ANNUAL REPORT AND ACCOUNTS 2013

STRONGER **TOGETHER**

SIG IS A **LEADING DISTRIBUTOR** OF SPECIALIST BUILDING PRODUCTS IN EUROPE WITH STRONG POSITIONS IN ITS CORE MARKETS OF INSULATION AND ENERGY MANAGEMENT, EXTERIORS AND INTERIORS.

Our mission is to give our customers the edge through **value**, **reliability** and **specialist knowledge**.

SIG'S STRATEGIC INITIATIVES TO IMPROVE BUSINESS PERFORMANCE

SIG is targeting a net annual benefit of c.£30m by 2016 from the following four strategic initiatives to improve business performance, with a key theme of working more closely together as a group.

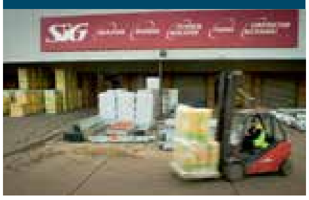
PROCUREMENT

WORKING CLOSELY WITH KEY SUPPLIERS

COMMERCIAL VEHICLES

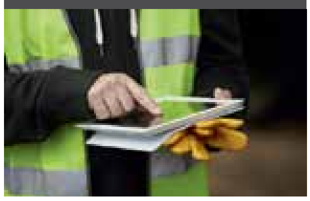
IMPROVING FLEET UTILISATION

BRANCH NETWORK



FURTHER OPTIMISING OUR NETWORK

eCOMMERCE



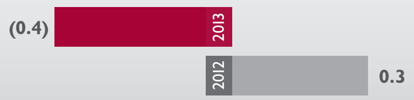
PROVIDING CUSTOMERS WITH MORE CHOICE

Our strategy
p.14

KEY PERFORMANCE INDICATORS

LIKE FOR LIKE* SALES PERFORMANCE %

(0.4)%



UNDERLYING^ GROSS MARGIN %

26.4%

UNDERLYING^ OPERATING MARGIN %

3.9%

LIKE FOR LIKE* WORKING CAPITAL TO SALES %

8.8%

RETURN ON CAPITAL EMPLOYED (POST-TAX)# %

8.8%

* Like for like excludes the impact of acquisitions and disposals completed or agreed in the current or prior year.

^ Underlying is before the amortisation of acquired intangibles, net restructuring costs, other one-off items, loss arising on the sale or agreed sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, other impairment charges, fair value gains and losses on derivative financial instruments, the defined benefit pension scheme curtailment gain, the taxation effect of these items and the effect of changes in taxation.

Return on Capital Employed ("ROCE") is defined as underlying operating profit less taxation divided by average net assets plus average net debt. Net assets at 31 December 2013 are stated before the £42.8m impairment charge attributable to the agreed sale of German Roofing.

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Read more about us online at **www.sigplc.com**

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Accounts

Group accounts

Company accounts

Principal trading information

SIG IS CHANGING. FROM BEING A LOOSE FEDERATION OF INDIVIDUAL BUSINESSES, IT IS NOW WORKING TOGETHER MORE AS A GROUP. **WE'RE STRONGER TOGETHER.**

OUR PEOPLE

HIGH QUALITY, MOTIVATED EMPLOYEES

The Group has excellent, high quality, motivated employees who care passionately about the business.

In the past, SIG has acted more like a loose federation of individual businesses rather than a group; however, this is changing. Our vision is to be stronger together. The Group is working together more to improve performance by making its whole greater than the sum of the parts. This will enable SIG to fully leverage its scale and presence in the marketplace. This applies to the way we work with our customers, our suppliers and each other.

Adapting to this new way of working will require significant culture change. Although it will take time, progress is already being made. In early 2014, SIG is conducting an employee satisfaction survey to help maximise motivation and retention of our employees.

SIG STRONGER TOGETHER

Our business model
p.12

OUR BRAND

STRENGTHENING OUR BRAND

During 2013 SIG streamlined its UK insulations and interiors branding.

Fifteen legacy insulation and interiors brands were consolidated into the five clear brands of SIG Insulation, SIG Technical Insulation, SIG Interiors, SIG Construction Accessories and SIG Fixings. This has made it much easier for customers to identify the Group's branches and product offerings, as well as providing SIG with back-office synergies.

Following this successful exercise, SIG will be rebranding its UK roofing business during 2014, where it currently trades under 40 different brands.

Q&A with the Chief Executive
p.9

OUR SERVICE

GREAT RELATIONSHIPS WITH OUR CUSTOMERS

SIG's strong customer focus and local relationships are crucial to its long-term success. The Group has a market-leading position in terms of its service levels, product knowledge and technical expertise.

Customers place a high value on the Group's specialist proposition. SIG is focused on retaining this competitive advantage as it goes through a period of change and will balance local requirements with the need to work more holistically as a Group.

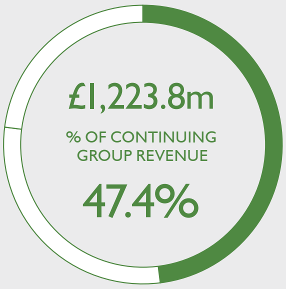
How we operate
p.4

SIG'S PRODUCT AND SERVICE OFFERING IS OF SIGNIFICANT SCALE WITH **LEADING POSITIONS IN EACH OF ITS CORE MARKETS**.

OUR PRODUCTS

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.

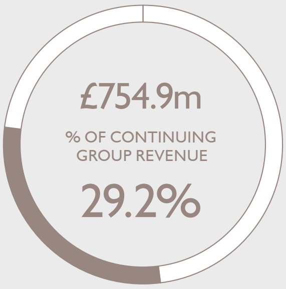


NUMBER OF TRADING SITES

275 (108 of which also supply interior fit out products)

EXTERIORS

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

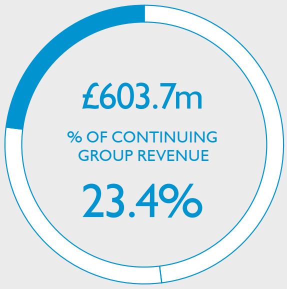


NUMBER OF TRADING SITES

317

INTERIORS

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



NUMBER OF TRADING SITES

184 (108 of which also supply insulation products)

Find out more online at **www.sigplc.com**

OUR STRATEGY

The Group has a clear strategy based on its specialism, high customer service levels and scale, giving SIG a clear competitive advantage in the marketplace.

Our strategy p.14

DEMAND DRIVERS

Construction activity is the main driver of demand for SIG's products. In addition, increasingly stringent regulations benefit specialist suppliers like SIG who can provide the necessary expertise when interpreting these changes.

Our markets p.10

WHERE WE OPERATE

MAINLAND EUROPE

	NUMBER OF BRANCHES	SALES
FRANCE	204	£622.4m
GERMANY AND AUSTRIA	60	£437.5m
BENELUX*	30	£154.8m
POLAND	51	£124.7m

* Includes international air handling business (headquartered in The Netherlands).

UK AND IRELAND

	NUMBER OF BRANCHES	SALES
UNITED KINGDOM	311	£1,177.5m
IRELAND	12	£65.5m

Operational review p.22

LESLIE VAN DE WALLE
CHAIRMAN

A YEAR OF DISTINCT HALVES

HIGHLIGHTS

- Post-tax ROCE up 20bps to 8.8%
- Underlying PBT up 5.3% to £88.1m
- Dividend increased by 18.3%
- Moving into the next stage of SIG's development
- Working more closely together as a group
- New Group HR Director appointed

INTRODUCTION

The first half of 2013 was affected by the extended winter weather across Europe, which exacerbated already weak market conditions, resulting in a like for like sales decline of 3.1% for the Group. However, trading improved significantly as the year progressed and SIG delivered a strong performance in H2 with like for like sales up by 2.2%.

For the year as a whole like for like sales decreased marginally, by 0.4%, but revenues in Sterling were up by 4.4% having benefited from favourable exchange rates and acquisitions. Having continued to tightly control our underlying cost base, underlying profit before tax at £88.1m increased by 5.3% compared to prior year (£83.7m).

With non-underlying charges before tax totalling £86.0m (2012: £40.0m), the Group recorded a total profit before tax of £2.1m (2012: £43.7m). Statutory loss after tax was £14.3m (2012: profit of £26.6m). At £121.2m, following £16.4m of acquisition expenditure, SIG continued to keep net debt well within its target range for leverage (net debt/underlying EBITDA), of 1.0x–1.5x.

The Group continued to increase its post-tax Return on Capital Employed ("ROCE"), its key financial metric, by 20bps to 8.8%, and remains focused on its medium-term target of achieving ROCE 300bps greater than its weighted average cost of capital by 2015.

STRATEGY

Following his appointment as Chief Executive, Stuart Mitchell conducted a review of the Group's strategy, concluding that, although there are some areas for improvement, the Group is generally heading in the right direction and is in the right products and markets. One area that does require attention, however, is the way in which SIG works, as historically its businesses have tended to operate independently of each other. This has meant we have not been fully leveraging the Group's significant scale or presence in the marketplace.

We now need to move onto the next stage of our development and take a more holistic view of the Group. We recognise that this will require significant cultural change and will take time. To help make this happen the Group has appointed a new HR Director, Linda Kennedy, who is an expert in change and talent management. Of course there is a balance to be had, so as well as maximising Group synergies we also need to retain our strong customer focus and local relationships, ensuring that managers retain full accountability of their branches.

Stuart has outlined four strategic initiatives to improve business performance from which SIG is targeting a net annual benefit of c.£30m by 2016. These are all based around the common theme of working together more closely as a group in the areas of procurement, commercial vehicles, branch network and eCommerce.

Corporate governance
p.50

Board of Directors
p.51

BOARD

Stuart Mitchell was appointed as Chief Executive with effect from 1 March 2013 (Stuart joined SIG on 1 December 2012 as Chief Executive Designate).

Further information on the Board of Directors can be found on page 51.

I wish to take the opportunity to pass on my thanks to colleagues on the Board who have again made invaluable contributions during the year under review.

CORPORATE GOVERNANCE

The Board provides strong leadership to the Company and engages well with both management and stakeholders. 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 and the Board supports the highest standards in corporate governance. The Board has in place a diversity policy and has set out its aim of achieving at least 25% female representation among the Board's membership by 2015.

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. Shareholders will also note that the Directors' Remuneration Report on pages 63 to 79 complies with the new Department for Business, Innovation and Skills regulations.

As Chairman, I take responsibility for ensuring that good corporate governance is operated at SIG in order that we can maintain the highest standards to which we continually aspire. Details of this and how corporate governance is operating in SIG can be found in the Corporate Governance Report on pages 50 to 59.

EMPLOYEES

On behalf of the Board and Shareholders I would like to thank our employees for their continued commitment and hard work during the year.

DIVIDENDS

The Board has proposed a final dividend of 2.4p per ordinary share. Taken together with the interim dividend of 1.15p per ordinary share, this provides a total dividend of 3.55p per ordinary share for the year. The final dividend is expected to be paid on 30 May 2014 to Shareholders on the register at close of business on 2 May 2014. The ex-dividend date is 30 April 2014.

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

OUTLOOK

During 2014 we expect construction activity in the UK residential market to remain buoyant, with the non-residential sector continuing to be subdued. In Mainland Europe construction markets are anticipated to remain variable. The trading outlook, operational efficiency savings and an expected modest net benefit from its strategic initiatives give the Group confidence in achieving good progress this year.

LESLIE VAN DE WALLE
Chairman
12 March 2014

BOARD GOVERNANCE STRUCTURE

CHAIRMAN
Key objectives: the leadership, operation and governance of the Board, ensuring effectiveness, and setting the agenda for the Board.

↓

THE BOARD
Key objectives: the overall conduct of the Group's business and setting the Group's strategy.

↓

AUDIT COMMITTEE
Key objectives: to ensure high standards of corporate and regulatory reporting controls, risk management and compliance.

REMUNERATION COMMITTEE
Key objectives: to determine the remuneration policy for the Executive Directors and other Senior Management, renew remuneration packages, Executive Directors' service contracts and review remuneration trends across the Group.

NOMINATIONS COMMITTEE
Key objectives: the nomination of suitable candidates to fill Executive and Non-Executive vacancies on the Board.

STUART MITCHELL
CHIEF EXECUTIVE

LEADING POSITIONS IN CORE MARKETS

HIGHLIGHTS

- Clear strategy based on specialist model and product offering
- Strong customer focus and ownership at local level
- Provision of technical expertise and delivery capability

INTRODUCTION

SIG is a leading distributor of specialist building products in Europe and has a clear strategy. The Group has a product and service offering of significant scale with strong positions in its three core product areas of Insulation and Energy Management, Exteriors and Interiors.

The Group plays a crucial role in the supply chain in both the new construction market and Repairs, Maintenance and Improvement ("RMI") market. Each of these account for around half of SIG's revenues.

SIG operates from trading sites across the UK and Ireland and Mainland Europe and employed 9,283 people as at 31 December 2013 (excluding German roofing employees). The Group's main countries of operation are the UK, France and Germany, which together account for 87% of its continuing revenues. The Group operates under a variety of trading names which are widely recognised throughout their respective market sectors and countries.

While SIG is seeking to work more closely together to exploit Group synergies, its 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.

While the vast majority of the products SIG distributes have been manufactured by other companies, SIG fabricates certain bespoke products. This involves adding value by cutting, reshaping or attaching two or more of its core products together. The largest fabrication activities are the cutting and shaping of insulation, for example, Insulshell and Insulslab, and the assembly of roofing panels.

Stuart Mitchell

STUART MITCHELL
Chief Executive
12 March 2014

STRATEGIC REPORT CONTENTS

Q&A

Stuart Mitchell has worked with SIG for over a year and here talks about the performance of the Company and the Group's strategic direction.

WORKING ON A SUCCESSFUL STRATEGY FOR SIG

Q: WHAT IS YOUR BACKGROUND?

My background has been in retail operations. I learned my trade at Sainsbury's during a 22 year career, starting as a Graduate Trainee on the shop floor and culminating as Managing Director. I then moved to the multinational Hutchison Whampoa, again in retail, based in Hong Kong and covering the rapidly expanding Asian market.

Before joining SIG, I was Chief Executive of Wilkinson, where I grew the store network by 50%, introduced an eCommerce business, rationalised the supply base and established an overseas sourcing business in Hong Kong.

Q: WHY DID YOU JOIN SIG?

For me, SIG represents an opportunity to apply the operational skills I've gained throughout my career. There are lots of fundamental similarities between the businesses I've worked for and SIG.

Meeting the needs of customers is key, whether they be trade or retail. All customers want the same thing – quality, reliability and high service levels at the right price.

Equally important is supply chain management and procurement – which are particularly crucial when you're selling high volumes of relatively low-margin products.

Q: WHAT WERE YOUR FIRST IMPRESSIONS OF THE GROUP?

My early impressions of SIG were that it was in good shape but with areas for improvement. The Group has a clear strategy that is taking it in the right direction – and, through the five pillars of profit recovery, has already identified many of the steps needed to make progress.

The Group has excellent, high quality, motivated employees, who care passionately about the business, and it has sound financials, with a strong balance sheet and tight cost control.

Furthermore, based on its specialism, size and customer proposition, SIG has a clear competitive advantage in the marketplace.

However, there are some areas that need addressing in order for us to deliver higher shareholder returns. We don't do enough together. We act more like a loose federation of individual businesses than a group.

Finally, we need to reinvest in the business following a period of reduced capital investment, and our branding has been confusing, particularly in the UK.

Q: WHAT ARE YOU DOING TO IMPROVE THE BUSINESS?

We believe that all of these areas can be effectively addressed and we're already making good progress in doing so.

We outlined our strategy to the investment community at our Capital Markets Day in November and, as you will see from the front cover of this report, we're encapsulating this strategy as SIG being "stronger together".

As well as changing the way we work, we need to invest more in our asset base and people. During the downturn the focus, quite rightly, was to take cost out of the business. This has left us with some legacy issues. We now need to improve our fleet, branches and IT infrastructure. This includes a new UK ERP system, which we are in the process of implementing. In terms of people we are bringing in additional expertise in some areas, such as procurement and IT.

On branding we have already streamlined our UK insulations and interiors brands so they are much simpler for our customers.

Q: CAN YOU TELL US MORE ABOUT YOUR STRATEGIC INITIATIVES?

We've identified four key areas to improve business performance that are all based around a common theme of working together more closely. They are:

- procurement, which we believe has the most significant potential to improve our returns;
- commercial vehicles, where we can do more to improve utilisation and the way we procure and manage our fleet;
- branch network, where we're adopting a two-phase approach, with benefits in the short-term and long-term; and
- eCommerce, where we need to provide our customers with more choice and develop common platforms within the Group.

Each of these initiatives is being led by a senior operational expert and includes representatives from across our businesses. Each workstream also has a sponsor at our Group Executive Committee, to monitor progress and to ensure delivery.

The last year has been spent putting a clear and deliverable plan into place and we are now in the implementation phase. We're targeting to deliver a net annual benefit of c.£30m from this programme by 2016.

Q: WHAT ARE YOUR PLANS FOR GROWTH?

Our strategic initiatives are very much focused on improving efficiency. This is right for the stage the business is at. The first step needs to be about optimising the existing business model.

That's not to say we are ignoring growth. I believe that a number of our existing businesses have significant untapped potential which can be leveraged to much greater effect. There are opportunities available to expand our network, for example in Southern France.

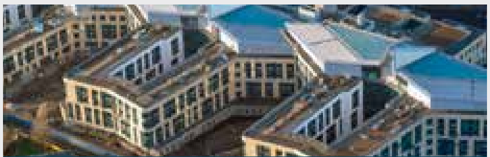
We're thinking about how we grow the business in the longer-term, above and beyond any benefit from market recovery, so it's firmly on the agenda.

SIG HAS A BALANCED MARKET EXPOSURE BETWEEN THE RESIDENTIAL AND NON-RESIDENTIAL SECTORS, GIVING THE GROUP A MORE EVEN SPREAD THROUGH THE CYCLE.

MARKETS OF OPERATION

RESIDENTIAL

SIG is more weighted to the essential Repairs, Maintenance and Improvement ("RMI") market which is less sensitive to the economic fluctuations that can impact the new build sector and provides an underlying market in periods of economic downturn.



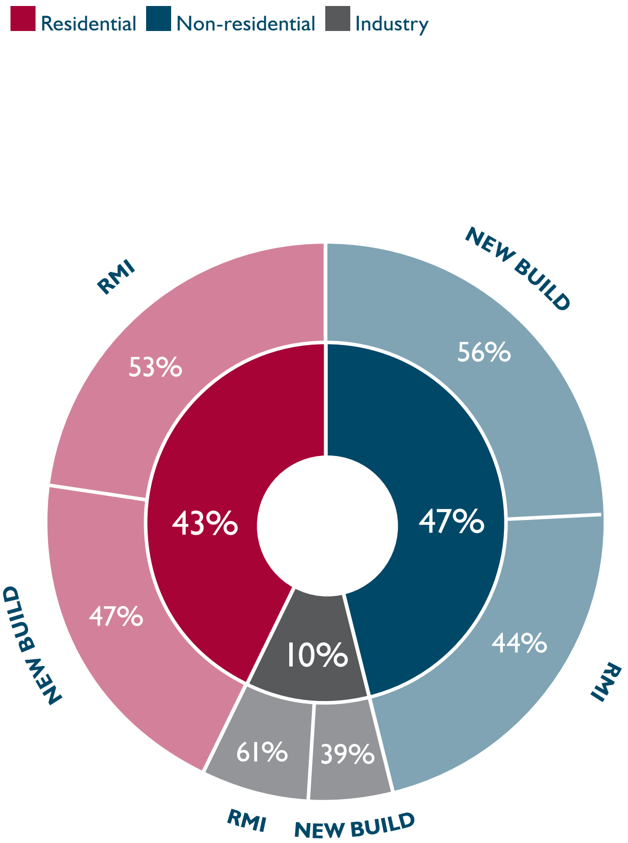
NON-RESIDENTIAL

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

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.

PERCENTAGE OF CONTINUING REVENUE BY MARKET



Our strategy
p.14

Operational review
p.22

PRODUCT DEMAND DRIVERS

INSULATION AND ENERGY MANAGEMENT

- 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 benefit the larger specialist suppliers that can provide the necessary technical expertise.
- Increased demand for integrated solutions.
- Demand for higher standards of internal fit outs.

OUR MARKET POSITION

The Group has a clear competitive advantage in the market based on its specialism, size and customer proposition. SIG is able to combine customer relationships at a local level with its national brands, together with the scale efficiencies that are derived from being part of a multinational group.

Number of branches (2013 / 2012)

	2013	2012	Insulation and Energy Management	Exteriors	Interiors
UNITED KINGDOM	311	303	✓	✓	✓
IRELAND	12	12	✓	✓	✓
GERMANY* AND AUSTRIA	60	85	✓		✓
FRANCE	204	200	✓	✓	✓
POLAND	51	53	✓	✓	✓
BENELUX^	30	28	✓		✓
TOTAL	668	681			

* On 28 February 2014 the Group completed the sale of its German Roofing business. The number of branches at 31 December 2013 has been reduced to reflect the 24 branches associated with this business unit.

^ Includes international air handling business (headquartered in The Netherlands).

SIG HAS **CONSISTENTLY OUTPERFORMED** ITS MARKETS BY 2–3%, DEMONSTRATING THE VALUE OF BEING A SPECIALIST DISTRIBUTOR.

SIG PLAYS A **CRUCIAL ROLE IN THE SUPPLY CHAIN**, WORKING CLOSELY WITH SUPPLIERS AND CUSTOMERS TO ENSURE THE RIGHT PRODUCT IS DELIVERED TO THE RIGHT SITE AT THE RIGHT TIME.

OUR BUSINESS MODEL

ADDING SHAREHOLDER VALUE

The Group continues to endeavour to create shareholder value through its business model, which is based on:

- Customer relationships
- Credit provision
- Innovation in the supply chain
- Delivery capability
- Customer service and technical advice
- Product knowledge and depth
- Market-leading positions
- Group synergies and cross-fertilisation

ENERGY EFFICIENCY

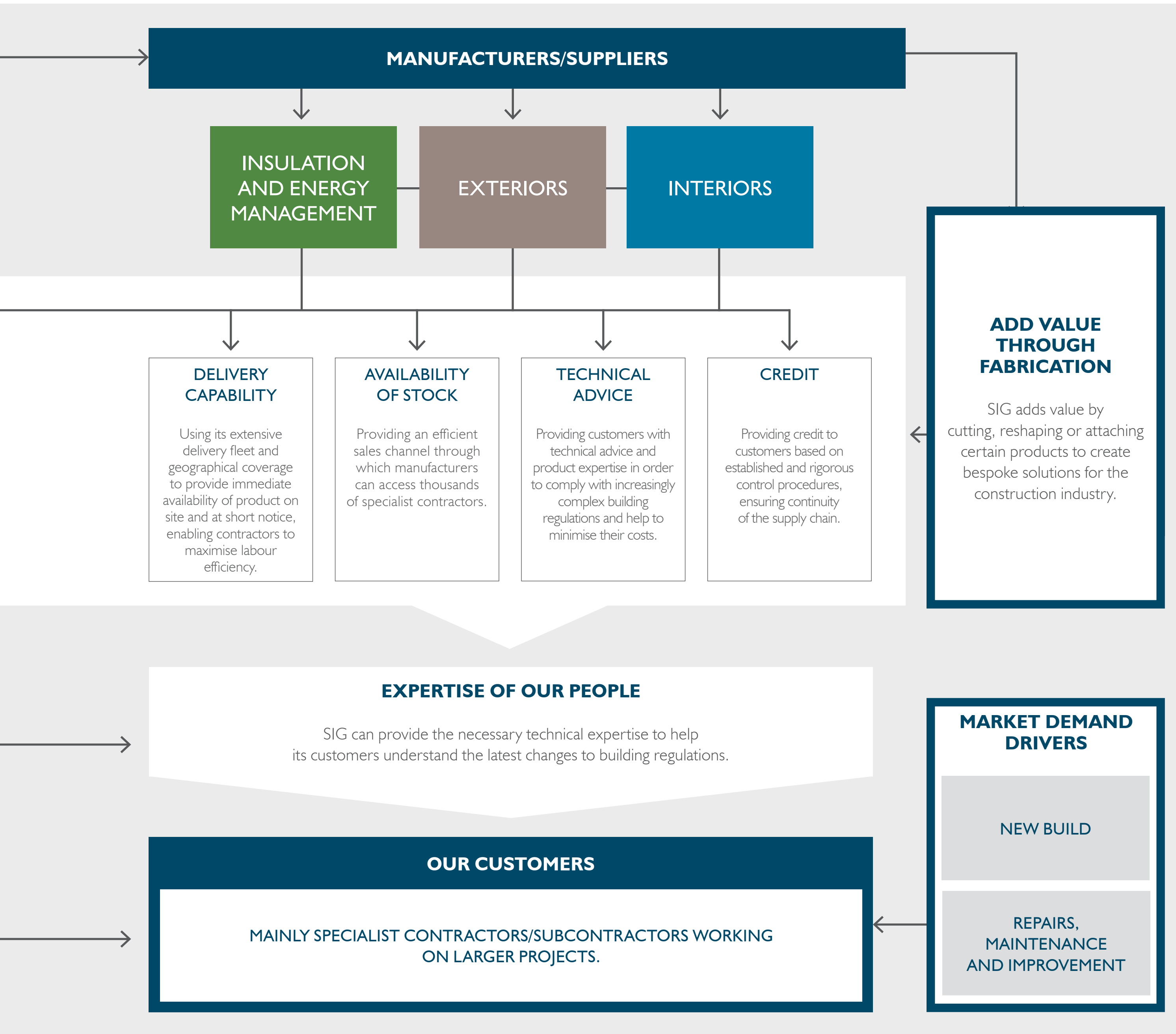
With around 40% of global energy consumption relating to buildings, better insulation offers the highest potential for carbon dioxide savings in Europe.

BUILDING REGULATIONS

As Governments across Europe seek to reduce energy usage and Greenhouse Gases, building regulations are becoming increasingly stringent and more complex.

BREAK BULK

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


MANUFACTURERS/SUPPLIERS
INSULATION AND ENERGY MANAGEMENT
EXTERIORS
INTERIORS
DELIVERY CAPABILITY
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.
AVAILABILITY OF STOCK
Providing an efficient sales channel through which manufacturers can access thousands of specialist contractors.
TECHNICAL ADVICE
Providing customers with technical advice and product expertise in order to comply with increasingly complex building regulations and help to minimise their costs.
CREDIT
Providing credit to customers based on established and rigorous control procedures, ensuring continuity of the supply chain.
ADD VALUE THROUGH FABRICATION
SIG adds value by cutting, reshaping or attaching certain products to create bespoke solutions for the construction industry.
EXPERTISE OF OUR PEOPLE
SIG can provide the necessary technical expertise to help its customers understand the latest changes to building regulations.
OUR CUSTOMERS
MAINLY SPECIALIST CONTRACTORS/SUBCONTRACTORS WORKING ON LARGER PROJECTS.
MARKET DEMAND DRIVERS
NEW BUILD
REPAIRS, MAINTENANCE AND IMPROVEMENT

SIG HAS A CLEAR STRATEGY TO GROW IN ITS THREE CORE MARKETS OF INSULATION AND ENERGY MANAGEMENT, EXTERIORS AND INTERIORS BY COMBINING THE REPUTATIONAL STRENGTHS OF ITS LOCAL BRANDS WITH THE SCALE EFFICIENCIES AND KNOW-HOW OF A MULTINATIONAL GROUP.

SIG's strategy is underpinned by the following five pillars of profit recoverability:

- Outstanding customer service;
- Sales outperformance;
- Gross margin enhancement;
- Operational efficiency; and
- Focus on financial returns.

The Group has outlined four strategic initiatives to improve business performance and support the delivery of our strategy.

STRATEGIC INITIATIVE	PROCUREMENT	COMMERCIAL VEHICLES
	WORKING CLOSELY WITH A RANGE OF KEY SUPPLIERS	IMPROVING FLEET UTILISATION
CURRENT POSITION	▸ Uncoordinated purchasing conducted at multiple levels within the Group ▸ Long tail of suppliers with duplication of products	▸ Uncoordinated purchasing of fork lift trucks ("FLT") and lorries ▸ Under-utilised fleet ▸ Inefficient scheduling
ACTIONS	▸ Professionalise function and invest in new resources ▸ Consolidate volumes and leverage size ▸ Work more closely with selected suppliers ▸ Grow own label and new products	▸ Telematics implementation ▸ Group-wide buying agreements
CHALLENGES	▸ New way of working for the Group ▸ Coordinate buying across businesses and countries ▸ Different ERP systems across SIG	▸ New way of working for the Group ▸ Standardise lorries/FLT
KEY TARGETS	▸ Fully recruited team – **H1 2014** ▸ Reduce suppliers by one third – **2015** ▸ Grow own label by 50% – **2016**	▸ Implement telematics (Mainland Europe) – **H1 2014** ▸ Fleet purchasing agreement – **H1 2014** ▸ Implement telematics (UK) – **H2 2013 completed** ▸ FLT purchasing agreement – **H2 2013 completed**
LINK TO STRATEGIC PILLARS	▸ Gross margin enhancement ▸ Operational efficiency ▸ Focus on financial returns	▸ Outstanding customer service ▸ Operational efficiency ▸ Focus on financial returns

WE ARE TARGETING A NET ANNUAL BENEFIT OF C.£30M BY 2016 FROM OUR STRATEGIC INITIATIVES

TARGET NET ANNUAL BENEFIT BY 2016

c.£30m

BENEFITS

2014: INVESTMENT AND CHANGE
Gross benefit: **£8m–£12m**
Net benefit: **£1m–£5m**

2015: MEANINGFUL PAYBACK
Gross benefit: **£25m–£30m**
Net benefit: **£15m–£20m**

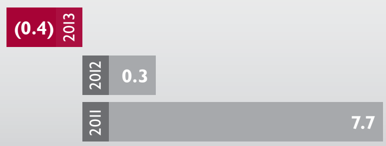
2016: SIGNIFICANT SAVINGS
Gross benefit: **c.£42m**
Net benefit: **c.£30m**

BRANCH NETWORK	eCOMMERCE
FURTHER OPTIMISING OUR CURRENT NETWORK	PROVIDING CUSTOMERS WITH MORE CHOICE
▸ Sub-optimal network structure in UK and Germany ▸ Too many branches in some areas and too few elsewhere	▸ Ad hoc development of eCommerce websites within SIG ▸ Relatively small and not integrated across the Group
▸ Further branch rationalisation (UK) ▸ Scope ideal network for UK and Germany ▸ Review North East supersite	▸ Develop scalable model on one platform ▸ Support multiple devices ▸ Integrate with new UK ERP system ▸ Fulfilment through branch network
▸ Closure costs for existing sites ▸ Availability of suitable new branch locations	▸ Lack of expertise within the Group
▸ UK branch rationalisation – **H1 2014** ▸ North East supersite appraisal – **H2 2014** ▸ Scope UK ideal network – **H1 2014** ▸ Scope Germany ideal network – **H2 2014**	▸ Design UK platform – **H1 2014** ▸ Launch UK platform – **Q1 2015** ▸ Mainland Europe strategy – **2015**
▸ Outstanding customer service ▸ Sales outperformance ▸ Operational efficiency ▸ Focus on financial returns	▸ Outstanding customer service ▸ Sales outperformance ▸ Operational efficiency ▸ Focus on financial returns

IN ORDER TO EVALUATE SUCCESS AGAINST THE GROUP'S FINANCIAL AND STRATEGIC OBJECTIVES, **THE BOARD HAS IDENTIFIED FIVE KEY PERFORMANCE INDICATORS** ON WHICH IT MONITORS AND ASSESSES THE GROUP'S PERFORMANCE.

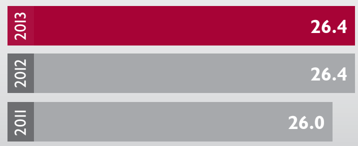
LIKE FOR LIKE SALES PERFORMANCE %

(0.4)%



UNDERLYING GROSS MARGIN %

26.4%



	LIKE FOR LIKE SALES PERFORMANCE %	UNDERLYING GROSS MARGIN %
DEFINITION	**Like for like sales performance is defined as the percentage growth/(decline) in the Group's sales per day on a constant currency basis, excluding acquisitions and disposals completed or agreed in the current or prior year. Sales are not adjusted for branch openings and closures.**	**Underlying gross margin is the ratio of underlying gross profit to underlying sales (excluding businesses sold or agreed to be sold in 2013 and 2012).**
2013 OBJECTIVE	SIG expected the markets in which it operates to decline in 2013 by similar levels to that experienced in 2012 (c.2.4%). Although the Group's sales performance is largely dictated by market volumes, the Group continually aims to outperform the market and take market share. Over recent years, the Group has outperformed the market between 2% and 3%, and in 2013 the Group was once again targeting to outperform its markets by a similar level, whilst taking an appropriate balance between sales growth and gross margin enhancement.	The Group's objective for 2013 was to record a further improvement in its gross margin.
2013 PERFORMANCE	In 2013 the Group recorded an underlying sales growth in constant currency of 1.9% including the impact of 2013 and 2012 acquisitions (not adjusted for working days). Excluding these acquisitions, the Group's sales on a constant currency basis were flat year on year. On a like for like constant currency basis (i.e. adjusted for working days), Group sales for the full year fell by 0.4% as the strong performance in the second half (+2.2%) was outweighed by the difficult, weather-affected start to the year (first half down 3.1%). SIG estimates that overall its market declined by c.3.2% in 2013. Given that the Group reported a like for like constant currency sales decline of 0.4%, this equates to a market outperformance of c.2.8%, which is in line with the Group's average over recent years.	In the context of declining markets, heightened competition and significant sales market outperformance (2.8%), the Group overall delivered a gross margin consistent with the level experienced in 2012 at 26.4%.
2014 OBJECTIVE	SIG is targeting a level of market outperformance similar to that recorded in 2013 (i.e. 2%–3%) but will continue to seek an appropriate balance between sales growth and gross margin enhancement.	The Group is targeting further improvement in gross margin in 2014 and is seeking to continue to work closely with a range of key suppliers in order to drive enhanced returns. A number of actions have been identified as part of the Group's key strategic priorities on pages 14 and 15.

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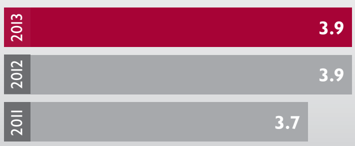
UNDERLYING OPERATING MARGIN %

3.9%



Underlying operating margin is the ratio of underlying operating profit to underlying sales (excluding businesses sold or agreed to be sold in 2013 and 2012).

The Group's objective for 2013 was to continue the incremental improvements noted over recent years and deliver an underlying operating margin in excess of that achieved in 2012.

As a consequence of a 1.9% increase in continuing constant currency sales, flat gross margin, limiting operating cost inflation to 1.7%, together with efficiency savings arising from 2013 and 2012 restructuring actions, the Group achieved an operating margin consistent with the prior year at 3.9%.

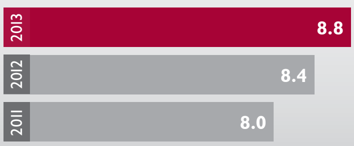
In order to support the organic growth of the business, the Group has continued to invest in a number of initiatives and new branches, which increased the Group's operating costs by £4.7m year on year.

The Group is targeting incremental improvements in operating margins through gross margin improvements, continued control of operating costs and incremental profit enhancement of between £1m and £5m from its strategic initiatives in 2014.

Given that the majority of SIG's operating costs are relatively fixed, the Group derives a significant benefit from operational gearing as sales increase. Over the medium-term, the Group aims to achieve an operating margin in line with that achieved historically (c.6%).

LIKE FOR LIKE WORKING CAPITAL TO SALES %

8.8%



Working capital to sales is defined as the ratio of working capital (including provisions but excluding pension scheme obligations) to annualised sales (after adjusting for any acquisitions and disposals completed or agreed in the current and prior year) on a constant currency basis.

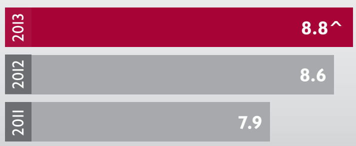
In 2012 the Group reported a working capital to sales ratio of 8.4%. Management acknowledged that as the Group's restructuring provisions reduce over time (i.e. rent payments on onerous properties) there would be upward pressure on the Group's working capital to sales ratio. The Group therefore anticipated a slight increase in the working capital to sales ratio in 2013 but anticipated the working capital to sales ratio would not exceed 9%.

The Group recorded a working capital to sales ratio of 8.8% in 2013, in line with the Group's stated objective. The increase of 40bps over the prior year arises from stronger year on year sales activities in the last quarter of the year and also includes the anticipated increase from regulatory changes in some of the Group's countries of operation.

The management of working capital is important given its impact on the Group's overall net debt position and ROCE, but needs to be controlled appropriately to facilitate growth. The Group is anticipating a further slight increase in its working capital to sales ratio in 2014, to c.9%, reflecting the continued investment in growth initiatives (such as new branches) and the reduction of restructuring provisions over time.

RETURN ON CAPITAL EMPLOYED (POST-TAX) %

8.8%



^ Excluding the capital employed impact arising from the impairment of German Roofing at 31 December 2013.

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. The Group's objective for 2013 was to achieve a further incremental ROCE improvement over that noted in 2012.

Through a combination of increased operating profit (in constant currency terms) and strong balance sheet management, the Group recorded a ROCE of 8.8% in 2013, 20bps above prior year and 50bps above WACC (8.3%).

In order to increase the value added to Shareholders, the Group is targeting a further improvement in ROCE in 2014, consistent with its previously stated objective of achieving a ROCE which is equivalent to WACC +300bps by 2015.

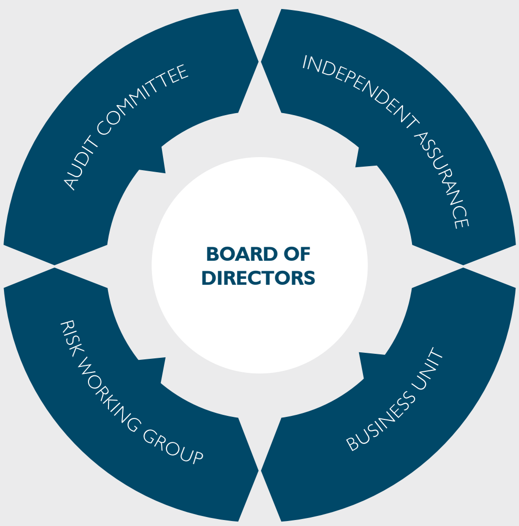
THE GROUP HAS A SERIES OF REVIEW PROCESSES IN PLACE (INCLUDING PERIODIC STRATEGIC REVIEWS, BUDGET REVIEWS AND ROLLING FORECAST REVIEWS) WHICH ENSURE THAT **ALL KEY RESOURCE REQUIREMENTS ARE IDENTIFIED AND MANAGED.**

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 the process was reviewed again during 2013 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. Risks are continually evaluated using consistent measurement criteria. Mitigating controls are identified and opportunities for the enhancement of the Group's control environment are implemented.

Further information on our risk management procedures is included in the Corporate Governance section on pages 55 and 56.

There are a number of potential risks and uncertainties that could have a material impact on SIG's long-term performance. The risk identification, monitoring and reporting framework, together with the key risks and uncertainties identified as part of the Group's risk management process, are as follows:



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Report of the Audit Committee p.60

RISK IDENTIFICATION, MONITORING AND REPORTING FRAMEWORK

BOARD

- Sets strategic objectives
- Approves risk governance structure and agrees risk appetite
- Sets delegation of authority
- Receives and reviews Group Risk Register
- Receives and reviews Audit Committee reports on risk governance and internal controls

AUDIT COMMITTEE

- Considers adequacy of risk management and internal control framework
- Receives and reviews reports from the Risk Working Group
- Receives and reviews reports from independent assurance providers

RISK WORKING GROUP

- Conducts continual review of risks and risk controls
- Concludes on treatment of risks
- Reviews and reports on risk to the Audit Committee and Board

INDEPENDENT ASSURANCE

- Internal audit
- External audit
- Quality standards audit
- Insurer and property risk surveyors

BUSINESS UNIT

- Management and employees are responsible for the identification, management and reporting of local risks
- Maintenance of local risk registers
- Implementation of risk mitigation plans

Understanding movements in business risk:
Increase Moderate increase No change Moderate decrease Decrease

PRINCIPAL RISKS

RISK	NATURE OF RISK	CHANGE	MITIGATION
Market conditions	The Group operates in a number of countries across Europe with the vast majority of the Group's sales being made to the building, construction and civil engineering industries. These industries are driven by both private and Government expenditure. The Group is exposed to changes in the level of activity and therefore demand from these industries. Government policy and expenditure plans (for example, Green Deal and Energy Company Obligation ("ECO")), private investor decisions, the general economic climate and both business and (to a lesser extent) consumer confidence are all factors that can influence the level of building activity and therefore the demand for many of the Group's products.	Decrease	▸ 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 change 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 diversification provides an element of protection against reduced market activity in any individual country or sector. The Group Board's portfolio review ensures that the Group's capital is appropriately allocated to the geographies and markets which remain core to the Group and which have strong long-term growth prospects.
Competitors and margin management	The Group 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 market trading conditions mean that competition pressures remain high which in turn results in continued margin pressures being faced by the Group.	Increase	▸ The majority of products that are sold by the Group are relatively bulky and inexpensive in relation to their mass and the cost of transport. This means that the risk faced by the Group of price disruption and possible cross-border or international trading having a detrimental impact on prices in any particular country is relatively 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 the Group and the fact that specialist handling and delivery services are an important feature of the service provided by the Group 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 continues to implement initiatives designed to improve the Group's core competencies surrounding customer service, including enhanced sales support and training. ▸ Operating margin is considered to be a Key Performance Indicator by the Group (see page 16 and 17). In order to improve operating 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. Tight control of operating costs is a permanent feature of management practice.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Understanding movements in business risk:
Increase Moderate increase No change Moderate decrease Decrease

RISK	NATURE OF RISK	CHANGE	MITIGATION
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.	No change	▸ Gross margin improvement is a Key Performance Indicator of the Group (see page 16). The Group has an ongoing pricing and purchasing initiative designed to improve gross margin. ▸ Operational management in each country and business unit is tasked on an ongoing basis to maintain and develop its 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 supplier 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.
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. As well as the inherent cost of compliance, there is also the reputational and financial cost of being penalised for non-compliance with legislation such as the Anti-Competition & Anti-Bribery laws.	No change	▸ The Group continues 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. The Group actively monitors relevant laws and regulations across its markets to ensure that the effect of any changes to the legal framework are minimised. During the course of 2013 the Group undertook a comprehensive review of its Anti-Bribery & Anti-Fraud practices. Improvements have been made to existing risk frameworks and procedures. ▸ 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 2013 amounted to £121.2m. The Group has to manage the following risks relating to its net debt: (1) future availability of funding; (2) interest rate risk; (3) foreign currency risk; (4) compliance with debt covenants; and (5) counterparty credit risk.	Decrease	▸ The Group has a comprehensive Treasury Policy that 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 Management section on pages 35 to 37. ▸ During the year the Group successfully refinanced €100m of maturing private placement debt with a further €100m of private placement debt (seven, eight and ten year maturities) on a bilateral basis with two institutional investors, providing further longevity to the Group's debt profile. ▸ The Group also has in place a £250m committed revolving credit facility ("RCF") provided by its four key relationship banks. At 31 December 2013 this facility was undrawn and therefore represents the committed funding headroom for the Group. The RCF matures in March 2015 and therefore it is envisaged that SIG will undertake a refinancing exercise during 2014 in order to ensure that sufficient funding headroom and liquidity is available to support the Group's medium-term strategic plans.

