Annual Report and Accounts

FOR THE YEAR ENDED 31 DECEMBER 2016

STRONGER
TOGETHER

Stock code: SHI

Our investment case

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

The Group plays a crucial role in the construction industry supply chain, both in the new build and the repairs, maintenance and improvement ("RMI") sectors, ensuring customers receive the right product, at the right place, at the right time.

While SIG's largest markets are the UK, France and Germany, which together account for 84% of sales, it also operates in the Benelux, Poland, Ireland and the Middle East.

WHY PEOPLE INVEST IN SIG

Our goal is to be the leading specialist solutions provider to the construction industry in Europe

- UK MARKET LEADER WITH THE ONLY NATIONAL ROOFING BUSINESS; LEADING MARKET POSITIONS IN MAINLAND EUROPE
- FOCUSED ON SYNERGISTIC CONSTRUCTION MARKETS OF INSULATION, INTERIORS, EXTERIORS AND AIR HANDLING
- SPECIALIST EXPERTISE AND PROVIDER OF TECHNICAL ADVICE
- BALANCED EXPOSURE TO NEW BUILD AND RMI CONSTRUCTION MARKETS
- LARGEST PURE-PLAY SPECIALIST AIR HANDLING DISTRIBUTION BUSINESS IN EUROPE
- GROWING VALUE ADDED SALES OFFERING
- REDUCING COST TO SERVE BY IMPROVING SUPPLY CHAIN EFFICIENCY
- LEVERAGING STRENGTH AND SCALE OF BUSINESS, PARTICULARLY IN PROCUREMENT
- STRONG HEALTH AND SAFETY FOCUS

Highlights

GROUP REVENUE UP **10.9%**

LIKE-FOR-LIKE* SALES INCREASED **0.4%**

IDENTIFIED ACTIONS **TO REDUCE** LEVERAGE

RESTORING SIG'S CUSTOMER FOCUS

NEW **MANAGEMENT TEAM** APPOINTED

REBASED DIVIDEND OF **1.83p** PER SHARE

*Defined as sales per day in constant currency excluding acquisitions and disposals

NAVIGATING THIS REPORT

For further information within this document and relevant page numbers

VISIT US ONLINE

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

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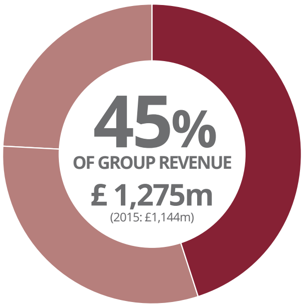
SIG at a glance

OUR PRODUCT AND SERVICE AREAS

INSULATION AND ENERGY MANAGEMENT

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 technical insulation in France. SIG is also the largest pure-play specialist distributor of air handling products in Europe.



www.siginsulation.co.uk
www.ouestisol.fr
www.wego-systembaustoffe.de
www.sigairhandling.be

NUMBER OF TRADING SITES:

280

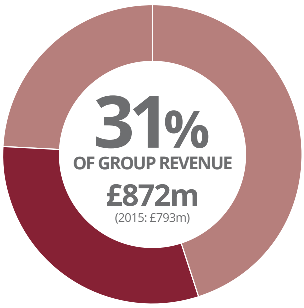
(of which 113 also supply interior fit out products)

KEY PRODUCTS:

STRUCTURAL INSULATION
TECHNICAL INSULATION
DRY LINING
CONSTRUCTION ACCESSORIES
FIXINGS
AIR HANDLING SYSTEMS
INSULATED PANELS AND MODULAR HOUSING SYSTEMS

EXTERIORS

SIG is also the largest and only national specialist supplier of roofing products in the UK and the largest specialist supplier in France.



www.sigroofing.co.uk
www.lariviere.fr

NUMBER OF TRADING SITES:

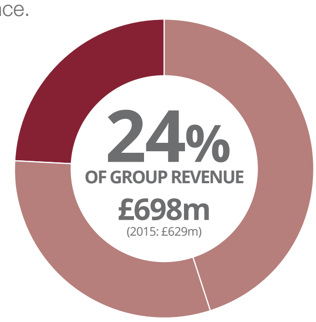
312

KEY PRODUCTS:

TILES, SLATES, MEMBRANES AND BATTENS FOR PITCHED ROOFS
SINGLE-PLY FLAT ROOFING SYSTEMS
PLASTIC BUILDING PRODUCTS
INDUSTRIAL ROOFING AND CLADDING SYSTEMS
ROOM-IN-ROOF PANEL SYSTEMS

INTERIORS

SIG is a leading supplier of interior fit out products in Europe. It is the market leader in the UK and Germany, and the leading specialist in France.



www.siginteriors.co.uk
www.litt.fr

NUMBER OF TRADING SITES:

182

(of which 113 also supply insulation products)

KEY PRODUCTS:

DRY LINING
CEILING TILES AND GRIDS
DOORSETS
PARTITION WALLS
FLOOR COVERINGS

OUR LOCATIONS

TOTAL GROUP

REVENUE **£2.8bn**

BRANCHES* **661**

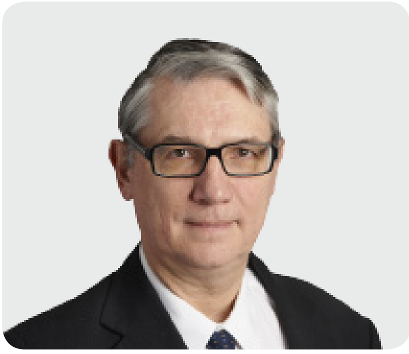
SIG Roofing · SIG Insulation · SIG Interiors · SIG Air Handling · LiTT · LARIVIERE · Ouest isol & ventil · WeGo

	Revenue	Branches	Structural Insulation	Technical Insulation	Exteriors	Interiors
UK & IRELAND	£1.5bn	305*	No.1	No.1	No.1	No.1
MAINLAND EUROPE	£1.3bn	356				
FRANCE	£589m	211	No.3	No.1	No.1	No.3
GERMANY	£413m	59	No.3	No.1	N/A	No.3
BENELUX**	£230m	37	N/A	No.1	N/A	No.1
POLAND	£115m	49	No.1	No.1	N/A	No.1

*Continuing operations basis (excludes 14 branches associated with non-core businesses)

**Includes international air handling business

Chairman's statement



"Although 2016 was a disappointing year for SIG, significant potential remains. While we have been pursuing the right strategic direction, implementation has proved challenging"

LESLIE VAN DE WALLE
CHAIRMAN

Although 2016 was a disappointing year for SIG, significant potential remains. While we have been pursuing the right strategic direction, implementation has proved challenging.

A new management team is therefore refocusing the business on its customers and sales growth, which has traditionally been one of the Group's core strengths.

With these changes already bringing tangible benefits to SIG, we look forward to a more stable performance in 2017.

Strategy

Our strategy is to grow in our three core markets of Insulation and Energy Management, Exteriors, and Interiors by combining the reputational strengths of SIG's local brands with the scale efficiencies and know-how of a multinational group.

Furthermore, by working together more as a Group, and by leveraging its scale and presence in the marketplace, our aim is to make our whole greater than the sum of the parts.

However, while enacting this strategy, we recognise the need to balance business change with the day-to-day operations of the Group, and ensure that we remain focused on our customers.

Leverage reduction is also a key priority as we look to return to our 1.0 – 1.5x target range over the medium term.

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. We continue to meet all of the disclosure requirements and continue to closely monitor developments, adopting best practice in corporate governance. Further details can be found in the Corporate Governance Report on pages 50 to 61.

Doug Robertson retired from the Board as Group Finance Director with effect from 31 January 2017, and was succeeded by Nick Maddock with effect from 1 February 2017.

Stuart Mitchell stepped down from the Board as Chief Executive by mutual agreement on 11 November 2016. Mel Ewell, a Non-Executive Director, was appointed as Interim Chief Executive from 11 November 2016 on a full-time basis whilst the Board conducted an external search for a new Chief Executive. This search has now concluded, and I am pleased to report that Meinie Oldersma has agreed to join SIG as Group Chief Executive from April. Meinie has over 30 years of distribution experience and will bring his considerable and relevant experience and a strong customer focus to SIG. He has lived and worked in a number of locations throughout Europe and has driven successful transformations of complexity and scale in a variety of organisations. He has a track record of driving sales, as well as turning around and growing businesses. Together with the appointment of Nick Maddock as Chief Financial Officer, this completes the recruitment of the executive team to take the business forward.

Ian Duncan was appointed as a Non-Executive Director with effect from 1 January 2017. Jonathan Nicholls will retire from the Board on 31 March 2017 as a Non-Executive Director and Chair of the Audit Committee. Ian will succeed Jonathan as Chair of the Audit Committee.

On behalf of the Board, I would like to welcome Meinie, Nick and Ian, and I would like to thank Stuart, Jonathan and Doug for their contribution, commitment and service to SIG and wish them well for the future.

As part of the Board succession plan, the Nominations Committee has reviewed the positions of Chris Geoghegan and Janet Ashdown. Having noted their significant experience, the Committee concluded that they be invited to serve for a further term of office until the May 2018 AGM.

Our people

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

Dividend

The Board has proposed that the final dividend be rebased to 1.83p per ordinary share reflecting the Group's lower level of profitability, but still in line with its dividend policy of 2 – 3x earnings cover.

Taken together with the interim dividend of 1.83p per ordinary share, this provides a total dividend of 3.66p per ordinary share for the year (2015: 4.60p).

LESLIE VAN DE WALLE
CHAIRMAN

Chief Executive's statement

"We have reassessed our change programme, slowing or stopping a number of projects. This will give time back to our branches, enabling them to refocus on customers"

MEL EWELL
CHIEF EXECUTIVE

Building on our potential

During 2016 the business suffered from internal initiative overload as it attempted to implement its strategic change programme too quickly, thereby distracting the business from its customers.

We have reassessed our change programme, slowing or stopping a number of projects. This will give time back to our branches, enabling them to refocus on customers.

One consequence of our lower level of profit is that our leverage is now higher than is appropriate for the business.

Leverage reduction is a key short-term priority and we have already identified a number of actions to strengthen the balance sheet.

Going forward, we will take all necessary steps to protect the Group's balance sheet, so it is able to withstand any near-term fluctuations in market demand.

Our core markets continue to offer considerable opportunity, and SIG remains a good business with strong market positions which is capable of delivering much more.

Outlook

Trading in the first two months of 2017 has been in line with the Board's expectations, although markets remain competitive and we are experiencing some supplier price inflation.

For this year we continue to expect the new build residential market to be the best performing sector in the UK, with the commercial market more uncertain.

In Mainland Europe better economic indicators, together with our improving quarterly LFL sales performance, give us some optimism for an improved 2017.

The key risk in our major markets is political uncertainty, with the triggering of Article 50 in the UK, and forthcoming elections in France and Germany.

MEL EWELL
CHIEF EXECUTIVE

Read more about our performance on pages 20 to 23

STRATEGIC REPORT

STRONGER
TOGETHER

Strategy in action

RESHAPE SUPPLY CHAIN

DUBLIN REGIONAL DISTRIBUTION CENTRE

SIG IS RESHAPING ITS SUPPLY CHAIN IN ORDER TO IMPROVE CUSTOMER SERVICE AND REDUCE ITS COST TO SERVE. AS PART OF THIS PROGRAMME, THE GROUP HAS RECENTLY OPENED TWO NEW REGIONAL DISTRIBUTION CENTRES IN DUBLIN AND MANCHESTER.

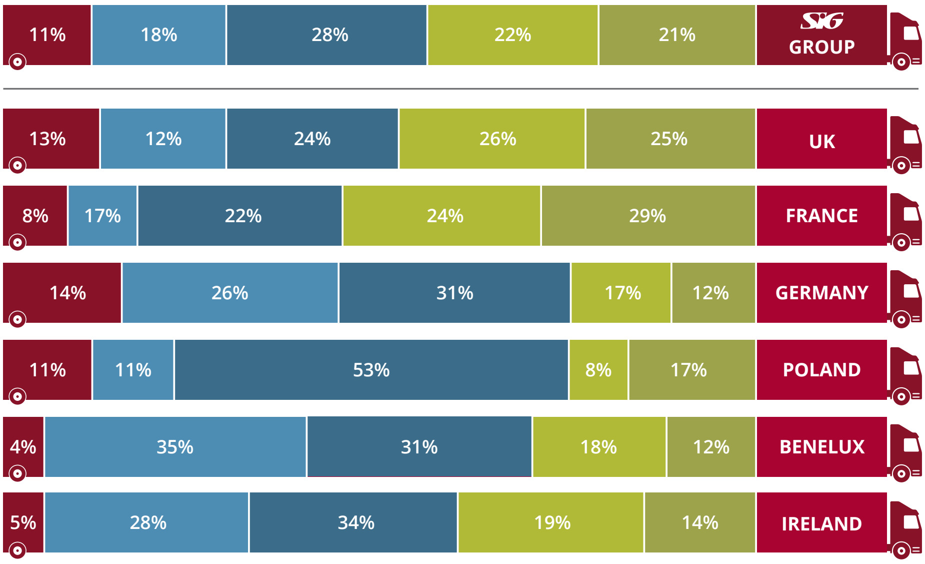
The Dublin Regional Distribution Centre marks the first time products from all of SIG's businesses have been available on a single site. Although still early days, we are encouraged by its initial performance, with the use of third party transport providers significantly increasing our delivery capability and flexibility.

