ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2014

STRONGER **TOGETHER**

Stock code: SHI

Our Investment Case

SIG IS A **LEADING DISTRIBUTOR OF SPECIALIST BUILDING PRODUCTS** IN EUROPE.

THE GROUP HAS PRODUCT AND SERVICE OFFERINGS OF SIGNIFICANT SCALE WITH STRONG POSITIONS IN ITS THREE CORE MARKETS OF INSULATION AND ENERGY MANAGEMENT, INTERIOR FIT OUT AND ROOFING PRODUCTS.

GROWTH DRIVERS

- Leveraging the Group's specialist distribution model across Western / Central Europe
- Positive regulatory developments especially in insulation and energy management
- Increasing market penetration through targeted investment in branch network, including acquisitions which meet strict financial performance criteria
- Maturation of new branches
- Greater exposure to key national account customers
- Consolidation opportunities in specialist markets

Read more about our **Growth drivers** on pages 8 and 9

STRONG MARKET POSITIONS AND RESILIENT OPERATING MODEL

- Geographical diversification and sector balance – residential and non-residential; new build and RMI; public and private
- Diversified customer base from major construction companies to small local contractors
- Specialist expertise which acts as a barrier to entry
- Strong customer relationships based on high service levels, technical expertise and supply chain management competence
- Proactive and effective credit management
- Healthy balance sheet, low leverage, substantial headroom in banking facilities and covenants
- Effective control of cost base

Read more about our **Strong market positions** on pages **6** and **7**

STRATEGIC INITIATIVES

- Working more closely together to improve business performance
- Four workstreams covering procurement, commercial vehicles, branch network and eCommerce
- Making SIG's whole greater than the sum of the parts
- Targeting a net benefit of c.£30m from its Strategic Initiatives by 2016
- Underpinned by Stronger Together culture change programme

Read more about our **Strategic Initiatives** on pages **12** and **13**

IMPROVING SHAREHOLDER RETURNS

- Maintaining record of sales market outperformance (2-3%)
- Continuous improvement in gross and operating margins
- 100% operating cash conversion over the medium-term
- Post-tax Return on Capital Employed to exceed 11% in 2015
- Maintain a progressive dividend policy with cover of 2-3x over the medium-term

Read more about our **Sustainable sector leading returns** on pages 14 and 15

Our Core Offering

SIG plays a crucial role in the supply chain of specialist construction products in both the new build, and repairs, maintenance and improvement ("RMI") markets across Europe. The Group's main countries of operation are the UK, France and Germany, which together account for 87% of its continuing revenues.

3 BUSINESS AREAS

SIG IS THE LARGEST SUPPLIER OF INSULATION AND RELATED PRODUCTS IN EUROPE.

SIG IS THE LARGEST AND ONLY NATIONAL SPECIALIST SUPPLIER OF EXTERIOR ROOFING PRODUCTS IN THE UK & IRELAND. IT IS ALSO THE LEADING INDEPENDENT SUPPLIER IN FRANCE.

SIG IS A LEADING SUPPLIER OF INTERIOR FIT OUT PRODUCTS IN EUROPE.

Read more on pages 6 and 7

NAVIGATING THIS REPORT

For further information within this document and relevant page numbers

VISIT US ONLINE

For more information on SIG plc operations please visit our website at **www.sigplc.com**

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STRATEGIC REPORT

STRONGER **TOGETHER**

Chairman's Statement

2014 was a year of good progress for SIG in what continues to be a transformational period for the Group as it changes and becomes Stronger Together.

Despite weak Mainland European markets, SIG delivered reported sales growth of 2.5% and 5.6% in constant currency on a continuing operations basis. Together with a £10.1m net benefit from its Strategic Initiatives this enabled the Group to grow underlying earnings per share by 11.2% to 11.9p (2013: 10.7p) and increase its total dividend by 23.9%.

SIG also increased its key financial metric, post-tax Return on Capital Employed ("ROCE") by 90bps to 10.3% (2013: 9.4%). The Group is now targeting ROCE in excess of 11.0% in 2015.

STRATEGY

Although the Group is of significant size and benefits from leading positions in its core specialist markets, our businesses have, historically, tended to operate independently of each other.

Therefore, in order to better leverage our scale and improve business performance we have outlined four Strategic Initiatives, which are based around a common theme of working more closely together as a Group. I am pleased to report that these initiatives have started well, significantly overdelivering on savings in 2014, the first year of the programme, compared to our original expectations.

GOVERNANCE AND BOARD

As Chairman I am responsible for ensuring good corporate governance and that we continually aspire to meet the highest standards possible at SIG. Further details on this can be found in the Corporate Governance Report on pages 55 to 65.

It is important that the Board provides strong leadership to the Company, engages well with its management and stakeholders and has a diverse composition. In last year's Annual Report I set out our aim of achieving at least 25% female representation among the Board's membership by 2015.

I am pleased to report that following the appointment of Andrea Abt as a Non-Executive Director with effect from 12 March 2015, this aim has now been achieved. Andrea brings significant experience of European markets and knowledge of supply chain management from her various global roles at Siemens AG, which I am sure will be invaluable to SIG at this stage of its development.

"We continually aspire to meet the highest corporate governance standards possible."

LESLIE VAN DE WALLE CHAIRMAN

OUR PEOPLE

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

I would also like to welcome two new members to the Group's Executive Committee, those being Mark Pearson, who was appointed to the newly formed role of Chief Information Officer, and Len Lvovich, who is SIG's new Director of Corporate Development.

DIVIDEND

The Board has proposed a final dividend of 2.98p per ordinary share, an increase of 24.2% on prior year. Taken together with the interim dividend of 1.42p per ordinary share, this provides a total dividend of 4.40p per ordinary share for the year (2013: 3.55p), an increase of 23.9% on prior year. The final dividend is expected to be paid on 29 May 2015 to Shareholders on the register at close of business on 1 May 2015. The ex-dividend date is 30 April 2015.

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

LESLIE VAN DE WALLE
Chairman

Chief Executive's Statement

> *"I am pleased with the progress the Group has made over the past year in delivering its Stronger Together vision."*

STUART MITCHELL CHIEF EXECUTIVE

2014 PERFORMANCE

Following a strong start to 2014, which benefited from mild weather, trading moderated in the second half as Mainland European markets deteriorated. However, SIG delivered good like-for-like ("LFL") sales growth of 3.8% for the year, 2.5% on a reported basis, driven by a strong performance in the UK & Ireland. This resulted in a 9.0% increase in the Group's underlying profit before tax to £98.1m (2013: £90.0m).

We have made good progress on our self-help measures, both in terms of market outperformance and Strategic Initiatives, where we overdelivered against our targets and achieved a net benefit of £10.1m in 2014, mainly sourced from procurement. This gives us a high degree of confidence in delivering the remainder of the programme, which targets a cumulative net benefit of c.£20m in 2015 and c.£30m in 2016.

In 2014 SIG's ROCE increased by 90bps to 10.3% (2013: 9.4%) and was 310bps higher than the Group's Weighted Average Cost of Capital ("WACC") of 7.2% (2013: 8.3%). While this means that the Group has met its medium-term objective of ROCE exceeding WACC by 300bps, it recognises that it has benefited from a lower WACC.

For 2015 the Group is now targeting a ROCE in excess of 11.0%, which it will seek to achieve through disciplined capital management and further improvements in profitability.

STRONGER TOGETHER

I am pleased with the progress the Group has made over the past year in delivering its Stronger Together vision. This culture change programme underpins the delivery of our Strategic Initiatives and making SIG's whole greater than the sum of the parts. We have agreed a vision, mission and values for the Group, and for the first time in our history, undertaken an employee engagement survey. Cross-border working groups have been established to better leverage our scale, benchmark across SIG and utilise best practice. And we are strengthening the SIG brand, both internally and externally.

Although this is transforming the way we are working, there is still significant work to do that will enable us to deliver against our strategic objectives and to enjoy continued growth and success.

Going forward, we expect to see an ever increasing exchange of ideas and people across our international borders. We are leveraging our buying power and synergies, and our new procurement methods are showing sustainable long-term benefits.

2015 OUTLOOK

SIG anticipates that trading conditions will remain variable across the Group's countries of operation in 2015, with continued good growth in the UK and Ireland and uncertainty persisting in Mainland Europe.

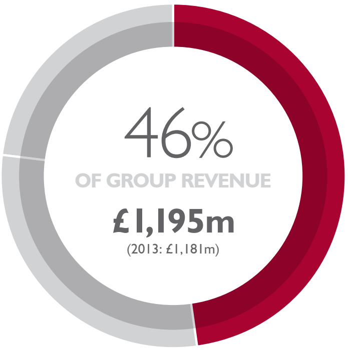
While the Group also notes the continuing weakening of the Euro and potential adverse translational effect on profit, it expects this headwind to be partially offset by lower fuel costs.

With continued scope for self-help through market outperformance and the Strategic Initiatives, SIG is confident of achieving further progress this year, although strong H1 comparators mean that this will be weighted towards the second half.

STUART MITCHELL
Chief Executive

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

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

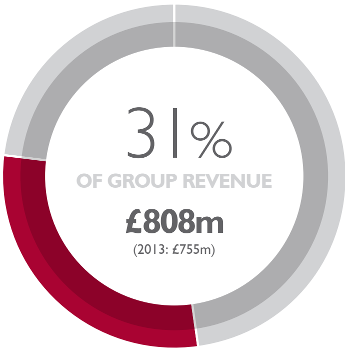


NUMBER OF TRADING SITES: 268
(111 of which also supply interior fit out products)

Key products:
- → Structural and industrial insulation (with different thermal, acoustic & fire protection properties)
- → Air handling
- → Fixings
- → Construction accessories
- → Dry lining

For a detailed list go to **www.siginsulation.co.uk**

SIG is the largest specialist supplier of roofing products in the UK and Ireland and the leading independent supplier in France.

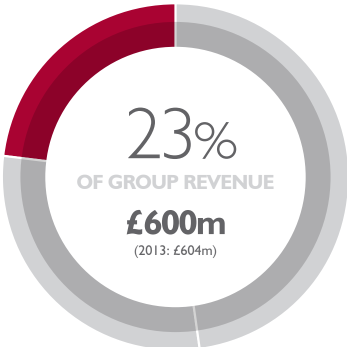


NUMBER OF TRADING SITES: 319

Key products:
- → Pitched and flat roofing products
- → Plastic building products
- → Industrial roofing and cladding

For a detailed list go to **www.sigroofing.co.uk**

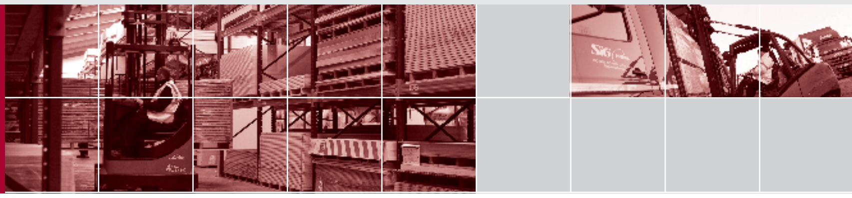
SIG is a leading supplier of all products required for the interior fit out of all types of buildings in Europe.



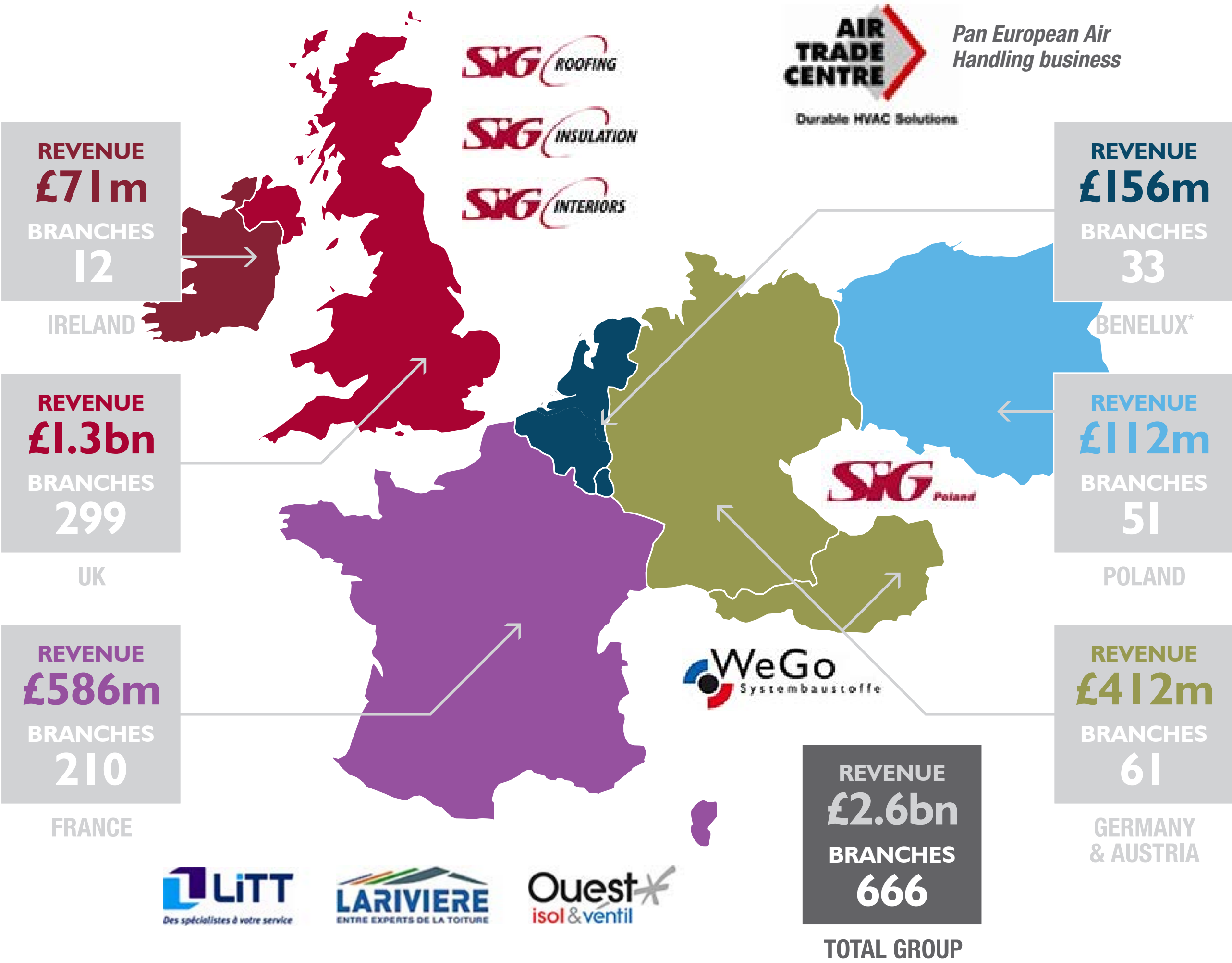
NUMBER OF TRADING SITES: 190
(111 of which also supply insulation products)

Key products:
- → Dry lining
- → Ceiling tiles and grids
- → Doorsets
- → Partition walls
- → Floor coverings
- → Washrooms

For a detailed list go to **www.siginteriors.co.uk**



LOCATIONS & MARKETS

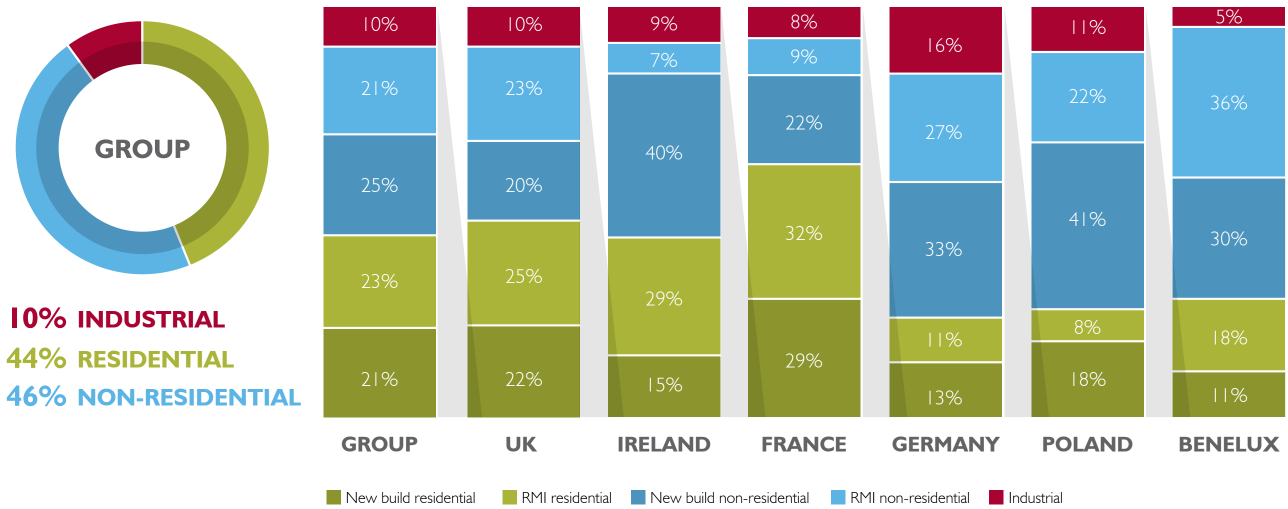


LEADING POSITIONS IN ALL OUR KEY MARKETS	UK & IRELAND	GERMANY	FRANCE	BENELUX*	POLAND
TECHNICAL INSULATION	NO.1	NO.1	NO.1	NO.1	NO.1
STRUCTURAL INSULATION	NO.1	NO.3	NO.2	N/A	NO.1
INTERIORS	NO.1	NO.1	NO.1 specialist	NO.1	NO.1
EXTERIORS	NO.1 and only national specialist	N/A	NO.1 specialist	N/A	Leading regional specialist

* Includes Air Trade Centre

THE GROUP OPERATES IN **NON-RESIDENTIAL**, **RESIDENTIAL** AND **INDUSTRIAL MARKETS**, PRINCIPALLY ACROSS NINE COUNTRIES IN EUROPE, OF WHICH THE UK, FRANCE AND GERMANY ACCOUNT FOR 87% OF SALES.

As well as having a similar exposure to new build and repairs, maintenance and improvement ("RMI") activity, each accounting for around half of the Group's revenues, SIG is also relatively balanced between its two largest markets, the residential and non-residential sectors, giving it an even spread through the economic cycle.



NON-RESIDENTIAL

While the non-residential sector is SIG's largest market, accounting for 46% of sales, this has fallen over recent years as the Group's exposure to residential markets has increased.

This market includes commercial buildings such as offices, retail developments and warehouses, as well as public sector expenditure on, for example, schools, hospitals and leisure complexes.

Following a period of stagnation, the outlook for the non-residential market in the UK has improved with increasing activity, particularly in the commercial sector, expected in 2015, with the Construction Products Association ("CPA") forecasting a market growth rate of 3.7% this year.

In Mainland Europe the non-residential sector is anticipated to remain sluggish, with Euroconstruct anticipating that the French and German markets will only expand by 1.0% and 2.1% respectively in 2015.

RESIDENTIAL

The residential market accounts for 44% of Group sales and includes public and private sector expenditure on houses and apartments.

SIG has increased its exposure to the residential sector over recent years as it has sought to balance its market exposure and target growth opportunities in what has been a better performing segment of the construction market.

The private new build UK residential sector performed extremely well in 2014, growing by 18.0% according to the CPA. In terms of UK outlook, SIG anticipates continued good growth in 2015, although this is likely to be at a lower rate than 2014.

The housing market in Mainland Europe is likely to remain challenging this year following a tough 2014. While Euroconstruct is forecasting marginal growth of 0.2% in France, given the steep drop in new housing starts during 2014, which declined by 10.0%, this expectation may be viewed as optimistic.

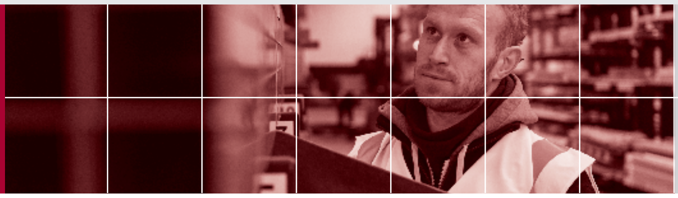
In Germany Euroconstruct is forecasting a small increase of 1.5% in the residential market in 2015, which SIG considers to be realistic.

INDUSTRIAL

The industrial sector accounts for 10% of the Group's sales.

Typically SIG supplies industrial insulation to the market, for example to power stations or process industries where heat is an important part of the industrial process.

As this type of insulation often has higher fire protection properties, or has been fabricated to meet the specialist needs of an industry, it tends to be higher margin and more specialist in its nature.



SUMMARY OF EXTERNAL FORECASTS FOR SIG'S MARKETS OF OPERATION

FORECAST % GROWTH IN 2015	RESIDENTIAL	NON-RESIDENTIAL	TOTAL MARKET
UK*	6.1%	3.7%	4.9%
France†	0.2%	1.0%	0.5%
Germany†	1.5%	2.1%	1.7%
Poland†	4.5%	4.0%	4.2%
Benelux†	3.6%	1.8%	2.8%
Ireland†	18.9%	(4.4)%	10.5%

Sources: * CPA, † Euroconstruct

KEY MARKET DRIVERS

Economic growth is an important demand driver in all of SIG's markets as it stimulates building activity and industrial output.

In addition, the following specific factors are also relevant to each segment of the Group's business:

INSULATION AND ENERGY MANAGEMENT

- Recognising that 40% of energy consumed relates to buildings, the European Union enacted the Energy Performance of Buildings Directive in 2003;
- This Directive requires all EU countries to improve energy efficiency and in the UK is covered under Part L of the Building Regulations; in France by the Réglementation Thermique (RT) and in Germany by the Energy Saving Ordinance (EnEV);
- These standards are typically tightened every three to four years, usually leading to increased use of insulation to cut energy consumption; and
- Demand for integrated energy management solutions which are typically manufactured off-site, such as Insulshell and Insulslab, is also increasing.

EXTERIORS

- Replacement of old/damaged roofs gives rise to a core demand for RMI expenditure. In the UK for example, around two-thirds of the housing stock is more than 40 years old;
- Product innovation to reduce construction and exterior maintenance costs; and
- Growth of specialist distribution as the main supply route to market, gaining market share from the generalists and manufacturers.

INTERIORS

- Increasingly stringent regulation, for example with regard to fire and acoustics. As well as driving demand for new products, this also benefits the specialist who can provide the necessary technical expertise;
- Increased demand for integrated, manufactured off-site solutions; and
- Demand for higher standards of internal fit outs.

Our Business Model

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

SUPPLIERS & MANUFACTURERS

- INSULATION & ENERGY MANAGEMENT
- EXTERIORS
- INTERIORS

SIG

- BREAKS BULK
- DELIVERY
- DEPTH & AVAILABILITY OF STOCK
- SPECIALIST & TECHNICAL ADVICE
- PROVIDES CREDIT
- FABRICATION ADDS VALUE

OUR CUSTOMERS

MAINLY SPECIALIST CONTRACTORS / SUBCONTRACTORS WORKING ON LARGER RESIDENTIAL AND NON-RESIDENTIAL PROJECTS

REPAIRS, MAINTENANCE AND IMPROVEMENT

DEMAND FOR NEW BUILD PROPERTIES

INCREASINGLY STRINGENT BUILDING REGULATIONS TO IMPROVE ENERGY EFFICIENCY AND REDUCE GREENHOUSE GASES

DRIVERS UNDERPINNING CUSTOMER AND MARKET DEMAND

Strategic Progress

SIG'S STRATEGY IS BUILT AROUND SIX KEY SELF-HELP AREAS, OR **STRATEGIC PILLARS**, WHICH THE GROUP IS FOCUSED ON TO IMPROVE PROFITABILITY AND INCREASE **SHAREHOLDER VALUE**.

THEY ARE:

1 Outstanding Customer Service

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

2 Sales Outperformance

- → Focus on core markets
- → Benefit from legislative change
- → Expand branch networks
- → UK national sales initiatives
- → Infill acquisitions
- → Product innovation

3 Gross Margin Enhancement

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

4 Operational Efficiency

- → Invest in new systems
- → Better utilise fleet
- → Leveraging network
- → More site sharing
- → Tight control of cost inflation

5 Focus on Financial Returns

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

6 Exceptional People

- → Training and development
- → Employee engagement
- → Health and Safety
- → Improved communications

Our Four Strategic Initiatives

THE GROUP IS FOCUSED ON **FOUR INITIATIVES** TO IMPROVE BUSINESS PERFORMANCE AND SUPPORT THE DELIVERY OF ITS STRATEGIC PILLARS.

Procurement

WORKING MORE CLOSELY WITH KEY SUPPLIERS

Branch Network

FURTHER OPTIMISING OUR NETWORK

HISTORIC POSITION

Procurement

- Procurement was uncoordinated and conducted at multiple levels within SIG.
- The Group was not fully leveraging its size in the marketplace and was paying different prices for the same or similar products.
- SIG had a long tail of suppliers.

Branch Network

- Sub-optimal network structure in some parts of the Group.
- Too many branches in some areas and too few elsewhere.

PROGRESS

Procurement

- SIG is changing its approach to procurement by professionalising the function and investing in training and new resources.
- The Group is coordinating its purchasing through six international category forums covering roofing, ceilings, technical insulation, structural insulation, air handling and dry lining.
- This will enable SIG to consolidate volumes and better leverage its size, work more closely with selected suppliers to reduce costs in the supply chain, and grow its own label brands.

Branch Network

- The Group has made significant progress consolidating its network over recent years.
- SIG is continuing to further optimise its network by reducing branch numbers in its UK insulation and interiors business (SIGD), and Northern Germany, and by expanding the number of sites in its UK exteriors business, the South of France and Southern Germany.
- Concurrently, SIG is undertaking a comprehensive supply chain review. This review, which is due to report in Q3 2015, considers how the Group can most efficiently and best serve its customers from receipt of order to fulfilment.

MILESTONES

Procurement

Fully recruit procurement team
(H1 2014) COMPLETED
SIG has recruited 27 procurement specialists, who have joined from the construction industry as well as from other sectors, such as retail.

Reduce suppliers by one-third
(2015) ON TRACK
The Group has reduced supplier numbers by 22%, from 9,678 in 2012 to 7,573 in 2014 and is on track to meet this milestone.

Grow own label by 50%
(2016) ON TRACK
SIG is targeting a 50% growth in its own label products, from c.10% of Group sales to c.15% by 2016.

Branch Network

UK branch rationalisation (Phase I)
(H1 2014) COMPLETED
The Group further rationalised its UK network by merging six SIGD branches in 2014.

North East supersite appraisal
(H2 2014) COMPLETED
SIG opened a new supersite in the North East of England in December 2013, which combined four branches into one. The supersite continues to perform well and was ahead of its budget in 2014.

Scope UK ideal network (Phase II)
(H1 2014) COMPLETED
The Group concluded that there are further opportunities to rationalise its SIGD network and potential to grow its UK exteriors business either organically or through acquisitions. These plans are being implemented.

Scope Germany ideal network
(H2 2014) COMPLETED
SIG concluded that there are some opportunities for limited consolidation of its network in the North and the development of a new "City" model.

OUR VISION IS TO BE **STRONGER TOGETHER**. THIS UNDERPINS THE DELIVERY OF THE STRATEGIC INITIATIVES AND OUR AIM TO MAKE SIG'S WHOLE GREATER THAN THE SUM OF THE PARTS.

In 2014, which was the first year of the programme, the Group made strong progress on its Strategic Initiatives, delivering a net benefit of £10.1m, well ahead of its original £1-5m target. Going forward the Group continues to target a cumulative net benefit of c.£20m in 2015 and c.£30m in 2016 from this programme.

IMPROVING FLEET UTILISATION

PROVIDING OUR CUSTOMERS WITH MORE CHOICE

- Inefficient scheduling due to little or no use of technology in the Group's commercial fleet.
- The purchasing of lorries and forklift trucks across SIG was ad hoc and uncoordinated, meaning that the Group was not securing the best terms from its suppliers.

- No consistent approach to eCommerce across SIG.
- Some ad hoc website developments, for example in the Group's ATC business, which although successful, are small and not integrated.
- Less than 1% of the Group's sales are through the internet.

- The Group is changing the way it schedules its fleet and has implemented telematics in its UK and French commercial vehicles.
- SIG has also signed Group-wide purchasing agreements for its forklift trucks with a single supplier, and has adopted a dual sourcing strategy for its fleet, having signed agreements with two suppliers.

- SIG is now developing a scalable online offering on one platform, which will support purchasing on multiple devices.
- The Group is focusing on the UK first, where it will be integrated with its new ERP system, Kerridge K8. For the first time it will provide customers with a single UK business and product proposition.
- Fulfilment will be carried out through SIG's branch network.

Implement telematics (UK)
(H2 2013) COMPLETED
Telematics was rolled out across the Group's UK fleet in 2013.

Forklift truck purchasing agreement
(H2 2013) COMPLETED
A Group-wide purchasing agreement was signed with Linde in 2013.

Implement telematics (Mainland Europe)
(2015) IN PROGRESS
Roll out in Mainland Europe has been slower than originally anticipated. It has now been implemented in the Group's French fleet and is due to be rolled out in Germany and Poland during 2015.

Fleet purchasing agreement
(H1 2014) COMPLETED
Group-wide purchasing agreements have been signed with Mercedes and DAF.

Design UK platform
(H1 2014) COMPLETED
The design phase of the Group's new UK eCommerce platform was completed on schedule in 2014.

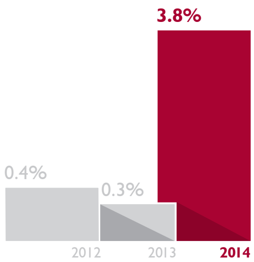
Launch UK platform
(2015) ON TRACK FOR 2016
The website is now in its development and build phase, with SIG targeting launch in early 2016.

Mainland Europe strategy
(2015) COMPLETED
SIG is already successfully operating some eCommerce sites in Mainland Europe. It will continue to progress these local solutions.

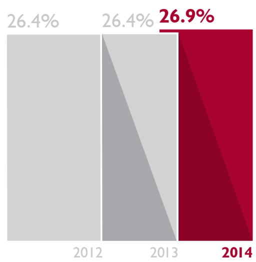
How We Measure Performance – KPIs

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

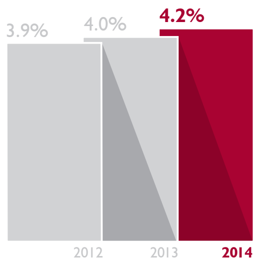
LIKE-FOR-LIKE SALES



UNDERLYING GROSS MARGIN



UNDERLYING OPERATING MARGIN



	LIKE-FOR-LIKE SALES	UNDERLYING GROSS MARGIN	UNDERLYING OPERATING MARGIN
DEFINITION	The percentage growth/(decline) in the Group's sales per day (in constant currency) excluding any current and prior year acquisitions and disposals. Sales are not adjusted for organic branch openings and closures.	The ratio of underlying gross profit to underlying sales (excluding businesses divested, or agreed to be divested).	The ratio of underlying operating profit to underlying sales (excluding businesses divested, or agreed to be divested).
2014 PERFORMANCE	SIG estimates that overall its markets grew by c.1.0% in 2014. Like-for-like sales grew by 3.8% when compared to the prior year which equates to a market outperformance of c.2.8%.	The Group has delivered a gross margin of 26.9%, representing a 50bps improvement when compared to the prior year. Excluding the incremental benefit of the Strategic Initiatives the gross margin remained flat when compared to the prior year (2013: 26.4%), a good solid performance in uncertain trading markets.	The operating margin for the Group improved by 20bps when compared to the prior year. In order to provide the required infrastructure to support the continued organic growth of the business, the Group has invested in a number of initiatives and new branch openings, which increased the Group's operating costs by £6.4m year-on-year.
2015 TARGET	→ Market outperformance of c.2.0%-3.0%	→ Continuous improvement	→ Continuous improvement
STRATEGIC FOCUS	1 2	1 3 5	1 2 3 4 5
PRINCIPAL RISK	Market conditions Government legislation Commercial relationships	Competitors and margin management Commercial relationships	IT infrastructure

Their relevance to our strategy and our performance against these measures are explained below:

Relevance to strategy

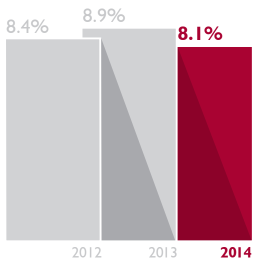
1 Outstanding Customer Service
2 Sales Outperformance
3 Gross Margin Enhancement
4 Operational Efficiency
5 Focus on Financial Returns
6 Exceptional People

Remuneration

Some KPIs are used as a measure in the incentive plans for the remuneration of executives.

These are identified with the symbol ®.

LIKE-FOR-LIKE WORKING CAPITAL TO SALES®



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 in the current and prior year) on a constant currency basis.

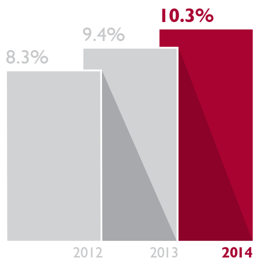
The Group recorded a working capital to sales ratio of 8.1% in 2014. This ratio benefited from the £12.6m of contingent consideration recognised in respect of current and prior year acquisitions (2013: £0.6m). The Group's working capital to sales at 31 December 2014 excluding contingent consideration was 8.6% (2013: 8.9%), in line with the Group's objective of no more than 9.0%.

→ Working capital to sales of no more than 9%

4 5

Working capital and credit management

RETURN ON CAPITAL EMPLOYED®



The ratio of underlying operating profit less taxation divided by average capital employed (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 Group is creating an economic profit for its Shareholders.

The Group recorded a post-tax ROCE of 10.3% in 2014, 90bps above prior year (9.4%) and 310bps above WACC (7.2%). This has been achieved through a combination of increased operating profit, in part due to savings from the Group's Strategic Initiatives, and effective balance sheet management.

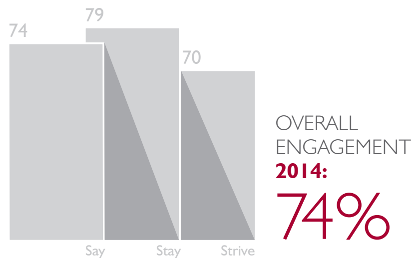
While this implies that SIG has met its medium-term target for ROCE to exceed its WACC by 300bps by 2015, the Group recognises that it has benefited from a reduced WACC.

→ To further increase the Group's ROCE above 11%

1 2 3 4 5

Market conditions
Competitors and margin management
Working capital and credit management

EMPLOYEE ENGAGEMENT



The delivery of SIG's strategy depends on its exceptional people. The engagement of these individuals is therefore a key measure of performance of the Group.

Engagement is measured by considering "what our people 'say' about SIG", "are they committed to 'staying' in SIG" and "they 'strive' to go the extra mile".

SIG performed its first Group-wide employee engagement survey during 2014. Overall, 81% of employees took part in the survey, with 71% in UK & Ireland and 85% in Mainland Europe.

Of the responses, 74% of all employees reported as "being engaged", which aligns to industry benchmarks.

Following the survey, working groups have been established at Group and local level, with actions being implemented which focus on three key areas of communication, recognition and personal development.

→ 81% Completion rate

→ 74% Overall engagement *

* Target is to maintain existing overall engagement level in a year where significant change is planned

6

Availability and quality of key resources

Principal Risks and Uncertainties

OUR FOCUS ON CUSTOMER SERVICE AND OPERATIONAL EXCELLENCE, TOGETHER WITH THE REGULATED AND COMMERCIALLY COMPETITIVE ENVIRONMENT OF THE CONSTRUCTION SUPPLIES INDUSTRY, LEAVE US EXPOSED TO A NUMBER OF RISKS. THE GROUP RISK MANAGEMENT SYSTEMS IDENTIFY, MONITOR AND REPORT ON KEY OPPORTUNITIES AND RISKS AND ARE A FUNDAMENTAL AND INTEGRATED PART OF ALL MANAGEMENT PROCESSES.

Risk management involves the identification and evaluation of risks and is the responsibility of the Group Board. The Group's ability to manage risk is continually growing through the focus on risk management capability to ensure that it remains robust and that emerging risks are identified, assessed and managed effectively.

The risk management process incorporates both top down and bottom up elements to the identification, evaluation and management of risks, and all risks evaluated are referenced to the achievement of the Group's Strategic Initiatives. 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 the Group's risk management procedures is included in the Corporate Governance section on pages 59 to 61.

There are a number of potential risks and uncertainties which 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:

RISK IDENTIFICATION, MONITORING AND REPORTING FRAMEWORK

2014 DEVELOPMENTS

Throughout 2014 SIG has continued to develop the integrated approach to its risk and assurance activities. Specifically, the following improvements were implemented:

- external review of the internal control and risk framework in conjunction with the new internal audit partner (KPMG from 1 January 2014);
- refresh of the risk management processes;
- review of self-certification processes;
- development of dashboards to support risk and control practices;
- improved interaction with specialist risk committees and forums which improve visibility and enable a more consistent approach to risk identification; and
- introduction of Group-wide control framework forums to identify and drive best practice.

PLANNED IMPROVEMENTS FOR 2015

SIG will continue to improve its risk management processes with a number of initiatives:

- review of risk management software to help improve risk identification and drive consistency;
- deliver risk management training to help confirm a consistent approach in embedding risk practices throughout the business as well as educating employees on the importance of this discipline; and
- refresh the Group's cyber security structure in order to ensure that it remains resilient and able to evolve to counter the increasing complexity and volume of information security threats to the wider business community.