Understanding movements in business risk:

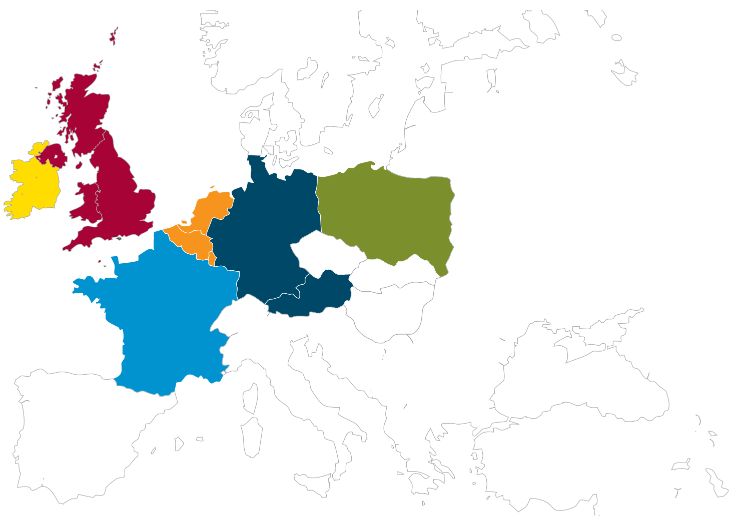
Increase Moderate increase No change Moderate decrease Decrease

RISK	NATURE OF RISK	CHANGE	MITIGATION
Working capital/credit management	Failure to manage working capital effectively may lead to a significant increase in the Group's net debt, thereby reducing the Group's funding headroom and liquidity.	No change	▸ Post-tax Return on Capital Employed ("ROCE") is a Key Performance Indicator of the Group (see page 17) and therefore working capital management remains a key priority. ▸ Cash flow targets are agreed with each business unit as part of the annual budget process. All targets are reviewed on a monthly basis. ▸ The Group has well established and stringent authorisation procedures and debt collection cycles which control all capital expenditure and working capital requirements. ▸ The Group operates a centrally led and proactive credit management system with bespoke customer monitoring solutions, internal risk categorisations that drive credit policy (perpetually reviewed) and excellent major customer relationships.
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. A new ERP system is currently being implemented in the UK distribution businesses.	No change	▸ The IT strategies in place across the Group continue to be reviewed and developed to ensure that they remain appropriate and that the business continuity frameworks are robust and effective. ▸ 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 ERP system for the UK distribution businesses has been successfully rolled out to selective branches during the course of 2013 and this will continue during 2014 and 2015.
Availability of key resources	Unavailability of key resources (e.g. 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.	No change	▸ The Group has a series of review processes in place (including periodic strategic reviews, budget reviews and rolling forecast reviews) which ensure that all key resource requirements are identified and managed accordingly. ▸ 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. ▸ During 2014 we will be conducting an Employee Engagement survey across the entire SIG Group. The Board is fully committed to the survey and its outcomes and will support action plans which positively impact on our performance, people, customer service and financial results and those which make SIG an employer of choice.

THE GROUP PRINCIPALLY OPERATES IN NINE COUNTRIES IN EUROPE AND HAS TRADING OPERATIONS IN A FURTHER SIX, SERVING A WIDE RANGE OF TRADES IN THE BUILDING AND CONSTRUCTION MARKETS.

OUR YEAR AT A GLANCE – CONTINUING OPERATIONS

SIG CONSOLIDATED



£2,582.4m SALES
(2012: £2,473.9m)

8.8% ROCE
(2012: 8.6%)

LIKE FOR LIKE MARKET OUTPERFORMANCE (2012: 2.7%)	2.8%
GROSS MARGIN (2012: 26.4%)	26.4%
NET OPERATING COST DEFLATION (2012: inflation 0.2%)	(0.1)%
UNDERLYING PROFIT BEFORE TAX (2012: £83.7m)	£88.1m
NET DEBT AT 31 DECEMBER (2012: £105.3m)	£121.2m
NUMBER OF BRANCHES (2012: 681)	668
AVERAGE NUMBER OF EMPLOYEES (2012: 9,555)	9,335
NUMBER OF ACQUISITIONS COMPLETED (2012: 5)	9

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GLOSSARY OF TERMS

UNDERLYING
is before the amortisation of acquired intangibles, net restructuring costs, other one-off items, loss arising on the sale or agreed sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, other impairment charges, fair value gains and losses on derivative financial instruments, the defined benefit pension scheme curtailment gain, the taxation effect of "Other items" and the effect of changes in taxation.

LIKE FOR LIKE
excludes the impact of acquisitions and disposals completed or agreed in the current or prior year.

CONTINUING
is excluding the impact of any disposals made or agreed in the current and prior year.

RETURN ON CAPITAL EMPLOYED ("ROCE")
is defined as underlying operating profit less taxation divided by average net assets plus average net debt. Net assets at 31 December 2013 are stated before the £42.8m impairment charge attributable to the agreed sale of German Roofing.

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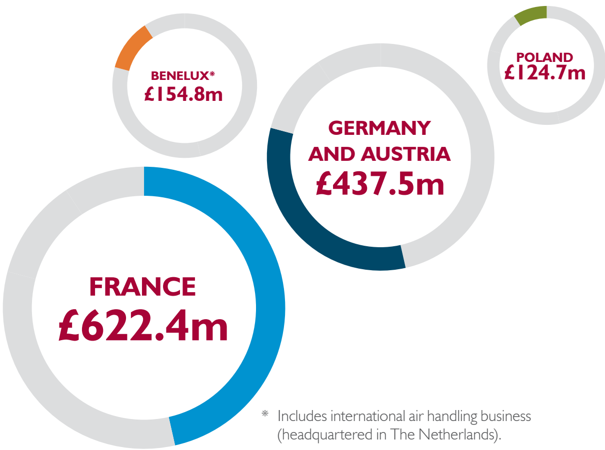
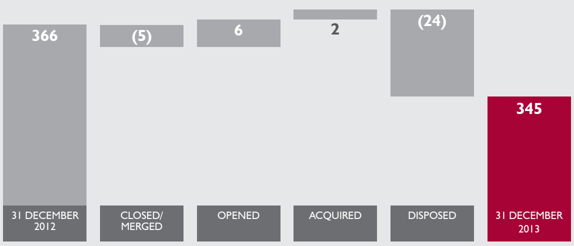
MAINLAND EUROPE



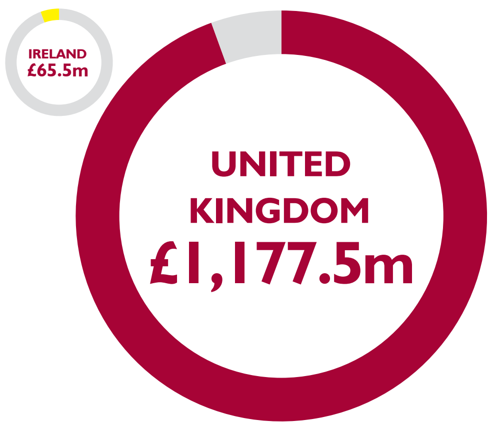
* Includes international air handling business (headquartered in The Netherlands).

PERCENTAGE OF GROUP SALES (2012: 52%)	52%
SALES (2012: £1,289.8m)	£1,339.4m
GROSS MARGIN (2012: 26.3%)	26.6%
UNDERLYING OPERATING PROFIT (2012: £56.5m)	£59.0m
AVERAGE NUMBER OF EMPLOYEES (2012: 4,294)	4,265

BRANCH MOVEMENTS IN MAINLAND EUROPE

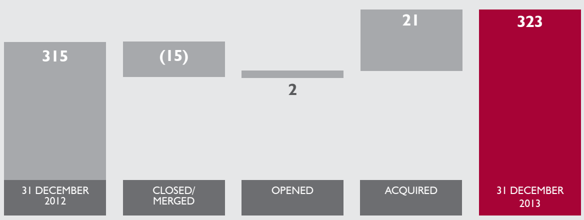


UK AND IRELAND



PERCENTAGE OF GROUP SALES (2012: 48%)	48%
SALES (2012: £1,184.1m)	£1,243.0m
GROSS MARGIN (2012: 26.6%)	26.2%
UNDERLYING OPERATING PROFIT (2012: £47.7m)	£48.5m
AVERAGE NUMBER OF EMPLOYEES (2012: 5,261)	5,070

BRANCH MOVEMENTS IN UK AND IRELAND



STUART MITCHELL
CHIEF EXECUTIVE

STRATEGIC INITIATIVES PROGRESSING WELL

SUMMARY

2013 was a year of contrasting halves. Having been affected by the extended winter weather across Europe, which exacerbated the already weak market conditions, like for like ("LFL") sales in H1 decreased by 3.1%. However, in H2 SIG benefited from generally good weather and improved trading conditions, particularly in the UK residential market, resulting in a 2.2% increase in LFL sales.

For the year as a whole, sales from continuing operations were up 4.4% to £2,582.4m (2012: £2,473.9m), having benefited from favourable exchange rates and acquisitions, but fell 0.4% on a LFL basis, with the Group experiencing slight product price deflation of 0.5% and a marginal volume increase of 0.1%. Given that SIG estimates that the overall market, weighted according to the sectors in which it operates, declined by 3.2% in 2013, this equates to an outperformance of 2.8%.

Revenues in Mainland Europe benefited from the stronger Euro, increasing by 3.8% to £1,339.4m, but were down by 1.5% on a LFL basis. France continued to perform well relative to a weak market with sales up by 5.4%, though LFLs were slightly down, by 1.1%. Continuing revenues in Germany and Austria were up by 0.8% in Sterling but down 3.4% on a LFL basis, having been affected by weak demand for industrial insulation from power stations and the petrochemical sector.

Sales in the UK and Ireland increased by 5.0%, and were up 0.8% on a LFL basis despite a 60% reduction in sales for SIG Energy Management due to the ending of CERT and slow start-up of Green Deal and ECO.

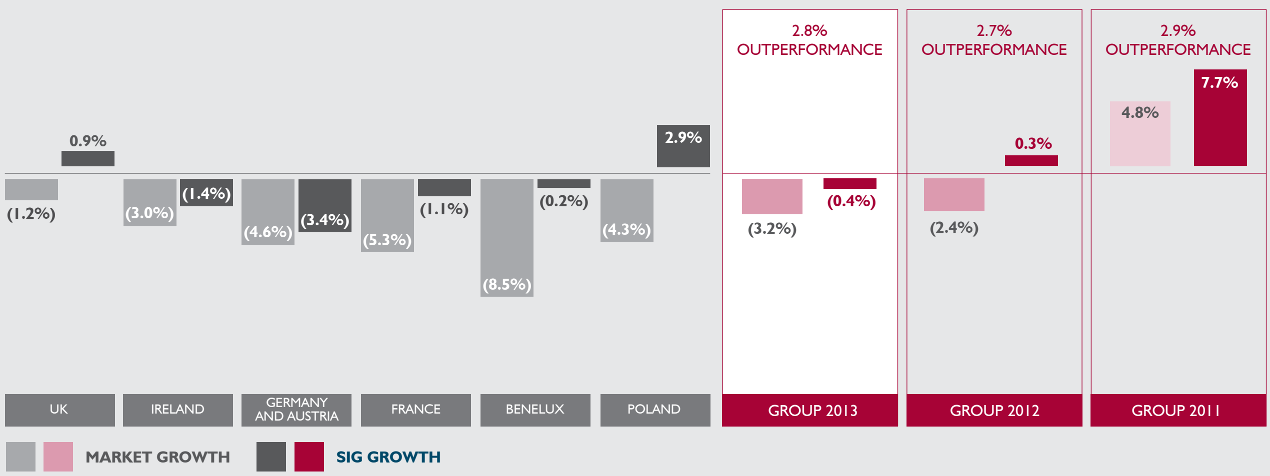
The Group's underlying gross margin remained steady at 26.4% compared to prior year, with a 30bps increase in gross margin in Mainland Europe being offset by a 40bps reduction in the UK and Ireland.

SIG has continued to keep tight control of its overheads, with core operating costs declining marginally in 2013. Underlying operating profit from continuing operations increased by 3.5% to £99.5m (2012: £96.1m) and the Group's underlying operating margin remained at 3.9% (2012: 3.9%), increasing by 30bps in H2 2013 to 4.5% (H2 2012: 4.2%).

Underlying net finance costs fell to £11.3m (2012: £12.1m), which after the £0.1m share of loss of associate (2012: £0.3m) resulted in underlying profit before tax from continuing operations increasing by 5.3% to £88.1m (2012: £83.7m). Underlying basic earnings per share were up by 7.2% to 10.4p (2012: 9.7p).

Non-underlying net charges before taxation during the period totalled £86.0m (2012: £40.0m) and included amortisation of acquired intangibles of £20.6m (2012: £22.0m), net restructuring costs of £18.0m (2012: £16.6m), net fair value losses on derivative financial instruments of £1.9m (2012: £1.8m), other one-off items which gave rise to a charge of £0.7m (2012: credit of £1.4m), net losses on the sale or agreed sale of businesses and associated

LIKE FOR LIKE MARKET OUTPERFORMANCE OF 2.8% IN 2013



impairment charges of £42.8m (2012: £4.6m) and other goodwill impairment charge of £2.0m (2012: £nil).

Including these charges, profit before tax was £2.1m compared to £43.7m in 2012. Basic loss per share was 2.5p (2012: earnings per share of 4.5p).

Net debt at 31 December 2013 increased by £15.9m to £121.2m compared with 31 December 2012 (£105.3m), due to an increase in net capital expenditure to £38.1m (2012: £28.2m) and £16.4m expenditure on nine infill acquisitions. The Group aims to increase expenditure on infill acquisitions to £30m–£50m in 2014 and capital expenditure to be c.150% of depreciation.

Having consistently underperformed against the Group's Weighted Average Cost of Capital ("WACC"), SIG divested its German roofing business to The Gores Group, a US private equity firm, for an enterprise value of c.£9m. The business lacked scale in a market dominated by co-operatives and in 2013 was break-even (2012: profit of £0.4m) on sales of £137.4m (2012: £134.7m). All necessary regulatory approvals have been received and the transaction completed in February 2014.

As detailed in its January 2014 trading statement, SIG identified £8.9m of additional efficiency savings from its branch network. Excluding the divested German roofing business this now equates to an annualised benefit of £7.9m, with £5.1m of this to come in 2014.

STRATEGIC INITIATIVES

As outlined at its Capital Markets Day in November 2013, the Group is targeting a net annual benefit of c.£30m by 2016 from its four key strategic initiatives to improve business performance, covering procurement, commercial vehicles, branch network and eCommerce.

SIG believes procurement has the most potential for savings and is targeting a 1.5% reduction in purchasing costs by 2016. The Group has moved from a decentralised structure to six international product categories covering roofing, structural insulation, drywall, ceilings, technical insulation and air handling and is professionalising its procurement function. SIG is on track to reach its first milestone, which is to have fully recruited its procurement team by H1 2014.

In terms of branch network SIG has adopted a two-phase approach. Phase one, which relates to the further optimisation of its existing UK network, is currently underway and due to conclude in H1 2014. Phase two, which involves scoping more fundamental network change, is continuing and will be informed by the performance of the Group's new supersite in the North East of England. This opened on schedule in December 2013 and combined four SIG branches into one.

NEW SUPERSITE IN NEWCASTLE

As part of the Group's strategic initiatives, SIG has opened a new supersite in Newcastle, combining four branches into one, significantly lowering the cost of servicing customers.

BREMAT MIXING TRUCK

Wego Austria has developed a new service offering for its customers in the region.

The Group is now able to deliver premixed to-order lightweight floor screeds up to six stories high in Austria. This significantly differentiates our service offering from the competition, reduces construction build time and is more efficient than traditional methods.

STREAMLINED BRANDING/ STRONGER TOGETHER

The Group has streamlined and strengthened its branding in the UK, providing clarity for customers and the Group's employees.

STRATEGIC INITIATIVES CONTINUED

Regarding commercial vehicles SIG has met its first two milestones of signing a Group-wide purchasing agreement for fork lift trucks and rolling out telematics across its UK fleet. The next steps are to replicate these actions in Mainland Europe and negotiate a Group-wide fleet purchasing agreement.

With regard to eCommerce the Group is currently in the design phase for its UK platform and will shortly start on its construction. The Group is targeting to launch the site in 2015 and has recently appointed a new eCommerce Director to lead the programme.

As there is a significant step-up in activity and investment this year, SIG is targeting a small net benefit of between £1m–5m from its strategic initiatives in 2014 (c.75% from procurement and c.25% from supply chain). The Group is on track to achieve this target, providing SIG with a strong base for delivering the rest of the programme.

RETURN ON CAPITAL EMPLOYED

Post-tax Return on Capital Employed ("ROCE") is a key metric for the Group and is calculated as underlying operating profit less tax, divided by average net assets plus average net debt. Net assets as at 31 December 2013 have not been adjusted for the £42.8m impairment charge attributable to the agreed sale of German Roofing.

In 2013 SIG's ROCE increased by 20bps to 8.8% (2012: 8.6%), compared to a WACC of 8.3%. The Group's medium-term target is for ROCE to exceed its WACC by 300bps by 2015 assuming flat markets. SIG's longer-term aspiration is to achieve a ROCE beyond this target.

DIVIDEND

The Board has proposed a final dividend of 2.4p per ordinary share, an increase of 20% on prior year. Taken together with the interim dividend of 1.15p per ordinary share, this provides a total dividend of 3.55p per ordinary share for the year (2012: 3.0p), an increase of 18.3% on prior year. The final dividend is expected to be paid on 30 May 2014 to shareholders on the register at close of business on 2 May 2014. The ex-dividend date is 30 April 2014.

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

TRADING REVIEW

MAINLAND EUROPE (52% OF CONTINUING GROUP SALES)

- Sales from continuing operations up 3.8% to £1,339.4m (2012: £1,289.8m)
- Gross margin from continuing operations improved by 30bps to 26.6% (2012: 26.3%)
- Underlying operating profit up 4.4% to £59.0m (2012: £56.5m)
- Total operating loss of £0.7m (2012: profit of £34.1m)

	2013 Continuing sales	Change	Like for like change	Change in gross margin
France	**£622.4m**	5.4%	(1.1)%	+30bps
Germany and Austria	**£437.5m**	0.8%	(3.4)%	+30bps
Benelux*	**£154.8m**	4.5%	(1.5)%	+80bps
Poland	**£124.7m**	6.4%	2.9%	+30bps

* Includes international air handling business (headquartered in The Netherlands).

During 2013, in Mainland Europe SIG opened six new branches and acquired two sites, closed or merged five branches and divested 24 branches. As a result the total number of trading sites in Mainland Europe fell to 345 as at 31 December 2013.

Revenues in Mainland Europe benefited from the stronger Euro, increasing by 3.8% to £1,339.4m, but were down by 1.5% on a LFL basis.

In France although LFL sales declined slightly, by 1.1%, SIG again performed strongly compared to the market, which the Group estimates fell by 5.3%. Following a 4.6% decline in H1 LFL sales, and having been affected by the adverse weather and weak trading conditions, SIG performed well in H2, increasing LFL sales by 2.5%. In November SIG also acquired two branches from Wolseley, in Rouen and Amiens, with a combined annual turnover of c.€12m.

Although the Group remains cautious on the outlook for the French construction market in 2014, SIG believes that it can continue to outperform the market based on its specialist expertise, the strength of its local management team and growth from new and acquired branches.

In Germany and Austria LFL sales declined by 3.4%, having been adversely affected by the weather in H1 and weak demand throughout the period for industrial insulation, which accounts for nearly 20% of SIG's sales in the region. This was due to the uncertainties in the German power station and petrochemical industry. Despite this uncertainty, the outlook for the German market in 2014 is generally positive, driven by activity in the German new build residential market.

While trading conditions remained very challenging in Benelux in 2013, SIG's LFL sales declined slightly, by 1.5%, and the Group significantly outperformed the market. Gross margin also increased by 80bps due to SIG's product mix reverting to a more normal blend compared to 2012, and a strong performance in its pan-European air handling business. While the market in The Netherlands is expected to remain weak this year, the Group is anticipating better prospects for Belgium.

Following a poor H1 in Poland, which was in part due to severe weather, sales accelerated sharply in H2 and were up by c.7% on a LFL basis. In contrast to Western European economies, where structural insulation and residential products performed best, in Poland the strongest demand was for ceilings and technical insulation. This positive momentum is expected to continue into 2014.

UK & IRELAND (48% OF CONTINUING GROUP SALES)

- Sales up 5.0% to £1,243.0m (2012: £1,184.1m)
- Gross margin down by 40bps to 26.2% (2012: 26.6%)
- Underlying operating profit up by 1.7% to £48.5m (2012: £47.7m)
- Total operating profit of £24.1m (2012: £31.9m)

	2013 Continuing sales	Change	Like for like change	Change in gross margin
UK	**£1,177.5m**	5.1%	0.9%	-40bps
Ireland	**£65.5m**	3.1%	(1.4)%	-10bps

During the year the Group opened two new trading sites in the UK, acquired 21 sites and closed or merged 15 branches. As a result the total number of trading sites in the UK and Ireland increased by eight to 323 as at 31 December 2013.

Revenues in the UK and Ireland increased by 5.0%, and were up 0.8% on a LFL basis despite sales in SIG Energy Management declining by c.60% due to the ending of CERT and slow start-up of Green Deal and ECO. Excluding SIG Energy Management, LFL sales in the Group's UK distribution business increased by 4.5%. Gross margin in the UK declined by 40bps mainly due to volume and pricing pressures affecting the Group's roofing business.

While the UK construction market as a whole declined during H1 due to the weather and a weak market, trading conditions improved significantly in H2 driven by increased activity in the residential sector. The non-residential sector, however, remained subdued due to a lack of demand in both the public and commercial sectors. SIG expects these market trends to continue into 2014.

The implementation of Kerridge K8, SIG's new ERP system in the UK, is progressing well and has recently completed a major milestone, having been successfully rolled out in the back office of SIG Distribution. This project is expected to take around two years to complete and is integral to the delivery of the Group's strategic initiatives.

Following the successful rebranding of the Group's UK insulation and interiors business, during 2014 SIG will begin to streamline and rebrand its market-leading roofing business, which currently trades under 40 different brands across the UK.

There are early signs of an improvement in market conditions in Ireland, with the rate of decline in the Group's LFL sales slowing significantly in 2013 to 1.4%, compared to a double-digit sales decline in 2012.

OUTLOOK

As expected the Group has had a good start to the year, helped by the mild weather and weak comparatives, and its outlook for 2014 remains unchanged from its January trading statement. SIG expects construction activity in the UK residential market to remain buoyant, with the non-residential sector continuing to be broadly flat. In Mainland Europe construction markets are anticipated to be variable.

The trading outlook, operational efficiency savings and a modest net benefit from its strategic initiatives give the Group confidence in achieving good progress in 2014.

STUART MITCHELL
Chief Executive
12 March 2014

DOUG ROBERTSON
FINANCE DIRECTOR

TRADING IMPROVED SIGNIFICANTLY AS 2013 PROGRESSED

HIGHLIGHTS

- ROCE increased by 20bps to 8.8% compared to a WACC of 8.3%
- H2 LFL sales up 2.2% compared to prior year
- H2 operating margin up 30bps to 4.5%
- €100m of private placement successfully refinanced
- Leverage maintained at c.1.0x
- Underlying EPS grew 7.2% to 10.4p

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GROUP PERFORMANCE

Underlying*	2013 £m	2012 £m	Change
Sales	**2,582.4**	2,473.9	+4.4%
Gross margin	**26.4%**	26.4%	–
Operating profit	**99.5**	96.1	+3.5%
Profit before tax	**88.1**	83.7	+5.3%
Basic EPS (pence)	**10.4p**	9.7p	+0.7p
ROCE	**8.8%**	8.6%	+20bps

* Underlying is before the amortisation of acquired intangibles, net restructuring costs, other one-off items, loss arising on the sale or agreed sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, other impairment charges, fair value gains and losses on derivative financial instruments, the defined benefit pension scheme curtailment gain, the taxation effect of these items and the effect of changes in taxation rates.

Statutory	2013 £m	2012 £m	Change
Total sales	**2,719.8**	2,635.5	+3.2%
Gross margin	**26.1%**	26.0%	+10bps
Operating profit	**15.4**	57.9	(73.4)%
Profit before tax	**2.1**	43.7	(95.2)%
Basic (loss)/earnings per share (pence)	**(2.5p)**	4.5p	(7.0p)
Total dividend per share (pence)	**3.55p**	3.0p	+0.55p

REVENUE

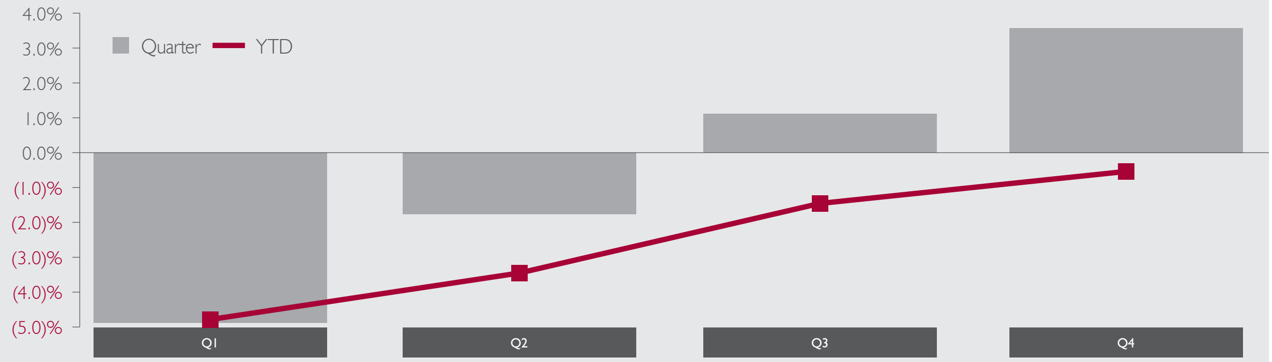
Sales on a statutory basis increased by £84.3m, or 3.2%, to £2,719.8m. On 1 February 2014, an agreement was reached on the sale of the Group's German Roofing business, which completed on 28 February 2014. Sales of £137.4m arose in 2013 (2012: £134.7m) from this operating business and at 31 December 2013 the associated assets and liabilities were held for sale on the Consolidated Balance Sheet. In addition, the Group's 2012 statutory result included sales of £26.9m relating to the Central European operations divested in December 2012.

	2013	2012	Change
Continuing sales* (£m)	**2,582.4**	2,473.9	+4.4%

* Continuing sales in 2013 and 2012 represents total sales less sales attributable to businesses sold or agreed to be sold in both 2013 and 2012.

Group sales from continuing operations (i.e. excluding businesses sold or agreed to be sold) in Sterling grew by 4.4% to £2,582.4m (2012: £2,473.9m). Eliminating the impact of foreign exchange rate movements, total continuing sales grew by 1.9% in constant currency. The incremental impact of acquisitions made in the current and prior year added c.1.9% to this sales growth, and therefore, excluding

LIKE FOR LIKE SALES PER WORKING DAY VS. PRIOR YEAR



2013 and 2012 acquisitions, the Group's sales on a constant currency basis were flat year on year.

	Group	UK and Ireland	Mainland Europe
Like for like constant currency sales performance^	**(0.4)%**	0.8%	(1.5)%

^ Like for like constant currency sales performance represents the growth/(decline) in the Group's sales per day excluding acquisitions and disposals completed or agreed in the current or prior year. Sales are not adjusted for branch openings and closures.

On a like for like constant currency basis (i.e. adjusted for working days), Group sales for the full year fell by 0.4% as the strong performance in the second half (+2.2%) was outweighed by the difficult, weather-affected start to the year (first half down 3.1%).

SIG estimates that overall its market declined by c.3.2% in 2013. Given the Group reported a like for like constant currency sales decline of 0.4%, this equates to a market outperformance of c.2.8%. A key element of delivering this sales outperformance has been the continued expansion of the Group's branch network. A further eight branches have been opened in the year (2012: 21 openings).

GROSS MARGIN

	2013	2012	2011
Gross margin movements over prior year	**+0bps**	+40bps	+20bps

The Group's underlying gross profit margin remained flat at 26.4% when compared to the prior year, despite tough competition throughout the markets in which the Group operates. This performance follows a 40bps improvement in gross margin in 2012 and a 20bps improvement in 2011.

Improvement of gross margin remains of great importance to the Group. Gross margin pressures are expected to remain in the short-term to medium-term; however, as the Group's markets stabilise and ultimately recover, the Group's aim is to continue to improve gross margins. Driving the best possible returns from the Group's assets is a fundamental part of SIG's strategy and therefore, as detailed on page 14, SIG intends to realise gross margin improvement through its procurement initiatives and by working closely with a range of key suppliers.

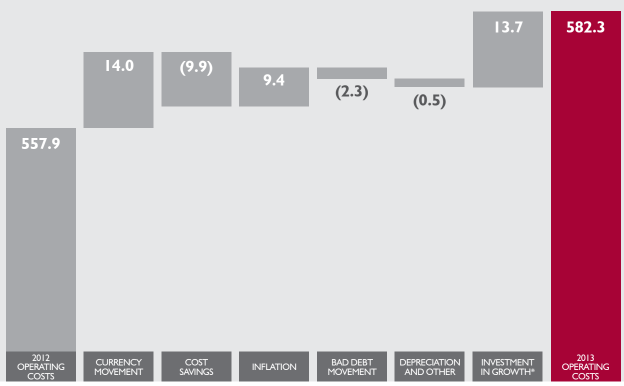
OPERATING COSTS AND MARGIN

Underlying operating costs in Sterling increased by £24.4m (4.4%) in 2013. On a constant currency basis, underlying operating costs increased by £10.4m (1.9%). As a percentage of sales, underlying operating costs remained relatively flat when compared to the prior year at 22.5% (2012: 22.6%).

The Group has continued to review its operating cost base in 2013 and has identified further annualised cost savings of c.£7.9m with associated restructuring costs recognised in 2013 of £15.1m (excluding the actions taken by the German Roofing operation before the business was agreed to be sold). Approximately £5.1m of these savings are expected to be realised in 2014. Including the actions taken in German Roofing before the agreed sale, annualised savings of £8.9m were identified with associated costs of £18.0m.

In line with one of the Group's strategic objectives (see Key Performance Indicators on page 17), operating cost inflation in the year was limited to c.1.7%. Net of cost savings from 2013 and 2012 actions, the Group experienced operating cost deflation of 0.1% in 2013 (2012: inflation of 0.2%). In order to support the organic growth of the business, the Group has continued to invest in a number of initiatives and new branches (£4.7m), and acquisitions (£9.0m) which increased the Group's operating costs by a total of £13.7m year on year.

2013 VS 2012 OPERATING COST BRIDGE



* Including acquisitions.

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S.K. SALES

SIG's largest acquisition in 2013 was S.K. Sales, a specialist Heating, Ventilation and Air Conditioning ("HVAC") distribution business that trades from 16 locations across the UK and complements the Group's existing strong presence in the European HVAC market through its Air Trade Centre business.

OPERATING COSTS AND MARGIN CONTINUED

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) decreased by 10bps to 0.5% of sales (2012: 0.6% of sales). Reducing 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 the Group's customer base remains at risk of having credit withdrawn by its 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.

As detailed in the Key Performance Indicators section, while the Group's underlying operating profit margin at 3.9% remains consistent with that achieved in 2012, it remains well below that historically achieved. Given the operational gearing impact of the business where the majority of operating costs are fixed, it is envisaged that the Group's operating margins will continue to improve when the Group experiences sustained sales growth.

OTHER ITEMS

Amounts included in the "Other items" column of the Consolidated Income Statement, which in total amounted to a loss before tax of £86.0m (2012: £40.0m), are as follows:

- **amortisation of acquired intangibles** – £20.6m (2012: £22.0m). The Accounting Policies section on page 89 and Note 14 to the Accounts on page 105 provide details of what is included within intangible assets and over what periods the assets are amortised. In response to the economic downturn, SIG halted its acquisition activities between 2008 and 2012. Intangible amortisation is therefore expected to fall in future years as the intangible assets realised through the acquisitions in 2008 and prior become fully amortised;
- **loss arising on the sale or agreed sale of businesses and associated impairment charges** – £42.8m (2012: £4.6m). On 1 February 2014 the Group agreed to sell its German Roofing operation for a net consideration of £7.2m. As a consequence the assets and liabilities associated with this operation have been written down to the recoverable amount through the recognition of a one-off charge of £21.3m. In addition, a goodwill and intangible assets impairment charge of £21.5m associated with the write down of the German Roofing Cash Generating Unit was recognised. Further details can be found in Note 12 to the Accounts on page 103;
- **net operating loss attributable to businesses sold or agreed to be sold in 2013 and 2012** – £nil (2012: £0.8m). The 2013 result represents the break-even operating contribution reported by the German Roofing business. The 2012 net operating loss represents the performance of German Roofing (operating profit £0.4m) and Central Europe (operating loss £1.2m);
- **other goodwill impairment charge** – £2.0m (2012: £nil). An impairment of £2.0m relating to the SIG Energy Management Cash Generating Unit was recognised in the year. Further details are included in Note 13 to the Accounts;
- **net restructuring costs** – £18.0m (2012: £16.6m). 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 £7.6m (2012: £8.0m), property closure costs of £5.8m (2012: £4.3m), asset write down costs of £0.2m (2012: £1.0m), rebranding of £3.7m (2012: £nil) and other restructuring costs of £0.7m (2012: £3.3m);
- **defined benefit pension scheme curtailment gain** – £nil (2012: £4.4m). Further details can be found in Note 30c to the Accounts;

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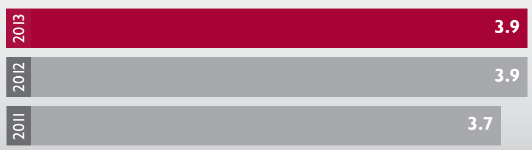
- **other one-off items** – a charge of £0.7m (2012: credit of £1.4m). Included within other one-off items are acquisition expenses (which will vary depending on the number of acquisitions per year and their nature) and other one-off costs, partially offset by the reversal of certain onerous lease property provisions previously provided for through other one-off items whereby the Group has negotiated the surrender of the lease in 2013; and
- **net fair value losses on derivative financial instruments** – £1.9m (2012: £1.8m). The finance costs section below explains these items.

OPERATING PROFIT AND OPERATING MARGIN

UNDERLYING OPERATING MARGIN %



Underlying operating profit	**2013 £m**	2012 £m	Change
UK and Ireland	**48.5**	47.7	+1.7%
Mainland Europe	**59.0**	56.5	+4.4%
Head office costs	**(8.0)**	(8.1)	(1.2)%
Group	**99.5**	96.1	+3.5%

On an underlying basis, operating profit increased by £3.4m (3.5%) to £99.5m (2012: £96.1m). Foreign exchange rate movements increased the Group's operating profit by £2.7m year on year. Therefore on a constant currency basis underlying operating profit increased by £0.7m.

Acquisitions completed during 2013 and 2012 made a contribution of c.£3.9m to operating profit in the year (2012: £0.3m).

The Group recorded a statutory operating profit of £15.4m (2012: £57.9m) after recognising a number of "Other items" that are described opposite.

FINANCE COSTS

Net finance costs before gains and losses on derivative financial instruments and financing items relating to defined benefit pension schemes (i.e. net borrowing costs) reduced by £0.8m to £11.3m in 2013.

Finance costs included in the "Other items" column of the Consolidated Income Statement amounted to £1.9m (2012: £1.8m). 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 previously 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 £2.1m (2012: £2.2m). 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 four years, is £7.5m (2012: £9.6m). Also included within finance costs is a credit of £0.2m (2012: £0.4m) relating to hedge ineffectiveness incurred on the Group's financial instruments.

Net finance costs after other items reduced by £0.7m to £13.2m in 2013.

Further details of SIG's interest rate policies are provided in the Interest Rate Risk section on pages 35 and 36.

PROFIT BEFORE TAX

	2013 £m	2012 £m
Underlying PBT	**88.1**	83.7
Other items:		
Amortisation of acquired intangibles	**(20.6)**	(22.0)
Goodwill impairment charge	**(2.0)**	–
Loss arising on the sale or agreed sale of businesses and associated impairment charges	**(42.8)**	(4.6)
Net operating losses attributable to businesses sold or agreed to be sold in 2013 and 2012	**–**	(0.8)
Net restructuring costs	**(18.0)**	(16.6)
Other one-off items	**(0.7)**	1.4
Defined benefit pension scheme curtailment gain	**–**	4.4
Net fair value losses on derivative financial instruments	**(1.9)**	(1.8)
Total other items	**(86.0)**	(40.0)
Statutory PBT	**2.1**	43.7

Underlying profit before tax (excluding businesses divested or agreed to be divested in both 2013 and 2012) increased by £4.4m to £88.1m (2012: £83.7m). On a constant currency basis underlying profit before tax increased by £1.8m. Underlying profit before tax (including businesses divested or agreed to be divested in both 2013 and 2012) increased by 6.3% to £88.1m (2012: £82.9m).

Statutory profit before tax decreased by £41.6m to £2.1m (2012: £43.7m).

TAXATION

The Group's approach to tax matters is to comply with all relevant tax laws and regulations, wherever it operates, whilst managing its overall tax burden. The Group looks to pay the right and fair amount of taxes in accordance with the laws of the countries in which it operates.

The Group recorded an income tax charge on underlying profits from continuing operations amounting to £26.1m (2012: £26.1m) which represents an underlying effective rate of 29.6% (2012: 31.2%). On the statutory profit before tax of £2.1m (2012: £43.7m), the effective income tax charge of £16.4m represents an effective rate of 781.0% (2012: 39.1%). These movements are a result of amounts included as "Other items" in the year.

Cash tax payments amounted to £15.7m, £10.4m below the £26.1m 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 2014, the Group's underlying effective tax rate will continue to depend on the mix of Group profits from different jurisdictions, although it is anticipated that the Group's underlying effective tax rate in 2014 will decrease slightly to c.29.0%, reflecting the known reduction in the UK domestic corporation tax headline rate. The Group will continue to seek to utilise brought forward tax losses arising principally from 2008 foreign exchange rate losses in order to reduce UK taxable profits in 2014 and beyond.

EARNINGS PER SHARE ("EPS")

	2013	2012	Change
Underlying basic EPS	**10.4p**	9.7p	+0.7p
Statutory basic (loss)/earnings per share	**(2.5p)**	4.5p	(7.0p)

Underlying basic EPS from continuing operations amounted to 10.4p (2012: 9.7p), which represents an increase of 0.7p. Total basic loss per share amounted to 2.5p (2012: earnings per share of 4.5p), which takes into account a number of "Other items" as described on the previous page. The weighted average number of shares in issue in the period was 591.0m (2012: 590.8m).

INSULSHELL

Insulshell is a super-insulated interlocking panel system developed by SIG. It is manufactured off site and is designed to shorten build time, reduce waste and optimise the energy efficiency and air tightness of a building.

DIVIDENDS

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

Based upon improved underlying business performance and financial stability, SIG continued to increase its dividend payments in 2013 with an interim dividend of 1.15p per share (2012: 1.0p). Following this interim dividend, SIG has proposed a final dividend of 2.4p per share (2012: 2.0p), taking the 2013 full year dividend to 3.55p per share (2012: 3.0p), representing an 18.3% increase in total dividend year on year. A total dividend of 3.55p represents a dividend cover of 2.9x in 2013 on an underlying basis.

SHAREHOLDERS' FUNDS

Shareholders' funds decreased by £15.3m to £692.5m (2012: £707.8m). The decrease comprised the following elements:

	£m
Loss after tax attributable to equity holders of the Company	(15.0)
Share capital issued in the year	0.2
Exchange differences on assets and liabilities after tax	9.8
Gains and losses on cash flow hedges	1.7
Movements attributable to share options	0.4
Actuarial gain on pension schemes (net of deferred tax)	6.3
Effect of change in tax rates on deferred tax	(0.9)
Adjustment arising from changes in non-controlling interest	0.8
Dividends paid to equity holders of the Company	(18.6)
Decrease in Shareholders' funds	(15.3)

CASH FLOW AND FINANCIAL POSITION

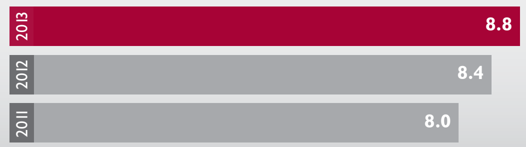
In 2013, the Group generated £86.2m of cash flow from operating activities to help support its strategy of investment in both organic and acquisition-based growth, and progressive dividend policy. The following table explains the movement in SIG's net debt:

	2013 £m	2012 £m
Cash generated from operating activities	**86.2**	88.7
Interest and tax	**(26.3)**	(31.2)
Maintenance capital expenditure*	**(23.7)**	(23.6)
Free cash flow available for investment	**36.2**	33.9
Investment capital expenditure*	**(14.4)**	(4.6)
Acquisition investment	**(16.4)**	(7.3)
Proceeds from sale of businesses	**(0.1)**	1.2
Dividends paid to non-controlling interests	**(0.3)**	(0.3)
Foreign exchange (losses)/gains	**(1.0)**	3.2
Issue of shares	**0.2**	–
Dividends paid to equity holders of the Company	**(18.6)**	(14.8)
Other items (including fair value movements)	**(1.5)**	(0.7)
Movement in net debt	**(15.9)**	10.6
Opening net debt	**(105.3)**	(115.9)
Closing net debt	**(121.2)**	(105.3)

* Where net capital expenditure is equal to or less than depreciation and computer software amortisation, all such net capital expenditure is assumed to be maintenance capital expenditure. To the extent that net capital expenditure exceeds depreciation and computer software, the balance is considered to be investment capital expenditure.