Given that Regional Distribution Centres represent a significant change in the way we work, we will now assess the performance of both the Manchester and Dublin sites over the next year before deciding on the future roll-out of this programme.

Our marketplace

11% INDUSTRIAL
43% RESIDENTIAL
46% NON-RESIDENTIAL

- New build residential
- RMI residential
- New build non-residential
- RMI non-residential
- Industrial



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 requires 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 and in Germany by the Energy Saving Ordinance. Going forward, SIG recognises that UK regulations may be impacted by the country's decision to leave the EU.
- These standards are typically tightened every three to four years, usually leading to increased use of insulation to cut energy consumption.
- Furthermore, demand for offsite panelised systems and modular housing such as Insulshell is expanding significantly as customers increasingly desire complete managed solutions, which reduce build time, lower risk and help address skills shortages.

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.
- Growth of specialist distribution as the main supply route to market, gaining market share from the generalists and manufacturers.
- Increasing demand for offsite roofing systems such as RoofSpace, which designs, manufactures and installs rooms-in-roofs in residential properties.

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 offsite solutions.
- Demand for higher standards of internal fit outs.

Non-residential sector

The non-residential market accounts for 46% of Group sales and includes expenditure on:

- commercial buildings
- retail developments and warehouses
- education, hospitals and leisure complexes.

United Kingdom

In 2016 the UK non-residential sector performed reasonably well, growing by 4.0% according to the Construction Products Association ("CPA"). This was driven by a 5.4% increase in the commercial sector.

For 2017 the CPA is forecasting that output in the commercial sector will fall by 0.8% and the non-residential market as a whole will decline by 0.6% in the UK. This is due to an anticipated fall in activity on major projects due to the current political uncertainty, related to the vote to leave the EU, which is expected to have an adverse impact on new investment decisions.

Mainland Europe

The non-residential sector in SIG's major markets of operation in Mainland Europe, those being France and Germany, was relatively weak during 2016.

This particularly affected the performance of the Group's German business, which has a high exposure to the non-residential sector.

While Euroconstruct is more positive on the outlook for France in 2017, the German market is anticipated to remain challenging.

2017 construction market growth forecast

	Residential	Non-residential	Total
UK*	0.5%	(0.6)%	0.0%
France**	4.6%	3.0%	4.0%
Germany**	2.0%	0.7%	1.6%
Poland**	2.6%	2.2%	2.4%
Belgium**	1.4%	3.1%	2.1%
The Netherlands**	6.6%	3.4%	5.3%
Ireland**	10.5%	12.9%	11.4%

*Construction Products Association
**Euroconstruct

Residential sector

The residential market accounts for 43% of Group sales and includes private and public sector expenditure on houses and apartments.

United Kingdom

Whereas the private UK new build residential sector performed well in 2016, growing by 10%, activity in the new build public sector market continued to be depressed, declining by 8% as housing associations suffered from funding constraints.

A similar trend emerged in the UK RMI residential market, with growth of 2% in the private sector offset by a 5% decline in expenditure in the public sector.

Looking ahead to 2017 the CPA expects the UK private new build housing market to grow by 2%, with the public sector new build market remaining weak and declining by 2%.

Mainland Europe

The residential market saw a return to growth in France in 2016 although this was lower than previously anticipated, and Euroconstruct anticipates that this recovery will continue in 2017.

In Germany, the residential sector was reasonably robust in 2016, growing by 3.0% according to Euroconstruct. This is expected to continue in 2017, albeit at a slightly lower growth rate of around 2.0%.

Industrial

This market accounts for 11% of Group sales and typically includes products such as technical insulation, which is supplied to the industrial sector – for example power stations or petrochemical works where heat is an important part of the process.

United Kingdom

The industrial sector was weak in the UK in 2016, declining by 7.3% according to the CPA. However, this trend is expected to improve slightly in 2017, with the market only projected to be down by 3.8%.

Mainland Europe

Although the industrial sector in France declined by around 1% in 2016, this performance was a slight improvement on prior years. Euroconstruct expects that this market will return to growth in 2017.

In Germany, lower corporate investment and a switch to renewable energy away from fossil fuel and nuclear will depress demand in this sector.

Our business model

SIG PLAYS A **CRITICAL ROLE** IN THE CONSTRUCTION INDUSTRY SUPPLY CHAIN, ENSURING THAT ITS CUSTOMERS RECEIVE THE **RIGHT PRODUCT**, AT THE **RIGHT PLACE**, AT THE **RIGHT TIME**.

OUR SUPPLIERS

- INSULATION
- INTERIORS
- EXTERIORS
- AIR HANDLING

SIG VALUE ADD

SPECIALIST AND TECHNICAL ADVICE
SIG offers technical advice and product expertise to help customers comply with complex building regulations.

BREAKS BULK
Breaking up and storing bulk deliveries from manufacturers into manageable job quantities for contractors.

DEPTH AND AVAILABILITY OF STOCK
SIG brings manufacturers and customers together, offering manufacturers access to thousands of contractors, and offering customers a great range of products.

FABRICATION
By cutting, reshaping or combining some products SIG creates bespoke solutions for customers.

DELIVERY AND CREDIT
SIG helps customers access products through rigorously managed credit, and enables immediate availability of product through the logistics network.

DELIVERING VALUE TO:

- CONTRACTORS
- SPECIALIST INSTALLERS
- DEVELOPERS
- RESELLERS

SUPPORTED BY

- EXCEPTIONAL AND COMMITTED EMPLOYEES
- LONG-TERM RELATIONSHIPS WITH SUPPLIERS AND CUSTOMERS
- IMPROVEMENTS IN ENERGY EFFICIENCY
- INCREASED DEMAND FOR THE CONSTRUCTION OF NEW BUILDINGS
- REPAIRS, MAINTENANCE AND IMPROVEMENT OF EXISTING BUILDINGS

THE SIG OFFSITE FACILITY AT ALFRETON

VALUE ADDED SALES

SIG is seeking to improve Shareholder returns through innovation and by moving the Group up the value chain, thus increasing margin.

We can innovate across four key areas: the range of products and services we offer; through our processes; by developing our brands and through the way our business is organised.

Through innovation in products and services SIG is focused on growing its value added sales offering, which, as well as being typically higher margin for the Group, are increasingly being demanded by customers as they save them time, money or reduce their construction risk.

Examples of SIG's value added products include:

- air handling
- offsite construction
- technical insulation
- industrial roofing.

Our strategy

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

Furthermore, by working together more as a Group, and by fully leveraging our scale and presence in the marketplace, our aim is to make SIG's whole greater than the sum of the parts, for example by improving the way in which we procure.

However, while enacting our transformation programme, we need to ensure that we balance business change with the day-to-day operations of the Group, and that we remain focused on our customers.

Above all, Health and Safety remains our top priority at all times. Through our Zero Harm programme we have developed a strong health and safety culture, but we recognise that there is still room for improvement.

OUR **PRIORITIES**

5

IN DELIVERING ITS STRATEGY, SIG IS FOCUSING ON **FIVE PRIORITIES** TO IMPROVE BUSINESS PERFORMANCE.

IMPROVING OUR CUSTOMER FOCUS

1

Historically SIG has had a very strong and clear customer focus, with its branches highly engaged with clients at a local level.

We recognise however that, while taking the Group in the right strategic direction, our business transformation programme has distracted us somewhat from our customers. These initiatives have taken time and resources away from local branches and we need to get the business back in balance.

Therefore we will free up time by prioritising our strategic initiatives, which will enable us to improve our customer focus. Our key focus areas for 2017 are:

- sell more proactively and effectively
- leverage our current sales resources better
- sell more value added products to improve our sales mix.

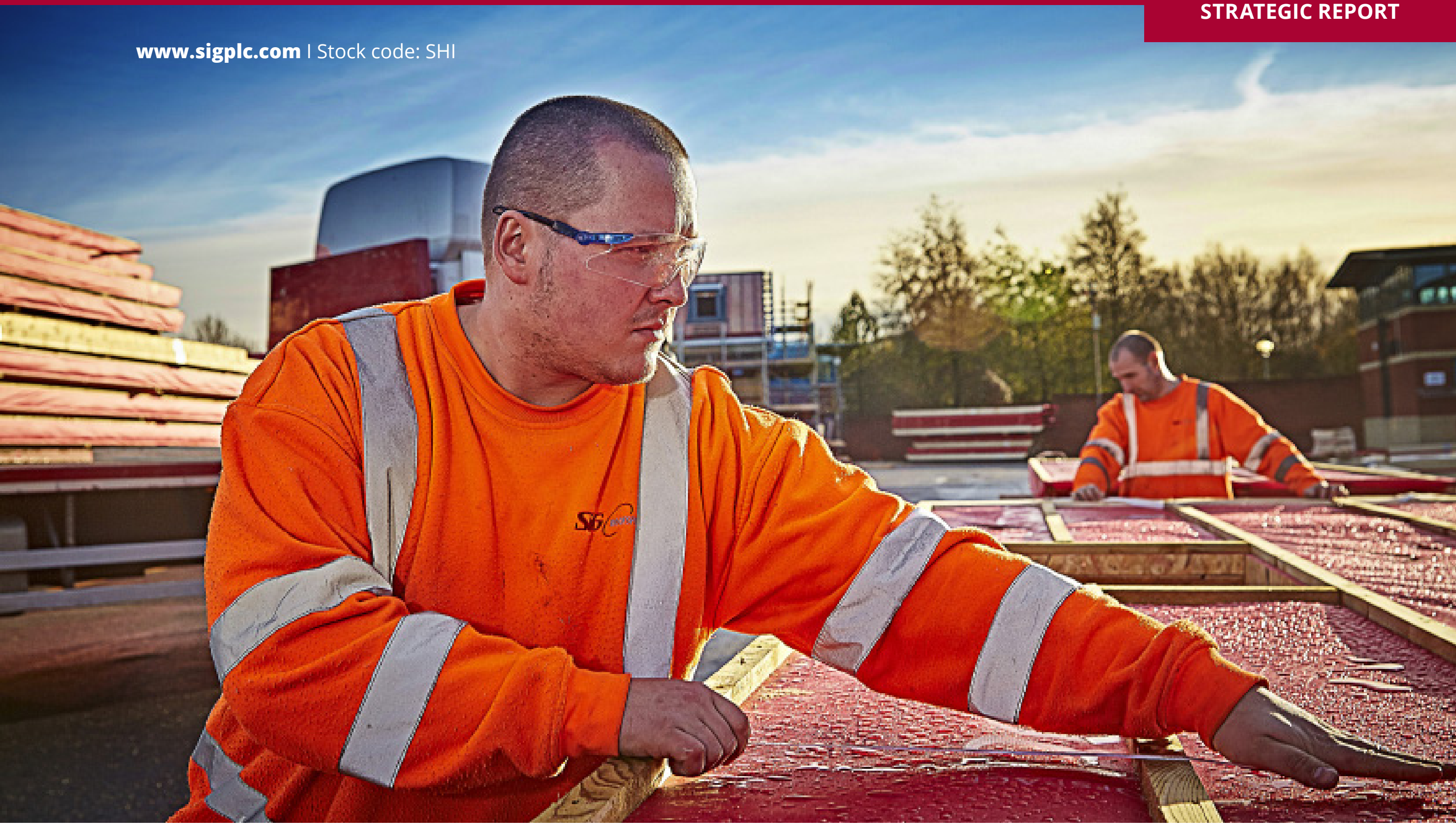
INNOVATION AND VALUE ADDED SALES

2

We can improve our business through innovation and by moving the Group up the value chain, thus increasing margin.

In particular we are innovating across the range of products and services we offer, through our value added sales offering. As well as being higher margin for the Group, our value added products are increasingly being demanded by customers as they save them time, money or reduce their construction risk.

Two important growth areas for this category are Air Handling, which covers the ventilation segment of the Heating, Ventilation and Air Conditioning ("HVAC") market and Offsite Construction, which is the pre-assembly of building products in a factory environment for onsite installation.



The Group has already made some supply chain improvements, but there is more that can be achieved. While doing so, we are reprioritising some of our supply chain ambitions in order to give time back to the branches, so they can increase their focus on the customer.