Link to our Strategic Pillars

1 Outstanding Customer Service
2 Sales Outperformance
3 Gross Margin Enhancement
4 Operational Efficiency
5 Focus on Financial Returns
6 Exceptional People

Read more about our Strategic Pillars on page 11

Understanding movements in business risk:

- Increase
- No Change
- Decrease

Throughout the year the risks that SIG faces have been critically reviewed and evaluated. The assessment of the most significant risks and uncertainties that could impact SIG's long-term performance are outlined in this section of the report. These risks are not set out in any order or priority and they do not comprise all the risks and the uncertainties that SIG faces. This list is not exhaustive and has the potential to change as some risks assume greater importance than others during the course of the year.

RISK AND LINK TO STRATEGIC PILLARS	TREND	KEY MITIGATION ACTIVITIES INCLUDE:	OUR FOCUS IN 2014
Market conditions 2 3			
The Group is exposed to changes in the level of activity and therefore demand from the building, construction and civil engineering industries. Government policy and expenditure plans, private investor decisions, the general economic climate and both business and (to a lesser extent) consumer confidence are all factors which can influence the level of building activity and therefore the demand for many of the Group's products.	↔	▪ Maintain a broad spread of markets, products and customers to limit risks within any given territory ▪ The Group Board's portfolio review ensures that the Group's capital is appropriately allocated to the geographies and markets which remain core ▪ Continual review of all available indicators of market activity and regular communication with key suppliers and customers to ensure that any change in market demand is anticipated as early as possible ▪ Ensure the Group remains structured in a way that enables it to take prompt action in the event of a material change in the trading environment ▪ Ensure the Group maintains a strong balance sheet and financial position	▪ Rebranding ▪ One-off restructuring actions ▪ Strategic Initiatives ▪ Selected ROCE enhancing acquisitions ▪ Divestment of three underperforming businesses ▪ Further diversification through investment in specialist niche markets
Competitors and margin management 2 3 5			
Challenging market trading conditions mean that competition pressures from direct specialist competition and the overlap with general suppliers remain high, which in turn results in continued margin pressures being faced by the Group.	↔	▪ Strong trading presence in the majority of the markets in which the Group trades ▪ Initiatives designed to improve the Group's core competencies surrounding customer service, sales support and training ▪ Ongoing pricing and purchasing initiatives, including supplier rebates, designed to improve gross margin ▪ Tight control of operating costs ▪ Significant investment in the branch network, people, IT infrastructure and product offering ▪ Diversified portfolio of products, customers and markets limit the risk from any single competitor	▪ Recruitment of 27 procurement specialists ▪ Specialist training ▪ Investment in IT ▪ Professionalising procurement and pricing management ▪ Audit Committee review of supplier rebate procedures and controls

RISK AND LINK TO STRATEGIC PILLARS	TREND	KEY MITIGATION ACTIVITIES INCLUDE:	OUR FOCUS IN 2014
Commercial relationships 1 3			
Failure to negotiate competitive terms of business with suppliers or failure to satisfy the needs of customers could harm the Group's business. Customer or supplier consolidation and/or manufacturers dealing directly with customers.	↓	- Ongoing pricing and purchasing initiatives designed to improve gross margin - The Group has extensive and regular dialogue with all commercial partners to maintain strong relationships - Key supplier/customer harmonisation and national account strategy planning - The Group is not overly reliant on any one supplier and all businesses undergo alternative key supplier scenario planning - Strategically important suppliers are reviewed globally to assess their financial health - Monitoring of customer behaviour and performance	- Procurement Initiative - Commercial partner relationship rationalisation
Government legislation 5 6			
SIG operates in a number of countries, 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 the conduct of such business more expensive. There is also the reputational and financial cost of being penalised for non-compliance.	↓	- Dedicated resource to monitor compliance with legal and regulatory matters - Active monitoring of relevant laws and regulations to ensure that any changes to the legal framework are identified and effects minimised - Review of policies and procedures with reference to changing legislative requirements and the provision of associated training - Affiliation with regulatory bodies and trade associations - Strong internal control framework, policies and culture supported by strong leadership, accountability and commitment throughout the organisation	- 'Zero Harm' initiative - Training and development programmes - Anti-Bribery and Corruption Policy - Data protection e-learning initiative
Debt 5			
Group net debt at 31 December 2014 amounted to £126.9m. The Group has to manage the following risks relating to its net debt: → future availability of funding; → interest rate risk; → foreign currency risk; → compliance with debt covenants; and → counterparty credit risk.	↓	- Comprehensive Treasury Policy (please see Treasury Risk Management section on page 33) - Regular monitoring, including sensitivity analysis, to understand the impact of interest rate and exchange rate movements - Active hedging programme in place - Monitor performance against covenants on the Group's Revolving Credit Facility and private placement notes	- Refinanced £250m committed bank facility, maturing October 2019 - Regular meetings of the Tax and Treasury Committee

Link to our Strategic Pillars

1 Outstanding Customer Service
2 Sales Outperformance
3 Gross Margin Enhancement
4 Operational Efficiency
5 Focus on Financial Returns
6 Exceptional People

Read more about our Strategic Pillars on page 11

Understanding movements in business risk:

- Increase
- No Change
- Decrease

RISK AND LINK TO STRATEGIC PILLARS	TREND	KEY MITIGATION ACTIVITIES INCLUDE:	OUR FOCUS IN 2014
Working capital and credit management 1 4 5			
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 is a Key Performance Indicator of the Group Cash flow targets are agreed with each business unit as part of the annual budget process and reviewed on a monthly basis Stringent authorisation procedures to control capital expenditure Proactive credit management systems	Branch reviews Strategic Initiatives Internal credit control forums to share best practice Recruitment of 27 procurement specialists Investment in IT CICQM accreditation renewal
IT infrastructure and cyber security 4 5			
SIG uses a range of computer systems across the Group. Outages and interruptions could affect the ability to conduct day-to-day operations which could result in loss of sales and delays to cash flow. Key systems are breached causing financial loss, data loss, disruption or damage. A new ERP system is currently being implemented within the UK distribution businesses.	Increase	Continual review of IT strategies to ensure they remain appropriate Business continuity framework Dedicated internal IT support team together with external support providers Regular updates to technology, infrastructure, communications and application systems 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 Collaborative cross functional risk group in place	The new ERP system for the UK distribution businesses has been successfully rolled out to selective branches during the course of 2014 and this will continue during 2015 Newly appointed Chief Information Officer ("CIO") Awareness of increased exposure to cyber crime
Availability and quality of key resources 4 6			
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 attract and retain key individuals, strong management and technical staff in the future could have an adverse effect upon the Group's business.	No Change	Strategic and budget reviews ensure all key resource requirements are identified and managed Senior management succession planning Continue to evolve a defined people strategy based on culture and engagement, talent management, training and reward recognition Provision of channels for employees to raise concerns to promote an environment of honesty and trust	Appointment of a Group Talent and Development Director and a Group Reward Director Employee engagement survey Increased employee communication and engagement

Our Performance

SIG began the year strongly, benefiting from the mild weather and weak comparatives, increasing like-for-like ("LFL") sales by 7.1% in the first half, with good growth in both the UK & Ireland and Mainland Europe.

The Group's trading performance then moderated in the second half, with LFL sales increasing marginally, by 0.8%. While for the UK & Ireland this moderation was in line with SIG's expectations, and mainly due to stronger comparatives, Mainland Europe was weaker than anticipated due to a downturn in the macroeconomic environment.

For the year as a whole SIG delivered good LFL sales growth of 3.8%, with the Group experiencing marginal product price inflation of 0.1% and a volume increase of 3.7%. Given SIG estimates that the overall market, weighted according to the sectors in which it operates, was up by 1.0%, this equates to an outperformance of 2.8%.

> "For the year as a whole SIG delivered good like-for-like sales growth of 3.8%."
>
> **STUART MITCHELL** CHIEF EXECUTIVE

Group sales from continuing operations, which exclude the disposals of Miller Pattison, German Roofing and Ice Energy, were up 2.5% to £2,602.9m (2013: £2,539.7m), despite the adverse effects of foreign exchange translation, which reduced sales by 3.1%.

In the UK & Ireland revenues from continuing operations increased 11.3% to £1,336.2m (2013: £1,200.3m), and were up 9.2% on a LFL basis, having been driven primarily by strong demand in the UK and Irish residential sectors. In the UK LFL sales increased by 8.9% and in Ireland were up by 14.7%.

Sales in Mainland Europe from continuing operations decreased by 5.4% to £1,266.7m (2013: £1,339.4m), due in part to the adverse effect of movements in foreign exchange rates. On a LFL basis sales in Mainland Europe declined by 1.0%.

The Group made strong progress on its Strategic Initiatives to improve business performance, delivering a net benefit after incremental costs of £10.1m, mainly sourced from procurement, well ahead of its original target. As a result SIG's underlying gross margin increased 50bps to 26.9% (2013: 26.4%).

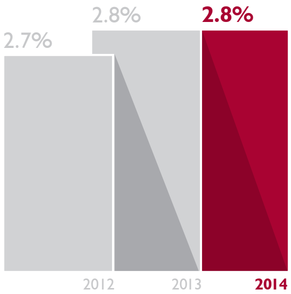
Underlying operating profit increased 8.8% to £110.2m (2013: £101.3m) and underlying operating margin was up by 20bps to 4.2% (2013: 4.0%). Underlying net finance costs increased slightly to £12.1m (2013: £11.3m), which resulted in underlying profit before tax increasing by 9.0% to £98.1m (2013: £90.0m). Underlying basic earnings per share from continuing operations increased 11.2% to 11.9p (2013: 10.7p).

On a statutory basis profit before tax was £39.0m (2013: £2.1m) and basic earnings per share were 5.6p (2013: loss of 2.5p).

Net debt at 31 December 2014 was £126.9m, an increase of £5.7m compared to the prior year (2013: £121.2m). Net capital expenditure (excluding property disposals) was £36.6m (2013: £38.1m), 53% higher than depreciation of £24.0m (2013: £23.7m) and in line with guidance.

LIKE-FOR-LIKE MARKET OUTPERFORMANCE

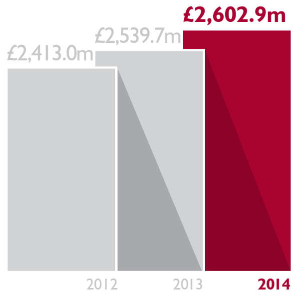
2.8%



CONTINUING SALES

↑2.5%

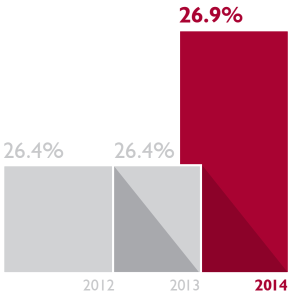
(2013: 5.3%)



GROSS MARGIN

↑50bps

(2013: maintained)

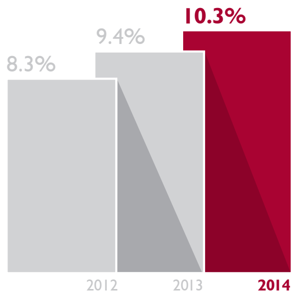


ROCE*

↑90bps

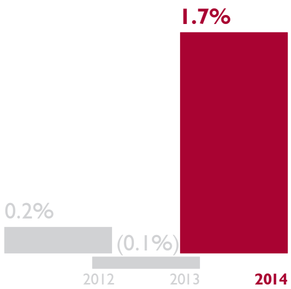
(2013: +110bps)

* Excluding profits/losses associated with divested businesses



NET OPERATING COST INFLATION/(DEFLATION)

1.7%



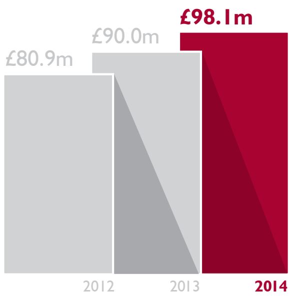
NUMBER OF BRANCHES

666

UNDERLYING PROFIT BEFORE TAX

↑9.0%

(2013: 11.2%)

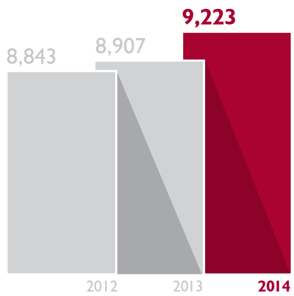


AVERAGE NUMBER OF EMPLOYEES*

↑3.5%

(2013: 0.7%)

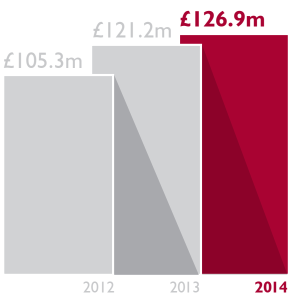
* On a continuing basis



NET DEBT

↑4.7%

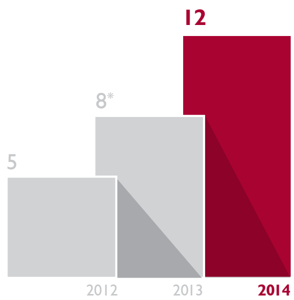
(2013: 15.1%)



NUMBER OF ACQUISITIONS COMPLETED

12

* Excluding Ice Energy that was divested in 2014



RETURN ON CAPITAL EMPLOYED

Post-tax Return on Capital Employed is the key metric for the Group and is calculated as underlying operating profit less tax, divided by average net assets plus average net debt.

In 2014 SIG's ROCE increased by 90bps to 10.3% (2013: 9.4%), 310bps higher than Group WACC of 7.2% (2013: 8.3%). The Group has therefore achieved its target of ROCE exceeding WACC by 300bps a year early, although in doing so it recognises that it has benefited from a lower WACC.

For 2015 SIG remains committed to its medium-term objective of achieving ROCE in excess of 11.0%. As well as taking a disciplined approach to its capital management, SIG seeks to achieve this target through further improvements in its gross and operating margins.

ACQUISITIONS

In 2014 SIG acquired 12 businesses for £20.9m together with a contingent consideration of up to £29.8m depending on future performance. Seven of the acquisitions were in the UK, three in France and one each in Germany and The Netherlands.

Since restarting its acquisition programme in 2012, newly acquired infill businesses are performing well and meeting their internal targets, with returns in aggregate higher than the Group's ROCE.

Given the Group's good cash conversion rates and strong financial position, going forward SIG is seeking to increase the pace at which it makes its acquisitions and is targeting larger infill businesses. It therefore is targeting to spend around £200m on infill acquisitions over the next three years, while maintaining its strict financial criteria and hurdle rates.

DISPOSALS

During the year SIG divested three businesses whose returns were below the Group's WACC and whose prospects of significantly improving performance over the medium-term were considered unlikely. These disposals were:

- → The Group's German Roofing business, which was acquired by The Gores Group, a US private equity firm in February 2014;
- → Miller Pattison Limited, a residential insulation installation and contracting business, which was sold to Help-Link UK in April 2014; and
- → A 50.6% stake in Ice Energy Technologies Limited, a renewable energy solutions provider of air and ground source heat pumps, which was sold to the existing Ice Energy management team in October 2014.

In 2013, the last full year of SIG ownership, these three businesses reported combined sales of £180.1m and made an underlying operating loss of £1.8m.

UK & IRELAND TRADING REVIEW

- → Sales from continuing operations increased 11.3% to £1,336.2m (2013: £1,200.3m)
- → Gross margin from continuing operations up 50bps to 26.7% (2013: 26.2%)
- → Underlying operating profit increased 31.0% to £65.9m (2013: £50.3m)
- → Underlying operating margin up 70bps to 4.9% (2013: 4.2%)
- → Statutory operating profit of £18.8m (2013: £24.1m)

Continuing operations	2014 Sales £m	Change	LFL change	Change in gross margin
United Kingdom	1,265.2	11.5%	8.9%	50bps
Ireland	71.0	8.4%	14.7%	(30)bps
UK & Ireland	**1,336.2**	**11.3%**	**9.2%**	**50bps**

United Kingdom

Sales in the UK from continuing operations increased 11.5%, and by 8.9% on a LFL basis. Gross margin was up by 50bps principally due to savings from the Group's strategic procurement initiative, together with an improved performance in its roofing business compared to 2013, when margin was affected by market pricing and volume pressures.

The residential market experienced good growth in 2014, with the Construction Product Association reporting that the value of the private new build UK housing market grew by 18.0%. SIG expects continued robust growth in the sector in 2015, although the rate of expansion may slow somewhat compared to the prior year.

While trading conditions in the non-residential sector are improving, SIG has not yet benefited from this growth mainly due to its later cycle exposure. However, assuming this upturn continues, the Group anticipates that this should start to feed through into its sales performance during 2015.

Although the Group's overall outlook for the UK construction market this year is positive, it recognises that there are risks principally relating to the General Election and ongoing uncertainty in the Eurozone.

The roll out of the UK's new ERP system, Kerridge K8, continues to progress well and has now been completed across the back offices. The branch roll out is also well underway and is expected to be completed in 2016.

> ***"The Group's overall outlook for the UK construction market this year is positive."***
>
> **STUART MITCHELL** CHIEF EXECUTIVE

Ireland

Sales in Ireland increased by 8.4%, and were up 14.7% on a LFL basis. Gross margin fell by 30bps due to pricing pressures in the market. SIG benefited from a strong recovery in the Irish residential market, which according to Euroconstruct was up by 17.5% compared to 2013. SIG anticipates that the market will remain robust in 2015, although growth is likely to slow from its 2014 level.

MAINLAND EUROPE TRADING REVIEW

- → Sales from continuing operations decreased 5.4% to £1,266.7m (2013: £1,339.4m)
- → Gross margin from continuing operations increased 50bps to 27.1% (2013: 26.6%)
- → Underlying operating profit declined 8.1% to £54.2m (2013: £59.0m)
- → Underlying operating margin down 10bps to 4.3% (2013: 4.4%)
- → Statutory operating profit of £44.3m (2013: loss of £0.7m)

Continuing operations	2014 Sales £m	Change	LFL change	Change in gross margin
France	586.1	(5.8)%	(2.1)%	80bps
Germany & Austria	412.2	(5.8)%	(0.3)%	(40)bps
Benelux*	156.4	1.0%	5.1%	100bps
Poland	112.0	(10.2)%	(5.7)%	160bps
Mainland Europe	**1,266.7**	**(5.4)%**	**(1.0)%**	**50bps**

* Includes Air Trade Centre

France

Sales in France decreased by 2.1% on a LFL basis, and were down by 5.8% in Sterling due to movements in foreign exchange. However, gross margin increased 80bps having benefited significantly from the Group's procurement initiative.

The French construction market remained challenging during 2014, declining by 5.1%. The residential sector in particular performed poorly, with new housing starts down by 10%, falling back to around 300,000, a level not seen in France since 1998. Activity in the non-residential sector also continued to decline, although not to the same degree as the housing market.

However, SIG outperformed the French market in 2014, by 3.0%. The Group believes this is due to a number of factors including a continuing shift in the market away from generalists towards specialists, the strength of SIG's local management team and the increasing maturity of the Group's new branches.

SIG operates a lean business in France and despite market conditions continues to make good returns in this market. Although stable, the Group expects market conditions to remain weak in France during 2015.

MAINLAND EUROPE TRADING REVIEW
CONTINUED

Germany & Austria

Sales in Germany & Austria decreased marginally on a LFL basis, by 0.3%, broadly in line with the market, and were down by 5.8% in Sterling. Gross margin was down by 40bps, as savings from the Group's procurement initiative were offset by the downward impact of changes in product mix, particularly lower demand for industrial insulation. However, the longer-term trend has been positive with gross margin improving by 110bps over the last three years.

Following a good first half performance, when SIG reported LFL sales growth of 5.1%, the German construction market took an unexpected downturn in the third quarter, which was not helped by the crisis in Ukraine. As a result, the Group's LFL sales in Germany were down by 5.0% in the second half.

Although the market has stabilised, there are no signs yet of any improvement in trading conditions in SIG's markets in Germany.

Benelux and Poland

Sales in Benelux (which includes Air Trade Centre) were up 1.0% and by 5.1% on a LFL basis. While Belgium performed well in the first half of the year, and the construction market in The Netherlands was weak, in the second half the recovery in The Netherlands began, whereas Belgium weakened.

In Poland, sales decreased by 10.2%, and 5.7% on a LFL basis, outperforming the market by 1.1%. Sales were partly impacted by the closure of two loss-making branches towards the end of 2013, and deteriorating macroeconomic conditions as the year progressed, with business confidence being affected by the ongoing crisis in Ukraine.

Gross margin in both regions benefited from the Group's procurement initiative. In Poland gross margin was also helped by increased sales of higher margin own label products.

GROUP OUTLOOK

SIG anticipates that trading conditions will remain variable across the Group's countries of operation in 2015, with continued good growth in the UK & Ireland and uncertainty persisting in Mainland Europe.

While the Group also notes the continuing weakening of the Euro and potential adverse translational effect on profit, it expects this headwind to be partially offset by lower fuel costs.

With continued scope for self-help through market outperformance and the Strategic Initiatives, SIG is confident of achieving further progress this year, although strong H1 comparators mean that this will be weighted towards the second half.

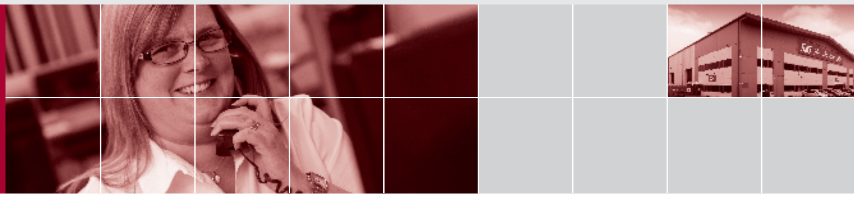
STRATEGIC INITIATIVES

The Group has made strong progress on its Strategic Initiatives to improve business performance, delivering a net profit benefit after incremental costs of £10.1m, well ahead of its original £1-5m target, in what was only the first full year of the programme. This was derived from gross savings of £16.9m, which represented a significant overdelivery on SIG's initial expectations, net of additional investment of £6.8m, which was in line with the Group's original cost estimate.

Going forward SIG continues to target a cumulative net benefit of c.£20m in 2015 and c.£30m in 2016. Given its strong start in 2014 the Group has a high degree of confidence in achieving these targets.

The delivery of the Group's Strategic Initiatives is underpinned by a significant culture change programme. Its operating businesses are now working more closely together to ensure the whole is greater than the sum of its parts.

> *"The Group has made strong progress on its strategic initiatives to improve business performance."*
>
> **STUART MITCHELL** CHIEF EXECUTIVE



Procurement

During 2014 SIG made gross savings of £14.7m from its procurement initiative, significantly exceeding its expectations. These savings, of which £7.9m were in the UK & Ireland and £6.8m were in Mainland Europe, have resulted in a 50bps improvement in the Group's gross margin.

Procurement efficiencies have been obtained from all of SIG's six international category forums covering roofing, ceilings, technical insulation, structural insulation, air handling and dry lining, and are broadly proportionate to the Group's expenditure in each of these areas.

Commercial Vehicles

SIG is improving the utilisation of its commercial vehicles through the more effective use of technology. Telematics has been implemented in the Group's UK and French fleets, with the next roll-outs expected in Germany and Poland in 2015.

The Group is also improving the way it procures commercial vehicles, signing Group-wide purchasing agreements for its forklift trucks with Linde, and with Mercedes and DAF for its fleet.

Branch Network

The Group has made substantial progress consolidating its network over recent years, significantly reducing the number of its branches. This rationalisation included the opening of a new supersite in the North East of England in December 2013, which combined four branches into one. The supersite continues to perform well and was ahead of its budget in 2014.

The Group also scoped its ideal UK and German networks during 2014, concluding that there are further opportunities to rationalise its insulation and interiors businesses and that there is potential to grow its UK exteriors business either organically or through acquisitions. These plans are currently being implemented.

Concurrently, SIG is undertaking a comprehensive supply chain review, the findings of which will be reported in 2015.

eCommerce

The design phase of the Group's new UK eCommerce platform was completed on schedule in 2014. Further development is now planned for 2015. SIG is committed in the first half of 2016 to launching a market-leading online proposition that meets its customers' needs.

In Mainland Europe SIG is already successfully operating eCommerce sites and the Group will continue to develop these local solutions. The Air Trade Centre eCommerce proposition in Belgium is well established, while strong progress is being made in developing the platforms in both Germany and Poland. SIG will continue to evaluate the success of these propositions, further refining them while concurrently determining its longer-term strategy in support of the Group's vision of being Stronger Together.

Financial Review

GROUP PERFORMANCE

	Statutory			Underlying*		
	2014 £m	2013 £m	Change	**2014 £m**	2013 £m	Change
Sales	**2,633.9**	2,719.8	(3.2)%	**2,602.9**	2,539.7	+2.5%
Gross margin	**26.7%**	26.1%	+60bps	**26.9%**	26.4%	+50bps
Operating profit	**53.2**	15.4	+245%	**110.2**	101.3	+8.8%
Profit before tax	**39.0**	2.1	+1,757%	**98.1**	90.0	+9.0%
Basic earnings/(loss) per share (pence)	**5.6p**	(2.5)p	+8.1p	**11.9p**	10.7p	+1.2p
Total dividend per share (pence)	**4.40p**	3.55p	+0.85p	**n/a**	n/a	n/a
Working capital to sales	**n/a**	n/a	n/a	**8.1%**	8.9%	(80)bps
Post-tax Return on Capital Employed	**n/a**	n/a	n/a	**10.3%**	9.4%	+90bps

* Underlying is before the amortisation of acquired intangibles, restructuring costs, other one-off items, profits and losses arising on the sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, goodwill impairment charges, unwinding of provision discounting, fair value gains and losses on derivative financial instruments, one-off recognition of deferred tax assets, the taxation effect of these items and the effect of changes in taxation rates.

Achieved all 2014 financial objectives

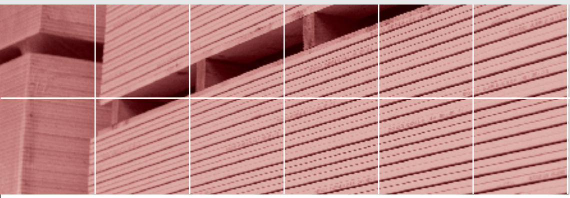
Increase post-tax Return on Capital Employed	+90bps ✔
Gross margin enhancement	+50bps ✔
Improve operating margin	+20bps ✔
£1m-£5m net benefit from strategic initiatives	£10.1m ✔
Closing working capital 8-9% of sales	8.1% ✔
Year end leverage of c. 1.0x	1.0x ✔

OVERVIEW

SIG made good progress in 2014, delivering a net benefit on its Strategic Initiatives of £10.1m, well ahead of its original £1m-£5m target, and increasing its post-tax Return on Capital Employed ("ROCE") by 90bps to 10.3% for the year ended 31 December 2014 (2013: 9.4%).

As ROCE of 10.3% compares to a Group Weighted Average Cost of Capital ("WACC") of 7.2% for the same period (2013: 8.3%), SIG has therefore met its ROCE target of exceeding WACC by 300bps. However, the Group does recognise that this achievement has been in part due to a lower WACC, and is therefore targeting a ROCE in excess of 11.0% in 2015.

During the year the Group refinanced its Revolving Credit Facility, securing a £250m five-year facility with five relationship banks, assuring sufficient funding headroom to support its medium-term strategic plans and safeguarding the financial position of the Group.



REVENUE

	2014 £m	2013 £m	Change
Continuing sales*	**2,602.9**	2,539.7	+2.5%
Divested businesses			
German Roofing	**12.4**	137.4	n/a
Miller Pattison	**8.6**	25.2	n/a
Ice Energy (50.6% stake)	**10.0**	17.5	n/a
Sales attributable to divested businesses	**31.0**	180.1	n/a
Total sales	**2,633.9**	2,719.8	(3.2)%

* Continuing sales represents total sales less sales attributable to businesses divested in both 2014 and 2013.

In order to provide a better guide to the future earnings of the Group, the results of the three businesses divested in the period, together with their comparatives, have been classified as "Other items" within the Consolidated Income Statement.

Group sales from continuing operations in Sterling grew by 2.5% to £2,602.9m (2013: £2,539.7m). Eliminating the impact of foreign exchange rate movements, total continuing sales grew by 5.6% in constant currency. The incremental impact of acquisitions made in the current and prior year contributed 1.8% to this sales growth, and therefore, excluding 2014 and 2013 acquisitions, the Group's sales on a constant currency basis were up 3.8%. The weighted number of trading days in the year ended 31 December 2014 compared to the prior year had no impact on the like-for-like sales performance of the Group as a whole.

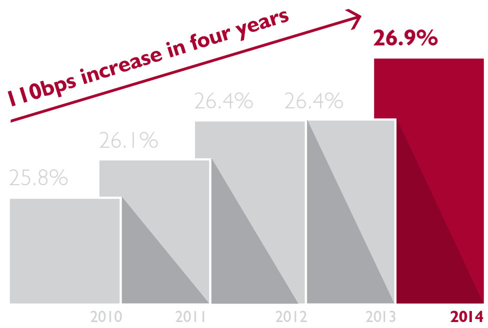
Like-for-Like Constant Currency Sales Performance ^

	Group	UK & Ireland	Mainland Europe
First half	**+7.1%**	+11.6%	+3.2%
Second half	**+0.8%**	+7.1%	(4.8)%
Full year	**+3.8%**	+9.2%	(1.0)%

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

SIG estimates that overall its markets grew by c.1.0% in 2014. Given the Group achieved a like-for-like constant currency sales growth of 3.8%, 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 nine branches have been opened in the year (2013: eight openings).

GROSS MARGIN

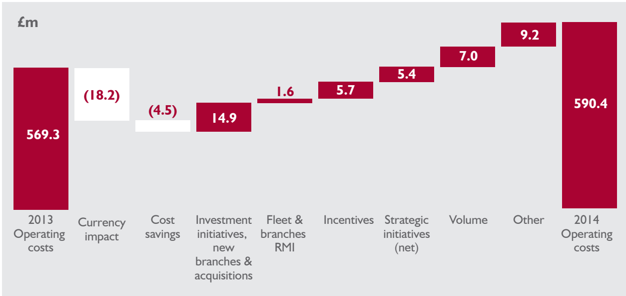


The Group's underlying gross profit margin has increased by 50bps to 26.9% (2013: 26.4%), with both the UK & Ireland and Mainland Europe operating segments reporting 50bps improvements. The majority of the gross margin improvement when compared to 2013 arises from the Group's Strategic Initiatives, specifically the procurement and branch network initiatives. Excluding the benefit of the Strategic Initiatives, the Group's gross margin would have remained level year-on-year at 26.4%, a good performance given challenging markets in Mainland Europe.

Gross margin at 26.9% has increased by 110bps since 2010 (25.8%). Obtaining the best possible returns from the Group's assets is a fundamental component of SIG's strategy and therefore, as detailed on page 12, SIG intends to continue to target gross margin improvement through further development of its procurement initiatives and by continuing to work closely with its key suppliers.

OPERATING COSTS

2014 v 2013 Operating Cost Bridge



Underlying operating costs increased by £21.1m (3.7%) in 2014. On a constant currency basis, underlying operating costs increased by £39.3m (6.9%).

During the year SIG has made a number of investments in organic growth initiatives (£3.7m) and new branches (£2.7m) that will support future growth. In addition, acquisitions have increased the Group's operating costs by a total of £8.5m year-on-year. The Group also experienced an increase of £5.7m in incentive charge reflecting the exceptionally strong performance in the UK & Ireland in 2014.

OPERATING COSTS CONTINUED

The Group has continued to review its operational efficiency in 2014 and has identified further annualised cost savings of c.£5.4m with associated restructuring costs of £9.2m. Approximately £4.5m of these savings are expected to be realised in 2015 (£2.3m being in relation to the Group's Strategic Initiatives).

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 20bps to 0.3% of sales (2013: 0.5% of sales, 2012: 0.6% of sales), an exceptional performance in uncertain market conditions. This is testament to the quality and strength of our credit control teams and our strong credit control procedures. Despite this improvement, the Group is very mindful of the risk of bad debts increasing. The Group's credit control policies and procedures are regularly reviewed and, where considered commercially appropriate, the Group's businesses have credit insurance to protect them from bad debts rising above prescribed aggregate loss levels.

Taking into account the investment made during the year, the Group experienced operating cost inflation in the year of 2.5%. Net of cost savings from 2014 and 2013 actions, operating cost inflation was 1.7% in 2014 (2013: deflation of 0.1%).

OTHER ITEMS

In order to provide an indication of the continuing earnings of the Group, the Group separately identifies "Other items" on the face of the Consolidated Income Statement. These items are separately reported due to their non-recurring, significant or unusual nature and their impact on the performance of the Group.

	2014 £m	2013 £m
Underlying profit before tax	**98.1**	90.0
Other items		
Amortisation of acquired intangibles	**(19.6)**	(20.6)
Goodwill impairment charge	**–**	(2.0)
Profits and losses arising on sale of businesses and associated impairment charges	**(14.0)**	(42.8)
Net operating losses attributable to businesses divested in 2014	**(6.7)**	(1.8)
Share of loss of associate	**–**	(0.1)
Net restructuring costs	**(9.2)**	(18.0)
Other one-off items	**(7.5)**	(0.7)
Net fair value losses on derivative financial instruments and unwinding of provision discounting	**(2.1)**	(1.9)
Total other items	**(59.1)**	(87.9)
Statutory profit before tax	**39.0**	2.1

Amounts reported in the "Other items" column of the Consolidated Income Statement which in total amounted to a loss before tax of £59.1m (2013: £87.9m) are as follows:

- **Amortisation of acquired intangibles** – £19.6m (2013: £20.6m). In response to the economic downturn, SIG halted its acquisition activities between 2008 and 2012. Intangible amortisation is therefore expected to fall significantly in future years as the intangible assets realised through the acquisitions in 2008 and prior become fully amortised. This is expected to outweigh the increase in amortisation arising from acquisitions made since 2012. The Accounting Policies section on pages 98 to 99 and Note 13 to the Accounts on page 121 provide details of what is included within intangible assets and over what periods the assets are amortised;
- **Goodwill impairment charge** – £nil (2013: £2.0m). An impairment of £2.0m was made in the prior year relating to the UK Energy Management Cash Generating Unit (the Miller Pattison operating business) that was subsequently divested in 2014;
- **Profits and losses arising on sale of businesses and associated impairment charges** – £14.0m (2013: £42.8m). The non-recurring charge was recognised in respect of the divestment of the Group's German Roofing, Miller Pattison and Ice Energy (50.6% stake) operating businesses that were divested during the year. Further detail of the nature and breakdown of this non-recurring charge can be found in the Divestments section of the Financial Review and Note 11 to the Accounts on page 118;
- **Net operating losses attributable to businesses divested in 2014** – £6.7m (2013: £1.8m). The 2014 results of German Roofing, Miller Pattison and Ice Energy, together with their 2013 comparatives have been reported as "Other items" on the basis of their non-recurring nature. A detailed breakdown of their individual impact can be found in the Divestments section of the Financial Review;
- **Net restructuring costs** – £9.2m (2013: £18.0m). The Group has taken a number of actions during the year to improve the efficiency of its fixed cost base. These one-off actions have resulted in redundancy costs of £3.9m (2013: £7.6m), property closure costs of £3.1m (2013: £5.8m), asset write down costs of £nil (2013: £0.2m), rebranding of £2.2m (2013: £3.7m) and other restructuring costs of £nil (2013: £0.7m);
- **Other one-off items** – £7.5m (2013: £0.7m). Included within other one-off items are acquisition expenses and contingent consideration linked to employment contracts totalling £3.9m (2013: £1.4m) which will vary depending on the number of acquisitions per year, their nature and their future profitability. Other one-off items also include the impairment of a freehold property of £6.1m following the sale of part of the property in the period (2013: £nil). These one-off charges are partially offset by the reversal of certain onerous lease property provisions of £1.6m (2013: £0.1m) previously provided through "Other items" whereby the Group has negotiated the surrender of the leases in 2014 and other one-off credits of £0.9m (2013: £0.6m); and
- **Net fair value losses on derivative financial instruments and unwinding of provision discounting** – £2.1m (2013: £1.9m). These items are explained in more detail in the Finance Cost section of the Financial Review.

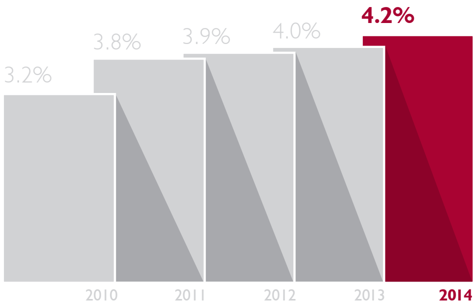
OPERATING PROFIT AND OPERATING MARGIN

Underlying	2014 £m	2013 £m	Change
UK & Ireland	**65.9**	50.3	+31.0%
Mainland Europe	**54.2**	59.0	(8.1)%
Head office costs	**(9.9)**	(8.0)	+23.8%
Group	**110.2**	101.3	+8.8%

On an underlying basis, operating profit increased by £8.9m (8.8%) to £110.2m (2013: £101.3m). Foreign exchange rate movements decreased the Group's operating profit by £3.3m year-on-year. Therefore, on a constant currency basis, underlying operating profit increased by £12.2m.

Acquisitions completed during 2014 and 2013 made a contribution of £3.3m to operating profit in the year (2013: £1.6m).

Underlying Operating Margin %



Overall, the Group's underlying operating profit margin at 4.2% was 20bps higher than the prior year (2013: 4.0%). Given the operational gearing impact of the business with the majority of operating costs being fixed, it is envisaged that the Group's operating margins will continue to improve as the Group experiences further sales growth.

The Group recorded a statutory operating profit of £53.2m (2013: £15.4m) after recognising a number of "Other items" that are described above.

