under the foregoing leases are as follows

	2011 £m	2010 £m
Minimum lease rentals due		
– within one year	**11 9**	8 9
– after one year and within five years	**19 3**	17 1
– after five years	**0 4**	0 4
	31 6	26 4

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED
(C) PENSION SCHEMES

The Group operates a number of pension schemes, five (2010 five) of which provide defined benefits based on final pensionable salary Of these schemes one (2010 one) has assets held in a separate trustee administered fund and four (2010 four) are overseas book reserve schemes The Group also operates a number of defined contribution schemes all of which are independently managed

In the Netherlands the company participates in the industry-wide pension plan for the construction materials industry ("BPF HiBiN") The pension plan classifies as a multi-employer plan under IAS 19 The multi-employer scheme is a defined benefit scheme but is recognised in the Accounts as a defined contribution scheme since the pension fund is not able to provide sufficient information to allow the assets and liabilities to be separately identified in relation to SIG plc Therefore the Group's pension expense for this scheme for the year is the required contribution for that year

The coverage ratio of the multi-employer union plan decreased to 97 8% as at 31 December 2011 (2010 102 1%) Because of the low coverage ratio BPF HiBiN prepared and executed a recovery plan which was approved by the Dutch Central Bank. Due to the low coverage ratio the pension premium percentage increased to 22 2% from 2010 onwards (previously 20 2%) The coverage ratio is calculated by dividing the fund s assets by the total sum of pension liabilities and is based upon market interest rates

The Group's total pension charge for the year amounted to £7 5m (2010 £7 2m) of which £2 6m (2010 £2 4m) related to defined benefit pension schemes and £4 9m (2010 £4 8m) 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 benefits 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

A formal actuarial valuation as at 31 December 2010 is currently being performed and it is anticipated that this will be finalised by 31 March 2012

The other four schemes are book reserve 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 6m (2010 £2 4m) 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 2011 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 reserve 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

	2011 £m	2010 £m
Pension liability before taxation	**(44 5)**	(25 2)
Related deferred tax asset	**9 7**	5 4
Pension liability after taxation	**(34 8)**	(19 8)

The actuarial loss of £2 1 8m (2010 £1 8m) for the year together with the associated deferred tax credit of £5 4m (2010 £0 5m) and deferred tax charge of £0 3m (2010 £0 2m) in respect of the change in the UK standard rate of tax to 25% effective from 1 April 2012, has been recognised in the Consolidated Statement of Comprehensive Income The remaining deferred tax charge of £0 8m (2010 charge of £0 2m) 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 £40 0m (2010 £18 2m)

Of the above pension liability before taxation, £38 8m (2010 £20 2m) relates to wholly or partly funded schemes and £5 7m (2010 £5 0m) relates to unfunded schemes

The movement in the pension liability before taxation in the year can be summarised as follows

	2011 £m	2010 £m
Pension liability at beginning of year	**(25 2)**	(24 0)
Current service cost	**(2.2)**	(1 9)
Contributions	**4 9**	2 8
Net finance cost	**(0 4)**	(0 5)
Actuarial loss	**(21 8)**	(1 8)
Exchange difference	**0 2**	0 2
Pension liability at end of year	**(44 5)**	(25 2)

Contributions of approximately £9 4m are expected to be paid to the plan during the annual period beginning 1 January 2012

NOTES TO THE ACCOUNTS CONTINUED

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED
(C) PENSION SCHEMES CONTINUED
CONSOLIDATED BALANCE SHEET LIABILITY CONTINUED

The principal assumptions used for the IAS 19 actuarial valuation of the schemes were

	2011 %	2010 %	2009 %
Rate of increase in salaries	**3 5**	3 9	4 5
Rate of fixed increase of pensions in payment	**3.5**	3 9	4 5
Rate of increase LPI pensions in payment	**3.0**	3 4	3 5
Discount rate	**4 7**	5 4	5 7
Inflation assumption	**3 0**	3 4	3 5

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 6 years (2010 28 5 years)

If the discount rate were to be increased/decreased by 0 25% this would decrease/increase the Group's gross pension scheme deficit by £6 6m