For example, we are suspending the roll-out of our Regional Distribution Centres while we assess the performance of recently opened sites in Manchester and Dublin.

However, we still believe that there are significant efficiencies to be gained from improving our supply chain. We are focusing on four key areas going forward, which are:

- optimise our stock holding
- improve the utilisation of our fleet
- improve the way we work with suppliers
- instil operational excellence.

SIG has significantly reshaped its procurement function over the last two years and is working towards a world-class procurement function.

Our key priorities for 2017 are:

- better leveraging our scale
- improving our procurement of commodity products
- strengthening our role in the construction value chain
- creating new supplier relationships
- growing own label.

SIG has committed and talented people. We work to continuously develop our people, structure and culture across the Group, so we can further improve performance.

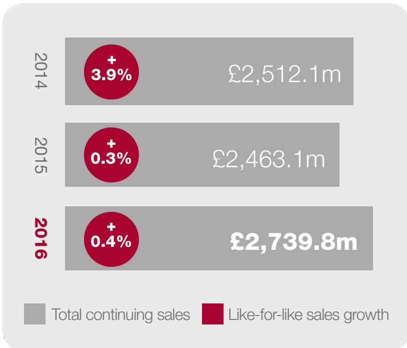
In doing so we must ensure that our people have the right environment and skills, and that they are properly motivated through incentives, recognition and reward.

Through our Zero Harm programme our people have developed a strong health and safety culture, although we recognise that there is still more to do.

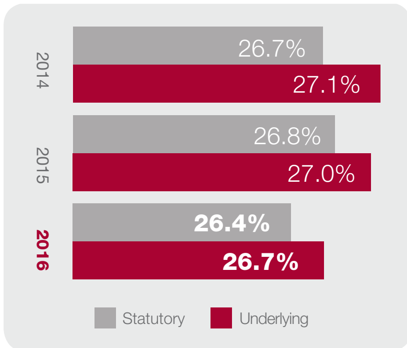
Our KPIs
HOW WE MEASURE PERFORMANCE

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

LIKE-FOR-LIKE SALES



GROSS MARGIN



	LIKE-FOR-LIKE SALES	GROSS 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. Like-for-like sales is a measure of the underlying performance of the Group.	The ratio of gross profit to sales. Gross margin is a measure of sales and productivity improvement.
PERFORMANCE	2016 was a difficult year for SIG as its transformational change programme distracted the business and resulted in a loss of customer focus. Like-for-like sales grew by 0.4% when compared to the prior year. On a statutory basis (ie including the businesses highlighted as discontinued), SIG reported sales of £2,845.2m, 10.9% up on the prior year.	On a statutory basis, the gross margin has reduced by 40bps, being heavily affected by the high level of competition in the UK insulation and interiors market, and production challenges in the Group's offsite construction business. The Group has delivered an underlying gross margin of 26.7%, which despite incremental benefits from the procurement programme, is c.30bps down on the prior year. The decision to divest Carpet & Flooring and to exit Drywall Qatar has structurally improved the gross margin by 30bps, and represents the difference between the statutory and underlying results.
2017 TARGET	Like-for-like sales growth through a refocus on the customer and growing added-value sales offering.	Continuous improvement through leveraging strength and scale of business in procurement.
LINK TO STRATEGY	1 2 5	1 2 3 4 5
PRINCIPAL RISKS	Market conditions Government legislation Commercial relationships	Competitors and margin management Commercial relationships

* Underlying is defined as being the Group's results before Other items as disclosed on page 24. Note 32 to the Accounts provides further detail of the calculation of these indicators.

Relevance to strategy

1. IMPROVING OUR CUSTOMER FOCUS
2. INNOVATION AND VALUE ADDED SALES
3. SUPPLY CHAIN
4. PROCUREMENT
5. PEOPLE

Remuneration

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

These are identified with the symbol®.

UNDERLYING OPERATING MARGIN

Year	Underlying operating margin
2014	4.5%
2015	4.1%
2016	**3.3%**

The ratio of underlying operating profit to underlying sales (excluding non-core businesses).

Underlying operating margin is a measure of the profitability of the Group, excluding the impact of Other items.

The operating margin for the Group decreased by 80bps when compared to the prior year.

The decline in operating margin was a result of a 8.6% decline in operating profit to £91.3m (2015: £99.9m) arising from tough competitive trading conditions.

On a statutory basis, the Group reported an operating loss of £91.0m (2015: operating profit of £65.9m).

This represents a statutory operating margin of negative 3.2% (2015: positive 2.6%).

Continuous improvement through tight control of operating costs and reducing cost to serve by improving supply chain efficiency.

1 2 3 4 5

IT infrastructure

LIKE-FOR-LIKE WORKING CAPITAL TO SALES®

Year	Like-for-like working capital to sales
2014	7.9%
2015	9.0%
2016	**9.9%**

Like-for-like working capital to sales is defined as the ratio of closing 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.

Like-for-like working capital to sales is a measure of working capital investment in the Group's sales.

The Group recorded a like-for-like working capital to sales ratio of 9.9% at 31 December 2016 which was above the 2016 targeted range of no more than 9%.

70bps of the increase year-on-year represents the reduction in contingent consideration accrued and paid in respect of acquisitions in prior periods.

Improvement in working capital to sales year-on-year through working capital management and refocus on the customer.

1 2 3 4 5

Working capital/credit management

RETURN ON CAPITAL EMPLOYED®

Year	Return on capital employed
2014	13.1%
2015	11.5%
2016	**9.4%**

The ratio of underlying operating profit less taxation divided by average capital employed (average net assets plus average net debt).

Post-tax ROCE is a measure of shareholder return.

The Group recorded a post-tax ROCE of 9.4% in 2016, 210bps below the prior year (11.5%) but 160bps above the Weighted Average Cost of Capital ("WACC") of 7.8%.

Going forward, the Group is committed to increasing ROCE and will achieve this by restoring our customer focus, placing an increased emphasis on sales growth, and reducing leverage.

On an unadjusted basis, the Group's ROCE for the year was a negative 12.3% (2015: positive 6.1%).

Improvement in the Group's ROCE through working capital management and profit growth.

1 2 3 4 5

Market conditions
Competitors and margin management
Working capital/credit management

Principal risks and uncertainties

Risk management is built into our daily activities and is an integral part of how we work. 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 improving 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 Group's strategy. Key business risks are formally identified, reviewed and updated by the Group Executive Committee ("GEC") every six months using a risk scoring methodology. Each risk is categorised based on likelihood and potential impact. Once agreed with the GEC, the risks are plotted on a risk matrix and submitted to the Audit Committee for approval and subsequently to the Board. 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 55 to 56.

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

TOP-DOWN
Responsibility for implementing

The Board

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

Audit Committee

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

Group Executive Committee

- Ensures risk management is embedded into all processes
- Reviews Group Risk Profile

Operating Company Management

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

Group Risk Function

- Conducts continual review of risks and risk controls
- Concludes on treatment of risks
- Reviews and reports on risk to the Audit Committee and Board
- Formulation of strategy and policy
- Tracks risk management activity in the operating companies

Central Support

- Provides targeted expertise and support to risk owners
- Develops and maintains risk specific controls

Independent Assurance

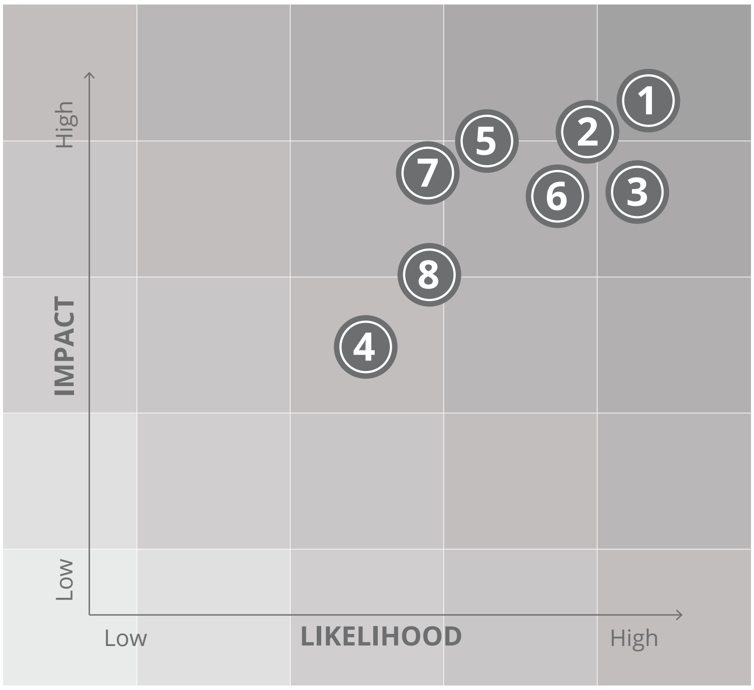
- Internal audit
- External audit
- Quality standards audit
- Insurer and property risk surveyors
- Audit Committee and Board

BOTTOM-UP
Accountability for monitoring

PRINCIPAL RISKS

1. Market conditions
2. Competitors and margin management
3. Commercial relationships
4. Government legislation
5. Availability of funding
6. Working capital and cash management
7. IT infrastructure and cybersecurity
8. Availability and quality of key resources

PRINCIPAL RISK MATRIX



2016 developments

Throughout 2016 SIG has continued to develop the integrated approach to its risk and assurance activities. Specifically, the following improvements were implemented:

- Continued review of the internal control and risk management framework including architecture, strategy and protocols.
- Data warehouse implemented which improved financial analyses, data security, overall control framework, allowed for improved disaster recovery and better quality of reporting.
- Extended scope of fraud risk management framework, including delivery of risk management and fraud awareness training across the Group to help confirm a consistent approach in embedding risk and fraud awareness practices throughout the business, as well as educating employees on the importance of these disciplines.
- Enhancement of self-certification processes, ensuring they remain consistent with the dynamic risk and fraud environment.
- External review of cybersecurity framework, including awareness policies and controls.
- A cyber-strategy framework for the Group was defined, with a programme of activity which included the obtainment of "Cyber Essentials" certification, attendance at peer group Information Security Round Table meetings, membership of the Government Cybersecurity Information Sharing Partnership ("CISP") programme and engaging with the Templar Executives, an industry-leading cybersecurity company.

Planned improvements for 2017

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

- Data warehouse to be further improved by providing a single point of data for operating companies with enhanced security and disaster recovery.
- Review of risk management software to improve risk identification and drive consistency.
- Continued development of Group-wide control framework forums to identify and drive best practice.
- Monitoring of the terms of the UK exit from the EU that could have implications on the requirements or regulations that are applicable to the business of the Group.
- A full roadmap and plan for appropriate cybersecurity is being reviewed by senior management which includes investment in people, services and technology.

Principal risks and uncertainties
CONTINUED

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 is outlined in this section of the report. These risks are not set out in any order of priority and they do not comprise all the risks and the uncertainties that SIG faces. These risks have been reviewed throughout the year and they have not materially changed since 2015.