WORKING CAPITAL

WORKING CAPITAL TO SALES %



Included within "Cash generated from operating activities" is an increase in working capital of £17.7m (2012: £19.1m). Included within this working capital increase, however, is a £3.0m (2012: £7.0m) special pension contribution and also a cash outflow of £13.3m (2012: £12.7m) representing the cash costs associated with the Group's cost saving and restructuring programme. Excluding these payments, working capital increased in 2013 by £1.4m (2012: decrease of £0.6m).

The key working capital measures are set out below on a constant currency basis (continuing operations):

	2013	2012
Inventory days	**42**	43
Trade receivable days	**43**	42
Trade payable days	**37**	36

As can be seen above, the continued focus on working capital management in 2013 resulted in only a small increase in the overall level of working capital in the Group, despite stronger sales in the final months of the year compared to the prior year. As a result, the Group's working capital to sales ratio (on a constant currency basis for continuing operations) at 31 December 2013 was 8.8% (2012: 8.4%), in line with the Group's objective of no more than 9.0%.

FIXED ASSETS

Net capital expenditure (including computer software) increased in the year by £9.9m to £38.1m (2012: £28.2m), representing a capex to depreciation ratio of 1.61x (2012: 1.19x). Capital expenditure includes new vehicles, new brownfield sites, a number of relocations to larger trading sites and the initial investment in a new UK IT platform. It is anticipated that the level of capital expenditure will remain above the level of depreciation in 2014 reflecting the Group's continuing investment in the business.

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		Movement	Closing rate		Movement
	2013	2012	%	**2013**	2012	%
Euro	**1.18**	1.23	(4.1)	**1.20**	1.23	(2.4)
Polish Zloty	**4.96**	5.15	(3.7)	**5.00**	5.03	(0.6)

The movement in exchange rates compared to 2012 had a beneficial effect on the translation of total overseas earnings streams and assets, but a detrimental impact on translation of the Group's Euro denominated debt. The impact of exchange rate movements on the translation of the Group's overseas earning streams, net assets and net debt can be summarised as follows:

Impact of currency movements in 2013	£m	%
Continuing sales	+62.8	+2.5
Underlying operating profit	+2.7	+2.8
Underlying PBT	+2.6	+3.1
Consolidated net assets	+9.8	+1.4
Net debt	+1.0	+0.9

As can be seen above, fluctuations in exchange rates give rise to translation differences on overseas earnings streams when translated into Sterling. Further details of SIG's foreign exchange policies are detailed in the Foreign Currency Risk section on page 36.

PENSION SCHEMES

In total, the Group operates five (2012: five) defined benefit pension schemes, the largest 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.

The IAS 19 actuarial valuation at 31 December 2013 resulted in the gross pension deficit of the main UK defined benefit scheme decreasing from £26.3m at 31 December 2012 to £16.6m at 31 December 2013. As can be seen below, the decrease arose primarily from the actual return on assets being £9.0m above the expected return.

Following the finalisation of the triennial valuation as at 31 December 2010, a schedule of special contributions was agreed. As part of this agreement, the Group paid £3.0m in 2013 to the UK defined benefit pension scheme (2012: £7.0m) and a further £2.5m special contribution was made in January 2014.

SIG contributed £4.0m (2012: £8.5m) into its five defined benefit pension schemes during the year (including the £3.0m special contribution noted above). The total charge in respect of defined benefit pension schemes to the Consolidated Income Statement was £3.4m (2012: credit of £1.8m); of this total £2.3m was charged to operating expenses (2012: credit of £2.3m) and £1.1m was charged to net finance costs (2012: £0.5m). Included in the 2012 credit to operating expenses of £2.3m was a £4.4m curtailment gain.

The overall gross defined benefit pension schemes' liability decreased during the year by £8.9m to £25.5m. This can be broken down as follows:

(Decrease)/increase in pension scheme liability	£m
Actual return above expected return on assets	(9.0)
Change in financial and demographic assumptions in all schemes	0.7
Profit and loss charge below cash contributions to the schemes	(0.6)
Decrease in pension scheme liability	(8.9)

PENSION SCHEMES CONTINUED

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 28.1 years (2012: 28.7 years), which is considered appropriate for a scheme of this nature.

The cost of the Group's defined contribution pension schemes increased by 13.0% (£0.6m) to £5.2m, partly as a consequence of the introduction of auto-enrolment in the UK. Details of the pension schemes operated by SIG are set out in Note 30c to the Accounts on pages 119 to 122.

ACQUISITIONS

Acquisitions are a key component of SIG's growth strategy, supplementing organic growth. A total of nine acquisitions were completed in the year for a total net consideration of £16.4m.

Contingent consideration not specific to employment criteria of £0.6m has been calculated as part of goodwill. Contingent consideration of £2.8m, which is in part conditional on the continued employment of specific individuals, has not been recognised as an investment cost but instead will be accounted for as an employment cost in the Consolidated Income Statement as earned. Including total contingent consideration, the total spend on 2013 acquisitions would increase from £16.4m up to £19.8m.

Acquisitions remain subject to strict financial return criterion, with all acquisitions required to achieve a ROCE in excess of the Group's Weighted Average Cost of Capital ("WACC") in the first full year of ownership. Further details of the Group's acquisitions can be found in Note 15 on pages 106 and 107.

Included within working capital movements in the year is £0.4m in relation to contingent consideration settled during the year in respect of the acquisition of Monteis Materiaux in 2012.

DIVESTMENTS

On 1 February 2014 the Group agreed to the sale of its German Roofing business to The Gores Group, a US private equity firm, for a net consideration of £7.2m. Following a strategic review, and having consistently underperformed the Group's WACC, SIG concluded that the business was unlikely to achieve its medium-term return on capital employed targets. The sale completed on 28 February 2014.

Included in "Other items" is a one-off charge of £42.8m relating to the post year end divestment of the German Roofing operation, being a £21.5m goodwill and intangible assets impairment charge and £21.3m relating to the write down of assets and liabilities at the balance sheet date to their recoverable amount.

German Roofing reported sales of £137.4m in 2013 (2012: £134.7m) and a break-even operating result (2012: profit of £0.4m). The results of the German Roofing operation have been included within "Other items" in order to provide an indication of the continuing earnings of the Group.

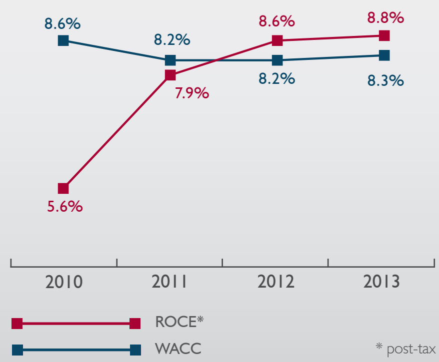
CAPITAL STRUCTURE

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 20, 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 87.

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 ratio within the range of 1.0x–1.5x. The Group's leverage position at 31 December 2013 was 1.0x (31 December 2012: 0.9x).

SHAREHOLDER RETURN

DELIVERING AN IMPROVEMENT IN SHAREHOLDER RETURNS



In line with the Group's stated objective for 2013, SIG has delivered a 20bps improvement in underlying post-tax ROCE to 8.8% for 2013 (2012: 8.6%). After taking into account the £42.8m reduction in capital employed at 31 December 2013 relating to the agreed divestment of the German Roofing operations and restating the prior year comparative capital employed, the Group ROCE increased to c.9.3% (2012: 9.0%). Further improvement in the Group's post-tax ROCE remains the prime management focus, with the Group's medium-term target to deliver a post-tax ROCE which is 300bps above the Group's WACC. Further information on the Group's KPIs is included on pages 16 and 17.

Gearing, being net debt divided by net assets, increased during the year from 14.9% to 17.5%.

As at 12 March 2014, SIG's share price closed at £2.016 per share, representing a market capitalisation of £1,191.7m 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 77.

OUTLOOK

The Directors' view of the outlook and prospects for the Group is set out in the Chairman's Statement on pages 6 and 7.

DOUG ROBERTSON
Finance Director
12 March 2014

TREASURY RISK – INTRODUCTION

SIG enters into derivative financial instruments (principally 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 Group's approach to managing treasury risk. These policies are approved by the Group Board on a regular basis. It is Group policy that no trading in financial instruments or speculative transactions be undertaken.

SIG finances its operations through a mixture of retained profits, Shareholders' equity, bank funding, private placement and other borrowings. SIG uses derivative financial instruments in order to manage its 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 2013 amounted to £239.9m (2012: £236.1m). After taking into account positive cash held on deposit of £118.7m (2012: £128.1m, and an associate loan and deferred consideration of £2.7m), the Group's net debt amounted to £121.2m (2012: £105.3m). The Group's net debt is made up of the following categories:

	2013 £m	2012 £m
Finance lease contracts	**9.8**	7.6
Bank overdrafts	**4.9**	4.1
Bank loans	**0.3**	1.4
Private placement notes	**252.5**	256.0
Derivative financial instruments	**2.1**	10.6
Total	**269.6**	279.7
Derivative financial instruments (assets)	**(29.7)**	(43.6)
Net total	**239.9**	236.1
Cash on deposit	**(118.7)**	(128.1)
Associate loan and deferred consideration	**–**	(2.7)
Net debt	**121.2**	105.3

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

	2013 £m	**2013 %**	2012 £m	2012 %
Gross financial liabilities with a maturity profile of greater than five years	**84.3**	**35**	25.5	11
Gross financial liabilities held on an unsecured basis	**229.4**	**96**	226.4	96

Details of derivative financial instruments are shown in Note 20 to the Accounts on pages 110 to 112.

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

LIQUIDITY RISK AND DEBT 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.

During the year €100m of private placement debt matured and was repaid. In order to maintain the Group's level of liquidity, this debt was successfully refinanced during the year with a further €100m of private placement debt being raised from two bilateral investors at attractive rates of interest. This increased the certainty of the Group's debt funding by providing committed seven, eight and ten year facilities. The maturity of the Group's debt facilities at 31 December 2013 are as follows:

	Facility amount £m	Amount drawn £m	Amount undrawn £m	Date of expiry
Bank debt	250.0	–	250.0	March 2015
Private placement loan notes	130.6	130.6	–	November 2016
Private placement loan notes	20.0	20.0	–	November 2018
Private placement loan notes	25.0	25.0	–	October 2020
Private placement loan notes	16.7	16.7	–	October 2021
Private placement loan notes	41.6	41.6	–	October 2023
Total	483.9	233.9	250.0	

The Group also has in place a £250m committed Revolving Credit Facility ("RCF") provided by its four key relationship banks. At 31 December 2013 this facility was undrawn and therefore represents the committed funding headroom for the Group. The RCF matures in March 2015, and therefore, it is envisaged that SIG will undertake a refinancing exercise during 2014 in order to ensure that sufficient funding headroom and liquidity is available to support the Group's medium-term strategic plans.

INTEREST RATE RISK

The Group's interest costs in respect of its borrowings will increase in the event of rising interest rates. To reduce this risk the Group monitors its mix of fixed and floating rate debt and enters into derivative financial instruments to manage this mix where appropriate and has a policy of aiming to fix between 60% and 85% of its average net debt over the medium-term.

INTEREST RATE RISK CONTINUED

The Group monitors its percentage of fixed rate debt on a monthly average balance basis, after adjusting for non-interest bearing assets and liabilities (primarily being the mark-to-market value of derivative instruments). The percentage of net debt at fixed rates of interest at 31 December 2013 is 98% (2012: 79%) and on a gross debt basis is 82% (2012: 62%). The percentage of fixed rate debt has increased in the year as a result of maturing floating rate private placement debt being replaced with an equivalent principal amount of fixed rate private placement debt. At 31 December 2013, the level of fixed rate debt was above the upper end of the Group's targeted medium-term range.

In February 2014 the Group cancelled two interest rate derivative contracts that swapped floating rate debt into fixed rate debt at a cash cost of c.£2.0m. The termination payment will not increase the Group's level of net debt as this payment cancelled the mark-to-market liability already included in the Group's Consolidated Balance Sheet. The amounts previously recorded in reserves will be amortised through the Consolidated Income Statement over the life of the associated debt to 2018 in line with the relevant accounting standards. As a consequence of cancelling the swaps, the percentage of the Group's debt that is fixed returned to being within the Group's targeted medium-term range.

FOREIGN CURRENCY RISK

INCOME STATEMENT

SIG has a number of overseas businesses whose revenues and costs are denominated in the currencies of the countries in which the operations are located. 55% of SIG's 2013 continuing revenues (2012: 55%) were in foreign currencies, being primarily Euros and Polish Zloty. 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, principally being Euro and Polish Zloty sales and profits. SIG does not hedge the income statement translational risk arising from these income streams.

SIG also faces a translation risk from the US Dollar in respect of its private placement borrowings. This risk has been eliminated through the use of cross-currency swaps, which swap the US Dollar private placement debt into Sterling.

BALANCE SHEET

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 balance sheet 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 balance sheet 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.

	2013	2012
Net debt denominated in foreign currencies, held partially to hedge the assets of our overseas businesses	**£67.3m**	£53.5m
% of net debt	**56%**	51%

At 31 December 2013, SIG had the following net foreign currency borrowings (including cash and cash equivalents):

	Local currency net borrowings/ (cash) LC'm	Sterling equivalent borrowings/ (cash) £m
Euro	**94.1**	78.4
Polish Zloty	**(47.1)**	(9.4)
Other currencies	**Various**	(1.7)
Total		67.3

As noted above, net Euro borrowings at 31 December 2013 amounted to €94.1m, or £78.4m, and therefore represented 65% of Group net debt (2012: 62%).

IMPACT OF FOREIGN CURRENCY MOVEMENTS IN 2013

The overall impact of foreign exchange rate movements on the Group's Consolidated Income Statement and Consolidated Balance Sheet is disclosed on page 33 of this Strategic Report.

COUNTERPARTY CREDIT RISK

SIG holds significant investment assets, being principally cash deposits and derivative assets. Strict policies are in place in order to minimise counterparty credit risk associated with these assets.

A list of approved deposit counterparties is maintained. Counterparty credit limits, based on published credit ratings and CDS spreads, are set. These limits, and the position against these limits, are reviewed and reported on a monthly basis.

Sovereign credit ratings are also monitored, and country limits for investment assets are in place. If necessary, funds are repatriated to the UK.

DEBT COVENANTS AT 31 DECEMBER 2013

The Company's debt facilities in place at 31 December 2013 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 ("FCC").

However, the FCC covenant only applies should certain trigger points be met (i.e. leverage exceeds 2.25x or annual operating lease rentals exceed £90m). While the trigger points for the FCC covenant have not been met in 2013 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 below:

	Requirement	**Year ended 31 December 2013**	Year ended 31 December 2012
Interest cover ratio*	>3.0x	**9.8x**	8.2x
Leverage ratio ^	<3.0x	**1.0x**	0.9x
FCC ratio#	>1.75x	**2.4x**	2.4x

* Covenant interest cover is the ratio of the previous twelve months' underlying operating profit (including the trading losses and profits associated with divested businesses) over net financing costs (excluding pension scheme finance income and costs).

^ Covenant leverage is the ratio of closing net debt (at average rates) over the underlying operating profit before depreciation, adjusted if applicable for the impact of acquisitions and disposals during the previous twelve months ("EBITDA").

Covenant FCC is the ratio of EBITDA plus gross operating lease rentals over operating lease rentals plus underlying net finance costs.

As can be seen in the table above, the Company is in compliance with its financial covenants in all respects and anticipates maintaining a healthy headroom on covenants.

GOING CONCERN BASIS

In determining whether the Group's Annual Report and 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 Strategic Report on pages 6 to 37 and in the Notes to the Group Accounts.

The key factors considered by the Directors were as follows:

- the implications of the challenging economic environment and 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 or the reasonable expectation of the renewal of facilities.

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 2013 Annual Report and Accounts.

CAUTIONARY STATEMENT

This Strategic Report 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.

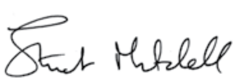
This Strategic Report and other sections of this report contain forward-looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates and risk factors associated with the building 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 Strategic Report 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 foreign 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 18 to 21 of this Strategic Report. The Company's Shareholders are cautioned not to place undue reliance on the forward-looking statements. This Strategic Report has not been audited or otherwise independently verified. The information contained in this Strategic Report 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 Strategic Report during the financial year ahead.

APPROVAL OF THE STRATEGIC REPORT

The Strategic Report (including the Chairman's Statement) on pages 6 to 49 was approved by a duly authorised Committee of the Board of Directors on 12 March 2014 and signed on the Board's behalf by Stuart Mitchell and Doug Robertson.



STUART MITCHELL
Chief Executive
12 March 2014

DOUG ROBERTSON
Finance Director
12 March 2014

SIG HAS A CLEAR APPROACH TO BUSINESS INTEGRITY AND ETHICS WHICH UNDERLINES THE GROUP'S CORE VALUES OF OPENNESS, COLLABORATION, MUTUAL DEPENDENCY, SUSTAINABILITY, PROFITABLE GROWTH AND INNOVATION.

CORPORATE RESPONSIBILITY AWARDS

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.

FTSE4Good

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

Business in the Community

Low Carbon Commitment SIG

CARBON TRUST STANDARD REDUCING CO2 YEAR ON YEAR

RoSPA 2012 SILVER Award

CRC Energy Efficiency Scheme

ECPI Sense in sustainability

FSC

MOODY INTERNATIONAL UKAS ENVIRONMENTAL MANAGEMENT

OUR PEOPLE

SIG continues to recognise the strength of the individuals who work within the Group and we believe that our people are the best in their particular field. SIG believes that the continued support we provide to our people is invaluable to our success.

In 2013 the Group acknowledged the contribution our employees make to SIG and continued to support our people in a variety of ways. This included continuing to run the Executive Development Programme, holding the SIG Driver of the Year competition for the third consecutive year and recognising the contribution of our outstanding employees at the annual Senior Management Conference.

SIG considers the safety of its employees of paramount importance. The Group continues to maintain an integrated Health, Safety and Environmental ("HS&E") management system.

The completion of the initial stages of a Group-wide health and safety programme, which saw the successful introduction of several health and safety measures across the Group, has provided the foundation for the next step in the programme. It is SIG's philosophy that all accidents are avoidable, and therefore the aspiration for the Group is for "Zero Harm" every day.

SUPPORTING THE COMMUNITY

The Group endeavours to contribute to the communities in which it operates, particularly those neighbouring its sites.

The Group 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. SIG's employees continue to take part in a range of activities which support our work in the community. This includes, but is not limited to, participation in the Sheffield Half Marathon, fundraising in branches and by our graduates, and making donations through a payroll giving scheme.

To help support the Group's contribution to the communities it operates in across the UK, SIG is a member of Business in the Community. SIG continues to work with this organisation to help develop its approach and practices. This is mainly achieved through charitable donations and other initiatives that help the community.

During 2013 SIG has also raised funds and made donations for local charities and organisations throughout Mainland Europe. A prime example of this is the sponsorship provided by WeGo Systembaustoffe GmbH to the seventh Hanau Soapbox Derby – a local initiative that promotes community involvement, team working, creativity and inter-generational involvement. The proceeds from the derby will be used to build a child-friendly outdoor play area at a local after-school care centre.

SIG Insulations was the main sponsor for the Sheffield Half Marathon for the sixth consecutive year, which raised £105,000 for good causes in 2013.

ENVIRONMENT

SIG acknowledges its responsibility to the environment as a leading distributor of building products in Europe.

SIG's UK operations continue to maintain accreditation to the international environmental standard ISO 14001, with a roll-out plan in place for new businesses acquired in 2013 to gain certification in 2014. The principles of this management system standard form the basis of the approach to environmental matters across the Group.

The main focus of the Group's environmental objectives and targets for 2014 relate to the aims of SIG's Low Carbon Business Policy to reduce fuel, energy and water consumption and to reduce waste.

The Group's partnership with the Carbon Trust to carry out energy audits and develop an Internal Audit programme, along with an employee awareness programme and "Switch Off" campaign, have enabled the business to achieve an overall reduction of 4.8% in its carbon emissions in 2013 compared to 2012.

In 2013 SIG has ensured its commitment to reducing its environmental impact has been upheld by also re-launching the Group's "Switch Off" campaign, commencing installation of Solar PV at its branches in the UK, continuing to recycle water for commercial processes in Southport (UK) and Alizay (France), introducing paperless delivery processes and providing online activity reports, among other activities.

To help maintain the momentum in reducing waste and operating costs, the "Switch Off" campaign, which was originally launched in 2010, was re-launched in 2013. The campaign encourages employees to turn off lights and other electrical appliances when not in use.

In 2013 SIG continued its drive to integrate Corporate Responsibility ("CR") across the Group, with focus on taking forward the key aspects of the CR plan. SIG believes that the inclusion of broader social and environmental issues into its decision-making process will support the Group in achieving our business goals as well as helping us grow Shareholder value.

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

CR COMMITTEE

The CR Committee was established in 2009 and provides the SIG Board with a regular account of the significance of social, environmental and ethical matters to the business. It has put in place a comprehensive risk management and internal control process which identifies and assesses the significant risks to the Group's short-term 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 the Directors.

The Committee has a rolling three year plan which informs the CR objectives and target actions of the Group and drives continual improvement of its CR performance. The objectives allow the Group to focus its CR efforts and work to continually improve the Group's index ratings.

The Group's CR credentials are central to its commercial aspirations. Throughout 2013 the Group continued to provide access to tender lists for major contractors through formal assessment and pre-qualification questionnaires.

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, sustainability, profitable growth, professional delivery and innovation. The Group has in place Group-wide Ethics, Anti-Bribery & Corruption and Ethical Trading & Human Rights policies. These policies, which are regularly reviewed, underpin our CR programme and support our business integrity.

ETHICS POLICY

SIG has in place a Group-wide Ethics Policy, which has been issued to all employees. The policy sets out the standards and behaviours that all SIG employees are expected to meet throughout the Group's operations, and is designed to ensure that the business conforms to the highest ethical standards. 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 of 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 will 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.

A confidential and independent hotline service is available to all employees so that they can raise any concerns that they have about how we conduct our business. We believe this is an important resource which supports a culture of openness throughout the Group. The service is provided by an independent third party with a full investigation being carried out on all matters raised and a report prepared for feedback to the complainant.

HUMAN RIGHTS

SIG does not currently have in place a policy that deals specifically with human rights. SIG will give careful consideration to whether a specific Human Rights policy is required in future over and above existing policies.

ANTI-BRIBERY & CORRUPTION POLICY

SIG plc has a number of fundamental principles and values that 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 & 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.

We have continued to roll out our Anti-Bribery & Corruption Policy training (which since 2012 has included competition law training) via the comprehensive online training resource to all Senior Management through to branch managers and external salespeople across the Group.

The Company 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 action against any individual(s) involved in bribery or corruption.

A copy of the Group's Anti-Bribery & Corruption Policy can be viewed on the Company's website **www.sigplc.com**.

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

SIG continues to operate an integrated Health, Safety and Environmental ("HS&E") management system. The Group Chief Executive is the Board Director responsible for the implementation of the management system. A copy of the Group's HS&E Policy signed by the Chief Executive is displayed at each location in the local language.

SIG's UK operations continue to maintain accreditation to the international environmental standard ISO 14001, with a roll-out plan in place for new businesses acquired in 2013 to gain certification in 2014. The principles of this management system standard form the basis of the approach to environmental matters across the Group.

The Group's policy for continuous improvement is supported through the maintenance of its Environmental Aspects and Impacts Register and Corporate Environmental Risk Assessment. These documents record and assess the principal environmental hazards within the Group and were reviewed in 2013 through each business' Management Review process.

The Group has maintained its excellent record of legal compliance and environmentally sound operations throughout 2013 and can continue to report that there have been no prosecutions, no actions from the authorities and no incidents reported through internal processes.

The main focus of the Group's environmental objectives for 2014 relate to the aims of the business' Low Carbon Policy to reduce fuel, energy and water consumption and to reduce waste. The progress that the business has made in this area in 2013 is covered in this report.

CARBON MANAGEMENT

SIG plc's Low Carbon Policy was first published in 2010. The policy was reviewed in 2013 and signed by the Group's Chief Executive who retains responsibility for environmental performance.

In addition to this annual CR Report, SIG continues to report its Carbon Footprint performance through the Carbon Disclosure Project, CRC Energy Efficiency Scheme ("CRC") and the Carbon Trust Standard.

The CRC scheme is the UK Government's mandatory carbon reporting process, designed to encourage higher consuming businesses to take action to reduce their emissions. The first phase of this programme comes to an end in 2014 and SIG has notified the Environment Agency that, following the sale of the manufacturing business in 2011, the Group now falls outside of the scope of the scheme.

In 2013 SIG's UK and Ireland businesses re-launched their "Switch Off" campaign. Originally launched in 2010, the campaign encourages employees to turn off lights and other electrical appliances when not in use. Also, 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.

Carbon emissions
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ROAD RISK POLICY

SIG recognises that driving is among the most hazardous tasks performed by its employees across the Group and that its vehicles and drivers represent the Company while they are on the road. It also recognises the potential impact that driving and vehicle use has on the local and global environment.

The UK business, in partnership with its insurers and brokers, operates a UK Occupational Road Risk Accident Review Panel. The Panel meets monthly and reviews all serious accidents and incidents. The aims of the panel are to improve the speed of reporting, the quality of investigation, identify the causes of accidents and take action to reduce the risk of reoccurrence including recommending further training where appropriate.

SIG INTERIORS PARTNERS WITH ARMSTRONG WORLD INDUSTRIES TO DRIVE RECYCLING INITIATIVES

The initiatives enable new build ceiling contractors and refurbishment teams to recycle suspended ceiling products and "off-cuts". SIG Interiors handles the collection and recycling, driving significant cost and time savings for new customers while supporting sustainable building practices.

EKO PROJECT IN POLAND

In Poland, SIG has developed an EKO project where every employee who receives a company car also receives a tree to plant. A tree is also planted when new livery is purchased.

The project raises environmental awareness in its staff and encourages its employees' families to become involved. All trees that are given to staff to plant come with the slogan "We plant trees which absorb the CO_2 that our vehicles produce."

ENVIRONMENT CONTINUED

ROAD RISK POLICY CONTINUED

In 2013 the panel focused on reducing the number of vehicle accidents across the Group through the "New Focus on Accidents" campaign. There has been on average a 7% reduction in accident numbers over a five year period, with an average annual reduction in cost of £300,000 for the last four years.

The Occupational Road Risk Policy which has been developed within the UK was communicated across the Group as best practice. This will pave the way for the introduction of the policy across the Group.

The aims of the policy are:

- 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.

This will be achieved by improving the knowledge, developing the attitude and influencing the driving behaviour of employees.

In addition a Group-wide Commercial Vehicle Audit was commissioned and commenced in 2013.

Health and safety
p.44

TRANSPORT

Emissions from road vehicle fuel consumption form the majority of the Group's carbon footprint. SIG has targeted an absolute reduction in this Scope 1 category and has achieved significant reductions in each of the last three years, with an overall reduction of 8.9% in 2013 compared to the base year of 2010. This has largely been achieved through the replacement of older commercial vehicles with new and low emission vehicles, and more efficient journey planning.

The Group's plans for growth and increased business will have a significant impact on the absolute consumption of vehicle fuel and the key thrust of the programme in 2014 will be the improved efficiency of road vehicles and better driving behaviours.

The Group maintains its policy to purchase commercial vehicles to the latest European standard and low emissions vehicles to facilitate deliveries into "Low Emission" zones across Europe. These vehicles are less fuel efficient, but are designed to reduce harmful emissions from exhaust fumes to minimise the effect on the local environment.

The roll-out of the in-vehicle Telematics system in the UK to c.1,000 commercial vehicles, along with a training programme for branch and transport managers, was a significant achievement in 2013. This has enabled managers and drivers to assess opportunities for more efficient driving by reducing heavy braking and acceleration, speeding and engine idling. SIG is also in the advanced planning stage for the roll-out of Telematics to Poland and France.

The "EKO Driving" and "Eco Driving" driver training programmes in SIG Poland and the UK and Ireland respectively continue to provide information and instruction to drivers over and above the training provided at induction.

For the third year running, SIG held its Driver of the Year competition at MIRA in the UK, recognising the best drivers from the UK branches. The one-day competition set driving tasks that allowed the competitors to prove their skills, including wet handling, wet braking, fuel efficiency and vehicle defect checks. Qualification to enter the final was based on a year's worth of safe and efficient driving practice supported by training. Jed Hazelden of SIG Roofing in Huddersfield was the winner for 2013.

ENERGY

Emissions from electricity consumption equate to 14.4% of the Group's Scope 1 and 2 emissions.

Programmes including a partnership with the Carbon Trust to carry out Energy Audits and develop an Internal Audit programme, along with an employee awareness programme and the "Switch Off" campaign, have enabled the business to achieve an absolute reduction of 8.4% in 2013.

The programme for capital projects, which commenced in 2012, has continued with a capital investment of almost £600,000 providing annual savings of more than one million kWh of electricity, 650 tonnes of CO_2 emissions and a payback period of less than four years.

The principal savings have been achieved through the replacement of inefficient lighting with low energy systems fitted with both daylight and movement sensors.

The Group's first Solar PV installation was completed in 2013 by SIG Energy Management at an SIG Fixings branch in the West Midlands. The system will provide the site with almost all of its electricity, saving 500 tonnes of CO_2 over its 20 year lifetime.

Running alongside the capital projects programme is the continuing business need for employees to use electrical equipment more efficiently and the "Switch Off" campaign saw the provision of sticky labels and notices in corporate colours with energy saving advice.

GREENHOUSE GAS ("GHG") EMISSIONS

Providing quality and verifiable data is key to SIG's carbon footprint reporting programme. We have reported on all of the emission sources required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014 to calculate our GHG disclosures. These include Scope 1 CO_2 emissions, for which businesses are directly responsible, and Scope 2 CO_2 emissions, which are indirect emissions from the generation of electricity. We have also disclosed Scope 3 CO_2 emissions over which the business has limited control, being third-party air and rail transportation, which fall outside of the scope of the GHG Protocol.

In collecting this data, SIG has used a period non-coterminous with the Group's financial year, with current year data reflecting the year to 30 September 2013. This is because much of the data is captured via utilities bills, which tend to be quarterly. A September period end for carbon reporting therefore allows for actual data to be used as opposed to estimates (in 2013, 93.5% of emissions are based on actual data). Estimates are prepared on the basis of applying equivalent emission rates to the remainder of the Group's footprint.

The comparatives are also twelve month periods, but are based on calendar years. However the method of collecting data on CO_2 emissions has not changed year on year; therefore the prior year numbers have been included within this report as the Group feels that they provide meaningful comparison. The method of collection for each component of CO_2 emissions has been disclosed in the footnotes to each table.

The processes and procedures used have been audited and assessed by the Carbon Trust Standard and the UK Environment Agency for the CRC Energy Efficiency scheme.

In accordance with the Group's policy of continuous improvement a full Internal Audit of the processes will be completed in the first quarter of 2014 to identify further opportunities for improvement in the quality of recorded data.

The Group achieved an absolute reduction of 4.8% in Scope 1 and 2 emissions combined year on year, with an overall reduction of 9.7% compared to the base year of 2010.

The overall footprint of the business for Scope 1, 2 and 3 improved with a reduction of 4.8% year on year. The figures represent an overall reduction of 8.7% in emissions per £m of revenue in 2013 compared to 2012 as a result of the measures taken to reduce road vehicle fuel and energy consumption.

CO_2 EMISSIONS – SCOPE 1 – DIRECT

	Metric tonnes 2013	Metric tonnes 2012	Metric tonnes 2011
Road vehicle fuel emissions[1]	**68,560**	72,223	73,252
Plant vehicle fuel emissions[2]	**4,934**	5,369	5,204
Natural gas[3]	**3,372**	2,999	3,136
Coal/coke for heating[4]	**52**	70	79
Heating fuels (kerosene and LPG)[5]	**1,313**	943	410
Total	**78,231**	81,604	82,081

Data source and collection methods:
1. Fuel cards and direct purchase records in litres converted according to Defra guidelines.
2. Direct purchase records in litres converted according to Defra guidelines.
3. Consumption in kWh converted according to Defra guidelines.
4. Purchases in tonnes converted according to Defra guidelines.
5. Purchases in litres converted according to Defra guidelines.

CO_2 EMISSIONS – SCOPE 2 – INDIRECT

	Metric tonnes 2013	Metric tonnes 2012	Metric tonnes 2011
Electricity[1]	**13,142**	14,346	14,855

Data source and collection methods:
1. Consumption in kWh converted according to Defra guidelines.

CO_2 EMISSIONS – SCOPE 3 – OTHER INDIRECT

	Metric tonnes 2013	Metric tonnes 2012	Metric tonnes 2011
Third-party provided transport (air and rail)[1]	**308**	349	449

Data source and collection methods:
1. Distance travelled converted according to Defra guidelines.

EMISSION PER £M OF REVENUE

	Metric tonnes 2013	Metric tonnes 2012	Metric tonnes 2011
Scope 1	**28.8**	31.2	30.2
Scope 2	**4.8**	5.5	5.5
Scopes 1 and 2	**33.6**	36.7	35.7
Scope 3	**0.1**	0.2	0.2
Scopes 1, 2 and 3	**33.7**	36.9	35.9

The data relating to CO_2 emissions has been collected from all of the Group's material operations and is based on a combination of actual and estimated results where actual data is not available. Discontinued operations as at the balance sheet date are not included in the data above.

ENVIRONMENT CONTINUED

WATER CONSUMPTION

The Group uses very little water for commercial processes and its use is almost completely for welfare purposes at an estimated 99% of the total consumption. However SIG recognises that potable water is a precious resource and continues to maintain water recycling and reuse for the processes in Southport (UK) and Alizay (France).

In partnership with Waterscan in the UK, SIG has identified significant opportunities for water consumption efficiencies including: improved automatic cistern controls, identification and repair of leaks and improved billing processes.

The number of Group companies reporting their water consumption continues to improve with only Germany and Austria not submitting data in 2013.

	Litres '000	
	2013	2012
Third-party provided water supply from national network for processes and welfare	**107,604**	108,201

The above data is based on a combination of actual and estimated data.

WASTE MANAGEMENT

SIG's key objective remains maximising the percentage of waste diverted from landfill. The Group is continuing its programme to reduce the amount of waste generated, for instance by introducing paperless delivery processes and providing online activity reports.

Waste management is included in the branch HS&E inspection and Internal Audit process. Branches provide dedicated waste bins for materials segregation and waste balers where appropriate.

SIG continues to work in partnership with suppliers and manufacturers to facilitate compliance with their Producer Responsibility Obligations under waste management legislation. As part of this, branches provide dedicated waste facilities for plasterboard and plaster products, uPVC windows, fibre ceiling tiles and vinyl floor covering material.

As a break bulk supplier of products, packaging has the greatest potential for waste production. SIG continues to comply with its obligations under the Producer Responsibility Obligations (Packaging Waste) Regulations and is a member of the Valpak compliance scheme.

Branches actively minimise waste though the use of second-hand packaging, the reuse of opened packaging and operating return schemes for pallets and bearers.

As the measurement of waste generated is notoriously difficult, in order to ensure that the data is as accurate as possible SIG works with waste management recycling companies to provide our best estimate. The figures for 2013 indicate an increase in waste diverted from landfill from 62% in 2012 to 79% in 2013.

HAZARDOUS WASTE

	Absolute tonnes*		
	2013	2012	2011
Landfill	**13**	21	28
Recycled (diverted from landfill)	**139**	279	339
Incinerated	**65**	72	11
Total	**217**	372	378

	Absolute tonnes*		
	2013	2012	2011
Hazardous waste per £m of revenue	**0.08**	0.14	0.14

* Volume per annum converted to tonnes.

NON-HAZARDOUS WASTE

	Absolute tonnes*		
	2013	2012	2011
Landfill	**4,283**	8,743	9,231
Incinerated	**12**	–	31
Total	**4,295**	8,743	9,262

* Volume per annum converted to tonnes.

OTHER WASTE DIVERTED FROM LANDFILL

	Absolute tonnes*		
	2013	2012	2011
WEEE (Waste, Electrical and Electronic Equipment)	**5**	3	5
Glass	**3**	3	38
Wood	**1,324**	2,058	1,372
Metal	**977**	1,234	1,158
Plasterboard	**1,258**	390	480
Paper/cardboard	**1,024**	1,165	932
Plastic	**440**	762	914
Other	**10,860**	8,250	7,306
Total	**15,891**	13,865	12,205

* Volume per annum converted to tonnes.

	Absolute tonnes*		
	2013	2012	2011
Non-hazardous and other waste per £m of revenue	**7.4**	8.7	7.9

* Volume per annum converted to tonnes.

The above data is based on a combination of actual and estimated data.

HEALTH AND SAFETY

SIG continues to maintain an integrated HS&E management system with SIG UK's operation accredited to the BS-OHSAS 18001:2007 (Health and Safety) standard for its operations. The principles of the standard form the basis of the Group's approach to health and safety matters across the Group. A roll-out programme has commenced to bring new businesses acquired in 2013 on to the certification in 2014.

A copy of the Group's HS&E Policy, signed by the Chief Executive who is the Board member responsible for health and safety, is displayed at each location in the local language.

The Group's strategy for managing health and safety is founded on the key principles of competent assistance, common written procedures within each business, risk assessment for hazardous activities and an HS&E inspection process across all locations with written reports detailing any issues and target actions.

The Group HS&E Manager is a dedicated resource employed to communicate and support the implementation of HS&E principles across the Group.

With the exception of Benelux, where external advisors are employed when necessary, all other Group businesses have dedicated, qualified HS&E personnel directly employed to provide advice and support to the business and the Group HS&E manager. This lack of reliance on consultants has improved the internal communication of HS&E incidents and best practice and the facilitated introduction of local campaigns.

SIG operates a robust Risk Assessment and Management Review process through which the key health and safety risks have been identified.

The greatest hazards within the business, in terms of the potential for severity, come from Occupational Road Risk Traffic Management and Machining Processes. With the exception of road risk, manual handling and slips, trips and falls remain the largest cause of accidents in the Group.

In 2013, Traffic Management was a key focus for health and safety audits across the Group, and in France a programme to refresh traffic plans at each branch was implemented, including relining pedestrian and loading zones and providing informative signage and speed limitations. This initiative continues to reinforce the safety of employees and customers alike.

SIG UK received its third consecutive Silver RoSPA Occupational Health and Safety award in May 2013. This award recognises our ongoing commitment to raising the standards of Health and Safety Management across the Group.

The "New Focus on Accidents" campaign has been a significant step forward in the Group HS&E programme, with the introduction of:

- a Group-wide web-based instantaneous accident reporting database and communication process. This has improved communication of accident information and improved the ability of the business to investigate them fully and in a timely manner;
- a Group-wide Hazard Alert process for serious accidents, designed to share information about the occurrence, causes and preventative action associated with accidents;
- Accident Review Panels, which meet regularly in each business. Chaired by the operating company's Managing Director, the panels review accidents that have occurred in the business to ensure that they have been investigated and recorded properly, fully and in a timely manner and that actions have been identified and taken to reduce the likelihood of the accident recurring; and
- a formal routine branch inspection process carried out by branch management, line management and Senior Management specifically targeting housekeeping, manual handling and traffic management.

Health and safety is high on the agenda for all of the Group's businesses. A dashboard for accident statistics, along with supporting information about serious accidents and incidents, is included in the monthly Board report which is reviewed and discussed by the Board at its meetings.

The successful implementation of the above elements across the Group has provided the foundation for the next step in the programme. It is SIG's philosophy that all accidents are avoidable and the aspirational target for the business is for "Zero Harm" every day.

This will be achieved through the continuation of the SIG Certificate in HS&E Management training programme, designed to ensure that managers know and understand their legal, financial and moral responsibilities for health and safety. This includes a programme of support through the HS&E competent assistance and the measurement of KPIs with accountability for those in control.

The accident statistics indicate that there has been an increase in the rate of major injuries as defined in RIDDOR. The increase is largely due to injuries sustained from slips, trips and falls in the severe weather in the early months of 2013 in the UK. Whilst remaining static in the UK and Ireland, the Group's "over three day" accident rate has reduced. Some caution is advised when comparing RIDDOR rates as the data for 2011 and 2012 has not been adjusted for the revised "over seven day incapacity" definition.

Statement from Stuart Mitchell, Group Chief Executive
(issued following the Group Senior Management Conference in February 2014):

"The health, safety and wellbeing of our workforce and others we come into contact with are vital to the way SIG operates.

My vision is to provide a safe, healthy and efficient working environment that supports the long-term growth of the business and puts our staff's welfare first.

I believe that this can be achieved through a knowledgeable, committed and competent management and support structure that makes health and safety the primary consideration in the development, growth and day-to-day operation of SIG's business.

Line managers at all levels are crucial to this vision. They need to engage with all staff on health and safety matters and to challenge any unsafe practice. Nobody should just 'walk by'.

I expect all management to deliver the safety message to target Zero Harm every day and to work hard so we can make SIG a safe place that we can all be proud of."

ACCIDENTS AND INCIDENTS

UK & IRELAND

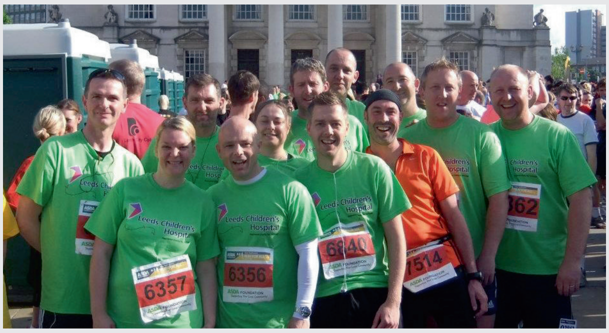
	Rate per 1,000 employees		
	2013	2012	2011
Major injury	**3.6**	2.7	2.5
Injury resulting in over three absence days from work	**11.2**	11.2	12.8
All RIDDORs	**13.4**	14.1	15.4
Average UK and Ireland headcount	**5,070**	5,261	6,111
Lost work day rate – number of work days per 100 employees	**23.3**	29.6	34.0

GROUP

	Rate per 1,000 employees		
	2013	2012	2011
Major injury	**2.8**	2.2	2.1
Injury resulting in over three absence days from work	**16.7**	17.1	16.1
All RIDDORs (equivalent)*	**16.5**	17.9	18.3
Average Group headcount	**9,806**	10,228	11,105

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

EMPLOYEES AT SIG INSULATION LEEDS RAISED A GRAND TOTAL OF £10,000 IN 2013



Over the course of the year employees took part in a range of events and activities including sponsorship of head shaving, beard growing, runs and walks. Funds have been donated to a variety of charities including Leeds Children's Hospital, Cancer Research UK, Dementia and British Heart Foundation.