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

	2011 %	2011 £m	2010 %	2010 £m	2009 %	2009 £m	2008 %	2008 £m	2007 %	2007 £m
Equities	**7 0**	**50 3**	7 2	55 0	7 5	50 7	6 4	40 3	6 7	48 7
Bonds	**4 1**	**40 4**	5 0	37 0	5 3	36 7	5 2	34 3	4 7	28 0
Other	**5 7**	**9 5**	5 2	6 2	N/A	–	N/A	–	6 2	0 1
Total fair value of assets		**100 2**		98 2		87 4		74 6		76 8
Present value of scheme liabilities		**(144 7)**		(123 4)		(111 4)		(93 7)		(92 5)
Deficit in the scheme		**(44 5)**		(25 2)		(24 0)		(19 1)		(15 7)
Related deferred tax asset		**9 7**		5 4		5 3		3 9		3 4
Pension liability after taxation		**(34 8)**		(19 8)		(18 7)		(15 2)		(12 3)

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

	2011 £m	2010 £m
Current service cost	**2 2**	1 9

Analysis of the amount charged to finance income and finance charges under IAS 19 in relation to the schemes

	2011 £m	2010 £m
Finance income – being expected return on pension scheme assets	**6 0**	5 7
Finance costs – being interest on pension scheme liabilities	**(6 4)**	(6 2)
Net finance cost	**(0 4)**	(0 5)

The actual gain on scheme assets was £1 6m (2010 £11 1m)

Analysis of the actuarial loss recognised in the Consolidated Statement of Comprehensive Income in respect of the schemes

	2011 £m	2010 £m
Actual return less expected return on assets	**(4 4)**	5 4
Experience gains and losses on liabilities	**(2 5)**	–
Changes in assumptions	**(14 9)**	(7 2)
Actuarial loss recognised	**(21 8)**	(1 8)

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

(C) PENSION SCHEMES CONTINUED

CONSOLIDATED BALANCE SHEET LIABILITY CONTINUED

Movements in the present value of the schemes liabilities were as follows

	2011 £m	2010 £m
Fair value of schemes' liabilities at beginning of year	**(123 4)**	(111 4)
Current service cost	**(2 2)**	(1 9)
Interest on pension schemes liabilities	**(6 4)**	(6 2)
Experience gains and losses on liabilities	**(2 5)**	–
Changes in assumptions	**(14 9)**	(7 2)
Contributions from schemes' members	**(0 1)**	(0 6)
Exchange differences	**0 2**	0 2
Benefits paid	**4 6**	3 7
Fair value of schemes' liabilities at end of year	**(144 7)**	(123 4)

Movements in the fair value of the schemes' assets were as follows

	2011 £m	2010 £m
Fair value of schemes' assets at beginning of year	**98 2**	87 4
Expected return on assets	**6 0**	5 7
Actual return less expected return on assets	**(4 4)**	5 4
Contributions from sponsoring companies	**4 9**	2 8
Contributions from schemes' members	**0.1**	0 6
Benefits paid	**(4 6)**	(3 7)
Fair value of schemes assets at end of year	**100 2**	98 2

History of experience of gains and losses

	2011	2010	2009	2008	2007
Difference between the expected and actual return on schemes assets					
Amount (£m)	**(4 4)**	5 4	7 9	(15 3)	0 4
Percentage of the schemes' assets	**(4 4%)**	5 5%	9 0%	(20 5%)	0 5%
Experience gains and losses on schemes liabilities					
Amount (£m)	**(2 5)**	–	–	5 5	(4 4)
Percentage of the present value of the schemes liabilities	**(1 7%)**	0 0%	0 0%	5 9%	(4 9%)
Total amount recognised in the Consolidated Statement of Comprehensive Income					
Amount (£m)	**(21 8)**	(1 8)	(4 7)	(10 6)	6 2
Percentage of the present value of the schemes' liabilities	**(15 1%)**	(1 5%)	(4 2%)	(11 3%)	6 7%

(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 2m (2010 £12 7m) Of this amount £10 0m (2010 £10 1m) related to standby letters of credit issued by The Royal Bank of Scotland plc in respect of the Group's insurance arrangements

30. 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 Gerry Carr a Director of the Group s Ireland business exercised his option to sell his 20% non-controlling interest in Insulation Distributors Limited an indirect subsidiary undertaking of SIG plc in Ireland to the Group