PRINCIPAL RISK	TREND	KEY MITIGATION ACTIVITIES INCLUDE:	OUR FOCUS IN 2016
1 Market conditions 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. 1 2	↑	• Maintain a broad spread of markets, products and customers to limit risks and act as a natural hedge 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	▶ Restructuring actions ▶ Strategic Initiatives ▶ Selected ROCE-enhancing acquisitions ▶ Further diversification through investment in specialist niche markets ▶ Rebranding
2 Competitors and margin management 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. 1 2	↑	• Strong trading presence and positions 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 and distribution capability, people, IT infrastructure and product offering • Diversified portfolio of products, customers and markets limits the risk from any single competitor	▶ Specialist training ▶ Investment in IT ▶ Professionalising procurement and pricing management
3 Commercial relationships 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. 1 3 4	↔	• 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 • No significant customer dependency. Continued focus on customer service to maintain excellent relationships including monitoring of customer satisfaction • Strategically important supply chain partners are reviewed globally to assess their financial health • Monitoring of customer behaviour and performance	▶ Procurement Initiative ▶ Commercial partner relationship and rationalisation
4 Government legislation 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, including as a result of Brexit, 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. 5	↔	• Embedding and operating a zero harm culture • 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 • Continuous monitoring of political environment • Continuous review of business plans in order to minimise SIG's exposure to potential changes in Government policy • Compulsory risk management training programmes (eg data protection and anti-bribery and corruption etc) appropriate to their roles in order to increase awareness of potential risks	▶ 'Zero Harm' programme ▶ Training and development programmes

Relevance to strategy

1 IMPROVING OUR CUSTOMER FOCUS
2 INNOVATION AND VALUE ADDED SALES
3 SUPPLY CHAIN
4 PROCUREMENT
5 PEOPLE

Understanding movements in business risks

↑ INCREASE
↔ NO CHANGE
↓ DECREASE

PRINCIPAL RISK	TREND	KEY MITIGATION ACTIVITIES INCLUDE:	OUR FOCUS IN 2016
5 Availability of funding Group net debt at 31 December 2016 amounted to £259.9m (2015: £235.9m). 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 • counterparty credit risk.	↑	• Regular meetings of the Tax and Treasury Committee • Comprehensive Treasury Policy (please see Treasury Risk Management section on pages 32 to 35) • Regular monitoring, including sensitivity analysis, to understand the impact of interest rate and exchange rate movements • Active hedging programme in place • Monitoring performance against covenants on the Group's Revolving Credit Facility and private placement notes • Regular discussion with banking and private placement partners • Maintaining a strong balance sheet to enable access to cost effective sources of third party funding	▸ Refinancing of maturing private placement debt and securing facilities to ensure certainty of funding for the medium to longer term ▸ Initiatives to manage and improve the Group's leverage position
6 Working capital and cash management Failure to manage working capital effectively may lead to a significant increase in the Group's net debt, thereby reducing the Group's funding headroom and liquidity. 1 3	↔	• 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 supported by daily customer monitoring systems	▸ Branch reviews ▸ Strategic Initiatives ▸ Investment in IT
7 IT infrastructure and cybersecurity 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. 1 3 4	↔	• 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 is continuing to invest in advanced hardware and software security 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 • Formal security and information assurance governance structures to oversee and manage cybersecurity and similar risks	▸ Roll-out of the new ERP system for the UK distribution businesses has continued during the course of 2016 and this will be completed in 2017 ▸ Awareness of increased exposure to cyber-crime and actively sharing IT security information through industry and security forums ▸ External review of cybersecurity framework ▸ Implementation of a data warehouse ▸ Attainment of Cyber Essentials certification ▸ Joined CISP
8 Availability and quality of key resources Unavailability of key resources (eg 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. 1 3 5	↑	• 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	▸ Increased employee communication and engagement ▸ Implemented detailed succession planning for senior management ▸ Increased training through 'Raising the Bar' programme for Senior Leadership Team ▸ Establishment of RISE Programme, the new high potential development programme, designed to identify and progress SIG's future leaders and support our strategic growth going forward

Our performance

"The Group has targeted improved business performance by refocusing on its customers and service proposition"

MEL EWELL
CHIEF EXECUTIVE

The Group delivered an underlying PBT of £77.5m in 2016, in line with its previously stated £75-80m range. However, SIG recognises that its transformational change programme, while taking the Group in the right strategic direction, distracted the business during 2016. This resulted in a loss of customer focus and impacted performance. Leverage has risen above an acceptable level and specific performance challenges were seen in SIG Distribution ("SIGD"), the UK insulation and interiors business, and in the Offsite Construction business in the UK.

SIG has identified that it needs to balance better its change programme with the day-to-day operations of the Group. Since November, therefore, SIG has reassessed its internal initiatives in order to free time so that branches can refocus on customers and drive sales growth. As a result, SIG has slowed or stopped a number of initiatives. SIG has reviewed its UK eCommerce programme, suspended its Regional Distribution Centre ("RDC") programme, and is targeting to complete substantially the roll-out of its new UK ERP system in April. SIG has also reviewed its cost base to eliminate duplication and reduce discretionary expenditure.

With some supplier price inflation being seen, particularly in SIGD, the Group will continue to drive its procurement programme in order to help mitigate margin pressures. SIG's supply chain initiative is being embedded fully into business as usual and will continue to support ongoing improvement in the Group's cost to serve.

Driving improved performance in SIGD

During 2016 the market for specialist insulation and interiors products remained competitive, with other market participants investing in an attempt to grow market share.

While SIGD achieved like-for-like ("LFL") sales growth of 1.1%, this was at the expense of margin, with operating profit declining by £6.8m to £19.2m (2015: £26.0m) on revenue of £769.5m (2015: £736.5m).

Since November the Group has targeted improved business performance by refocusing on its customers and improving its service proposition, upgrading its sales and pricing capabilities, and by better exploiting logistics and warehouse efficiencies using data now available from its newly implemented UK ERP system.

There are some positive early signs that this strategy is beginning to make a difference and sales momentum is improving, with the business delivering positive LFL sales growth since November.

Expanding capacity in Offsite Construction

Offsite Construction increased revenue by 20.7% to £27.4m in 2016 (2015: £22.7m), but the business made an operating loss of £4.2m (2015: profit of £0.3m), reflecting production challenges in the modular housing part of its Building Systems division.

SIG has already doubled daily production of modular housing compared to 2016 and is expecting Offsite Construction to return to profitability by the end of this year. In order to achieve this SIG is re-engineering and streamlining its production line and has recently appointed a new Managing Director with significant offsite manufacturing experience.

Offsite Construction continues to have a strong order book and is benefiting from high levels of demand due to the UK housing shortage and as traditional construction methods are displaced.

Reducing leverage

Largely as a result of the Group's profit out-turn, year-end leverage (net debt to EBITDA) increased to 2.1x (31 December 2015: 1.8x) with net debt as at 31 December 2016 of £259.9m (31 December 2015: £235.9m). In response, management has made leverage reduction a key short-term priority, particularly given that leverage is likely to increase to June 2017 due to the seasonality of the Group, and has identified a number of actions to strengthen its balance sheet. These include:

- Targeting significant asset disposals, and in this context SIG has disposed of Carpet & Flooring and has agreed to sell, subject to contract, Drywall Qatar;
- More tightly focusing on cash generation and working capital management;
- Moderating capital expenditure;
- Suspending its infill acquisition programme; and
- Rebasing the dividend.

While SIG's medium-term target remains to return leverage to a 1.0 – 1.5x range, the Group recognises that this may take until 2018 to achieve. In taking actions to reduce leverage the Group will therefore ensure that its balance sheet is able to withstand any near-term fluctuations in market demand.

Notwithstanding the current higher leverage, SIG retains significant funding headroom, having successfully refinanced £131m of private placement notes in June 2016, on attractive terms with existing debt providers.

Strategy in action

VALUE ADDED SALES

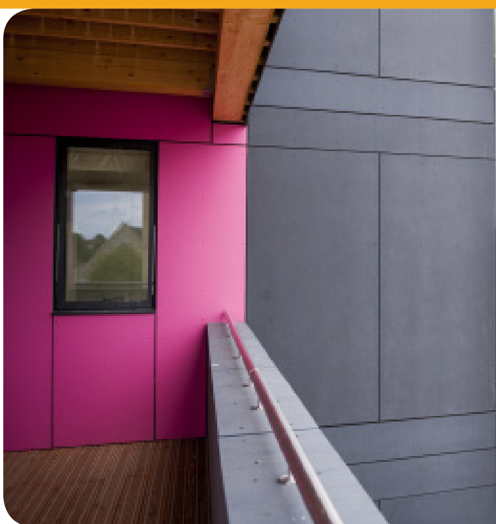
LEWISHAM

SIG WAS COMMISSIONED BY LEWISHAM BOROUGH COUNCIL TO CREATE A RESIDENTIAL AND RETAIL DEVELOPMENT IN LADYWELL, LONDON, WHICH WAS CONSTRUCTED USING THE GROUP'S OFFSITE CONSTRUCTION CAPABILITIES.

SIG was the principal contractor and responsible for the entire Ladywell project, from planning through to construction.

The Group designed and constructed a multi storey mixed-use development which comprised eight retail units and 24 two bed apartments, using its patented structural insulated panel solution.

A complete offsite solution, the units were manufactured and fully fitted out at SIG's facility in the Midlands and then transported for construction on site in London.



Our performance
CONTINUED

Revenue and gross margin

Group revenue from continuing operations increased 11.2% to £2,739.8m (2015: £2,463.1m), benefiting from foreign exchange translation (+6.8%), acquisitions (+3.7%) and working days (+0.3%). As a result LFL sales were ahead by 0.4%. On a statutory basis Group revenue was up 10.9% to £2,845.2m (2015: £2,566.4m).

In the UK & Ireland, revenue from continuing operations increased 6.3% to £1,392.1m (2015: £1,309.6m), benefiting from acquisitions (+4.0%), and currency (+1.1%); LFL sales increased 1.2%. In Mainland Europe revenue increased 16.8% to £1,347.7m (2015: £1,153.5m), benefiting from foreign exchange translation (+13.4%), acquisitions (+3.2%) and working days (+0.6%). Sales on a LFL basis were broadly flat, down 0.4%.

Continuing operations excludes the results from Carpet & Flooring and Drywall Qatar, which were previously reported in the UK & Ireland segment. These businesses incurred a combined operating loss of £5.8m in 2016 (2015: £1.2m) on sales of £105.4m (2015: £103.3m).

The Group's underlying gross margin declined by 30bps to 26.7% (2015: 27.0%) due to an 80bps decrease in the UK & Ireland to 26.0% (2015: 26.8%), offset slightly by a 20bps improvement in Mainland Europe to 27.4% (2015: 27.2%). The decrease in gross margin in the UK & Ireland is largely attributable to the market and operational challenges at SIGD and Offsite Construction. On a statutory basis the Group's gross margin decreased by 40bps to 26.4% (2015: 26.8%).

Operating costs and profit

SIG's underlying operating cost base increased by £74.6m to £639.5m in 2016 (2015: £564.9m) due to a currency impact of £39.9m, additional costs from acquisitions of £23.6m, and net cost inflation of £11.1m.

The combination of lower gross margin and higher costs meant that the Group's underlying operating profit declined 8.6% to £91.3m (2015: £99.9m) with underlying operating margin declining 80bps to 3.3% (2015: 4.1%). In the UK & Ireland, underlying operating profit fell 14.5% to £53.2m (2015: £62.2m) and underlying operating margin declined 90bps to 3.8% (2015: 4.7%). In Mainland Europe, underlying operating profit increased 8.4% to £48.9m (2015: £45.1m), including £5.8m foreign exchange benefit, with underlying operating margin decreasing slightly, down 30bps to 3.6% (2015: 3.9%). The Group made a statutory operating loss of £91.0m (2015: profit of £65.9m) in 2016.

SIG's underlying net finance costs increased by £2.5m to £13.8m (2015: £11.3m), mainly due to higher borrowings which, together with the decline in operating profit, resulted in underlying profit before tax decreasing 12.5% to £77.5m (2015: £88.6m). Underlying basic earnings per share from continuing operations declined 14.2% to 9.7p (2015: 11.3p).

UK & Ireland

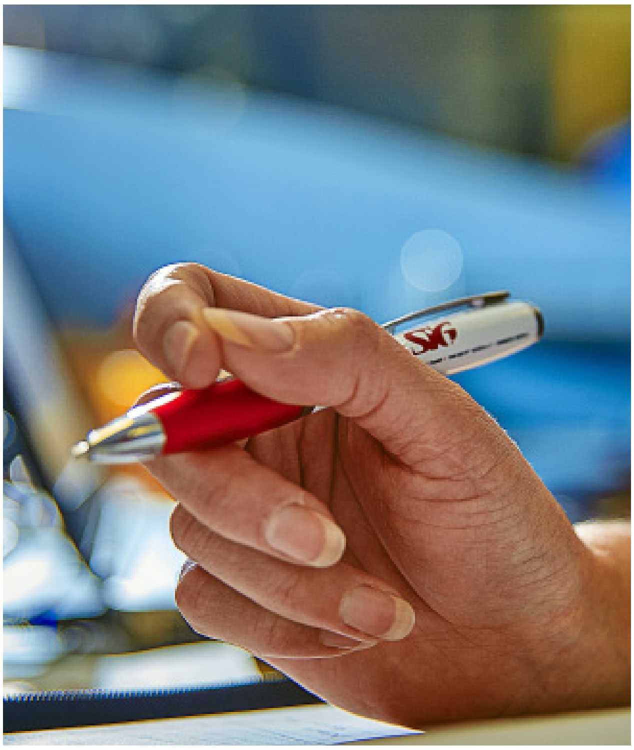
Continuing operations	Revenue £m	Change	LFL change	Gross margin	Change
SIG Distribution	769.5	4.5%	1.1%	24.6%	(70)bps
SIG Exteriors	477.8	4.7%	(0.9)%	29.2%	(70)bps
Ireland	85.5	18.6%	3.8%	25.7%	(30)bps
Offsite Construction	27.4	20.7%	6.3%	17.9%	(460)bps
Other	31.9	45.7%	28.6%	19.2%	(260)bps
UK & Ireland*	1,392.1	6.3%	1.2%	26.0%	(80)bps

* On a statutory basis (including Carpet & Flooring and Drywall Qatar) 2016 revenue was £1,497.5m.

2016 revenue in SIG Distribution, the Group's market leading specialist UK insulation and interiors distribution business, was up 4.5% to £769.5m (2015: £736.5m), having benefited from the acquisition of SAS Direct, a leading specialist supplier of partitioning and suspended ceiling products.