QUALITY ASSURANCE

The Group's management systems are maintained to a high standard through management review and internal auditing. A supplier audit programme is in place to identify opportunities for continuous improvement. The programme is conducted by way of questionnaire and includes questions regarding the health, safety and environmental credentials of the supplier. Where it is commercially advantageous the quality managements systems are externally certificated to ISO9001:2008 with Sitaco Poland and certificated branches in the UK achieving re-certification in 2013.

COMMUNITY

SIG recognises the ethical obligation it holds to the communities in which it operates, both as a local employer and as a FTSE 250 company.

To help support the Group's contribution to the UK communities in which it operates, SIG is a member of Business in the Community. The Group has worked with Business in the Community for a number of years to help develop its approach and practices. This is mainly achieved through charitable donations and other initiatives that help the community.

As part of its work with this organisation, SIG has signed up to Business in the Community's Business Class Programme to partner with a local UK School for a period of three years. Commencing in 2014, the headteacher of the local school will drive the agenda with SIG working closely with the school across several key areas: leadership and governance, enterprise and employability, the curriculum and wider issues. The Business Class Programme targets secondary schools facing challenging circumstances, prioritising engagement in the most deprived communities in the UK, and will be a long-term approach to ensure that the lives of young people are transformed through their education.

In 2013, SIG Energy Management helped an inner city primary school by recycling materials from an ECO project. SIG Energy Management in Leeds diverted excess pebbledash from landfill and instead used the leftover materials to help transform the school grounds. The pebbledash has been used to landscape the outdoor areas and brighten up communal areas in the school which would otherwise have been left as scrubland. The landscaping means the learning environment is cleaner and requires less maintenance.

SIG Insulations was the main sponsor for the Sheffield Half Marathon event for the sixth year. In 2013 the Half Marathon raised £105,000 for good causes.

The Group 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.

CHARITABLE DONATIONS

During the year the Group made donations of £109,000 (2012: £124,000). It is the Group's policy not to make political donations and no political donations were made in the year (2012: £nil).

The Group supports charities and community projects that enhance SIG's engagement in the communities in which it operates, assist in managing the sustainability of the local environment and help to educate young people and assist disadvantaged groups. In addition, the Group's policy encompasses other charities which its employees particularly wish to support.

SIG employees have been involved in a wide range of activities and events to raise funds for the charities of their choice in 2013. These included trekking up Killimanjaro, 24 hour football matches and walking the Kennedy March in The Netherlands, as well as sponsored cycle rides, bake sales, summer fêtes and quizzes.

A clear example of SIG's employees' commitment to helping charities, local or otherwise, is the £10,000 raised by employees at SIG Insulation Leeds. Over the course of the year employees took part in an array of events and activities to raise funds which have been donated to a variety of charities including Leeds Children's Hospital, Cancer Research UK, Dementia UK and the British Heart Foundation.

The Group actively encourages its UK employees to help charities through a dedicated intranet forum for employees to highlight their fundraising efforts and receive support from their colleagues as well as the Group's matched funding initiative.

The matched funding initiative, whereby employees are able to apply for a donation matching the money raised by them up to £500 (or equivalent), raised £34,000 in 2013. A Charities Committee approves applications and ensures that they are in line with SIG's Charitable Donations Policy. SIG matched donations from employee applications, to a variety of charities and good causes in 2013, including Leeds Children's Hospital, Motor Neurone Disease Association, Roparun Foundation Netherlands, Comic Relief, Cancer Research UK, Mama Cash Netherlands and African Child Foundation Kenya, among many others.

The Group also 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 £20,000 were made through the scheme in 2013. As a result of this, SIG has been awarded a Payroll Giving Quality Mark Silver Award in the UK for commitment to good causes and the local community.

During 2013, SIG's Graduates took part in a CR challenge to raise money for Sheffield Children's Hospital by completing the three dams challenge, holding donut sales and organising a raffle. They were successful in raising £5,000 which will be used towards creating an Ante Room at the hospital.

SIG also continued support of the Sheffield Children's Hospital through replacing Christmas cards with an additional donation to the hospital.

OUR PEOPLE

Throughout SIG, regardless of geography, business or function, we believe that we have exceptional people. This is demonstrated by the levels of experience SIG has throughout the organisation, and in particular through the specialist and technical knowledge of our employees, which we believe gives real differentiation in the market for SIG. The commitment and professionalism of our people and the dedication of our employees in consistently meeting and exceeding customer demands is key to the success of our business.

SIG has recently launched the new Group Vision, Mission and Values. Our aim is to be stronger together. This applies to the customers we serve, in terms of working closely with them to develop complete solutions to their problems. It applies to our suppliers, partnering more closely with them to better deliver on time and in full. "Stronger together" applies to our employees, as we can share best practice and knowledge and better utilise the skills and capabilities across the whole of our business by working more closely together. It also applies to our shareholders, as by leveraging the strength of the SIG Group and working together as a team, we will be well placed to ultimately deliver better returns.

SIG GRADUATES RAISE OVER £5,000 FOR CHARITY

The UK Graduates worked together on a number of projects to raise money for The Children's Hospital Charity, including a sponsored hike, a raffle and bake sales. Over £5,000 was raised for the Charity and it allows SIG to sponsor an Ante Room at the hospital.

The International Graduates also raised over £1,000. The funds were split between the Ronald McDonald charity in France and the Aktion Deutschland Hilft in Germany.

OUR PEOPLE CONTINUED

Our new Group Values have been developed through working with our employees and asking for their views, to ensure that the values reflect the voice of our people and that they are lived within the organisation. Trust and respect are very important to us and came through as being the values which employees felt most strongly represented SIG. However, teamwork and commitment were also identified as key and integrity was seen as critical – this aligns with our customer ethos of always delivering on our promises. Finally, it was felt having fun at work was important and we see this reflected in our SIG spirit and the work that SIG undertakes for charity and in the community.

SIG is committed to ensuring that all managers and employees know what is expected of them in their roles and that performance is measured and managed throughout the business. Our Performance Development Review ("PDR") process continues to help us in this regard, with improved standardisation in 2013 which enables clearer identification of Group-wide training and development priorities.

DEVELOPING OUR PEOPLE

This review process assists in not only identifying high performance but also high potential employees, allowing us to provide specific fast track development options and project work for this population. We will continue to refine and further automate this process in 2014.

SIG relies on the expertise and knowledge of its employees whose specialist skills and experience differentiate it in the marketplace. Competency based training plans continue to form the basis of structured development in our business and are now rolled out across the UK, with plans to implement in our European businesses in 2014. This competency framework has allowed us to improve the training that we offer to employees and ensure that it is up to date and relevant to their roles. We are developing our eLearning proposition to allow us to roll this out more widely and cost effectively in 2014. The Group's Coaching and Mentoring Programme, which was established in 2011, continues to develop and will form a key part of our Talent and Development Strategy going forward in 2014. An integrated approach to the identification of training needs and the development of talent is core to our People Development Strategy.

Our Executive Development Programme with Sheffield Hallam University has been further developed in 2013. This programme has six levels, ranging from our three day entry level Management Development Programme ("MDP1") up to our MDP VI, which leads to a BA Honours Degree in Professional Business Practice. All the programmes cover business planning and strategy and leadership, and combine theoretical concepts and practical exercises. This programme has led to good interaction and cross-fertilisation of ideas across all geographies and parts of our business, and is attended by a variety of nationalities who benefit from exposure to their fellow team members. In support of "Stronger together", this programme helps connect people and leads to a joined up approach to problem solving and innovation.

Much of our development activity is organised locally on a business or country basis, depending on local priorities and needs. In our UK business, SIG Distribution has taken a very customer focused approach by carrying out a customer survey in 2013 where customer service was a key issue. Much of the sales training was then focused around this. In 2013, the SIG Roofing and Roofline business further developed its "Expert Workforce" philosophy and focused on further developing its "Strong Team Ethos". The measurement of an "Expert Workforce" is determined by having 90% skills achievement, less than 10% poor performers, 20% able to progress to the next level and less than 10% staff turnover. "Strong Team Ethos" means all branches will operate collaboratively across local geographies and this will be promoted by the organisational structure and management style. The SIG Distribution re-organisation at the beginning of 2014 supports this vision and further embraces the matrix management concept. The implementation of our new ERP system in 2014 in the UK business has also led to quite extensive training across the business in the new ways of working.

In Europe during 2013, we continued to further develop our HR support to the business. In Germany, we continue to permanently hire trainees upon successful completion of apprenticeship and demonstration of excellence in both theory and practice, which has proved to be a very successful strategy for us. In Europe generally we are focused on the concept of professional career development and on improving our capability to train and develop in a more consistent and aligned way.

The Group has continued with English language training to help support Group-wide working and proactively develop employees wishing to enhance their language capabilities. This training takes place in the Group's Sheffield Corporate Office and attendees from all parts of the Group have the opportunity to meet colleagues in the UK business. Going forward, we are exploring the option of an eLearning solution for English which is currently being tested with our European employees and is planned for roll-out in 2014.

The Group has a strong track record of recruiting and investing in graduate talent to help meet our future management requirements. Our graduates have a mix of backgrounds and experience which is relevant to our customer base. As well as being recruited for specific functions, SIG also runs country and international programmes which give graduates exposure across our European businesses and allows us to develop cross cultural working and understanding. During the two year programme, graduates attend six development events. The programme develops self-awareness, commercial acumen and personal impact in order to help the graduates significantly increase their effectiveness and value to the business. The graduates also complete a business challenge and take part in a CR project, where they give something back to the community.

Our Apprenticeship Programme, which was launched in September 2012, continues to help us attract talented individuals to the organisation, as well as supporting people looking to gain qualifications and work experience. 2013 saw the launch of our Apprenticeship Development Programme, bringing our apprentices together and building on key skills to support their career development. The programme runs in our UK business and has been very well received with 16 apprentices now employed in various roles across our Head Office and branches. We are looking to recruit upwards of five additional positions in the course of 2014. Along with our Graduate and Placement Programme, the Apprenticeship Programme will help us to develop a strong pipeline of future talent and is a key element of our Talent Strategy for 2014.

SIG are now Gold Sponsors of Enactus, which is a community of student, academic and business leaders developing outreach projects to improve quality of life and standard of living of people across the globe. In 2013, SIG was involved in the judging process for the Enactus national competition, as well as attending a couple of training events for the Enactus students and taking part in careers fairs. This year we will continue to build on this relationship and plan to link some business advisors with local universities to support their project development.

EQUAL OPPORTUNITIES

SIG's policy is to provide equal opportunities to all existing and prospective employees. The Group recognises that its reputation is dependent upon 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. Employment opportunities are equally available to all. The Group values diversity of thinking and sees this as critical going forward in generating new ideas and innovative solutions for our customers.

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 in employment by making reasonable adjustments in the workplace and with retraining for alternative work where necessary.

EMPLOYEE ENGAGEMENT

The HR Director has responsibility for the Group's People and HR Strategy, which is designed to support the business strategy. The HR Director reports directly to the Chief Executive, who is responsible for HR issues at Board level.

SIG is launching its first Group-wide Employee Engagement survey in March 2014. Through the survey, we are hoping to drive employee engagement, with a focus on excellence in customer service and business delivery, to provide a clear link between customer and employer brand values and behaviours.

The survey will give us a mechanism for employees to provide feedback anonymously and confidentially. Most importantly, it will provide base line measures and benchmarks with respect to employee engagement and the employee journey across the SIG Group internationally.

As a result of the survey, we will determine targeted actions and priorities focused on improving the work environment, employee engagement and thereby our customer service over time. The survey will also be helpful in identifying leadership and management development requirements specifically relating to mindset and behavioural development to drive an engaged workforce.

We are committed to running a regular survey cycle/process driving up participation and our Employee Engagement Index in 2014 and beyond.

SIG sees two-way communication with employees as paramount and is continually looking to improve in this regard. The organisation, keeps employees informed through our Group-wide newsletter, Communiqué, as well as business specific publications and newsletters to keep employees up to date.

In many of the countries in which we operate, we utilise the SIG intranet to communicate, which we have recently spent time improving and refreshing. This is an ongoing process, with the aim of having global and local content on all our intranet sites and ultimately providing an interactive forum for our employees. Both the intranet and newsletters will help to communicate operational changes, share knowledge and best practice, update on business performance and highlight success stories throughout the Group.

SIG holds an annual Senior Management Conference every February, to review the previous year and communicate the Group's aspirations and goals, both long-term and short-term. This conference provides the forum to update our leaders on our progress against key strategic initiatives and financial objectives, and discuss how we can better collaborate and work together. This year, we saw increased use of technology in real time key pad voting and questions from the audience, which proved to be a great success. Chief Executive led roadshows are held following the Senior Management Conference, to ensure that the message is disseminated throughout the business and use of videos and supporting material means that this communication is clear and consistent.

In addition to the Senior Management Conference, each business within SIG holds its own conference annually, to set priorities for the year ahead and communicate key imperatives.

RECOGNISING OUTSTANDING PERFORMANCE

We believe that recognition of success and excellent performance is key and continue to recognise this through our New Manager of the Year Award and our Emerging Manager of the Year Award programmes which are run biennially, with the next awards being in 2014. On an annual basis, we run awards for the Business of the Year, Branch of the Year and Manager of the Year, with challenging criteria around both business and personal performance. In addition, there is the Chief Executive's Award for Excellence to recognise one individual who embodies the SIG values, has shown consistently excellent personal performance and had a transformational effect on their business or function. The winners of these awards are announced at the Senior Management Conference and give us a unique opportunity to recognise the great efforts of our people.

GENDER DIVERSITY

At 31 December 2013, across the total workforce, 1,959 (21%) of all employees are female. One Board member (14%) and ten senior managers (11%) are female. We continue to work towards improving our workforce diversity.

EMPLOYEE BENEFITS

SIG's policy with respect to salaries is to adopt a consistent approach, whilst at the same time taking into account local practices and benchmarking data. In respect of bonuses, schemes have been designed to reward exceptional performance. Senior leaders within the business are party to a bonus scheme, as are leaders within the local operating business across the Group. In all cases the underlying feature for an award is the level of improvement and achievement attained.

Employees are encouraged to become shareholders in the Company. The Share Incentive Plan ("SIP") was introduced in 2005 and gives one matching share for each share purchased by the employee up to a maximum of four matching shares per month. As at 31 December 2013, there were 957 employees participating in the SIP.

The Group operates a number of employee pension schemes across its businesses. In the UK, SIG operates a Group personal pension scheme which is open to all employees. In line with UK pension auto-enrolment, SIG started a scheme with People's Pensions, B&CE on 1 June 2013. The scheme currently has 2,695 members.

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.

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 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 UK Corporate Governance Code ("the Code") of September 2012 as issued by the Financial Reporting Council ("FRC").

The Code can be accessed at:
www.frc.org.uk/corporate/ukcgcode.cfm.

BOARD EVALUATION

Under the Code, the Board is required to undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In December 2013 the Board conducted such an evaluation. Details of the process concerning this evaluation are covered on page 55 of this Corporate Governance Report.

BOARD DIVERSITY

The Board of SIG acknowledges the importance of diversity in its broadest sense in the Boardroom as a driver of Board effectiveness. Diversity encompasses diversity of perspective, experience, background, psychological type and personal attributes. The Board recognises that gender diversity is a significant aspect of diversity and acknowledges the role that women with the right skills and experience can play in contributing to diversity of perspective in the Boardroom. The Board Diversity Policy is published on the Company's website at **www.sigplc.com**.

All appointments to the Board will continue to be made on merit; however, differences in background, skills, experience and other qualities as well as gender will be considered in determining the optimum composition of the Board and the aim will be to balance them appropriately.

I can confirm that in December 2013 the SIG Board discussed the matter of women on Boards and set out the aim of achieving at least 25% female representation among the Board's membership by 2015. As at 31 December 2013, this percentage is 14%. In reviewing Board composition and in agreeing criteria for new Director appointments, the Nominations Committee is committed to seeking Directors with the right skillset and gender balance in line with the 25% aspiration.

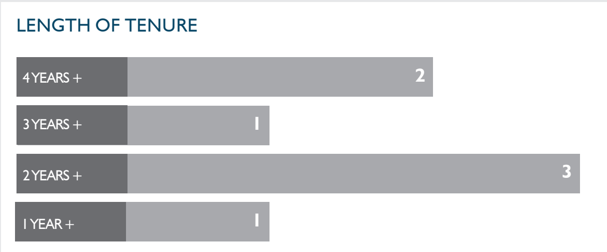
GOVERNANCE WITHIN SIG

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 63 to 79 and the Report of the Audit Committee on pages 60 to 62 describe how the principles of good governance set out in the Code are applied within SIG.

The Company's Auditor, Deloitte LLP, is 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
12 March 2014

AS 31 DECEMBER 2013



BOARD OF DIRECTORS

LESLIE VAN DE WALLE HEC

NON-EXECUTIVE CHAIRMAN

Leslie Van de Walle (age 57) became a Non-Executive Director in October 2010 and became Non-Executive Chairman on 1 February 2011. He is also Chairman of the Nominations Committee. He is Non-Executive Chairman of Robert Walters plc and a Non-Executive Director of Cape plc and DCC plc. Formerly Chief Executive Officer of Rexam plc, Executive Vice President of Global Retail, a division of Royal Dutch Shell plc and a Non-Executive Director of Aegis Group plc and Aviva plc. He formerly held a number of senior management positions with Cadbury Schweppes plc and United Biscuits Limited.

STUART MITCHELL BSC (HONS)

CHIEF EXECUTIVE

Stuart Mitchell (age 53) joined SIG on 1 December 2012 as Chief Executive Designate, was appointed a Director of the Company on 10 December 2012 and became Chief Executive on 1 March 2013. Most recently he was Chief Executive of Wilkinsons Hardware Stores from 2006 to 2012. He was previously Managing Director of the Taiwan arm of the Asian retail giant AS Watson. He joined Sainsbury plc as a graduate trainee in 1984 rising up the ranks to become Managing Director of Sainsbury's Supermarkets in 2003. He is a Non-Executive Director of Enactus UK (formerly SIFE – Students in Free Enterprise UK).

DOUG ROBERTSON BA, FCA

FINANCE DIRECTOR

Doug Robertson (age 60) 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 BA (HONS), FRAES

NON-EXECUTIVE DIRECTOR

Chris Geoghegan (age 59) became a Non-Executive Director in July 2009. He is the Senior Independent Director and Chairman of the Remuneration Committee. 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.

JANET ASHDOWN BSC (HONS)

NON-EXECUTIVE DIRECTOR

Janet Ashdown (age 54) became a Non-Executive Director in July 2011. She is a Non-Executive Director of Coventry Building Society and Essar Oil (UK) Limited and Chair of the charity Hope in Tottenham. She was until the end of 2012 Chief Executive Officer of Harvest Energy Limited and Blue Ocean Oil Trading Limited, the UK's largest independent road fuels marketing and import business. Janet 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 and trading, to retail marketing. Her last role in BP was as Head of BP's Fuels Marketing and Distribution business in the UK. Janet holds a degree in Energy Management.

MEL EWELL BSC (HONS)

NON-EXECUTIVE DIRECTOR

Mel Ewell (age 55) 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.

JONATHAN NICHOLLS BA, ACA, FCT

NON-EXECUTIVE DIRECTOR

Jonathan Nicholls (age 56) became a Non-Executive Director in November 2009 and is Chairman of the Audit Committee. He is a Non-Executive Director of DS Smith Plc and Great Portland Estates plc. Most recently he was Group Financial Director of Old Mutual plc and prior to that he was Group Finance Director of Hanson plc.

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. J. C. Nicholls – Chairman
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. M. Ewell
Mr. C. V. Geoghegan
Mr. S. R. Mitchell
Mr. J. C. Nicholls

LEADERSHIP

THE BOARD

At 31 December 2013, the Board was made up of seven members, comprising the Chairman, two Executive Directors and four Non-Executive Directors. The Directors who held office during the year were:

Mr. L. Van de Walle	Non-Executive Chairman
Mr. C. J. Davies	Chief Executive (resigned 28 February 2013)
Mr. S. R. Mitchell	Chief Executive (appointed 1 March 2013) (previously Chief Executive Designate, appointed 10 December 2012)
Mr. D. G. Robertson	Group Finance Director
Ms. J. E. Ashdown	Independent Non-Executive Director
Mr. M. Ewell	Independent Non-Executive Director
Mr. C. V. Geoghegan	Senior Independent Non-Executive Director
Mr. J. C. Nicholls	Independent Non-Executive Director

Biographical details of the Directors holding office at the date of this report appear on page 51. Details of Committee memberships are set out on page 54.

Mr. S. R. Mitchell joined SIG on 1 December 2012 as Chief Executive Designate and was appointed a Director on 10 December 2012. Mr. C. J. Davies stepped down as Chief Executive and as a Director of the Company on 28 February 2013. Mr. Mitchell became Chief Executive on 1 March 2013.

At 31 December 2013, SIG had one female Board member, equating to 14% female representation of its 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 judgment. 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. 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 51.

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 63 to 79.

The roles of the Chairman and Chief Executive are separate and clearly defined with the division of responsibilities set out in writing which are agreed by the Board and reviewed by the Company Secretary on a regular basis. The Board approves any necessary changes to reflect changes in legislation, policy and practices. The Chairman leads the Board and sets its agenda, ensuring that all Directors, particularly the Non-Executive Directors, are able to make an effective contribution. He also ensures that there is a constructive relationship between the Executive and Non-Executive Directors. The Chief Executive has responsibility for all operational matters which include the implementation of the Group strategy and policies approved 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 Mr. C. V. Geoghegan.

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 ("AGM") 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

Under the Articles of Association all Directors are subject to election at the AGM 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. To enable Shareholders to make an informed decision, the 2014 Notice of AGM includes biographical details and a statement as to why the Company believes that Directors should be re-elected.

It is the view of the Board that each of the Non-Executive Directors standing for re-election brings considerable management experience and an independent perspective to the Board's discussions and are 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 judgment.

The Chairman intends to confirm at the AGM that the performance of each individual continues to be effective and demonstrates commitment to the role.

The terms of the Directors' service contracts are disclosed in the Directors' Remuneration Report commencing on page 63. Full details of Directors' remuneration, of their interests in the share capital of the Company and of their share options are set out on pages 72 to 79 in the Directors' Remuneration Report.

Directors' service contracts and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and will be available at the AGM which is scheduled to take place on 16 May 2014.

BOARD PROCEDURES AND RESPONSIBILITIES

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 nine occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table on the opposite page. 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**). 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;
- oversight of the Group's internal controls;
- approval of capital and revenue expenditure of a significant size;
- Board membership and appointments;

- acquisitions and disposals above a prescribed limit;
- 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 results announcements.

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**).

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.

The Company Secretary is responsible for ensuring that Board procedures are followed including the formal minuting of any unresolved concerns that any Director may have in connection with the operation of the Company. During the year there were no such unresolved issues. Further, on resignation, if a Non-Executive Director had any such concerns, the Chairman would invite him/her 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.

Following the implementation of a secure iPad paperless meeting system in 2012, its successful roll-out has progressively resulted in the replacement of hard copy packs with electronic versions. Paperless meetings are now the norm, not only for the SIG plc Board but also its Committees and the Group Executive Committee. This supports our online drive across the Group and is consistent with reducing the impact of our operations on the environment.

DIRECTORS' CONFLICTS OF INTERESTS

Each Director has a duty under the Companies Act 2006 ("CA 2006") to 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. This duty is in addition to the obligation that they owe to the Company to disclose to the Board any transaction or arrangement under consideration by the Company. Directors of public companies may authorise conflicts 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. The Board believes that the procedures established to deal with conflicts of interest are operating effectively.

The Board is aware of the other commitments of its Directors and is satisfied that these do not conflict with their duties as Directors of the Company.

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 ended 31 December 2013:

	Board Meetings eligible to attend	**Audit Committee** Meetings eligible to attend	**Remuneration Committee** Meetings eligible to attend	**Nominations Committee** Meetings eligible to attend
J. E. Ashdown	●●●●●●●●●	●●●●	●●●●●	●●
C. J. Davies	●●	n/a	n/a	⊗
M. Ewell	●●●●●●●●●	●●⊗●	●●●●●	●●
C. V. Geoghegan	●●●●●●●●●	●●●●	**●●●●●**	●●
S. R. Mitchell	●●●●●●●●●	n/a	n/a	●
J. C. Nicholls	●●●●●●●⊗●	**●●●●**	●●●⊗●	●●
D. G. Robertson	●●●●●●●●●	n/a	n/a	n/a
L. Van de Walle	**●●●●●●●●●**	n/a	n/a	**●●**

● Meeting attended ⊗ Absent **●** 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. Due to illness the Chairman was unable to attend the AGM on 23 May 2013. All of the other Directors in office at the date of the AGM 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 both in the UK and Ireland, and Mainland Europe 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.

LEADERSHIP CONTINUED

GOVERNANCE STRUCTURE

GROUP BOARD

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 AGM to respond to any Shareholder questions that might be raised on the Committee's activities. The Committee's report is set out on pages 60 to 62.

The Group operates an outsourced Internal Audit function (the Group does not have a dedicated Internal Audit function). KPMG LLP were appointed on 1 January 2014 in place of EY LLP. The Board annually reviews the need for such a function and the effectiveness of the Internal Audit function.

Delegated authorities:

Monitors the integrity of financial reporting, the performance of the external auditor and reviews the effectiveness of the Group's systems of internal control and related compliance activities.

Members:

Mr. J. C. Nicholls – Chairman

Ms. J. E. Ashdown

Mr. M. Ewell

Mr. C. V. Geoghegan

GROUP EXECUTIVE COMMITTEE

The Executive Committee operates under written Terms of Reference. The Committee addresses operational issues and is responsible for implementing Group strategy and policies, day-to-day management and monitoring performance. The Committee met eleven times during the year.

Members:

Mr. S. R. Mitchell
Group Chief Executive
(from 1 March 2013)

Mr. R. T. Barclay
Managing Director, UK and Republic of Ireland

Mr. A. P. Greenaway
Corporate Development Director

Miss. L. H. Kennedy
Group Human Resources Director (from 7 October 2013)

Mr. D. Kilby
Managing Director, Mainland Europe

Mr. D. G. Robertson
Group Finance Director

Mr. C. J. Davies
Group Chief Executive
(until 28 February 2013)

Mr. A. Mander
Group Human Resources Director
(until 30 September 2013)

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 AGM to respond to any Shareholder questions that might be raised on the Committee's activities. The Committee's report is set out on pages 63 to 79.

Delegated authorities:

Sets remuneration and incentives for the Executive Directors; approves and monitors remuneration and incentive plans for the Group; and assesses and makes recommendations to the Board on the policy on Executive remuneration.

Members:

Mr. C. V. Geoghegan – Chairman

Ms. J. E. Ashdown

Mr. M. Ewell

Mr. J. C. Nicholls

NOMINATIONS COMMITTEE

The Nominations Committee operates under written Terms of Reference, which are consistent with current best practice. 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 Chairman of the Committee attends the AGM to respond to any Shareholder questions that might be raised on the Committee's activities. The Committee's report is set out on page 80.

Delegated authorities:

Ensures that the Board and its Committees have the optimum balance of skills, knowledge and experience by nominating suitable candidates for approval by the Board to fill Executive and Non-Executive vacancies

Members:

Mr. L. Van de Walle – Chairman

Ms. J. E. Ashdown

Mr. M. Ewell

Mr. C. V. Geoghegan

Mr. S. R. Mitchell

Mr. J. C. Nicholls

UK AND IRELAND EXECUTIVE COMMITTEE

COUNTRY/OPERATING COMPANY MANAGEMENT BOARDS

MAINLAND EUROPE EXECUTIVE COMMITTEE

COUNTRY/OPERATING COMPANY MANAGEMENT BOARDS

Report of the Audit Committee p.60

Directors' remuneration report p.63

Nominations Committee p.80

BOARD EFFECTIVENESS AND PERFORMANCE EVALUATION

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 on an open and frank basis.

In December 2012 and 2013 by way of follow up to the evaluation process completed in March 2012 an effectiveness survey of the Board and its Committees (Audit, Remuneration and Nominations) was undertaken. The surveys were internally facilitated and carried out by questionnaire. Each Director (including the Chairman) was asked to place a score against a variety of questions and to make additional comments where appropriate. The surveys also sought to identify the extent to which the issues raised in the previous evaluation process had been addressed. The summary report and response analysis for the December 2012 survey were presented to the Board in March 2013, with suggested improvement actions.

The 2013 summary report was presented to the Board in December 2013. In January 2014, the progress on agreed actions was reviewed and debated.

The Board notes that the Code requires FTSE 350 companies to carry out an externally facilitated Board evaluation at least every three years. Having last conducted such an evaluation in December 2011, the Board intends to conduct a formal externally facilitated effectiveness and evaluation process in 2014.

The Chairman regularly reviews and agrees with each Director their training and development needs. During the year a number of the Directors attended training courses and seminars on subjects and topics including those that the Chairman had identified as being areas where training would increase the knowledge and effectiveness of the Director. The Board as a whole received training on corporate governance developments in relation to the UK Stewardship Code, the revisions to the UK Corporate Governance Code and the new annual report reporting requirements. Further training is programmed for 2014.

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.

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 the 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 2013 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 controls. The review is undertaken on a six monthly basis. This process includes the following:

- the Group Board maintains an overall corporate risk register, the content of which is determined by regular discussions between Senior Management, the Group Board and the Audit Committee. This is also formally reviewed twice yearly by the Audit Committee and discussed with the Board. The risk register contains the significant risks faced by the Group and identifies the potential impact and likelihood at both a gross level (before consideration of mitigating controls) and net level (after consideration of mitigating controls). This provides the Board with the opportunity to review the level of risk that the business is prepared to accept. The register also contains the assurance provided over current key mitigating controls. Where further actions have been identified to mitigate risks to a level deemed acceptable, these are agreed with specific timelines for delivery and are monitored closely until fully implemented. This is summarised in the Strategic Report on pages 6 to 49;
- the risk management process is cascaded throughout the Group, with operating subsidiary Boards responsible for maintaining their own risk registers and assessing their control systems;
- 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 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 also weekly cash and treasury reporting to the Group 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 Group Finance Director;
- regular business unit management Board meetings (periodically attended by the Chief Executive or Group Finance Director), Executive Board meetings and the 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;

RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

ONGOING PROCESS FOR RISK IDENTIFICATION, EVALUATION AND MANAGEMENT CONTINUED

- discussion of any significant issues or control weaknesses identified and, if considered necessary, their inclusion in reports to the Executive Board and the Company Board;
- 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 advisors, the outsourced Internal Audit function and our external auditor 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.

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 the 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 2013 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 2013 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.

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 AGM. 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.

The Chief Executive, Group Finance Director and Head of Investor Relations 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.

Throughout the year, we respond 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 AGM is the principal forum for dialogue with private Shareholders and all Shareholders are invited to attend. All Directors attend the AGM 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 AGM.

Find out more online at
www.sigplc.com

SUBSTANTIAL SHAREHOLDINGS

At the date of approval of the Annual Report and Accounts 2013, the Company had received notification of the following shareholdings in excess of 3% of its unused share capital pursuant to the Disclosure and Transparency Rules of the Financial Services Authority (these notifications were the same at 31 December 2013):

Shareholder	Number of ordinary shares of 10p each	% of issued voting share capital
Blackrock Inc.	65,075,088	11.01
Aviva plc	43,150,450	7.30
IKO Enterprises Limited	34,384,891	5.82
Schroders plc	29,961,817	5.07
Investec Asset Management	29,728,826	5.03
Norges Bank	17,762,016	3.01

STATEMENT OF THE DIRECTORS ON THE DISCLOSURE OF INFORMATION TO THE 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/she ought to have taken as a Director to make himself/herself 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 judgment, at the time of approving the Accounts, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements. The key factors considered by the Directors in making this statement are set out on page 37 of the Strategic Report.

INDEPENDENT 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 AGM 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 2013 is fully disclosed in Note 4 to the Consolidated Financial Statements on page 97.

ANNUAL GENERAL MEETING

The Notice convening the AGM, which is to be held at the Aston Hotel, Britannia Way, Catcliffe, Sheffield S60 5BD at 12 noon on Friday 16 May 2014, 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.

OTHER STATUTORY DISCLOSURES

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 product sectors supplied are Insulation and Energy Management, Exteriors and Interiors.

The Chairman's Statement and Strategic Report on pages 6 to 49 contain a review of these activities and comment on the future outlook. The financial risk management objectives, policies and Key Performance Indicators of the Group are set out in the Strategic Report on pages 6 to 49.

As at the date of this report, other than the sale of the German Roofing business detailed in Note 12 to the Accounts, there have been no important events affecting the business of the Company, or any of its subsidiaries, that 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 49. It is the Group's policy not to make political donations and no political donations were made during the year (2012: £nil).

Details of the Group's policies in relation to Corporate Governance are disclosed on pages 50 to 59.

GROUP RESULTS AND DIVIDENDS

The Consolidated Income Statement for the year ended 31 December 2013 is shown on page 83. The movement in Group reserves during the year is shown on page 87 in the Consolidated Statement of Changes in Equity. Segmental information is set out in Note 1 on pages 94 and 95.

The Board is recommending a final dividend of 2.4p per share (2012: 2.0p) which, together with the interim dividend of 1.15p per share (2012: 1.0p), makes a total for the year ended 31 December 2013 of 3.55p (2012: 3.0p). Payment of the final dividend, if approved at the AGM, will be made on 30 May 2014 to Shareholders registered at the close of business on 2 May 2014.

GREENHOUSE GASES

Details of the Group's Greenhouse gas emissions are detailed on page 43 of the Corporate Responsibility Report.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are included in Notes 12 and 15 of the Consolidated Financial Statements.

RELATED PARTY TRANSACTIONS

Save as disclosed in Note 31 to the Accounts on page 122 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.

OTHER STATUTORY DISCLOSURES CONTINUED

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 which was in force during the financial year 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 Directors' 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 35 to 37 and in Note 20 to the Consolidated Financial Statements on pages 110 to 112.

ACQUISITIONS AND DISPOSALS

Details of acquisitions during the year and subsequently are covered in Note 15 of the Consolidated Financial Statements on pages 106 and 107. Details of businesses sold or agreed to be sold at the balance sheet date are covered in Note 12 of the Consolidated Financial Statements on page 103.

SHARE CAPITAL

The Company has a single class of share capital which is divided into ordinary shares of 10p each. At 31 December 2013, the Company had a called up share capital of 591,100,447 shares of 10p each (2012: 590,837,435).

During the year ended 31 December 2013, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 263,012 new ordinary shares. No new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this Report. Details of outstanding options under the Group's Employee and Executive Schemes are set out in Note 9 on pages 100 to 102 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 or her representative) who is present at a general meeting has one vote on each resolution and, on a poll, every Shareholder (or his or her representative) who is present has one vote on each resolution for every ordinary share of which they are the registered Shareholder.

A resolution put to the vote of a general meeting is decided on a show of hands unless before or on the declaration of the result of a vote on a show of hands, a poll is demanded by the Chairman of the meeting, or by at least five Shareholders (or their representatives) present in person and having the right to vote, or by any Shareholders (or their representatives) present in person having at least 10% of the total voting rights of all Shareholders, or by any Shareholders (or their representatives) present in person holding ordinary shares in which an aggregate sum has been paid up of at least one-tenth of the total sum paid up on all ordinary shares.

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

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

If the Company is wound up, the liquidator can, with the sanction of an extraordinary resolution passed by the Shareholders, divide among the Shareholders all or any part of the assets of the Company and he/she 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 that 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/she 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/she 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: the instrument of transfer: (i) 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 issued 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.

ELECTION AND RE-ELECTION OF DIRECTORS

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

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.

2014 INTERIM REPORT

Current regulations permit the Company not to send hard copies of its Interim Reports to Shareholders and therefore the Company intends to publish its Interim Report only on its website at **www.sigplc.com**.

ACQUISITION BY THE COMPANY OF ITS OWN SHARES

Shareholders' authority for the purchase by the Company of 59,085,970 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 2014 AGM.

FAIR, BALANCED AND UNDERSTANDABLE

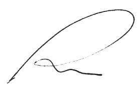
The Board has reviewed the contents of this year's Annual Report and Accounts and in its view, the report is fair, balanced and understandable and provides the necessary information to enable Shareholders to assess the Group's performance and strategy.

CAUTIONARY STATEMENT

The cautionary statement can be found on page 37 of the Strategic Report.

APPROVAL OF DIRECTORS' REPORT

The Directors' Report (comprising pages 50 to 81) was approved by a duly authorised Committee of the Board of Directors on 12 March 2014 and signed on its behalf by Richard Monro, the Company Secretary.



RICHARD MONRO
Company Secretary
12 March 2014

REPORT OF THE AUDIT COMMITTEE

J. C. NICHOLLS
AUDIT COMMITTEE CHAIRMAN

PURPOSE AND AIM

The purpose of the Audit Committee ("the Committee") is to make recommendations on the reporting, controls, 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.

During the year, we have continued to focus on improving the quality of financial reporting and the control environment, and it is pleasing to note another year of good progress in the achievement of fulfilling our responsibilities in this respect. We are conscious that there remains room for the implementation of improvements and therefore is a key focus for the Committee.

The Committee is supportive of the latest UK Corporate Governance Code recommendations and aspires to achieve the aims of the best practice recommendations.

MEMBERSHIP

Throughout 2013, the Committee comprised the four 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 the Senior Independent Director and Audit Committee Chairman of 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 51.

The combined relevant commercial and financial knowledge and experience of the Committee members satisfies compliance with the Code provision C3.1. Attendance of members at Committee meetings is displayed on page 53. 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.

RESPONSIBILITIES

The Committee operates under Terms of Reference which can be found on the Company's website. They are reviewed annually by the Committee, including comparison against the Code, and changes are recommended to the Board for approval.

The responsibilities 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 and reviewing significant financial reporting judgments contained therein;
- reviewing the consistency of accounting policies, including any changes;
- reviewing the effectiveness of the Company's internal financial controls and 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;
- reviewing the effectiveness of the Company's external Auditor;
- considering and making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external Auditor;
- reviewing the Annual Report and Accounts and giving consideration as to whether it presents a fair, balanced and understandable picture of the Group's activities in the year;
- 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 policy on 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 external advisors and to obtain its own independent external advice at the Company's expense, should it deem it necessary. During 2013 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 EY 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 Committee reviewed its own performance in December 2013 and the results of this review were reported to the Board.

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. The agenda is designed to ensure that all significant areas of risk are considered during the course of the year. The Committee met four times during the financial year.

The Committee is presented with papers of good quality and in a timely manner to allow due consideration of the subjects under review. Furthermore, Committee meetings are scheduled to allow sufficient time for a full and informed debate of the matter.

Attendance by individual members of the Committee is disclosed in the table on page 53. The Group Finance Director, Mr. D. G. Robertson, 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 and meets routinely with the Committee Chairman outside of the formal meetings. The Chairman of the Board and the other Executive Directors attend certain 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 2013 and in March 2014 before the approval of the 2013 Annual Report and Accounts.

EY LLP, who provided an outsourced Internal Audit function for the Group in 2013, were invited to meetings to present its reports and attended on one occasion in 2013 and at the January 2014 meeting as they had not attended the December 2013 meeting. The Committee also meets EY LLP without the Executive Directors present and did so on one occasion in 2013 and in January 2014. In addition, the Committee Chairman met routinely with EY LLP outside of the formal meetings.

REPORT ON THE COMMITTEE'S ACTIVITIES DURING THE YEAR

During 2013, the Committee has ensured that its understanding of the risks and challenges faced by the business has remained informed and relevant. No major matters were raised in the annual evaluation of the Committee's performance.

The main activities of the Committee in 2013 included the following:

- 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 half year and full year financial statements. These included: non-underlying costs; 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 Group's risk identification and management process is fully set out on pages 18 to 21 and pages 55 and 56;
- reviewing whether the going concern basis continued to be appropriate in the context of the Group's funding and liquidity position;
- 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;
- reviewing and making a recommendation concerning the re-appointment of the external Auditor and considering future audit tender requirements;
- reviewing and making a recommendation concerning the appointment of KPMG LLP with effect from 1 January 2014 to provide the externally outsourced Internal Audit function; and
- carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee.

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. In addition, the Board receives copies of the minutes of each meeting.

FINANCIAL REPORTING AND SIGNIFICANT ACCOUNTING MATTERS

The Committee considered the following significant issues in relation to the key accounting issues with regard to the financial statements:

- the carrying value of goodwill is systematically reviewed at each half year and year end. A consistent methodology is applied to the individual cash generating units, taking account of market outlook, risk-adjusted discounted future cash flows, sensitivities and other factors which may have a bearing on impairment considerations;
- the Committee examined the procedures and controls in place to ensure that the reporting, reviewing and accounting for supplier rebate income is properly managed and recognised appropriately in the Group Accounts;
- the Committee gave careful consideration to the judgments made in the separate disclosure of non-underlying items. In particular, the Committee sought to ensure that the treatment followed consistent principles and that reporting is suitably clear; and
- methodologies and judgments applied in establishing provisions for trade receivables, stock, onerous leases and dilapidations, were examined to ensure consistent application and appropriateness to the trading position of the Group.

OVERSIGHT OF 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. Areas of weakness that were identified during the year prompted a detailed action plan and a follow up audit check to establish that actions had been completed. No failings or weaknesses were identified during the year which had a material effect on the Group's performance.

The Audit Committee notes that the Group 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 56.

KPMG LLP were appointed on 1 January 2014 in place of EY LLP to provide the outsourced Internal Audit function. KPMG LLP were appointed following a full review process which involved tenders being made by five accounting firms, leading to a short list of three firms, from which a candidate was recommended. The process was carried out by the Finance Director and the Chairman of the Audit Committee, who then recommended KPMG LLP as the selected Internal Audit provider to the Audit Committee. Their appointment was then recommended by the Audit Committee to the Board.

OVERSIGHT OF 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 reports 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 2013. The policy is based on the principles that they should undertake non-audit services only 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 2013 was £0.1m, representing the Interim Review and other audit-related assurance services (2012: £0.1m). The total sum invoiced by the Auditor for audit services in respect of the same period was £1.4m (2012: £1.3m).

The external Auditor reports 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 2002, succeeding Arthur Andersen.