The original option agreement was signed in 1996 when the business was a start-up operation and the amount payable of £5 4m is based upon an agreed multiple of 2005 and 2006 profits Deferred consideration of £5 4m has been reclassified from accruals at 31 December 2011 in respect of the option, which was settled in cash in January 2012 Following settlement of the option the Group now owns 100% of the shares of Insulation Distributors Limited

Also during the year, the Company exercised its option to purchase the remaining non-controlling interest of Air Trade Centre International B V for a consideration of £1 1m Following the purchase of this 5 4% shareholding, the Group now owns 100% of the shares in Air Trade Centre International B V but not 100% of the shares of all of the subsidiary businesses

Other than the relationship disclosed in Note 11, the Group has not identified any other material related party transactions in the year to 31 December 2011

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 67 to 69 In addition the Group recognised a share-based payment charge under IFRS 2 in respect of the Directors of £0 1m (2010 £0 1m)

31 SUBSIDIARIES

Details of the Group s principal trading subsidiaries all of which have been included in the Consolidated Accounts, are shown on page 125

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 2011 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 Judgements and Key Sources of Estimation Uncertainty and the related notes 1 to 31 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 2011 and of its loss for the year then ended
- have been properly prepared in accordance with IFRSs 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 financial review 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 UK Corporate Governance 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 2011 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
13 March 2012

FIVE YEAR SUMMARY

				Continuing operations	
	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Revenue	2 438 6	3 032 7	2,723 1	2 545 4	**2,744 8**
Underlying* operating profit	159 4	169 8	80 9	77 8	**95 6**
Operating profit/(loss)	142 2	107 0	(32 5)	(54 6)	**25 6**
Finance income	10 6	11 9	11 7	7 8	**7 4**
Finance charges	(28 5)	(85 8)	(34 5)	(34 0)	**(25 4)**
Underlying* profit before tax	140 1	137 3	60 6	64 2	**81 7**
Profit/(loss) before tax	124 3	33 1	(55 3)	(80 8)	**7 5**
(Loss)/profit after tax	87 1	6 8	(45 1)	(76 8)	**(0 0)**
Underlying* earnings per share	74 8p	58 9p	9 0p	7 4p	**9 4p**
Earnings/(loss) per share	66 3p	3 8p	(9 7p)	(13 0p)	**(0 0p)**
Dividend per share	26 7p	8 3p	nil p	nil p	**2 25p**

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

^ 2011 and 2010 underlying numbers are stated on a continuing basis (i e excluding the sales and trading profits and losses associated with businesses divested in 2011)

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

COMPANY ACCOUNTS

117 COMPANY BALANCE SHEET
118 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
119 NOTES TO THE COMPANY ACCOUNTS
123 INDEPENDENT AUDITOR'S REPORT
124 PRINCIPAL ADDRESSES
125 PRINCIPAL TRADING SUBSIDIARIES

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 £m	2010 £m
Fixed assets			
Investments	5	**451 9**	466 3
Interest in associate	6	**1 6**	1 6
Tangible fixed assets	7	**0 1**	0 1
		453 6	468 0
Current assets			
Debtors – due within one year	8	**46 2**	34 3
Debtors – due after more than one year	8	**746 1**	743 1
Cash at bank and in hand		**50 8**	47 2
		843 1	824 6
Creditors: amounts falling due within one year	9	**(226 0)**	(225 3)
Net current assets		**617 1**	599 3
Total assets less current liabilities		**1,070 7**	1,067 3
Creditors: amounts falling due after one year	10	**(345 6)**	(343 1)
Net assets		**725 1**	724 2
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 2**	1 0
Exchange reserve	12	**(0 2)**	(0 2)
Profit and loss account	12	**196 0**	195 3
Shareholders' funds (all equity)		**725 1**	724 2

The Accounts were approved by the Board of Directors on 13 March 2012 and signed on its behalf by

Chris Davies
Director

Doug Robertson
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 80

FINANCIAL INSTRUMENTS

The accounting policy for financial instruments is consistent with that of the Group as detailed on pages 81 and 82

FINANCIAL ASSETS AND LIABILITIES

The accounting policy for financial assets and liabilities is consistent with that of the Group as detailed on pages 80 and 81

INVESTMENTS

Fixed asset investments in subsidiaries are shown at cost less provision for impairment