The specialist insulation and interiors market in the UK, however, remained competitive, with other market participants investing in new branches and price in an attempt to grow market share. In this environment SIGD continued to grow LFL sales (up 1.1% in the year), but this growth was at the expense of gross margin.

The Group's response has been to slow or stop a number of its internal initiatives so that its branches can refocus on customers and drive sales growth. In addition it has upgraded its sales and pricing capabilities and is improving its warehouse and logistics efficiency using improved management information from its newly implemented ERP system.



In December SIGD opened its first RDC in Manchester. This new facility provides customers with a wide range of SIG's product range, including structural and technical insulation, interiors, construction accessories and fixings. Having suspended the roll-out of other RDCs, at least temporarily, SIG will now monitor progress on this new site, along with its other recently opened RDC in Dublin, before deciding on the next appropriate steps for this programme.

In 2016 revenue in SIG Exteriors ("SIGE"), the market leading and only national specialist UK roofing business, benefited from acquisitions and was up 4.7% to £477.8m (2015: £456.4m).

SIGE's LFL sales declined by 0.9% due to ongoing challenging trading conditions in the UK Repairs, Maintenance and Improvement sector, to which the business has a relatively high degree of exposure, accounting for 64% of revenue, and due to weaker demand for building products in the public sector. Notwithstanding these market dynamics, SIGE continues to be one of the highest margin businesses in the Group, reflecting its strong position as the largest and only national player in the UK market.

In Ireland SIG grew revenue by 18.6%, benefiting from foreign exchange movements, and by 3.8% on a LFL basis. The construction market in Ireland continues to recover and, having begun in the residential sector, this recovery is now spreading into the commercial market. The Group's Irish business is also benefiting from efficiencies gained from the new Dublin RDC, which opened in April 2016.

Although revenue in Offsite Construction increased by 20.7% to £27.4m, the business made an operating loss of £4.2m (2015: profit of £0.3m) due to a significant production shortfall in its volumetric housing business. The Group is addressing its production challenges in this business and expects Offsite Construction to return to profitability by the end of 2017.

Other revenue, which largely relates to the Group's business in the Middle East, increased by 45.7% to £31.9m (2015: £21.9m).

Mainland Europe

	Revenue £m	Change	LFL change	Gross margin	Change
France	589.2	13.9%	(1.9)%	27.7%	No change
Germany	413.2	12.2%	(1.2)%	26.6%	(30)bps
Poland	115.1	11.1%	2.1%	20.0%	(110)bps
Benelux	99.7	16.3%	2.5%	25.2%	40bps
Air Handling*	130.5	66.0%	8.5%	36.4%	80bps
Mainland Europe	1,347.7	16.8%	(0.4)%	27.4%	20bps

* previously reported as Air Trade Centre in the Benelux

In France SIG operates three businesses: Larivière, its market leading specialist roofing business; LiTT, its leading structural insulation and interior business; and Ouest Isol / Ouest Ventil, which is the leading supplier of technical insulation in the country and a leading air handling distributor.

Market conditions in France were challenging, with the LFL sales decreasing by 1.9% in the year. This decline, along with more cautious market forecasts, has resulted in a £100.4m impairment of Larivière. However, SIG recorded an improved second half performance, with LFL sales flat compared to a decline in H1 2016 of 3.6%. Reported revenue however benefited from foreign exchange and acquisitions, growing by 13.9%. SIG also maintained gross margin in France compared to prior year.

The Group anticipates that the improving market conditions in France, particularly in the residential sector, which accounts for 53% of its revenue in the country, may benefit SIG in 2017, particularly as many of the products it sells are used in the later stages of the building cycle.

SIG operates two businesses in Germany: WeGo, a leading insulation and interiors business; and vti, which is the largest supplier of technical insulation in the country.

SIG grew revenue in Germany by 12.2% in 2016 as it benefited from movements in foreign exchange. While LFL sales declined by 1.2%, similar to France, the German business recorded an improved second half performance, with LFLs only down 0.6%. During 2016 the Group appointed a new management team to improve its performance and reposition the business towards the higher growth segments of the German market.

In Poland SIG grew LFL sales by 2.1% and reported revenues by 11.1%. Construction markets were subdued due to political and economic uncertainty, which led to lower public expenditure as well as in the private sector. This resulted in weak demand in the non-residential and industrial markets, which account for 75% of the Group's revenue in Poland, and impacted gross margin. Although there is some evidence that construction markets stabilised and began to improve in the first two months of 2017, the reduction in profitability and slower than originally anticipated recovery resulted in an impairment of £10.2m.

In the Benelux the Group delivered revenue growth of 16.3%, with LFL sales increasing by 2.5% and gross margin improving. The construction market in the Netherlands has continued to recover, led by the residential sector, and the non-residential sector has also improved compared to prior year. Market conditions in Belgium also stabilised during 2016, both in the residential and non-residential sectors.

Revenue in Air Handling, which is the largest pure-play specialist air handling distributor in Europe, grew by 66.0% as it benefited from good LFL growth of 8.5%, acquisitions and foreign exchange movements. The air handling market continues to grow at a faster rate than the wider construction sector due to strong demand drivers including higher energy efficiency and air quality standards. Gross margin also improved as the business grew its higher value whole system solution, which encompasses design to supply.

Outlook

Trading in the first two months of 2017 has been in line with the Board's expectations, although markets remain competitive and we are experiencing some supplier price inflation. The longer term outlook in our core markets continues to offer considerable opportunity and SIG remains a good business with strong market positions which is capable of delivering much more.

For 2017 SIG continues to expect the new build residential market to be the best performing sector in the UK construction market, with the commercial sector more uncertain. In Mainland Europe economic indicators have strengthened and we have seen improving quarterly LFL sales performance.

Our major markets face increased political uncertainty, with the triggering of Article 50 in the UK and forthcoming elections in France and Germany. Notwithstanding this uncertainty, the Board sees significant opportunity within the business to drive improved operational performance.

Financial review

"The Group regards its most important short-term financial priority to be the need to reduce leverage"

NICK MADDOCK
CHIEF FINANCIAL OFFICER

Group performance

	Underlying*			Statutory		
	2016 £m	2015 £m	Change	**2016 £m**	2015 £m	Change
Revenue	**2,739.8**	2,463.1	11.2%	**2,845.2**	2,566.4	10.9%
Gross margin	**26.7%**	27.0%	(30)bps	**26.4%**	26.8%	(40)bps
Operating profit	**91.3**	99.9	(8.6)%	**(91.0)**	65.9	(238.1)%
Profit/(loss) before tax	**77.5**	88.6	(12.5)%	**(106.3)**	51.3	(307.2)%
Basic earnings/(loss) per share (pence)	**9.7p**	11.3p	(1.6)p	**(20.1)p**	6.1p	(26.2)p
Total dividend per share (pence)	**n/a**	n/a	n/a	**3.66p**	4.60p	(0.94)p
Net debt	**n/a**	n/a	n/a	**259.9**	235.9	10.2%
Cash inflow from trading	**n/a**	n/a	n/a	**98.9**	99.8	(0.9)%
Leverage (covenant net debt/covenant EBITDA)	**n/a**	n/a	n/a	**2.1x**	1.8x	0.3x
Working capital to sales	**9.9%**	9.0%	90bps	**10.0%**	9.4%	60bps
ROCE (post-tax)	**9.4%**	11.5%	(210)bps	**(12.3)%**	6.1%	(1,840)bps

* Underlying results are stated before the amortisation of acquired intangibles, goodwill and intangible impairment charges, profits and losses on agreed sale or closure of non-core businesses and associated impairment charges, net operating losses attributable to businesses identified as non-core in 2016, net restructuring costs, acquisition expenses and contingent consideration, the defined benefit pension scheme curtailment loss, other one-off items, 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.

Overview

2016 has been a disappointing year for SIG, with the transformational change programme distracting the business. As a result, underlying profit before tax of £77.5m was £11.1m down on the prior year (2015: £88.6m).

The combination of investing and financing cash outflows in excess of operational cash inflows, and the impact of exchange rates has resulted in an increase of £24.0m in net debt to £259.9m (2015: £235.9m). Combined with the fall in profitability, this led to closing leverage at 31 December 2016 of 2.1x, higher than the preferred 1.0x – 1.5x range, but with headroom against the leverage covenant (less than 3.0x).

The Group regards its most important short-term financial priority to be the need to reduce leverage, which will be achieved through increased focus on cash generation and managing working capital, moderating capital expenditure, suspension of the infill acquisition programme and rebasing the dividend.

Performance over the year

	2016 £m	2015 £m	Change
Continuing revenue*	**2,739.8**	2,463.1	11.2%
Revenue attributable to businesses identified for sale or closure:			
Carpet & Flooring	**97.5**	97.5	–
Drywall Qatar	**7.9**	5.8	36.2%
	105.4	103.3	2.0%
Total statutory revenue	**2,845.2**	2,566.4	10.9%

* Continuing revenue is excluding the revenue attributable to businesses identified for sale or closure.

Total Group sales on a statutory basis increased by £278.8m or 10.9% to £2,845.2m (2015: £2,566.4m).

Since the year end the Group has sold, subject to contract, two businesses that were deemed to be non-core at 31 December 2016 and which offered a low probability of significant improvements in performance over the medium term, namely its UK specialist flooring division, Carpet & Flooring, and Drywall Qatar, in which the Group has a 49% controlling share.

In order to provide a better guide to the underlying future performance of the Group, the results of the two non-core businesses have been classified as Other items within the Consolidated Income Statement.

On a continuing basis (ie excluding these non-core businesses), sales grew by 11.2%, or £276.7m in Sterling and by 4.4% on a constant currency basis. The incremental impact of acquisitions made in the current and prior year contributed 3.7% of this sales growth in the year, and therefore, excluding 2016 and 2015 acquisitions, the Group's sales on a constant currency basis were up 0.7%. The weighted number of trading days in the year ended 31 December 2016 was one day higher when compared to the prior year, which had the effect of increasing sales by 0.3%, meaning that on a like-for-like basis (ie excluding the effects of acquisitions, foreign exchange and the number of working days), sales grew by 0.4% for the Group as a whole.

Like-for-like constant currency sales performance^	Group	UK & Ireland	Mainland Europe
First half	0.7%	2.5%	(1.2)%
Second half	0.2%	(0.1)%	0.5%
Full year	0.4%	1.2%	(0.4)%

Statutory sales performance	Group	UK & Ireland	Mainland Europe
First half	10.6%	8.8%	12.7%
Second half	11.1%	3.4%	20.8%
Full year	10.9%	6.0%	16.8%

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

Whilst overall like-for-like sales in the Group's Mainland Europe segment declined over the full year, there was an improvement as the year progressed, with H2 like-for-like sales growth against the prior year of 0.5%, compared to the decline of 1.2% realised in the first half.

In contrast, whilst the Group's UK & Ireland segment started the year well with H1 like-for-like sales growth of 2.5%, trading conditions softened following the EU referendum and competition in the market intensified, leading to a H2 like-for-like sales decline of 10bps. As a result a 1.2% improvement in like-for-like full year sales compared to the prior year was reported.

The Group's procurement strategic initiative again delivered significant benefits in the year and helped to mitigate underlying gross margin declines resulting from these competitive pressures in a number of SIG's core markets. Whilst Mainland Europe reported a 20bps improvement in margins, the UK & Ireland was down 80bps against the prior year leading to an overall underlying gross profit margin of 26.7%, down 30bps on the prior year (2015: 27.0%).

On a statutory basis (ie including businesses identified as non-core), the Group's gross margin decreased by 40bps to 26.4% (2015: 26.8%).

Underlying operating profit	**2016 £m**	2015 £m	Change
UK & Ireland	**53.2**	62.2	(14.5)%
Mainland Europe	**48.9**	45.1	8.4%
Head office costs	**(10.8)**	(7.4)	45.9%
Group	**91.3**	99.9	(8.6)%

On an underlying basis, operating profit decreased by £8.6m (8.6%) to £91.3m (2015: £99.9m). Overall, the Group's underlying operating profit margin at 3.3% was 80bps lower than the prior year (2015: 4.1%).

Acquisitions completed during 2016 and 2015, excluding Drywall Qatar, provided sales of £149.6m (2015: £52.4m) and made an underlying operating profit contribution of £15.3m (2015: £6.5m) in the year.

Statutory operating profit	**2016 £m**	2015 £m	Change
UK & Ireland	**(13.5)**	38.6	(135.0)%
Mainland Europe	**(66.7)**	34.7	(292.2)%
Head office costs	**(10.8)**	(7.4)	45.9%
Group	**(91.0)**	65.9	(238.1)%

Financial review
CONTINUED

On a statutory basis, the Group recognised an operating loss for the year of £91.0m (2015: profit of £65.9m) after recognising a number of Other items that are described below.