In March 2013, the Committee undertook its annual review of the effectiveness of the external Auditor and considered the re-appointment of Deloitte LLP. A questionnaire was sent to the Finance Directors of each of the Group's operating companies, which provided the Committee with an overall view across the Group. The questionnaire sought to establish the quality of the performance across a number of areas in relation to their performance of the 2012 audit with individual scores allocated to each area. From this questionnaire and further discussions in the meeting, the Committee is satisfied that Deloitte LLP continues to provide an effective audit service.

Having reviewed and expressed satisfaction with the level of fees, independence, objectivity, expertise, resources and general effectiveness of Deloitte LLP, the Committee did not consider it necessary to conduct a tender process for the appointment of the Group's Auditor at this time, although the Committee will continue to keep this under review. The Committee recommends (and the Board agrees) that a resolution for the re-appointment of Deloitte LLP as Auditor of the Group for a further year will be proposed at the forthcoming Annual General Meeting.

AUDIT TENDER

The UK Corporate Governance Code has introduced a new recommendation that external audits should be put out for tender every ten years. The Committee has noted the changes to the Code, and the recent findings of the Competition Commission and the Guidance for Audit Committees issued by the Financial Reporting Council.

Having previously acted as Auditor to parts of the Group since 2002 Deloitte LLP was invited to tender for the whole Group audit in 2005 and this resulted in Deloitte LLP being appointed as the external Auditor.

As noted previously, the Committee continues to review the performance of the external Auditor and has been satisfied with the independent and rigorous audit process. The current lead audit partner took over the audit for the year ended 31 December 2013. Having conducted a tender exercise previously and having considered re-tendering in later years, the Committee is to give consideration to the timing of the next formal tender with regard to the regulatory requirements. The Committee is currently of the view that it is potentially more effective to align the tender of the external Auditor with the rotation of the current lead audit partner, which is due in 2018. The Committee will continue to keep this under review with a particular regard to regulatory developments.

FAIR, BALANCED AND UNDERSTANDABLE

The Committee has reviewed the contents of this year's Annual Report and Accounts and advised the Board that, in its view, the report is fair, balanced and understandable and provides the necessary information to enable Shareholders to assess the Group's performance and strategy.

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

J Nicholls

JONATHAN NICHOLLS
Chairman, Audit Committee
12 March 2014

C. V. GEOGHEGAN
REMUNERATION COMMITTEE CHAIRMAN

DEAR SHAREHOLDER,

On behalf of the Board I am pleased to present the Remuneration Committee's ("the Committee") Directors' Remuneration Report for 2013 for which we will be seeking Shareholder approval at the Annual General Meeting ("AGM") on 16 May 2014.

SIG's strategy is to focus on seeking to grow our three core markets of Insulation and Energy Management, Exteriors and Interiors by combining the reputational strengths of our local brands with the scale efficiencies and know-how of a multi-national 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.

KEY ACTIVITIES

The activities of the Committee and key decisions in 2013 are set out on page 71. In summary, for the year ended 31 December 2013 underlying profit before tax increased by 5.3%, Return on Capital Employed ("ROCE") by 20bps and underlying EPS by 7.2%. In light of this performance, the annual bonus outcome was 60.5% and 59.5% of salary for the Chief Executive and Finance Director respectively. Awards granted in 2011 under the existing Long Term Incentive Plan ("LTIP") vest based on an underlying EPS performance condition; the performance condition was not met during the year and, as a result, these awards will lapse in April 2014.

REMUNERATION POLICY

The Committee also reviewed the existing LTIP during the year (which expires in April 2014), and has proposed a number of revisions which will be incorporated in the new LTIP (for which Shareholder approval is being sought at the 2014 AGM). For awards to be made in 2014 and subsequent years, the opportunity will be increased from 100% to 150% of salary (200% under exceptional circumstances). Awards will continue to vest based on EPS and ROCE performance conditions, and the EPS performance range will be strengthened to take into account the Company's long-term strategy and the current economic environment. We have also introduced clawback provisions for unvested shares, and a two-year post-vesting holding period to further improve Shareholder alignment.

In addition, the shareholding guideline will be increased from 100% to 200% of salary. The Committee consulted the Company's major Shareholders prior to making these revisions, and received support for the proposed changes.

In August 2013, the UK Government Department for Business, Innovation and Skills ("BIS") published regulations setting out what companies must disclose in the Directors' Remuneration Report with the aim of improving transparency and promoting best practice. This report is therefore divided into three sections:

- the Annual Statement by the Remuneration Committee Chairman;
- the Directors' Remuneration Policy, which details SIG's remuneration policies and their link to Group strategy, as well as projected pay outcomes under various performance scenarios; and
- the Annual Report on Remuneration, which focuses on the remuneration arrangements and outcomes for the year under review and how the Committee intends to implement the remuneration policy in 2014.

The Directors' Remuneration Policy (set out on pages 64 to 70) will be put to Shareholders for approval in a binding vote at the AGM and every three years thereafter. The Annual Report on Remuneration will be subject to an advisory vote at the forthcoming AGM.

CHRIS GEOGHEGAN
Chairman, Remuneration Committee
12 March 2014

DIRECTORS' REMUNERATION POLICY

This section of the report sets out the policy for Executive Directors in accordance with Section 439A of the Companies Act 2006 ("the Act"), which Shareholders are asked to approve at the 2014 Annual General Meeting ("AGM"). The Committee intends that this policy will formally come into effect from the date of the 2014 AGM.

COMPLIANCE STATEMENT

This report, prepared by the Remuneration Committee ("the Committee") on behalf of the Board, takes full account of the UK Corporate Governance Code ("the Code") and the latest ABI/NAPF guidelines and has been prepared in accordance with the provisions of the Act, the Listing Rules of the Financial Conduct Authority and the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. 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 pages 123 to 125 and those aspects of the report that have been subject to audit are clearly marked.

It is considered that throughout the year under review the Company has complied with the governance rules and best practice provisions applying to UK listed companies, and Shareholders will note that the Directors' Remuneration Policy supports compliance with the new BIS regulations.

REMUNERATION POLICY

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 Executive Directors' interests with those of Shareholders, and to incentivise the Executive Directors to meet the Company's financial and strategic objectives such that a significant proportion of remuneration is performance related. The Group's financial and strategic objectives are set out in the Strategic Report on pages 6 to 49.

The Remuneration Policy for Executive Directors is summarised in the table below:

Fixed remuneration				
Element	**Purpose and link to strategy**	**Operation and process**	**Opportunity**	**Performance metrics**
Base salary	To attract and retain talent in the labour market in which the Executive Director is employed.	Reviewed on an annual basis (with effect from January) or following a significant change in responsibilities, taking into account the individual's performance and experience, with reference to published remuneration information from similar sized companies (excluding financial services) and companies operating in a similar sector. The Committee also takes account of the annual salary review for the rest of the Group.	Base salary increases will be applied in line with the outcome of the review. In respect of existing Executive Directors, it is anticipated that salary increases will be within the range of increases for the general employee population over the term of this policy. In exceptional circumstances (including, but not limited to, a significant increase in role size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive.	Not applicable
Benefits	To provide benefits that are appropriately competitive within the relevant labour market.	Benefits include (but are not necessarily limited to) a company car, medical and permanent health insurance. Benefits are reviewed annually and their value is not pensionable.	Benefits may vary by role. It is not anticipated that the cost of benefits will exceed £35,000 per annum per Executive Director over the term of this policy. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances driven by factors outside the Company's control (e.g. material increases in insurance premiums).	Not applicable

Fixed remuneration continued				
Element	**Purpose and link to strategy**	**Operation and process**	**Opportunity**	**Performance metrics**
Pension	To provide retirement benefits that are appropriately competitive within the relevant labour market.	New joiners will participate in the Company's defined contribution pension scheme (open to all UK-based employees of the Group) or receive a cash equivalent. The two current Executive Directors participate in the defined contribution pension scheme.	Defined contribution: SIG contributes 15% of base salary.	Not applicable
Share Incentive Plan ("SIP")	To encourage share ownership across all UK-based employees using HMRC-approved schemes.	The SIP is an HMRC-approved arrangement which entitles all UK-based 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.	Maximum opportunity is in line with HMRC limits.	The SIP is an all-employee scheme and Executive Directors participate on the same terms as other employees. The acquisition of shares is therefore not subject to the satisfaction of a performance target.
Variable remuneration				
Annual performance bonus ("annual bonus")	To provide an incentive to achieve annual performance targets, which are set at the beginning of the financial year in line with the Company's strategy.	The annual bonus is reviewed annually prior to the start of each financial year to ensure bonus opportunity, performance measures, targets and weightings are appropriate and continue to support the strategy. Executive Directors are required to defer one-third of their bonus into an award over SIG shares for a period of three years under the Deferred Share Bonus Plan ("DSBP"), subject to clawback, i.e. forfeiture or reduction in exceptional circumstances. Such circumstances may include (but are not limited to) material misstatement of the Company's financial results or gross misconduct. The awards are granted under the Company's deferred annual bonus plan, the SIG plc 2011 DSBP. Dividend equivalents are payable over the vesting period in respect of the awards which vest.	Maximum annual opportunity of up to 100% of salary. For entry level and target performance, the bonus earned is up to 30% and up to 65% of maximum respectively.	Performance is determined by the Committee on an annual basis by reference to Group financial measures, as well as the achievement of personal and/or strategic objectives. The personal/strategic element will not be weighted more than 30% of the total in any year. When assessing financial performance, the Committee typically considers underlying profit before tax and Group working capital, as well as other indicators of performance defined at the start of the year. Performance targets are generally calibrated with reference to the Group's budget for the year. Details of the measures and weightings applicable for the financial year under review are provided in the Annual Report on Remuneration.

REMUNERATION POLICY CONTINUED

Variable remuneration continued				
Element	**Purpose and link to strategy**	**Operation and process**	**Opportunity**	**Performance metrics**
Long-Term Incentive Plan ("LTIP")	To reward and retain Executive Directors to deliver the Group's long-term strategy whilst providing strong alignment with Shareholders.	Executive Directors are granted annual awards of nil-cost options or contingent rights to acquire shares for no cost as determined by the Committee, which vest based on performance over three years. The Company will be seeking Shareholder approval for the new LTIP at the 2014 AGM to replace the existing LTIP which expires in April 2014. To encourage long-term decision-making and further improve Shareholder alignment, the Committee will introduce a two year holding period on vested LTIP awards for awards made in 2014 and subsequent years. Performance will continue to be measured over three years. Unvested awards are subject to clawback, i.e. forfeiture or reduction in exceptional circumstances (e.g. material misstatement or gross misconduct) . Dividend equivalents are payable over the five-year vesting and holding period in respect of the awards which vest.	Maximum annual award of up to 150% of salary. In exceptional circumstances, such as to facilitate the recruitment of an external hire, the Committee may, in its absolute discretion, exceed this maximum annual opportunity, up to 200% of salary. Threshold performance will result in no more than 25% vesting.	Vesting of LTIP awards is subject to the Group's performance over a three year performance period. If no entitlement is earned at the end of the performance period, awards will lapse. The performance measures and respective weightings may vary year on year to reflect strategic priorities, subject to retaining an element on underlying earnings per share ("EPS") growth and Return on Capital Employed ("ROCE"). Details of the measures, weightings and performance targets used for specific LTIP grants are included in the Annual Report on Remuneration.

The Committee is satisfied that the above Remuneration Policy is in the best interests of Shareholders and does not promote excessive risk-taking. The Committee will consider the Company's performance on environmental, social and governance issues when determining the overall reward for the Executive Directors, and has discretion to make adjustments as appropriate. The Committee also retains discretion to make non-significant changes to the policy without reverting to Shareholders.

NOTES TO THE REMUNERATION POLICY TABLE

PAYMENTS FROM EXISTING AWARDS

Executive Directors are eligible to receive payment under any award made prior to the approval and implementation of the Remuneration Policy including under the existing LTIP.

LTIP AWARDS

Awards under the new LTIP may be structured in a manner which delivers tax advantages to the Executive Directors but the value delivered will be no greater than as set out in the table above.

SELECTION OF PERFORMANCE MEASURES

The performance measures used under the annual performance bonus are selected annually to reflect the Group's main strategic objectives for the year and reflect both financial and non-financial priorities.

The Committee continues to believe that ROCE reinforces the focus on capital efficiency and delivery of strong returns for our Shareholders, thereby further strengthening the alignment of management's incentives with SIG's strategy. The Committee also continues to believe that underlying EPS is a key driver of long-term Shareholder value for SIG.

Performance targets are set to be stretching and achievable, taking into account the Group's strategic priorities and the economic environment in which the Company operates. Targets are set taking into account a range of reference points including the Group's strategic plan and broker forecasts for both SIG and its peers. The Committee believes that the performance targets set are very challenging and that the maximum outcomes are only available for truly outstanding performance.

REMUNERATION POLICY FOR OTHER EMPLOYEES

Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, salary levels in comparable companies and the Company's ability to pay. Remuneration surveys are referenced, where appropriate, to establish market rates.

Senior Managers participate in an annual bonus plan which has similar performance targets to those of the Executive Directors. A limited number of Senior Managers also receive LTIP awards. Performance conditions are consistent for all participants, while award sizes vary by organisational level. All UK employees are eligible to participate in the SIP on the same terms.

Pension and benefits arrangements are tailored to local market conditions, and so various arrangements are in place for different populations in SIG. Executive Directors participate in the same pension scheme as other Senior Managers.

APPROACH TO RECRUITMENT REMUNERATION

The Committee's policy is to set pay for new Executive Directors within the existing Remuneration Policy in order to provide internal consistency. The Committee aims to ensure that the Company pays no more than is necessary to appoint individuals of an appropriate calibre.

EXTERNAL APPOINTMENTS

In the case of appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	The base salary will be determined by reference to the scope and responsibility of the position as well as internal relativities and their current remuneration. Where a new appointee has an initial base salary set below market, any shortfall may be managed with phased increases over a period of years, subject to the Executive Director's development in the role, which may result in above-average salary increases during this period	n/a
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) a company car, medical and permanent health insurance	
Pension	New appointees will be eligible to participate in the Company's defined contribution pension scheme or receive a cash equivalent payment	
SIP	New appointees will be eligible to participate in the SIP	
Annual performance bonus	The plan as described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year employed. Targets for the personal element will be tailored to the role of the appointee	100% of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other Executives, as described in the policy table	200% of salary

The Committee may also make an award in respect of a new appointment to "buy out" incentive arrangements forfeited on leaving a previous employer and may exercise the discretion available under the relevant Listing Rule to facilitate this, i.e. in the event that a different structure would be required. In doing so, the Committee will ensure that "buyout awards" would have a fair value no higher than that of the awards forfeited and would consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met, and the remaining vesting period of these awards. Where, in the Committee's opinion, awards forfeited are still subject (at date of appointment) to substantive performance conditions, any awards made in compensation will have SIG-specific performance conditions attached.

INTERNAL APPOINTMENTS

Remuneration for new Executive Directors appointed by way of internal promotion will similarly be determined in line with the policy for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these arrangements. Incentive opportunities for below Board employees are typically no higher than for Executive Directors, but incentive measures may vary to provide better line of sight.

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 200% of base 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 plans.

EXECUTIVE DIRECTOR SERVICE CONTRACTS AND LEAVER/CHANGE OF CONTROL PROVISIONS AND POLICY FOR LOSS OF OFFICE

The Committee sets notice periods for the Executive Directors (including future Executive Directors) at twelve months.

Subject to the considerations set out overleaf, the Company's policy is to limit termination payments to pre-established contractual arrangements. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee retains discretion to settle any claims by or on behalf of the Executive Director in return for making an appropriate payment and contributing to the legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement (as provided for overleaf) and the individual must seek independent legal advice.

There is no provision in the Executive Directors' contracts for compensation to be payable on termination of their contract over and above sums due in respect of notice and accrued but untaken holiday, and as outlined overleaf regarding bonus and LTIP. Executive Director service contracts are available to view at the Company's registered office.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, outplacement services, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Company and its Shareholders to do so.

EXECUTIVE DIRECTOR SERVICE CONTRACTS AND LEAVER/CHANGE OF CONTROL PROVISIONS AND POLICY FOR LOSS OF OFFICE CONTINUED

The table below provides details of the main terms of Executive Director service contracts and termination payments not otherwise set out in this report.

Provision	Policy
Duration	Continuous term subject to notice or reaching retirement age
Holiday	30 working days' holiday plus public holidays per holiday year
Notice period	Twelve months' notice period in writing by either party, save in circumstances justifying summary termination
Exit payments	The Executive Directors will be paid a sum equal to base salary and the value of contractual benefits (or receive the benefits themselves) which will not include bonus. The Company may pay as a lump sum or in instalments and may require the Executive Director to mitigate his loss by seeking alternative employment. Where phasing payments any income received from a third party shall be deducted from sums due to the Company The Company will take account of all the circumstances on a case-by-case basis when determining whether to exercise its discretion, including the need for an orderly handover and the contribution of the Executive Director to the success of the Company during his tenure
Restrictive covenants	Apply during the contract and for up to a period of twelve months after leaving, subject to any period served by way of gardening leave

Executive Director	Date of service contract
S. R. Mitchell	10 December 2012
D. G. Robertson	10 October 2011

When considering termination payments under incentive plans, the Committee reviews all potential incentive outcomes to ensure they are fair to both Shareholders and participants. The table below summarises how the awards under the annual bonus, the Deferred Share Bonus Plan, the existing 2004 LTIP and the proposed 2014 LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion.

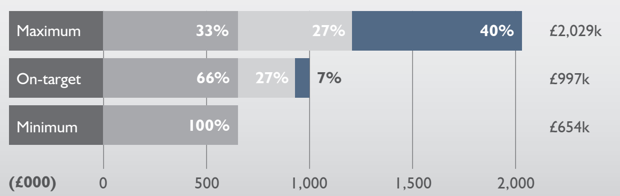
Plan	Scenario	Timing of vesting	Calculation of vesting/payment
Annual bonus	Death, injury, ill-health or disability, retirement, or any other reason the Committee may determine.	Normal payment date, although the Committee has discretion to accelerate.	The Committee will determine the bonus outcome based on circumstances and the date of leaving. Performance against targets is typically assessed at the end of the year in the normal way and any resulting bonus will be pro-rated for time served during the year.
	Change of control.	Immediately.	Performance against targets will be assessed at the point of change of control and any resulting bonus will be pro-rated for time served up to the point of change of control.
	All other reasons.	No bonus is paid.	n/a
Deferred Share Bonus Plan	Death, injury, ill-health or disability, retirement, or any other reason the Committee may determine.	Normal vesting date, although the Committee has discretion to accelerate.	n/a
	Change of control.	Immediately.	n/a
	All other reasons.	Awards lapse.	n/a
2004 LTIP	Injury, ill-health or disability, redundancy, retirement, the sale of the employing company or business out of the Group or any other reason as the Committee may determine.	Normal vesting date, although the Committee has discretion to accelerate.	Any outstanding awards will normally be pro-rated for time and performance conditions will be measured.
	Death.	Immediately.	n/a
	Change of control.	Immediately.	Any outstanding awards will normally be pro-rated for time and performance conditions will be measured up to the point of the change of control.
	All other reasons.	Awards lapse.	n/a

Plan	Scenario	Timing of vesting	Calculation of vesting/payment
2014 LTIP	Death, injury or disability, redundancy, the sale of the employing company or business out of the Group or any other reason as the Committee may determine.	Normal vesting date, although the Committee has discretion to accelerate.	Any outstanding awards will normally be pro-rated for time and performance conditions will be measured. The Committee retains discretion to dis-apply performance conditions in exceptional circumstances.
	Change of control.	Immediately.	Any outstanding awards will be pro-rated for time and performance up to the point of the change of control. The Committee retains discretion to dis-apply performance conditions in exceptional circumstances.
	All other reasons.	Awards lapse.	n/a

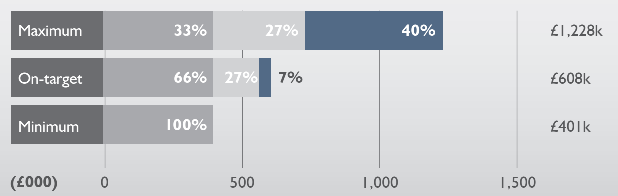
PAY-FOR-PERFORMANCE: SCENARIO ANALYSIS

The following charts provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of pay under three different performance scenarios: "Minimum", "On-target" and "Maximum". Potential reward opportunities are based on SIG's current Remuneration Policy, applied to salaries as at 31 December 2013. Note that the projected values exclude the impact of any share price movements.

CHIEF EXECUTIVE



FINANCE DIRECTOR



Salary, pension and benefits Annual bonus Long-term incentives

The "Minimum" scenario shows base salary, pension and benefits only. These are the only elements of the Executive Directors' remuneration packages which are not at risk.

The "On-target" scenario shows fixed remuneration as above, plus a target payout of 50% of the annual bonus and threshold performance vesting for long-term incentives.

The "Maximum" scenario reflects fixed remuneration, plus full payout of all incentives.

NON-EXECUTIVE DIRECTORS

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

Summary details of terms and notice periods for NEDs are included below:

NED	Original date of appointment	Date of letter of engagement	Unexpired term
L. Van de Walle	1 October 2010	16 September 2013	30 September 2016
J. E. Ashdown	11 July 2011	7 July 2011	10 July 2014
M. Ewell	1 August 2011	7 July 2011	31 July 2014
C. V. Geoghegan	1 July 2009	18 May 2012	30 June 2015
J. C. Nicholls	6 November 2009	18 May 2012	5 November 2015

NEDs 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 plan. Any reasonable expenses that they incur in the furtherance of their duties are reimbursed by the Company.

NON-EXECUTIVE DIRECTORS CONTINUED

Details of the policy on NED fees are set out in the table below:

Purpose and link to strategy	Operation and process	Opportunity
To attract and retain NEDs of the highest calibre with experience relevant to the Company.	Fees are reviewed annually in May with any increase effective from 1 June. The fee paid to the Chairman is determined by the Committee, and fees to NEDs are determined by the Board. The fees are calculated by reference to current market levels and take account of the time commitment and the responsibilities of the NEDs. Additional fees are payable for acting as Senior Independent Director or as Chairman of a Board Committee as appropriate	Any fee increases are applied in line with the outcome of the review. It is anticipated that increases to Chairman and NED fee levels will typically be in line with market levels of fee inflation. In exceptional circumstances (including, but not limited to, material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil an NED role) the Board has discretion to make appropriate adjustments to fee levels to ensure they remain market competitive and fair to the Director. The maximum aggregate fees, per annum, for all NEDs allowed by the Company's Articles of Association is £500,000.

NED RECRUITMENT

In recruiting a new Chairman or NED, the Committee will use the policy as set out in the table above. A base fee would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as Chairman of a Board Committee as appropriate.

CONSIDERATIONS OF CONDITIONS ELSEWHERE IN THE GROUP

The Committee considers the pay and employment conditions elsewhere in the Group when determining remuneration for Executive Directors, and the Company seeks to promote good relationships with employee representative bodies as part of its employee engagement strategy. However, the Committee does not currently consult specifically with employees on the Executive Remuneration Policy.

CONSIDERATIONS OF SHAREHOLDER VIEWS

When determining remuneration, the Committee takes into account the guidelines of investor bodies and Shareholder views. The Committee is always open to feedback from Shareholders on the Remuneration Policy and arrangements, and commits to undergoing Shareholder consultation in advance of any significant changes to the Remuneration Policy. Further detail on the votes received on the 2012 Directors' Remuneration Report and the Committee's response are provided in the Annual Report on Remuneration.

EXTERNAL DIRECTORSHIPS

The Committee acknowledges that Executive Directors may be invited to become independent Non-Executive Directors of other quoted companies which have no business relationship with the Company and that these duties can broaden their experience and knowledge to the benefit of the Company.

Executive Directors are permitted to accept such appointments with the prior approval of the Chairman. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the wider exposure gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments, these would be retained by the Executive Director.

The following section provides details of how SIG's Remuneration Policy was implemented during the financial year ended 31 December 2013 and how it will be implemented in 2014.

THE REMUNERATION COMMITTEE

The key responsibilities of the Remuneration Committee are to:

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

The Committee's Terms of Reference, which are reviewed regularly, are set out on the Company's website, **www.sigplc.com**.

As of 31 December 2013, the Committee comprised 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 considered independent within the definition set out in the Code. During the year the Committee met five times. Attendance by individual members of the Committee is disclosed in the Corporate Governance section of the Directors' Report on page 53.

Only members of the Committee have the right to attend Committee meetings. The Chairman of the Board, Chief Executive, HR Director 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. See below for more details.

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

KEY ACTIVITIES OF THE COMMITTEE IN 2013

The Committee met five times in 2013, twice in February and in May, November and December. Its key activities included:

- annual review of Executive Director salaries;
- assessment and approval of performance outcomes for the annual bonus and long-term incentives in respect of performance to 31 December 2013;
- calibration of award levels and targets for the 2013 LTIP awards for the Executive Directors;
- review of the Non-Executive Chairman's fees;
- preparation of the 2012 and 2013 Directors' Remuneration Reports;
- review of changes required for the 2013 Directors' Remuneration Report in order to comply with the BIS regulations;
- development of Senior Executive Remuneration Policy for 2014;
- review of the LTIP, consideration of potential revisions and related Shareholder consultation; and
- preparation for the 2013 AGM.

EXTERNAL ADVISORS

Kepler Associates ("Kepler"), an independent firm of remuneration consultants appointed by the Committee after consultation with the Board, continued to act as the remuneration advisor to the Committee during the year. Kepler attends Committee meetings and provides advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. Kepler reports directly to the Committee Chairman and is a signatory to the Code of Conduct for Remuneration Consultants of UK-listed companies (which can be found at www.remunerationconsultantsgroup.com). Kepler provides no other services to the Company and is therefore considered independent. Kepler's fees for the year were charged on a time and materials basis and totalled £61,270.

Deloitte LLP, Auditor to the Group, has when requested, performed specific testing on the LTIP calculations at the end of the respective performance periods. Deloitte LLP was not asked to perform this service in 2013 and therefore did not receive any fees for this service in 2013.

SHAREHOLDER VOTE AT 2013 AGM

The following table shows the results of the advisory vote on the 2013 Directors' Remuneration Report at the 23 May 2013 AGM:

	For	Against	Total votes cast	Abstentions
Total number of votes	482,949,242	5,703,476	488,652,718	9,380
% of votes cast	98.8%	1.2%	100%	<0.1%

DIRECTORS' REMUNERATION AS A SINGLE FIGURE (AUDITED)

We have set out the amounts earned by the Directors in the table below:

YEAR TO 31 DECEMBER 2013

Executive	1. Base salary/fee £000	2. Benefits £000	3. Pension £000	4. Annual bonus £000	5. LTIP £000	6. Other £000	Total remuneration £000
S. R. Mitchell	**550**	**21**	**83**	**333**	–	–	**987**
D. G. Robertson	**324**	**20**	**49**	**193**	–	–	**586**
C. J. Davies+	**92**	**4**	**400**	**68**	–	**467**	**1,031**
Non-Executive							
L. Van de Walle (Chairman)	**162**	–	–	–	–	–	**162**
J. E. Ashdown	**46**	–	–	–	–	–	**46**
M. Ewell	**46**	–	–	–	–	–	**46**
C. V. Geoghegan	**46**	–	–	–	–	**10***	**56**
J. C. Nicholls	**46**	–	–	–	–	**10***	**56**
Total	**1,312**	**45**	**532**	**594**	–	**487**	**2,970**

YEAR TO 31 DECEMBER 2012

Executive	1. Base salary/fee £000	2. Benefits £000	3. Pension £000	4. Annual bonus £000	5. LTIP £000	6. Other £000	Total remuneration £000
S. R. Mitchell	46	1	7	–	–	–	54
D. G. Robertson	315	19	47	164	–	–	545
C. J. Davies	549	19	160	296	–	–	1,024
Non-Executive							
L. Van de Walle (Chairman)	155	–	–	–	–	–	155
J. E. Ashdown	45	–	–	–	–	–	45
M. Ewell	45	–	–	–	–	–	45
C. V. Geoghegan	45	–	–	–	–	8*	53
J. C. Nicholls	45	–	–	–	–	8*	53
Total	1,245	39	214	460	–	16	1,974

* Relates to additional fees for Senior Independent Non-Executive Directors and Chairmanship of the Audit and Remuneration Committees.

+ Includes remuneration in lieu of salary, pension and other benefits after 1 April 2013.

TOTAL SINGLE FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS

The table below sets out the total single figure remuneration received by each Executive Director for the year to 31 December 2013 and the prior year:

Executive Director		1. Base salary £000	2. Benefits £000	3. Pension £000	4. Annual bonus £000	5. LTIP £000	6. Other £000	Total remuneration £000
S. R. Mitchell[7]	2013	550	21	83	333	–	–	987
	2012	46	1	7	–	–	–	54
D. G. Robertson	2013	324	20	49	193	–	–	586
	2012	315	19	47	164	–	–	545
C. J. Davies[8]	2013	92	4	400	68	–	467	1,031
	2012	549	19	160	296	–	–	1,024

The figures in the table opposite have been calculated as follows:

1. Base salary/fee: amount earned for the year.
2. Benefits: comprised company car, medical and permanent health insurance.
3. Pension: value based on increase in accrued pensions (net of inflation) multiplied by a factor of 20, or the Company's pension contribution during the year of 15% of salary.
4. Annual bonus: payment for performance during the year (including deferred portion).
5. LTIP: the value at vesting of awards vesting on performance over the three-year periods ended 31 December 2013 and 31 December 2012. For the 2011 award the performance criteria was not achieved, therefore the award will lapse.
6. Other: includes SIP, valued based on the face value of matching shares at grant. For C. J. Davies, includes remuneration in lieu of salary, pension and other benefits after 1 April 2013 and fees paid for Non-Executive search services.
7. Appointed to the Board on 10 December 2012 and became Chief Executive on 1 March 2013.
8. See retirement arrangements in the section below.

RETIREMENT ARRANGEMENTS OF MR. C. J. DAVIES

Mr. C. J. Davies retired from the Board on 28 February 2013 and remained employed with no obligation to perform his Executive duties from 1 April 2013. His leaving arrangements are in line with those set out in his contract, i.e. a twelve month notice period with effect from 1 March 2013 providing salary, pension and other benefits until the termination date. His outstanding incentive awards will be adjusted in line with best practice for a good leaver, i.e. pro-rated to his termination date and vesting at the end of the normal vesting period, subject to measurement of the performance conditions. For 2013, he was entitled to an annual bonus, pro-rated for time worked before ceasing to perform his executive duties and as determined by the Committee. In addition the Company has offered to provide limited support from a Non-Executive search agency.

Further details on incentive outcomes for Mr. C. J. Davies are provided in the sections below.

INCENTIVE OUTCOMES FOR 2013

ANNUAL BONUS IN RESPECT OF 2013

In 2013, the maximum bonus opportunity for Executive Directors was 100% of salary. 80% of salary was based on financial performance and 20% on the achievement of personal or strategic objectives. For the financial performance element, 65% of salary was linked to underlying profit before tax and the remaining 15% of salary to working capital improvement, as measured through cash generation.

Further details of the bonuses paid, including Group and individual targets set and performance against each of the metrics, are provided in the tables below:

FINANCIAL ELEMENT OUTCOMES

Measure		Weighting (% of salary)	Performance targets: Threshold	Performance targets: Target	Performance targets: Stretch	Actual performance	Payout (% of salary)
Underlying profit before tax		65%	£84.0m	£89.0m	£94.0m	£88.1m	38.5%
Working capital improvement/cash generation	Year to 30 Jun 13	5%	£90.0m	£94.0m	£100.0m	£102.9m	5.0%
	Year to 31 Dec 13	10%	£115.0m	£120.0m	£130.0m	£102.5m	–
Total		80%					43.5%

PERSONAL ELEMENT OUTCOMES

Executive Director	Personal objectives for the year	Payout (% of salary)
S. R. Mitchell	Included Group ROCE; successful transition to the Chief Executive role; development and communication of strategy; and delivery of key projects.	17%
D. G. Robertson	Included Group ROCE; operating and financial management; refinancing project delivery; recruitment; succession planning; and delivery of key projects.	16%

OVERALL BONUS OUTCOMES

Executive Director	Financial element bonus outcome (% of salary)	Personal element bonus outcome (% of salary)	Overall bonus outcome (% of salary)
S. R. Mitchell	43.5%	17%	60.5%
D. G. Robertson	43.5%	16%	59.5%

INCENTIVE OUTCOMES FOR 2013 CONTINUED

OVERALL BONUS OUTCOMES CONTINUED

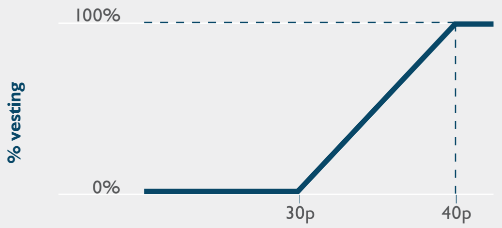
Mr. C. J. Davies' annual bonus was pro-rated for time worked before going on garden leave. Based on the Group's financial performance and Mr. C. J. Davies' personal contributions to the Company during the year, his bonus was calculated to be £67,876, equivalent to 50% of his pro-rated salary to 31 March 2013.

As stated in the Policy table, for all current Executive Directors one-third of the total annual bonus outcome for 2013 is deferred into SIG shares for three years, subject to clawback. Bonus deferral did not apply to Mr. C. J. Davies in 2013 on account of his retirement. No discretion was applied by the Committee to the annual bonus outcome calculation. In the Committee's view, the level of bonus paid to Executive Directors appropriately reflects the individuals' and Group's performance in an exceptionally difficult environment.

LONG-TERM INCENTIVE PLAN: 2011 AWARDS

On 27 April 2011, Mr. C. J. Davies received an award of 379,000 nil-cost options under the LTIP. Vesting of the award was dependent on three year cumulative underlying EPS performance. There was no re-testing of performance. The performance targets are illustrated below:

EPS performance



Cumulative underlying EPS 2011–2013

Performance measure	Actual performance	Vesting outcome (% of maximum)
Three year cumulative underlying EPS	30.0p	0%

The three year period over which performance was measured ended on 31 December 2013. Actual cumulative underlying EPS was 30.0p, which resulted in nil vesting. The award will therefore lapse on 27 April 2014.

No awards are due to vest for the incumbent Executive Directors based on performance to 31 December 2013.

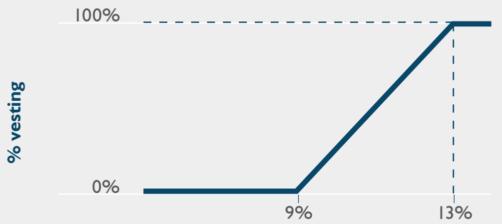
LONG-TERM INCENTIVE PLAN: 2013 AWARDS

On 18 April 2013, Mr. S. R. Mitchell and Mr. D. G. Robertson were granted awards under the LTIP of 363,036 and 214,191 shares respectively; details are provided in the table below. The three year period over which performance will be measured will be 1 January 2013 to 31 December 2015. The award is eligible to vest in its entirety on the third anniversary of the date of grant (i.e. 17 April 2016), subject to ROCE and EPS performance.

Executive Director	Date of grant	Awards made during the year	Market price at date of award	Face value at date of award	Face value at date of award (% of salary)
S. R. Mitchell	18 April 2013	363,036	151.5p	£550,000	100%
D. G. Robertson	18 April 2013	214,191	151.5p	£324,500	100%

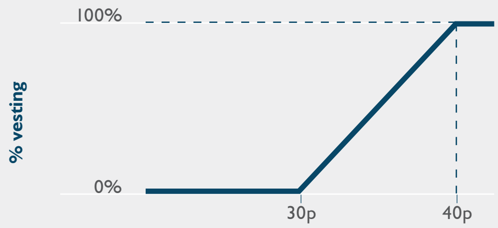
These awards will vest based on three-year average ROCE, defined as underlying operating profit after tax divided by average net assets plus average net debt (representing two-thirds of the award) and three-year cumulative underlying EPS one-third. The performance targets are illustrated below:

ROCE element of the award (two-thirds)



Average ROCE 2013–2015

EPS element of the award (one-third)



Cumulative underlying EPS 2013–2015

For the ROCE element, if three year average ROCE over the three financial years ending 31 December 2015 is less than or equal to 9%, no shares will vest. Awards vest in full for ROCE of 13% or higher and vesting is on a straight line basis between these two points.

For the EPS element, if cumulative underlying EPS over the three financial years ending 31 December 2015 is less than or equal to 30p, no shares will vest. Awards vest in full for 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, and any other reason the Committee determines in its absolute discretion. Further, if such discretion is exercised, the Committee undertakes to disclose the rationale for its decision in the Annual Report on Directors' Remuneration the following year.

TOTAL SINGLE FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS

The table below sets out the total single figure remuneration received by each NED for the year to 31 December 2013 and the prior year:

	Base fee £000		Additional fees £000		Total fees £000	
NED	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
L. Van de Walle (Chairman)	**162**	155	**–**	–	**162**	155
J. E. Ashdown	**46**	45	**–**	–	**46**	45
M. Ewell	**46**	45	**–**	–	**46**	45
C. V. Geoghegan	**46**	45	**10**	8	**56**	53
J. C. Nicholls	**46**	45	**10**	8	**56**	53

EXIT PAYMENTS

In line with his contractual entitlements, Mr. C. J. Davies received termination payments equal to salary, pension and benefits from 1 March 2013. In addition the Company has offered to provide limited support from a Non-Executive search agency, up to a total amount of £10,000. Such payments are included in Mr. C. J. Davies' single figure of remuneration, as detailed in the table on page 72.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2014

BASE SALARY

The Committee approved the following salary increases from 1 January 2014. The average salary increase across each territory/business for 2014 is between 1.5% and 2.0%.

Executive Director	2014 salary £	2013 salary £	% change
S. R. Mitchell	550,000	550,000	nil
D. G. Robertson	330,990	324,450	2.0

PENSION AND BENEFITS

The Executive Directors will continue to receive pension contributions of 15% of salary and receive benefits in line with the policy.

ANNUAL BONUS

The maximum annual bonus opportunity for Executive Directors in 2014 will remain unchanged from the opportunity in 2013 and will be 100% of salary.

As in 2013, 2014 bonuses will be based 80% on underlying profit before tax and working capital improvement and 20% against personal and key operating objectives. The Committee has determined that performance targets will not be disclosed on a prospective basis for reasons of commercial sensitivity, but will be disclosed on a retrospective basis in due course when they are no longer considered commercially sensitive.

LTIP

In advance of each LTIP cycle, the Committee reviews the appropriateness of the performance measures and corresponding targets. Following a review of performance measures and the calibration of targets, the Committee strengthened the EPS targets for 2014 awards and determined that 25% of the element should vest for threshold EPS performance. No changes are proposed to the way that ROCE is measured.

Subject to Shareholder approval, a number of other changes will be introduced for LTIP awards from 2014. To encourage long-term decision-making and further improve Shareholder alignment, the Committee will introduce a two year post-vesting holding period on vested LTIP awards for awards made in 2014 and in subsequent years. Unvested awards will be subject to clawback, i.e. forfeiture or reduction in exceptional circumstances (e.g. material misstatement or gross misconduct). Dividend equivalents will be payable over the five year vesting and holding period in respect of the awards which vest.

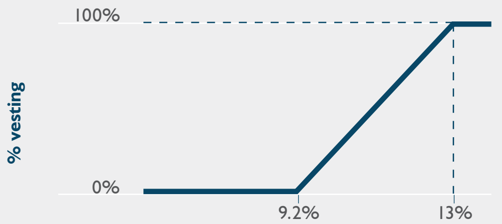
IMPLEMENTATION OF REMUNERATION POLICY FOR 2014 CONTINUED

LTIP CONTINUED

When the Committee initially consulted with Shareholders on these changes, it advised that the performance range would be 9.0% to 13.0% for ROCE and the cumulative equivalent of 8% to 22% p.a. growth for underlying EPS. In February 2014, the Group completed the sale of its German Roofing Business. To ensure no reduction in the toughness of the ROCE performance targets under the 2014 LTIP as a result of this sale, the Committee has determined that the threshold for ROCE should be increased from 9.0% to 9.2%, with the maximum ROCE unchanged at 13.0%. The 2014–2016 cumulative underlying EPS performance targets will remain unchanged in relation to the sale.

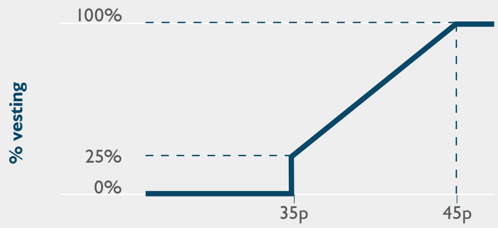
Performance targets for awards to be made in 2014 are illustrated below:

ROCE element of the award (two-thirds)



Average ROCE 2014–2016

EPS element of the award (one-third)



Cumulative underlying EPS 2014–2016

CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES

With effect from 1 May 2013, the fee payable to the Chairman of the Board is £162,500 p.a. and the basic fee payable to each Non-Executive Director is £46,550 p.a. The fees payable for chairing the Audit and Remuneration Committees are £10,000 and £8,000 p.a. respectively. The additional fee paid for being Senior Independent Director is £2,000 p.a. Non-Executive Director fees are reviewed in May each year.

PERCENTAGE CHANGE IN CHIEF EXECUTIVE REMUNERATION

The table below shows the percentage change in the Chief Executive's remuneration from the prior year compared to the average percentage change in remuneration for all other employees being the Senior Leadership team. To provide a meaningful comparison, the analysis includes only salaried employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2013 and 2012 populations.

	Chief Executive £000			Other employees
	2013[1]	2012	% change	% change
Salary	**550**	549	0.2	4.0
Taxable benefits	**21**	19	10.5	4.3
Annual performance bonus (including deferred element)	**333**	296	12.5	11.4
Total	**904**	864	4.6	5.6

1. Based on the sum of remuneration paid to Mr. C. J. Davies up to and including 28 February 2013 and to Mr. S. R. Mitchell from 1 March 2013.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the percentage change in total employee pay expenditure and Shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 31 December 2012 to the financial year ended 31 December 2013.