TANGIBLE FIXED ASSETS

The accounting policy for tangible fixed assets is consistent with that of the Group as detailed on page 82

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 interest in associate is shown at cost less provision for impairment

DIVIDENDS

Dividends proposed by the Board of Directors that have not been paid by the end of the year are not recognised in the Accounts until they have been approved by the Shareholders at the Annual General Meeting

RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose transactions with other members of the group 100% owned by SIG plc either directly or indirectly

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 profit for the financial year ended 31 December 2011 of £6 5m (2010 loss of £25 8m)

Auditor remuneration for audit services to the Company was £0 1m (2010 £0 1m)

2. SHARE-BASED PAYMENTS

The Company had five share based payment schemes in existence during the year ended 31 December 2011 The Company recognised a total charge of £0 1m (2010 £0 4m) 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 90 to 93

3. DIVIDENDS

An interim dividend of 0 75p per ordinary share was paid on 4 November 2011 (2010 nil p) The Directors have proposed a final dividend for the year ended 31 December 2011 of 1 5p (2010 nil p) No dividends have been paid between 31 December 2011 and the date of signing the Accounts

4. STAFF COSTS

Particulars of employees (including Directors) are shown below

	2011 £m	2010 £m
Employee costs during the year amounted to		
Wages and salaries	**3 4**	2 8
Social security costs	**0 3**	0 3
FRS 20 share option charge	**0 1**	0 4
Pension costs	**0 4**	0 3
	4 2	3 8

The average monthly number of persons employed by the Company during the year was as follows

	2011 Number	2010 Number
Administration	**23**	22

5. FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings as follows

	2011 £m	2010 £m
Cost		
Beginning of year	**656 7**	656 8
Additions	**2 4**	0 2
Disposals	**–**	(0 3)
End of year	**659 1**	656 7
Provisions at beginning of year	**(190 4)**	(76 7)
Written off	**(16 8)**	(113 7)
Provisions at end of year	**(207 2)**	(190 4)
Net book value, beginning of year	**466 3**	580 1
Net book value, end of year	**451 9**	466 3

On 23 December 2011 the Company made an additional contribution to the share capital of SIG Trading Limited, a subsidiary undertaking, for a consideration of £2 4m Before and after the transaction the Company directly owned 100% of the share capital of SIG Trading Limited

Following the Group s sale of its UK Interiors Manufacturing business in the year, the Company provided in full for its £16 8m investment in LS Group Limited (see Note 12 of the Group Accounts for details)

Details of the Company s principal trading subsidiaries are shown on page 125 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 would result in information of excessive length being given in the notes to the accounts

NOTES TO THE COMPANY ACCOUNTS CONTINUED

6 INTEREST IN ASSOCIATE

The carrying value of the Group's investment in Ice Energy Technologies Limited ("Ice") is £1 6m (2010 £1 6m)

The only material transaction between SIG plc and its associate is a loan made by SIG plc to Ice amounting to £1 2m as at 31 December 2011 (31 December 2010 £1 2m) which is included within other receivables Interest receivable on the loan for the year was £51 000 (2010 £24,000) The loan is due for repayment in 2013

The current accounting period for Ice ends on 31 March 2012 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

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

	2011 £m	2010 £m
Amounts owed by subsidiary undertakings	**732 5**	720 7
Corporation tax recoverable	**3 2**	–
Deferred tax assets (Note 11)	**1 4**	1 8
Derivative financial instruments	**52.7**	52 0
Other debtors	**1 2**	1 2
Prepayments and accrued income	**1 3**	1 7
	792 3	777 4

Of the total amount owed to the Company £746 1m (2010 £743 1m) is due after more than one year Of the total amount due after more than one year £690 8m (2010 £688 1m) relates to amounts owed by subsidiary undertakings, £52 7m (2010 £52 0m) relates to derivative financial instruments, £1 4m (2010 £1 8m) relates to deferred tax assets and £1 2m (2010 £1 2m) relates to other debtors

9. CREDITORS· AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £m	2010 £m
Bank overdrafts	**30 1**	32 5
Bank loans	**–**	25 1
Private placement notes	**–**	49 1
Amounts owed to subsidiary undertakings	**183 0**	101 2
Derivative financial instruments	**–**	4 9
Accruals and deferred income	**12.9**	12 0
Corporation tax	**–**	0 5
	226 0	225 3