FINANCE COSTS

Net finance costs on a statutory basis increased by £1.0m to £14.2m in 2014 (2013: £13.2m).

Finance costs included in the "Other items" column of the Consolidated Income Statement amounted to £2.1m (2013: £1.9m).

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 £2.0m (2013: £2.1m). 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 £5.5m (2013: £7.5m).

In February 2014 the Group cancelled a further two interest rate derivative contracts that swapped floating rate debt into fixed rate debt at a cash cost of £2.0m. The amounts previously recorded in reserves are being amortised through the Consolidated Income Statement as an underlying item over the life of the associated debt to 2018 as this cancellation reflects the ongoing management of the Group's interest rate hedging policy. The amount amortised in 2014 was £0.3m.

Also included within finance costs is a credit of £0.1m (2013: £0.2m) relating to hedge ineffectiveness incurred on the Group's financial instruments and a charge of £0.2m in respect of unwinding of provision discounting (2013: £nil).

Net finance costs before "Other items" increased by £0.8m to £12.1m in 2014 (2013: £11.3m).

Further details of SIG's interest rate policies are provided in the Interest Rate Risk section on page 34.

PROFIT BEFORE TAX

Underlying profit before tax increased by £8.1m, or 9.0%, to £98.1m (2013: £90.0m). On a constant currency basis, underlying profit before tax increased by £11.2m to £101.2m.

On a statutory basis, profit before tax increased by £36.9m to £39.0m (2013: £2.1m).

TAXATION

The Group's approach to tax matters is to comply with all relevant tax laws and regulations, wherever it operates, while managing its overall tax burden. The Group seeks to pay the correct amount of taxes due, both direct and indirect, in accordance with the laws of the territories in which it operates.

The Group takes appropriate advice from reputable professional advisers to ensure compliance with applicable rules and regulations, and to consider potential mitigating actions in order to manage tax risks. The Group seeks to be transparent in its dealings with local tax authorities; where differences of opinion do arise, these are dealt with in a professional, cooperative manner.

TAXATION CONTINUED

The Board has overall responsibility for managing and controlling risk, including tax risk, within the Group. The Group has a Tax and Treasury Committee that provides regular updates to the Board, and this enables the Board to consider the tax implications of significant strategic decisions on a timely basis.

The Group recorded an income tax charge on underlying profits from continuing operations amounting to £27.6m (2013: £26.6m) which represents an underlying effective rate of 28.1% (2013: 29.6%). On the statutory profit before tax of £39.0m (2013: £2.1m), the effective income tax charge of £4.5m (2013: £16.4m) represents an effective rate of 11.5% (2013: 781.0%). These differences arise as a result of amounts included as "Other items" in the year.

Cash tax payments amounted to £16.9m, £10.7m below the £27.6m 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. The Group has recognised a deferred tax asset of £14.9m in respect of the remaining balance of the 2008 UK foreign exchange rate losses, which the Group considers will be utilised in future periods to reduce UK taxable profits.

In 2015, 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 2015 will decrease slightly to c.27.5%, reflecting the known reduction in the UK domestic corporation tax headline rate.

EARNINGS PER SHARE ("EPS")

	2014	2013	Change
Underlying basic earnings per share	**11.9p**	10.7p	+1.2p
Statutory basic earnings/(loss) per share	**5.6p**	(2.5)p	+8.1p

Underlying basic EPS from continuing operations amounted to 11.9p (2013: 10.7p), which represents an increase of 1.2p. Total basic EPS amounted to 5.6p (2013: loss per share of 2.5p), which takes into account a number of "Other items" as described on page 28. The weighted average number of shares in issue in the period was 591.1m (2013: 590.9m).

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 2014 with an interim dividend of 1.42p per share (2013: 1.15p).

SIG has proposed a final dividend of 2.98p per share (2013: 2.40p), taking the 2014 full year dividend to 4.40p per share (2013: 3.55p), representing a 24% increase in total dividend year-on-year. A total dividend of 4.40p represents a dividend cover of 2.7x in 2014 on an underlying basis.

SHAREHOLDERS' FUNDS

Shareholders' funds decreased by £28.8m to £663.7m (2013: £692.5m). The decrease comprised the following elements:

	£m
Profit after tax attributable to equity holders of the Company	**33.0**
Exchange differences on assets and liabilities after tax	**(32.9)**
Gains and losses on cash flow hedges	**(1.4)**
Movements attributable to share options	**1.2**
Actuarial loss on pensions schemes (net of deferred tax)	**(6.0)**
Effect of change in tax rates on deferred tax	**(0.1)**
Dividends paid to equity holders of the Company	**(22.6)**
Decrease in Shareholders' funds	**(28.8)**

CASH FLOW AND FINANCIAL POSITION

In 2014, the Group generated £95.6m of cash flow from operating activities to help support its strategy of investment in both organic and acquisition-based growth, and its progressive dividend policy. The following table explains the movement in SIG's net debt:

	2014 £m	2013 £m
Cash generated from operating activities	**95.6**	86.2
Interest and tax	**(28.5)**	(26.3)
Maintenance capital expenditure*	**(24.0)**	(23.7)
Free cash flow available for investment	**43.1**	36.2
Investment capital expenditure	**(12.6)**	(14.4)
One-off sale of freehold property	**8.1**	–
Acquisition investment (including deferred consideration)	**(19.0)**	(16.4)
Movements relating to the sales of businesses	**(2.6)**	(0.1)
Dividend payments to non-controlling interests	**–**	(0.3)
Foreign exchange losses	**0.2**	(1.0)
Issue of shares	**–**	0.2
Dividends paid to equity holders of the Company	**(22.6)**	(18.6)
Other items (including fair value movements)	**(0.3)**	(1.5)
Movement in net debt	**(5.7)**	(15.9)
Opening net debt	**(121.2)**	(105.3)
Closing net debt	**(126.9)**	(121.2)

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

Working Capital

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

	2014	2013
Inventory days	**44**	43
Trade receivable days	**43**	44
Trade payable days	**36**	37
Working capital to sales	**8.1%**	8.9%

The Group's working capital to sales ratio (on a constant currency basis for continuing operations) at 31 December 2014 was 8.1% (2013: 8.9%). This ratio benefited from £12.6m of contingent consideration recognised in respect of current and prior year acquisitions (2013: £0.6m). The Group's working capital to sales at 31 December 2014 excluding contingent consideration was 8.6% (2013: 8.9%), in line with the Group's objective of no more than 9.0%.

Fixed Assets

Net capital expenditure (including computer software) decreased in the year by £9.6m to £28.5m (2013: £38.1m), representing a capex to depreciation ratio of 1.19x (2013: 1.61x). Capital expenditure includes new vehicles, new brownfield sites, a number of relocations to larger trading sites and investment in the new UK IT platform.

During the year, the Group sold a freehold property, with net cash proceeds of £8.1m. Excluding this one-off receipt, the capex to depreciation ratio was 1.53x. It is anticipated that the level of capital expenditure will be in the region of 1.5x-2.0x of depreciation in 2015, 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
	2014	2013	%	2014	2013	%
Euro	**1.25**	1.18	5.9%	**1.28**	1.20	6.7%
Polish Zloty	**5.23**	4.96	5.4%	**5.54**	5.00	10.8%

The impact of exchange rate movements on the translation of the Group's overseas earnings streams, net assets and net debt can be summarised as follows:

	Impact of currency movements in 2014	
Continuing sales	£(79.6)m	(3.1)%
Underlying operating profit	£(3.3)m	(3.3)%
Underlying PBT	£(3.1)m	(3.4)%
Consolidated net assets	£(26.2)m	(3.8)%
Net debt	£(0.2)m	(0.2)%

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 34.

PENSION SCHEMES

The Group operates five (2013: five) pension schemes which provide defined benefits based on final pensionable salary, the largest of which 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".

The overall gross defined benefit pension schemes' liability increased during the year by £3.2m to £28.7m (31 December 2013: £25.5m). This can be broken down as follows:

	£m
Actual return above expected return on assets	**(6.7)**
Change in financial and demographic assumptions in all schemes	**14.4**
Profit and loss charge below cash contributions to the schemes	**(3.9)**
Effect of change in exchange rates	**(0.6)**
Increase in defined benefit pension scheme liability	**3.2**

In addition to the defined benefit pension schemes, the Group also operates a number of defined contribution pension schemes. Further details of the pension schemes operated by SIG are set out in Note 29c to the Accounts on pages 140 to 143.

ACQUISITIONS

Acquisitions are a key component of SIG's growth strategy, supplementing organic growth. A total of twelve acquisitions were completed in the year for a total net consideration of £19.0m. Seven of the acquisitions were in the UK, three were in France, one was in Germany, and one was in The Netherlands.

Contingent consideration relating to the 2014 acquisitions not specific to employment criteria of £11.8m has been recognised and included within goodwill. Contingent consideration of £2.9m, 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 and deferred consideration of £1.9m, the total spend on 2014 acquisitions would increase from £19.0m up to £35.6m.

Acquisitions remain subject to strict financial return criteria, with all acquisitions required to achieve a post-tax ROCE in excess of the Group's WACC in the first full year of ownership. Since restarting its acquisition programme in 2012, newly acquired infill businesses are performing well and meeting their targets. On a collective basis they are delivering returns that are higher than the Group's ROCE.

The Group is targeting total expenditure of around £200m on infill acquisitions over the next three years.

Further details of the Group's acquisitions can be found in Note 14 on pages 122 and 123.

DIVESTMENTS

During the year SIG divested three businesses whose returns were below the Group's WACC and whose prospects of significantly improving performance over the medium-term were deemed to have a low probability. These disposals were:

- The Group's German Roofing business, which was acquired by The Gores Group, a US private equity firm in February 2014;
- Miller Pattison Limited, a residential insulation installation and contracting business, which was sold to Help-Link UK in April 2014; and
- The Group's 50.6% stake in Ice Energy Technologies Limited, a renewable energy solutions provider of air and ground source heat pumps, which was sold to the Ice Energy management team in October 2014.

The following results have been included in the "Other items" column of the Group's Consolidated Income Statement in order to provide an indication of the continuing earnings of the Group.

	German Roofing		Miller Pattison		Ice Energy (50.6% stake)		Total	
	2014 £m	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Trading results								
Sales	**12.4**	137.4	**8.6**	25.2	**10.0**	17.5	**31.0**	180.1
Operating (loss)/profit	**(2.0)**	–	**(2.3)**	(3.1)	**(2.4)**	1.3	**(6.7)**	(1.8)
Other items								
Goodwill and intangible asset impairment	**–**	(21.5)	**–**	(2.0)	**(3.3)**	–	**(3.3)**	(23.5)
Loss arising on the sale of businesses and associated impairment charges	**(1.7)**	(21.3)	**(12.9)**	–	**(4.3)**	–	**(18.9)**	(21.3)
Exchange and minority interest reserve recycling	**6.7**	–	**–**	–	**1.5**	–	**8.2**	–
Total Other items	**5.0**	(42.8)	**(12.9)**	(2.0)	**(6.1)**	–	**(14.0)**	(44.8)

CAPITAL STRUCTURE

The Group manages its capital structure to ensure that it will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance.

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 its capital structure is aligned to its 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 2014 was 1.0x (31 December 2013: 1.0x).

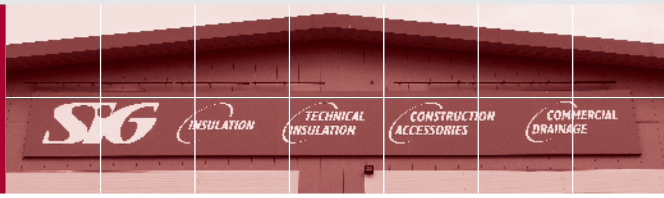
Gearing, being net debt divided by net assets, increased during the year from 17.5% to 19.1%.

As at 11 March 2015, SIG's share price closed at 191.5p per share, representing a market capitalisation of £1,132.0m 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 87.

OUTLOOK

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

Treasury Risk Management



TREASURY RISK – INTRODUCTION

SIG's Finance and Treasury Policies set out the Group's approach to managing treasury risk. These policies are reviewed and approved by the Group Board on a regular basis. It is Group policy that no trading in financial instruments or speculative transactions be undertaken.

FUNDING OF OPERATIONS

SIG finances its operations through a mixture of retained profits, Shareholders' equity, bank funding, private placement notes and other borrowings. A small proportion of SIG's assets are funded using fixed rate finance lease contracts.

The Group's net debt is made up of the following categories:

	2014 £m	2013 £m
Obligations under finance lease contracts	**10.5**	9.8
Bank overdrafts	**4.4**	4.9
Bank loans	**1.3**	0.3
Private placement notes	**254.3**	252.5
Loan notes	**1.9**	–
Derivative financial instruments (liabilities)	**1.1**	2.1
Total	**273.5**	269.6
Derivative financial instruments (assets)	**(33.9)**	(29.7)
Gross debt (after derivative financial instrument assets)	**239.6**	239.9
Cash and cash equivalents	**(110.3)**	(118.7)
Other financial assets	**(0.9)**	–
Deferred consideration	**(1.5)**	–
Net debt	**126.9**	121.2

The Group's gross debt (after derivative financial instrument assets) can be further analysed as follows:

	2014 £m	2014 %	2013 £m	2013 %
Gross financial liabilities with a maturity profile of greater than five years	**78.8**	**33%**	84.3	35%
Gross financial liabilities held on an unsecured basis	**227.5**	**95%**	229.4	96%

Details of derivative financial instruments are shown in Note 19 to the Accounts on pages 127 to 130.

MANAGEMENT OF TREASURY RISKS

Treasury risk management incorporates liquidity risk, interest rate risk, foreign currency risk, commodity risk, counterparty credit risk and the risk of breaching 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 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 prevent over-reliance on any single provider. The key sources of finance are private placement note investors, being mainly US-based pension funds, and principal bank debt.

The maturity profile of the Group's debt facilities at 31 December 2014 is as follows:

	Facility amount £m	Amount drawn £m	Amount undrawn £m	Date of expiry
Bank debt	250.0	–	250.0	October 2019
Private placement loan notes	130.6	130.6	–	November 2016
Private placement loan notes	20.0	20.0	–	November 2018
Private placement loan notes	23.4	23.4	–	October 2020
Private placement loan notes	15.6	15.6	–	October 2021
Private placement loan notes	38.9	38.9	–	October 2023
	478.5	228.5	250.0	

During the year the Group's £250m committed Revolving Credit Facility ("RCF") was refinanced. The new five year facility, which matures in October 2019, has been put in place with five banks. This facility was undrawn at 31 December 2014 and ensures SIG has sufficient funding headroom to support its 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. SIG has a policy of aiming to fix between 50% and 75% of its average net debt over the medium-term.

In order to manage its interest exposure within this policy, £40.0m of floating-to-fixed interest rate swaps were cancelled in February 2014 at a cash cost of £2.0m. The percentage of average net debt at fixed rates of interest at 31 December 2014 is 72% (2013: 98%) and on a gross debt basis is 64% (2013: 82%), which is 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. 51% of SIG's 2014 continuing revenues (2013: 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. Every 1 cent Euro movement in the average exchange rate will have a c.£0.5m impact on the reported underlying PBT of the Group.

SIG also faces a translation risk from the US Dollar in respect of interest on 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 holding financial liabilities and derivatives in the same currency to partially hedge the net investment values. The Group's policy for currencies where a material balance sheet translational exposure exists is that the Group will hold financial liabilities in that particular currency in proportion to the overall Group ratio of net debt to capital employed.

SIG had the following net borrowings/(cash) denominated in foreign currencies, held partially to hedge the assets of overseas businesses:

	2014 Local currency net borrowings/ (cash) LC'm	**2014 Sterling equivalent net borrowings/ (cash) £m**	2013 Sterling equivalent net borrowings/ (cash) £m
Euro	**78.3**	**61.0**	78.4
PLN	**(63.6)**	**(11.5)**	(9.4)
Other currencies	**Various**	**(1.9)**	(1.7)
Total		**47.6**	67.3
% of net debt		**38%**	56%

Euro net debt at 31 December 2014 represented 48% of Group net debt (2013: 65%).

Impact of Foreign Currency Movements in 2014

The overall impact of foreign exchange rate movements on the Group's Consolidated Income Statement and Consolidated Balance Sheet is disclosed on page 31 of this Strategic Report.

COMMODITY RISK

The nature of the Group's operations creates an ongoing demand for fuel and therefore the Group is exposed to movements in market fuel prices. The Group enters into commodity derivative instruments to hedge such exposure where it makes commercial and economic sense to do so. There were no commodity instruments outstanding at 31 December 2014 (2013: nil).

In the first quarter of 2015 the Group entered into three commodity derivative financial instruments to hedge a portion of the UK, Polish and French commercial vehicle fuel requirements for 2015 and a portion of the UK requirements for 2016.

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 counterparties is maintained. Counterparty credit limits, based on published credit ratings and CDS spreads, are in place. 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 2014

The Group's debt facilities in place at 31 December 2014 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 interest cover and leverage ratios.

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

	Requirement	**Year ended 31 December 2014**	Year ended 31 December 2013
Interest cover ratio*	>3.0x	**8.7x**	9.7x
Leverage ratio ^	<3.0x	**1.0x**	1.0x

* 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 finance costs).

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

As can be seen in the table above the Group is in compliance with its financial covenants, and is forecast to maintain a comfortable headroom in the foreseeable future.

GOING CONCERN BASIS

In determining whether the Group's 2014 Annual Report and Accounts can be prepared on a going concern basis, the Directors considered all factors likely to affect the Group's future development, performance and 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 the Strategic Report on pages 4 to 35 and in the Notes to the Accounts.

The key factors considered by the Directors were as follows:

- the implications of the weak economic environment in Mainland Europe on demand for the products the Group sells;
- projections of working capital requirements;
- the impact of the competitive environment in 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 finance facilities available to the Group.

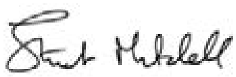
Having considered all the factors above impacting the Group's businesses, including downside sensitivities, the Directors are satisfied that the Group will be able to operate within the terms and conditions of the Group's financing facilities, and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's 2014 Annual Report and Accounts.

CAUTIONARY STATEMENT

Certain statements included in this Annual Report and Accounts contain forward-looking information concerning the Group's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries and markets in which the Group operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Group's control or can be predicted by the Group. Although the Group believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect the business, financial performance or results of operations, please see the Principal Risks and Uncertainties Section included in this Annual Report and Accounts. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in the Group or any other entity, and must not be relied upon in any way in connection with any investment decision. The Group undertakes no obligation to update any forward-looking statements.

APPROVAL OF THE STRATEGIC REPORT

The Strategic Report (including the Chairman's Statement) on pages 4 to 49 was approved by a duly authorised Committee of the Board of Directors on 11 March 2015 and signed on its behalf by Stuart Mitchell and Doug Robertson.



STUART MITCHELL
Chief Executive
11 March 2015

DOUG ROBERTSON
Group Finance Director
11 March 2015

THE GROUP RECOGNISES ITS **CORPORATE RESPONSIBILITIES** TOWARDS ITS SHAREHOLDERS, EMPLOYEES, CUSTOMERS AND SUPPLIERS AND IS COMMITTED TO **SOCIALLY RESPONSIBLE BUSINESS PRACTICE**. IN 2014 SIG CONTINUED TO INTEGRATE CORPORATE RESPONSIBILITY ("CR") ACROSS THE GROUP, TAKING FORWARD THE KEY ASPECTS OF THE CR PLAN.

The Group implements policies that include consideration of social and environmental issues in its decision-making process, and is investing in the development and wellbeing of its people and communities. SIG believes this approach supports the Group in achieving its business goals as well as growing shareholder value. As a constituent of the FTSE4Good Index of socially responsible companies, SIG is pleased to inform stakeholders of the measures it is taking to continually develop its approach to CR, including how it monitors and improves performance reporting.

FTSE4Good

BUSINESS PRINCIPLES AND CODE OF ETHICS

SIG has in place Group-wide Ethics, Anti-Bribery & Corruption and Ethical Trading & Human Rights policies. These policies, which are regularly reviewed, underpin the Group's CR programme and support its business integrity.

Ethics Policy

SIG issues to all employees a Group-wide Ethics Policy which sets out the standards and behaviours that are expected throughout the Group's operations. The policy is designed to ensure that the business conforms to the highest ethical standards. The policy can be viewed on the Company's website (**www.sigplc.com**).

The policy sets out the following key principles:

- to abide by the laws applicable to each country of operation;
- not to tolerate any kind of discrimination or harassment;
- to be a responsible partner within local communities;
- to take into account the legal and moral rights of others in business transactions;
- to maintain a safe and healthy working environment;
- to be proactive in managing responsibilities to the environment;
- not to knowingly make misrepresentations;
- not to 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 wrongdoing.

A confidential and independent hotline service is available to all employees so that they can raise any concerns they have about how the Group conducts its business. SIG believes 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 concerned party.

Ethical Trading & Human Rights Policy

The Ethical Trading & Human Rights Policy covers the main issues that may be encountered in relation to product sourcing and sets out the standards of professionalism and integrity which should be maintained by employees in all Group operations worldwide.

The policy expresses the standards concerning: safe and fair working conditions for employees; responsible management of social and environmental issues within the Group; and the international supply chain.

SIG promotes human rights through its employment policies and practices, through its supply chain and through the responsible use of its products and services.

There is no separate policy in place which deals specifically with human rights; however, SIG will keep under review the need for a specific human rights policy over and above its existing policies.

Anti-Bribery & Corruption Policy

SIG has a number of fundamental principles and values that it believes are the foundation of sound and fair business practice, one of which is a zero tolerance position on bribery and corruption. The Group's Anti-Bribery & Corruption Policy clearly sets out the ethical values required to ensure compliance with legal requirements within countries in which SIG and its subsidiary companies operate.

Anti-bribery and corruption training is provided across the Group to all senior management through to branch managers and external salespeople. This training is provided via an online training resource, and since 2012 has also included modules on competition law.

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

A copy of the Anti-Bribery & Corruption Policy is available to view on the Company's website (**www.sigplc.com**).

CARBON TRUST STANDARD

REDUCING CO2 YEAR ON YEAR

ECPI Sense in sustainability

ENVIRONMENT

Environmental Management

SIG operates an integrated Health, Safety and Environmental ("HS&E") management system. The Board Director responsible for its implementation is the Chief Executive, who is the signatory on the Group's HS&E Policy which is displayed at each location throughout the Group in the local language.

SIG's UK operations are certified by the international environment standard ISO 14001. An ongoing programme is in place for new businesses acquired in 2014 to gain certification in 2015. The principles of this standard form the basis of the approach to environmental matters across the Group.

SIG uses the Environmental Aspects and Impacts Register and the Corporate Environmental Risk Assessment to record and assess the principal environmental hazards within the Group. These evaluations were part of the 2014 Management Review process for each business. The Group has continued its excellent record of legal compliance and environmentally sound operations throughout 2014 with no prosecutions or actions from the relevant authorities.

The main focus of the Group's environmental objectives for 2015 relates to the aims of the business' Low Carbon Policy to reduce fuel, energy and water consumption and to reduce waste. The progress that SIG has made in this area in 2014 is covered later in this report.

Carbon Management

The Chief Executive remains the person responsible for the Group's environmental performance and is the signatory for the Low Carbon Policy.

As a founder member of the Association for the Conservation of Energy ("ACE") with a clear set of objectives for carbon reduction, SIG's management of its carbon footprint has produced strong results.

A key driver to the programme was the achievement of the Carbon Trust Standard ("CTS") in 2009, leading to the inclusion of SIG in the top 2% of the latest CRC Energy Efficiency Scheme ("CRC") league table, and an overall reduction to date in Scope 1 and 2 emissions of 14.1% since the base year of 2010. Due to its significant achievements, SIG will retain the CTS until the end of 2015, having been recertified in 2014. SIG also discloses its carbon footprint and emissions in this report and through the Carbon Disclosure Project ("CDP").

SIG no longer falls within the scope of CRC and therefore has not registered for Phase Two of the scheme. Taking this into account, and the introduction of the Energy Saving Opportunities Scheme ("ESOS"), SIG has partnered with Carbon Credentials Limited to work towards full compliance with the internationally recognised verification standard ISO14064-3. In the first year, SIG has achieved 'limited verification' and has a clear plan to work towards full verification for the 2014/15 Carbon Footprint.

Adoption of the standard will provide the Group with a renewed framework for its energy reduction programme. Achievement of this standard will also support SIG's CDP rating.

ROAD RISK POLICY

SIG recognises that driving is among the most hazardous tasks performed by its employees and that its vehicles and drivers represent SIG and its values whilst they are on the road. The Group also recognises the potential impact that driving has on the local and global environment. Because of this SIG has worked hard to drive the Occupational Road Risk Policy across the Group, with strong local focus on key elements.

This process resulted in SIG being 'Highly Commended' in the Company Driver Safety Award section at the Brake Fleet Safety Awards in 2014.

Occupational Road Risk is a key element of the accident review process across the Group, with Accident Review Panels ("ARPs") meeting regularly throughout the year in each country. In the UK this is carried out in partnership with the Group's insurers and brokers. The purpose of the ARPs is to reduce the risk of accidents and minimise the cost to the business. This is achieved by: raising awareness across the Group of the outcomes of accidents; targeting improvements in the speed of reporting; improving the quality of investigations to identify the causes of specific accidents or trends; and recommending action and further training where appropriate.

The Fleet Operator Recognition Scheme ("FORS") is an "over-arching scheme that encompasses all aspects of safety, fuel efficiency, economical operations and vehicle emissions". FORS is a voluntary scheme for commercial vehicle operators, which is designed to help improve operators' performance in each of these areas. SIG has adopted the scheme across its UK businesses. In 2014, its first year under FORS, SIG was awarded Silver status nationwide for all sites operating commercial vehicles.

Work continued in 2014 to minimise the risk to vulnerable road users such as cyclists and pedestrians. SIG are active champions of the Construction Logistics Cyclist Safety ("CLOCS") group. SIG also initiated an "Exchanging Places" campaign in which a commercial vehicle and staff exhibited at various cycle events and invited cyclists and other members of the public to sit in the vehicle to gain an understanding of the driver's field of vision. This culminated in SIG providing the safety experience at the Tour de France on its visit to Sheffield.

Continuing this work on safety with vulnerable road users in mind, SIG has designed a new Urban Delivery Vehicle with features designed to greatly enhance the driver's primary vision of critical areas of the vehicle and to reduce blind spots. The vehicle was launched at the CLOCS progress event in February 2015 and is believed to be the first of its kind in our sector.

Through these key interventions there has been an 11% reduction in at-fault accidents in the UK against the base year of 2011, with a reduction in at-fault accident costs of 17% for the same period. The time taken to report an accident has reduced from an average of 8.5 days in 2011 to an average of 1.5 days in 2014 and this has greatly contributed to the reduction in insurance costs.

TRANSPORT

More than 75% of the Group's total carbon footprint emissions come from road vehicle fuel consumption. An absolute reduction in this Scope 1 emission has been a key target for SIG and there has been a year-on-year reduction in each of the past four years, culminating in an overall reduction of 12.8% in 2014 compared to the base year of 2010. This has been achieved largely through greater efficiency in journey planning and the replacement of older vehicles with new and low emission vehicles fitted with energy reducing features.

The absolute consumption of vehicle fuel will become increasingly significant in view of SIG's growth plans. The key thrust of the Low Carbon Fleet programme in 2015 will again be to target improved efficiency of road vehicles and more efficient driving behaviours designed to achieve improved kilometre per litre ratios.

The Group continues to roll out training for drivers. SIG Poland's safety and EKO efficiency training for commercial vehicle drivers in 2014 is being followed up with training for the business' 140 car drivers to be delivered in the first quarter of 2015. The Driver Certificate of Professional Competence ("CPC") training programme in the UK and Ireland will be replicated across the Mainland European businesses in accordance with EU legislation.

The Group maintains its policy to purchase commercial vehicles to the latest Euro standard, and low emission vehicles to facilitate deliveries into 'Low Emission Zones' across Europe.

In 2014, SIG installed telematics equipment in all commercial vehicles in the UK and Ireland. This programme will be fully operational in France, Germany and Poland by the end of 2015 as it continues to be extended across the Group. Telematics helps SIG to accurately measure mileage and improve the efficiency of vehicle routing and fuel consumption.

Jed Hazelden receives Driver of the Year award for the second year running. Pictured above with Scott Gerry, UK Logistics Director and Philip Johns, Managing Director SIG UK Exteriors.

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

ENERGY

Emissions from electricity consumption account for 14.8% of the Group's Scope 1 and 2 emissions. Through energy audits carried out in partnership with the Carbon Trust and raising employee awareness with the 'Switch Off' campaign the Group has achieved an absolute reduction of 4.8% in 2014.

The programme for capital projects, which commenced in 2012, has continued with a capital investment of almost £700,000 providing annual savings of more than one million kWh of electricity, 650 tonnes of CO_2 emissions and with a payback period of less than four years. The principal savings have been achieved by replacing inefficient lighting with low energy systems fitted with both daylight and movement sensors, installing energy efficient hand dryers and replacing tea kettles with water heaters. In 2014 SIG trialled heat recovery systems providing domestic hot water at a Southampton site, whilst a heating control system is also being trialled at SIG's GRM workshop in Manchester.

GREENHOUSE GAS EMISSIONS

SIG reports 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. The Group has used the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard (revised edition) data, gathered to fulfil the requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014 to calculate the Group's 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. SIG has 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 2014. 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 2014, 79.5% of calculations 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 prior to 2013 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.

In 2014 the processes and procedures used in the UK have been audited and assessed by the Carbon Trust, resulting in recertification to the Carbon Standard. Following a full internal audit of the processes in the first quarter of 2014, in accordance with the Group's policy of continuous improvement, further opportunities for improvement in the quality of recorded data were identified.

As a result, the Group's carbon footprint for the year ended 30 September 2014 has been externally audited to ISO14064-3 at a level of limited assurance. This process has highlighted the continuous improvement in systems and procedures related to carbon management and reporting along with identifying areas where further improvements can be made.

The ESOS is the UK Government's proposed approach to implementing Article 8 of the EU Energy Efficiency Directive (2012/27/EU). SIG has put in place plans to ensure compliance by the due date in December 2015.

The Group achieved an absolute reduction of 4.9% in Scope 1 and 2 emissions combined year-on-year, with an overall reduction of 14.1% compared to the base year (2010).

The overall footprint of the business for Scope 1, 2 and 3 emissions improved with a reduction of 4.8% year-on-year. The figures represent an overall reduction of 0.9% in emissions per £m of revenue in 2014 compared to 2013 as a result of the measures taken to reduce road vehicle fuel and energy consumption.

GREENHOUSE GAS EMISSIONS CONTINUED

CO_2 emissions – Scope 1 – Direct

	Metric tonnes 2014	Metric tonnes 2013	Metric tonnes 2012
Road vehicle fuel emissions[1]	**65,686**	68,560	72,223
Plant vehicle fuel emissions[2]	**4,993**	4,934	5,369
Natural gas[3]	**2,452**	3,372	2,999
Coal/coke for heating[4]	**55**	52	70
Heating Fuels (Kerosene & LPG)[5]	**832**	1,313	943
Total	**74,018**	78,231	81,604

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 2014	Metric tonnes 2013	Metric tonnes 2012
Electricity[1]	**12,870**	13,142	14,346

Data source and collection methods

1. Consumption in kWh converted according to Defra guidelines.

CO_2 emissions – Scope 3 – Other indirect

	Metric tonnes 2014	Metric tonnes 2013	Metric tonnes 2012
Third-party provided transport (air and rail)[1]	**405**	308	349

Data source and collection methods

1. Distance travelled converted according to Defra guidelines.

Emission per £m of revenue	Metric tonnes 2014	Metric tonnes 2013	Metric tonnes 2012
Scope 1	**28.0**	28.8	31.2
Scope 2	**4.9**	4.8	5.5
Scopes 1 & 2 as required by GHG Protocol	**32.9**	33.6	36.7
Scope 3	**0.2**	0.1	0.2
Scopes 1, 2 & 3	**33.1**	33.7	36.9

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. The data excludes the impact of businesses divested during 2014.

WATER CONSUMPTION

The Group uses an estimated 99% of its water consumption for welfare purposes, with very little being used for commercial purposes. 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. Many of these opportunities have already been acted upon. The number of Group companies reporting their water consumption continues to improve with only three ATC businesses not submitting data.

	Litres ('000) 2014	Litres ('000) 2013	Litres ('000) 2012
Third party provided water supply from national network for processes and welfare	**106,546**	107,604	108,201

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

WASTE MANAGEMENT

Diverting waste from landfill remains a key target for SIG. Recycling and reduction systems in place include:

- paperless delivery processes;
- online activity reports;
- waste segregation bins and balers where appropriate;
- dedicated facilities for plasterboard and plaster products, uPVC windows, fibre ceiling tiles and vinyl floor covering material;
- use of second-hand packaging, the re-use of opened packaging and the operation of returns schemes for items like pallets and bearers;
- compliance with Producer Responsibility Obligations ("PRO") under the waste management legislation and packaging waste regulations;
- partnership with suppliers and manufacturers to support PRO compliance;
- member of Valpak compliance scheme;
- HS&E inspections include waste management; and
- customer waste recycling schemes.

Given the inherently difficult nature of measuring waste, SIG ensures wherever possible that the data is accurate by working with its waste management recycling providers in order to provide its best estimates. In 2014 there was a change in waste management provider and data collection methods in the UK. The new provider estimates that 55% of SIG waste was diverted from landfill in 2014, while the previous provider estimated 79% in 2013.

SIG continues to strive to reduce waste which is sent to landfill with the expansion of the waste segregation and compacting process to LiTT of SIG France. A trial at three LiTT branches in 2014 provided a 40% cost saving and the facility will be rolled out to the rest of the business in 2015. In addition following the rebranding of SIG Poland's vehicles, the resultant waste livery has been provided to a tarpaulin recycling company to be turned into accessories such as handbags, backpacks and wallets. Carpet & Flooring also won awards at the annual Recofloor scheme which celebrates businesses' ability to divert waste from landfill.

Hazardous waste

	Absolute tonnes* 2014	Absolute tonnes 2013	Absolute tonnes 2012
Landfill	**60**	13	21
Recycled	**41**	139	279
Incinerated	**–**	65	72
Total	**101**	217	372

	Absolute tonnes* 2014	Absolute tonnes 2013	Absolute tonnes 2012
Hazardous waste per £m of revenue	**0.04**	0.08	0.14

Carpet & Flooring, part of SIG UK, picked up several commendations at the annual Recofloor Awards held in March 2014.

The awards are held each year to recognise the companies that have contributed the most to the Recofloor scheme – a recycling initiative founded and funded by flooring manufacturers Altro and Polyflor that works with the flooring supply chain to recycle vinyl flooring products and divert waste from landfill.

Two of Carpet & Flooring's regional centres picked up honours at the event. Carpet & Flooring Manchester took home the Greatest Improver accolade and received a Gold certificate for the number of recycling collections made under the scheme, while Carpet & Flooring Camberley was Highly Commended in the Distributor of the Year category. Camberley was also awarded a Silver certificate in honour of the number of collections made.

Non-hazardous waste

	Absolute tonnes* 2014	Absolute tonnes 2013	Absolute tonnes 2012
Landfill	**5,626**	4,283	8,743
Incinerated	**12**	12	–
Total	**5,638**	4,295	8,743

Other waste diverted from landfill

	Absolute tonnes* 2014	Absolute tonnes 2013	Absolute tonnes 2012
WEEE (Waste, Electrical and Electronic Equipment)	**8**	5	3
Glass	**3**	3	3
Wood	**904**	1,324	2,058
Metal	**1,098**	977	1,234
Plasterboard	**2,502**	1,258	390
Paper/cardboard	**588**	1,024	1,165
Plastic	**383**	440	762
Other	**6,573**	10,860	8,250
Total	**12,059**	15,891	13,865

	Absolute tonnes* 2014	Absolute tonnes 2013	Absolute tonnes 2012
Non-hazardous and other waste per £m of revenue	**6.7**	7.4	8.7

* Volume per annum converted to tonnes.

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

HEALTH, SAFETY AND ENVIRONMENT

In recent years, the Group's 'Focus on Accidents' programme has proved to be a great success in driving accountability of line management for health and safety performance across the Group.

In 2014 the next phase of this programme, branded 'Zero Harm', was endorsed by the Group Board and the Executive Committee. This was launched by the Chief Executive, the Board member responsible for health and safety, at the Senior Leadership Conference in February.

The rebranding of the programme provided new vigour and a positive message to reflect the refreshed corporate image of the business in line with the Group's 'Stronger Together' vision. The key message from the Chief Executive was that the aim of the programme is "for the health, safety and wellbeing of employees and others to be the primary consideration for management at all levels in the development, growth and day-to-day operation of the business, products and services".

This aspiration is to be achieved by building on the success of the 'New Focus' programme which moves away from a compliance based programme and drives a renewed ownership of the health and safety agenda into line management. The initial thrust of this high profile programme in the first quarter of the year was a global communication exercise to cascade the aims and objectives of the programme throughout each Group business. These key messages were delivered by the Chief Executive and line management supported by the Group's dedicated HS&E personnel.

A major retraining programme commenced to coincide with the launch of the RoSPA accredited SIG Certificate in Health, Safety and Environmental Management delivered by the internal training provider, with senior management across the Group attending refresher courses in the IOSH Directing Safely and Managing Safely (or equivalent).

The Group's health and safety management system is modelled on the International Health and Safety Standard BS-OHSAS 18001:2007 to which the SIG UK businesses are certified and externally audited by Intertek. The programme is managed and supported by the Group HS&E Manager and a team of directly employed HS&E professionals in each part of the Group.