	2013 £m	2012 £m	% change
Distribution to Shareholders	**20.4**	17.7	15.3
Employee remuneration	**337.5**	327.7	3.0

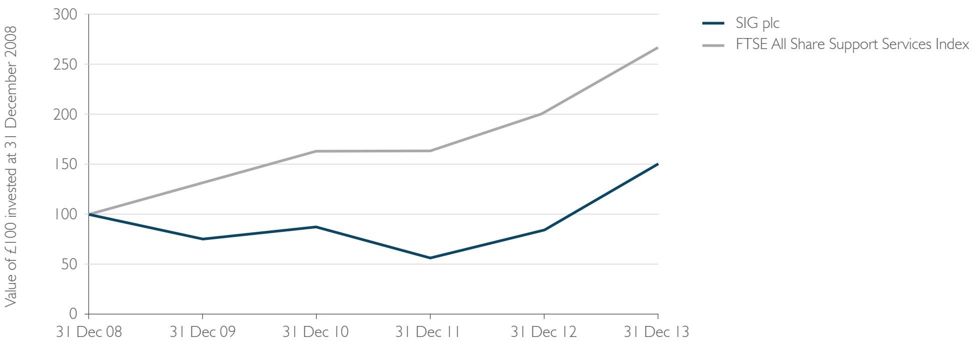
The Directors are proposing a final dividend for the year ended 31 December 2013 of 2.4p per share (2012: 2.0p).

PAY FOR PERFORMANCE

The graph below shows the Company's Total Shareholder Return ("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 2013. 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. The table below details the Chief Executive's single figure of remuneration and actual variable pay outcomes over the same period.

HISTORICAL TSR PERFORMANCE

Growth in value of a hypothetical £100 holding over the five years to 31 December 2013.



S. R. Mitchell	**2012**	**2013[1]**
Chief Executive single figure of remuneration (£000)	54	**987**
Annual bonus outcome (% of maximum)	n/a	**60.5%**
LTIP vesting outcome (% of maximum)	n/a	**n/a**

C. J. Davies	**2009**	**2010**	**2011**	**2012**	**2013[2]**
Chief Executive single figure of remuneration (£000)	1,354	1,087	1,065	1,024	**1,031**
Annual bonus outcome (% of maximum)	45%	59%	96%	54%	**50%**
LTIP vesting outcome (% of maximum)	0%	0%	0%	0%	**0%**

1. Mr. S. R. Mitchell was appointed to the Board on 10 December 2012 and became the Chief Executive on 1 March 2013. The figures shown in this table are taken from the Total Single Figure of Remuneration table displayed earlier in the report and the 2013 figure pertains to the period 1 January 2013 to 31 December 2013.
2. The figures shown (as set out in the Total Single Figure of Remuneration table shown earlier in the report) pertains to the period 1 January 2013 to 31 December 2013 (includes remuneration in lieu of salary, pension and other benefits after 1 March 2013).

DIRECTORS' INTERESTS IN SIG SHARES (AUDITED)

The interests of the Directors in office at 31 December 2013 and their families in the ordinary shares of the Company at the dates below were as follows:

	31 December 2013	**1 January 2013**
J. E. Ashdown	**21,700**	21,700
M. Ewell	**8,600**	8,600
C. J. Davies (resigned 28 February 2013)	**n/a**	162,597
C. V. Geoghegan	**40,000**	40,000
J. C. Nicholls	**14,220**	14,220
S. R. Mitchell	**164,545***	–
D. G. Robertson	**60,566***	60,000
L. Van de Walle	**30,000***	30,000

* Includes shares purchased under the SIG plc SIP.

There have been no changes to shareholdings between 1 January 2014 and 12 March 2014 save that on 15 January 2014 when Mr. S. R. Mitchell and Mr. D. G. Robertson acquired a further 59 shares each under the SIG plc SIP, and on 15 February 2014 Mr. S. R. Mitchell acquired a further 60 shares and Mr. D. G. Robertson acquired a further 61 shares under the SIG plc SIP.

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group. Details of Directors' interests in shares and options under SIG long-term incentives are set out on page 78.

DIRECTORS' SHAREHOLDING (AUDITED)

The table below shows the shareholding of each Director against their respective shareholding requirement as at 31 December 2013:

	Shares held		Nil-cost options held					
	Owned outright or vested	Vested but subject to holding period	Vested but not exercised	Unvested and subject to performance conditions	Unvested and subject to deferral	Shareholding required (% basic salary)	Current shareholding/ potential (% of basic salary/basic fee)	Requirement* met
S. R. Mitchell	164,545	–	–	363,036	–	200	65	No
D. G. Robertson	60,566	–	–	513,336	45,082	200	40	No
J. E. Ashdown	21,700						100	
M. Ewell	8,600						40	
C. V. Geoghegan	40,000						185	
J. C. Nicholls	14,220						65	
L. Van de Walle	30,000						39	

* Based on SIG share price of 211.6p as at 31 December 2013.

DIRECTORS' INTERESTS IN SIG SHARE AND OPTION PLANS (AUDITED)

	Date of grant	Share price	Number of nil-cost options awarded	Face value at grant £	Performance period	Exercise period
LTIP						
S. R. Mitchell	18/04/2013	151.5p	363,036	550,000	18/04/2013 – 17/04/2016	18/04/2016 – 17/04/2023
D. G. Robertson	26/04/2012	105.3p	299,145	315,000	26/04/2012 – 25/04/2015	26/04/2015 – 25/04/2022
	18/04/2013	151.5p	214,191	324,500	18/04/2013 – 17/04/2016	18/04/2016 – 17/04/2023
C. J. Davies	26/04/2012	105.3p	521,235	548,860	26/04/2012 – 25/04/2015	26/04/2015 – 25/04/2022
	27/04/2011	140.6p	379,000	532,874	27/04/2011 – 26/04/2014	27/04/2014 – 26/04/2021
	07/06/2010*	110.0p	463,772	510,149	07/06/2010 – 06/06/2013	07/06/2013 – 06/06/2020
Deferred Bonus Plan						
S. R. Mitchell	18/04/2013	n/a	–	–	n/a	18/04/2016 – 17/04/2023
	30/03/2012	n/a	–	–	n/a	30/03/2015 – 29/03/2022
D. G. Robertson	18/04/2013	149.95p	36,409	54,594	n/a	18/04/2016 – 17/04/2023
	30/03/2012	117.95p	8,673	10,230	n/a	30/03/2015 – 29/03/2022
C. J. Davies	18/04/2013	149.95p	65,880	98,785	n/a	18/04/2016 – 17/04/2023
	30/03/2012	117.95p	144,425	170,350	n/a	30/03/2015 – 29/03/2022

* The LTIP awarded to Mr C. J. Davies on 7 June 2010 lapsed during the year based on performance to 31 December 2012.

Under the SIG Share Incentive Plan ("SIP"), the Company provides one matching share for each share purchased by the employee, up to a maximum of four matching shares per month. Mr. S. R. Mitchell, Mr. D. G. Robertson and Mr. C. J. Davies all participated in the SIP in 2013.

The market price of the shares at 31 December 2013 was 211.6p and the range during 2013 was 122.4p to 216.3p.

There were no options exercised by the Directors in 2013 (2012: nil) and the aggregate of the total theoretical gains on options exercised by the Directors during 2013 amounted to £nil (2012: £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.

DIRECTORS' PENSIONS (AUDITED)

Mr C. J. Davies was a member of the Company's registered defined benefit scheme.

Mr C. J. Davies retired from the registered defined benefit scheme on 8 December 2010. At that date, Mr C. J. Davies took a pension of £67,500 per annum and a cash sum of £450,000. Mr C. J. Davies took the option of an increased initial pension in exchange for lower pension increases.

Mr C. J. Davies stopped accruing pension in the registered defined benefit scheme from 1 January 2009 and began accruing benefits in the defined benefit unfunded EFRBS (unregistered). Under the defined benefit unfunded EFRBS (unregistered), as at 28 February 2014, Mr C. J. Davies took a pension of £91,011 per annum, converted to a net cash amount of £1,068,890.

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report (comprising pages 63 to 79) was approved by a duly authorised Committee of the Board of Directors on 12 March 2014 and signed on its behalf by Chris Geoghegan, the Chairman of the Remuneration Committee.

CHRIS GEOGHEGAN
Chairman, Remuneration Committee
12 March 2014

NOMINATIONS COMMITTEE

L. VAN DE WALLE
NOMINATIONS COMMITTEE CHAIRMAN

PURPOSE AND AIM

The Nominations Committee's ("the Committee") 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.

MEETINGS AND MEMBERSHIP

The Committee meets as appropriate but at least once a year. During the year the Committee met on two occasions. A quorum is four members, at least two of whom shall be independent Non-Executive Directors. The Committee operates under written Terms of Reference, which are consistent with current best practice and are available on the Company's website at **www.sigplc.com**.

As at 31 December 2013, the Committee comprised the Chairman, Chief Executive and the Independent Non-Executive Directors. The Chairman is Mr. L. Van de Walle and the other members are Mr. C. V. Geoghegan, Ms. J. E. Ashdown, Mr. M. Ewell, Mr. J. C. Nicholls and Mr. S. R. Mitchell. Mr. S. R. Mitchell was appointed a member of the Committee on his appointment as Chief Executive on 1 March 2013 succeeding Mr. C. J. Davies who ceased to be a member of the Committee on 28 February 2013.

RESPONSIBILITIES AND ACTIVITIES DURING THE YEAR

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. All appointments to the Board will continue to be made on merit, however, differences in background, skills, experience and other qualities as well as gender will be considered in determining the optimum composition of the Board, with the aim to balance them appropriately.

In general terms, when considering candidates for appointment as Directors of the Company, the 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 short list could be agreed. The agency is required to present for consideration by the Committee a long list of potential candidates considered to meet the essential criteria for the role which fully reflects the benefits of diversity. The policy on Board diversity is available on the Company's website at **www.sigplc.com**. 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 respect of the appointment of Mr. S. R. Mitchell as Group Chief Executive.

Following the appointment of a new Director, the Chairman, in conjunction with the Company Secretary, is responsible for ensuring that a full, formal and tailored induction to the Company is given. Such an induction programme was operated for Mr. S. R. Mitchell.

The Board utilises executive search consultants in the selection process for Non-Executive Directors in reviewing candidates with a variety of backgrounds and perspectives. The consultants are required to work to a specification that includes the strong desirability of producing a full list of candidates who meet the essential criteria, whilst reflecting the benefits of diversity. The Board will only engage such consultants who are signed up to the voluntary code of conduct on gender diversity on corporate boards.

As has been reported in the Corporate Governance Report on page 50, the SIG Board discussed in December the matter of women on Boards and set out the aim of achieving at least 25% female representation among the Board's membership by 2015. As at 31 December 2013, this percentage is 14%. In reviewing Board composition and in agreeing criteria for new Director appointments, the Committee is committed to seeking Directors with the right skillset and gender balance in line with the 25% aspiration.

As part of corporate governance the Committee reviews its own performance annually and considers where improvements can be made. The Committee reviewed its own performance in December 2013 and the results of this review were reported to the Board.

The proposed activities for the Committee in 2014 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.

LESLIE VAN DE WALLE
Chairman, Nominations Committee
12 March 2014

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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 Strategic Report 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 Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

STUART MITCHELL
Director
12 March 2014

DOUG ROBERTSON
Director
12 March 2014

GROUP ACCOUNTS
PREPARED IN ACCORDANCE WITH IFRS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**Before other items* 2013 £m**	**Other items* 2013 £m**	**Total 2013 £m**	Before other items* 2012 £m	Other items* 2012 £m	Total 2012 £m
Revenue	1	**2,582.4**	**137.4**	**2,719.8**	2,473.9	161.6	2,635.5
Cost of sales	2	**(1,900.6)**	**(110.0)**	**(2,010.6)**	(1,819.9)	(129.3)	(1,949.2)
Gross profit		**681.8**	**27.4**	**709.2**	654.0	32.3	686.3
Other operating expenses	2	**(582.3)**	**(111.5)**	**(693.8)**	(557.9)	(70.5)	(628.4)
Operating profit	4	**99.5**	**(84.1)**	**15.4**	96.1	(38.2)	57.9
Finance income	3	**1.4**	**0.2**	**1.6**	1.5	0.4	1.9
Finance costs	3	**(12.7)**	**(2.1)**	**(14.8)**	(13.6)	(2.2)	(15.8)
Profit before tax and share of loss of associate		**88.2**	**(86.0)**	**2.2**	84.0	(40.0)	44.0
Share of loss of associate	11	**(0.1)**	**–**	**(0.1)**	(0.3)	–	(0.3)
Profit before tax		**88.1**	**(86.0)**	**2.1**	83.7	(40.0)	43.7
Income tax expense	6	**(26.1)**	**9.7**	**(16.4)**	(26.1)	9.0	(17.1)
(Loss)/profit after tax		**62.0**	**(76.3)**	**(14.3)**	57.6	(31.0)	26.6
Attributable to:							
Equity holders of the Company		**61.3**	**(76.3)**	**(15.0)**	57.3	(31.0)	26.3
Non-controlling interest		**0.7**	**–**	**0.7**	0.3	–	0.3
Earnings per share							
Basic (loss)/earnings per share	8	**10.4p**	**(12.9p)**	**(2.5p)**	9.7p	(5.2p)	4.5p
Diluted (loss)/earnings per share	8	**10.4p**	**(12.9p)**	**(2.5p)**	9.7p	(5.2p)	4.5p

* "Other items" relate to the amortisation of acquired intangibles, net restructuring costs, other one-off items, loss arising on the sale or agreed sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, other impairment charges, fair value gains and losses on derivative financial instruments, the defined benefit pension scheme curtailment gain, the taxation effect of "Other items" and the effect of changes in taxation rates. "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 89.

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 2013

	Note	2013 £m	2012 £m
(Loss)/profit after tax		**(14.3)**	26.6
Items that will not subsequently be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit pension liability	30c	**8.3**	(0.2)
Deferred tax movement associated with remeasurement of defined benefit pension liability	24	**(2.0)**	0.2
Effect of change in rate on deferred tax	24	**(0.9)**	(0.8)
		5.4	(0.8)
Items that may subsequently be reclassified to the Consolidated Income Statement:			
Exchange difference on retranslation of foreign currency goodwill and intangibles		**6.6**	(6.2)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)		**4.7**	(5.2)
Exchange and fair value movements associated with borrowings and derivative financial instruments		**(1.9)**	4.0
Tax credit/(charge) on exchange and fair value movements arising on borrowings and derivative financial instruments		**0.4**	(1.0)
Gains and losses on cash flow hedges		**(0.4)**	(2.7)
Transfer to profit and loss on cash flow hedges		**2.1**	2.2
		11.5	(8.9)
Other comprehensive income/(expense)		**16.9**	(9.7)
Total comprehensive income		**2.6**	16.9
Attributable to:			
Equity holders of the Company		**1.9**	16.6
Non-controlling interests		**0.7**	0.3
		2.6	16.9

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 2013

	Note	2013 £m	2012 £m
Non-current assets			
Property, plant and equipment	10	**135.6**	134.2
Interest in associate	11	**–**	0.8
Goodwill	13	**417.6**	428.7
Intangible assets	14	**49.3**	54.4
Deferred tax assets	24	**22.2**	29.0
Derivative financial instruments	20	**29.7**	37.4
		654.4	684.5
Current assets			
Inventories	16	**220.4**	224.0
Trade and other receivables	17	**391.9**	373.3
Assets held for sale	17	**9.1**	–
Derivative financial instruments	17	**–**	6.2
Associate loan and deferred consideration	17	**–**	2.7
Cash and cash equivalents		**118.7**	128.1
		740.1	734.3
Total assets		**1,394.5**	1,418.8
Current liabilities			
Trade and other payables	18	**346.3**	333.0
Liabilities held for sale	18	**1.9**	–
Obligations under finance lease contracts	18	**2.7**	2.2
Bank overdrafts	18	**4.9**	4.1
Bank loans	18	**0.3**	1.3
Private placement notes	18	**–**	81.8
Derivative financial instruments	18	**0.1**	5.8
Current tax liabilities	18	**5.3**	4.4
Provisions	18	**9.5**	9.3
		371.0	441.9
Non-current liabilities			
Obligations under finance lease contracts	19	**7.1**	5.4
Bank loans	19	**–**	0.1
Private placement notes	19	**252.5**	174.2
Derivative financial instruments	19	**2.0**	4.8
Deferred tax liabilities	19	**14.7**	17.3
Other payables	19	**4.3**	3.0
Retirement benefit obligations	19	**25.5**	34.4
Provisions	19	**24.3**	28.9
		330.4	268.1
Total liabilities		**701.4**	710.0
Net assets		**693.1**	708.8
Capital and reserves			
Called up share capital	26	**59.1**	59.1
Share premium account		**447.2**	447.0
Capital redemption reserve		**0.3**	0.3
Share option reserve		**1.1**	0.9
Hedging and translation reserve		**12.6**	2.8
Retained profits		**172.2**	197.7
Attributable to equity holders of the Company		**692.5**	707.8
Non-controlling interests		**0.6**	1.0
Total equity		**693.1**	708.8

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

The Accounts were approved by the Board of Directors on 12 March 2014 and signed on its behalf by:

STUART MITCHELL
Director

DOUG ROBERTSON
Director

Registered in England: 998314

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £m	2012 £m
Net cash flow from operating activities			
Net cash generated from operating activities	27	**86.2**	88.7
Finance costs paid		**(12.0)**	(13.3)
Finance income received		**1.4**	1.5
Income tax paid		**(15.7)**	(19.4)
Net cash generated from operating activities		**59.9**	57.5
Cash flows from investing activities			
Purchase of property, plant and equipment and computer software		**(37.9)**	(29.7)
Proceeds from sale of property, plant and equipment		**4.8**	4.1
Net proceeds from sale of businesses	12	**(0.1)**	1.2
Settlement of amounts payable for purchase of businesses	15	**(14.9)**	(12.7)
Net cash used in investing activities		**(48.1)**	(37.1)
Cash flows from financing activities			
Capital element of finance lease rental payments		**(3.3)**	(2.1)
Issue of share capital	26	**0.2**	–
Repayment of loans/settlement of derivative financial instruments		**(87.3)**	(1.2)
New loans		**85.6**	–
Dividends paid to equity holders of the Company	7	**(18.6)**	(14.8)
Dividends paid to non-controlling interest		**(0.3)**	(0.3)
Net cash used in financing activities		**(23.7)**	(18.4)
(Decrease)/increase in cash and cash equivalents in the year	28	**(11.9)**	2.0
Cash and cash equivalents at beginning of the year	29	**124.0**	122.9
Effect of foreign exchange rate changes	29	**1.7**	(0.9)
Cash and cash equivalents at end of the year	29	**113.8**	124.0

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 2013

	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 2011	59.1	447.0	0.3	1.2	11.2	187.7	706.5	1.0	707.5
Profit after tax	–	–	–	–	–	26.3	26.3	0.3	26.6
Other comprehensive income/(expense)	–	–	–	–	(8.4)	(1.3)	(9.7)	–	(9.7)
Total comprehensive income/(expense)	–	–	–	–	(8.4)	25.0	16.6	0.3	16.9
Debit to share option reserve	–	–	–	(0.3)	–	–	(0.3)	–	(0.3)
Current and deferred tax on share options	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(0.3)	(0.3)
Dividends paid to equity holders of the Company	–	–	–	–	–	(14.8)	(14.8)	–	(14.8)
At 31 December 2012	59.1	447.0	0.3	0.9	2.8	197.7	707.8	1.0	708.8
Loss after tax	–	–	–	–	–	(15.0)	(15.0)	0.7	(14.3)
Other comprehensive income/(expense)	–	–	–	–	9.8	7.1	16.9	–	16.9
Total comprehensive income/(expense)	–	–	–	–	9.8	(7.9)	1.9	0.7	2.6
Share capital issued in the year	–	0.2	–	–	–	–	0.2	–	0.2
Credit to share option reserve	–	–	–	0.3	–	–	0.3	–	0.3
Exercise of share options	–	–	–	(0.1)	–	0.1	–	–	–
Current and deferred tax on share options	–	–	–	–	–	0.1	0.1	–	0.1
Adjustments arising from changes in non-controlling interests	–	–	–	–	–	0.8	0.8	(0.8)	–
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(0.3)	(0.3)
Dividends paid to equity holders of the Company	–	–	–	–	–	(18.6)	(18.6)	–	(18.6)
At 31 December 2013	**59.1**	**447.2**	**0.3**	**1.1**	**12.6**	**172.2**	**692.5**	**0.6**	**693.1**

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 91.

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 2013 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 which are stated at their fair value.

The Accounts have been prepared on a going concern basis as set out on page 37.

The following standards became effective or were amended in the current period:

- IAS 1 (amended) "Presentation of Financial Statements";
- IAS 19 (revised) "Employee Benefits";
- IAS 27 (revised) "Separate Financial Statements";
- IAS 28 (revised) "Investments in Associates and Joint Ventures";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities"; and
- IFRS 13 "Fair Value Measurement".

The disclosures as a result of the changes arising from the above standards are not considered to be material by the Directors except as follows:

- IAS 19 (revised) – calculating and treating interest costs on the defined benefit pension scheme on a net basis. This has caused both finance income and finance costs to be reduced by £5.3m in the year ended 31 December 2013;
- IFRS 13 – additional disclosure of fair values of financial instruments; and
- IAS 1 (amended) – revised presentation of the Consolidated Statement of Comprehensive Income.

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 9 "Financial Instruments" – effective for accounting periods beginning on or after 1 January 2015;
- IAS 27 (amended) "Separate Financial Statements";
- IAS 36 (amended) "Impairment of Assets" – effective for accounting periods beginning on or after 1 January 2014;
- IAS 39 (amended) "Financial Instruments: Recognition and Measurement" – effective for accounting periods beginning on or after 1 January 2014; and
- IFRIC Interpretation 21 – effective for accounting periods beginning on or after 1 January 2014.

The Directors do not expect that the adoption of the standards and interpretations listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact upon both the measurement and disclosures of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

BASIS OF CONSOLIDATION

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses attributable 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.

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 IFRS as the businesses disposed of in 2013 and 2012 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 operation. In order to give an indication of the underlying earnings of the Group the results of these businesses have been included in the 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 column of the Consolidated Income Statement entitled "Other items". These include:

- amortisation of acquired intangibles;
- net restructuring costs;
- other one-off items;
- loss arising on the sale or agreed sale of businesses and associated impairment charges;
- trading profits and losses associated with disposed businesses;
- other impairment charges;
- fair value gains and losses on derivative financial instruments;
- the defined benefit pension scheme curtailment gain;
- the taxation effect of "Other items"; and
- the effect of the change in taxation rates.

The prior year comparatives have been re-analysed to present the results of the businesses divested in 2013 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 ("CGUs") 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 currencies is retranslated at each period end. Any movements in the carrying value of goodwill as a result of foreign exchange rate movements are recognised in the Consolidated Statement of Comprehensive Income.

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

INTANGIBLE ASSETS

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

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

Asset	Amortisation period
Customer relationships	Life of the relationship
Non-compete contracts	Life of the contract
Computer software	Useful life of the software

Customer relationship assets and non-compete contracts have an average useful economic life of 7.4 years and 3.0 years respectively.

At 31 December 2012 the Group transferred amounts relating to computer software out of property, plant and equipment and into intangible assets.

Assets in the course of construction are carried at cost, with amortisation commencing once the assets are ready for their intended use.

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 does not have 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.

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. Net finance costs on defined benefit pension schemes are recognised in the Consolidated Income Statement.

Any actuarial gain or loss arising is charged through the Consolidated Statement of Comprehensive Income and is made up of changes in the expected return on assets and those actually achieved, the difference between the actuarial assumptions for demographics and any changes in the financial 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 the number 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 share options 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 the Consolidated Income Statement 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 expense 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 the Consolidated Income Statement.

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 negatively impacted. When there is objective evidence of impairment, appropriate allowances are made for estimated irrecoverable amounts based upon expected future cash flows discounted by an appropriate interest rate where applicable. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the Consolidated Income Statement.

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 the Consolidated Income Statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Other financial assets are classified as either financial assets at fair value through profit or loss or loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

When determining the fair value of financial assets, the expected future cash flows are discounted using an appropriate interest rate.

FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss are initially measured and subsequently stated at fair value, with any resultant gain or loss recognised in the Consolidated Income Statement. The net gain or loss recognised in the Consolidated Income Statement incorporates any interest paid on the financial liability.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities (including trade and other payables) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate 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 and converted at actual exchange rates at the date of the transaction.

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.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at that date.

For the purpose of consolidation, income statements of overseas subsidiary undertakings are translated at the average rate for the year and their balance sheets at the rates ruling at the balance sheet date.

Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the Consolidated Statement of Comprehensive Income.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments including interest rate swaps, forward foreign exchange contracts and cross-currency swaps to hedge its exposure to foreign currency exchange and interest rate risks arising from operational and financial activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivative financial instruments, or any parts 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 they are 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 and adjusted for credit risk.

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 fair value 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.

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 hedging 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 the 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 forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a 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 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 fair value 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. The ineffective portion of any gain or loss is recognised immediately as fair value 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 the Consolidated Income Statement when the foreign operation is disposed of.

FAIR VALUE HEDGES

For an effective hedge of an exposure to changes in 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". Fair value 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 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 the 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.

Assets in the course of construction are carried at cost, with depreciation charged on the same basis as all other assets once those assets are ready for their intended use.

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 up 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 the shorter of the lease term or its useful life.

Rentals under finance leases and hire purchase agreements are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The finance costs are charged in arriving at profit before tax.

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 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the critical judgments that the Directors have made in the process of applying the Group's accounting policies and 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 further 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 four 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 operating profit growth no more than 3%, which 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 10% and 13%.

Assumptions regarding sales and operating profit growth are considered to be the key area of judgment 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 relevant non-current assets at 31 December 2013 is £602.5m (2012: £618.1m). The impairment reviews performed during the year indicated impairment in two of the Group's CGUs, German Roofing and SIG Energy Management (see Note 13 for details). The carrying value of all of the remaining CGUs of the Group were considered supportable.

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 (revised) "Employee Benefits". As detailed within the Statement of Significant Accounting Polices on page 90, 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, judgments, assumptions and estimates have been made. These assumptions have been disclosed within Note 30c on pages 119 to 122.

TAXATION

Accruals for corporation tax contingencies require the Directors to make judgments and estimates as to the level of corporation tax that will be payable based upon the interpretation of applicable tax legislation on a country-by-country basis and an assessment of the likely outcome of any open tax computations. All such accruals are included within current liabilities.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at 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, judgments are required to establish whether deferred tax balances should be recognised, in particular in respect of non-trading losses.

PROVISIONS

Using information available at the balance sheet date including third-party advice when available, the Directors make judgments based on experience regarding the level of provision required to satisfy all onerous lease and dilapidation commitments and to account for potentially uncollectible 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 judgments 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.

1. REVENUE AND SEGMENTAL INFORMATION

REVENUE

An analysis of the Group's revenue is as follows:

	2013 £m	2012 £m
Sale of goods	**2,719.8**	2,635.5
Total revenue	**2,719.8**	2,635.5
Finance income	**1.6**	1.9
Total income	**2,721.4**	2,637.4

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.

	2013				2012			
	UK and Ireland £m	Mainland Europe £m	Eliminations £m	Total £m	UK and Ireland £m	Mainland Europe £m	Eliminations £m	Total £m
Revenue								
Continuing sales	**1,243.0**	**1,339.4**	**–**	**2,582.4**	1,184.1	1,289.8	–	2,473.9
Sales attributable to business divested in 2012	**–**	**–**	**–**	**–**	–	26.9	–	26.9
Sales attributable to business held for sale at 31 December 2013	**–**	**137.4**	**–**	**137.4**	–	134.7	–	134.7
Inter-segment sales*	**1.6**	**9.6**	**(11.2)**	**–**	0.8	8.2	(9.0)	–
Total revenue	**1,244.6**	**1,486.4**	**(11.2)**	**2,719.8**	1,184.9	1,459.6	(9.0)	2,635.5
Result								
Segment result before Other items	**48.5**	**59.0**	**–**	**107.5**	47.7	56.5	–	104.2
Amortisation of acquired intangibles	**(9.9)**	**(10.7)**	**–**	**(20.6)**	(12.3)	(9.7)	–	(22.0)
Net restructuring costs	**(12.0)**	**(6.0)**	**–**	**(18.0)**	(8.6)	(8.0)	–	(16.6)
Other one-off items	**(0.5)**	**(0.2)**	**–**	**(0.7)**	0.7	0.7	–	1.4
Loss on sale or agreed sale of businesses and associated impairment charges	**–**	**(42.8)**	**–**	**(42.8)**	–	(4.6)	–	(4.6)
Operating loss attributable to business divested in 2012	**–**	**–**	**–**	**–**	–	(1.2)	–	(1.2)
Operating profit attributable to business held for sale at 31 December 2013	**–**	**–**	**–**	**–**	–	0.4	–	0.4
Goodwill impairment charge	**(2.0)**	**–**	**–**	**(2.0)**	–	–	–	–
Defined benefit pension scheme curtailment gain	**–**	**–**	**–**	**–**	4.4	–	–	4.4
Segment operating profit/(loss)	**24.1**	**(0.7)**	**–**	**23.4**	31.9	34.1	–	66.0
Parent Company costs				**(8.0)**				(8.1)
Operating profit				**15.4**				57.9
Net finance costs				**(11.3)**				(12.1)
Net fair value losses on derivative financial instruments				**(1.9)**				(1.8)
Share of loss of associate				**(0.1)**				(0.3)
Profit before tax				**2.1**				43.7
Income tax expense				**(16.4)**				(17.1)
Non-controlling interests				**(0.7)**				(0.3)
(Loss)/profit for the period				**(15.0)**				26.3
Balance sheet								
Assets								
Segment assets	**639.6**	**691.0**	**–**	**1,330.6**	612.1	711.9	–	1,324.0
Unallocated assets:								
Derivative financial instruments				**29.7**				43.6
Cash and cash equivalents				**33.3**				46.1
Associate loan				**–**				2.4
Other assets				**0.9**				2.7
Consolidated total assets				**1,394.5**				1,418.8

* Inter-segment sales are charged at the prevailing market rates.

1. REVENUE AND SEGMENTAL INFORMATION CONTINUED
SEGMENTAL INFORMATION CONTINUED
(A) SEGMENTAL RESULTS CONTINUED

	2013				2012			
	UK and Ireland £m	Mainland Europe £m	Eliminations £m	Total £m	UK and Ireland £m	Mainland Europe £m	Eliminations £m	Total £m
Liabilities								
Segment liabilities	**262.8**	**174.7**	**–**	**437.5**	264.0	167.4	–	431.4
Unallocated liabilities:								
Private placement notes				**252.5**				256.0
Derivative financial instruments				**2.1**				10.6
Other liabilities				**9.3**				12.0
Consolidated total liabilities				**701.4**				710.0
Other segment information								
Capital expenditure on:								
Property, plant and equipment	**19.5**	**13.4**	**–**	**32.9**	11.0	13.2	–	24.2
Computer software	**9.6**	**0.4**	**–**	**10.0**	7.3	0.8	–	8.1
Goodwill and intangible assets (excluding computer software)	**14.5**	**–**	**–**	**14.5**	0.2	6.2	–	6.4
Non-cash expenditure:								
Depreciation	**8.5**	**13.3**	**–**	**21.8**	11.2	12.4	–	23.6
Impairment of property, plant and equipment and computer software	**0.2**	**11.5**	**–**	**11.7**	1.0	–	–	1.0
Amortisation of acquired intangibles and computer software	**10.2**	**12.3**	**–**	**22.5**	12.3	9.7	–	22.0
Impairment of goodwill and intangibles (excluding computer software)	**2.0**	**21.5**	**–**	**23.5**	–	–	–	–

(B) REVENUE BY PRODUCT GROUP
The Group focuses its activities into three product sectors: Insulation and Energy Management; Exteriors; and Interiors, as set out on page 9.

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

	2013 £m	2012 £m
Insulation and Energy Management	**1,223.8**	1,181.1
Exteriors	**754.9**	705.5
Interiors	**603.7**	587.3
Total continuing	**2,582.4**	2,473.9
Sales attributable to business divested in 2012	**–**	26.9
Sales attributable to business held for sale at 31 December 2013	**137.4**	134.7
Total	**2,719.8**	2,635.5

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

Country	2013 Revenue £m	2013 Non-current assets^ £m	2012 Revenue £m	2012 Non-current assets^ £m
United Kingdom	**1,177.5**	**312.3**	1,120.6	276.3
Ireland	**65.5**	**0.9**	63.5	0.9
France	**622.4**	**223.9**	590.6	228.3
Germany and Austria	**437.5**	**16.5**	433.9	20.5
Poland	**124.7**	**18.4**	117.2	16.1
Benelux*	**154.8**	**30.5**	148.1	42.1
Total continuing	**2,582.4**	**602.5**	2,473.9	584.2
Attributable to business held for sale at 31 December 2013	**137.4**	**–**	134.7	33.9
	2,719.8	**602.5**	2,608.6	618.1
Attributable to business divested in 2012	**–**	**–**	26.9	–
Total	**2,719.8**	**602.5**	2,635.5	618.1

* Includes international 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.

2. COST OF SALES AND OTHER OPERATING EXPENSES

	2013			2012		
	Before Other items £m	**Other items £m**	**Total £m**	Before Other items £m	Other items £m	Total £m
Cost of sales	**1,900.6**	**110.0**	**2,010.6**	1,819.9	129.3	1,949.2
Other operating expenses:						
– distribution costs	**210.9**	**9.7**	**220.6**	204.0	11.2	215.2
– selling and marketing costs	**224.8**	**8.8**	**233.6**	215.5	11.0	226.5
– administrative expenses	**146.6**	**93.0**	**239.6**	138.4	48.3	186.7
	582.3	**111.5**	**693.8**	557.9	70.5	628.4

Operating profit 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:

	2013 £m	2012 £m
Amortisation of acquired intangibles (Note 14)	**(20.6)**	(22.0)
Loss arising on the sale or agreed sale of businesses and associated impairment charges (Note 12)	**(42.8)**	(4.6)
Operating loss attributable to business divested in 2012	**–**	(1.2)
Operating profit attributable to business held for sale at 31 December 2013	**–**	0.4
Net restructuring costs ^	**(18.0)**	(16.6)
Other one-off items*	**(0.7)**	1.4
Goodwill impairment charge (Note 13)	**(2.0)**	–
Defined benefit pension scheme curtailment gain	**–**	4.4
Impact on operating profit	**(84.1)**	(38.2)
Net fair value losses on derivative financial instruments	**(1.9)**	(1.8)
Impact on profit before tax	**(86.0)**	(40.0)
Income tax credit	**9.7**	9.0
Impact on profit after tax	**(76.3)**	(31.0)

^ Included within net restructuring costs are redundancy costs of £7.6m (2012: £8.0m), property closure costs of £5.8m (2012: £4.3m), rebranding costs of £3.7m (2012: £nil), asset write down costs of £0.2m (2012: £1.0m) and other restructuring costs of £0.7m (2012: £3.3m).

* Other one-off items include acquisition expenses (see Note 15).

3. FINANCE INCOME AND FINANCE COSTS

	2013 £m	2012 £m
Finance income		
Interest on bank deposits	**1.4**	1.5
Finance income before fair value gains on derivative financial instruments	**1.4**	1.5
Fair value gains on derivative financial instruments	**0.2**	0.4
Total finance income	**1.6**	1.9
Finance costs		
On bank loans, overdrafts and other items*	**3.0**	3.8
On private placement notes	**8.0**	8.5
Interest on obligations under finance lease contracts	**0.6**	0.8
Net finance charge on defined benefit pension schemes	**1.1**	0.5
Finance costs before fair value losses on derivative financial instruments	**12.7**	13.6
Fair value losses on derivative financial instruments	**2.1**	2.2
Total finance costs	**14.8**	15.8
Net finance costs	**13.2**	13.9

* Other items include amortisation of arrangement fees of £0.7m (2012: £0.8m).

4. PROFIT BEFORE TAX

	2013 £m	2012 £m
Profit before tax is stated after crediting:		
Foreign exchange rate gains*	**0.1**	0.6
Fair value gains on derivative financial instruments	**0.2**	0.4
Net decrease in provision for inventories	**1.2**	1.3
Defined benefit pension scheme curtailment gain	**–**	4.4
Other one-off items (Note 2)	**–**	1.4
Gains on disposal of property, plant and equipment	**1.2**	1.1
And after charging:		
Cost of inventories recognised as an expense	**2,005.7**	1,922.0
Depreciation of property, plant and equipment:		
– owned	**19.2**	21.3
– held under finance leases and hire purchase agreements	**2.6**	2.3
Amortisation of acquired intangibles	**20.6**	22.0
Amortisation of computer software	**1.9**	–
Operating lease rentals:		
– land and buildings	**49.1**	46.9
– plant and machinery	**16.5**	16.0
Auditor remuneration for audit services	**1.3**	1.3
Non-audit fees	**0.1**	0.1
Net increase in provision for receivables	**9.1**	8.7
Foreign exchange rate losses*	**0.1**	0.2
Fair value losses on derivative financial instruments	**2.1**	2.2
Goodwill impairment charge (Note 13)	**2.0**	–
Loss arising on the sale or agreed sale of businesses and associated impairment charges (Note 12)	**42.8**	4.6
Net restructuring costs (Note 2)	**18.0**	16.6
Other one-off items (Note 2)	**0.7**	–
Staff costs (Note 5)	**337.5**	327.7

* 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:

	2013 Deloitte LLP £m	2012 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 its associates for other services to the Group:		
– for the audit of the Company’s subsidiaries	**1.2**	1.2
Total audit fees	**1.3**	1.3
Audit-related assurance services (including Interim Review)	**0.1**	0.1
Total non-audit fees	**0.1**	0.1
Total fees	**1.4**	1.4

In 2012, audit fees of £10,000 were payable to the Company’s Auditor in respect of associated pension schemes. In 2013, this work was performed by a party other than the Company’s Auditor.

The Report of the Audit Committee on pages 60 to 62 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:

	2013 £m	2012 £m
Employee costs during the year amounted to:		
Wages and salaries	**279.2**	275.4
Social security costs	**50.4**	50.3
IFRS 2 share option charge/(credit)	**0.4**	(0.3)
Pension costs (Note 30c)	**7.5**	2.3
Total	**337.5**	327.7

Of the pension costs noted above, a charge of £2.3m (2012: credit of £2.3m) relates to defined benefit schemes and a charge of £5.2m (2012: £4.6m) relates to defined contribution schemes. The £2.3m credit in 2012 relating to defined benefit pension schemes includes a £4.4m curtailment gain. See Note 30c for more details.

5. STAFF COSTS CONTINUED

The average monthly number of persons employed by the Group during the year was as follows:

	2013 Number	2012 Number
Production	**833**	1,014
Distribution	**3,530**	3,719
Sales	**3,987**	4,026
Administration	**1,456**	1,469
Total	**9,806**	10,228

Included within the numbers above for 2013 and 2012 are staff employed by businesses divested or agreed to be sold. In 2013 this included 471 (2012: 501) employees of the Group's German Roofing business and nil (2012:172) employees of the Group's Central European operations.

DIRECTORS' EMOLUMENTS

Details of the individual Directors' emoluments are given in the Directors' Remuneration Report on page 72.

The employee costs shown on the previous page include the following emoluments in respect of Directors of the Company:

	2013 £m	2012 £m
Directors' remuneration (excluding IFRS 2 share option charge/(credit))	**3.0**	2.0

6. INCOME TAX

The income tax expense comprises:

	2013 £m	2012 £m
Current tax		
UK corporation tax:		
– on profits/(losses) for the year	**–**	(0.2)
– adjustments in respect of previous years	**0.3**	0.1
	0.3	(0.1)
Overseas tax:		
– on profits/(losses) for the year	**15.7**	14.8
– adjustments in respect of previous years	**0.2**	0.8
Total current tax	**16.2**	15.5
Deferred tax		
Current year	**(0.9)**	(2.2)
Adjustments in respect of previous years	**0.2**	0.7
Deferred tax charge in respect of pension schemes	**0.2**	2.5
Effect of change in rate	**0.7**	0.6
Total deferred tax	**0.2**	1.6
Total income tax expense	**16.4**	17.1

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 2013 of 23.0% (31 December 2012: 24.0%). The differences are explained in the following reconciliation:

	2013		2012	
	£m	%	£m	%
Profit on ordinary activities before tax	**2.1**		43.7	
Tax at 23% (2012: 24%) thereon	**0.5**	**23.0**	10.5	24.0
Factors affecting the income tax expense for the year:				
– non-deductible and non-taxable items	**1.6**	**76.2**	3.6	8.1
– impairment charges not deductible for tax	**9.5**	**452.4**	–	–
– losses not recognised	**0.1**	**4.8**	0.6	1.4
– losses utilised not previously recognised	**(1.7)**	**(81.0)**	(5.0)	(11.4)
– other adjustments in respect of previous years	**0.7**	**33.3**	1.6	3.7
– effect of overseas tax rates	**5.0**	**239.0**	5.2	11.9
– effect of change in rate on deferred tax	**0.7**	**33.3**	0.6	1.4
Total income tax expense	**16.4**	**781.0**	17.1	39.1

The effective tax rate for the Group on the total profit before tax of £2.1m is 781.0% (2012: 39.1%).

6. INCOME TAX CONTINUED

The effective tax charge for the Group on profit before tax before other items of £88.1m is 29.6% (2012: 31.2%), which comprises a charge of 29.1% (2012: 31.3%) in respect of current year profits and a tax charge of 0.5% (2012: credit 0.1%) in respect of prior years.

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/The Netherlands (corporate tax rates greater than that of the UK) and Ireland/Poland (corporate tax rates less than that of the UK). 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;
- the 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 24).

In addition to the amounts charged to the Consolidated Income Statement, the following amounts in relation to taxes have been recognised in the Consolidated Statement of Comprehensive Income with the exception of deferred tax on share options which has been recognised in the Consolidated Statement of Changes in Equity.

	2013 £m	2012 £m
Deferred tax movement associated with remeasurement of defined benefit liabilities*	**(2.0)**	0.2
Deferred tax on share options	**0.1**	(0.2)
Tax credit/(charge) on exchange and fair value movements arising on borrowings and derivative financial instruments	**0.4**	(1.0)
Effect of change in rate on deferred tax*	**(0.9)**	(0.8)
Total	**(2.4)**	(1.8)

* These items will not subsequently be reclassified to the Consolidated Income Statement.