All of the Company's bank loans and overdrafts are unsecured

10. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £m	2010 £m
Private placement notes	**265 2**	263 6
Derivative financial instruments	**10 5**	7 7
Amounts owed to subsidiary undertakings	**69 9**	71 8
	345 6	343 1

Details of the private placement notes (before applying associated derivative financial instruments) are as follows

	2011 £m	2011 Fixed interest rate %	2010 £m	2010 Fixed interest rate %
Repaid in 2011	–	–	49 1	7 3%
Repayable in 2013	**85 3**	**5 0%**	87 2	4 9%
Repayable in 2016	**155 5**	**5 8%**	153 6	5 9%
Repayable in 2018	**24 4**	**4 8%**	22 8	5 1%
	265 2	**5 5%**	312 7	5 8%

All Group derivative financial instruments disclosed in Note 19 on pages 100 to 103 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 35 in March 2011 the Group signed a new £250m four year bank facility As a result, the Group s existing UK bank debt facilities were cancelled and repaid using cash held on deposit

11 DEFERRED TAX

	2011 £m	2010 £m
Deferred tax assets	**1 4**	1 8

The deferred tax assets above relate to short term timing differences

The movement during the year was as follows		
Beginning of year	**1 8**	2 3
Charge for the year	**(0 4)**	(0 5)
End of year	**1 4**	1 8

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 2011 See Note 23 of the Consolidated Accounts for details

12. CAPITAL AND RESERVES

	2011 £m	2010 £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 2**	1 0
Exchange reserve	**(0 2)**	(0 2)
Profit and loss account	**196 0**	195 3
Total reserves	**725 1**	724 2

NOTES TO THE COMPANY ACCOUNTS CONTINUED

12 CAPITAL AND RESERVES CONTINUED

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	1 0	195 3
Credit to share option reserve	–	–	0 2	–
Fair value movement on cash flow hedges	–	–	–	(5 3)
Transfer to profit and loss on cash flow hedges	–	–	–	3 9
Profit for the period	–	–	–	6 5
Dividends	–	–	–	(4 4)
End of year	**59 1**	**447 0**	**1 2**	**196 0**

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 25 of the Group Accounts on page 109

13 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(A) GUARANTEES

At 31 December 2011 the Company had not guaranteed any overdrafts of subsidiary undertakings (2010 £ nil)

(B) CONTINGENT LIABILITIES

As at the balance sheet date the Company had outstanding obligations under standby letters of credit of up to £10 0m (2010 £10 1m) 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

At the beginning of the year the Company indirectly owned 94 6% of the share capital of Air Trade Centre International B V a distributor of air handling equipment During the year the Group purchased the remaining 5 4% of the share capital of the business for a consideration of £1 1m taking its ownership to 100%

Also, the Company holds a strategic trade investment in Ice Energy Technologies Limited a company incorporated in the United Kingdom Further details of related party transactions in relation to this business are provided in Note 11 of the Group Accounts

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 67 to 69 In addition the Group recognised a share-based payment charge under IFRS 2 in respect of the Directors of £0 1m (2010 £0 1m)

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 2011 which comprise the Company Balance Sheet, the 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 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 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 2011 and of its profit for the year then ended;
- 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 2011.

Christopher Powell FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, UK
13 March 2012

PRINCIPAL ADDRESSES

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CORPORATE OFFICE
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17 Europa View
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Sheffield S9 1XH

REGISTERED OFFICE
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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
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Redditch B98 0FY

CPD DISTRIBUTION
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The Netherlands

BEK BAUSTOFFE SLOVAKIA S.R.O.
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Odborarska 52
Slovakia

PRINCIPAL TRADING SUBSIDIARIES

The Company's principal trading subsidiaries, all of which are wholly owned are currently as follows

	Insulation and Energy Management	Exteriors	Interiors
United Kingdom			
SIG Trading Limited	✓	✓	✓
SIG Energy Management 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	✓		✓

All of the above companies are registered in the country referred to above with the exception of SIG Trading Limited and SIG Energy Management 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 Lanvière 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 and BEK Baustoffe Slovakia s r o

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Registered in England
998314

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