Employing dedicated HS&E professionals enables the implementation of a robust Risk Assessment and Management Review process through which the key health and safety risks have been identified. The key target areas for the Group's Health and Safety Plan in 2015 are: occupational road risk; traffic management; loading and unloading; and storage operations.

Manufacturing sites make up less than 5% of the Group's businesses; however, SIG recognises the potential for serious harm and a Health and Safety Manager for Manufacturing was recruited in 2014 to develop a set of business specific arrangements and harmonise the Risk Assessment and Safe Operating Procedures.

In 2014 there was a significant shift in the ownership of the Health and Safety agenda from the HS&E Team to the Managing Directors of operating companies across the Group. This was evidenced by the Managing Directors leading discussions at the operating company Board Meetings, the demand for additional reports and dashboards for Senior Management meetings, the integration of the 'Zero Harm' programme into the businesses' remuneration schemes, the inclusion of health and safety related objectives into the Performance Development Review programme, and the incorporation of this theme into the roadshows and conferences held across the Group.

2013 SILVER Award

In May 2014, for the fourth consecutive year, SIG UK received the Silver RoSPA Occupational Health and Safety award. This award recognises SIG's ongoing commitment to raising the standards for health and safety management.

The accident statistics indicate that for SIG as a Group significant improvements have been made in both major accidents and lost time accidents, both "over three day" accidents and RIDDOR (or equivalent). There was an increase in the UK and Ireland's "over three day" accident incident rate due to an unusually high number of incidents which occurred in December.

The 'Safety Walks' programme was launched at the start of 2014. This requires senior management to carry out health and safety inspections of branches using a checklist and guidance booklet. This has been a resounding success, resulting in engagement between senior managers, branch management and the workforce. This programme will be continued in 2015 with a revised inspection guide to target key areas: traffic management; loading and unloading; and storage operations.

ACCIDENTS AND INCIDENTS

UK & Ireland

	Rate per 1,000 employees		
	2014	2013	2012
Major injury	**2.8**	3.6	2.7
Injury resulting in over three absence days from work	**12.0**	11.2	11.2
All RIDDORs	**11.4**	13.4	14.1
Average UK & Ireland headcount	**4,984**	5,070	5,261
Lost work day rate – number of work days per 100 employees	**35.8**	23.3	29.6

Group

	Rate per 1,000 employees		
	2014	2013	2012
Major injury	**2.2**	2.8	2.2
Injury resulting in over three absence days from work	**15.0**	16.7	17.1
All RIDDORs (Equivalent) *	**13.3**	16.5	17.9
Average Group headcount	**9,454**	9,806	10,228

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

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 a questionnaire and includes questions regarding the health, safety and environmental credentials of the supplier. Where it is commercially advantageous, the quality management systems are externally certificated to ISO 9001, with Sitaco Poland and certificated branches in the UK achieving recertification in 2014.

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 ("BiTC"). The Group has worked with BiTC 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.

In the UK, SIG is currently partnering with Fir Vale School in Sheffield on a number of initiatives. Fir Vale School provides around 1,050 places for students up to GCSE level and is full and oversubscribed. The majority of students are BME (Black and Minority Ethnic) with a more recent intake of Eastern European background students. The school serves a deprived socio-economic community with 37% of students qualifying for free school meals.

During the course of 2014, SIG undertook four initiatives with the school covering the following areas:

- **Student Leadership:** The partnership objective was to equip the 25 student leaders with the tools and techniques to handle difficult conversations and handle conflict during their roles as prefects in the school. SIG hosted a fun workshop in July 2014 on assertive techniques, leadership skills and self-awareness for this group;
- **Enterprise and Employability:** During September 2014 SIG co-facilitated day-long sessions with Year 11 students to help them prepare their CVs and hone their interviewing skills. These practical workshops (five in total covering over 100 students) helped to prepare the students for their work place interviews later in 2014 and for applying to Sixth Form colleges during the early part of 2015;
- **Business Management:** SIG co-facilitated a half-day programme at the school to assist Business Studies students in finding out how companies motivate their employees. The session was informal and interactive, with students invited to ask questions. Over 50 students attended; and
- **Work Placements:** During December 2014, SIG conducted interviews for students who would attend our initial work placement programme in February 2015. The comprehensive programme includes working in different departments, partnering with a mentor who has been specifically trained for this role, an introduction to health and safety, branch visits and face-to-face meetings with members of SIG senior management.

SIG's relationship with BiTC will continue to grow and evolve in 2015, and various options for supporting the charity are being discussed, ranging from how our IT teams can work with ICT students to SIG employees assisting students with college applications.

CHARITABLE DONATIONS

During 2014, the Group made total charitable donations of £111,000 (2013: £109,000). It is the Group's policy not to make political donations and no donations were made in the year (2013: £nil).

SIG supports charities and community projects that enhance the Group'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 aid disadvantaged groups.

SIG employees take part in a wide range of activities which support our work in the community. This includes, but is not limited to, participation in various sporting events, fundraising in branches and local communities, and making donations through a payroll giving scheme.

Most of SIG's charitable giving is led by employees who organise sponsored campaigns through their operating companies, or apply for matching funds to boost fundraising totals generated by independent activities. SIG's Matched Funding Scheme matches up to £500 (or equivalent) of donations raised by employees for their favourite charities. SIG employees have led a wide range of activities and events to raise funds for the charities of their choice in 2014. These include garage sales in Poland as well as sponsored bake sales, cycle rides and mountain treks across the UK and mainland Europe.

In The Netherlands, the Kippenrenners ran from Paris to Rotterdam and raised more than €15,000 for the Roparun hospice charity.

SIG is proud to support the outstanding efforts of our employees, such as SIG's Roofing Racers, who tackled a 750-metre swim in the River Thames, a cycle race of 20 kilometres and a five kilometre sprint in the Virgin Active London Triathlon. The team raised over £35,000 to help both Macmillan Cancer Support and Great Ormond Street Hospital charities.

Another brave team of SIG colleagues blazed a trail in an event organised by Cyclists Fighting Cancer. One month before the Grand Départ of the 2014 Tour de France, the team participated in the Étape de Yorkshire, a 120-mile event following the route of the first stage of Le Tour 2014 starting in Leeds and finishing in Harrogate.

The Group also made a donation of £2,500 to support the Rowley Project in purchasing computers to help disadvantaged students in Kenya.

At a corporate level, SIG connected the 2014 Employee Engagement Survey with a pledge to donate either £1 or €1 to the British Red Cross and UNICEF for each response. An exceptional response rate of 81% completed questionnaires was received and SIG donated £7,000 to the charities.

OUR PEOPLE

Improving the performance, engagement and well-being of all our people is one of the key strategic areas of focus across SIG. Significant investment has been made in strengthening the SIG Human Resources team as the drivers of the Group's new People Strategy, which is seen as a core differentiator for SIG. With the focus on attracting, retaining, developing and deploying the best people from within and beyond our industry, the SIG People Strategy provides the platform for ensuring that our people are able to deliver success today, tomorrow and into the future.

SIG VALUES

The new Group Values - Trust, Respect, Teamwork, Integrity, Commitment and Fun - were developed by our employees and they set out what it means to be a part of the 'Stronger Together' SIG team. These values guide the behaviours of all our people from Chief Executive to frontline employees. The Group's values guide not only how we serve our customers, but also how we work with all our partners and, very importantly, each other.

Embedding the Group Values as the key stone of our People Strategy and the SIG spirit will ensure the entire SIG team, working towards our vision of being 'Stronger Together', always delivers on our promises, whether it be those made to our Shareholders, our customers, our suppliers, our people, or to the communities we work within.

'Stronger Together' whiteboards engage employees in team communications, planning and values.

ENGAGED EMPLOYEES

In March 2014, SIG launched its first Group-wide Employee Engagement initiative – 'SIG Listens'. As the first engagement survey involving all employees, SIG Listens allowed feedback and suggestions to be given anonymously and confidentially.

With an excellent 81% of the SIG team responding to the survey, SIG Listens provided a valuable insight into the thoughts and perceptions of employees. Based on a measure of "what do our people 'say' about SIG", "are people committed to 'staying' in SIG" and "do our people 'strive' to go the extra mile", we achieved an engagement score of 74%, which is equal to our industry benchmark.

More specifically, the survey results demonstrated that our people:

- are clear about what is expected of them and how this contributes to SIG's collective success (88% positive);
- are clear about the behaviours expected within SIG (86% positive);
- would recommend SIG's products and services (86% positive); and
- are committed to working beyond what is required in their job to ensure promises are fulfilled (83% positive).

The survey also highlighted areas where greater effort is required. These insights have resulted in action across three key areas:

- **Communication**: Through greater focus on internal communications channels, the aim is to improve how SIG helps all our people feel more informed about what is happening in their part of the business and how they can further contribute to the wider success of the Group;
- **Recognition**: Through improving the capability of managers to give regular and constructive feedback and through implementing recognition schemes SIG is focused on helping all our people feel as though their contribution to the success of the Group is recognised, rewarded and celebrated; and
- **Development**: Through investment in the capability of managers to support the development of our people, and through enhancement of training and development resources, initiatives are being implemented to ensure that every employee feels that SIG is a great place to work, where they can develop and grow in their careers.

The 2015 SIG Listens survey will take place in September, giving a progress update on the initiatives that have been implemented. SIG is in the middle of major change, so it is expected that some results may be adversely affected; however the Company is committed to using SIG Listens as a key mechanism to understand the perceptions and engagement levels of our people. This will help guide the People Strategy to ensure all members of the SIG team are inspired to go the extra mile as they contribute to SIG's success today, tomorrow and beyond.

EMPLOYEE COMMUNICATIONS

Keeping our employees informed is a priority for SIG. SIG aims to ensure all of its employees understand the business strategy and how it will be delivered in order to achieve the Group's vision. Two-way people engagement, underpinned by regular communication to keep employees informed, is actively encouraged. Current channels include senior leader news cascades via email, face-to-face briefings, intranet updates and articles, employee newsletters, general business news cascades and web broadcasts. SIG is continually reviewing and improving the ways in which it communicates and will continue to evaluate the effectiveness of employee communications.

A key tool used by SIG is the 'SIG Listens' Employee Engagement survey, which was introduced across the Group in 2014. As a result of the Survey, SIG has established focus groups to help prioritise and plan actions for improvement, both at Group and local level. This ensures continuous improvement in line with employee feedback and helps to drive two-way communications across SIG. The Performance Review process is also a great way to encourage two-way discussion, both in terms of managers giving feedback on employee's individual performance, but also in terms of employees discussing their career aspirations and goals with their managers. Development plans are created as a result of this, individually tailored to each individual's needs.

All of our Senior Leaders participate in our Finance for non-Financial Managers course, which helps them to understand more about SIG's commercial position, economic dependencies and financial performance.

We are constantly working on improving our communication in SIG and work closely with teams in IT and HR to develop new communication channels and use technology more effectively as we grow and develop our business.

DEVELOPING OUR PEOPLE

The development of our people is core to the SIG strategy. The skills and expertise of employees is one of SIG's key differentiators in the market place. Through embedding a virtuous cycle of growing our people to grow our business, SIG is committed to providing development and career opportunities to every member of the team.

The Performance Development Review ("PDR") process, launched in 2013, helps to ensure that all managers and employees know what is expected of them in their roles and that performance is measured and managed throughout the business. The PDR process also provides an important opportunity for employees to discuss their career aspirations and development with their manager, ensuring that development plans are turned into development action throughout the year. In 2015 SIG has committed that 100% of employees will have a PDR discussion with their manager.

In support of the development of our people, the partnership with Sheffield Hallam University in the UK has continued giving leaders the opportunity to develop their management skills and capability, whilst also gaining an academic accreditation, either at advanced Diploma or Bachelor Degree level. Partnerships have also been formed with global leaders in learning solutions, providing SIG with access to state-of-the-art learning management technology and on-line training materials. As a part of the Group-wide Training and Development Strategy, this will ensure that all employees across SIG have better access to training, helping them to continue being successful in their role and growing in their career.

In partnership with product suppliers, a new approach to product training for SIG employees is also being implemented. Helping the Group to be 'Stronger Together' with suppliers, enhanced product training will raise our peoples' awareness of the full offerings of SIG, enabling greater up-selling and cross-selling opportunities.

Throughout 2015, the focus on developing our people is at the forefront of the People Strategy. This will include developing the English language capability of SIG's non-native English speaking senior leaders, enhancing leadership and management development programmes, establishing Group-wide job families with clear career paths, and leveraging existing programmes like 'Expert Workforce'. Growing our people to grow our business is central to the success of SIG and is the responsibility of every manager.

GROWING OUR TALENT

Growing and nurturing a pipeline of talent is critical to the future success of SIG. Throughout 2014, SIG has remained committed to recruiting and developing early career individuals from apprentices through to university graduates across the business.

In both Germany and the UK the Apprentice Trainee programmes have attracted high calibre individuals to the organisation.

In Germany, the Apprenticeship scheme continues to grow from strength to strength, with the development of an eLearning module for the apprentices in 2014 focusing on workplace safety training. All the apprentices who started their apprenticeship in August 2014 received this training and, in addition, they were given advanced training at the apprentice kick-off in October. The first trainer conference for Apprenticeship Supervisors was launched in January 2014, with the key concepts of apprenticeships being "a strategic decision," meaning "investment in the future," and the need "to constantly question and to change." The trainers were given the chance to network for the first time, and were able to participate actively in the organisation of the training programme within the scope of diverse workshops. In the combination of keynote speeches, workshops and idea exchange sessions, the focus was on SIG's apprenticeship initiative. Time was spent explaining the Group vision and mission, innovation and change, the role of the apprenticeship representative and the expectations of function. The representative conference is a further element of the SIG apprenticeship scheme which increases apprenticeship quality and attractiveness. It is considered essential to identify young talent, and to retain and develop them for our future business.

In 2015, 25 new apprentices will start in SIG Germany, throughout WeGo and VTI, achieving the 5% headcount objective in apprenticeships for Germany which was set back in 2012 when the apprenticeship headcount was only 2.75%. The recruitment process for this year is initiated in January and continues through mid to late March; the apprentices will then start their apprenticeship in August. 2015 will also see the 9th Apprentice Forum with SIG's industrial partner Isover (Saint Gobain) being held. The event addresses the apprentices of all three apprenticeship years at WeGo. This event enables the apprentices to exchange ideas with their fellow apprentices, as well as to network with our industrial partner. The focus this year is on the topic of insulation materials, whereby the apprentices can develop and expand their knowledge through technical presentations, a factory tour and a practical element.

The newly created project for 2015 'Trade Meets Craftsmanship' will round off the apprentices' profile. The apprentices will spend at least four weeks of their training period at a construction site as a standard part of the programme. This provides experience and learning in all aspects of SIG's value-added chain in combination with the apprentice forums, vocational training and practical on-site training at customer premises. In addition, the apprentices will get to know SIG's products as well as the perspectives and methods of industrial partners and customers.

Launched back in September 2012, the UK Apprenticeship programme continues to help SIG to attract, develop and retain talented individuals to the organisation, as well as supporting people looking to gain qualifications and work experience across our business.

2014 saw the continuation of the UK Apprenticeship Development Programme, which brings the apprentices together to develop their key skills and business understanding. The programme continues to run throughout the SIG UK business and has grown in number from 16 in 2013 to 25 apprentices in 2014 who are now employed in various roles across Head Office and the branch network. As the programme evolves further in 2015, with the development of content and additional positions, the aim is for the apprenticeship talent pipeline to also support diversity in terms of gender and generation mix within the business, a key element of the Talent Strategy for 2015 and beyond.

SIG continues to be a Gold Sponsor of Enactus, the community of student, academic and business leaders developing outreach projects to improve the quality of life and standard of living of people across the globe. In 2014, SIG was again involved in the judging process for the Enactus National competition, as well as attending a number of training events for the Enactus students and taking part in their careers fairs. This year SIG will continue to build on this relationship and will be expanding its business advisor group.

GROWING OUR TALENT CONTINUED

The development of a career ambassadors group within SIG will link these career ambassadors and advisors with local universities to support their project development and also attend key Enactus events.

In addition, as members of the Association of Graduate Recruiters ("AGR"), SIG has developed this relationship further in 2014, with the sharing of best practice ideas across the AGR members, and with the commitment to attend more of the AGR events in 2015. One such event in 2015 is the AGR Development Conference in March, where SIG's Group Talent & Development Director will be a key presenter.

The Group has continued to support the investment and focus on the recruitment of graduates in order to generate the talent pipeline of future managers within the business. SIG's current graduates have a diverse mix of experience, with a number from commercial and business orientated backgrounds, enabling them to understand the customer base and projects in more depth. Graduates are recruited for specific functional areas such as Finance and Sales; however, SIG also runs country and international programmes, providing graduates with insight and exposure across SIG's Mainland European businesses.

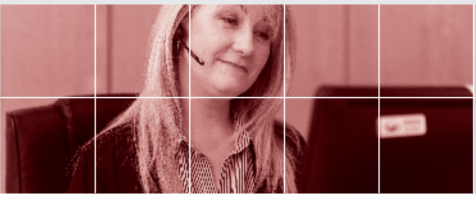
SIG graduates benefit from extensive training, including challenging development activities, as above.

In 2015 a new Global Leadership Graduate Programme will be launched in addition to the existing talent pipeline programmes. As our first Group-wide talent programme, this will specifically focus on attracting, developing and deploying high-calibre graduates who are capable of developing into the future leaders of SIG. The graduates will perform a variety of rotational roles across the business over the two year programme, before moving into a management role. The new programme has key criteria such as a second language against which the graduate will be selected onto the programme, raising the capability and also supporting the international nature of the programme right from the start.

During the two year programme, graduates will undertake four rotations and attend five extensive development modules, each focusing on different leadership attributes in more detail, such as understanding themselves and understanding the business. The programme has been re-designed to develop much more cultural awareness, commercial acumen, personal impact and project management skills, in order to help the graduates significantly increase their international effectiveness and value to SIG in the long-term.

TALENT REVIEW

Focusing initially on the Senior Leader level, a Talent and Succession Review will be conducted in early 2015 and subsequently rolled-out across the business. This Review will assess the leadership and succession bench strength across the Group, whilst also helping with the identification of high-potential individuals. From the Review, development programmes will be implemented to accelerate the development of individuals and help improve global mobility. This will further strengthen leadership capability, while also giving individuals the opportunity to grow through SIG. Through growing and nurturing the talent pipeline, the Group will ensure that it continues to develop the skills and capabilities required for the future.



RECOGNISING OUTSTANDING PERFORMANCE

SIG remains committed to recognising excellent performance and celebrating the success of employees. As part of the SIG recognition framework, the annual awards have been revised to recognise and celebrate employees for financial performance and also for ideas, actions and behaviours that help SIG live its values.

Award categories are directly linked to the SIG values and give award opportunities to employees at all levels of the business. Shortlisted nominees attend an award dinner at the Senior Leadership Conference, giving a unique recognition and celebration opportunity. In addition, the Chief Executive's Award for Excellence recognises one outstanding individual who embodies the SIG values, has shown consistently excellent personal performance and had a transformational effect on their business or function.

SIG's operating companies locally run reward and recognition schemes which are appropriate to the particular aims of businesses in different countries. These focus on rewarding the desired behaviours and business outcomes, whilst at the same time being aligned to the 'Stronger Together' ethos.

EMPLOYEE BENEFITS

SIG aims to attract and retain the best talent with a fair and consistent approach to both fixed and variable pay, which is regularly benchmarked both externally and internally. Reward and benefits play a key role in supporting employee engagement and performance. Bonus schemes are designed to reward exceptional performance, and operate to an aligned framework across the Senior Leadership population. Bonus awards are also made in the local operating businesses aligned to local performance results, which is key in driving and rewarding performance at operating company level.

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 £20 per month. As at 31 December 2014 there were 844 employees participating in the SIP.

SIG is constantly reviewing the employee offering, with the aim of providing choice and an appropriate level of benefits, and this will be a key area of focus for our Reward Team in 2015.

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 prohibits 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 providing retraining for alternative work where necessary.

GENDER DIVERSITY

At 31 December 2014, across the total workforce 1,880 (21%) of all employees are female. One Board member (14%) and seven senior managers (10%) are female. SIG continues to work towards improving its workforce diversity and this will be an ongoing area of focus in 2015.

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GOVERNANCE

STRONGER **TOGETHER**

Board of Directors

LESLIE VAN DE WALLE HEC

Non-Executive Chairman

Leslie Van de Walle (age 58) 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 54) 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 61) 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. He is a Non-Executive Director of HSS Hire Group plc.

CHRIS GEOGHEGAN BA (Hons), FRAES

Non-Executive Director

Chris Geoghegan (age 60) 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. He is a Non-Executive Director of Lakehouse plc.

JONATHAN NICHOLLS BA, ACA, FCT

Non-Executive Director

Jonathan Nicholls (age 57) 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.

MEL EWELL BSC (Hons)

Non-Executive Director

Mel Ewell (age 56) 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.

JANET ASHDOWN BSC (Hons)

Non-Executive Director

Janet Ashdown (age 55) became a Non-Executive Director in July 2011. She is a Non-Executive Director of Coventry Building Society 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. Janet previously worked for BP p.l.c. for 30 years where her last role was as Head of BP's Retail and Commercial Fuels business in the UK.

BOARD COMMITTEES

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATIONS COMMITTEE

Mr. L. Van de Walle – Chairman
Ms. J. E. Ashdown
Mr. C. V. Geoghegan
Mr. M. Ewell
Mr. J. C. Nicholls
Mr. S. R. Mitchell

Introduction to Governance

> SIG is committed to business integrity, high ethical values and professionalism in all of its activities.

LESLIE VAN DE WALLE CHAIRMAN

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 Group and engages well with both management and stakeholders. As an essential part of this commitment, the Group supports the highest standards in corporate governance. This section of our report outlines how the Board ensures that high standards of corporate governance are maintained.

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 issued by the Financial Reporting Council ("FRC").

The Code can be accessed at **www.frc.org.uk.**

Board evaluation

The Board is required, under the Code, to undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In December 2014 the Board conducted such an evaluation. In accordance with the requirements, this being the third year in the cycle, the evaluation was externally facilitated. Details of the process concerning this evaluation and its outcome are covered on page 59 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 (**www.sigplc.com**).

In last year's Annual Report I reported that the Board had discussed in December 2013 the matter of women on Boards and had set out the aim of achieving at least 25% female representation among the Board's membership by 2015. I am pleased to be able to report that, with the appointment of Ms. A. Abt on 12 March 2015, female representation on the Board will have risen to 25%. Ms. Abt brings significant specialist expertise, having been Head of Supply Chain Management and Chief Procurement Officer of the Siemens sector for Infrastructure & Cities from 2011 to 2014, and held numerous other positions in Finance, Productivity and Supply Chain Management in Germany and internationally.

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.

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 72 to 88, the Audit Committee Report on pages 66 to 69 and the Nominations Committee Report on pages 70 to 71 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 ten 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
11 March 2015

Corporate Governance

LEADERSHIP

The Board

At 31 December 2014, 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. S. R. Mitchell	Chief Executive
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 pages 52 and 53. Details of Committee memberships are set out on page 58.

At 31 December 2014 SIG had one female Board member, equating to 14% female representation of its Directors. Ms. A. Abt has agreed to join the Board as an Independent Non-Executive Director with effect from 12 March 2015. Following Ms. Abt's appointment, female representation on the Board will have risen to 25%.

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 the performance of SIG against objectives set out by the Board. Biographical details of each of the Directors, which illustrate their range of experience, are set out on pages 52 and 53.

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 72 to 88.

The roles of the Chairman and the Chief Executive are separate and clearly defined. The division of responsibilities is set out in writing, reviewed by the Company Secretary and agreed by the Board 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 roles for the Chairman, Chief Executive and the Senior Independent Director are agreed and set out in writing; a summary of their roles and division of responsibility is set out below:

Chairman

- Responsible for overall leadership and governance of the Board (including induction, development and performance evaluation);
- Ensures that the Directors have an understanding of the views of the Company's major Shareholders; and
- Ensures a healthy culture of challenge and debate at Board and Committee meetings.

The Chairman at the time of his appointment met and continues to meet the independence criteria set out in the Code.

Chief Executive

- Responsible for the effective leadership of the Group;
- Strong and focused management and development of the Group's operations;
- Implementation of the Group's objectives and strategy agreed by the Board;
- Maintains good relationships and communications with investors;
- Works closely with the Group Finance Director to ensure appropriate financial controls are in place; and
- Develops and implements policies integral to improving the business, including in relation to Health & Safety and Corporate Responsibility.

Senior Independent Director

- Available for approach by or representations from investors and Shareholders, where communications through the Chairman or Executive Directors may not seem appropriate;
- A sounding board for the Chairman and an intermediary for the other Directors when necessary; and
- Available to chair the Board in the absence of the Chairman.

The Senior Independent Director is Mr. C. V. Geoghegan.

LEADERSHIP CONTINUED

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 AGM and shall then be eligible for reappointment 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 it may determine, and it may revoke such appointment (subject to the provisions of the Companies Act).

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 2015 Notice of AGM includes biographical details and a statement as to why the Company believes that the Directors should be re-elected.

It is the view of the Board that each of the Non-Executive Directors standing for election or re-election brings considerable management experience and an independent perspective to the Board's discussions and is considered to be independent of management and free from any relationship or circumstance that could affect, or appear to affect, the exercise of their independent 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 78. Full details of Directors' remuneration, interests in the share capital of the Company and of share options held are set out on pages 82 to 88 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 14 May 2015.

Board procedures and responsibilities

The Board meets regularly during the year, as well as on an adhoc basis as required by time-critical business needs. The Board met formally on eleven occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table on page 57. All Board members are supplied with information in a form and of a quality appropriate to enable them to discharge their duties. Board and Committee papers are sent out seven days before meetings take place.

The Directors are provided with opportunities for training to ensure that they are kept up-to-date on relevant new legislation and regulation changes, corporate governance developments and changing commercial risks. There is an agreed schedule of matters reserved for the Board for collective decision (which can be viewed on the Company's website, **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 also appoints 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 BoardPad, 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 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 any 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 in which they have, or can have, a direct or indirect interest. 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 to 31 December 2014:

	Board Meetings eligible to attend (11 max)	**Audit Committee Meetings eligible to attend (5 max)**	**Remuneration Committee Meetings eligible to attend (7 max)**	**Nominations Committee Meetings eligible to attend (3 max)**
J. Ashdown	■■■■■■■■■■■	■■■■■	■■■■■■■	■■■
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	■■■

■ Chairman ■ Meeting attended ■ Absent

Of the eleven Board meetings held in 2014, two were held by telephone conference call.

This table only shows those meetings which each Director attended as a member rather than as an invitee. Where "N/A" appears in the table the Director listed is not a member of the Committee. All of the Directors in office at the date of the 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 with 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

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 66 to 69.

The Group operates an outsourced 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 outsourced 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
Chief Executive

Mr. D. G. Robertson
Group Finance Director

Mr. R. T. Barclay
Managing Director, UK & Ireland

Mr. D. Kilby
Managing Director, Mainland Europe (to 19 December 2014)

Mrs. L. H. Kennedy-McCarthy
Group Human Resources Director

Mr. A. P. Greenaway
Corporate Development Director (to 23 May 2014)

Mr. L. Lvovich
Corporate Development Director (from 1 January 2015)

Mr. M. Pearson
Group Chief Information Officer (from 1 December 2014)

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 72 to 88.

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 of 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, the 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 pages 70 and 71.

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 & IRELAND EXECUTIVE COMMITTEE

COUNTRY/OPERATING COMPANY MANAGEMENT BOARDS

MAINLAND EUROPE EXECUTIVE COMMITTEE

COUNTRY/OPERATING COMPANY MANAGEMENT BOARDS

Audit Committee Report on page 66

Directors' Remuneration Report on page 72

Nominations Committee Report on page 70

EFFECTIVENESS AND EVALUATION

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 2014, as part of this programme, the Board commissioned Equity Communications Limited, an independent third party with no other connection to the Company, to prepare a tailored Board evaluation process. This was facilitated by way of a 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 succession planning and performance, strategy development and delivery, and Board skills and composition. 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 January 2015 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.

Whilst concluding that the Board and its Committees continue to improve their effectiveness and are perceived to be working well, the evaluation identified a number of areas for improvement in connection with strategic development, the change programme and succession planning. In respect of strategic development, there is a need to implement faster and monitor more thoroughly the plans to deliver existing short/medium-term strategy and to finalise a longer-term strategy. With regard to the change programme, there is a need to identify further culture and values needed for the future, together with finding ways to accelerate the pace and impact of the changes. In connection with succession planning, there is a need to develop a more detailed plan for Executive and Non-Executive Director succession.

The proposed Board priorities for 2015 will cover:

- → monitoring and supporting culture and change programmes;
- → reviewing and monitoring the supply chain strategic initiative progress;
- → reviewing the strategy for mergers and acquisitions and accelerating implementation;
- → finalising a longer-term strategy; and
- → a stronger focus on IT strategy and plans.

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 2014, the Board intends to conduct an internally facilitated effectiveness and evaluation process in 2015.

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 2015.

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

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 16 to 19;

EFFECTIVENESS AND EVALUATION
CONTINUED

Ongoing process for risk identification, evaluation and management (Continued)

- 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 regular 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;
- 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.

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 Report and Accounts. These systems include clear policies and procedures for ensuring that the Group's financial reporting processes and the preparation of its Consolidated Accounts comply with all relevant regulatory reporting requirements. These are comprehensively detailed in the Group Finance Manual, which is used by the businesses in the preparation of their results. Financial control requirements are also set out in the Group Finance Manual.

Annual assessment of the effectiveness of systems of internal control

During 2014 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.

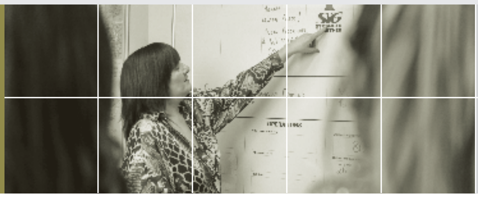
The Board and Audit Committee requested, received and reviewed reports from senior management, its advisers, the outsourced Internal Audit function and our external Auditor in order to assist the Board with their annual assessment of the effectiveness of the Group's systems of internal controls. Through the ongoing processes outlined above, areas for improvement in internal controls are continuously identified and action plans are devised, for example the new ERP system in the UK as discussed on pages 19 and 68. 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.

Whistleblowing

The Group has in place a Whistleblowing Policy under which employees may, in confidence, raise concerns about possible wrongdoing in financial reporting or other matters. A copy of this policy is available on the Company's website (**www.sigplc.com**).

The Company also has in place a confidential hotline which is available to all of the Group's employees and provides a facility for them to bring matters to management's attention on a confidential basis. The hotline is provided by an independent third party. During 2014 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 semi-annually on the integrity of these procedures, the state of ongoing investigations and conclusions reached. During 2014 Group employees used this system to raise concerns about a number of separate issues, all of which were appropriately responded to.



Overall assessment

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 and 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 Accounts 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 (**www.sigplc.com**).

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 Group 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 abstentions 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.

Substantial shareholdings

At the date of approval of the 2014 Annual Report and Accounts, the Company had received notification of the following shareholdings in excess of 3% of its issued share capital pursuant to the Disclosure and Transparency Rules of the Financial Conduct Authority (these holdings were the same as at 31 December 2014):

Shareholder	Number of ordinary shares of 10p each	% of issued voting share capital
Blackrock Inc.	65,013,839	11.00
Aviva plc	38,239,212	6.47
IKO Enterprises Limited	25,760,891	4.36

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 35 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 reappointment of Deloitte LLP as Auditor of the Company and to authorise the Audit Committee to fix its remuneration. The remuneration of the Auditor for the year ended 31 December 2014 is fully disclosed in Note 4 to the Consolidated Financial Statements on page 109.

RELATIONS WITH SHAREHOLDERS
CONTINUED

Annual General Meeting

The Notice convening the AGM which is to be held at the Mercure Sheffield Parkway Hotel, Britannia Way, Catcliffe, Sheffield S60 5BD at 12 noon on Thursday 14 May 2015, 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 (**www.sigplc.com**). 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 4 to 49 contain a review of these activities and comment on the future outlook and developments. The financial risk management objectives, policies and key performance indicators of the Company are also set out in the Strategic Report.

As at the date of this report, there have been no important events affecting the business of the Company, or any of its subsidiaries, which have occurred since the end of the financial year.

Details of the Group's policies in relation to employees (including disabled employees) and information on charitable donations are disclosed in the Corporate Responsibility Report on pages 36 to 49. It is the Group's policy not to make political donations and no political donations were made during the year (2013: £nil).

Details of the Group's policies in relation to Corporate Governance are disclosed on pages 55 to 65.

Group results and dividends

The Consolidated Income Statement for the year ended 31 December 2014 is shown on page 92. The movement in Group reserves during the year is shown on page 96 in the Consolidated Statement of Changes in Equity. Segmental information is set out in Note 1 to the Consolidated Financial Statements on pages 105 to 107.

The Board is recommending a final dividend of 2.98p per share (2013: 2.40p) which, together with the interim dividend of 1.42p per share (2013:1.15p), makes a total for the year ended 31 December 2014 of 4.40p (2013: 3.55p). Payment of the final dividend, if approved at the AGM, will be made on 29 May 2015 to Shareholders registered at the close of business on 1 May 2015.

Greenhouse gases

Details of the Group's greenhouse gas emissions are detailed on pages 39 to 40 of the Corporate Responsibility Report.

Post balance sheet events

Details of post balance sheet events are included in Note 14 of the Consolidated Financial Statements.

Related party transactions

Save as disclosed in Note 30 to the Consolidated Financial Statements on page 143 and except for Directors' service contracts, the Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in the periods in which any Director is or was materially interested.

Directors' and Officers' liability insurance and indemnities

The Company purchases liability insurance cover for Directors and Officers of the Company and its subsidiaries which gives appropriate cover for any legal action brought against them. The Company has also provided an indemnity 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 arising from financial instruments is set out on pages 33 to 35 and in Note 19 to the Consolidated Financial Statements on pages 127 to 130.

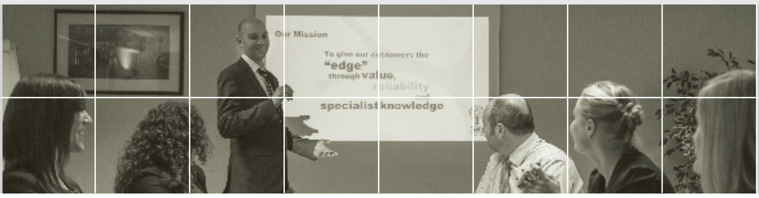
Acquisitions and disposals

Details of acquisitions made during the year and subsequently are covered in Note 14 of the Consolidated Financial Statements on pages 122 and 123. Details of businesses sold during the year are covered in Note 11 of the Consolidated Financial Statements on pages 118 and 119.

Share capital

The Company has a single class of share capital which is divided into ordinary shares of 10p each. At 31 December 2014, the Company had a called up share capital of 591,137,803 ordinary shares of 10p each (2013: 591,100,447).

During the year ended 31 December 2014, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 37,356 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 114 to 116 which also contains details of options granted over unissued share capital.



Rights attaching to shares

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

Subject to any restrictions below, Shareholders may attend any general meeting of the Company and, on a show of hands, every Shareholder (or his representative) who is present at a general meeting has one vote on each resolution and, on a poll, every Shareholder (or his representative) who is present has one vote on each resolution for every ordinary share of which they are the registered Shareholder.

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

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

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

If the Company is wound up, the liquidator can, with the sanction of an extraordinary resolution passed by the Shareholders, divide among the Shareholders all or any part of the assets of the Company and he/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 which would give them a liability.

Voting at general meetings

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

No Shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a Shareholder if he/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: (i) the instrument of transfer is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Board accompanied by a certificate for the share to 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.

OTHER STATUTORY DISCLOSURES
CONTINUED

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 (contracts of significance)

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.

2015 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 ordinary shares

Shareholders' authority for the purchase by the Company of 59,110,044 of its own shares existed at the end of the year. The Company has made no purchases of its own ordinary shares pursuant to this authority. The Company will seek to renew this authority at the 2015 AGM.

Authority to allot ordinary shares

Shareholders' authority to allot ordinary shares up to an aggregate nominal amount of £19,703,348 existed at the end of the year. The Company has not issued any ordinary shares pursuant to this authority. The Company will seek to renew this authority at the 2015 AGM.

During the year ended 31 December 2014, options were exercised pursuant to the Company's share option schemes resulting in the allotment of 37,356 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 page 115 which also contains details of options granted over unissued share capital.

Fair, balanced and understandable

The Directors have a responsibility for preparing the 2014 Annual Report and Accounts and for making certain confirmations concerning it. In accordance with C.1 of the Code, 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. More information can be found on page 69.

Cautionary statement

The cautionary statement can be found on page 35 of the Strategic Report.

Scope of the reporting in this Annual Report and Accounts

The Corporate Governance Report (including the Board biographies), which can be found on pages 52 to 65, the Audit Committee Report on pages 66 to 69, the Directors' Remuneration Report on pages 72 to 88, the Nominations Committee Report on pages 70 to 71, and the Directors' Responsibility Statement on page 89 are incorporated by reference and form part of this Directors' Report.

The Board has prepared a Strategic Report (including the Chief Executive's statement) which provides an overview of the development and performance of the Company's business in the year ended 31 December 2014 and its position at the end of the year, and which covers likely future developments in the business of the Company and Group. The Corporate Responsibility Report forms part of the Strategic Report.

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the "Management Report" can be found in the Strategic Report and this Directors' Report, including the sections of the Annual Report and Accounts incorporated by reference.