Finance costs

Net finance costs on a statutory basis increased by £0.7m to £15.3m (2015: £14.6m).

Net finance costs included in the Other items column of the Consolidated Income Statement amounted to £1.5m (2015: £3.3m).

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 £1.9m (2015: £1.9m). The remaining balance recorded in reserves in relation to the settlement of interest rate derivative contracts, which is to be amortised in the Consolidated Income Statement over a period of two years, is £2.0m (2015: £3.9m).

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 2016 was £0.4m (2015: £0.4m). 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 two years, is £0.7m (2015: £1.1m).

Also included within finance costs is a credit of less than £0.1m (2015: credit of less than £0.1m) relating to hedge ineffectiveness incurred on the Group's financial instruments and a net credit of £0.3m in respect of unwinding of provision discounting (2015: charge of £1.5m). A net credit of £0.4m on the unwinding of provision discounting has been included within Other items to reflect the fact that the related provisions are non-recurring in their nature (2015: charge of £1.4m).

Net finance costs before Other items (ie net borrowing costs) increased by £2.5m to £13.8m in 2016 (2015: £11.3m).

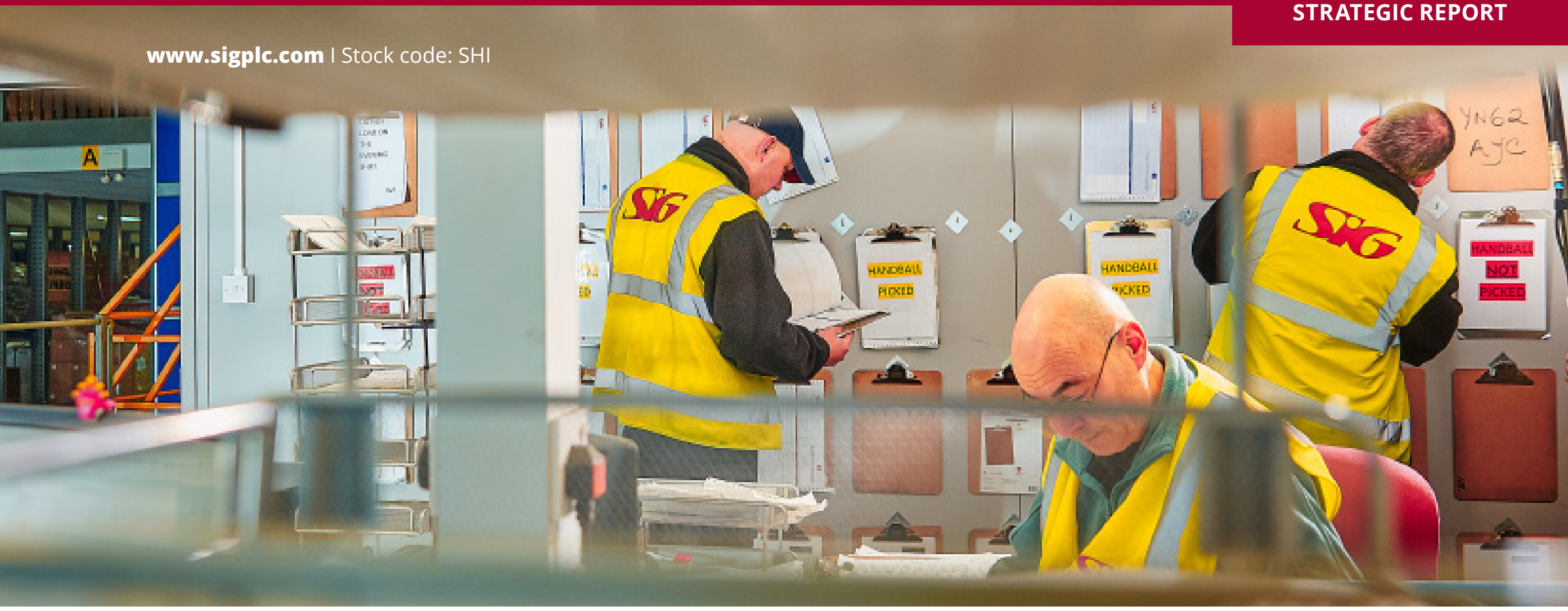
Further details of SIG's interest rate policies are provided in the Interest Rate Risk section on page 32.

Reconciliation of statutory result to the continuing underlying trading performance

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

	2016 £m	2015 £m
Underlying profit before tax	**77.5**	88.6
Other items – impact operating profit		
Amortisation of acquired intangibles	**(10.3)**	(10.3)
Goodwill and intangible impairment charges	**(110.6)**	–
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	**(40.1)**	–
Net operating losses attributable to businesses identified as non-core in 2016	**(5.8)**	(1.2)
Net restructuring costs	**(13.3)**	(8.3)
Acquisition expenses and contingent consideration	**4.6**	(14.3)
Defined benefit pension scheme curtailment loss	**(0.9)**	–
Other one-off items	**(5.9)**	0.1
Other items – impact operating interest		
Net fair value losses on derivative financial instruments and unwinding of provision discounting	**(1.5)**	(3.3)
Total Other items	**(183.8)**	(37.3)
Statutory (loss)/profit before tax	**(106.3)**	51.3

Amounts reported in the Other items column of the Consolidated Income Statement which in total amounted to a loss before tax of £183.8m (2015: £37.3m) are as follows:



- **Amortisation of acquired intangibles** – £10.3m (2015: £10.3m). Intangible amortisation is dependent upon the number and value of acquisitions made by the Company. The accounting policies section on page 96 and Note 13 to the Accounts on page 114 provide details of what is included within intangible assets and over what periods the assets are amortised.
- **Goodwill and intangible asset impairment charges** – £110.6m (2015: £nil). A goodwill and intangible asset impairment charge of £100.4m associated with the Larivière Cash Generating Unit ("CGU") was recognised as a result of the annual impairment review. This followed continued challenging conditions in the French roofing market, and growing uncertainty around market growth, macroeconomic conditions and uncertainty within the European Union in the medium term. In addition, a goodwill impairment charge of £10.2m associated with the Poland CGU was recognised following a change in short-term forecast profitability.
- **Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges** – £40.1m (2015: £nil). The non-recurring charge was recognised in respect of the agreed sale of the Group's Carpet & Flooring division and Drywall Qatar, in which SIG holds a controlling interest. 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 111.
- **Net operating losses attributable to businesses identified as non-core in 2016** – £5.8m (2015: £1.2m). The 2016 results of Carpet & Flooring and Drywall Qatar, together with their 2015 comparatives have been reported as Other items on the basis of their non-recurring nature and to provide an indication of the continuing earnings of the Group.
- **Net restructuring costs** – £13.3m (2015: £8.3m). The Group has taken a number of actions during the year to improve the efficiency of its fixed cost base. These have resulted in redundancy costs of £1.7m (2015: £0.9m), property closure costs of £4.4m (2015: £4.6m), rebranding of £0.5m (2015: £0.2m) and supply chain consultancy costs of £6.7m (2015: £2.6m).
- **Acquisition expenses (£0.8m) and contingent consideration (credit of £5.4m)** – credit of £4.6m (2015: charge of £14.3m). Acquisition expenses and movements in contingent consideration linked to employment contracts or other targets where the measurement period has expired vary depending on the number, size and future profitability of acquisitions.
- **Defined benefit pension scheme curtailment loss** – £0.9m (2015: £nil). On 30 June 2016 the UK defined pension scheme was closed to future benefit accrual. The change in assumptions associated with the closure resulted in a one-off curtailment loss of £0.9m. Further details can be found in Note 29c to the Accounts.
- **Other one-off items** – £5.9m (2015: credit of £0.1m). Other one-off items include the impairment charge and other costs following the cessation of the UK eCommerce project of £9.7m (2015: £nil), a net charge arising as a result of movements in provisions associated with businesses disposed of in previous years of £0.5m (2015: £nil) and income from the sale of land of £2.8m (2015: £1.1m). They also include fair value gains on fuel hedging contracts of £0.4m (2015: losses of £0.4m), a credit of £0.7m arising as a result of the reassessment of the provision associated with the closure in 2015 of the Group's operations in the Kingdom of Saudi Arabia (2015: operating losses and closure costs of £3.6m) and other one-off credits of £0.4m (2015: £0.6m). In 2015, other one-off items also included a credit of £2.4m for the reversal of property provisions previously provided through Other items.
- **Net fair value losses on derivative financial instruments and unwinding of provision discounting** – £1.5m (2015: £3.3m). The finance costs section on page 26 explains these items in more detail.

Underlying profit before tax decreased by £11.1m, or 12.5%, to £77.5m (2015: £88.6m). On a constant currency basis underlying profit before tax decreased by £16.2m to £71.8m.

On a statutory basis, loss before tax was £106.3m (2015: profit of £51.3m).

Taxation

The Group's approach to tax matters is to comply with all relevant tax laws and regulations, wherever it operates. The Group seeks to pay, at the right time, 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 and aims to establish and maintain constructive relationships with all relevant tax authorities. Should a tax related dispute arise then we aim to promptly address and resolve the issue with the relevant tax authority, in a responsible, cooperative and timely manner.

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 UK Government has introduced legislation that requires large businesses to publish an annual tax strategy. Accordingly, the Group's tax strategy will be made available online during 2017.

Financial review
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The Group recorded an income tax charge on underlying profits from continuing operations amounting to £19.5m (2015: £21.4m) which represents an underlying effective rate of 25.2% (2015: 24.2%). Excluding the one-off effect of prior year credits, the underlying effective tax rate was 25.9%. On the statutory loss before tax of £106.3m (2015: profit of £51.3m), the income tax charge of £12.3m represents an effective rate of negative 11.6% (2015: 29.2%). These differences arise as a result of amounts included as Other items in the year.

Cash tax payments amounted to £9.6m, £9.9m below the £19.5m 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 UK non-trading tax losses (c.£20m gross utilised during the year).

The Group's underlying effective tax rate in 2017 will be determined by the mix of profits from different jurisdictions. It is anticipated that the underlying effective tax rate in 2017 (excluding any prior year effects) will increase to c.27%.

Earnings per share ("EPS")

	2016	2015	Change
Underlying basic EPS	9.7p	11.3p	(1.6)p
Statutory basic EPS	(20.1)p	6.1p	(26.2)p

Underlying basic EPS from continuing operations amounted to 9.7p (2015: 11.3p), which represents a decrease of 1.6p. Total basic loss per share amounted to 20.1p (2015: earnings per share of 6.1p), which takes into account Other items as described on the previous page. The weighted average number of shares in issue in the period was 591.4m (2015: 591.2m).

Dividends

The Company has sufficient distributable reserves to pay dividends for a number of years and when required the Company can receive dividends from its subsidiaries to further increase distributable reserves.

On the back of a good first half performance where underlying operating profits were up 20%, SIG increased its interim dividend to 1.83p per share (2015: 1.69p).

With the weaker second half and resulting leverage of 2.1x at 31 December 2016, the Group has sought to rebase its final dividend.

In this context, SIG has proposed a final dividend of 1.83p per share (2015: 2.91p), taking the 2016 full year dividend to 3.66p per share (2015: 4.60p), representing a 20% decrease in total dividend year on year. A total dividend of 3.66p represents a dividend cover of 2.65x in 2016 on an underlying basis.

Going forward, the Board is committed to a policy of increasing dividends whilst maintaining a dividend cover of 2x–3x (on an underlying basis) over the medium term.

Shareholders' funds

Shareholders' funds decreased by £109.9m to £538.8m (2015: £648.7m). The decrease comprised the following elements:

	£m
Loss after tax attributable to equity holders of the Company	(119.1)
Exchange differences on assets and liabilities after tax	50.3
Gains and losses on cash flow hedges	(1.5)
Movements attributable to share options	(0.9)
Actuarial gain on pension schemes (net of deferred tax)	(10.2)
Effect of change in tax rates on deferred tax	(0.5)
Dividends paid to equity holders of the Company	(28.0)
Decrease in Shareholders' funds	(109.9)

Cash flow and financial position

In 2016, the Group generated £98.9m of cash flow from trading to help support its strategy of investment in both organic and acquisition-based growth, and dividend policy. The following table explains the movement in SIG's net debt:

	2016 £m	2015 £m
Cash inflow from trading	98.9	99.8
Increase in working capital	(23.1)	(38.2)
Cash inflow from operations	75.8	61.6
Interest and tax	(22.1)	(20.6)
Maintenance capital expenditure*	(29.5)	(26.0)
Free cash flow available for investment	24.2	15.0
Investment capital expenditure	(10.4)	(24.1)
Proceeds from sale of property, plant and equipment	39.5	4.9
Acquisition investment (including deferred consideration)	(29.6)	(75.3)
Foreign exchange (losses)/gains	(11.6)	0.8
Issue of shares	–	0.1
Dividends paid to equity holders of the Company	(28.0)	(27.6)
Other items (including fair value movements)	(8.1)	(2.8)
Movement in net debt	(24.0)	(109.0)
Opening net debt	(235.9)	(126.9)
Closing net debt	(259.9)	(235.9)

* Where capital expenditure is equal to or less than depreciation (including amortisation of computer software), all such 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):

	2016	2015
Inventory days	44	44
Trade receivable days	45	45
Trade payable days	39	38

The Group's working capital to sales ratio (on a constant currency basis for continuing operations) at 31 December 2016 was 9.9% (2015: 9.0%). The 90bps increase was driven by movements in creditors arising as a result of contingent consideration amounts on acquisitions (70bps). Working capital days decreased by one day to 50 days (2015: 51 days).