7. DIVIDENDS

An interim dividend of 1.15p per ordinary share was paid on 7 November 2013 (2012: 1.0p). The Directors have proposed a final dividend for the year ended 31 December 2013 of 2.4p per ordinary share (2012: 2.0p). The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. No dividends have been paid between 31 December 2013 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	
	2013 £m	2012 £m
(Loss)/profit after tax	**(14.3)**	26.6
Non-controlling interests	**(0.7)**	(0.3)
	(15.0)	26.3

	Basic and diluted before Other items	
	2013 £m	2012 £m
(Loss)/profit after tax	**(14.3)**	26.6
Non-controlling interests	**(0.7)**	(0.3)
Other items:		
Amortisation of acquired intangibles	**20.6**	22.0
Loss arising on the sale or agreed sale of businesses and associated impairment charges (Note 12)	**42.8**	4.6
Operating loss attributable to business divested in 2012	**–**	1.2
Operating profit attributable to business held for sale at 31 December 2013	**–**	(0.4)
Net restructuring costs	**18.0**	16.6
Other one-off items	**0.7**	(1.4)
Goodwill impairment charge (Note 13)	**2.0**	–
Defined benefit pension scheme curtailment gain	**–**	(4.4)
Net fair value losses on derivative financial instruments	**1.9**	1.8
Tax credit relating to "Other items" (see page 100)	**(9.7)**	(9.0)
	61.3	57.3

Weighted average number of shares:

	2013 Number	2012 Number
For basic earnings per share	**590,881,190**	590,835,039
Exercise of share options*	**154,065**	–
For diluted earnings per share	**591,035,255**	590,835,039

* For earnings per share after Other items, due to the fact that the Group has recorded a loss after tax any share options would be anti-dilutive. Therefore the impact of the exercise of share options has been removed from the weighted average number of shares when calculating earnings per share after Other items.

8. EARNINGS PER SHARE CONTINUED

	2013	2012
Earnings per share		
Basic (loss)/earnings per share	**(2.5p)**	4.5p
Diluted (loss)/earnings per share	**(2.5p)**	4.5p
Earnings per share before Other items^		
Basic earnings per share	**10.4p**	9.7p
Diluted earnings per share	**10.4p**	9.7p

^ 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 £20.6m (2012: £22.0m) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";

b) loss arising on the sale or agreed sale of businesses and associated impairment charges of £42.8m (2012: £4.6m) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";

c) operating loss attributable to business divested in 2012 of £1.2m is included within the column of the Consolidated Income Statement entitled "Other items";

d) operating profit attributable to business held for sale at 31 December 2013 of £nil (2012: £0.4m) is included within the column of the Consolidated Income Statement entitled "Other items";

e) net restructuring costs of £18.0m (2012: £16.6m) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";

f) other one-off items amounting to a charge of £0.7m (2012: credit of £1.4m) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";

g) goodwill impairment charge of £2.0m (2012: £nil) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";

h) the prior year defined benefit pension scheme curtailment gain of £4.4m is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";

i) net fair value losses on derivative financial instruments of £1.9m (2012: £1.8m) are included as finance income and finance costs within the column of the Consolidated Income Statement entitled "Other items"; and

j) the "Other items" give rise to tax as disclosed in the table below:

	2013			2012		
	Other items £m	Tax impact £m	%	Other items £m	Tax impact £m	%
Amortisation of acquired intangibles	**20.6**	**3.3**	**16.0**	22.0	4.9	22.0
Loss arising on the sale or agreed sale of businesses and associated impairment charges	**42.8**	**1.3**	**3.0**	4.6	–	–
Operating loss attributable to business divested in 2012	**–**	**–**	**–**	1.2	–	–
Operating profit attributable to business held for sale at 31 December 2013	**–**	**–**	**–**	(0.4)	(0.1)	30.0
Net restructuring costs	**18.0**	**4.0**	**22.2**	16.6	1.2	7.2
Other one-off items	**0.7**	**–**	**–**	(1.4)	(0.3)	21.0
Goodwill impairment charge	**2.0**	**–**	**–**	–	–	–
Defined benefit pension scheme curtailment gain	**–**	**–**	**–**	(4.4)	(1.1)	24.5
Net fair value losses on derivative financial instruments	**1.9**	**0.4**	**21.1**	1.8	0.4	24.5
Utilisation of losses not previously recognised	**–**	**1.4**	**–**	–	4.6	–
Effect of change in rate on deferred tax	**–**	**(0.7)**	**–**	–	(0.6)	–
	86.0	**9.7**	**11.3**	40.0	9.0	22.5

9. SHARE-BASED PAYMENTS

The Group had four share-based payment schemes in existence during the year ended 31 December 2013 (2012: five). The Group recognised a total charge of £0.4m (2012: credit of £0.3m) 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 137p (2012: 105p). 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.

9. SHARE-BASED PAYMENTS CONTINUED

(A) SAVE AS YOU EARN ("SAYE") SCHEME CONTINUED

No SAYE options have been granted in the UK since 2005. Instead, the Company has operated a Share Incentive Plan ("SIP") since 2005 as approved at the 2004 Annual General Meeting (see page 102).

	2013		2012	
SAYE options (issued after 7 November 2002)	**Options**	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
At 1 January	**475,237**	**95.0**	514,273	95.0
Lapsed during the year	**(58,160)**	**95.0**	(39,036)	95.0
Exercised during the year	**(263,012)**	**95.0**	–	–
At 31 December	**154,065**	**95.0**	475,237	95.0

Of the above share options outstanding at the end of the year, none are exercisable at 31 December 2013. The options are expected to vest within the next two years.

(B) EXECUTIVE SHARE OPTION SCHEMES ("ESOS")

Under the ESOS (now closed), Directors and Senior Management were 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 did not exceed four times base salary, bonus and benefits.

	2013		2012	
ESOS (issued after 7 November 2002)	**Options**	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
At 1 January	**14,870**	**169.7***	41,159	169.7*
Lapsed during the year	**(14,870)**	**169.7***	(26,289)	169.7*
At 31 December	**–**	**–**	14,870	169.7*

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

(C) LONG-TERM INCENTIVE PLAN ("LTIP")

Under the existing LTIP policy, Executive Directors can be awarded an annual grant of nil paid share options up to a maximum value of 100% of base salary.

The criteria and vesting conditions of the LTIP options are as follows:

	2013 and 2012 awards		2011 award	
	EPS	**ROCE**	EPS	ROCE
Weighting of criteria	**67%**	**33%**	100%	0%
Vesting conditions:				
– does not vest	**< 30p**	**< 9.0%**	< 30p	n/a
– vests proportionately	**30p > < 40p**	**9.0% > < 13.0%**	30p > < 40p	n/a
– vests in full	**40p >**	**13.0% >**	> 40p	n/a
– exercise period	**3–10 years**		3–4 years	

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 annually since 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.

	2013		2012	
LTIP options (issued after 7 November 2002)	**Options**	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
At 1 January	**4,255,576**	**0.0**	3,149,341	0.0
Granted during the year	**1,232,817**	**0.0**	1,689,804	0.0
Exercised during the year	**–**	**0.0**	(5,707)	0.0
Lapsed during the year	**(1,459,751)**	**0.0**	(577,862)	0.0
At 31 December	**4,028,642**	**0.0**	4,255,576	0.0

Of the above share options outstanding at the end of the year, none (2012: none) are exercisable at 31 December 2013.

The options outstanding at 31 December 2013 had a weighted average exercise price of nil p (2012: nil p) and a weighted average remaining contractual life of 2.0 years (2012: 1.4 years). No options were exercised in the year.

9. SHARE-BASED PAYMENTS CONTINUED

(C) LONG-TERM INCENTIVE PLAN ("LTIP") CONTINUED

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

	Shares granted in			
	2013	2012	2012	2011
Share price (on date of official grant)	**152p (18 April 2013)**	100p (3 October 2012)	105p (26 April 2012)	139p (27 April 2011)
Exercise price	**0.0p**	0.0p	0.0p	0.0p
Expected volatility	**185.7%**	189.1%	189.1%	147.0%
Actual life	**3 years**	3 years	3 years	3 years
Risk free rate	**4.5%**	4.5%	4.5%	4.5%
Dividend	**3.15p**	2.25p	2.25p	0.0p
Expected percentage options exercised versus granted at date of grant	**35%**	25%	25%	60%
Revised expectation of percentage of options to be exercised as at 31 December 2013	**35%**	15%	15%	0%

The weighted average fair value of LTIP options granted during the year was 137p.

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.

(D) SHARE INCENTIVE PLAN ("SIP")

The SIP is offered to UK employees. The SIP is an HM Revenue and Customs approved scheme and operates by inviting participants, including Executive Directors, to purchase shares in the Company in a tax efficient manner on a monthly basis. For each share purchased by the employee, the Company will match one free share up to a maximum of four free shares per month. No performance criteria are attached to these matching shares, other than to avoid forfeiture the participants must remain within the plan for a minimum of two years. In 2013, 37,650 (2012: 41,179) 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.

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				
At 1 January 2012	85.7	37.5	211.2	334.4
Exchange differences	(1.4)	(0.4)	(2.1)	(3.9)
Additions	1.2	2.8	28.3	32.3
Added on acquisition	0.1	–	1.2	1.3
Transferred to intangible assets (Note 14)	–	–	(18.5)	(18.5)
Disposals	(2.8)	(1.3)	(21.3)	(25.4)
At 31 December 2012	82.8	38.6	198.8	320.2
Exchange differences	1.3	0.4	2.6	4.3
Additions	5.5	3.3	24.1	32.9
Added on acquisition	1.6	0.3	2.7	4.6
Disposals	(2.9)	(1.7)	(23.8)	(28.4)
At 31 December 2013	**88.3**	**40.9**	**204.4**	**333.6**
Accumulated depreciation and impairment				
At 1 January 2012	19.6	19.0	153.1	191.7
Charge for the year	0.8	3.0	19.8	23.6
Impairment charges	0.7	0.2	0.1	1.0
Exchange differences	(0.5)	(0.3)	(1.5)	(2.3)
Added on acquisition	0.1	–	0.8	0.9
Transferred to intangible assets (Note 14)	–	–	(7.7)	(7.7)
Disposals	(1.0)	(0.9)	(19.3)	(21.2)
At 31 December 2012	19.7	21.0	145.3	186.0
Charge for the year	1.9	2.7	17.2	21.8
Impairment charges	6.7	0.6	3.1	10.4
Exchange differences	0.4	0.3	1.9	2.6
Added on acquisition	0.2	0.1	1.7	2.0
Disposals	(1.2)	(1.6)	(22.0)	(24.8)
At 31 December 2013	**27.7**	**23.1**	**147.2**	**198.0**
Net book value				
At 31 December 2013	**60.6**	**17.8**	**57.2**	**135.6**
At 31 December 2012	63.1	17.6	53.5	134.2

10. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The net book value of plant and machinery at 31 December 2013 includes an amount of £9.0m (2012: £6.3m) in respect of assets held under finance lease contracts.

Included within plant and machinery additions in 2012 were assets in the course of construction of £1.5m.

Of the £10.4m impairment charges, £10.2m relates to the post balance sheet divestment of the Group's German Roofing business (see Note 12), and £0.2m relates to other fixed asset impairments.

11. INTEREST IN ASSOCIATE

On 5 March 2013 the Group purchased an additional 26% shareholding in its associate, Ice Energy Technologies Limited ("Ice"), for a consideration of £1.5m (debt for equity exchange), taking its total shareholding to 51%. Following this transaction Ice became a subsidiary of the Group. The Group has a call option to purchase the remaining 49% shareholding of Ice in 2015.

The Group's share of loss after tax arising from its interest in Ice for the period ending 5 March 2013 was £0.1m (2012: £0.7m, of which £0.4m was included within "Other items"), which has been recognised on the face of the Consolidated Income Statement. In accordance with IFRS 3, the 25% holding in Ice is deemed to have been disposed of and reacquired on the same day, and as a result a profit on disposal of £0.2m has been recognised within "Other items" in the Consolidated Income Statement.

The current accounting period for Ice ends on 31 March 2014. Ice does not have the same accounting reference date as SIG plc for commercial reasons.

In the period to 5 March 2013 there were no material transactions between Ice and SIG companies.

12. DIVESTMENTS

DIVESTMENT OF GERMAN ROOFING

As at 31 December 2013 the Group Board had resolved to dispose of the Group's German Roofing operations. The disposal was completed on 28 February 2014. The assets and liabilities sold were as follows:

	2013 £m	2012 £m
Goodwill and intangible assets	**21.5**	22.0
Property, plant and equipment	**10.2**	9.9
Computer software	**1.3**	2.0
Cash (less debt)	**–**	0.4
Inventories	**10.5**	10.3
Trade and other receivables	**8.4**	8.3
Trade and other payables	**(1.9)**	(2.1)
Net assets	**50.0**	50.8
Impairment of goodwill and intangible assets (Note 13)	**(21.5)**	
Impairment of assets	**(21.3)**	
Loss on disposal and associated impairment charges	**(42.8)**	
Sale proceeds less costs to sell	**7.2**	

The various assets of the business have been impaired to reflect the recoverable amount indicated by the consideration received in respect of the sale, and assets and liabilities presented as held for sale within the Consolidated Balance Sheet. The loss arising on the agreed sale of German Roofing of £42.8m and the results for the current and prior year have been disclosed within "Other items" in the Consolidated Income Statement.

DIVESTMENT OF ATC SPAIN

On 5 April 2013 the Group sold its 85% shareholding in Air Trade Centre Spain S.L. for a consideration of €1. SIG's share of net liabilities at the date of disposal amounted to £0.1m, and the resulting profit on disposal of £0.1m is included within other one-off items in the Consolidated Income Statement.

13. GOODWILL

	£m
Cost	
At 1 January 2012	519.6
Exchange differences	(6.2)
Acquisitions	2.9
Disposals	(19.0)
At 31 December 2012	497.3
Exchange differences	5.3
Acquisitions	5.4
At 31 December 2013	**508.0**
Accumulated impairment losses	
At 1 January 2012	88.2
Disposals	(19.0)
Exchange differences	(0.6)
At 31 December 2012	68.6
Impairment charges	21.6
Exchange differences	0.2
At 31 December 2013	**90.4**
Net book value	
At 31 December 2013	**417.6**
At 31 December 2012	428.7

Goodwill acquired in a business combination is allocated at the date of acquisition to the Cash Generating Units ("CGUs") that are expected to benefit from that business combination.

IMPAIRMENT REVIEW PROCESS

The Group tests goodwill and the associated intangible assets and property, plant and equipment of CGUs annually for impairment, or more frequently if there are indications that an impairment may exist.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for these value in use calculations are those regarding discount rates, sales and operating profit growth rates and expected changes to selling prices and direct costs to reflect the operational gearing of the Group. These assumptions have been revised in the year in light of the current economic environment. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money for the Group. In respect of the other assumptions, external data and management's best estimates are applied.

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 sales and cash flows based upon industry growth expectations (0%–3%) over a further period of four 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 operating profit growth no more than 3%, which 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 10% and 13%.

2013 IMPAIRMENT REVIEW RESULTS

The most recent results of the impairment review process indicated that the carrying value of goodwill associated with the Group's Energy Management and German Roofing CGUs were no longer supportable.

The SIG Energy Management business has undergone significant structural change in recent years, and consequently now operates in different markets to those in which it had made historical acquisitions. The goodwill recognised in respect of these acquisitions is therefore no longer generating economic benefit, and as a result an impairment charge of £2.0m has been made to reduce the carrying value of goodwill in respect of this CGU to £nil. There are no intangible assets in respect of this CGU.

On 28 February 2014 the Group sold its German Roofing business. The consideration received did not support the carrying value of the goodwill and intangible assets of the CGU, and therefore an impairment charge of £21.5m (of which £19.6m relates to goodwill) has been recorded as at 31 December 2013.

The carrying value of the Group's other CGUs remain supportable.

SENSITIVITY ANALYSIS

The Group currently has twelve 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, an impairment of £43m would arise in one CGU, Larivière. The Board has actively reviewed the forecast associated with Larivière, noting the conservative assumptions used, its continued pattern of strong results in a challenging economic environment and its outperformance of the markets in which it operates, and is satisfied that no impairment is necessary. If revenues fell by 2% then the recoverable amount of the CGU would equal its carrying value. The current forecasts provide headroom of £22m.

13. GOODWILL CONTINUED

SUMMARY ANALYSIS CONTINUED

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:

	2013 £m	2012 £m
UK Distribution	**107.8**	107.7
UK Exteriors	**98.0**	96.0
Larivière	**162.5**	159.1
German Roofing	**–**	19.3
Other CGUs	**49.3**	46.6
Total	**417.6**	428.7

The 2012 numbers were incorrectly analysed in the prior year accounts and have been corrected above. There is no change to the total prior year goodwill number.

14. INTANGIBLE ASSETS

The intangible assets presented below relate to acquired intangibles that arise as a result of applying IFRS 3, which requires the separate recognition of acquired intangibles from goodwill and computer software (separable from any associated hardware).

	Customer relationships £m	Non-compete clauses £m	Computer software £m	Total £m
Cost				
At 1 January 2012	182.2	10.9	–	193.1
Acquisitions	3.1	0.4	–	3.5
Disposals	(9.4)	(0.8)	–	(10.2)
Transferred in from property, plant and equipment (Note 10)	–	–	18.5	18.5
Exchange differences	(1.2)	–	–	(1.2)
At 31 December 2012	174.7	10.5	18.5	203.7
Acquisitions	8.0	1.1	–	9.1
Additions	–	–	10.0	10.0
Exchange differences	3.0	–	–	3.0
At 31 December 2013	**185.7**	**11.6**	**28.5**	**225.8**
Amortisation				
At 1 January 2012	119.5	10.9	–	130.4
Charge for the year	22.0	–	–	22.0
Disposals	(9.4)	(0.8)	–	(10.2)
Transferred in from property, plant and equipment (Note 10)	–	–	7.7	7.7
Exchange differences	(0.6)	–	–	(0.6)
At 31 December 2012	131.5	10.1	7.7	149.3
Charge for the year	20.3	0.3	1.9	22.5
Impairment charges	1.9	–	1.3	3.2
Exchange differences	1.5	–	–	1.5
At 31 December 2013	**155.2**	**10.4**	**10.9**	**176.5**
Net book value				
At 31 December 2013	**30.5**	**1.2**	**17.6**	**49.3**
At 31 December 2012	43.2	0.4	10.8	54.4

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

The weighted average amortisation period for each category of intangible asset is disclosed in the Statement of Significant Accounting Policies on page 89.

Computer software includes £15.0m (2012: £5.0m) of assets in the course of construction relating to the UK ERP system. Included within additions in the year is £0.4m (2012: £nil) of borrowing costs which have been capitalised in accordance with IAS 23 "Borrowing Costs".

The impairment charges relate to the post balance sheet divestment of the Group's German Roofing business (Note 12).

15. ACQUISITIONS

During the period SIG acquired the following:

Acquisition name	% of share capital acquired	Acquisition date	Country of incorporation	Principal activity
United Roofing Products Limited	100%	28 February 2013	United Kingdom	Manufacture and distribution of roofing materials and associated products
Ice Energy Technologies Limited*	51%	5 March 2013	United Kingdom	Design and distribution of renewable energy systems
S.K. (Sales) Limited	100%	30 April 2013	United Kingdom	Distribution of air handling products
Roof Care (Northern) Limited	100%	22 July 2013	United Kingdom	Distribution of roofing materials and associated products
United Trading Company (UK) Limited	100%	29 November 2013	United Kingdom	Distribution of roofing materials and associated products

* The Group increased its shareholding in Ice Energy Technologies Limited ("Ice") from 25% to 51% on 5 March 2013 via a debt for equity exchange, at which point the company became a subsidiary undertaking of the Group (see Note 11).

The Group also acquired the trade and certain assets and liabilities of the following businesses:

Acquisition name	Acquisition date	Country of operation	Principal activity
KC Roofing Supplies	30 April 2013	United Kingdom	Distribution of roofing materials and associated products
Harris Slate and Stone (UK) Limited	30 April 2013	United Kingdom	Distribution of roofing materials and associated products
Roof Warehouse Limited	31 October 2013	United Kingdom	Distribution of roofing materials and associated products
Coverpro Rouen and Coverpro Amiens	1 December 2013	France	Distribution of roofing materials and interiors products

The net assets of these businesses at acquisition (in aggregation) were as follows:

	At date of acquisition £m	Fair value adjustments £m	**Total £m**
Property, plant and equipment	2.7	(0.1)	**2.6**
Inventories	4.9	(0.4)	**4.5**
Trade and other receivables	10.6	(0.4)	**10.2**
Net cash acquired	3.4	–	**3.4**
Trade and other payables	(12.6)	(0.4)	**(13.0)**
Net corporation tax and deferred tax asset	0.3	–	**0.3**
Finance leases	(0.3)	–	**(0.3)**
Net assets acquired	9.0	(1.3)	**7.7**
Intangible assets – customer relationships			**8.0**
Intangible assets – non-compete clauses			**1.1**
Deferred tax liability on acquired intangible assets			**(1.8)**
Goodwill			**5.4**
Debt for equity exchange in respect of Ice			**(1.5)**
Total consideration			**18.9**
Consideration is represented by:			
Cash			**18.3**
Contingent consideration			**0.6**
Total consideration			**18.9**
Total consideration including assumed cash:			
Cash (per above)			**18.3**
Net cash acquired			**(3.4)**
Settlement of amounts payable for purchase of businesses			**14.9**

Included within working capital movements in the year (Note 27) is £0.4m in relation to contingent consideration settled during the year in respect of the acquisition of Monteis Materiaux in 2012.

In accordance with IFRS 3 (2008), acquisition expenses of £0.8m in relation to the above acquisitions have been recognised within "Other items" in the Consolidated Income Statement.

15. ACQUISITIONS CONTINUED

In addition, it is currently expected that, dependent upon future profits, a further £2.8m will be paid to the vendors of recent acquisitions who are employed by the Group. These payments are contingent upon the vendors remaining within the business and, as required by IFRS 3 (2008), this will be treated as remuneration and will be charged to the income statement as earned. The related accrual of potential consideration in the period to 31 December 2013 is £0.6m (31 December 2012: £0.1m). Added to the £0.8m acquisition expenses this has led to a charge within "Other items" in the Consolidated Income Statement of £1.4m in respect of acquisitions (see Note 2).

Further to this, £0.6m of contingent consideration (not subject to the vendors remaining within the business) has been recognised within goodwill and intangible assets in the year in relation to the acquisition of United Trading Company (UK) Limited.

The Directors have made a provisional assessment of the fair value of the net assets acquired. Any further adjustments arising will be accounted for in 2014. These fair value adjustments may relate primarily to:

a) the review of the carrying value of all non-current assets to ensure that they accurately reflect their fair value;

b) the alignment of valuation and provisioning methodologies to those adopted by the Group; and

c) an assessment of all provisions and payables to ensure they are accurately reflected in accordance with the Group's policies.

Included within goodwill is the benefit of staff acquired as part of the business and strategic acquisition synergies which are specifically excluded in the identification of intangible assets on acquisition in accordance with the relevant accounting standards. Goodwill arising is not deductible for tax purposes.

Post-acquisition revenue and operating profit for the year ended 31 December 2013 for all 2013 acquisitions amounted to £39.0m and £3.0m respectively.

The Directors estimate that the combined pre-acquisition revenue and operating profit of the 2013 acquisitions for the period from 1 January 2013 to the acquisition dates was £32.7m and £1.1m respectively.

POST BALANCE SHEET EVENTS

On 20 January 2014, the Group acquired 100% of the issued share capital of Trimform Products Limited, a manufacturer and distributor of roofing materials and associated products in the United Kingdom for an initial consideration of £3.6m with net assets acquired of £0.9m.

Due to the proximity to the period end, further financial information has not been provided. This will be included in the Group's interim financial statements for the period ending 30 June 2014.

16. INVENTORIES

	2013 £m	2012 £m
Raw materials and consumables	**3.7**	3.3
Work in progress	**0.3**	0.3
Finished goods and goods for resale	**216.4**	220.4
Total inventories	**220.4**	224.0

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

17. TRADE AND OTHER RECEIVABLES

	2013 £m	2012 £m
Trade receivables	**369.0**	352.9
VAT	**0.7**	0.8
Other receivables	**3.9**	4.4
Prepayments and accrued income	**18.3**	15.2
Trade and other receivables	**391.9**	373.3
Assets held for sale	**9.1**	–
Derivative financial instruments	**–**	6.2
Associate loan and deferred consideration	**–**	2.7
Total receivables	**401.0**	382.2

The average credit period on sale of goods and services for continuing operations on a constant currency basis is 43 days (2012: 42 days). No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £27.7m at 31 December 2013 (2012: £29.3m). 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 £125.0m (2012: £127.1m) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the Group considers that the amounts are still recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 33 days overdue (2012: 29 days).

17. TRADE AND OTHER RECEIVABLES CONTINUED

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

	2013 £m	2012 £m
Neither past due nor renegotiated	**231.2**	211.1
Renegotiated	**0.2**	0.4
Balances overdue which have no provision for impairment:		
1–30 days	**79.8**	89.1
31–60 days	**28.8**	26.3
61–90 days	**10.0**	7.2
91–120 days	**2.9**	1.8
121–180 days	**1.8**	1.3
180+ days	**1.7**	1.4
	125.0	127.1
Total trade receivables for which no provision for impairment has been made	**356.4**	338.6

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2013 £m	2012 £m
At 1 January	**(29.3)**	(31.1)
Utilised	**10.1**	9.1
Disposals	**–**	1.8
Reclassified as held for sale	**1.3**	–
Added on acquisition	**–**	(0.8)
Charged to the Consolidated Income Statement	**(9.1)**	(8.7)
Exchange differences	**(0.7)**	0.4
At 31 December	**(27.7)**	(29.3)

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 £40.3m (2012: £43.6m) and a provision for impairment of £27.7m (2012: £29.3m). 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.

18. CURRENT LIABILITIES

	2013 £m	2012 £m
Trade payables	**212.6**	204.7
Bills of exchange payable	**15.4**	13.6
VAT	**18.6**	14.6
Social security and payroll taxes	**13.5**	14.4
Accruals and deferred income	**86.2**	85.7
Trade and other payables	**346.3**	333.0
Current liabilities held for sale	**1.9**	–
Obligations under finance lease contracts (Note 25)	**2.7**	2.2
Bank overdrafts	**4.9**	4.1
Bank loans	**0.3**	1.3
Private placement notes	**–**	81.8
Derivative financial instruments	**0.1**	5.8
Current tax liabilities	**5.3**	4.4
Provisions (Note 23)	**9.5**	9.3
Current liabilities	**371.0**	441.9

18. CURRENT LIABILITIES CONTINUED

£0.7m (2012: £2.0m) of the Group bank loans and overdrafts disclosed on the opposite page are secured on the assets of subsidiary undertakings. All of the private placement notes and derivative financial instruments are guaranteed by certain companies of the Group. With the exception of finance leases, the remaining balances are unsecured.

The bank overdrafts are repayable on demand and attract floating rates of interest, which at 31 December 2013 ranged from 0.5% to 4.0% (2012: 0.4% to 5.6%).

Included within overdrafts are prepaid arrangement fees of £1.0m (2012: £1.4m).

£0.2m (2012: £1.1m) of the bank loans due within one year are at variable rates of interest. £0.1m (2012: £0.2m) of the bank loans due within one year attract an average fixed interest rate of 5.2% (2012: 4.3%).

There are no private placement notes due within one year. In 2012, £51.1m of the private placement notes due within one year were at variable rates of interest, and £30.7m of the private placement notes due within one year attracted a fixed interest rate of 4.7%.

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 37 days (2012: 36 days).

The Group has financial risk management policies in place to ensure that all payments are paid within the pre-agreed credit terms.

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

19. NON-CURRENT LIABILITIES

	2013 £m	2012 £m
Obligations under finance lease contracts (Note 25):		
– due after one and within two years	**1.9**	2.7
– due after two and within five years	**4.3**	2.1
– due after five years	**0.9**	0.6
Bank loans	**–**	0.1
Private placement notes	**252.5**	174.2
Derivative financial instruments	**2.0**	4.8
Deferred tax liabilities (Note 24)	**14.7**	17.3
Other payables	**4.3**	3.0
Retirement benefit obligations (Note 30c)	**25.5**	34.4
Provisions (Note 23)	**24.3**	28.9
Non-current liabilities	**330.4**	268.1

	2013 £m	2012 £m
The bank loans included above are repayable as follows:		
– due after one and within two years	**–**	0.1
Total	**–**	0.1

Of the debt noted above due after one year, which includes bank loans, private placement notes and derivative financial instruments, £254.5m (2012: £179.0m) is guaranteed by certain companies of the Group.

There are no bank loans due after more than one year in 2013. In 2012, £0.1m of the bank loans due after one year attracted an average fixed rate of interest of 6.6%, were secured on certain of the assets of subsidiary undertakings and were repayable by instalments.

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

	2013		2012	
	£m	**Fixed interest rate %**	£m	Fixed interest rate %
Repaid in 2013	**–**	**n/a**	81.8	5.0%
Repayable in 2016	**146.2**	**5.9%**	149.5	5.8%
Repayable in 2018	**23.0**	**5.1%**	24.7	4.7%
Repayable in 2020	**25.0**	**3.7%**	–	n/a
Repayable in 2021	**16.7**	**3.9%**	–	n/a
Repayable in 2023	**41.6**	**4.2%**	–	n/a
Total	**252.5**	**5.2%**	256.0	5.5%

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

20. FINANCIAL INSTRUMENTS

The "Treasury Risk Management" section of the Strategic Report on pages 35 to 37 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 changing the risks the Group faces in its activities. The capital structure of the Group is outlined in the Strategic Report on page 34.

The Group's financial assets consist of trade and other receivables, assets held for sale, associate loan and deferred consideration, cash and cash equivalents, and derivative financial instruments. The following financial assets form part of the net debt of the Group:

	2013 £m	2012 £m
Cash and cash equivalents (including cash deposits repayable on demand)	**118.7**	128.1
Associate loan and deferred consideration	**–**	2.7
Derivative financial instruments	**29.7**	43.6
Total	**148.4**	174.4

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 up to 4% (2012: 4%).

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 and cash equivalents, £36.2m is denominated in Sterling, £69.3m in Euros, £11.5m in Polish Zloty and £1.7m in other currencies.

2013 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group's financial liabilities at 31 December 2013, after taking account of interest rate and currency derivative financial instruments (including derivative assets of £29.7m 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**	**141.5**	**37.8**	**103.7**	**4.2%**	**3.7**	**–**	**141.5**
Other borrowings	**Sterling**	**0.1**	**–**	**0.1**	**n/a**	**0.2**	**–**	**0.1**
Finance lease contracts	**Sterling**	**0.2**	**–**	**0.2**	**7.0%**	**2.2**	**0.2**	**–**
Private placement notes	**Euro**	**83.3**	**–**	**83.3**	**4.0%**	**8.5**	**–**	**83.3**
Other borrowings	**Euro**	**5.0**	**5.0**	**–**	**5.0%**	**1.0**	**0.5**	**4.5**
Finance lease contracts	**Euro**	**7.7**	**–**	**7.7**	**7.4%**	**4.1**	**7.7**	**–**
Other borrowings	**Polish Zloty**	**0.2**	**0.2**	**–**	**n/a**	**n/a**	**0.2**	**–**
Finance lease contracts	**Polish Zloty**	**1.9**	**–**	**1.9**	**7.4%**	**3.9**	**1.9**	**–**
Total		**239.9**	**43.0**	**196.9**			**10.5**	**229.4**

In addition to the currency exposures above, the Group has entered into a short-term currency derivative financial instrument which alters the currency profile of the Group's financial liabilities. A net investment hedge amounting to an asset of £51.7m and a liability of €62.0m was entered into on 31 December 2013 at market rates and therefore the fair value is deemed to equate to its book value of £nil. The Group's net debt at 31 December 2013 was £121.2m, of which £78.4m is denominated in Euros.

All of the above finance lease contracts, totalling £9.8m, 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 values 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 £9.9m 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.

2012 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group's financial liabilities at 31 December 2012, after taking account of interest rate and currency derivative financial instruments (including derivative assets of £43.6m as noted above), were 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	143.7	37.1	106.6	4.1%	4.8	–	143.7
Private placement notes	Euro	79.3	46.9	32.4	4.7%	0.8	–	79.3
Other borrowings	Euro	5.4	5.1	0.3	4.6%	1.4	2.0	3.4
Finance lease contracts	Euro	6.8	–	6.8	5.8%	4.2	6.8	–
Other borrowings	Polish Zloty	0.1	0.1	–	n/a	n/a	0.1	–
Finance lease contracts	Polish Zloty	0.8	–	0.8	7.3%	3.9	0.8	–
Total		236.1	89.2	146.9			9.7	226.4

20. FINANCIAL INSTRUMENTS CONTINUED

2012 INTEREST RATE AND CURRENCY PROFILE CONTINUED

In addition to the currency exposures noted opposite, the Group entered into a short-term currency derivative financial instrument which altered the currency profile of the Group's financial liabilities. A net investment hedge amounting to an asset of £42.4m and a liability of €52.0m was entered into on 31 December 2012 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 2012 was £105.3m, of which £65.8m was denominated in Euros.

All of the above finance lease contracts, totalling £7.6m, 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 values 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 £7.9m 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 2013 and 2012, 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 £29.7m (2012: £43.6m) and loans and receivables (including cash and cash equivalents and associate loan and deferred consideration) of £496.8m (2012: £483.7m).

Included within financial liabilities are derivative financial instruments in designated hedge accounting relationships amounting to £2.1m (2012: £10.6m) and liabilities (including trade payables) at amortised cost of £482.0m (2012: £473.8m).

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".

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. 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, adjusted for credit risk, 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 below are categorised as Level 2.

(A) NET INVESTMENT HEDGES

As at 31 December 2013, the Group had no (31 December 2012: one) cross-currency interest rate derivative financial instruments which swap fixed Sterling denominated debt into fixed Euro denominated debt. In addition, as at 31 December 2013, the Group had entered into one (31 December 2012: one) cross-currency forward contract which swaps Sterling denominated debt into Euro denominated debt. This derivative financial instrument forms a net investment hedge of the Group's Euro denominated assets and is effective as a net investment hedge, and the fair value movement has therefore been recognised in the Consolidated Statement of Comprehensive Income.

Hedge of the Group's Euro denominated assets	**2013 £m**	2012 £m
Liability at 1 January	**(5.8)**	(6.8)
Fair value (losses)/gains recognised in equity	**(1.4)**	1.0
Maturity of net investment hedges	**7.2**	–
Liability at 31 December	**–**	(5.8)

(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 2013, the Group had entered into two (31 December 2012: three) 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 2013, the Group had entered into one (31 December 2012: 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 2013, the weighted average maturity date of these swaps is 2.8 years (31 December 2012: 3.2 years).

20. FINANCIAL INSTRUMENTS CONTINUED

HEDGING RELATIONSHIPS CONTINUED

(B) CASH FLOW HEDGES CONTINUED

Hedge of the Group's functional currency cash flows	2013 £m	2012 £m
Asset at 1 January	**33.6**	42.4
Fair value losses recognised in equity	**(5.0)**	(8.8)
Maturity of cash flow hedges	**(4.2)**	–
Asset at 31 December	**24.4**	33.6

As at 31 December 2013, the Group had entered into three (31 December 2012: three) interest rate derivative financial instruments which swap variable rate debt into fixed rate debt thereby fixing the interest 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 2013, the weighted average maturity date of these swaps is 4.6 years (31 December 2012: 5.6 years).

Hedge of the Group's interest cash flows	2013 £m	2012 £m
Liability at 1 January	**(4.8)**	(3.6)
Fair value gains/(losses) recognised in equity	**2.8**	(1.2)
Liability at 31 December	**(2.0)**	(4.8)

The following table reconciles the net fair value loss recognised in equity on cash flow hedges as noted above of £2.2m (2012: £10.0m) to the gain on cash flow hedges recorded in the Consolidated Statement of Comprehensive Income of £1.7m (2012: loss of £0.5m).

	2013 £m	2012 £m
Movement in cash flow hedges recognised in equity	**(2.2)**	(10.0)
Movement in the hedged item	**1.8**	7.3
Spreading charge associated with the cancellation of cash flow hedges	**2.1**	2.2
Total movement relating to cash flow hedges included in the Consolidated Statement of Comprehensive Income	**1.7**	(0.5)

(C) FAIR VALUE HEDGES

As at 31 December 2013, the Group had entered into two (31 December 2012: 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	2013 £m	2012 £m
Asset at 1 January	**10.0**	10.2
Net fair value losses recognised in the Consolidated Income Statement	**(4.7)**	(0.2)
Asset at 31 December	**5.3**	10.0

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

	2013 £m	2012 £m
Fair value losses on derivative financial instruments recognised in the Consolidated Income Statement	**4.9**	0.6
Fair value gains attributable to the hedged item recognised in the Consolidated Income Statement	**(4.9)**	(0.6)
Hedge ineffectiveness recognised in the Consolidated Income Statement	**(0.2)**	(0.4)
Spreading charge associated with cancellation of cash flow hedges	**2.1**	2.2
Total losses on derivative financial instruments included in the Consolidated Income Statement	**1.9**	1.8

21. 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 2013 was as follows:

	2013 £m	2012 £m
In one year or less	7.8	89.0
In more than one year but not more than two years	2.0	2.8
In more than two years but not more than five years	145.8	118.8
In more than five years	84.3	25.5
Total	**239.9**	236.1

The table above excludes trade payables of £212.6m (2012: £204.7m).

BORROWING FACILITIES

The Group had undrawn committed borrowing facilities at 31 December 2013 as follows:

	2013 £m	2012 £m
Expiring in more than one year but not more than two years	250.0	–
Expiring in more than two years but not more than five years	–	250.0
Total	**250.0**	250.0

As at 31 December 2013, the Group had £484m of UK committed facilities, of which £250m were undrawn as disclosed above. Since 31 December 2013, a maximum of £30m has been drawn down against these facilities.

CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL LIABILITIES, DERIVATIVE FINANCIAL INSTRUMENTS, ASSOCIATE LOAN AND DEFERRED CONSIDERATION 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 that 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.

2013 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	346.3	346.3	–	–	–	346.3
Obligations under finance lease contracts	2.7	2.9	–	–	–	2.9
Bank overdrafts	4.9	4.9	–	–	–	4.9
Bank loans	0.3	0.3	–	–	–	0.3
Derivative financial instruments	0.1	0.1	–	–	–	0.1
Total	**354.3**	**354.5**	**–**	**–**	**–**	**354.5**
Non-current liabilities						
Obligations under finance lease contracts	7.1	0.3	2.4	4.3	1.0	8.0
Private placement notes	252.5	13.1	13.1	164.3	115.4	305.9
Derivative financial instruments	2.0	1.1	1.1	2.9	–	5.1
Total	**261.6**	**14.5**	**16.6**	**171.5**	**116.4**	**319.0**
Total liabilities	**615.9**	**369.0**	**16.6**	**171.5**	**116.4**	**673.5**
Other						
Derivative financial instrument assets	(29.7)	(5.3)	(5.3)	(19.4)	–	(30.0)
Cash and cash equivalents	(118.7)	(118.7)	–	–	–	(118.7)
Total	**(148.4)**	**(124.0)**	**(5.3)**	**(19.4)**	**–**	**(148.7)**
Grand total	**467.5**	**245.0**	**11.3**	**152.1**	**116.4**	**524.8**

21. MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL LIABILITIES, DERIVATIVE FINANCIAL INSTRUMENTS, ASSOCIATE LOAN AND DEFERRED CONSIDERATION AND CASH AND CASH EQUIVALENTS CONTINUED

2012 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	333.0	333.0	–	–	–	333.0
Obligations under finance lease contracts	2.2	2.4	–	–	–	2.4
Bank overdrafts	4.1	4.1	–	–	–	4.1
Bank loans	1.3	1.3	–	–	–	1.3
Private placement notes	81.8	85.3	–	–	–	85.3
Derivative financial instruments ^	5.8	39.9	–	–	–	39.9
Total	**428.2**	**466.0**	**–**	**–**	**–**	**466.0**
Non-current liabilities						
Obligations under finance lease contracts	5.4	0.5	2.9	2.1	0.7	6.2
Bank loans	0.1	–	0.1	0.1	–	0.2
Private placement notes	174.2	9.9	9.9	165.6	21.1	206.5
Derivative financial instruments	4.8	1.2	1.1	3.4	0.7	6.4
Total	**184.5**	**11.6**	**14.0**	**171.2**	**22.5**	**219.3**
Total liabilities	**612.7**	**477.6**	**14.0**	**171.2**	**22.5**	**685.3**
Other						
Derivative financial instrument assets	(43.6)	(11.2)	(6.9)	(26.4)	(0.7)	(45.2)
Associate loan and deferred consideration	(2.7)	(2.7)	–	–	–	(2.7)
Cash and cash equivalents	(128.1)	(128.1)	–	–	–	(128.1)
Derivative financial instruments ^	–	(28.3)	–	–	–	(28.3)
Total	**(174.4)**	**(170.3)**	**(6.9)**	**(26.4)**	**(0.7)**	**(204.3)**
Grand total	**438.3**	**307.3**	**7.1**	**144.8**	**21.8**	**481.0**

^ 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.

22. 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 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.

2013 ANALYSIS

	GBP		EUR		USD		PLN		Total	
	+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**(iii)	**–**	**–**	**–**	**–**(v)	**(0.3)**	**0.3**
Other equity	**3.8**	**(4.0)**(ii)	**–**	**–**(iv)	**(3.8)**	**3.9**(ii)	**–**	**–**	**–**	**(0.1)**
Total Shareholders' equity	**3.6**	**(3.8)**	**(0.1)**	**0.1**	**(3.8)**	**3.9**	**–**	**–**	**(0.3)**	**0.2**

22. SENSITIVITY ANALYSIS CONTINUED

(A) INTEREST RATE SENSITIVITY CONTINUED

2012 ANALYSIS

	GBP		EUR		USD		PLN		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	(0.1)	0.1(i)	(0.1)	0.1(iii)	–	–	0.1	(0.1)(v)	(0.1)	0.1
Other equity	5.1	(5.3)(ii)	0.3	(0.3)(iv)	(5.6)	5.8(ii)	–	–	(0.2)	0.2
Total Shareholders' equity	5.0	(5.2)	0.2	(0.2)	(5.6)	5.8	0.1	(0.1)	(0.3)	0.3

The movements noted above are 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;

(iv) changes in the value of the Group's Euro denominated assets and liabilities; and

(v) floating rate Polish Zloty debt and cash deposits.

(B) FOREIGN CURRENCY SENSITIVITY

The Group is exposed to currency rate changes between Sterling and Euros, US Dollars and Polish Zloty.

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.