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Financial Statements, page 121, Note 13
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Directors' Remuneration Report, pages 83 to 85
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Corporate Governance Report, page 64
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

SIG has been mindful of the best practice guidance published by Defra and other bodies in relation to environmental, community and social KPIs when drafting the Strategic Report. The Board has also considered social, environmental and ethical risks, in line with the best practice recommendations of the Association of British Insurers. Management, led by the Chief Executive, has responsibility for identifying and managing such risks, which are discussed extensively in this Annual Report and Accounts.

All the information cross-referenced is hereby incorporated by reference into this Directors' Report.

Approval of the Directors' Report

The Directors' Report (comprising pages 52 to 89) was approved by a duly authorised Committee of the Board of Directors on 11 March 2015 and signed on its behalf by Richard Monro, the Company Secretary.

RICHARD MONRO
Company Secretary
11 March 2015

Audit Committee Report

"The Committee's aim is to ensure high standards of corporate and regulatory reporting, an appropriate control environment, risk management and compliance."

JONATHAN NICHOLLS CHAIRMAN OF THE AUDIT COMMITTEE

PURPOSE AND AIM

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

Through this process the Committee's aim is to ensure high standards of corporate and regulatory reporting, an appropriate control environment, risk management and compliance. The Committee believes that excellence in these areas enhances the effectiveness and reduces the risks of the business.

KEY RESPONSIBILITIES

- The accounting policies applied in and the integrity of the Group's accounts;
- The effectiveness of the internal control and risk management systems;
- Whistleblowing procedures;
- The effectiveness of the Group's outsourced Internal Audit function; and
- The appointment, independence, remuneration and effectiveness of the Group's external Auditor.

The Audit Committee's Terms of Reference are available on the Company's website (**www.sigplc.com**).

DEAR SHAREHOLDER,

On behalf of the Board I am pleased to present the Audit Committee Report for 2014.

KPMG LLP was appointed as the Group's outsourced Internal Audit function with effect from 1 January 2014, and this has provided a fresh focus on key areas of risk and control.

KPMG's Internal Control Review undertaken in December 2014 supports the view that the Group has an effective system of internal financial control. Management action continues to be taken to improve controls and bring efficiencies across the business. A focus this year has been on IT, and in particular the implementation of the new ERP system in the UK. Whilst this has brought challenges in the short-term, it will bring significant improvements to the control environment over the longer-term. Additionally, we have created a new role this year of Chief Information Officer, giving greater attention to IT strategy and controls across the Group. IT will continue to be a key area of focus in 2015.

The Committee has again considered the issue of external Auditor rotation and, although continuing to keep this under review, currently intends to next tender the Audit in 2018. Further detail is provided in this Report.

JONATHAN NICHOLLS
Chairman of the Audit Committee
11 March 2015

AUDIT COMMITTEE MEMBERSHIP

Throughout 2014, the Committee comprised the four independent Non-Executive Directors of the Company.

CHAIRMAN OF THE COMMITTEE	MEMBERS
Mr. J. C. Nicholls	Ms. J. E. Ashdown, Mr. M. Ewell, Mr. C. V. Geoghegan

The Board considers that each member of the Committee is independent within the definition set out in the Code. The combined relevant commercial and financial knowledge and experience of the Committee members satisfies compliance with the Code provision C.3.1.

AUDIT COMMITTEE STRUCTURE

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 UK Corporate Governance Code ("the Code"), and changes are recommended to the Board for approval.

The Committee has in its Terms of Reference the power to engage outside advisors and to obtain its own independent external advice at the Company's expense, should it be deemed necessary. During 2014 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 KPMG 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 2014 and the results of this review were reported to the Board.

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.

MEETINGS

The Committee meets regularly throughout the year, with five meetings being held during 2014. Its agenda is linked to events in the Company's financial calendar.

Attendance by individual members of the Committee is disclosed in the table on page 57. The Committee Chairman regularly invites senior Company executives to attend meetings of the Committee to discuss or present specific items, and in particular the Group Finance Director, Mr. D.G. Robertson, attended all five of the meetings in 2014. The external Auditor attended meetings of the Committee on four occasions and has direct access to the Committee Chairman. The external Auditor meets periodically with members of the Committee without the Chairman of the Board and the Executive Directors being present. KPMG LLP, who provides an outsourced Internal Audit function for the Group, is invited to meetings to present its reports. The Committee also meets with KPMG without the Executive Directors being present, and the Committee Chairman meets regularly with KPMG outside of the formal meetings.

The Committee addressed the following key agenda items during the year:

JANUARY 2014	MARCH 2014	JULY 2014	AUGUST 2014	DECEMBER 2014
Review of Internal Audit report Consideration of IT controls review report Management of the internal audit handover from EY to KPMG Review of 2014 Internal Audit programme	Internal Audit update Review of Going Concern basis of accounting Goodwill and intangible assets impairment review Internal controls review Review of 2013 audit process and results, and discussion of significant accounting matters Review of the 2013 external Auditor report Review of the 2013 Annual Report (including fair, balanced and understandable requirement) and Preliminary Results Announcement	2014 interim review - planning considerations Review of the 2014-16 Internal Audit plan Review of Internal Audit reports on internal controls and integration of acquisitions Review of the Committee's Terms of Reference Review of whistleblowing and non-audit services policies	Review of 2014 interim results Goodwill and intangible assets impairment review Review of Going Concern basis of accounting Review of the external Auditor's interim work and report Discussion of the 2013 Annual Report compared to best and emerging practice Assessment of performance of external Auditor	Review of internal control report Consideration of the risk management review process Review of the 2014 Internal Audit report and status of recommendations made Review of the Internal Audit interim report on implementation of the new UK ERP system Review of audit pre-close accounting and reporting issues Review of year end external audit planning report Agreement of 2014 audit fee and review of Auditor independence

FINANCIAL REPORTING AND SIGNIFICANT ACCOUNTING MATTERS

The Committee considered the following financial reporting and key accounting issues with regard to the financial statements:

Implementation of UK ERP system

During the year the Group continued its phased implementation of its new UK ERP system. All administrative back offices went live during the year and the branch roll-out has commenced. In light of the hybrid nature of the underlying systems, Deloitte adopted a more substantive approach to their audit testing. The Committee satisfied itself that the enhanced procedures enabled the audit to be properly carried out at no loss of rigour.

Recognition and measurement of supplier rebate income

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 that supplier rebates are recognised appropriately in the Group financial statements.

Carrying value of goodwill and intangible assets

The carrying value of goodwill is systematically reviewed at each mid-year point and at 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.

Disclosure of "Other items"

The Committee gave careful consideration to the judgments made in the separate disclosure of "Other items". In particular, the Committee sought to ensure that the treatment followed consistent principles and that reporting in the Annual Accounts is suitably clear and understandable.

Recognition and measurement of trade receivables

Methodologies and judgments applied in establishing provisions for trade receivables were examined to ensure consistent application and appropriateness to the trading position of the Group.

Read more about our **Critical Accounting Judgments and Key Sources of Estimation Uncertainty** on page **104**

Read more about our **Statement of Significant Accounting Policies** on pages **97** to **103**

OVERSIGHT OF INTERNAL AUDIT

The Internal Audit function provides independent assurance to senior management and the Board of 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 significant failings or weaknesses were identified during the year which had a material effect on the Company's financial performance.

The Audit Committee notes that the Company operates a Control Self Assessment ("CSA") internal control process to support the internal audit process. This process is summarised in the Corporate Governance Report on page 60.

KPMG LLP was appointed on 1 January 2014 in place of EY LLP to provide the outsourced Internal Audit function. The appointment followed a full review process which involved tenders being made by five accountancy firms leading to a shortlist of three firms from which a candidate was recommended. The process was carried out by the Group Finance Director and the Chairman of the Audit Committee who then recommended KPMG to the Audit Committee as the selected internal audit provider. Their appointment was then recommended by the Audit Committee to the Board, and was approved by 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 throughout 2014. 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 as 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 in 2014 was £0.1m, representing the interim review (2013: £0.1m). The total sum invoiced by them for audit services in respect of the same period was £1.3m (2013: £1.4m).

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.

In August 2014, the Committee undertook its annual review of the effectiveness of the external Auditors and considered the reappointment 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. From this questionnaire and further discussions in the meeting, the Committee is satisfied that Deloitte LLP continues to provide an effective audit service.

AUDIT TENDER

The Code recommends that external audits should be put out for tender every ten years.

Having previously acted as Auditor to parts of the Group since 2003, Deloitte was invited to tender for the entire Group audit in 2005 and this resulted in Deloitte 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 independence, objectivity, expertise, resources and general effectiveness of Deloitte LLP, and that the Group is subjected to a rigorous audit process. The Committee does not consider it necessary to conduct a tender process for the appointment of the Company's Auditor at this time, although the Committee will continue to keep this under review.

The current lead audit partner took over responsibility for the audit for the year ended 31 December 2013. 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.

The Committee recommends, and the Board agrees, that a resolution for the reappointment of Deloitte LLP as Auditor of the Company for a further year will be proposed at the forthcoming Annual General Meeting.

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 performance, strategy and business model of the Company.

In reaching this conclusion the Committee has considered the following:

- the preparation of the Annual Report is a collaborative process between Finance, Legal, Human Resources, Investor Relations and Communications functions within SIG, ensuring the appropriate professional input to each section. External guidance and advice is sought where appropriate;
- the coordination and project management is undertaken by a central team to ensure consistency and completeness of the document;
- an extensive review process is undertaken, both internally and through the use of external advisors; and
- a final draft is reviewed by the Audit Committee members prior to consideration by the Board.

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

On behalf of the Board

JONATHAN NICHOLLS
Chairman of the Audit Committee

> *The Committee ensures that the Board has the right balance of experience and skills.*
>
> **LESLIE VAN DE WALLE** CHAIRMAN OF THE NOMINATIONS COMMITTEE

PURPOSE AND AIM

The Nominations Committee has an important role to play in ensuring that the Board has the right balance of experience and skills to support the Group's strategy. Its principal duty is the nomination of suitable candidates for the approval of the Board to fill Executive and Non-Executive vacancies on the Board. Members of the Committee are not involved in matters affecting their own positions.

The Committee keeps under review and evaluates the composition of the Board and its Committees to maintain the appropriate balance of skills, knowledge, experience and independence to ensure their continued effectiveness. Appropriate succession plans for the Non-Executive Directors, Executive Directors and the Group's Senior Management are also kept under review.

MEETINGS AND MEMBERSHIP

The Committee meets as appropriate but at least once a year. During the year the Committee met on three 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 (**www.sigplc.com**).

As at 31 December 2014, 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.

RESPONSIBILITIES AND ACTIVITIES DURING THE YEAR

The Committee reviews the structure, size, diversity and composition of the Board and makes recommendations concerning the reappointment 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.

GENERAL

In general terms, when considering candidates for appointment as Directors of the Company, the Nominations Committee – in conjunction with the Board – drafts a detailed job specification and candidate profile. In drafting this, consideration would be given to the existing experience, knowledge and background of Board members as well as the strategic and business objectives of the Group. Once a detailed specification has been agreed with the Board, the Committee would then work with an appropriate external search and selection agency to identify candidates of the appropriate calibre and with whom an initial candidate shortlist could be agreed. The 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. The policy on Board Diversity is available on the Company's website (**www.sigplc.com**). 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. During the year under review the Committee used the services of Ridgeway Partners (who have no other connection with the Company).

This process was followed in respect of the appointment of Ms. A. Abt as a Non-Executive Director with effect from 12 March 2015.

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 will be prepared for Ms. Abt.

The Committee also carefully reviews and makes recommendations concerning the reappointment of any Non-Executive Director at the conclusion of their specified terms of office. The Committee considered the positions of Mr. Geoghegan and Mr. Nicholls, both of whom would have completed their second three-year periods of office in July and November 2015 respectively. Following a rigorous review the Committee concluded that both Non-Executive Directors bring considerable management experience and independent perspective to the Board's discussions and are considered to be independent of management and free from relationship or circumstance that could affect or appear to affect the exercise of their independent judgment. Both Mr. Geoghegan and Mr. Nicholls have, subject to their re-election by Shareholders at the AGM in May 2015, been invited to serve for a further term of office expiring at the May 2016 AGM.

> ***"The Committee keeps under review and evaluates the composition of the Board and its Committees to maintain the appropriate balance of skills, knowledge, experience and independence."***
>
> **LESLIE VAN DE WALLE** CHAIRMAN OF THE NOMINATIONS COMMITTEE

In last year's Annual Report I reported that the Board had discussed in December 2013 the matter of women on boards, and had set out the aim of achieving at least 25% female representation among the Board's membership by 2015. I am pleased to be able to report that with the appointment of Ms. A. Abt on 12 March 2015 female representation on the Board will have risen to 25%. The Committee will continue to consider gender diversity when recommending any future Board appointments. Final appointments will always be made on merit.

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 2014 and the results of this review were reported to the Board.

The proposed activities for the Committee in 2015 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 of the Nominations Committee
11 March 2015

> *"The Committee has made an evolutionary change for 2015 to the mix of performance measures to better support the 'Stronger Together' ethos."*

CHRIS GEOGHEGAN CHAIRMAN OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDER,

On behalf of the Board, I am pleased to present the Remuneration Committee's ("the Committee") Directors' Remuneration Report for 2014.

Similarly to last year, this report is split into three sections: the Annual Statement, the Directors' Remuneration Policy and the Annual Report on Remuneration. Our Remuneration Policy, detailed on pages 73 to 81, remains consistent with that approved by Shareholders at the 2014 AGM, and is reproduced in full for both ease of reference and in order to provide context to the decisions taken by the Committee during the year.

SIG's strategy over 2014 has been 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 multinational group. Moreover, with its focus on specialist expertise and high customer service levels, SIG aims to continue to outperform its markets and thereby generate sustainable long-term growth in shareholder value.

KEY ACTIVITIES

The activities of the Committee and key decisions taken in 2014 are set out on page 81 and are summarised below. During the year, the Committee considered SIG's Remuneration Policy and concluded that the current structure, made up of base salary and benefits, an annual bonus plan and a single long-term incentive plan, continues to be appropriate.

Review of base salaries

Towards the end of the year the Committee reviewed the salaries of our Executive Directors. This review took into account a number of factors including market pay levels, an assessment of individual experience and performance, and pay conditions across the Group. Following this review, the Committee agreed that the base salaries for the Chief Executive and Group Finance Director will increase by 1.5%, in line with the average increase across the Group, effective 1 January 2015.

Annual bonus

For the year ended 31 December 2014, underlying profit before tax ("PBT") increased by 9.0% and Return on Capital Employed ("ROCE") by 90bps, and the annual bonus outcome was 57.0% of salary for both the Chief Executive and Group Finance Director. These bonus outcomes reflect both the strong financial performance of the Group and the exceptional individual contributions made by the two Executive Directors over the last year.

Following a review of the annual bonus, the Committee made an evolutionary change to the mix of performance measures to better support the Company ethos of 'Stronger Together'. Therefore, in 2015 the annual bonus will be linked 55% to Group underlying PBT, 20% to ROCE, 10% to HS&E, and 15% to personal objectives (linked to the Group's Strategic Initiatives).

LTIP

Awards granted in 2012 under the 2004 Long-Term Incentive Plan ("LTIP") will vest in early 2015 based on performance to 31 December 2014. These awards were based two-thirds on ROCE and one-third on underlying earnings per share ("EPS"); the performance conditions were partially met to the extent that 10.5% of the awards will vest.

For 2015, the LTIP will continue to be linked to ROCE and EPS, have a three year performance period plus a two year holding period on vested shares, and remain subject to clawback/malus provisions.

Malus and clawback

The Committee concluded that no changes to the Remuneration Policy were required at this time. However, the Committee notes the requirement for malus and clawback provisions in incentives in the updated UK Corporate Governance Code, and is taking steps to implement the changes. The Company already operates malus provisions in the Deferred Share Bonus Plan ("DSBP") and the LTIP, and is introducing clawback from 1 January 2016 in respect of the annual bonus, and from awards due to be made in Autumn 2015 in respect of the LTIP.

The Annual Report on Remuneration will be subject to an advisory vote at the forthcoming AGM. We continue to value any feedback from Shareholders and hope to receive your support at the AGM.

CHRIS GEOGHEGAN
Chairman of the Remuneration Committee
11 March 2015

Directors' Remuneration Report
DIRECTORS' REMUNERATION POLICY

This section of the report sets out the Remuneration Policy for Executive Directors in accordance with Section 439A of the Companies Act 2006 ("the Act"). The Remuneration Policy was approved by Shareholders at the AGM on 16 May 2014, and took effect from that date. The report that follows is as disclosed in the 2013 Directors' Remuneration Report save a number of non-significant changes (as permitted by the terms of the Remuneration Policy approved by Shareholders) as follows:

- References to financial years have been updated where appropriate;
- Pay-for-performance scenario charts have been updated to reflect 2015 salaries;
- Current Non-Executive Director appointment expiry dates have been updated; and
- Malus provisions have been clarified with respect to incentives awarded in respect of 2014 and previous years, and clawback has been introduced, to apply from 1 January 2016 in respect of the annual bonus, and from 2015 awards in respect of the LTIP.

COMPLIANCE STATEMENT

This report, prepared by 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 144 to 148 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.

CONSIDERATION 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.

CONSIDERATION 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 undertaking Shareholder consultation in advance of any significant changes to the Remuneration Policy. Further detail on the votes received on the 2013 Directors' Remuneration Report and the Committee's response are provided in the Annual Report on Remuneration.

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 11 to 15.

REMUNERATION POLICY CONTINUED

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
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 £20 each 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

Element	Purpose and link to strategy	Operation and process	Opportunity	Performance metrics
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 Group'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 DSBP. Effective from the 2015 performance year (i.e. payments from 1 January 2016), the bonus is subject to malus and clawback, i.e. forfeiture or reduction of the deferred portion or recovery of paid amounts, in exceptional circumstances. Such circumstances may include (but are not limited to) material misstatement of the Group's financial results or gross misconduct. In respect of bonuses up to the 2014 performance year, only malus provisions apply. 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 PBT 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.
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. To encourage long-term decision-making and further improve Shareholder alignment, the Committee introduced 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. From 2015, awards are subject to malus and clawback, i.e. forfeiture or reduction of unvested awards or recovery of vested awards, 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 EPS growth and ROCE. Details of the measures, weightings and performance targets used for specific LTIP grants are included in the Annual Report on Remuneration.

REMUNERATION POLICY CONTINUED

The Committee is satisfied that the Remuneration Policy on pages 73 to 76 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 on page 75.

Selection of performance metrics

The performance metrics 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 within 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.

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.

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 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	n/a
Pension	New appointees will be eligible to participate in the Company's defined contribution pension scheme or receive a cash equivalent payment	n/a
SIP	New appointees will be eligible to participate in the SIP	n/a
Annual 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.

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.

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

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.

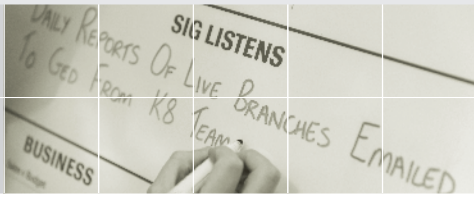
The table below provides details of the main terms of Executive Director service contracts and termination payments not otherwise set out in this report.

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 from 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 or her 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 DSBP, the 2004 LTIP and the 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



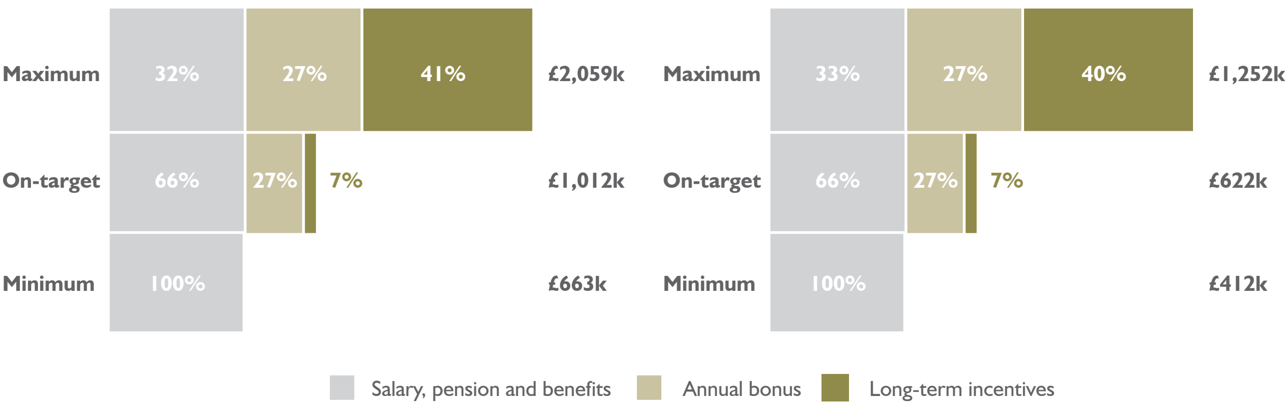
Plan	Scenario	Timing of vesting	Calculation of vesting/payment
2004 LTIP	Injury, ill-health or disability, redundancy, retirement, the sale of the employing company or business out of the Group or any other reason as the Committee may determine	Normal vesting date, although the Committee has discretion 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
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 (unchanged), applied to salaries as at 1 January 2015. Note that the projected values exclude the impact of any share price movements.

Chief Executive

Finance Director



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. NED 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	16 May 2014	11 May 2017
M. Ewell	1 August 2011	16 May 2014	11 May 2017
C. V. Geoghegan	1 July 2009	6 March 2015	12 May 2016
J. C. Nicholls	6 November 2009	6 March 2015	12 May 2016

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

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.

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.

ANNUAL REPORT ON REMUNERATION

The following section provides details of how SIG's Remuneration Policy was implemented during the financial year ended 31 December 2014 and how it will be implemented in 2015.

THE REMUNERATION COMMITTEE

The key responsibilities of the 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 2014, 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 seven times. Attendance by individual members of the Committee is disclosed in the Corporate Governance section of the Directors' Report on page 57.

Only members of the Committee have the right to attend Committee meetings. The Chairman of the Board, Chief Executive, Group Human Resources 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 page 82 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 2014

The Committee met seven times in 2014. 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 2014;
- calibration of award levels and targets for the 2014 LTIP awards for the Executive Directors;
- review of the Non-Executive Chairman's fees;
- preparation of the 2013 and 2014 Directors' Remuneration Report;
- review of the LTIP, consideration of potential revisions and related Shareholder consultation; and
- preparation for the 2014 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 £20,300 (2013: £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 2014 and therefore did not receive any fees for this service in 2014 (2013: £nil).

SHAREHOLDER VOTE AT THE 2014 AGM

The following table shows the results of the binding and advisory votes on the Directors' Remuneration Policy and the Annual Report on Remuneration of the 2013 Directors' Remuneration Report, respectively, at the 16 May 2014 AGM:

		For	Against	Total votes cast	Votes withheld
Directors' Remuneration Policy	Total number of votes	417,381,761	1,354,707	418,736,468	4,570,029
	% of votes cast	99.7%	0.3%	100%	1.1%
Annual Report on Remuneration	Total number of votes	419,906,603	1,485,295	421,391,898	1,914,600
	% of votes cast	99.6%	0.4%	100%	0.5%

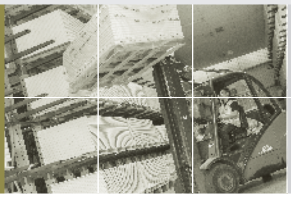
SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out the single total figure of remuneration received by each Executive Director for the year to 31 December 2014 and the prior year:

Executive Director		Base salary[1] £000	Benefits[2] £000	Pension[3] £000	Annual bonus[4] £000	LTIP[5] £000	Other[6] £000	Total Remuneration £000
S. R. Mitchell[7]	**2014**	**550**	**21**	**83**	**314**	**–**	**–**	**968**
	2013	550	21	83	333	–	–	987
D. G. Robertson	**2014**	**331**	**26**	**50**	**189**	**50**	**–**	**646**
	2013	324	20	49	193	–	–	586

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

1. Base salary/fee: amount earned for the year.
2. Benefits: comprising company car, medical and permanent health insurance.
3. Pension: 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 2014 and 31 December 2013. For the 2014 figure, given that vesting occurs in April 2015, after the Directors' Remuneration Report is finalised, the figures are based on the average share price in the last three months of 2014 of 157.6p.
6. Other: includes SIP, valued based on the face value of matching shares at grant.
7. Appointed to the Board on 10 December 2012 and became Chief Executive on 1 March 2013.
8. During 2014 Mr. C. J. Davies, who retired from the Board on 28 February 2013, received £85k in salary and £3k in benefits in the period to 28 February 2014.



INCENTIVE OUTCOMES FOR 2014

Annual bonus in respect of 2014

In 2014, the maximum bonus opportunity for Executive Directors was 100% of salary. 80% of bonus was based on financial performance and 20% on the achievement of personal or strategic objectives. For the financial performance element, 65% of bonus was linked to underlying PBT and the remaining 15% of bonus 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	Target	Stretch	Actual performance	Payout (% of salary)
Underlying PBT		65%	£97.5m	£102.5m	£107.5m	£98.1m	22.7%
Working capital to sales (%)	Year to 30 Jun 14	5%	10.0%	9.5%	n/a	9.2%	5.0%
	Year to 31 Dec 14	10%	9.7%	9.2%	n/a	8.1%	10.0%
Total		80%					37.7%

Personal element outcomes

Executive Director	Personal objectives for the year	Payout (% of salary)
S. R. Mitchell	Target against the delivery of the key operating objectives, divided between a Health & Safety objective and the benefits targeted to be achieved from the four Strategic Initiatives	19.3% (out of 20%)
D. G. Robertson	Target against the delivery of the key operating objectives, divided between a Health & Safety objective and the benefits targeted to be achieved from the four Strategic Initiatives	19.3% (out of 20%)

The Committee has approved a payout of 19.3% (out of a maximum of 20%) in respect of the personal element for both Executive Directors. This was awarded in the context of their exceptional personal performance during the year and significant progress made across a range of strategic initiatives, particularly in relation to health and safety.

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	37.7%	19.3%	57.0%
D. G. Robertson	37.7%	19.3%	57.0%

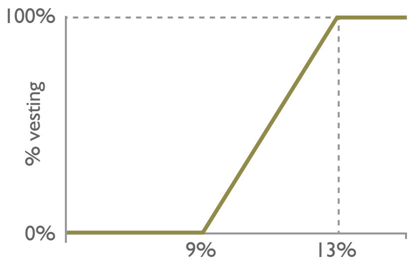
As stated in the policy table, for all current Executive Directors, one-third of the total annual bonus outcome for 2014 is deferred into SIG shares for three years, subject to clawback (i.e. forfeiture or reduction in exceptional circumstances). In the Committee's view, the level of bonus paid to Executive Directors appropriately reflects the individuals' and Group's performance in an exceptionally difficult environment.

Long-Term Incentive Plan: 2012 Awards

On 26 April 2012, Mr. D. G. Robertson received an award of 299,145 nil-cost options under the 2004 LTIP. Vesting of the award was dependent 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 performance (representing the remaining one-third of the award). There was no re-testing of performance. The performance targets are illustrated overleaf:

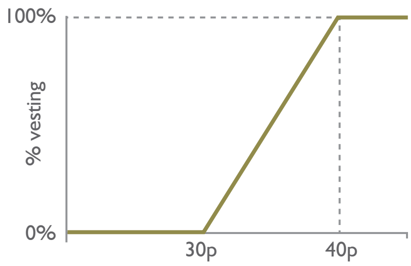
INCENTIVE OUTCOMES FOR 2014 CONTINUED

ROCE element of the award (2/3rd)



Average ROCE 2012-2014

EPS element of the award (1/3rd)



Cumulative underlying EPS 2012-2014

For the ROCE element, if three year average ROCE over the three financial years ending 31 December 2014 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 2014 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.

Actual average ROCE was 9.23% and cumulative underlying EPS was 32.0p, which resulted in the vesting of c.3.8% and c.6.7% of the maximum award respectively. 10.5% of the total award will therefore vest on 25 April 2015.

Performance measure	Actual performance	Vesting outcome (% of maximum)
Three year average ROCE	9.23%	3.8%
Three year cumulative underlying EPS	32.0p	6.7%

As disclosed in the Remuneration Policy, 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 Directors' current holdings as measured against the guideline is disclosed on page 88.

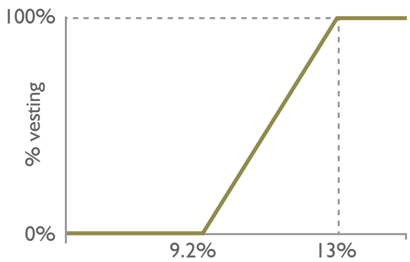
Long-Term Incentive Plan: 2014 Awards

On 18 September 2014, Mr. S. R. Mitchell and Mr. D. G. Robertson were granted awards under the LTIP of 466,628 and 280,817 shares respectively; details are provided in the table below. The three year period over which performance will be measured will be 1 January 2014 to 31 December 2016. The award is eligible to vest in its entirety on the third anniversary of the date of grant (i.e. 17 September 2017), subject to ROCE and EPS performance. Executive Directors will additionally be required to hold any vested awards for a further two year period, to encourage long-term decision-making and further improve Shareholder alignment.

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 September 2014	466,628	176.8p	£825,000	150%
D. G. Robertson	18 September 2014	280,817	176.8p	£496,485	150%

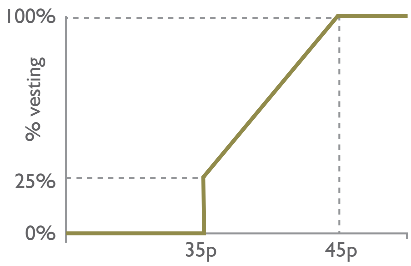
These awards will vest based on three year average ROCE (representing two-thirds of the award) and three year cumulative underlying EPS (representing one-third of the award). The performance targets are illustrated below:

ROCE element of the award (2/3rd)



Average ROCE 2014-2016

EPS element of the award (1/3rd)



Cumulative underlying EPS 2014-2016

For the ROCE element, if three year average ROCE over the three financial years ending 31 December 2016 is less than or equal to 9.2%, 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 2016 is less than or equal to 35p, no shares will vest. 25% of the award will vest for EPS of 35p, and the award will vest in full for cumulative EPS of 45p or higher; 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, merger and acquisition activity, and any other reason the Committee determines at 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.

SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS

The table below sets out the single total figure of remuneration received by each NED for the year to 31 December 2014 and the prior year:

	Base fee £000		Additional fees £000		Total fees £000	
Non-Executive Director	**2014**	2013	**2014**	2013	**2014**	2013
L. Van de Walle (Chairman)	**164**	162	**–**	–	**164**	162
J. E. Ashdown	**47**	46	**–**	–	**47**	46
M. Ewell	**47**	46	**–**	–	**47**	46
C. V. Geoghegan	**47**	46	**10**	10	**57**	56
J. C. Nicholls	**47**	46	**10**	10	**57**	56

EXIT PAYMENTS

No exit payment was made to any Director during the year.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2015

Base salary

The Committee approved the following salary increases from 1 January 2015. The average salary increase across each territory/business for 2015 is between 1.5% and 2.0%.

Executive Director	2015 salary £	**2014 salary £**	% change
S. R. Mitchell	558,250	**550,000**	1.5%
D. G. Robertson	335,955	**330,990**	1.5%

Pension and benefits

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

Annual bonus

The maximum annual bonus opportunity for Executive Directors in 2015 will remain unchanged from the opportunity in 2014 of 100% of salary.

Following a review of the bonus plan, the Committee made an evolutionary change to the mix of performance measures to better support the Company ethos of 'Stronger Together'. Therefore, in 2015 the bonus will be linked 55% to Group underlying PBT, 20% to ROCE, 10% to HS&E, and 15% to personal objectives (linked to Group Strategic Initiatives). As was the case last year, 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. The Committee has further determined that, for 2015, financial performance in respect of the bonus will be measured based on budgeted exchange rates. This approach is in line with prevailing market practice and will be consistently applied in 2015 and future years. Financial performance in respect of 2014 was based on actual exchange rates during the year, in line with the previous approach. Financial performance in respect of the LTIP will continue to be based on actual exchange rates, in line with market practice.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2015 CONTINUED

LTIP

In advance of each LTIP cycle, the Committee reviews the performance measures and corresponding targets to ensure they are appropriately stretching over the performance period. The Committee intends to make LTIP awards in September 2015, and will determine the appropriate measures and targets closer to the time and disclose them in the 2015 Annual Report on Remuneration.

Malus and clawback

As mentioned in the Chairman's Letter, the Committee notes the requirement for malus and clawback in incentives in the updated UK Corporate Governance Code, and is taking steps to implement the changes. The Company currently operates malus provisions and is additionally introducing clawback from the performance year ending 31 December 2015 (i.e. payments from 1 January 2016) in respect of the annual bonus, and from awards due to be made in Autumn 2015 in respect of the LTIP.

Chairman and Non-Executive Director fees

With effect from 1 May 2014, the fee payable to the Chairman of the Board is £165,000 p.a. and the basic fee payable to each Non-Executive Director is £47,484 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 ("SLT"). 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 2014 and 2013 populations.

Given that the Company operates across a number of diverse economies with pay levels and structures reflecting local market conditions, the Committee believes that using the SLT as a subset for purposes of comparing Chief Executive pay against wider employee pay provides a more meaningful comparison than using pay data for all employees.

	Chief Executive			Other employees
	2014 £000	**2013[1] £000**	% change	% change
Salary	**550**	550	0%	2.5%
Taxable benefits	**21**	21	0%	1.0%
Annual performance bonus (including deferred element)	**314**	333	(5.7)%	66.5%
Total	**885**	904	(2.1)%	16.9%

[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

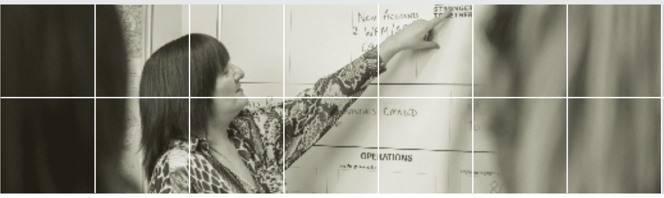
The table below shows the percentage change in total employee pay expenditure and Shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 31 December 2013 to the financial year ended 31 December 2014.

	2014 £m	**2013 £m**	**% change**
Distribution to Shareholders	**26.0**	20.4	27.5%
Employee remuneration	**329.0**	337.5	(2.5)%

The Directors are proposing a final dividend for the year ended 31 December 2014 of 2.98p per share (2013: 2.4p).

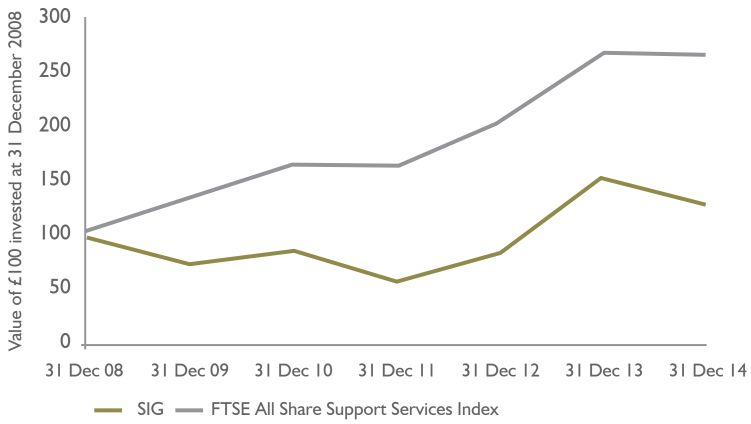
PAY-FOR-PERFORMANCE

The graph opposite 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 six year period to 31 December 2014. 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 opposite 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 six years to 31 December 2014.



	2009	2010	2011	2012	2013		2014
Incumbent	C. J. Davies	C. J. Davies	C. J. Davies	C. J. Davies	C. J. Davies[1]	S. R. Mitchell[2]	**S. R. Mitchell**
Chief Executive single figure of remuneration (£000)	1,354	1,087	1,065	1,024	1,031	987	**968**
Annual bonus outcome (% of maximum)	45%	59%	96%	54%	50%	60.5%	**57.0%**
LTIP vesting outcome (% of maximum)	0%	0%	0%	0%	0%	n/a	**n/a**

1. The figures shown (as set out in the Single Total Figure of Remuneration table shown earlier in the report) pertain to the period 1 January 2013 to 31 December 2013 (including remuneration in lieu of salary, pension and other benefits after 1 March 2013).

2. Mr. S. R. Mitchell was appointed to the Board on 10 December 2012 and became the Chief Executive on 1 March 2013. The 2013 figure pertains to the period 1 January 2013 to 31 December 2013.

DIRECTORS' INTERESTS IN SIG SHARES (AUDITED)

The interests of the Directors in office at 31 December 2014 and their families in the ordinary shares of the Company at the dates below were as follows:

	31 December 2014	1 January 2014
J. E. Ashdown	**21,700**	21,700
M. Ewell	**8,600**	8,600
C. V. Geoghegan	**40,000**	40,000
J. C. Nicholls	**14,220**	14,220
S. R. Mitchell	**165,460***	164,545*
D. G. Robertson	**61,489***	60,566*
L. Van de Walle	**50,000**	30,000

* Includes shares purchased under the SIG plc SIP.

There have been no changes to shareholdings between 1 January 2015 and 11 March 2015 save that on 15 January 2015 Mr. S. R. Mitchell and Mr. D. G. Robertson acquired a further 91 shares each under the SIG plc Share Incentive Plan ("SIP"), and on 16 February 2015 Mr. S. R. Mitchell and Mr. D. G. Robertson acquired a further 79 shares each 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 88.