Fixed assets

Net capital expenditure (including computer software) decreased in the year by £44.8m to £0.4m (2015: £45.2m), representing a capex to depreciation ratio of 0.01x (2015: 1.74x). Capital expenditure includes new vehicles, new brownfield sites and investment in plant and machinery.

The capex to depreciation ratio has been strongly influenced in the period by the level of proceeds from the sale of property, plant and equipment, which were up £34.6m at £39.5m (2015: £4.9m) as part of the effort to manage leverage. Excluding these proceeds, the capex to depreciation ratio would be 1.35x (2015: 1.93x).

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
	2016	2015	%	2016	2015	%
Euro	1.22	1.38	(11.6)%	1.17	1.36	(14.0)%
Polish Zloty	5.32	5.78	(8.0)%	5.16	5.82	(11.3)%

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 2016	
Continuing revenue	£169.3m	6.8%
Statutory revenue	£170.3m	6.6%
Underlying operating profit	£6.3m	6.3%
Statutory operating profit	£5.0m	7.6%
Underlying PBT	£5.7m	6.4%
Statutory PBT	£4.4m	8.6%
Consolidated net assets	£50.3m	7.7%
Net debt	£11.6m	4.9%

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 33.

Financial review
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Pension schemes

In total, the Group operates six defined benefit pension schemes, the largest of which is a funded scheme held in the UK. The remaining five 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 five book reserve schemes are referred to as "defined benefit pension schemes".

On 30 June 2016, the UK defined benefit scheme was closed to future benefit accrual. The change in assumptions associated with the closure resulted in a curtailment loss of £0.9m which has been charged within Other items in the Consolidated Income Statement.

The overall gross defined benefit pension schemes' liability increased during the year by £13.3m to £37.1m (31 December 2015: £23.8m). This can be analysed as follows:

	Increase/ (decrease) in pension scheme liability £m
Actual return above expected return on assets	(25.4)
Change in financial and demographic assumptions in all schemes	37.9
Amounts recognised in the income statement	1.6
Cash contributions to the scheme and other movements	(3.1)
Curtailment loss	0.9
Effect of change in exchange rates	1.4
Increase in pension scheme liability	13.3

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 134 to 137.

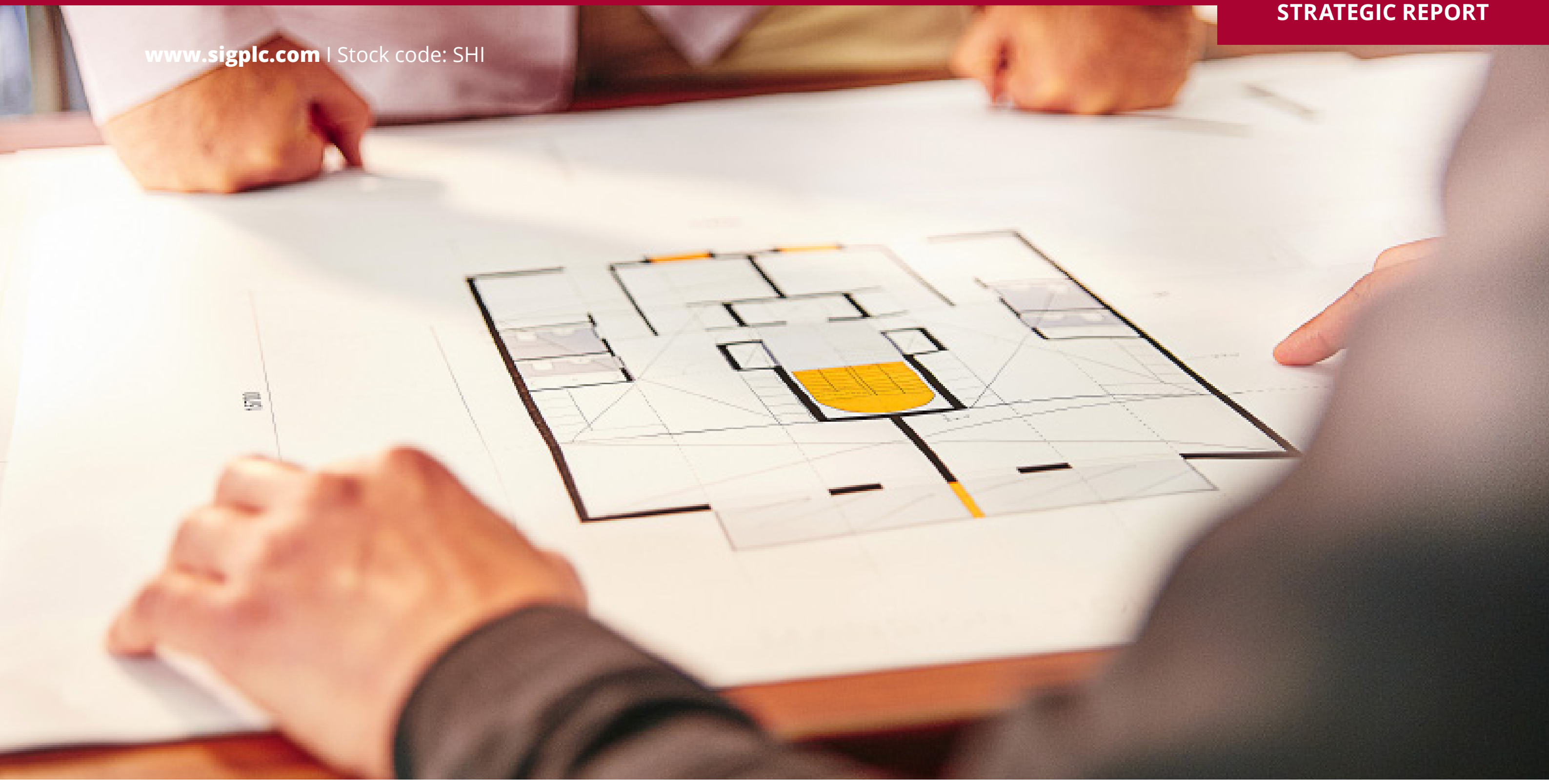
Acquisitions

The Group slowed the pace of its acquisition programme during the year and has now suspended the programme in order to focus on improving leverage. In total the Group made six acquisitions in 2016 for a gross consideration of £21.1m. Three of those acquisitions were in the United Kingdom, and there were also acquisitions in France, Germany and Austria. Consideration of £11.4m was paid in the year in respect of acquisitions made during 2013 to 2015.

Contingent consideration relating to the 2016 acquisitions not specific to employment criteria of £0.4m has been recognised and included within goodwill. Including contingent consideration, the total spend on 2016 acquisitions would increase from £21.1m to £31.9m.

Acquisitions remain subject to strict financial return criteria, with all acquisitions required to achieve a post-tax Return on Capital Employed in excess of the Group's Weighted Average Cost of Capital in the first full year of ownership.

Further details of the Group's acquisitions can be found in Note 14 on pages 115 and 116.



Divestments

As noted on page 25, in the final quarter of the year the Group Board approved the exit of two businesses which were deemed to be non-core to the Group and where it was considered a low probability that performance would improve significantly over the medium term.

On 28 February 2017 the Group completed the sale of its UK specialist flooring division, Carpet & Flooring, to Endless LLP, a UK based private equity investor, for a gross consideration of £7.2m.

At the December 2016 Group Board Meeting it was resolved that the Drywall Qatar business (49% shareholding with a controlling interest) was deemed non-core and that the business would either be sold or closed. In March 2017 the sale of the business was agreed, subject to contract.

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.

	Carpet & Flooring		Drywall Qatar		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Trading results						
Revenue	**97.5**	97.5	**7.9**	5.8	**105.4**	103.3
Operating (loss)/profit	**(3.0)**	(2.3)	**(2.8)**	1.1	**(5.8)**	(1.2)
Other items						
Impairment of goodwill and intangible assets	**(17.3)**	–	**(4.7)**	–	**(22.0)**	–
Impairment on property, plant and equipment	**(3.6)**	–	**(0.2)**	–	**(3.8)**	–
Write down of working capital	**(14.3)**	–	**–**	–	**(14.3)**	–
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	**(35.2)**	–	**(4.9)**	–	**(40.1)**	–
Total Other items impact on operating profit	**(38.2)**	(2.3)	**(7.7)**	1.1	**(45.9)**	(1.2)

Capital structure

The Group manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising the return to 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 (ie leverage), thus ensuring that the Group's capital structure is aligned to the Group's debt covenants. The Group's leverage position at 31 December 2016 was 2.13x (31 December 2015: 1.78x). Going forward the Group is prioritising leverage reduction in order to return the leverage ratio back to the Group's medium-term target range of 1.0x–1.5x. Gearing, being net debt divided by net assets, increased during the year from 36.3% to 48.2%.

As at 13 March 2017, SIG's share price closed at 107.2p per share, representing a market capitalisation of £634.0m at that date. SIG monitors relative Total Shareholder Return ("TSR") for assessing relative financial performance. This has been detailed in the Directors' Remuneration Report on pages 82 to 83.

Outlook

The Directors' view of the outlook and prospects for the Group are set out in the Chairman's Statement on page 4.

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 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:

	2016 £m	2015 £m
Obligations under finance lease contracts	**11.2**	10.0
Bank overdrafts	**3.5**	59.5
Bank loans	**171.9**	91.3
Private placement notes	**200.7**	255.9
Loan notes and deferred consideration	**2.7**	3.0
Derivative financial instruments (liabilities)	**3.8**	2.0
Total	**393.8**	421.7
Derivative financial instruments (assets)	**(4.5)**	(36.8)
Gross debt (after derivative financial assets)	**389.3**	384.9
Cash on deposit	**(127.6)**	(146.2)
Other financial assets	**(1.1)**	(1.3)
Deferred consideration	**(0.7)**	(1.5)
Net debt	**259.9**	235.9

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

	2016 £m	**2016 %**	2015 £m	2015 %
Gross financial liabilities with a maturity profile of greater than five years	**136.3**	**35%**	52.0	16%
Gross financial liabilities held on an unsecured basis	**377.5**	**97%**	314.9	96%

Details of derivative financial instruments are shown in Note 19 to the Accounts on pages 120 to 123.