2013 ANALYSIS

	EUR		**USD**		**PLN**		**Total**	
	+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	**0.3**	**(0.4)(i)**	**–**	**–**	**–**	**–(v)**	**0.3**	**(0.4)**
Other equity	**(0.8)**	**1.0(ii)**	**(1.7)**	**2.0(ii)**	**(1.4)**	**1.7(ii)**	**(3.9)**	**4.7**
Total Shareholders' equity	**(0.5)**	**0.6**	**(1.7)**	**2.0**	**(1.4)**	**1.7**	**(3.6)**	**4.3**
Total assets and liabilities*								
Profit or loss	**(3.5)**	**2.6(iii)**	**–**	**–**	**(0.1)**	**0.1(vi)**	**(3.6)**	**2.7**
Other equity	**(25.1)**	**32.4(iv)**	**(1.7)**	**2.1(ii)**	**(3.6)**	**4.3(iv)**	**(30.4)**	**38.8**
Total Shareholders' equity	**(28.6)**	**35.0**	**(1.7)**	**2.1**	**(3.7)**	**4.4**	**(34.0)**	**41.5**

2012 ANALYSIS

	EUR		USD		PLN		Total	
	+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)	0.4	(0.5)
Other equity	1.4	(0.9)(ii)	(2.6)	3.1(ii)	(1.4)	1.7(ii)	(2.6)	3.9
Total Shareholders' equity	1.8	(1.4)	(2.6)	3.1	(1.4)	1.7	(2.2)	3.4
Total assets and liabilities*								
Profit or loss	(3.5)	2.4(iii)	–	–	–	–(vi)	(3.5)	2.4
Other equity	(29.7)	39.0(iv)	(2.6)	2.5(ii)	(3.6)	4.4(iv)	(35.9)	45.9
Total Shareholders' equity	(33.2)	41.4	(2.6)	2.5	(3.6)	4.4	(39.4)	48.3

* 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 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 Polish Zloty interest flows; and

(vi) retranslation of Polish Zloty profit streams.

23. PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous leases £m	Leasehold dilapidations £m	Contingent consideration £m	Other amounts £m	Total £m
At 1 January 2013	18.4	14.4	0.3	5.1	38.2
Unused amounts reversed in the period	(0.1)	(0.1)	(0.3)	(1.6)	(2.1)
Utilised	(7.8)	(1.0)	–	(2.2)	(11.0)
New provisions	3.9	1.6	0.6	2.4	8.5
Transferred in from accruals	0.1	0.1	–	0.2	0.4
Reclassified as held for sale	(0.3)	(0.1)	–	–	(0.4)
Exchange differences	0.2	–	–	–	0.2
At 31 December 2013	**14.4**	**14.9**	**0.6**	**3.9**	**33.8**

	2013 £m	2012 £m
Included in current liabilities	**9.5**	9.3
Included in non-current liabilities	**24.3**	28.9
Total	**33.8**	38.2

ONEROUS LEASES
The Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing. The provision has been calculated after taking into account both the periods over which the 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 30.

LEASEHOLD DILAPIDATIONS
This provision relates to contractual obligations to reinstate leasehold properties to 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 benefit will be made at the end of the leases as set out in Note 30.

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 three 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.

24. DEFERRED TAX
The net deferred tax asset at the end of the year is analysed as follows:

	2013 £m	2012 £m
Deferred tax assets	**22.2**	29.0
Deferred tax liabilities	**(14.7)**	(17.3)
Net deferred tax asset	**7.5**	11.7

24. DEFERRED TAX CONTINUED

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 years 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
At 31 December 2011	(14.0)	7.5	12.2	9.7	0.5	(1.0)	14.9
Credit/(charge) to income	5.1	(3.2)	(0.4)	(2.3)	0.3	(1.1)	(1.6)
Credit/(charge) to equity	–	–	–	0.2	–	(0.2)	–
Added on acquisition	(1.0)	–	–	–	–	–	(1.0)
Exchange differences	–	0.1	–	–	–	0.1	0.2
Transfer between categories	–	–	(1.1)	1.5	–	(0.4)	–
Change of rate charged to equity	–	–	–	(0.8)	–	–	(0.8)
At 31 December 2012	(9.9)	4.4	10.7	8.3	0.8	(2.6)	11.7
Credit/(charge) to income	3.8	(3.1)	(2.2)	0.2	(0.6)	1.7	(0.2)
Credit/(charge) to equity	–	–	–	(2.0)	–	0.1	(1.9)
Added on acquisition	(1.8)	–	–	–	0.8	–	(1.0)
Exchange differences	–	(0.1)	–	–	–	(0.1)	(0.2)
Change of rate charged to equity	–	–	–	(0.9)	–	–	(0.9)
At 31 December 2013	**(7.9)**	**1.2**	**8.5**	**5.6**	**1.0**	**(0.9)**	**7.5**

The deferred tax charge for 2013 includes a charge of £0.7m arising from the change in domestic tax rates in the countries in which the Group operates and is net of a charge of £2.0m relating to retirement benefit obligations and a credit of £1.3m (£0.5m goodwill and intangibles and £0.8m other) in relation to the reversal of the deferred tax in respect of the German Roofing business divested in 2014.

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 2013 on the grounds of uncertainty. During the year, the Group has utilised c.£6m (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 gross non-trading losses of £69m (2012: £75m) will result in a reduction of cash payments of tax and will also result in a profit and loss benefit in the year of utilisation.

There are other potential deferred tax assets in relation to tax losses totalling £8m (2012: £8m) that have not been recognised on the basis that the realisation of their future economic benefit is uncertain. The tax losses in Poland of £1m expire after five years and the tax losses in The Netherlands of £3m expire after nine years. The remaining tax losses may be carried forward indefinitely.

The total gross value of unrecognised tax losses at 31 December 2013 therefore amounted to £77m (2012: £83m).

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 £17m (2012: £15m). 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.

25. OBLIGATIONS UNDER FINANCE LEASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Amounts payable under finance lease contracts:				
– within one year	**2.9**	2.4	**2.7**	2.2
– after one year and within five years	**7.0**	5.5	**6.2**	4.8
– after five years	**1.0**	0.7	**0.9**	0.6
	10.9	8.6	**9.8**	7.6
Less: future finance charges	**(1.1)**	(1.0)		
Present value of lease obligations	**9.8**	7.6		

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

The average remaining lease term is 4.1 years (2012: 4.2 years). For the year ended 31 December 2013, the average effective borrowing rate was 7.4% (2012: 6.0%). Interest rates are fixed at the contract date.

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

26. CALLED UP SHARE CAPITAL

	2013 £m	2012 £m
Authorised:		
800,000,000 ordinary shares of 10p each (2012: 800,000,000)	**80.0**	80.0
Allotted, called up and fully paid:		
591,100,447 ordinary shares of 10p each (2012: 590,837,435)	**59.1**	59.1

There were 263,012 shares allotted during 2013 (2012: 8,096). The Company has one class of ordinary share which carries no right to fixed income.

At 31 December 2013 the following share options were outstanding:

	Number of shares							Exercise dates	
Scheme and date of grant	At 31 December 2012	Granted	Exercised	Lapsed	At 31 December 2013	Original option price per 10p share	Adjusted option price per 10p share*	Date from which option may be exercised	Date on which option expires
Long-term Incentive Plan									
07/06/2010	1,459,751	–	–	(1,459,751)	**–**	0.0p	0.0p	07/06/2013	06/06/2020
27/04/2011	1,106,021	–	–	–	**1,106,021**	0.0p	0.0p	27/04/2014	26/04/2021
26/04/2012	1,504,136	–	–	–	**1,504,136**	0.0p	0.0p	26/04/2015	25/04/2022
03/10/2012	185,668	–	–	–	**185,668**	0.0p	0.0p	03/10/2015	02/10/2022
18/04/2013	–	1,232,817	–	–	**1,232,817**	0.0p	0.0p	18/04/2016	17/04/2023
Executive Share Option Scheme									
11/04/2003	14,870	–	–	(14,870)	**–**	205.5p	169.7p	11/04/2006	10/04/2013
Savings Related Schemes									
20/10/2010	475,237	–	(263,012)	(58,160)	**154,065**	95.0p	95.0p	01/12/2013	30/06/2015
Total	4,745,683	1,232,817	(263,012)	(1,532,781)	**4,182,707**				

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

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

	2013 £m	2012 £m
Operating profit	**15.4**	57.9
Depreciation (Note 10)	**21.8**	23.6
Amortisation of computer software (Note 14)	**1.9**	–
Impairment of property, plant and equipment (Note 10)	**0.2**	1.0
Loss arising on the sale or agreed sale of businesses and associated impairment charges (Note 12)	**42.8**	4.6
Amortisation of acquired intangibles (Note 14)	**20.6**	22.0
Goodwill impairment charge (Note 13)	**2.0**	–
Profit on sale of property, plant and equipment	**(1.2)**	(1.1)
Share-based payments	**0.4**	(0.2)
Working capital movements:		
– increase in inventories	**–**	(4.0)
– (increase)/decrease in receivables	**(12.0)**	4.0
– decrease in payables	**(5.7)**	(19.1)
Cash generated from operating activities	**86.2**	88.7

Included within the cash generated from operating activities is cash paid in respect of current year and prior year restructuring costs of £13.3m (2012: £12.7m). Also included within the cash generated from operating activities is a defined benefit pension scheme employer's special contribution of £3.0m (2012: £7.0m). The decrease in payables of £5.7m includes the payment of £0.4m contingent consideration in respect of the 2012 acquisition of Monteis Materiaux.

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

	2013 £m	2012 £m
(Decrease)/increase in cash and cash equivalents in the year	**(11.9)**	2.0
Cash flow from decrease in debt	**4.0**	6.2
(Increase)/decrease in net debt resulting from cash flows	**(7.9)**	8.2
Debt added on acquisition	**(0.3)**	–
Non-cash items ^	**(6.7)**	(0.8)
Exchange differences	**(1.0)**	3.2
(Increase)/decrease in net debt in the year	**(15.9)**	10.6
Net debt at 1 January	**(105.3)**	(115.9)
Net debt at 31 December	**(121.2)**	(105.3)

^ 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.

Net debt is defined as the net of cash and cash equivalents, bank overdrafts, financial derivatives, associate loans and deferred consideration, private placement debt, bank loans and obligations under finance lease contracts.

29. ANALYSIS OF NET DEBT

	At 31 December 2012 £m	Cash flows £m	Debt added on acquisition £m	Non-cash items^ £m	Exchange differences £m	**At 31 December 2013 £m**
Cash and cash equivalents	128.1	(11.2)	–	–	1.8	**118.7**
Bank overdrafts	(4.1)	(0.7)	–	–	(0.1)	**(4.9)**
Net cash and cash equivalents	124.0	(11.9)	–	–	1.7	**113.8**
Financial assets – derivative financial instruments	43.6	–	–	(13.9)	–	**29.7**
Associate loan and deferred consideration	2.7	(1.2)	–	(1.5)	–	**–**
Debts due within one year	(88.9)	87.6	–	5.7	(4.8)	**(0.4)**
Debts due after one year	(179.1)	(85.7)	–	8.0	2.3	**(254.5)**
Finance lease contracts	(7.6)	3.3	(0.3)	(5.0)	(0.2)	**(9.8)**
Net debt	(105.3)	(7.9)	(0.3)	(6.7)	(1.0)	**(121.2)**

^ 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.

30. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(A) CAPITAL COMMITMENTS

	2013 £m	2012 £m
Contracted but not provided for	**3.1**	9.8

(B) LEASE COMMITMENTS

The Group leases a number of its premises under operating leases which expire between 2014 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:

	2013 £m	2012 £m
Minimum lease rentals due:		
– within one year	**46.6**	45.1
– after one year and within five years	**123.4**	123.9
– after five years	**74.8**	85.4
	244.8	254.4

The Group also leases certain items of plant and machinery whose total future minimum lease rentals under the foregoing leases are as follows:

	2013 £m	2012 £m
Minimum lease rentals due:		
– within one year	**14.0**	13.8
– after one year and within five years	**19.8**	21.5
– after five years	**0.4**	0.9
	34.2	36.2

The German Roofing business which was held for sale at 31 December 2013 has not been included within the 2013 figures.

(C) PENSION SCHEMES

The Group operates a number of pension schemes, five (2012: five) of which provide defined benefits based on final pensionable salary. Of these schemes, one (2012: one) has assets held in a separate trustee administered fund and four (2012: four) are overseas book reserve schemes. The Group also operates a number of defined contribution schemes, all of which are independently managed.

The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

In The Netherlands, the Group participates in the industry-wide pension plan for the construction materials industry ("BPF HiBiN"). The pension plan classifies as a multi-employer defined benefit scheme under IAS 19, but is recognised in the Accounts as a defined contribution scheme since the pension fund is not able to provide sufficient information to allow SIG's share of the assets and liabilities to be separately identified. Therefore, the Group's annual pension expense for this scheme is equal to the required contribution each year. The coverage ratio of the multi-employer union plan increased to 107.5% as at 31 December 2013 (31 December 2012: 106.2%). As the coverage ratio improved, no change was made to the pension premium percentage of 22.2% (2012: 22.2%). 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 including amounts charged to interest was £8.6m (2012: £2.8m), of which a charge of £3.4m (2012: credit of £1.8m) related to defined benefit pension schemes and £5.2m (2012: £4.6m) related to defined contribution schemes. Included within the defined benefit pension scheme credit in 2012 was a curtailment gain of £4.4m.

30. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

(C) PENSION SCHEMES CONTINUED

DEFINED BENEFIT PENSION SCHEME VALUATIONS

In accordance with IAS 19 the Group has recognised all actuarial gains and losses in full in the period in which they arise in the Consolidated Statement of Comprehensive Income.

The actuarial valuations of the defined benefit pension schemes are assessed by an independent actuary every three years who recommends the rate of contribution payable each year. The last formal actuarial valuation of the SIG plc Retirement Benefits Plan, the UK scheme, was conducted at 31 December 2010 and showed that the market value of the scheme's assets was £98.2m and their actuarial value covered 75% of the benefits accrued to members after allowing for expected future increases in pensionable salaries.

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.

The schemes typically expose the Group to actuarial risks such as: investment risk; interest rate risk; longevity risk; and salary risk. The risk relating to benefits to be paid to the dependants of scheme members on death in service is re-insured by an external insurance company.

Risk	Description
Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets falls below this rate, it will create a plan deficit. Currently the plan has relatively balanced investments in line with the trustees' Statement of Investment Principles between equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in growth assets to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. However, a pensionable salary cap was introduced from 1 July 2012 of 2.5% per annum.

CONSOLIDATED INCOME STATEMENT CHARGES

The pension charge for the year including amounts charged to interest of £1.1m (2012: £0.5m) relating to the defined benefit pension schemes was £3.4m (2012: credit of £1.8m). The prior year credit included a curtailment gain of £4.4m which arose following changes to cap the amount by which pensionable pay may increase and to limit the amount by which all pensionable service earned from 1 July 2012 would change to be the increase in the Consumer Price Index ("CPI") capped at 2.5% per annum.

In accordance with IAS 19, the charge/(credit) 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. In accordance with revisions to IAS 19, the calculation and the treatment of the inherent interest cost are now on a net basis. This has caused both finance income and finance costs to be reduced by £5.3m and £6.0m in the periods ended 31 December 2013 and 31 December 2012 respectively. The actuarial valuations described previously have been updated at 31 December 2013 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 and 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:

	2013 £m	2012 £m
Pension liability before taxation	**(25.5)**	(34.4)
Related deferred tax asset	**5.6**	8.3
Pension liability after taxation	**(19.9)**	(26.1)

The actuarial gain of £8.3m (2012: loss of £0.2m) for the year, together with the associated deferred tax charge of £2.0m (2012: credit of £0.2m) and deferred tax charge of £0.9m (2012: £0.8m) in respect of the change in the UK standard rate of corporation tax to 20% effective but not enacted from 1 April 2013, has been recognised in the Consolidated Statement of Comprehensive Income. In addition a deferred tax credit of £0.2m (2012: charge of £2.3m) has been recognised in the Consolidated Income Statement. A full reconciliation of the deferred tax movement is shown in Note 24.

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 £31.9m (2012: £40.2m).

Of the above pension liability before taxation, £16.6m (2012: £26.3m) relates to wholly or partly funded schemes and £8.9m (2012: £8.1m) relates to the overseas unfunded schemes.

30. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED
(C) PENSION SCHEMES CONTINUED
CONSOLIDATED BALANCE SHEET LIABILITY CONTINUED

The movement in the pension liability before taxation in the year can be summarised as follows:

	2013 £m	2012 £m
Pension liability at 1 January	**(34.4)**	(44.5)
Current service cost	**(2.3)**	(2.1)
Curtailment gain	**–**	4.4
Contributions	**4.0**	8.5
Net finance cost	**(1.1)**	(0.5)
Actuarial gain/(loss)	**8.3**	(0.2)
Pension liability at 31 December	**(25.5)**	(34.4)

Contributions of approximately £3.5m are expected to be paid to defined benefit pension schemes during the annual period beginning 1 January 2014. The Group is contracted to pay £2.5m per annum to January 2020 and a final payment of £3m at January 2021.

The principal assumptions used for the IAS 19 actuarial valuation of the schemes were:

	2013 %	2012 %	2011 %
Rate of increase in salaries	**2.5**	2.5	3.5
Rate of fixed increase of pensions in payment	**2.5**	2.5	3.5
Rate of increase of LPI pensions in payment	**3.3**	2.9	3.0
Discount rate	**4.5**	4.5	4.7
Inflation assumption	**3.3**	2.9	3.0

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 28.1 years (2012: 28.7 years). The life expectancy on retirement at age 60 of a male employee currently aged 40 years is 29.8 years (2012: 29.9 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 £7.0m. If the rate of inflation increased/decreased by 0.25% this would increase/decrease the Group's gross pension scheme deficit by £1.3m. If the life expectancy for employees increased/decreased by one year the Group's gross pension scheme deficit would increase/decrease by £4.1m.

The average duration of the defined benefit scheme obligation at 31 December 2013 is 20 years (2012: 21 years).

The fair value of the assets in the schemes at each balance sheet date were:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Equities	**62.7**	57.8	50.3	55.0	50.7
Bonds	**44.9**	44.6	40.4	37.0	36.7
Other	**23.5**	14.8	9.5	6.2	–
Total fair value of assets	**131.1**	117.2	100.2	98.2	87.4

The amount included in the Consolidated Balance Sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of assets	**131.1**	117.2	100.2	98.2	87.4
Present value of scheme liabilities	**(156.6)**	(151.6)	(144.7)	(123.4)	(111.4)
Net liability recognised in the Consolidated Balance Sheet	**(25.5)**	(34.4)	(44.5)	(25.2)	(24.0)

The overall expected rate of return is based upon market conditions at the balance sheet date.

Amounts recognised in the Consolidated Income Statement in respect of these defined benefit schemes are as follows:

	2013 £m	2012 £m
Current service cost	**2.3**	2.1
Curtailment gain	**–**	(4.4)
Net finance cost	**1.1**	0.5
Amounts recognised in the Consolidated Income Statement	**3.4**	(1.8)

All of the current service cost for the year has been included within administrative expenses in the Consolidated Income Statement. The net finance cost has been included within finance costs (see Note 3).

The actual return on scheme assets was £14.3m (2012: £12.4m).

30. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

(C) PENSION SCHEMES CONTINUED

CONSOLIDATED BALANCE SHEET LIABILITY CONTINUED

Analysis of the actuarial gain/(loss) recognised in the Consolidated Statement of Comprehensive Income in respect of the schemes:

	2013 £m	2012 £m
Actual return less expected return on assets	**9.0**	6.4
Effect of changes in demographic assumptions	**0.5**	–
Effect of changes in financial assumptions	**(1.2)**	(6.6)
Remeasurement of the defined benefit liability	**8.3**	(0.2)

The remeasurement of the net defined benefit liability is included within the Consolidated Statement of Comprehensive Income.

Movements in the present value of the schemes' liabilities were as follows:

	2013 £m	2012 £m
Present value of schemes' liabilities at 1 January	**(151.6)**	(144.7)
Current service cost	**(2.3)**	(2.1)
Interest on pension schemes' liabilities	**(6.4)**	(6.5)
Remeasurement gains/(losses):		
– actuarial gain arising from changes in demographic assumptions	**0.5**	–
– actuarial loss arising from changes in financial assumptions	**(1.2)**	(6.6)
Curtailment gain	**–**	4.4
Benefits paid	**4.4**	3.9
Present value of schemes' liabilities at 31 December	**(156.6)**	(151.6)

Movements in the fair value of the schemes' assets were as follows:

	2013 £m	2012 £m
Fair value of schemes' assets at 1 January	**117.2**	100.2
Finance income	**5.3**	6.0
Actual return less expected return on assets	**9.0**	6.4
Contributions from sponsoring companies	**4.0**	8.5
Benefits paid	**(4.4)**	(3.9)
Fair value of schemes' assets at 31 December	**131.1**	117.2

(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 £12.9m (2012: £12.2m). Of this amount, £10.0m (2012: £10.0m) related to standby letters of credit issued by The Royal Bank of Scotland plc in respect of the Group's insurance arrangements.

31. 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.

SIG has a shareholding of less than 0.1% in a German purchasing co-operative. Net purchases from this co-operative (on commercial terms) totalled £364m in 2013 (2012: £405m). At the balance sheet date trade payables in respect of the co-operative amounted to £15m (2012: £12m).

During the year, the Group exercised its option to acquire the remaining 18% non-controlling interest of Air Trade Centre Romania s.r.l. Of the 18% shareholding, 16% was purchased in 2013, with the remaining 2% purchased in 2014. The Group now holds 100% of the ordinary share capital of Air Trade Centre Romania s.r.l.

Other than the relationship disclosed in Note 11, the Group has not identified any other material related party transactions in the year ended 31 December 2013.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the key management personnel of the Group, being the Executive Committee members and the Non-Executive Directors, (see page 54) was £4.5m (2012: £3.3m). Further details of Directors' remuneration can be found on pages 72 and 75. In addition, the Group recognised a share-based payment charge under IFRS 2 in respect of the Directors of £0.1m (2012: credit of £0.1m).

As at 31 December 2013 the Group had accrued for £0.2m of costs relating to Mr. C. J. Davies' notice period (2012: £0.8m).

32. SUBSIDIARIES

Details of the Group's principal trading subsidiaries, all of which have been included in the Consolidated Accounts, are shown on page 135.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SIG PLC

OPINION ON FINANCIAL STATEMENTS OF SIG PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Statements of Significant Accounting Policies, the Critical Accounting Judgments and Key Sources of Estimation Uncertainty and the related consolidated Notes 1 to 32 and the related Company Notes 1 to 14. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

GOING CONCERN

As required by the Listing Rules we have reviewed the Directors' Statement contained within the Strategic Review on page 37 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
The assessment of the carrying value of goodwill and intangible assets	
The judgments made by management in relation to the financial performance of the business units, discount rates and perpetuity growth rates are subjective. As reported previously, reasonably possible downside scenarios would give rise to an impairment of Larivière and so this is an important judgment and sensitivity.	We assessed management's assumptions (described in Note 13 to the financial statements) used in the impairment model for goodwill and intangible assets, including specifically the cash flow projections, discount rates and perpetuity rates used. We have compared these to industry forecasts, the Group's historical performance, budgeting accuracy, benchmarking against comparator groups and our understanding of the future prospects of the business. Particular focus has been given to Larivière.
The recognition and measurement of supplier rebate income	
Rebate income earned by the Group is significant and affects the recorded value of both cost of sales and inventory. In some cases, rebate calculations are complex and judgmental especially where they are linked to volume or other thresholds and are in respect of non-coterminous trading periods.	We carried out testing of the design and implementation of key controls related to the recognition of supplier rebate income. We circularised suppliers to confirm a sample of amounts receivable (including high value balances) and checked income earned by supplier against historical rates achieved and purchasing records. We assessed whether the income recognition policies and estimates were appropriate particularly when there were non-coterminous trading periods.
The recognition and presentation of other items in the Consolidated Income Statement	
The Group has consistently used a three column approach for the presentation of the Consolidated Income Statement to separately identify certain income/costs which are non-underlying in nature. This included certain costs relating to a significant restructuring programme. The inappropriate inclusion of income/costs within "Other items" could distort the underlying profit disclosed.	We assessed the nature of the income/costs included in other items and checked that they met the Group's definition for separate presentation, set out in the Statement of Significant Accounting Policies on page 89. Where income/costs have been presented as other items, we obtained evidence that enabled us to assess whether this presentation is appropriate. We performed detailed substantive testing for a sample of the costs/income and checked to supporting documentation.
The recognition and measurement of provisions for trade receivables and inventories	
Trade receivables and inventories represent 80% of the Group's current assets and therefore the judgments regarding aged or impaired receivables and slow moving/obsolete inventory provisions are significant.	We considered the appropriateness of management's assumptions and estimates in relation to the provisions for trade receivables and inventories. In assessing completeness and accuracy we have considered evidence of customer disputes, tested the ageing of the ledgers, checked against subsequent cash receipts or post year end/historical sales reports.

The Audit Committee's consideration of these risks is set out on page 61.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. In line with generally accepted practice, we determined planning materiality for the Group at £6m, which is below 7% of underlying pre-tax profit (as defined on page 83) and below 1% of equity. We use underlying pre-tax profit to exclude the effect of volatility from our determination and because it represents one of the primary KPIs referred to both internally and externally. The audit of "Other items" is treated as a significant risk as set out above.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £120,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group audit and audit of the consolidation is performed at the Group's head office in Sheffield. The accounting records of the trading businesses within the Group are spread across the countries in which the Group operates. We perform audit work in each of the eight principal countries of operation. Full scope audits were performed for the principal business units covering in excess of 90% of the Group's total assets, revenue and operating profit. A further 6% of the Group's total assets, revenue and operating profit were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our full scope audits and the specified audit procedures were executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every two years and the most significant of them at least once a year including attendance at the close meetings.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. Under the Listing Rules we are required to review certain elements of the Directors' Remuneration Report. We have nothing to report arising from these matters or our review.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

OUR DUTY TO READ OTHER INFORMATION IN THE ANNUAL REPORT

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

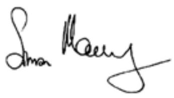
RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the 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 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

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 and 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



SIMON MANNING (SENIOR STATUTORY AUDITOR)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, UK
12 March 2014

Overview
Strategic report
Directors' report
Accounts

FIVE YEAR SUMMARY

	Total 2009 £m	Total 2010 £m	Total 2011 £m	Continuing^ 2012 £m	**Continuing^ 2013 £m**
Revenue	2,723.1	2,668.0	2,808.4	2,473.9	**2,582.4**
Underlying* operating profit	80.9	76.1	95.9	96.1	**99.5**
Operating profit/(loss)	(32.5)	(54.6)	25.6	57.9	**15.4**
Finance income	11.7	7.8	7.4	1.9	**1.6**
Finance costs	(34.5)	(34.0)	(25.4)	(15.8)	**(14.8)**
Underlying* profit before tax	60.6	62.5	82.0	83.7	**88.1**
Profit/(loss) before tax	(55.3)	(80.8)	7.5	43.7	**2.1**
(Loss)/profit after tax	(45.1)	(76.8)	(0.0)	26.6	**(14.3)**
Underlying* earnings per share	9.0p	7.2p	9.4p	9.7p	**10.4p**
(Loss)/earnings per share	(9.7p)	(13.0p)	(0.0p)	4.5p	**(2.5p)**
Dividend per share	nil p	nil p	2.25p	3.0p	**3.55p**

* Underlying figures are stated before the amortisation of acquired intangibles, net restructuring costs, other one-off items, loss arising on the sale or agreed sale of businesses, trading profits and losses associated with disposed businesses, other impairment charges, fair value gains and losses on derivative financial instruments, the defined benefit pension scheme curtailment gain, the taxation effect of these items and the effect of changes in taxation rates.

^ 2013 and 2012 underlying numvers are stated on a continuing basis (i.e. excluding the sales and trading profits and losses associated with businesses sold or agreed to be sold in 2013 and 2012).

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

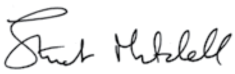
COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	2013 £m	2012 £m
Fixed assets			
Investments	5	**446.1**	451.9
Interest in associate	6	**–**	1.6
Tangible fixed assets	7	**0.1**	0.1
		446.2	453.6
Current assets			
Debtors – due within one year	8	**65.6**	129.5
Debtors – due after more than one year	8	**732.5**	669.1
Associate loan	8	**–**	2.4
Cash at bank and in hand		**33.3**	46.1
		831.4	847.1
Creditors: amounts falling due within one year	9	**(214.5)**	(197.7)
Net current assets		**616.9**	649.4
Total assets less current liabilities		**1,063.1**	1,103.0
Creditors: amounts falling due after one year	10	**(324.1)**	(365.3)
Net assets		**739.0**	737.7
Capital and reserves			
Called up share capital	12	**59.1**	59.1
Share premium account	12	**447.2**	447.0
Merger reserve	12	**21.7**	21.7
Capital redemption reserve	12	**0.3**	0.3
Share option reserve	12	**1.1**	0.9
Exchange reserve	12	**(0.2)**	(0.2)
Profit and loss account	12	**209.8**	208.9
Shareholders' funds		**739.0**	737.7

The accompanying Statement of Significant Accounting Policies and Notes to the Accounts are an integral part of this Company Balance Sheet.

The Accounts were approved by the Board of Directors on 12 March 2014 and signed on its behalf by:



STUART MITCHELL
Director

DOUG ROBERTSON
Director

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 90.

FINANCIAL INSTRUMENTS

The accounting policy for financial instruments is consistent with that of the Group as detailed on page 91.

FINANCIAL ASSETS AND LIABILITIES

The accounting policies for financial assets and liabilities are consistent with that of the Group as detailed on pages 90 and 91.

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 92.

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 in the prior year 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 2013 of £17.6m (2012: £28.2m).

The Auditor's remuneration for audit services to the Company was £0.1m (2012: £0.1m).

2. SHARE-BASED PAYMENTS

The Company had four share-based payment schemes in existence during the year ended 31 December 2013. The Company recognised a total charge of £0.4m (2012: credit of £0.3m) in the year relating to share-based payment transactions issued after 7 November 2002. Details of the valuations of each of the four share-based payment schemes can be found in Note 9 to the Group Accounts on pages 100 to 102.

3. DIVIDENDS

An interim dividend of 1.15p per ordinary share was paid on 7 November 2013 (2012: 1.0p). The Directors have proposed a final dividend for the year ended 31 December 2013 of 2.4p per ordinary share (2012: 2.0p). The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. No dividends have been paid between 31 December 2013 and the date of signing the Accounts.

4. STAFF COSTS

Particulars of employees (including Directors) are shown below:

	2013 £m	2012 £m
Employee costs during the year amounted to:		
Wages and salaries	**3.8**	4.0
Social security costs	**0.4**	0.3
FRS 20 share option charge/(credit)	**0.4**	(0.3)
Pension costs	**0.3**	0.4
Total	**4.9**	4.4

The average monthly number of persons employed by the Company during the year was as follows:

	2013 Number	2012 Number
Administration	**28**	27

5. FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings, as follows:

	2013 £m	2012 £m
Cost		
At 1 January	**659.1**	659.1
Additions	**3.2**	–
At 31 December	**662.3**	659.1
Accumulated impairment charges		
At 1 January	**(207.2)**	(207.2)
Impairment charge	**(9.0)**	–
At 31 December	**(216.2)**	(207.2)
Net book value		
At 31 December	**446.1**	451.9
At 1 January	**451.9**	451.9

Details of the Company's principal trading subsidiaries are shown on page 135. 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.

ADDITIONS

On 5 March 2013 the Group purchased a further 26% share in Ice Energy Technologies Limited ("Ice") for a consideration of £1.5m via a debt for equity exchange. Prior to this purchase the Group held a 25% investment in associate of £1.6m. In accordance with IFRS 3, the 25% holding in Ice is deemed to have been disposed of and reacquired on the same day, with the result being a £3.1m addition to fixed asset investments.

On 16 October 2013 the Group made an investment in SIG International Trading Limited of £0.1m.

IMPAIRMENT CHARGE

The Group's UK Energy Management business has undergone significant structural change in recent years, and the outlook for the market in which it operates continues to be uncertain. As a result an impairment charge of £9.0m has been made to reduce the carrying value of the Company's investment in SIG Energy Management Limited to £nil.

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6. INTEREST IN ASSOCIATE

On 5 March 2013 the Group purchased an additional 26% shareholding in its associate, Ice Energy Technologies Limited ("Ice"), for a consideration of £1.5m (debt for equity exchange), taking its total shareholding to 51%. Following this transaction Ice became a subsidiary of the Group.

The Group's share of loss after tax arising from its interest in Ice for the period ending 5 March 2013 was £0.1m (31 December 2012: £0.7m, of which £0.4m was included within "Other items"), which has been recognised on the face of the Consolidated Income Statement. In accordance with IFRS 3, the 25% holding in Ice is deemed to have been disposed of and reacquired on the same day, and as a result a profit on disposal of £0.2m has been recognised within "Other items" in the Consolidated Income Statement.

The current accounting period for Ice ends on 31 March 2014. Ice does not have the same accounting reference date as SIG plc for commercial reasons.

7. TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	Freehold land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2013	0.1	0.4	0.5
Additions	–	–	–
At 31 December 2013	**0.1**	**0.4**	**0.5**
Depreciation			
At 1 January 2013	0.1	0.3	0.4
Charge for the year	–	–	–
At 31 December 2013	**0.1**	**0.3**	**0.4**
Net book value			
At 31 December 2013	**–**	**0.1**	**0.1**
At 1 January 2013	–	0.1	0.1

8. DEBTORS

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	**766.1**	752.4
Corporation tax recoverable	**0.6**	–
Deferred tax assets (Note 11)	**0.8**	1.2
Derivative financial instruments	**29.7**	43.6
Associate loan	**–**	2.4
Prepayments and accrued income	**0.9**	1.4
Total	**798.1**	801.0

Of the total amount owed to the Company, £732.5m (2012: £669.1m) is due after more than one year. Of the total amount due after more than one year, £702.0m (2012: £630.5m) relates to amounts owed by subsidiary undertakings, £29.7m (2012: £37.4m) relates to derivative financial instruments and £0.8m (2012: £1.2m) relates to deferred tax assets.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £m	2012 £m
Bank overdrafts	**54.8**	29.9
Private placement notes	**–**	81.8
Amounts owed to subsidiary undertakings	**150.0**	68.2
Derivative financial instruments	**0.1**	5.8
Accruals and deferred income	**9.6**	11.5
Corporation tax	**–**	0.5
Total	**214.5**	197.7

All of the Company's bank overdrafts are unsecured.

10. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2013 £m	2012 £m
Private placement notes	**252.5**	174.2
Derivative financial instruments	**2.0**	4.8
Amounts owed to subsidiary undertakings	**69.6**	186.3
Total	**324.1**	365.3

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

	2013		2012	
	£m	Fixed interest rate %	£m	Fixed interest rate %
Repayable in 2013	**–**	**n/a**	81.8	5.0%
Repayable in 2016	**146.2**	**5.9%**	149.5	5.8%
Repayable in 2018	**23.0**	**5.1%**	24.7	4.7%
Repayable in 2020	**25.0**	**3.7%**	–	n/a
Repayable in 2021	**16.7**	**3.9%**	–	n/a
Repayable in 2023	**41.6**	**4.2%**	–	n/a
Total	**252.5**	**5.2%**	256.0	5.5%

All Group derivative financial instruments disclosed in Note 20 on pages 110 to 112 have been entered into by the Company and therefore disclosures have not been repeated within this note.

11. DEFERRED TAX

	2013 £m	2012 £m
Deferred tax assets	**0.8**	1.2

The deferred tax assets above relate to short-term timing differences.

The movement during the year was as follows:

	2013 £m	2012 £m
At 1 January	**1.2**	1.4
Charge for the year	**(0.4)**	(0.2)
At 31 December	**0.8**	1.2

Given the current profitability of the Company, 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 2013. See Note 24 of the Group Accounts for details.

12. CAPITAL AND RESERVES

	2013 £m	2012 £m
Called up share capital	**59.1**	59.1
Share premium account	**447.2**	447.0
Merger reserve	**21.7**	21.7
Capital redemption reserve	**0.3**	0.3
Share option reserve	**1.1**	0.9
Exchange reserve	**(0.2)**	(0.2)
Profit and loss account	**209.8**	208.9
Total capital and reserves	**739.0**	737.7

The movement in reserves during the year was as follows:

	Called up share capital £m	Share premium account £m	Share option reserve £m	Profit and loss account £m
At 1 January 2013	59.1	447.0	0.9	208.9
Exercise of share options	–	–	(0.2)	0.2
Charge to share option reserve	–	–	0.4	–
Fair value movement on cash flow hedges	–	–	–	(0.4)
Transfer to profit and loss on cash flow hedges	–	–	–	2.1
Issue of share capital	–	0.2	–	–
Profit for the period	–	–	–	17.6
Dividends	–	–	–	(18.6)
At 31 December 2013	**59.1**	**447.2**	**1.1**	**209.8**

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 26 of the Group Accounts on page 118.

13. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(A) GUARANTEES

At 31 December 2013 the Company had not guaranteed any overdrafts of subsidiary undertakings (31 December 2012: £nil).

(B) CONTINGENT LIABILITIES

As at the balance sheet date, the Company had outstanding obligations under a standby letter of credit of up to £10.0m (31 December 2012: £10.0m). This standby letter of credit, issued by The Royal Bank of Scotland plc, is in respect of the Group's insurance arrangements.

14. RELATED PARTY TRANSACTIONS

On 5 March 2013 the Company acquired an additional 26% shareholding in Ice Energy Technologies Limited, taking its total shareholding to 51%. Further details of related party transactions in relation to this business are provided in Note 11 of the Group Accounts.

During the year, the Group exercised its option to acquire the remaining 18% non-controlling interest of Air Trade Centre Romania s.r.l. Of the 18% shareholding, 16% was purchased in 2013, with the remaining 2% purchased in 2014 by another Group company. The Group now holds 100% of the ordinary share capital of Air Trade Centre Romania s.r.l.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the Directors of the Group Board, who the Group considered to be its key management personnel, is provided in Note 31 to the Group Accounts on page 122. In addition, the Company recognised a share-based payment charge under FRS 20 of £0.4m (2012: credit of £0.3m).

PRINCIPAL ADDRESSES

CORPORATE

SIG PLC CORPORATE OFFICE
Signet House
17 Europa View
Sheffield Business Park
Sheffield S9 1XH

REGISTERED OFFICE
Hillsborough Works
Langsett Road
Sheffield S6 2LW

REGISTERED NUMBER
Registered in England 998314

UNITED KINGDOM

SIG TRADING LIMITED, CURRENTLY TRADING AS:

SIG INSULATIONS
Hillsborough Works
Langsett Road
Sheffield S6 2LW

SIG TECHNICAL INSULATION
Hillsborough Works
Langsett Road
Sheffield S6 2LW

SIG FIXINGS
Hillsborough Works
Langsett Road
Sheffield S6 2LW

SIG CONSTRUCTION PRODUCTS
Hillsborough Works
Langsett Road
Sheffield S6 2LW

SIG INTERIORS
Hillsborough Works
Langsett Road
Sheffield S6 2LW

SIG ROOFING SUPPLIES
Harding Way
St Ives
Cambridge PE27 3YJ

CARPET AND FLOORING
Arrow Valley
Claybrook Drive
Redditch B98 0FY

A STEADMAN & SON
Warnell
Welton
Carlisle
Cumbria CA5 7HH

SIG ENERGY MANAGEMENT LIMITED
Unit 6 Park Square
Thorncliffe Park
Chapeltown
Sheffield S35 2PH

IRELAND

SIG BUILDING PRODUCTS LIMITED
42 O'Casey Avenue
Parkwest Industrial Estate
Nangor Road
Dublin 12
Ireland

INSULATION DISTRIBUTIONS LIMITED
42 O'Casey Avenue
Parkwest Industrial Estate
Nangor Road
Dublin 12
Ireland

MAINLAND EUROPE

WEGO SYSTEMBAUSTOFFE GMBH
Maybachstrasse 14
D-63456 Hanau-Steinheim
Germany

SIG SP. Z O.O.
ul. Kamienskiego 51
30-644 Krakow
Poland

SIG NEDERLAND B.V.
Bedrijfsweg 15
5061 JX Oisterwijk
The Netherlands

OUEST ISOL SAS
Zone Industrielle de la Rangle
27460 Alizay
France

LITT DIFFUSION SAS
8–16 Rue Paul Vaillant Couturier
92240 Malakoff
France

LARIVIÈRE SAS
36 bis rue Delaâge
49004 Angers
Cedex 01
France

AIR TRADE CENTRE INTERNATIONAL B.V.
Eerste Tochtweg 11
2913 LN Nieuwerlerl ad/Ijssel
The Netherlands

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	✓		✓
France			
Société de l'Ouest des Produits Isolants SAS	✓		
LITT Diffusion SAS			✓
Larivière SAS		✓	
Benelux			
SIG Nederland B.V.	✓		✓
SIG Melderste Plafonneerartikelen N.V.			✓
Air Trade Centre Belgium N.V.	✓		
Poland			
SIG Sp. Z o.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 Limited which 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, Société de l'Ouest des Produits Isolants SAS, LITT Diffusion SAS, Larivière SAS, SIG Nederland B.V., SIG Melderste Plafonneerartikelen N.V., Air Trade Centre Belgium N.V., and SIG Sp. Z o.o.

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
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Tel: 0114 285 6300
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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	SHI.L
Sector	Support Services

London Stock Exchange
LISTED
PREMIUM

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 LLP
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 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

JEFFRIES HOARE GOVETT
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

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 16 May 2014

Interim Results 2014
Announcement 12 August 2014

Full Year Results 2014
Announcement March 2015

Annual Report and Accounts 2014
Posted to Shareholders April 2015

SHAREHOLDER ANALYSIS AT 31 DECEMBER 2013

Size of Shareholding	Number of Shareholders	%	Number of ordinary shares	%
0 – 999	856	31.75	366,456	0.06
1,000 – 4,999	1,039	38.54	2,324,500	0.39
5,000 – 9,999	250	9.27	1,666,178	0.28
10,000 – 99,999	313	11.61	9,948,766	1.68
100,000 – 249,999	63	2.34	10,231,231	1.73
250,000 – 499,999	62	2.30	21,940,798	3.72
500,000 – 999,999	31	1.15	21,528,484	3.65
1,000,000+	82	3.04	523,094,034	88.49
Total	**2,696**	100.00	**591,100,447**	100.00

CORPORATE OFFICE

Signet House
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tel: +44 (0) 114 285 6300
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web: www.sigplc.com

REGISTERED OFFICE

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REGISTERED NUMBER

Registered in England
998314

SIG's commitment to the environmental issues is reflected in this Annual Report which is printed on Revive 100 Silk and Offset, containing 100% post-consumer reclaimed material. The material is FSC certified and the report has been Carbon Balanced. Vegetable based inks have been used and 95% of all Dry Waste associated with this production are diverted from landfill.

SIG plc Annual Report and Accounts 2013