DIRECTORS' SHAREHOLDING (AUDITED)

The table below shows the shareholding of each Director against their respective shareholding requirement as at 31 December 2014:

	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	165,460	–	–	829,664	55,292	200	52	No
D. G. Robertson	61,489	–	–	794,153	77,160	200	32	No
J. E. Ashdown	21,700						80	
M. Ewell	8,600						32	
C. V. Geoghegan	40,000						148	
J. C. Nicholls	14,200						53	
L. Van de Walle	50,000						53	

* Based on SIG share price of 174.3p as at 31 December 2014.

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	18/09/2014	176.8p	466,628	825,000	01/01/2014 – 31/12/2016	18/09/2019 – 17/09/2024
	18/04/2013	151.5p	363,036	550,000	01/01/2013 – 31/12/2015	18/04/2016 – 17/04/2023
D. G. Robertson	18/09/2014	176.8p	280,817	496,485	01/01/2014 – 31/12/2016	18/09/2019 – 17/09/2024
	18/04/2013	151.5p	214,191	324,500	01/01/2013 – 31/12/2015	18/04/2016 – 17/04/2023
	26/04/2012	105.3p	299,145	315,000	01/01/2012 – 31/12/2014	26/04/2015 – 25/04/2022
Deferred Bonus Plan						
S. R. Mitchell	31/03/2014	201.1p	55,292	111,192	n/a	31/03/2017 – 30/03/2024
D. G. Robertson	31/03/2014	201.1p	32,078	64,509	n/a	31/03/2017 – 30/03/2024
	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

Under the SIG SIP, the Company matches up to the first £20 of savings made each month by the employee which is used to purchase matching shares on a monthly basis. Mr. S. R. Mitchell and Mr. D. G. Robertson participated in the SIP in 2014. Mr. C. J. Davies, who retired from the Board on 28 February 2013, participated in the SIP up to his date of retirement from the Company on 28 February 2014.

The market price of the shares at 31 December 2014 was 174.3p and the range during 2014 was 144.8p to 214.4p.

There were no options exercised by the Directors in 2014 (2013: nil) and the aggregate of the total theoretical gains on options exercised by the Directors during 2014 amounted to £nil (2013: £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.

Mr. D. G. Robertson was appointed a Non-Executive Director of HSS Hire Group plc on 12 January 2015. He receives a fee of £50,000 per annum which he retains.

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report (comprising pages 72 to 88) was approved by a duly authorised Committee of the Board of Directors on 11 March 2015 and signed on its behalf by Chris Geoghegan, the Chairman of the Remuneration Committee.

CHRIS GEOGHEGAN
Chairman of the Remuneration Committee
11 March 2015

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

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

- select suitable accounting policies and then apply them consistently;
- make 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 IFRSs 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, which is incorporated into the Statutory Information, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, 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.

This Responsibility Statement was approved by the Board of Directors on 11 March 2015 and is signed on its behalf by:

STUART MITCHELL
Director
11 March 2015

DOUG ROBERTSON
Director
11 March 2015

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Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Before other items* 2014 £m	Other items* 2014 £m	Total 2014 £m	Before other items* 2013 £m	Other items* 2013 £m	Total 2013 £m
Revenue	1	**2,602.9**	**31.0**	**2,633.9**	2,539.7	180.1	2,719.8
Cost of sales	2	**(1,902.3)**	**(27.5)**	**(1,929.8)**	(1,869.1)	(141.5)	(2,010.6)
Gross profit		**700.6**	**3.5**	**704.1**	670.6	38.6	709.2
Other operating expenses	2	**(590.4)**	**(60.5)**	**(650.9)**	(569.3)	(124.5)	(693.8)
Operating profit		**110.2**	**(57.0)**	**53.2**	101.3	(85.9)	15.4
Finance income	3	**0.9**	**0.1**	**1.0**	1.4	0.2	1.6
Finance costs	3	**(13.0)**	**(2.2)**	**(15.2)**	(12.7)	(2.1)	(14.8)
Profit before tax and share of loss of associate		**98.1**	**(59.1)**	**39.0**	90.0	(87.8)	2.2
Share of loss of associate		**–**	**–**	**–**	–	(0.1)	(0.1)
Profit before tax	4	**98.1**	**(59.1)**	**39.0**	90.0	(87.9)	2.1
Income tax expense	6	**(27.6)**	**23.1**	**(4.5)**	(26.6)	10.2	(16.4)
Profit/(loss) after tax		**70.5**	**(36.0)**	**34.5**	63.4	(77.7)	(14.3)
Attributable to:							
Equity holders of the Company		**70.1**	**(37.1)**	**33.0**	63.1	(78.1)	(15.0)
Non-controlling interests		**0.4**	**1.1**	**1.5**	0.3	0.4	0.7
Earnings per share							
Basic earnings/(loss) per share	8	**11.9p**	**(6.3p)**	**5.6p**	10.7p	(13.2p)	(2.5p)
Diluted earnings/(loss) per share	8	**11.9p**	**(6.3p)**	**5.6p**	10.7p	(13.2p)	(2.5p)

* "Other items" relate to the amortisation of acquired intangibles, restructuring costs, other one-off items, profits and losses arising on the sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, goodwill impairment charges, unwinding of provision discounting, fair value gains and losses on derivative financial instruments, one-off recognition of deferred tax assets, 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 98.

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 2014

	Note	2014 £m	2013 £m
Profit/(loss) after tax		**34.5**	(14.3)
Items that will not subsequently be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit pension liability	29c	**(7.7)**	8.3
Deferred tax movement associated with remeasurement of defined benefit pension liability	23	**1.7**	(2.0)
Effect of change in rate on deferred tax	23	**(0.1)**	(0.9)
		(6.1)	5.4
Items that may subsequently be reclassified to the Consolidated Income Statement:			
Exchange difference on retranslation of foreign currency goodwill and intangibles		**(14.3)**	6.6
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)		**(18.9)**	4.7
Exchange and fair value movements associated with borrowings and derivative financial instruments		**8.9**	(1.9)
Tax (charge)/credit on exchange and fair value movements arising on borrowings and derivative financial instruments		**(1.9)**	0.4
Exchange difference reclassified to the Consolidated Income Statement in respect of the disposal of foreign operations		**(6.7)**	–
Gains and losses on cash flow hedges		**(3.7)**	(0.4)
Transfer to profit and loss on cash flow hedges		**2.3**	2.1
		(34.3)	11.5
Other comprehensive (expense)/income		**(40.4)**	16.9
Total comprehensive (expense)/income		**(5.9)**	2.6
Attributable to:			
Equity holders of the Company		**(7.4)**	1.9
Non-controlling interests		**1.5**	0.7
		(5.9)	2.6

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

Consolidated Balance Sheet

AS AT 31 DECEMBER 2014

	Note	2014 £m	2013 £m
Non-current assets			
Property, plant and equipment	10	**127.2**	135.6
Goodwill	12	**419.2**	417.6
Intangible assets	13	**49.6**	49.3
Deferred tax assets	23	**29.0**	22.2
Deferred consideration	11	**1.5**	–
Derivative financial instruments	19	**33.9**	29.7
		660.4	654.4
Current assets			
Inventories	15	**225.4**	220.4
Trade and other receivables	16	**381.7**	391.9
Assets held for sale	16	**–**	9.1
Current tax assets	16	**5.6**	4.3
Other financial assets	19	**0.9**	–
Cash and cash equivalents		**110.3**	118.7
		723.9	744.4
Total assets		**1,384.3**	1,398.8
Current liabilities			
Trade and other payables	17	**349.2**	346.3
Liabilities held for sale	17	**–**	1.9
Obligations under finance lease contracts	17	**2.5**	2.7
Bank overdrafts	17	**4.4**	4.9
Bank loans	17	**0.7**	0.3
Loan notes	17	**1.9**	–
Derivative financial instruments	17	**0.5**	0.1
Current tax liabilities	17	**8.3**	9.6
Provisions	17	**14.6**	9.5
		382.1	375.3
Non-current liabilities			
Obligations under finance lease contracts	18	**8.0**	7.1
Bank loans	18	**0.6**	–
Private placement notes	18	**254.3**	252.5
Derivative financial instruments	18	**0.6**	2.0
Deferred tax liabilities	18	**12.1**	14.7
Other payables	18	**4.3**	4.3
Retirement benefit obligations	18	**28.7**	25.5
Provisions	18	**29.3**	24.3
		337.9	330.4
Total liabilities		**720.0**	705.7
Net assets		**664.3**	693.1
Capital and reserves			
Called up share capital	25	**59.1**	59.1
Share premium account		**447.2**	447.2
Capital redemption reserve		**0.3**	0.3
Share option reserve		**1.8**	1.1
Hedging and translation reserve		**(20.3)**	12.6
Retained profits		**175.6**	172.2
Attributable to equity holders of the Company		**663.7**	692.5
Non-controlling interests		**0.6**	0.6
Total equity		**664.3**	693.1

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 11 March 2015 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 2014

	Note	2014 £m	2013 £m
Net cash flow from operating activities			
Cash generated from operating activities	26	**95.6**	86.2
Income tax paid		**(16.9)**	(15.7)
Net cash generated from operating activities		**78.7**	70.5
Cash flows from investing activities			
Finance costs paid		**(12.5)**	(12.0)
Finance income received		**0.9**	1.4
Purchase of property, plant and equipment and computer software		**(38.1)**	(37.9)
Proceeds from sale of property, plant and equipment		**13.2**	4.8
Net cash flow arising on sale of businesses	11	**(2.6)**	(0.1)
Settlement of amounts payable for purchase of businesses	14	**(19.0)**	(14.9)
Net cash used in investing activities		**(58.1)**	(58.7)
Cash flows from financing activities			
Capital element of finance lease rental payments		**(2.3)**	(3.3)
Issue of share capital	25	**–**	0.2
Repayment of loans/settlement of derivative financial instruments		**(2.7)**	(87.3)
New loans		**4.3**	85.6
Dividends paid to equity holders of the Company	7	**(22.6)**	(18.6)
Dividends paid to non-controlling interest		**–**	(0.3)
Net cash used in financing activities		**(23.3)**	(23.7)
Decrease in cash and cash equivalents in the year	27	**(2.7)**	(11.9)
Cash and cash equivalents at beginning of the year	28	**113.8**	124.0
Effect of foreign exchange rate changes	28	**(5.2)**	1.7
Cash and cash equivalents at end of the year	28	**105.9**	113.8

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 2014

	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 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	–	–	–
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
Profit after tax	–	–	–	–	–	33.0	33.0	1.5	34.5
Other comprehensive income/(expense)	–	–	–	–	(32.9)	(7.5)	(40.4)	–	(40.4)
Total comprehensive income/(expense)	–	–	–	–	(32.9)	25.5	(7.4)	1.5	(5.9)
Derecognition of non-controlling interest	–	–	–	–	–	–	–	(1.5)	(1.5)
Share capital issued in the year	–	–	–	–	–	–	–	–	–
Credit to share option reserve	–	–	–	0.7	–	–	0.7	–	0.7
Exercise of share options	–	–	–	–	–	–	–	–	–
Deferred tax on share options	–	–	–	–	–	0.5	0.5	–	0.5
Dividends paid to equity holders of the Company	–	–	–	–	–	(22.6)	(22.6)	–	(22.6)
At 31 December 2014	**59.1**	**447.2**	**0.3**	**1.8**	**(20.3)**	**175.6**	**663.7**	**0.6**	**664.3**

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

The hedging and translation reserve represents movements in the Consolidated Balance Sheet as a result of movements in exchange rates which are taken directly to reserves as detailed in the Statement of Significant Accounting Policies on pages 100 to 102.

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 2014 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 35.

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

- IAS 27 (amended) "Separate Financial Statements";
- IAS 32 (amended) "Offsetting Financial Assets and Liabilities";
- IAS 36 (amended) "Impairment of Assets";
- IAS 39 (amended) "Financial Instruments: Recognition and Measurement";
- IFRS 10 (amended) "Consolidated Financial Statements";
- IFRS 12 (amended) "Disclosure of Interests in Other Entities"; and
- IFRIC Interpretation 21 "Levies".

Adoption of the above standards has not had a material impact on the Accounts of the Group.

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 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" – effective for accounting periods beginning on or after 1 January 2016;
- IAS 27 (amendments) "Equity Method in Separate Financial Statements" – effective for accounting periods beginning on or after 1 January 2016;
- IFRS 11 (amended) "Joint Arrangements" – effective for accounting periods beginning on or after 1 January 2016; and
- IFRS 15 "Revenue from Contracts with Customers" – effective for accounting periods beginning on or after 1 January 2017.

The Directors do not expect that the adoption of the standards and interpretations listed above will have a material impact on the Accounts of the Group in future periods, except that IFRS 9 will impact upon both the measurement and disclosure of Financial Instruments, and IFRS 15 will impact upon disclosures given in relation to revenue and trade receivables.

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 intercompany 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 interests' 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 shareholders 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 2014 and 2013 did not meet the disclosure criteria of IFRS 5 "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;
- restructuring costs;
- other one-off items;
- profits and losses arising on the sale of businesses and associated impairment charges;
- trading profits and losses associated with disposed businesses;
- goodwill impairment charges;
- unwinding of provision discounting;
- fair value gains and losses on derivative financial instruments;
- one-off recognition of deferred tax assets;
- 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 2014 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.

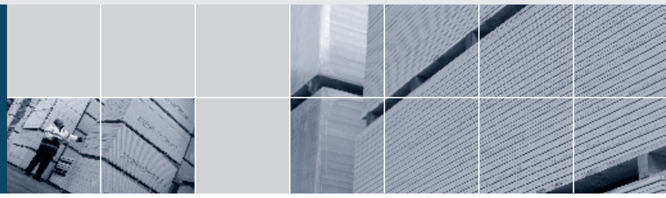
On disposal of a subsidiary, the attributable amount of remaining goodwill relating to the entity disposed of is included in the determination of any profit or loss on disposal.

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 "Business Combinations" which requires the separate recognition of intangible assets from goodwill on all business combinations. Purchased intangible assets relate primarily to software that is separable from any associated hardware.



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

	Amortisation period	Current estimate of useful life
Customer relationships	Life of the relationship	7.4 years
Non-compete contracts	Life of the contract	3.0 years
Computer software	Useful life of the software	7.0 - 10.0 years

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

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 customer rebates, VAT and other sales-related taxes. The Group principally earns revenue from the distribution of construction products and is able to recognise revenue on receipt of the goods by the customer. Customer rebates are accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to customer rebates and recognised in the period as earned.

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 vest. 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 the difference between the expected returns 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.

For equity-settled share-based payments, 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.

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, with a corresponding adjustment to liabilities.

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.

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.

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 prevailing 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.

FINANCIAL ASSETS

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.

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

Loans and receivables are measured initially at fair value and then subsequently at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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 considered to be 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.

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.

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.

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

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 financing 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 that do not qualify for hedge accounting, are accounted for as trading instruments. Derivatives are classified as non-current assets or non-current liabilities if the remaining maturity of the derivatives is more than twelve months and they are not expected to be otherwise realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Derivative financial instruments are recognised immediately at cost. Subsequent to their initial recognition, derivative financial instruments are then stated at their fair value. The fair value of derivative financial instruments is derived from "mark-to-market" valuations obtained from the Group's relationship banks.

Unless hedge accounting is achieved, the gain or loss on remeasurement to fair value is recognised immediately and is included as part of finance income or finance costs, together with other 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 associated with 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.

The prior year net current tax liability of £5.3m has been restated to reflect the gross current tax assets of £4.3m and liabilities of £9.6m.

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:

	Current estimate of useful life
Freehold buildings	50 years
Leasehold buildings	Period of lease
Plant and machinery (including motor vehicles)	3-8 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.

SUPPLIER REBATES

Supplier rebate income is significant to the Group's result, with a substantial proportion of purchases covered by rebate agreements. Some supplier rebate agreements are non-coterminous to the period end, and firm confirmation of amounts due may not be received until six months after the balance sheet date.

Where the Group relies on estimates, these are made with reference to contracts or other agreements, management forecasts and detailed operational workbooks. Supplier rebate income estimates are regularly reviewed by senior management.

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.

REBATES PAYABLE AND RECEIVABLE

Supplier rebate income is significant to the Group's result, with a substantial proportion of purchases covered by rebate agreements. Supplier rebate income affects the recorded value of cost of sales, trade payables and inventories. Customer rebates affect the recorded value of revenue and trade receivables. The amounts payable and receivable under rebate agreements are often subject to negotiation after the balance sheet date. A number of agreements are non-coterminous with the Group's financial year, requiring judgment over the level of future purchases and sales. At the balance sheet date the Directors make judgments on the amount of rebate that will become both payable by and due to the Group under these agreements based upon prices, volumes and product mix.

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 be required.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for these 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% in perpetuity. The discount rates applied to all impairment reviews represent pre-tax rates and range between 9% and 11%.

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 12. 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 2014 is £596.0m (2013: £602.5m). Impairment reviews performed during the year indicated that the carrying value of all of the remaining CGUs of the Group at 31 December 2014 were considered supportable.

PROVISIONS AGAINST RECEIVABLES

Using information available at the balance sheet date, the Directors make judgments based on experience regarding the level of provision required to account for potentially uncollectible receivables.

POST-EMPLOYMENT BENEFITS

The Group operates five defined benefit pension schemes. All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 "Employee Benefits". As detailed within the Statement of Significant Accounting Polices on page 99, 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 29c on pages 140 to 143.

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.

1. REVENUE AND SEGMENTAL INFORMATION

Revenue

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

	2014 £m	2013 £m
Sale of goods	**2,633.9**	2,719.8
Total revenue	**2,633.9**	2,719.8
Finance income	**1.0**	1.6
Total income	**2,634.9**	2,721.4

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.

	2014 UK and Ireland £m	2014 Mainland Europe £m	2014 Eliminations £m	2014 Total £m	2013 UK and Ireland £m	2013 Mainland Europe £m	2013 Eliminations £m	2013 Total £m
Revenue								
Continuing sales	**1,336.2**	**1,266.7**	**–**	**2,602.9**	1,200.3	1,339.4	–	2,539.7
Sales attributable to businesses divested in 2014	**18.6**	**12.4**	**–**	**31.0**	42.7	137.4	–	180.1
Inter-segment sales ^	**2.4**	**11.2**	**(13.6)**	**–**	1.6	9.6	(11.2)	–
Total revenue	**1,357.2**	**1,290.3**	**(13.6)**	**2,633.9**	1,244.6	1,486.4	(11.2)	2,719.8
Result								
Segment result before Other items	**65.9**	**54.2**	**–**	**120.1**	50.3	59.0	–	109.3
Amortisation of acquired intangibles	**(8.9)**	**(10.7)**	**–**	**(19.6)**	(9.9)	(10.7)	–	(20.6)
Restructuring costs	**(7.1)**	**(2.1)**	**–**	**(9.2)**	(12.0)	(6.0)	–	(18.0)
Other one-off items	**(7.4)**	**(0.1)**	**–**	**(7.5)**	(0.5)	(0.2)	–	(0.7)
Profits and losses on sale of businesses and associated impairment charges (Note 11)	**(19.0)**	**5.0**	**–**	**(14.0)**	–	(42.8)	–	(42.8)
Net operating losses attributable to businesses divested in 2014*	**(4.7)**	**(2.0)**	**–**	**(6.7)**	(1.8)	–	–	(1.8)
Goodwill impairment charge	**–**	**–**	**–**	**–**	(2.0)	–	–	(2.0)
Segment operating profit/(loss)	**18.8**	**44.3**	**–**	**63.1**	24.1	(0.7)	–	23.4
Parent Company costs				**(9.9)**				(8.0)
Operating profit				**53.2**				15.4
Net finance costs before Other items				**(12.1)**				(11.3)
Net fair value losses on derivative financial instruments				**(1.9)**				(1.9)
Unwinding of provision discounting				**(0.2)**				–
Share of loss of associate				**–**				(0.1)
Profit before tax				**39.0**				2.1
Income tax expense				**(4.5)**				(16.4)
Non-controlling interests				**(1.5)**				(0.7)
Profit/(loss) for the year				**33.0**				(15.0)

^ Inter-segment sales are charged at the prevailing market rates.
* See page 32 for details.

1. REVENUE AND SEGMENTAL INFORMATION CONTINUED

(a) Segmental results continued

	2014 UK and Ireland £m	2014 Mainland Europe £m	2014 Total £m	2013 UK and Ireland £m	2013 Mainland Europe £m	2013 Total £m
Balance sheet						
Assets						
Segment assets	**666.4**	**645.6**	**1,312.0**	638.3	694.7	1,333.0
Unallocated assets:						
Derivative financial instruments			**33.9**			29.7
Deferred consideration			**1.5**			–
Cash and cash equivalents			**25.8**			33.3
Deferred tax assets			**9.6**			0.8
Other assets			**1.5**			2.0
Consolidated total assets			**1,384.3**			1,398.8
Liabilities						
Segment liabilities	**283.9**	**165.4**	**449.3**	260.8	180.2	441.0
Unallocated liabilities:						
Private placement notes			**254.3**			252.5
Derivative financial instruments			**1.1**			2.1
Other liabilities			**15.3**			10.1
Consolidated total liabilities			**720.0**			705.7
Other segment information						
Capital expenditure on:						
Property, plant and equipment	**16.5**	**14.8**	**31.3**	19.5	13.4	32.9
Computer software	**10.1**	**0.3**	**10.4**	9.6	0.4	10.0
Goodwill and intangible assets (excluding computer software)	**23.1**	**8.5**	**31.6**	14.5	–	14.5
Non-cash expenditure:						
Depreciation	**11.4**	**9.8**	**21.2**	8.5	13.3	21.8
Impairment of property, plant and equipment and computer software	**6.1**	**–**	**6.1**	0.2	11.5	11.7
Amortisation of acquired intangibles and computer software	**10.8**	**11.6**	**22.4**	10.2	12.3	22.5
Impairment of goodwill and intangibles (excluding computer software)	**3.3**	**–**	**3.3**	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 6.

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

	2014 £m	2013 £m
Insulation and Energy Management	**1,195.0**	1,181.1
Exteriors	**807.6**	754.9
Interiors	**600.3**	603.7
Total continuing	**2,602.9**	2,539.7
Sales attributable to businesses divested in 2014	**31.0**	180.1
Total	**2,633.9**	2,719.8

1. REVENUE AND SEGMENTAL INFORMATION CONTINUED

(c) Geographic information

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

Country	**2014 Revenue £m**	**2014 Non-current assets £m**	2013 Revenue £m	2013 Non-current assets £m
United Kingdom	**1,265.2**	**323.2**	1,134.8	308.4
Ireland	**71.0**	**0.8**	65.5	0.9
France	**586.1**	**205.7**	622.4	223.9
Germany and Austria	**412.2**	**17.8**	437.5	16.5
Poland	**112.0**	**16.8**	124.7	18.4
Benelux*	**156.4**	**31.7**	154.8	30.5
Total continuing	**2,602.9**	**596.0**	2,539.7	598.6
Attributable to businesses divested in 2014	**31.0**	**–**	180.1	3.9
Total	**2,633.9**	**596.0**	2,719.8	602.5

* Includes Air Trade Centre.

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

	2014			2013		
	Before Other items £m	**Other items £m**	**Total £m**	Before Other items £m	Other items £m	Total £m
Cost of sales	**1,902.3**	**27.5**	**1,929.8**	1,869.1	141.5	2,010.6
Other operating expenses:						
– distribution costs	**216.6**	**1.7**	**218.3**	209.9	10.7	220.6
– selling and marketing costs	**223.4**	**3.0**	**226.4**	220.8	12.8	233.6
– administrative expenses	**150.4**	**55.8**	**206.2**	138.6	101.0	239.6
	590.4	**60.5**	**650.9**	569.3	124.5	693.8

2. COST OF SALES AND OTHER OPERATING EXPENSES CONTINUED

Profit after tax 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:

	2014 £m	2013 £m
Amortisation of acquired intangibles (Note 13)	(19.6)	(20.6)
Profits and losses arising on sale of businesses and associated impairment charges (Note 11)	(14.0)	(42.8)
Net operating losses attributable to businesses divested in 2014***	(6.7)	(1.8)
Restructuring costs ^	(9.2)	(18.0)
Other one-off items*	(7.5)	(0.7)
Goodwill impairment charge (Note 12)**	–	(2.0)
Impact on operating profit	(57.0)	(85.9)
Net fair value losses on derivative financial instruments	(1.9)	(1.9)
Unwinding of provision discounting	(0.2)	–
Share of loss of associate	–	(0.1)
Impact on profit before tax	(59.1)	(87.9)
Income tax credit on Other items	8.2	10.2
One-off recognition of deferred tax assets (Note 23)	14.9	–
Impact on profit after tax	(36.0)	(77.7)

^ Included within restructuring costs are redundancy costs of £3.9m (2013: £7.6m), property closure costs of £3.1m (2013: £5.8m), rebranding costs of £2.2m (2013: £3.7m), asset write down costs of £nil (2013: £0.2m) and other restructuring costs of £nil (2013: £0.7m).

* Other one-off items include acquisition expenses and contingent consideration of £3.9m (see Note 14), the impairment of a freehold property of £6.1m following the sale of part of the property in the period (see Note 10), credits arising on the reversal of provisions made in prior periods of £1.6m (see Note 22), the discounting of provisions of £0.5m (see Note 22), and the profit on sale of property, plant and equipment of £0.4m.

** The £3.3m impairment associated with the divestment of Ice Energy Technologies Limited has been included within profits and losses arising on the sale of businesses and associated impairment charges (Note 11).

*** Net operating losses attributable to businesses divested in 2014 includes £3.5m (2013: £38.6m) of gross profit, £1.7m (2013: £10.7m) of distribution costs, £3.0m (2013: £12.8m) of selling and marketing costs and £5.5m (2013: £16.9m) of administrative expenses.

3. FINANCE INCOME AND FINANCE COSTS

	2014			2013		
	Before Other Items £m	Other items £m	Total £m	Before Other Items £m	Other items £m	Total £m
Finance income						
Interest on bank deposits	0.9	–	0.9	1.4	–	1.4
Fair value gains on derivative financial instruments	–	0.1	0.1	–	0.2	0.2
Total finance income	0.9	0.1	1.0	1.4	0.2	1.6
Finance costs						
On bank loans, overdrafts and other associated items ^	3.4	–	3.4	3.0	–	3.0
On private placement notes	8.0	–	8.0	8.0	–	8.0
Interest on obligations under finance lease contracts	0.7	–	0.7	0.6	–	0.6
Net finance charge on defined benefit pension schemes	0.6	–	0.6	1.1	–	1.1
Unwinding of provision discounting	–	0.2	0.2	–	–	–
Fair value losses on derivative financial instruments*	0.3	2.0	2.3	–	2.1	2.1
Total finance costs	13.0	2.2	15.2	12.7	2.1	14.8
Net finance costs	12.1	2.1	14.2	11.3	1.9	13.2

^ Other associated items includes the amortisation of arrangement fees of £0.9m (2013: £0.7m).

* Fair value losses on derivative financial instruments before Other items includes £0.3m relating to the recycling of amounts previously recorded in reserves in respect of two interest rate derivative contracts cancelled in 2014 as part of the ongoing management of the Group's interest rate hedging policy.

4. PROFIT BEFORE TAX

	2014 £m	2013 £m
Profit before tax is stated after crediting:		
Foreign exchange rate gains*	**0.3**	0.1
Discounting of provisions (Note 22)	**1.4**	–
Fair value gains on derivative financial instruments	**0.1**	0.2
Net decrease in provision for inventories	**–**	1.2
Gains on disposal of property, plant and equipment	**2.2**	1.2
And after charging:		
Cost of inventories recognised as an expense	**1,944.5**	2,005.7
Net increase in provision for inventories	**0.5**	–
Depreciation of property, plant and equipment:		
– owned	**18.7**	19.2
– held under finance leases and hire purchase agreements	**2.5**	2.6
Amortisation of acquired intangibles	**19.6**	20.6
Amortisation of computer software	**2.8**	1.9
Operating lease rentals:		
– land and buildings	**48.3**	49.1
– plant and machinery	**16.3**	16.5
Auditor remuneration for audit services	**1.3**	1.4
Non-audit fees	**0.1**	0.1
Net increase in provision for receivables (Note 16)	**6.9**	9.1
Foreign exchange rate losses*	**0.2**	0.1
Fair value losses on derivative financial instruments	**2.3**	2.1
Unwinding of provision discounting (Note 22)	**0.2**	–
Goodwill impairment charge (Note 12)	**–**	2.0
Profits and losses on sale of businesses and associated impairment charges (Note 11)	**14.0**	42.8
Impairment of property, plant and equipment (Note 10)	**6.1**	10.4
Restructuring costs (Note 2)	**9.2**	18.0
Other one-off items (Note 2)	**7.5**	0.7
Staff costs (Note 5)	**328.3**	337.5

* 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:

	2014 Deloitte LLP £m	2013 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**	1.3
Total audit fees	**1.3**	1.4
Audit-related assurance services (including Interim Review)	**0.1**	0.1
Total non-audit fees	**0.1**	0.1
Total fees	**1.4**	1.5

The Audit Committee Report on pages 66 to 69 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:

	2014 £m	2013 £m
Employee costs during the year amounted to:		
Wages and salaries	**274.0**	279.2
Social security costs	**46.8**	50.4
IFRS 2 share option charge	**0.7**	0.4
Pension costs (Note 29c)	**6.8**	7.5
Total	**328.3**	337.5

Of the pension costs noted above, a charge of £1.3m (2013: £2.3m) relates to defined benefit schemes and a charge of £5.5m (2013: £5.2m) relates to defined contribution schemes. See Note 29c for more details.

The average monthly number of persons employed by the Group during the year was as follows:

	2014 Number	2013 Number
Production	**681**	833
Distribution	**3,588**	3,530
Sales	**3,864**	3,987
Administration	**1,321**	1,456
Total	**9,454**	9,806

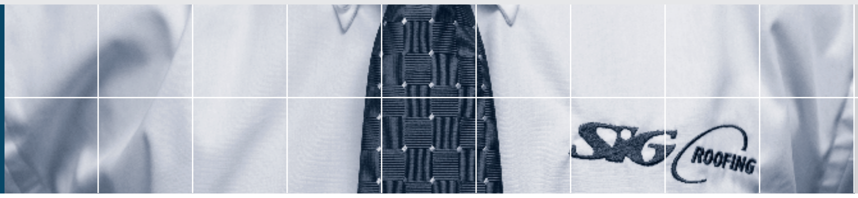
Included within the average monthly numbers above for 2014 and 2013 are staff employed by businesses divested in 2014. This includes 74 (2013: 471) employees of the Group's German Roofing business, 104 (2013: 357) of Miller Pattison Limited, and 53 (2013: 71) of Ice Energy Technologies Limited.

Directors' emoluments

Details of the individual Directors' emoluments are given in the Directors' Remuneration Report on pages 82 to 87.

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

	2014 £m	2013 £m
Directors' remuneration (excluding IFRS 2 share option charge)	**2.0**	3.0



6. INCOME TAX

The income tax expense comprises:

	2014 £m	2013 £m
Current tax		
UK corporation tax: – on profits/(losses) for the year	–	–
– adjustments in respect of previous years	–	0.3
	–	0.3
Overseas tax: – on profits/(losses) for the year	14.7	15.7
– adjustments in respect of previous years	0.9	0.2
Total current tax	15.6	16.2
Deferred tax		
Current year	3.4	(0.9)
Adjustments in respect of previous years	(15.1)	0.2
Deferred tax charge in respect of pension schemes*	0.7	0.2
Effect of change in rate	(0.1)	0.7
Total deferred tax	(11.1)	0.2
Total income tax expense	**4.5**	16.4

* Includes a credit of £0.1m in respect of the change in rate.

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 2014 of 21.0% (31 December 2013: 23.0%). The differences are explained in the following reconciliation:

	2014 £m	%	2013 £m	%
Profit on ordinary activities before tax	39.0		2.1	
Tax at 21.0% (2013: 23.0%) thereon	8.2	21.0	0.5	23.0
Factors affecting the income tax expense for the year:				
– non-deductible and non-taxable items	6.2	15.9	1.6	76.2
– impairment charges not deductible for tax	–	–	9.5	452.4
– losses not recognised	0.4	1.0	0.1	4.8
– losses utilised not previously recognised	(0.1)	(0.3)	(1.7)	(81.0)
– other adjustments in respect of previous years	(14.2)	(36.4)	0.7	33.3
– effect of overseas tax rates	4.2	10.8	5.0	239.0
– effect of change in rate on deferred tax	(0.2)	(0.5)	0.7	33.3
Total income tax expense	**4.5**	**11.5**	16.4	781.0

6. INCOME TAX CONTINUED

The effective tax rate for the Group on the total profit before tax of £39.0m is 11.5% (2013: 781.0%).

The effective tax charge for the Group on profit before tax before amortisation of acquired intangibles, goodwill impairment charges, restructuring costs, other one-off items, profits and losses arising on the sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, unwinding of provision discounting and net fair value losses on derivative financial instruments of £98.1m is 28.1% (2013: 29.6%), which comprises a tax charge of 27.3% (2013: 29.1%) in respect of current year profits and a tax charge of 0.8% (2013: 0.5%) in respect of prior years.

A deferred tax asset of £14.9m was recognised in the year in respect of previously unrecognised UK excess non-trading losses incurred in 2008 (see Note 23 for details).

The following factors will affect the Group's future total tax charge as a percentage of underlying profits:

- the mix of profits between the UK and overseas; in particular, France/Germany/Belgium/Netherlands (corporate tax rates greater than 20%) and Ireland/Poland (corporate tax rates less than 20%). 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 23).

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.

	2014 £m	2013 £m
Deferred tax movement associated with remeasurement of defined benefit pension liabilities*	**1.7**	(2.0)
Deferred tax on share options	**0.5**	0.1
Tax (charge)/credit on exchange and fair value movements arising on borrowings and derivative financial instruments	**(1.9)**	0.4
Effect of change in rate on deferred tax*	**(0.1)**	(0.9)
Total	**0.2**	(2.4)

* These items will not subsequently be reclassified to the Consolidated Income Statement.

7. DIVIDENDS

An interim dividend of 1.42p per ordinary share was paid on 7 November 2014 (2013: 1.15p). The Directors have proposed a final dividend for the year ended 31 December 2014 of 2.98p per ordinary share (2013: 2.40p). 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 2014 and the date of signing the Accounts.

8. EARNINGS PER SHARE

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

	Basic and diluted	
	2014 £m	2013 £m
Profit/(loss) after tax	**34.5**	(14.3)
Non-controlling interests	**(1.5)**	(0.7)
	33.0	(15.0)

	Basic and diluted before Other items	
	2014 £m	2013 £m
Profit/(loss) after tax	**34.5**	(14.3)
Non-controlling interests	**(1.5)**	(0.7)
Other items:		
Amortisation of acquired intangibles (Note 13)	**19.6**	20.6
Profits and losses arising on the sale of businesses and associated impairment charges (Note 11)	**14.0**	42.8
Net operating losses attributable to businesses divested in 2014	**6.7**	1.8
Restructuring costs	**9.2**	18.0
Other one-off items	**7.5**	0.7
Goodwill impairment charge (Note 12)	**–**	2.0
Net fair value losses on derivative financial instruments	**1.9**	1.9
Unwinding of provision discounting	**0.2**	–
Share of loss of associate	**–**	0.1
One-off recognition of deferred tax assets (Note 23)	**(14.9)**	–
Tax credit relating to Other items	**(8.2)**	(10.2)
Other items attributable to non-controlling interests	**1.1**	0.4
	70.1	63.1

Weighted average number of shares	**2014 Number**	2013 Number
For basic earnings per share	**591,112,524**	590,881,190
Exercise of share options	**99,237**	154,065
For diluted earnings per share	**591,211,761**	591,035,255

Earnings per share	**2014**	2013
Basic earnings/(loss) per share	**5.6p**	(2.5p)
Diluted earnings/(loss) per share	**5.6p**	(2.5p)
Earnings per share before Other items ^		
Basic earnings per share	**11.9p**	10.7p
Diluted earnings per share	**11.9p**	10.7p

^ Earnings per share before Other items has been disclosed in order to present the underlying performance of the Group.

8. EARNINGS PER SHARE CONTINUED

The impact of Other items on the Consolidated Income Statement, along with their associated tax impact, is disclosed in the table below:

	2014 Other items £m	2014 Tax impact £m	2014 %	2013 Other items £m	2013 Tax impact £m	2013 %
Amortisation of acquired intangibles (Note 13)	**19.6**	**5.3**	**27.0**	20.6	3.3	16.0
Profits and losses arising on the sale of businesses and associated impairment charges (Note 11)	**14.0**	**–**	**–**	42.8	1.3	3.0
Net operating losses attributable to businesses divested in 2014	**6.7**	**0.4**	**6.0**	1.8	0.5	27.8
Restructuring costs	**9.2**	**1.5**	**16.3**	18.0	4.0	22.2
Other one-off items	**7.5**	**0.3**	**4.0**	0.7	–	–
Goodwill impairment charge (Note 12)	**–**	**–**	**–**	2.0	–	–
Impact on operating profit	**57.0**	**7.5**	**13.2**	85.9	9.1	10.6
Net fair value losses on derivative financial instruments	**1.9**	**0.4**	**21.1**	1.9	0.4	21.1
Unwinding of provision discounting	**0.2**	**–**	**–**	–	–	–
Share of loss of associate	**–**	**–**	**–**	0.1	–	–
Impact on profit before tax	**59.1**	**7.9**	**13.4**	87.9	9.5	10.8
One-off recognition of deferred tax assets	**–**	**14.9**	**–**	–	–	–
Utilisation of losses not previously recognised	**–**	**0.1**	**–**	–	1.4	–
Effect of change in rate on deferred tax	**–**	**0.2**	**–**	–	(0.7)	–
Impact on profit after tax	**59.1**	**23.1**	**39.1**	87.9	10.2	11.6
Other items attributable to non-controlling interests	**1.1**	**–**	**–**	0.6	0.2	23.5
Impact on profit attributable to equity holders of the Company	**60.2**	**23.1**	**38.4**	88.5	10.4	11.8

9. SHARE-BASED PAYMENTS

The Group had three share-based payment schemes in existence during the year ended 31 December 2014 (2013: four). The Group recognised a total charge of £0.7m (2013: £0.4m) in the year relating to share-based payment transactions issued after 7 November 2002 with a corresponding entry to the share option reserve. The weighted average fair value of each option granted in the year was 160p (2013: 137p). 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 a five year period. 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.

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 116).

9. SHARE-BASED PAYMENTS CONTINUED

SAYE options (issued after 7 November 2002)

	2014		2013	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
At 1 January	**154,065**	**95.0**	475,237	95.0
Lapsed during the year	**(17,472)**	**95.0**	(58,160)	95.0
Exercised during the year	**(37,356)**	**95.0**	(263,012)	95.0
At 31 December	**99,237**	**95.0**	154,065	95.0

Of the above share options outstanding at the end of the year, none are exercisable at 31 December 2014. The options are expected to vest within the next six months.

b) 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:

	2014 Award		2013 Award		2012 Awards	
	EPS	**ROCE**	EPS	ROCE	EPS	ROCE
Weighting of criteria	**33%**	**67%**	33%	67%	100%	0%
Vesting Conditions:						
Does not vest	**<35p**	**< 9.2%**	<30p	< 9.0%	<30p	< 9.0%
Vests proportionately	**35p - 45p**	**9.2% - 13.0%**	30p - 40p	9.0% - 13.0%	30p - 40p	9.0% - 13.0%
Vests in full	**≥45p**	**≥ 13.0%**	≥40p	≥ 13.0%	≥40p	≥ 13.0%
Proportion that vests at entry level	**25%**	**0%**	0%	0%	0%	0%
Exercise period	**3–10 years**		3–10 years		3–10 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.

LTIP options (issued after 7 November 2002)

	2014 Award		2013 Award	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
At 1 January	**4,028,642**	**0.0**	4,255,576	0.0
Granted during the year	**2,077,819**	**0.0**	1,232,817	0.0
Lapsed during the year	**(1,266,412)**	**0.0**	(1,459,751)	0.0
At 31 December	**4,840,049**	**0.0**	4,028,642	0.0

Of the above share options outstanding at the end of the year, none (2013: none) are exercisable at 31 December 2014.

9. SHARE-BASED PAYMENTS CONTINUED

b) Long-Term Incentive Plan ("LTIP") continued

The options outstanding at 31 December 2014 had a weighted average exercise price of nil p (2013: nil p) and a weighted average remaining contractual life of 1.6 years (2013: 1.4 years). No options were exercised in the year.

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

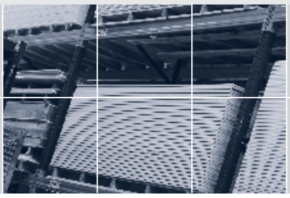
	Shares granted in			
	2014	2013	2012	2012
Share price (on date of official grant)	**177p (18 September 2014)**	152p (18 April 2013)	100p (3 October 2012)	105p (26 April 2012)
Exercise price	**0.0p**	0.0p	0.0p	0.0p
Expected volatility	**32.3%**	185.7%	189.1%	189.1%
Actual life	**3 years**	3 years	3 years	3 years
Risk free rate	**1.8%**	4.5%	4.5%	4.5%
Dividend	**3.82p**	3.15p	2.25p	2.25p
Expected percentage options exercised versus granted at date of grant	**50%**	35%	25%	25%
Revised expectation of percentage of options to be exercised as at 31 December 2014	**50%**	50%	10.5%	10.5%

The weighted average fair value of LTIP options granted during the year was 160p.

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.

c) 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. The Company gives one matching share for each share purchased by the employee up to a maximum of £20 each 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 2014, 72,238 (2013: 37,650) 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 2013	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
Exchange differences	(3.9)	(1.2)	(8.9)	(14.0)
Additions	1.9	3.3	26.1	31.3
Added on acquisition	1.2	–	0.6	1.8
Disposals	(17.3)	(4.9)	(31.7)	(53.9)
At 31 December 2014	**70.2**	**38.1**	**190.5**	**298.8**
Accumulated depreciation and impairment				
At 1 January 2013	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
Charge for the year	1.4	2.7	17.1	21.2
Impairment charges	6.1	–	–	6.1
Exchange differences	(1.8)	(1.0)	(7.0)	(9.8)
Disposals	(9.6)	(4.2)	(30.1)	(43.9)
At 31 December 2014	**23.8**	**20.6**	**127.2**	**171.6**
Net book value				
At 31 December 2014	**46.4**	**17.5**	**63.3**	**127.2**
At 31 December 2013	60.6	17.8	57.2	135.6

The net book value of plant and machinery at 31 December 2014 includes an amount of £9.9m (2013: £9.0m) in respect of assets held under finance lease contracts.

Included within plant and machinery additions in 2014 were assets in the course of construction of £1.8m (2013: £nil).

The impairment charges in the year relate to freehold land which the Group intends to sell. The impairment reflects the expected sales proceeds, less the costs of environmental remediation for the site necessary before a sale can be completed.

11. DIVESTMENTS

The Group has divested of three businesses in the year which in combination reported sales in 2014 of £31.0m (2013: £180.1m) and made an operating loss of £6.7m (2013: £1.8m).

German Roofing

As disclosed in the 2013 Annual Report and Accounts, at 31 December 2013 the Board had resolved to dispose of the Group's German Roofing operations, and because a loss was anticipated the net assets of the business were impaired to reflect the estimated net proceeds. The disposal was completed on 28 February 2014 and, in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" the cumulative exchange differences on the retranslation of the net assets and goodwill and intangibles of the business (a credit of £6.7m) were reclassified to the Consolidated Income Statement. The Group has incurred a further £1.7m of costs relating to the sale in the year ended 31 December 2014, resulting in a profit on disposal within "Other items" in the Consolidated Income Statement of £5.0m.

Miller Pattison Limited

On 24 April 2014 the Group sold Miller Pattison Limited, formerly known as SIG Energy Management Limited, for a consideration of £1.5m deferred until 31 December 2016, resulting in a loss on disposal of £12.9m. Following the payment of a dividend of £4.7m prior to divestment, the net assets of the business at the date of disposal were as follows:

	At date of disposal £m	At 31 December 2013 £m
Property, plant and equipment	**0.6**	0.5
Cash	**7.6**	2.7
Inventories	**0.3**	0.4
Trade and other receivables	**6.9**	25.5
Trade and other payables	**(5.9)**	(12.7)
Net assets	**9.5**	16.4
Provisions recognised on disposal	**4.9**	
Loss on disposal	**(12.9)**	
Sale proceeds (deferred consideration)	**1.5**	

Ice Energy Technologies Limited

The Group disposed of its 50.6% shareholding in Ice Energy Technologies Limited on 13 October 2014. At the date of disposal, the net assets of the business were as follows:

	At date of disposal £m	At 31 December 2013 £m
Property, plant and equipment	**0.1**	0.1
Cash (less debt)	**1.0**	1.0
Inventories	**0.4**	0.5
Trade and other receivables	**3.6**	3.1
Trade and other payables	**(4.2)**	(2.6)
Deferred tax asset	**0.4**	0.4
Net assets	**1.3**	2.5
Impairment of goodwill (Note 12)	**3.3**	
Impairment of loan receivable	**3.0**	
Reclassification of non-controlling interest reserve to the Consolidated Income Statement	**(1.5)**	
Loss on disposal and associated impairment charges	**(6.1)**	
Sale proceeds	**–**	

11. DIVESTMENTS CONTINUED

Reconciliation of cash flows on divestment of businesses

	German Roofing £m	Miller Pattison £m	Ice Energy £m	Total £m
Sales proceeds ^	7.6	–	–	7.6
Cash at date of disposal	(1.6)	(7.6)	(1.0)	(10.2)
Net cash flow arising on sale of businesses	**6.0**	**(7.6)**	**(1.0)**	**(2.6)**

^ Sale proceeds for Miller Pattison Limited of £1.5m are represented by deferred consideration which is payable on 31 December 2016.

12. GOODWILL

	£m
Cost	
At 1 January 2013	497.3
Exchange differences	5.3
Acquisitions	5.4
At 31 December 2013	508.0
Exchange differences	(14.4)
Acquisitions	18.6
Adjustments in respect of prior period acquisitions	0.3
Disposals	(24.9)
At 31 December 2014	**487.6**
Accumulated impairment losses	
At 1 January 2013	68.6
Impairment charges	21.6
Exchange differences	0.2
At 31 December 2013	90.4
Impairment charges	3.3
Disposals	(24.9)
Exchange differences	(0.4)
At 31 December 2014	**68.4**
Net book value	
At 31 December 2014	**419.2**
At 31 December 2013	417.6

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. The Group currently has nine CGUs.

Summary analysis

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:

	2014 £m	2013 £m
UK Distribution	**108.9**	107.8
UK Exteriors	**112.3**	98.0
Larivière	**153.6**	162.5
Other CGUs	**44.4**	49.3
Total goodwill	**419.2**	417.6

12. GOODWILL CONTINUED

Impairment review process

The Group tests goodwill and the associated intangible assets and property, plant and equipment of CGUs annually for impairment, or more frequently if there are indications that an impairment may be required.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for these 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. The forecasts used in the annual impairment reviews have been prepared taking into account current economic conditions. 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% in perpetuity. The discount rates applied to all impairment reviews represent pre-tax rates and range between 9% and 11%.

2014 impairment review results

At 30 June 2014 the £3.3m goodwill held in respect of Ice Energy Technologies Limited was impaired in full due to the uncertainty surrounding the Government's Renewable Heat Incentive scheme. On 13 October 2014 the Group disposed of its 50.6% shareholding in the company.

The carrying value of the Group's other CGUs remain supportable.

Sensitivity analysis

A number of sensitivities have been performed on the Group's significant CGUs to highlight the changes in market conditions that would lead to verge of impairment. The results are as follows:

2014

		Like-for-like market volume (average % per annum)		Discount rate (%)		Long-term operating profit growth rate (average % per annum)	
CGU	**Headroom**	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**
UK Distribution	£678.7m	0.7	(20.2)	9.2	30.4	3.0	(21.2)
UK Exteriors	£565.1m	0.9	(25.9)	9.2	24.8	3.0	(17.6)
Larivière	€90.3m	0.4	(9.3)	11.0	2.9	2.2	(1.6)

2013

		Like-for-like market volume (average % per annum)		Discount rate (%)		Long-term operating profit growth rate (average % per annum)	
CGU	**Headroom**	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**
UK Distribution	£525.3m	0.8	(19.5)	10.6	27.6	3.0	(20.2)
UK Exteriors	£313.5m	0.9	(19.6)	10.6	19.4	3.0	(14.6)
Larivière	€26.9m	(0.1)	(1.8)	12.4	1.0	2.2	(0.1)

The sensitivities noted above are the amounts by which the related assumption would have to vary before an impairment is indicated.

Revenue is the key assumption in the forecasts used in the goodwill impairment reviews, and therefore a 5% reduction in revenue has been determined as a reasonably possible change for the purposes of the disclosure requirements of IAS 36 "Impairment of Assets". If a 5% reduction in revenue were to arise from that forecast in the goodwill impairment reviews, no impairments would arise.

13. INTANGIBLE ASSETS

The intangible assets presented below relate to acquired intangibles that arise as a result of applying IFRS 3 "Business Combinations" (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 2013	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
Acquisitions	12.2	0.5	–	12.7
Additions	–	–	10.4	10.4
Disposals	(7.3)	(0.8)	(0.3)	(8.4)
Exchange differences	(9.0)	–	–	(9.0)
At 31 December 2014	**181.6**	**11.3**	**38.6**	**231.5**
Amortisation				
At 1 January 2013	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
Charge for the year	18.9	0.7	2.8	22.4
Disposals	(7.3)	(0.8)	(0.2)	(8.3)
Exchange differences	(8.7)	–	–	(8.7)
At 31 December 2014	**158.1**	**10.3**	**13.5**	**181.9**
Net book value				
At 31 December 2014	**23.5**	**1.0**	**25.1**	**49.6**
At 31 December 2013	30.5	1.2	17.6	49.3

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 99.

Included within computer software in the prior year were £15.0m of assets in the course of construction relating to the UK ERP system, which were brought into use in 2014.

Included within additions in the prior year were £0.4m of borrowing costs which were capitalised in accordance with IAS 23 "Borrowing Costs".

14. ACQUISITIONS

During the period SIG acquired the following:

Acquisition name	% of share capital acquired	Acquisition date	Country of incorporation	Principal activity
Trimform Products Limited	100%	20 January 2014	United Kingdom	Manufacturer and distributor of roofing materials and associated products
IBSL Group Limited	100%	13 March 2014	United Kingdom	Fabricator and distributor of technical insulation products
Coxbench IP Limited	100%	30 May 2014	United Kingdom	Manufacturer and distributor of insulation materials
Technische Handelmaatschappij "Inatherm" B.V.	100%	2 July 2014	The Netherlands	Distributor of air handling products
RoofSpace Solutions Limited	100%	15 July 2014	United Kingdom	Designer, supplier and installer of panelised roofing systems
Société Distribution Matériaux SARL	100%	17 July 2014	France	Distributor of flat roofing materials
Cheshire Roofing Limited	100%	28 August 2014	United Kingdom	Distributor of roofing materials and associated products
Bowller Group Limited	100%	25 September 2014	United Kingdom	Distributor of roofing materials and associated products
Kent Flooring Supplies Limited	100%	13 November 2014	United Kingdom	Distributor of carpet and flooring products

The Group also acquired the trade and certain assets and liabilities of the following businesses:

Acquisition name	Acquisition date	Country of operation	Principal activity
Schwäbische Dämmstoffe GmbH	15 September 2014	Germany	Fabricator and distributor of technical insulation products
Société Régionale d'Isolation et Calorifuge SAS	31 October 2014	France	Distributor of air handling products
Tours Ventilation SARL	14 November 2014	France	Distributor of air handling products

The fair value of the net assets of these businesses at acquisition (in aggregation) were as follows:

	£m
Property, plant and equipment	1.8
Inventories	3.0
Trade and other receivables	5.4
Net cash acquired	2.5
Trade and other payables	(5.2)
Net corporation tax and deferred tax liability	(0.4)
Finance leases and other debt items	(0.1)
Net assets acquired	7.0
Intangible assets - customer relationships	12.2
Intangible assets - non-compete clauses	0.5
Deferred tax liability on acquired intangible assets	(3.1)
Goodwill	18.6
Total consideration	**35.2**
Consideration is represented by:	
Cash	21.5
Loan notes	1.9
Contingent consideration	11.8
Total consideration	**35.2**
Cash (per above)	21.5
Net cash acquired	(2.5)
Settlement of amounts payable for purchase of businesses	**19.0**

14. ACQUISITIONS CONTINUED

In accordance with IFRS 3 "Business Combinations", acquisition expenses of £1.0m in relation to the above acquisitions have been recognised within the Consolidated Income Statement and have been presented within "Other items".

In addition, it is currently expected that, dependent upon future profits, a further £18.0m 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, 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 2014 is £2.9m (31 December 2013: £0.6m). Added to the £1.0m acquisition expenses, this has led to a charge within "Other items" in the Consolidated Income Statement of £3.9m in respect of acquisitions (see Note 2).

Further to this, £11.8m of contingent consideration (not subject to the vendors remaining within the business) has been recognised within goodwill and intangible assets in the year.

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 2015. 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.

The fair value of financial assets includes trade receivables with a fair value of £5.4m and a gross contractual value of £5.5m. The best estimate at the date of acquisition of the contractual cash flows not to be collected is £0.1m.

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. The goodwill of £18.6m arising from the acquisitions is not expected to be deductible for income tax purposes.

Post-acquisition revenue and operating profit for the year ended 31 December 2014 for all 2014 acquisitions amounted to £20.7m and £1.0m respectively.

The Directors estimate that the combined pre-acquisition revenue and operating profit of the 2014 acquisitions for the period from 1 January 2014 to the acquisition dates was £25.0m and £1.0m respectively.

Post balance sheet events

On 30 January 2015, the Group acquired 100% of the issued share capital of Advanced Cladding & Insulation Group Limited, a distributor of roofing materials and associated products in the United Kingdom for an initial consideration of £2.5m, with net assets acquired of £1.1m.

On 7 March 2015, the Group acquired 100% of the issued share capital of Gutters & Ladders (1968) Limited, a distributor of roofline materials and associated products in the United Kingdom for an initial consideration of £3.5m, with net assets acquired of £1.7m.

15. INVENTORIES

	2014 £m	2013 £m
Raw materials and consumables	**3.9**	3.7
Work in progress	**1.0**	0.3
Finished goods and goods for resale	**220.5**	216.4
Total inventories	**225.4**	220.4

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

16. TRADE AND OTHER RECEIVABLES

	2014 £m	2013 £m
Trade receivables	**362.1**	369.0
VAT	**1.2**	0.7
Other receivables	**2.6**	3.9
Prepayments and accrued income	**15.8**	18.3
Trade and other receivables	**381.7**	391.9
Current tax assets	**5.6**	4.3
Assets held for sale	**–**	9.1
Total receivables	**387.3**	405.3

The average credit period on sale of goods and services for continuing operations on a constant currency basis is 43 days (2013: 44 days). No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £20.7m at 31 December 2014 (2013: £27.7m). 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 £130.5m (2013: £125.0m) 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 31 days overdue (2013: 33 days).

Ageing analysis of trade receivables for which no provision for impairment has been made

	2014 £m	2013 £m
Neither past due nor renegotiated	**220.3**	231.2
Renegotiated	**0.3**	0.2
Balances overdue which have no provision for impairment:		
1-30 days	**87.1**	79.8
31-60 days	**29.8**	28.8
61-90 days	**8.6**	10.0
91-120 days	**1.7**	2.9
121-180 days	**1.4**	1.8
180+ days	**1.9**	1.7
	130.5	125.0
Total trade receivables for which no provision for impairment has been made	**351.1**	356.4

Movement in the allowance for doubtful debts

	2014 £m	2013 £m
At 1 January	**(27.7)**	(29.3)
Utilised	**11.4**	10.1
Disposals	**0.1**	–
Reclassified as held for sale	**–**	1.3
Added on acquisition	**(0.1)**	–
Charged to the Consolidated Income Statement	**(6.9)**	(9.1)
Exchange differences	**2.5**	(0.7)
At 31 December	**(20.7)**	(27.7)

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.

16. TRADE AND OTHER RECEIVABLES CONTINUED

Included in the allowance for doubtful debts are trade receivables with a gross balance of £31.7m (2013: £40.3m) and a provision for impairment of £20.7m (2013: £27.7m). The provision for impairment represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Trade receivable credit exposure is controlled by counterparty limits that are set, reviewed and approved by operational management on a regular basis.

Trade receivables consist of a large number of typically small to medium sized customers, spread across a number of different market sectors and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single customer.

17. CURRENT LIABILITIES

	2014 £m	2013 £m
Trade payables	**206.3**	212.6
Bills of exchange payable	**16.9**	15.4
VAT	**17.1**	18.6
Social security and payroll taxes	**14.0**	13.5
Accruals and deferred income	**94.9**	86.2
Trade and other payables	**349.2**	346.3
Liabilities held for sale	**–**	1.9
Obligations under finance lease contracts (Note 24)	**2.5**	2.7
Bank overdrafts	**4.4**	4.9
Bank loans	**0.7**	0.3
Loan notes	**1.9**	–
Derivative financial instruments	**0.5**	0.1
Current tax liabilities	**8.3**	9.6
Provisions (Note 22)	**14.6**	9.5
Current liabilities	**382.1**	375.3

£1.0m (2013: £0.7m) of the above Group bank loans and overdrafts are secured on the assets of subsidiary undertakings. The derivative financial instruments are guaranteed by certain companies of the Group. All of the above finance lease contracts are secured on the underlying assets. The remaining balances are unsecured.

The bank overdrafts are repayable on demand and attract floating rates of interest, which at 31 December 2014 ranged from 0.4% to 3.0% (2013: between 0.5% and 4.0%).

Included within overdrafts are prepaid arrangement fees of £2.3m (2013: £1.0m).

£0.4m (2013: £0.2m) of the bank loans and loan notes due within one year (after taking into account derivative financial instruments) are at variable rates of interest.

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 36 days (2013: 37 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.

18. NON-CURRENT LIABILITIES

	2014 £m	2013 £m
Obligations under finance lease contracts (Note 24):		
– due after one and within two years	**2.2**	1.9
– due after two and within five years	**4.9**	4.3
– due after five years	**0.9**	0.9
Bank loans	**0.6**	–
Private placement notes	**254.3**	252.5
Derivative financial instruments	**0.6**	2.0
Deferred tax liabilities (Note 23)	**12.1**	14.7
Other payables	**4.3**	4.3
Retirement benefit obligations (Note 29c)	**28.7**	25.5
Provisions (Note 22)	**29.3**	24.3
Non-current liabilities	**337.9**	330.4

	2014 £m	2013 £m
The bank loans included above are repayable as follows:		
– due after one and within two years	**0.2**	–
– due after two and within five years	**0.4**	–
Total	**0.6**	–

All of the bank loans noted above due after one year are secured on certain assets of subsidiary undertakings. All of the above private placement notes and derivative financial instruments are guaranteed by certain companies of the Group.

The bank loans due after more than one year attract variable rates of interest.

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

	2014		2013	
	£m	Fixed interest rate %	£m	Fixed interest rate %
Repayable in 2016	**153.3**	**5.9**	146.2	5.9
Repayable in 2018	**23.1**	**5.1**	23.0	5.1
Repayable in 2020	**23.4**	**3.7**	25.0	3.7
Repayable in 2021	**15.6**	**3.9**	16.7	3.9
Repayable in 2023	**38.9**	**4.2**	41.6	4.2
Total	**254.3**	**5.2**	252.5	5.2

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

19. FINANCIAL INSTRUMENTS

The Treasury Risk Management section of the Strategic Report on pages 33 to 35 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 managing the risks the Group faces in its activities. The capital structure of the Group is outlined in the Strategic Report on page 32.

The Group's financial assets consist of trade and other receivables, other financial assets, deferred consideration, cash and cash equivalents, and derivative financial instruments. The following financial assets form part of the net debt of the Group:

	2014 £m	2013 £m
Cash and cash equivalents (including cash deposits repayable on demand)	**110.3**	118.7
Other financial assets	**0.9**	–
Deferred consideration	**1.5**	–
Derivative financial instruments	**33.9**	29.7
Total	**146.6**	148.4

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 2.0% (2013: 4.0%).

The Group's credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Of the above cash at bank, £15.9m (2013: £36.2m) is denominated in Sterling, £78.1m (2013: £69.3m) in Euros, £14.1m (2013: £11.5m) in Polish Zloty, and £2.2m (2013: £1.7m) in other currencies. Of the other financial assets, £0.7m (2013: £nil) is denominated in Sterling, and £0.2m (2013: £nil) in Euros. The deferred consideration is denominated in Sterling.

2014 interest rate and currency profile

The interest rate and currency profile of the Group's financial liabilities at 31 December 2014, after taking account of interest rate and currency derivative financial instruments (including derivative assets of £33.9m 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**	**143.1**	**80.0**	**63.1**	**5.2**	**2.1**	**–**	**143.1**
Other borrowings	**Sterling**	**2.4**	**0.1**	**2.3**	**0.4**	**0.5**	**–**	**2.4**
Finance lease contracts	**Sterling**	**0.2**	**–**	**0.2**	**7.8**	**1.4**	**0.2**	**–**
Private placement notes	**Euro**	**77.9**	**–**	**77.9**	**4.0**	**7.5**	**–**	**77.9**
Other borrowings	**Euro**	**5.1**	**5.1**	**–**	**n/a**	**n/a**	**1.0**	**4.1**
Finance lease contracts	**Euro**	**8.0**	**–**	**8.0**	**6.6**	**4.9**	**8.0**	**–**
Other borrowings	**Polish Zloty**	**0.2**	**0.2**	**–**	**n/a**	**n/a**	**0.2**	**–**
Finance lease contracts	**Polish Zloty**	**2.3**	**–**	**2.3**	**4.3**	**4.4**	**2.3**	**–**
Other borrowings	**US Dollar**	**0.4**	**–**	**0.4**	**3.0**	**0.1**	**0.4**	**–**
Total		**239.6**	**85.4**	**154.2**			**12.1**	**227.5**

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 £48.3m and a liability of €62.0m was entered into on 31 December 2014 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 2014 was £126.9m, of which £61.0m is denominated in Euros.

All of the above finance lease contracts, totalling £10.5m, are secured on the underlying assets.

The Directors consider the fair value of the Group's floating rate financial liabilities to materially approximate to the book value shown in the table above. The fair value of the Group's private placement notes approximates to the amount in the value of the financial liabilities above. The remaining fixed rate debt amounts to £13.2m and relates to finance lease contracts, fixed rate loans and loan notes. The Directors consider the fair value of these remaining fixed rate debts to materially approximate to the book values shown above.

19. FINANCIAL INSTRUMENTS CONTINUED

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 on the previous page), 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	–	n/a	n/a	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 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 £51.7m and a liability of €62.0m was entered into on 31 December 2013 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 2013 was £121.2m, of which £78.4m was denominated in Euros.

All of the above finance lease contracts, totalling £9.8m, 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 £9.9m 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 2014 and 2013, 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 £33.9m (2013: £29.7m) and loans and receivables (including cash and cash equivalents) of £477.4m (2013: £500.7m).

Included within financial liabilities are derivative financial instruments in designated hedge accounting relationships amounting to £1.1m (2013: £2.1m) and liabilities (including trade payables) at amortised cost of £573.6m (2013: £568.2m).

The Group does not trade in derivative financial instruments for speculative purposes. Where the Group can demonstrate a hedge relationship under the rules of IAS 32 and IAS 39, movements in the fair values of these derivative financial instruments (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 are calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

19. FINANCIAL INSTRUMENTS CONTINUED

Fair value measurement

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 2014, the Group had entered into one (31 December 2013: one) cross-currency forward contract which swaps Sterling denominated debt into Euro denominated debt. This derivative financial instrument is a net investment hedge of the Group's Euro denominated assets. This derivative financial instrument was designated and 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	**2014 £m**	2013 £m
Liability at 1 January	**–**	(5.8)
Fair value losses recognised in equity	**–**	(1.4)
Maturity of net investment hedges	**–**	7.2
Liability at 31 December	**–**	–

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 2014, the Group had entered into two (31 December 2013: two) 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 2014, the Group had entered into one (31 December 2013: 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 2014, the weighted average maturity date of these swaps is 1.8 years (2013: 2.8 years).

Hedge of the Group's functional currency cash flows	**2014 £m**	2013 £m
Asset at 1 January	**24.4**	33.6
Fair value gains/(losses) recognised in equity	**4.6**	(5.0)
Maturity of cash flow hedges	**–**	(4.2)
Asset at 31 December	**29.0**	24.4

As at 31 December 2014, the Group had entered into one (31 December 2013: three) interest rate derivative financial instrument which swaps variable rate debt into fixed rate debt thereby fixing the functional currency cash flows of the Group. This interest rate derivative financial instrument is designated and effective as a cash flow hedge and the fair value movement has therefore been deferred in equity via the Consolidated Statement of Comprehensive Income. At 31 December 2014, the maturity date of this swap is 3.6 years (2013: weighted average maturity date 4.6 years).

19. FINANCIAL INSTRUMENTS CONTINUED

b) Cash flow hedges continued

Hedge of the Group's interest cash flows	2014 £m	2013 £m
Liability at 1 January	**(2.0)**	(4.8)
Fair value (losses)/gains recognised in equity	**(0.6)**	2.8
Cancellation of cash flow hedges	**2.0**	–
Liability at 31 December	**(0.6)**	(2.0)

Included within current liabilities are derivative financial instruments of £0.5m (2013: £0.1m) relating to forward foreign exchange contracts.

The following table reconciles the net fair value gain recognised in equity on cash flow hedges as noted above of £4.0m (2013: loss of £2.2m) to the loss on cash flow hedges recorded in the Consolidated Statement of Comprehensive Income of £1.4m (2013: gain of £1.7m).

	2014 £m	2013 £m
Movement in cash flow hedges recognised in equity	**4.0**	(2.2)
Movement in the hedged item	**(7.7)**	1.8
	(3.7)	(0.4)
Spreading charge associated with the cancellation of cash flow hedges*	**2.3**	2.1
Total movement relating to cash flow hedges included in the Consolidated Statement of Comprehensive Income	**(1.4)**	1.7

c) Fair value hedges

As at 31 December 2014, the Group had entered into two (31 December 2013: two) 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	2014 £m	2013 £m
Asset at 1 January	**5.3**	10.0
Net fair value losses recognised in the Consolidated Income Statement	**(0.4)**	(4.7)
Asset at 31 December	**4.9**	5.3

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

	2014 £m	2013 £m
Fair value losses on derivative financial instruments recognised in the Consolidated Income Statement	**0.5**	4.9
Fair value gains attributable to the hedged item recognised in the Consolidated Income Statement	**(0.5)**	(4.9)
Hedge ineffectiveness credit recognised in the Consolidated Income Statement	**(0.1)**	(0.2)
Spreading charge associated with cancellation of cash flow hedges*	**2.3**	2.1
Total losses on derivative financial instruments included in the Consolidated Income Statement	**2.2**	1.9

* £0.3m of the £2.3m spreading charge has been recognised within finance costs before Other items (2013: £nil).

20. MATURITY OF FINANCIAL ASSETS AND LIABILITIES

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities (inclusive of derivative financial assets) at 31 December 2014 was as follows:

	2014 £m	2013 £m
In one year or less	**9.9**	7.8
In more than one year but not more than two years	**2.4**	2.0
In more than two years but not more than five years	**148.5**	145.8
In more than five years	**78.8**	84.3
Total	**239.6**	239.9

The table above excludes trade payables of £206.3m (2013: £212.6m).

Borrowing facilities

The Group had undrawn committed borrowing facilities at 31 December 2014 as follows:

	2014 £m	2013 £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

On 1 October 2014 the Group refinanced its Revolving Credit Facility. See page 33 for details.

As at 31 December 2014, the Group had £478m of committed facilities, of which £250m were undrawn as disclosed above. Since 31 December 2014, a maximum of £50m has been drawn down against these facilities.

Contractual maturity analysis of the Group's financial liabilities, derivative financial instruments, other financial assets, deferred consideration and cash and cash equivalents

IFRS 7 requires disclosure of the maturity of the Group's remaining contractual financial liabilities. The tables overleaf 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 and receivables (including amongst other items payroll and sales tax accruals which are not classified as financial instruments) have been included.

20. MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

Contractual maturity analysis of the Group's financial liabilities, derivative financial instruments, other financial assets, deferred consideration and cash and cash equivalents continued

2014 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	349.2	349.2	–	–	–	349.2
Obligations under finance lease contracts	2.5	2.6	–	–	–	2.6
Bank overdrafts	4.4	4.4	–	–	–	4.4
Bank loans	0.7	0.7	–	–	–	0.7
Loan notes	1.9	1.9	–	–	–	1.9
Derivative financial instruments	0.5	0.5	–	–	–	0.5
Total	359.2	359.3	–	–	–	359.3
Non-current liabilities						
Obligations under finance lease contracts	8.0	0.4	2.5	5.3	0.8	9.0
Bank loans	0.6	–	0.2	0.4	–	0.6
Private placement notes	254.3	13.3	164.8	31.5	86.0	295.6
Derivative financial instruments	0.6	0.2	0.2	0.4	–	0.8
Total	263.5	13.9	167.7	37.6	86.8	306.0
Total liabilities	622.7	373.2	167.7	37.6	86.8	665.3
Other						
Derivative financial instrument assets	(33.9)	(5.7)	(25.8)	(1.6)	–	(33.1)
Cash and cash equivalents	(110.3)	(110.3)	–	–	–	(110.3)
Other financial assets	(0.9)	(0.9)	–	–	–	(0.9)
Deferred consideration	(1.5)	–	(1.5)	–	–	(1.5)
Total	(146.6)	(116.9)	(27.3)	(1.6)	–	(145.8)
Grand total	476.1	256.3	140.4	36.0	86.8	519.5

2013 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	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. 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. The Group also has a minimal exposure 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.

2014 analysis

	GBP		EUR		USD		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	**(0.6)**	**0.6** (i)	**0.3**	**(0.3)** (iii)	**–**	**–**	**(0.3)**	**0.3**
Other equity	**1.6**	**(1.6)** (ii)	**–**	**–**	**(2.6)**	**2.6** (ii)	**(1.0)**	**1.0**
Total Shareholders' equity	**1.0**	**(1.0)**	**0.3**	**(0.3)**	**(2.6)**	**2.6**	**(1.3)**	**1.3**

2013 analysis

	GBP		EUR		USD		Total	
	+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)	–	–	(0.3)	0.3
Other equity	3.8	(4.0) (ii)	–	–	(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

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; and
iii. floating rate Euro debt and Euro 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.

21. SENSITIVITY ANALYSIS CONTINUED

b) Foreign currency sensitivity continued

2014 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)	**–**	**–**		**–**	**–**		**0.4**	**(0.5)**
Other equity	**(3.5)**	**4.3**	(ii)	**(1.1)**	**1.4**	(ii)	**(0.9)**	**1.1**	(ii)	**(5.5)**	**6.8**
Total Shareholders' equity	**(3.1)**	**3.8**		**(1.1)**	**1.4**		**(0.9)**	**1.1**		**(5.1)**	**6.3**
Total assets and liabilities*											
Profit or loss	**(3.0)**	**3.4**	(iii)	**–**	**–**		**(0.1)**	**0.1**	(v)	**(3.1)**	**3.5**
Other equity	**(27.5)**	**33.9**	(iv)	**(1.1)**	**1.4**	(iv)	**(2.8)**	**3.5**	(iv)	**(31.4)**	**38.8**
Total Shareholders' equity	**(30.5)**	**37.3**		**(1.1)**	**1.4**		**(2.9)**	**3.6**		**(34.5)**	**42.3**

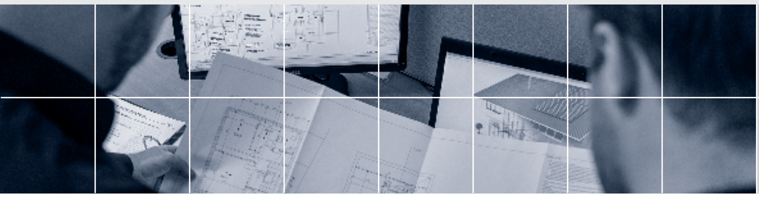
2013 analysis

	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)	–	–		–	–		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	(v)	(3.6)	2.7
Other equity	(25.1)	32.4	(iv)	(1.7)	2.1	(iv)	(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

* 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. 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;
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 effective cash flow and net investment hedges; and
v. retranslation of Polish Zloty profit streams.



22. PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous leases £m	Leasehold dilapidations £m	Contingent consideration £m	Other amounts £m	Total £m
At 1 January 2014	14.4	14.9	0.6	3.9	33.8
Unused amounts reversed in the period	(1.6)	–	–	(0.3)	(1.9)
Utilised	(4.9)	(0.5)	–	(1.8)	(7.2)
New provisions	3.6	1.0	11.8	4.9	21.3
Discounting of provisions	(0.4)	(1.0)	–	–	(1.4)
Unwinding of provision discounting	–	–	0.2	–	0.2
Transferred in from accruals	–	–	–	0.5	0.5
Disposals	–	(0.5)	–	–	(0.5)
Reclassification	(0.4)	0.4	–	–	–
Exchange differences	(0.6)	(0.2)	–	(0.1)	(0.9)
At 31 December 2014	**10.1**	**14.1**	**12.6**	**7.1**	**43.9**

	2014 £m	2013 £m
Included in current liabilities	**14.6**	9.5
Included in non-current liabilities	**29.3**	24.3
Total	**43.9**	33.8

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 29.

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 benefits will be made at the end of the leases as set out in Note 29.

Contingent consideration

Contingent consideration relates to the amounts due to vendors of completed acquisitions providing certain future profit targets are met.

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.

Discounting of property provisions

At 31 December 2014, existing onerous lease and leasehold dilapidation provisions were remeasured to the present value of the future cash flows required to settle the obligations. This has resulted in a credit to the Consolidated Income Statement of £1.4m, of which £0.9m has been recognised in Operating Profit before "Other items", and £0.5m has been recognised within "Other items" following the means by which the respective provisions were originally created.

23. DEFERRED TAX

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

	2014 £m	2013 £m
Deferred tax assets	**29.0**	22.2
Deferred tax liabilities	**(12.1)**	(14.7)
Net deferred tax asset	**16.9**	7.5

Summary of deferred tax

The different components of deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period are analysed below:

	Goodwill and intangibles £m	Property, plant and equipment £m	Tax assets £m	Retirement benefit obligations £m	Losses £m	Other £m	Total £m
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)
(Charge)/credit 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
Credit/(charge) to income	5.3	(1.2)	(1.1)	(0.7)	8.9	(0.1)	11.1
Credit to equity	–	–	–	1.7	–	0.5	2.2
Added on acquisition	(3.1)	(0.2)	–	–	–	–	(3.3)
Removed on disposal	–	–	–	–	(0.4)	–	(0.4)
Exchange differences	0.1	0.3	(0.4)	(0.1)	(0.1)	0.1	(0.1)
Change of rate charged to equity	–	–	–	(0.1)	–	–	(0.1)
At 31 December 2014	**(5.6)**	**0.1**	**7.0**	**6.4**	**9.4**	**(0.4)**	**16.9**

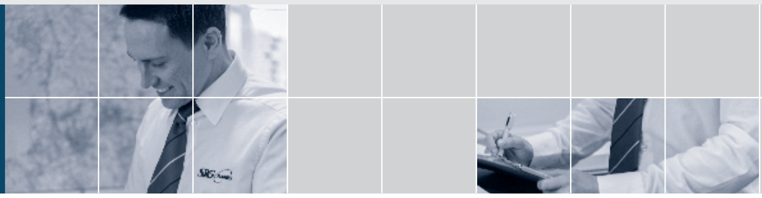
The deferred tax charge within the Consolidated Income Statement for 2014 includes a credit of £0.2m (2013: charge of £0.7m) arising from the change in domestic tax rates in the countries in which the Group operates.

During the year, the Group has recognised a deferred tax asset of £14.9m (net) relating to c.£72m (gross) of previously unrecognised excess non-trading losses incurred in 2008 associated with the derivative financial instruments and included within "Other items" in the Consolidated Income Statement. In prior periods these non-trading losses were not recognised on the grounds of uncertainty, reflecting their nature. Following utilisation in the current and prior periods the Directors now feel that the remaining amount is recoverable and therefore the asset has been recognised in full in the period.

Given current and forecast trading the Directors consider that recognition of the deferred tax assets above is appropriate.

There are other potential deferred tax assets in relation to tax losses totalling £5m (2013: £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 four years and the tax losses in The Netherlands of £3m expire after eight years. The remaining tax losses may be carried forward indefinitely.

At the balance sheet date, no deferred tax liability is recognised on temporary differences of £18m (2013: £17m) relating to undistributed earnings of overseas subsidiaries as the Group is in a position to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.



24. OBLIGATIONS UNDER FINANCE LEASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Amounts payable under finance lease contracts:				
– within one year	**2.6**	2.9	**2.5**	2.7
– after one year and within five years	**8.0**	7.0	**7.1**	6.2
– after five years	**1.0**	1.0	**0.9**	0.9
	11.6	10.9	**10.5**	9.8
Less: future finance charges	**(1.1)**	(1.1)		
Present value of lease obligations	**10.5**	9.8		

The Group leases certain of its motor vehicles, fixtures and equipment under finance lease contracts, which are denominated in Sterling, Euros and Zloty.

The average remaining lease term is 4.8 years (2013: 4.1 years). For the year ended 31 December 2014, the average effective borrowing rate was 6.1% (2013: 7.4%). Interest rates are fixed at the contract date.

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

25. CALLED UP SHARE CAPITAL

	2014 £m	2013 £m
Authorised:		
800,000,000 ordinary shares of 10p each (2013: 800,000,000)	**80.0**	80.0
Allotted, called up and fully paid:		
591,137, 803 ordinary shares of 10p each (2013: 591,100,447)	**59.1**	59.1

There were 37,356 shares allotted during 2014 (2013: 263,012). The Company has one class of ordinary share which carries no right to fixed income.

At 31 December 2014 the following share options were outstanding:

	Number of shares						Exercise dates	
Scheme and date of grant	At 31 December 2013	Granted	Exercised	Lapsed	**At 31 December 2014**	Original Option price per 10p share	Date from which option may be exercised	Date on which option expires
Long-Term Incentive Plan								
27/04/2011	1,106,021	–	–	(1,106,021)	**–**	0.00p	27/04/2014	26/04/2021
26/04/2012	1,504,136	–	–	(79,534)	**1,424,602**	0.00p	26/04/2015	25/04/2022
03/10/2012	185,668	–	–	–	**185,668**	0.00p	03/10/2015	02/10/2022
18/04/2013	1,232,817	–	–	(80,857)	**1,151,960**	0.00p	18/04/2016	17/04/2023
18/09/2014	–	2,077,819	–	–	**2,077,819**	0.00p	18/09/2017	17/09/2024
Savings Related Schemes								
20/10/2010	154,065	–	(37,356)	(17,472)	**99,237**	95.0p	01/12/2013	30/06/2015
Total	**4,182,707**	**2,077,819**	**(37,356)**	**(1,283,884)**	**4,939,286**			

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

	2014 £m	2013 £m
Operating profit	**53.2**	15.4
Depreciation (Note 10)	**21.2**	21.8
Amortisation of computer software (Note 13)	**2.8**	1.9
Impairment of property, plant and equipment (Note 10)	**6.1**	0.2
Profits and losses arising on sale of businesses and associated impairment charges (Note 11)	**14.0**	42.8
Amortisation of acquired intangibles (Note 13)	**19.6**	20.6
Goodwill impairment charge (Note 12)	**–**	2.0
Profit on sale of property, plant and equipment	**(2.2)**	(1.2)
Share-based payments	**0.7**	0.4
Working capital movements:		
Increase in inventories	**(9.0)**	–
Increase in receivables	**(0.4)**	(12.0)
Decrease in payables	**(10.4)**	(5.7)
Cash generated from operating activities	**95.6**	86.2

Included within the cash generated from operating activities is cash paid in respect of current year and prior year restructuring costs of £10.8m (2013: £13.3m).

Also included within the cash generated from operating activities is a defined benefit pension scheme employer's special contribution of £2.5m (2013: £3.0m).

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

	2014 £m	2013 £m
Decrease in cash and cash equivalents in the year	**(2.7)**	(11.9)
Cash flow from decrease in debt	**0.7**	4.0
Increase in net debt resulting from cash flows	**(2.0)**	(7.9)
Debt added on acquisition	**(0.1)**	(0.3)
Non-cash items ^	**(3.8)**	(6.7)
Exchange differences	**0.2**	(1.0)
Increase in net debt in the year	**(5.7)**	(15.9)
Net debt at 1 January	**(121.2)**	(105.3)
Net debt at 31 December	**(126.9)**	(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, and also includes £1.5m of deferred consideration agreed on the divestment of Miller Pattison Limited (see Note 11).

Net debt is defined as the net of cash and cash equivalents, deferred consideration, other financial assets, bank overdrafts, derivative financial instruments, loan notes, private placement notes, bank loans and obligations under finance lease contracts.

28. ANALYSIS OF NET DEBT

	At 31 December 2013 £m	Cash flows £m	Net cash added on acquisition £m	Cash removed on disposal £m	Non-cash items ^ £m	Exchange difference £m	**At 31 December 2014 £m**
Cash and cash equivalents	118.7	4.8	2.5	(10.2)	–	(5.5)	**110.3**
Bank overdrafts	(4.9)	0.2	–	–	–	0.3	**(4.4)**
	113.8	5.0	2.5	(10.2)	–	(5.2)	**105.9**
Financial assets – derivative financial instruments	29.7	–	–	–	(0.4)	4.6	**33.9**
Other financial assets and deferred consideration	–	0.4	0.5	–	1.5	–	**2.4**
Debts due within one year	(0.4)	(3.6)	(0.5)	–	(1.8)	3.2	**(3.1)**
Debts due after one year	(254.5)	1.6	–	–	0.5	(3.1)	**(255.5)**
Finance lease contracts	(9.8)	2.3	(0.1)	–	(3.6)	0.7	**(10.5)**
Net debt	(121.2)	5.7	2.4	(10.2)	(3.8)	0.2	**(126.9)**

^ Non-cash items relate to the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow, and also includes £1.5m of deferred consideration agreed on the divestment of Miller Pattison Limited (see Note 11).

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

	2014 £m	2013 £m
Contracted but not provided for	**15.8**	3.1

b) Lease commitments

The Group leases a number of its premises under operating leases which expire between 2015 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:

Minimum lease rentals due:	**2014 £m**	2013 £m
– within one year	**45.1**	46.6
– after one year and within five years	**113.5**	123.4
– after five years	**56.2**	74.8
	214.8	244.8

The Group also leases certain items of plant and machinery whose total future minimum lease rentals under the foregoing leases are as follows:

Minimum lease rentals due:	**2014 £m**	2013 £m
– within one year	**12.9**	14.0
– after one year and within five years	**17.9**	19.8
– after five years	**1.0**	0.4
	31.8	34.2

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

c) Pension schemes

The Group operates a number of pension schemes, five (2013: five) of which provide defined benefits based on final pensionable salary. Of these schemes, one (2013: one) has assets held in a separate trustee administered fund and four (2013: 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 Company 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 112.2% as at 31 December 2014 (2013: 107.5%). As the coverage ratio improved, no change was made to the pension premium percentage of 22.2% (2013: 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 £7.4m (2013: £8.6m), of which a charge of £1.9m (2013: £3.4m) related to defined benefit pension schemes and £5.5m (2013: £5.2m) related to defined contribution schemes.

Defined benefit pension scheme valuations

In accordance with IAS 19, the Group recognises 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 2013 and showed that the market value of the scheme's assets was £131.4m and their actuarial value covered 90% 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.

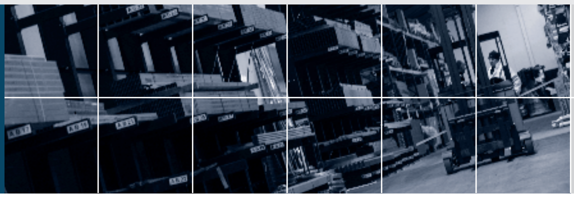
The schemes typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependants of scheme members on death in service is re-insured by an external insurance company.

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 £0.6m (2013: £1.1m) relating to the defined benefit pension schemes was £1.9m (2013: £3.4m).

In accordance with IAS 19, the charge for the defined benefit schemes has been calculated as the sum of the cost of benefits accruing in the year, the increase in the value of benefits already accrued and the expected return on assets. The actuarial valuations described previously have been updated at 31 December 2014 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.



29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

c) Pension schemes continued

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:

	2014 £m	2013 £m
Pension liability before taxation	**(28.7)**	(25.5)
Related deferred tax asset	**6.4**	5.6
Pension liability after taxation	**(22.3)**	(19.9)

The actuarial loss of £7.7m (2013: gain of £8.3m) for the year, together with the associated deferred tax credit of £1.7m (2013: charge of £2.0m) and deferred tax charge of £0.1m (2013: £0.9m) in respect of the change in the UK standard rate of corporation tax to 20% effective from 1 April 2015, has been recognised in the Consolidated Statement of Comprehensive Income. In addition, a deferred tax charge of £0.7m (2013: credit of £0.2m) has been recognised in the Consolidated Income Statement. A full reconciliation of the deferred tax movement is shown in Note 23.

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 £39.6m (2013: £31.9m).

Of the above pension liability before taxation, £19.4m (2013: £16.6m) relates to wholly or partly funded schemes and £9.3m (2013: £8.9m) relates to the overseas unfunded schemes.

The movement in the pension liability before taxation in the year can be summarised as follows:

	2014 £m	2013 £m
Pension liability at 1 January	**(25.5)**	(34.4)
Current service cost	**(1.3)**	(2.3)
Payment of unfunded benefits	**2.4**	–
Contributions	**3.4**	4.0
Net finance cost	**(0.6)**	(1.1)
Actuarial (loss)/gain	**(7.7)**	8.3
Effect of changes in exchange rates	**0.6**	–
Pension liability at 31 December	**(28.7)**	(25.5)

Contributions of approximately £3.4m are expected to be paid to defined benefit pension schemes during the annual period beginning 1 January 2015. The Group is contracted to pay £2.5m per annum to January 2019.

The principal assumptions used for the IAS 19 actuarial valuation of the schemes were:

	2014 %	2013 %	2012 %
Rate of increase in salaries	**2.5**	2.5	2.5
Rate of fixed increase of pensions in payment	**1.6**	2.5	2.5
Rate of increase of LPI pensions in payment	**2.9**	3.3	2.9
Discount rate	**3.6**	4.5	4.5
Inflation assumption	**3.0**	3.3	2.9

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.

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

c) Pension schemes continued

The life expectancy for a male employee beyond the normal retirement age of 60 is 27.4 years (2013: 28.1 years). The life expectancy on retirement at age 60 of a male employee currently aged 40 years is 29.1 years (2013: 29.8 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 £7.1m. If the rate of inflation increased/decreased by 0.25% this would increase/decrease the Group's gross pension scheme deficit by £1.7m. If the life expectancy for employees increased/decreased by one year the Group's gross pension scheme deficit would increase/decrease by £5.5m.

The average duration of the defined benefit scheme obligation at 31 December 2014 is 18 years (2013: 20 years).

The fair value of the assets in the schemes at each balance sheet date were:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Equities	**74.7**	62.7	57.8	50.3	55.0
Bonds	**51.5**	44.9	44.6	40.4	37.0
Other	**16.8**	23.5	14.8	9.5	6.2
Total fair value of assets	**143.0**	131.1	117.2	100.2	98.2

The amount included in the Consolidated Balance Sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Fair value of assets	**143.0**	131.1	117.2	100.2	98.2
Present value of scheme liabilities	**(171.7)**	(156.6)	(151.6)	(144.7)	(123.4)
Net liability recognised in the Consolidated Balance Sheet	**(28.7)**	(25.5)	(34.4)	(44.5)	(25.2)

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:

	2014 £m	2013 £m
Current service cost	**1.3**	2.3
Net finance cost	**0.6**	1.1
Amounts recognised in the Consolidated Income Statement	**1.9**	3.4

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 £12.6m (2013: £14.3m).

Analysis of the actuarial gain/(loss) recognised in the Consolidated Statement of Comprehensive Income in respect of the schemes:

	2014 £m	2013 £m
Actual return less expected return on assets	**6.7**	9.0
Effect of changes in demographic assumptions	**5.2**	0.5
Effect of changes in financial assumptions	**(21.7)**	(1.2)
Impact of liability experience	**2.1**	–
Remeasurement of the defined benefit liability	**(7.7)**	8.3

The remeasurement of the net defined benefit liability is included within the Consolidated Statement of Comprehensive Income.

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

c) Pension schemes continued

Movements in the present value of the schemes' liabilities were as follows:

	2014 £m	2013 £m
Present value of schemes' liabilities at 1 January	**(156.6)**	(151.6)
Current service cost	**(1.3)**	(2.3)
Interest on pension schemes' liabilities	**(6.5)**	(6.4)
Benefits paid	**4.1**	4.4
Payment of unfunded benefits	**2.4**	–
Effect of changes in exchange rates	**0.6**	–
Remeasurement gains/(losses):		
Actuarial gain arising from changes in demographic assumptions	**5.2**	0.5
Actuarial loss arising from changes in financial assumptions	**(21.7)**	(1.2)
Actuarial gain due to liability experience	**2.1**	–
Present value of schemes' liabilities at 31 December	**(171.7)**	(156.6)

Movements in the fair value of the schemes' assets were as follows:

	2014 £m	2013 £m
Fair value of schemes' assets at 1 January	**131.1**	117.2
Finance income	**5.9**	5.3
Actual return less expected return on assets	**6.7**	9.0
Contributions from sponsoring companies	**3.4**	4.0
Benefits paid	**(4.1)**	(4.4)
Fair value of schemes' assets at 31 December	**143.0**	131.1

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 £11.0m (2013: £12.9m). Of this amount, £9.0m (2013: £10.0m) relates to standby letters of credit issued by HSBC Bank plc in respect of the Group's insurance arrangements.

30. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

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 £311m in 2014 (2013: £364m). At the balance sheet date trade payables in respect of the co-operative amounted to £9m (2013: £15m).

During the year, the Group exercised its option to acquire the remaining 2% non-controlling interest of Air Trade Centre Romania s.r.l. The Group now holds 100% of the ordinary share capital of Air Trade Centre Romania s.r.l.

In 2014, SIG incurred expenses of £0.3m (2013: £0.5m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

The Group has provided a loan of £0.1m (2013: £nil) to Passive Fire Protection (PFP) UK Limited, a jointly controlled entity.

Remuneration of key management personnel

The total remuneration of key management personnel of the Group, being the Executive Committee members and the Non-Executive Directors, (see page 58) was £4.3m (2013: £4.5m). Further details of Directors' Remuneration can found on pages 82 to 87. In addition, the Group recognised a share-based payment charge under IFRS 2 in respect of the Directors of £0.1m (2013: £0.1m).

31. SUBSIDIARIES

Details of the Group's principal trading subsidiaries, all of which have been included in the Consolidated Accounts, are shown on page 157.

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 2014 and of the Group's profit 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 Group Notes 1 to 31 and the related Company Notes 1 to 13. 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 35 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 all future events or conditions cannot 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 recognition and measurement of supplier rebate income	
Rebate income earned by the Group is significant to the Group's result and affects the recorded value of cost of sales, trade payables and inventory. Further explanation is given on page 104 Critical Accounting Judgments and Key Sources of Estimation Uncertainty. This sets out that 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. The consideration made by the Audit Committee is set out on page 68.	We carried out testing of the design and implementation of key controls related to the recognition of supplier rebate income where income is significant. We discussed significant rebate contracts with the commercial managers to understand the complexities and judgments that may exist over income recognition. We circularised suppliers in business units where rebate income is significant to confirm a sample of amounts receivable (including high value balances). Where supplier circularisation was not returned we reviewed further correspondence between the Group and the supplier to verify the position taken. We also considered post year end recoveries against receivables. We reperformed a sample of management's calculations of rebate income, agreeing volumes to purchasing records and correspondence from suppliers where available or to other available documentation, agreeing the rebate percentages applied to signed contract where available or to other evidence. We compared rebate income earned by supplier against historical rates achieved/previous estimation accuracy to identify significant movements for further testing or enquiries. We assessed whether the income recognition policies and estimates were appropriate particularly when there were non-coterminous trading periods. We compared the level of rebate deferred against stock against the change in income earned in the year.
The assessment of the carrying value of goodwill and intangible assets	
The goodwill and intangible assets of £468.8m represent 34% of total assets and 71% of non-current assets and therefore the judgments over the carrying value are significant. Management's judgments in relation to the financial performance of the business units, discount rates and perpetuity growth rates are subjective and are described in the Critical Accounting Judgments and Key Sources of Estimation Uncertainty on page 104 and Note 12 to the financial statements.	We challenged and performed sensitivities on management's assumptions used in the impairment model for goodwill and intangible assets, including specifically the cash flow projections, changes to the discount rates applied 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. We tested the integrity of the model. Particular focus has been given to Larivière given its carrying value of goodwill of £153.6m and the difficult trading conditions in France resulting in a greater level of verification of the growth rates applied and additional sensitivity analysis over the trading performance and judgments taken.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

Risk	How the scope of our audit responded to the risk
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 includes certain costs relating to a significant restructuring programme. The inappropriate or inconsistent inclusion of income/costs within other items could distort the underlying profit disclosed. The Group's definition for separate presentation within "Other items" is set out in the Statement of Significant Accounting Policies on page 98. The net loss associated with "Other items" is £59.1m and reduces the Group's underlying profit before tax by 60%.	We assessed the nature of the income/costs included in Other items and challenged whether they met the Group's definition for separate presentation. 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 by verifying these against supporting invoices, agreements and other records as appropriate. Particular focus has been given to restructuring costs of £9.2m as set out on page 108 to determine whether they arise from significant restructuring and changing the shape of the business rather than minor changes to the Group's structure.
The recognition and measurement of provisions for trade receivables	
Trade receivables represent 50% of the Group's current assets and the judgments regarding aged or impaired receivables are significant and is subjective with respect to the trading conditions in some of the countries in which the Group operates. Further explanation is given on page 104 Critical Accounting Judgments and Key Sources of Estimation Uncertainty.	We challenged the appropriateness of management's assumptions and estimates in relation to the provisions for trade receivables. In assessing completeness and accuracy we have reviewed evidence of customer disputes and whether this indicates that a provision is required. We have tested the ageing of the ledgers through agreement of ageing date to proof of customer delivery and recalculated the provision based upon this. We have assessed the appropriateness of provisions by considering subsequent cash receipts and past payment practices.

Last year our report included one other risk which is not included in our report this year: the recognition and measurement of provisions for inventory, as the determination of the provision is largely mechanical in nature and the judgments involved are consistently applied.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 68.

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.

We determined planning materiality for the Group at £5 million, which is approximately 5% of underlying pre-tax profit (as defined on page 92) and below 1% of equity. This is a change of approach from 2013, where we used a materiality of £6m which was around 6% of underlying pre-tax profit. We have changed the percentage applied to align more closely with those of other comparable companies that share a common risk profile. 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 £100,000 (2013: £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 8 principal countries of operation.

Full scope audits were performed for the principal business units covering 83% of the Group's total assets, 91% of revenue and 89% of operating profit. A further 10% of the Group's total assets, 8% of revenue and 9% 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. The Group audit team attend the close meetings of other in-scope businesses via conference call.

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION CONTINUED

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. We have nothing to report arising from these matters.

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 ten 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 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
11 March 2015

Five-Year Summary

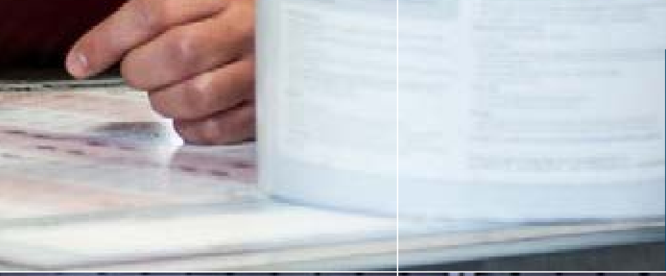
Statutory basis	Total 2010 £m	Total 2011 £m	Total 2012 £m	Total 2013 £m	**Total 2014 £m**
Revenue	2,668.0	2,808.4	2,635.5	2,719.8	**2,633.9**
Operating profit/(loss)	(54.6)	25.6	57.9	15.4	**53.2**
Finance income	7.8	7.4	1.9	1.6	**1.0**
Finance costs	(34.0)	(25.4)	(15.8)	(14.8)	**(15.2)**
Profit/(loss) before tax	(80.8)	7.5	43.7	2.1	**39.0**
Profit/(loss) after tax	(76.8)	(0.0)	26.6	(14.3)	**34.5**
Earnings/(loss) per share	(13.0p)	(0.0p)	4.5p	(2.5p)	**5.6p**
Total dividend per share	nil p	2.25p	3.00p	3.55p	**4.40p**

Continuing basis ^	Underlying* 2010 £m	Underlying* 2011 £m	Underlying* 2012 £m	Underlying* 2013 £m	**Underlying* 2014 £m**
Revenue	2,319.0	2,499.6	2,413.0	2,539.7	**2,602.9**
Operating profit	74.2	95.2	93.0	101.3	**110.2**
Finance income	7.8	7.4	1.5	1.4	**0.9**
Finance costs	(21.4)	(21.2)	(13.6)	(12.7)	**(13.0)**
Profit before tax	60.6	81.4	80.9	90.0	**98.1**
Profit after tax	41.5	55.8	55.7	63.4	**70.5**
Earnings per share	7.0p	9.4p	9.4p	10.7p	**11.9p**

* Underlying figures are stated before the amortisation of acquired intangibles, restructuring costs, other one-off items, profits and losses arising on the sale or agreed sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, goodwill impairment charges, unwinding of provision discounting, fair value gains and losses on derivative financial instruments, a defined benefit pension scheme curtailment gain, one-off recognition of deferred tax assets, the taxation effect of these items and the effect of changes in taxation rates.

^ All underlying numbers are stated on a continuing basis (i.e. excluding the trading results associated with businesses sold or agreed to be sold before 31 December 2014).

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 2014

	Note	2014 £m	2013 £m
Fixed assets			
Investments	5	**443.0**	446.1
Tangible fixed assets	6	**0.1**	0.1
Deferred consideration	5	**1.5**	-
		444.6	446.2
Current assets			
Debtors – due within one year	7	**90.7**	65.6
Debtors – due after more than one year	7	**745.4**	732.5
Cash at bank and in hand		**25.8**	33.3
		861.9	831.4
Creditors: amounts falling due within one year	8	**(244.5)**	(214.5)
Net current assets		**617.4**	616.9
Total assets less current liabilities		**1,062.0**	1,063.1
Creditors: amounts falling due after one year	9	**(320.1)**	(324.1)
Net assets		**741.9**	739.0
Capital and reserves			
Called up share capital	11	**59.1**	59.1
Share premium account	11	**447.2**	447.2
Merger reserve	11	**21.7**	21.7
Capital redemption reserve	11	**0.3**	0.3
Share option reserve	11	**1.8**	1.1
Exchange reserve	11	**(0.2)**	(0.2)
Profit and loss account	11	**212.0**	209.8
Shareholders' funds		**741.9**	739.0

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 11 March 2015 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 current and 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 pages 99 and 100.

FINANCIAL INSTRUMENTS

The accounting policy for financial instruments is consistent with that of the Group as detailed on pages 101 and 102.

FINANCIAL ASSETS AND LIABILITIES

The accounting policy for financial assets and liabilities is consistent with that of the Group as detailed on pages 100 and 101.

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 102.

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.

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.

IMPLEMENTATION OF FINANCIAL REPORTING STANDARD 100 ("FRS 100")

With effect from 1 January 2015 the Company will be required to apply FRS 100 for the first time. It is currently the intention of the Company to prepare its accounts in accordance with the requirements of FRS 101, as permitted by paragraph 46 of FRS 101. This will result in the application of the accounting recognition and measurement criteria of EU-adopted International Financial Reporting Standards ("IFRS"), consistent with the policies adopted in the Consolidated Group Accounts, set out on pages 97 to 103.

FRS 101 permits certain disclosure exemptions from full EU-adopted IFRS, principally in relation to share-based payments, business combinations, assets held for sale, financial instruments, fair value, impairment and related parties. The full list of available exemptions can be viewed at www.frc.org.uk.

Full disclosure of the Group's activities will be made in the Consolidated Accounts which will continue to be prepared in accordance with full EU-adopted IFRS. The adoption of FRS 100/101 is not expected to have any impact on the presentation of the Company's Accounts. Any objections to the adoption of FRS 100/101 should be made in writing to the Company Secretary at the Company's registered address as set out on page 158.

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 after tax for the financial year ended 31 December 2014 of £26.2m (2013: £17.6m).

The Auditor's remuneration for audit services to the Company was £0.1m (2013: £0.1m).

2. SHARE-BASED PAYMENTS

The Company had three share-based payment schemes in existence during the year ended 31 December 2014. The Company recognised a total charge of £0.7m (2013: £0.4m) in the year relating to share-based payment transactions issued after 7 November 2002. Details of each of the three share-based payment schemes can be found in Note 9 to the Consolidated Accounts on pages 114 to 116.

3. DIVIDENDS

An interim dividend of 1.42p per ordinary share was paid on 7 November 2014 (2013: 1.15p). The Directors have proposed a final dividend for the year ended 31 December 2014 of 2.98p per ordinary share (2013: 2.40p). 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 2014 and the date of signing the Accounts.

4. STAFF COSTS

Particulars of employees (including Directors) are shown below:

	2014 £m	2013 £m
Employee costs during the year amounted to:		
Wages and salaries	**5.1**	3.8
Social security costs	**0.7**	0.4
FRS 20 share option charge	**0.7**	0.4
Pension costs	**0.3**	0.3
Total	**6.8**	4.9

The average monthly number of persons employed by the Company during the year was as follows:

	2014 Number	2013 Number
Administration	**25**	28

5. FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings, as follows:

	2014 £m	2013 £m
Cost		
At 1 January	**662.3**	659.1
Additions	**–**	3.2
Disposals	**(12.1)**	–
At 31 December	**650.2**	662.3
Accumulated impairment charges		
At 1 January	**216.2**	207.2
Impairment charge	**3.1**	9.0
Disposals	**(12.1)**	–
At 31 December	**207.2**	216.2
Net book value		
At 31 December	**443.0**	446.1
At 1 January	**446.1**	451.9

Details of the Company's principal trading subsidiaries are shown on page 157. 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.

5. FIXED ASSET INVESTMENTS CONTINUED

Impairments

At 30 June 2014 the £3.1m investment held in respect of Ice Energy Technologies Limited was impaired in full due to the uncertainty surrounding the Government's Renewable Heat Incentive scheme.

Disposals

On 13 October 2014 the Company disposed of its 50.6% shareholding in Ice Energy Technologies Limited. On 24 April 2014 the Company disposed of its 100% shareholding in Miller Pattison Limited (formerly SIG Energy Management Limited), for a consideration of £1.5m deferred until 31 December 2016. See Note 11 of the Consolidated Accounts for details.

6. TANGIBLE FIXED ASSETS

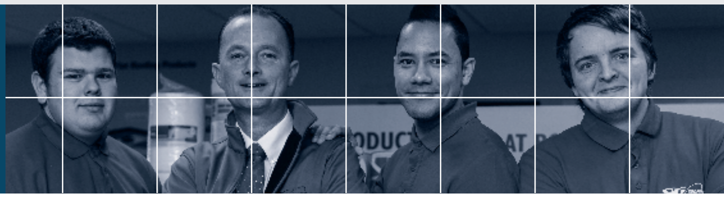
The movement in the year was as follows:

	Freehold land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2014	0.1	0.4	0.5
Additions	–	0.1	0.1
Disposals	–	(0.1)	(0.1)
At 31 December 2014	**0.1**	**0.4**	**0.5**
Depreciation			
At 1 January 2014	0.1	0.3	0.4
Charge for the year	–	–	–
Disposals	–	–	–
At 31 December 2014	**0.1**	**0.3**	**0.4**
Net book value			
At 31 December 2014	**–**	**0.1**	**0.1**
At 1 January 2014	–	0.1	0.1

7. DEBTORS

	2014 £m	2013 £m
Amounts owed by subsidiary undertakings	**791.7**	766.1
Corporation tax recoverable	**–**	0.6
Deferred tax assets (Note 10)	**9.6**	0.8
Derivative financial instruments	**33.9**	29.7
Prepayments and accrued income	**0.9**	0.9
Total	**836.1**	798.1

Of the total amount owed to the Company, £745.4m (2013: £732.5m) is due after more than one year. Of the total amount due after more than one year, £701.9m (2013: £702.0m) relates to amounts owed by subsidiary undertakings, £33.9m (2013: £29.7m) relates to derivative financial instruments and £9.6m (2013: £0.8m) relates to deferred tax assets.



8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £m	2013 £m
Bank overdrafts	**40.4**	54.8
Amounts owed to subsidiary undertakings	**189.7**	150.0
Derivative financial instruments	**0.5**	0.1
Accruals and deferred income	**9.3**	9.6
Corporation tax	**1.2**	–
Provisions	**3.4**	–
Total	**244.5**	214.5

All of the Company's bank overdrafts are unsecured.

9. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2014 £m	2013 £m
Private placement notes	**254.3**	252.5
Derivative financial instruments	**0.6**	2.0
Amounts owed to subsidiary undertakings	**65.2**	69.6
Total	**320.1**	324.1

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

	2014		2013	
	£m	Fixed interest rate %	£m	Fixed interest rate %
Repayable in 2016	**153.3**	**5.9**	146.2	5.9
Repayable in 2018	**23.1**	**5.1**	23.0	5.1
Repayable in 2020	**23.4**	**3.7**	25.0	3.7
Repayable in 2021	**15.6**	**3.9**	16.7	3.9
Repayable in 2023	**38.9**	**4.2**	41.6	4.2
Total	**254.3**	**5.2**	252.5	5.2

All Group derivative financial instruments disclosed in Note 19 on pages 127 to 130 have been entered into by the Company and therefore disclosures have not been repeated within this note.

10. DEFERRED TAX

	2014 £m	2013 £m
Deferred tax assets	**9.6**	0.8

The deferred tax assets above relate to losses and short-term timing differences.

The movement during the year was as follows:

	2014 £m	2013 £m
At 1 January	**0.8**	1.2
Credit/(charge) for the year	**14.9**	(0.4)
Utilisation of losses	**(6.1)**	–
At 31 December	**9.6**	0.8

Given the current profitability of the Company, the Directors consider that the recognition of the deferred tax assets above is appropriate.

The Company recognised a deferred tax asset of £14.9m in the year in respect of previously unrecognised excess non-trading losses incurred in 2008. See Note 23 of the Consolidated Accounts for details.

11. CAPITAL AND RESERVES

	2014 £m	2013 £m
Called up share capital	**59.1**	59.1
Share premium account	**447.2**	447.2
Merger reserve	**21.7**	21.7
Capital redemption reserve	**0.3**	0.3
Share option reserve	**1.8**	1.1
Exchange reserve	**(0.2)**	(0.2)
Profit and loss account	**212.0**	209.8
Total reserves	**741.9**	739.0

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 2014	59.1	447.2	1.1	209.8
Exercise of share options	–	–	–	–
Credit to share option reserve	–	–	0.7	–
Fair value movement on cash flow hedges	–	–	–	(3.7)
Transfer to profit and loss on cash flow hedges	–	–	–	2.3
Issue of share capital	–	–	–	–
Profit for the period	–	–	–	26.2
Dividends	–	–	–	(22.6)
At 31 December 2014	**59.1**	**447.2**	**1.8**	**212.0**

There was no movement in the merger reserve, capital redemption reserve and exchange reserve in the year. During 2014 the Company allotted 37,356 shares (2013: 263,012) following the exercising of share options.

Details of the Company's share capital can be found in Note 25 of the Consolidated Accounts on page 137.

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Guarantees

At 31 December 2014 the Company had provided guarantees of £8.8m (2013: £3.1m) on behalf of its subsidiary undertakings.

b) Contingent liabilities

As at the balance sheet date, the Company had outstanding obligations under a standby letter of credit of up to £9.0m (2013: £10.0m). This standby letter of credit, issued by HSBC Bank plc, is in respect of the Group's insurance arrangements.

13. RELATED PARTY TRANSACTIONS

On 13 October 2014 the Company disposed of its 50.6% shareholding in Ice Energy Technologies Limited. See Note 11 of the Consolidated Accounts for details.

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 the audited part of the Directors' Remuneration Report on pages 82 to 87. In addition, the Company recognised a share-based payment charge under FRS 20 of £0.7m (2013: £0.4m).

Principal Trading Subsidiaries & Principal Addresses

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	✔	✔	✔
Ireland			
SIG Trading (Ireland) Limited	✔	✔	✔
Germany			
WeGo Systembaustoffe GmbH	✔		✔
France			
Société Industrielle 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 which is registered in England and Wales.

SIG European Investments Limited and SIG European Holdings Limited together hold the beneficial ownership of SIG Trading (Ireland) Limited, WeGo Systembaustoffe GmbH, Société Industrielle 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.

The SIG Group comprises a large number of companies and it is not practical to include a full list in this report. The above list includes only those subsidiaries which in the opinion of the Directors principally affect the figures shown in the consolidated financial statements.

Principal addresses

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 Insulation
SIG Interiors
SIG Technical Insulation
SIG Construction Accessories
SIG Fixings
Hillsborough Works
Langsett Road
Sheffield
S6 2LW

SIG Roofing
Harding Way
St Ives
Cambridge
PE27 3YJ

Carpet & Flooring
Arrow Valley
Claybrook Drive
Redditch
B98 0FY

SIG Building Solutions
Warnell
Welton
Carlisle
Cumbria
CA5 7HH

Ireland

SIG Trading (Ireland) Limited
Unit 42 O'Casey Avenue
Parkwest Industrial Estate
Nangor Road
Dublin 12
Ireland

Mainland Europe

WeGo Systembaustoffe GmbH
Maybachstrasse 14
63456 Hanau-Steinheim
Germany

SIG Sp. z o.o.
ul. Kamieńskiego 51
30-644 Kraków
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 Nieuwerkerk a/d IJssel
The Netherlands

SIG Melderste Plafonneerartikelen N.V.
Bosstraat 60
3560 Lummen
Belgium

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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Fax: 0114 285 6349
Email: info@sigplc.com

Corporate Office
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17 Europa View
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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

Commerzbank Aktiengesellschaft AG
London Branch
PO Box 52715
30 Gresham Street
London EC2P 2XY

Lloyds Bank plc
2nd Floor, Lisbon House
116 Wellington Street
Leeds LS1 4LT

HSBC Bank plc
4th Floor
City Point
Leeds LS1 2HL

Joint Stockbrokers
Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Financial Public Relations
FTI Consulting Limited
200 Aldersgate
Aldersgate Street
London EC1A 4HD

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 1293
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 14 May 2015

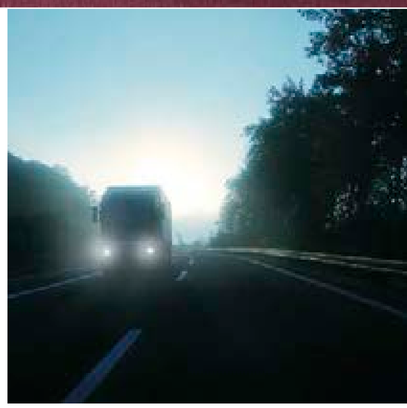
Interim Results 2015
– Announcement August 2015

Full Year Results 2015
– Announcement March 2016

Annual Report and Accounts 2015
– Posted to Shareholders April 2016

Shareholder Analysis at 31 December 2014

Size of Shareholding	Number of Shareholders	%	Number of Ordinary Shares	%
0 – 999	817	31.12	348,643	0.06
1,000 – 4,999	1,034	39.39	2,303,709	0.39
5,000 – 9,999	243	9.26	1,615,800	0.27
10,000 – 99,999	306	11.66	9,587,988	1.62
100,000 – 249,999	66	2.51	10,538,592	1.78
250,000 – 499,999	50	1.91	17,450,841	2.95
500,000 – 999,999	29	1.11	20,374,361	3.45
1,000,000+	80	3.04	528,917,869	89.48
Total	**2,625**	**100.00**	**591,137,803**	**100.00**



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