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 2016 is as follows:

	Facility amount £m	Amount drawn £m	Amount undrawn £m	Date of expiry
Bank debt	350.0	161.9	188.1	May 2021
Private placement loan notes	20.0	20.0	–	November 2018
Private placement loan notes	25.6	25.6	–	October 2020
Private placement loan notes	17.1	17.1	–	October 2021
Private placement loan notes	42.7	42.7	–	October 2023
Private placement loan notes	93.4	93.4	–	August 2026
	548.8	360.7	188.1	

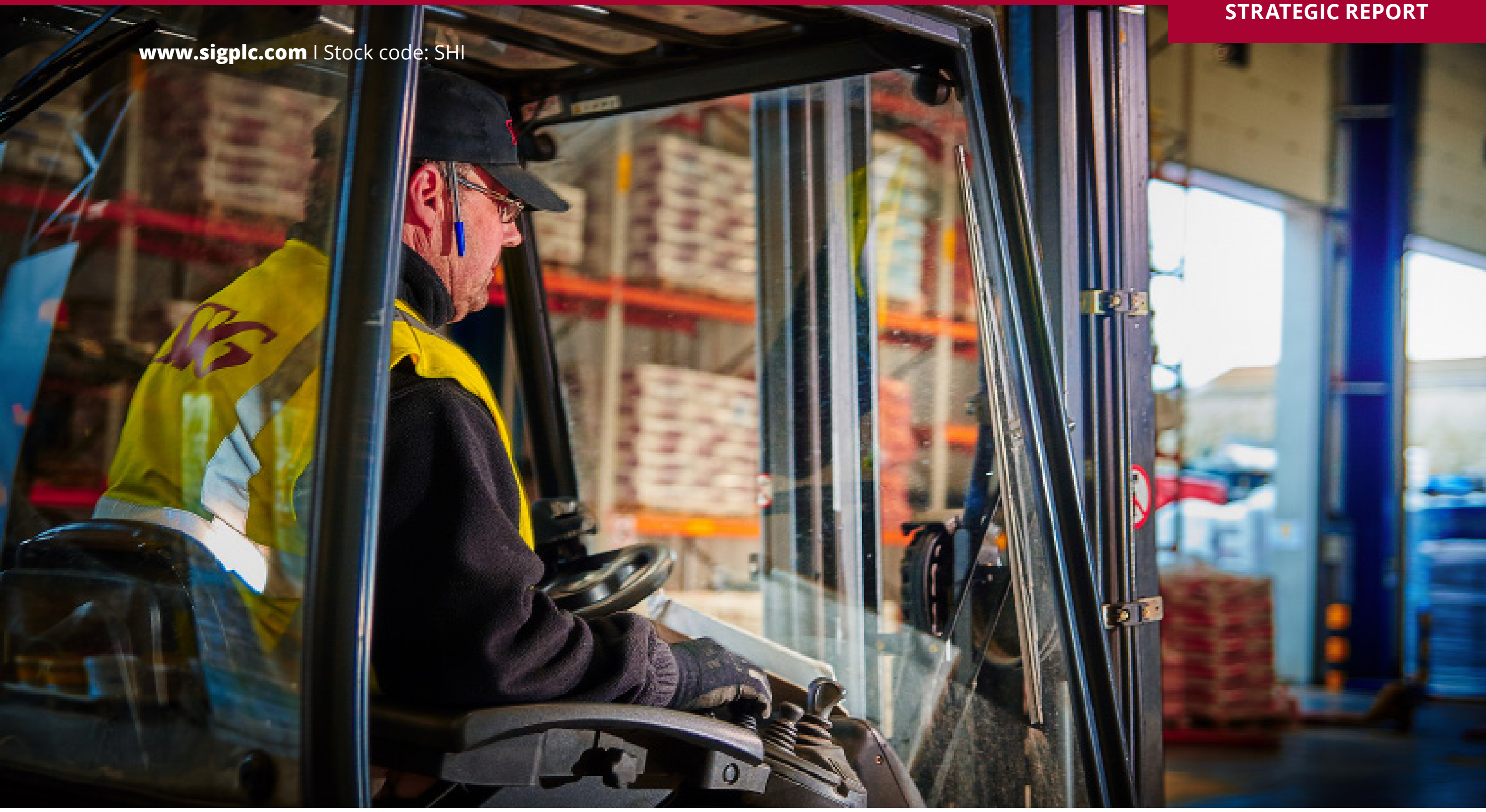
During the year £131m of private placement debt matured and was repaid. In order to maintain the Group's level of liquidity, this debt was successfully refinanced through a combination of additional bank facilities and new bilateral private placement debt. The additional bank facilities were provided by SIG's existing bank group through an amend and extend of the existing committed Revolving Credit Facility ("RCF"), which was increased from £250m to £350m and the maturity date extended for a new five-year term to May 2021. There was no change to the key terms of this facility, which was just under 50% drawn at 31 December 2016 and represents the committed funding headroom of the Group. Additionally, a total of c.€110m new private placement debt was raised for a ten-year term from three bilateral investors at attractive rates of interest, and on the same terms as the existing bilateral private placement debt.

The refinancing undertaken in 2016 ensures that SIG has sufficient funding headroom and liquidity available 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.

The percentage of net debt at fixed rates of interest at 31 December 2016 is 62% (2015: 57%) and on a gross debt basis is 62% (2015: 55%), which is within the Group's targeted medium-term range.



Foreign currency risk

Income statement

SIG has a number of overseas businesses, the revenues and costs of which are denominated in the currencies of the countries where the operations are located. 52% of SIG's 2016 continuing revenues (2015: 48%) were in foreign currencies, being primarily Euros and Polish Zloty. Less than 2% of SIG's sales and purchases are cross-currency. When cross-currency transactions occur, it is SIG's policy to eliminate currency exposure at that time through forward currency contracts, if the exposure is considered to be material.

SIG faces a translation risk in respect of the local currencies of its primary foreign operations, principally being Euro and Polish Zloty sales and profits. SIG does not hedge the income statement translational risk arising from these income streams.

SIG also faces a translation risk from the US Dollar in respect of 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 Euros.

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 is that for currencies where a material balance sheet translational exposure exists, the Group will hold financial liabilities in that particular currency in proportion to the overall Group ratio of net debt to capital employed.

At 31 December 2016, due to the goodwill and intangible impairment charge associated with Larivière (£100.4m), the percentage of Euro debt went above the Group's policy range. This was corrected in the first quarter of 2017.

SIG had the following net debt denominated in foreign currencies, held partially to hedge the assets of overseas businesses (including cash and cash equivalents):

	2016 Local currency net borrowings/ (cash) LC'm	**2016 Sterling equivalent borrowings/ (cash) £m**	2015 Sterling equivalent borrowings/ (cash) £m
Euro	**180.0**	**153.6**	99.4
Polish Zloty	**(75.1)**	**(14.6)**	(10.7)
Other currencies		**8.3**	(1.6)
Total		**147.3**	87.1
% of net debt		**57%**	37%

Euro net debt at 31 December 2016 represented 59% of Group net debt (2015: 42%).

Impact of foreign currency movements in 2016

The overall impact of foreign exchange rate movements on the Group's Consolidated Income Statement and Consolidated Balance Sheet is disclosed on page 29 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.

In 2015 the Group entered into four commodity derivative instruments to hedge a portion of the UK, Polish and French fuel requirements for 2015 and 2016. At 31 December 2016 these commodity derivative instruments had matured, and the Group has not entered into any further commodity derivative instruments.

Counterparty credit risk

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

A list of approved deposit counterparties is maintained. Counterparty credit limits, based on published credit ratings and CDS spreads, are 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.

Treasury risk management
CONTINUED

Debt covenants

The Company's debt facilities in place at 31 December 2016 contained a number of covenants to which the Group must adhere. The Group's debt covenants are tested at 30 June and 31 December each year, with the key financial covenants being leverage, interest cover and consolidated net worth [1].

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

	Requirement	**Year ended 31 December 2016**	Year ended 31 December 2015
Consolidated net worth[1]	>£400m	**£538.8m**	£648.7m
Interest cover ratio[2]	>3.0x	**6.5x**	8.1x
Leverage ratio[3]	<3.0x	**2.1x**	1.8x

[1] The consolidated net worth covenant is applicable to the private placement debt only.

[2] Covenant interest cover is the ratio of the previous 12 months' underlying operating profit (including the trading losses and profits associated with divested businesses) to net financing costs (excluding pension scheme finance income and finance costs).

[3] Covenant leverage is the ratio of closing net debt (at average exchange rates) to the underlying operating profit before depreciation, adjusted if applicable for the impact of acquisitions and disposals during the previous 12 months ("EBITDA").

Detailed calculations of the interest cover ratio and leverage can be found in Note 32 to the Accounts on pages 138 to 140.

As can be seen in the table above, the Group is in compliance with its financial covenants and has a reasonable level of headroom.

The 2016 year-end leverage has increased as a result of the weaker than anticipated trading conditions during the year, and is above its medium-term target of 1.0x – 1.5x. Going forward, the Group will prioritise leverage reduction by more tightly focusing on its cash generation, moderating capital expenditure and suspending its infill acquisition programme.

The Group is expecting leverage to increase at 30 June 2017 due to normal seasonal working capital patterns and the carry over of the weak second half of 2016 trading activities.

Viability statement

In accordance with the requirements of the 2014 amendments to the UK Corporate Governance Code ("the Code"), the Directors confirm that they have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Details of the risk identification and management process and a description of the principal risks and uncertainties facing the Group are included in this Strategic Report on pages 16 to 19.

The Board has determined that a three-year period to 31 December 2019 is the most appropriate time period for its viability review. This period has been selected since it gives the Board sufficient visibility into the future, due to industry characteristics and business cycle, to make a realistic viability assessment. As part of the Group's strategic planning process a three-year business model was produced covering the period to 31 December 2019. In order to assess the resilience of the Group to threats to its viability posed by those risks in severe but plausible scenarios, this model was subjected to thorough multi-variant stress and sensitivity analysis together with an assessment of potential mitigating actions. This multi-variant stress and sensitivity analysis included scenarios arising from combinations of the following:

- the implications of both a challenging economic environment and a growing market on the Group's revenues (both pricing and volume impacts);
- the impact of the competitive environment within which the Group's businesses operate and the interaction with the Group's gross margin;
- global inflation and the impact on the Group's operating cost base;
- working capital requirements from investment and trading activities, taking into account normal seasonality trends and short-term working capital management; and
- timing, delivery and efficiency of the Group's strategic growth priorities.

The resulting impact on key metrics, such as debt headroom and covenants, was considered.

After conducting their viability review, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment to 31 December 2019.

Going concern basis

In determining whether the Group's 2016 Annual Report and Accounts can be prepared on a going concern basis, the Directors considered all factors likely to affect its future development, performance and financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities. These are set out in the Chairman's Statement and Strategic Report on pages 1 to 35 and in the Notes to the Consolidated Financial Statements.

The key factors considered by the Directors were as follows:

- the implications of the challenging economic environment and the continuing weak levels of market demand in the building and construction markets on the Group's revenues and profits;
- projections of working capital requirements taking into account normal seasonality trends and short-term working capital management;
- the impact of the competitive environment within which the Group's businesses operate;
- the availability and market prices of the goods that the Group sells;
- the credit risk associated with the Group's trade receivable balances;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected; and
- the committed 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 have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's 2016 Annual Report and Accounts.

Cautionary statement

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

This Strategic Report and other sections of this report contain forward-looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates and risk factors associated with the building and construction sectors. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. No assurance can be given that the forward-looking statements in this Strategic Report will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Group's control. Actual results could differ materially from the Group's current expectations. It is believed that the expectations set out in these forward-looking statements are reasonable but they may be affected by a wide range of variables which could cause actual results or trends to differ materially, including but not limited to, changes in risks associated with the level of market demand, fluctuations in product pricing and changes in foreign exchange and interest rates.

The forward-looking statements should be read in particular in the context of the specific risk factors for the Group identified on pages 16 to 19 of this Strategic Report. The Company's Shareholders are cautioned not to place undue reliance on the forward-looking statements. This Strategic Report has not been audited or otherwise independently verified. The information contained in this Strategic Report has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this Strategic Report during the financial year ahead.

The Strategic Report (comprising pages 1 to 46) was approved by a duly authorised committee of the Board of Directors on 13 March 2017 and signed on the Board's behalf by Mel Ewell and Nick Maddock.

MEL EWELL
CHIEF EXECUTIVE
13 March 2017

NICK MADDOCK
CHIEF FINANCIAL OFFICER
13 March 2017

Corporate responsibility

SIG RECOGNISES ITS CORPORATE RESPONSIBILITIES TOWARDS ITS SHAREHOLDERS, EMPLOYEES, CUSTOMERS AND SUPPLIERS AND IS COMMITTED TO SOCIALLY RESPONSIBLE BUSINESS PRACTICE. IN 2016 SIG CONTINUED TO INTEGRATE CORPORATE RESPONSIBILITY ("CR") ACROSS THE GROUP.

The Group implements policies that include social and environmental issues in our 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.

Business principles and Code of Ethics

The Group has in place Group-wide Ethics, Anti-Bribery and Corruption, and Ethical Trading and 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.
- Not to give or receive bribes.
- To avoid, and in all cases report conflicts of interest.
- Encourage employees to report any suspected wrongdoing.

A confidential and independent hotline service is available to all employees so that they can raise any concerns 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 and Human Rights Policy

The Ethical Trading and 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 and 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 and 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 for all senior management through to branch managers and external salespeople. This training is provided via our online training resource, and also includes 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.
- Taking firm and vigorous action against any individual(s) involved in bribery or corruption.

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

Modern Slavery Act 2015

The Group is required to publish a Group anti-slavery statement within six months of the year ending 31 December 2016, in line with Home Office guidance. This will be published on its website (**www.sigplc.com**) within six months of the year ending 31 December 2016.

Environment

Environmental management

SIG operates a combined Health, Safety and Environmental Policy and management system which allows the business to optimise resources to ensure that auditing and communication programmes are focused and targeted to support the business and to maximise the opportunities for continual improvement.

The Board Director responsible for implementation of the Policy is the Chief Executive who is also the signatory to the Group's Health, Safety and Environment Policy, which is displayed at each location throughout the Group in the local language.

SIG's UK operations' management system is in its 11th year of accreditation with the international environment standard ISO14001. Registration to the standard was successfully renewed in 2016. Having an externally verified management system provides the Group with a continuous programme of review and improvement for its businesses with a roll-out programme for new business within three months of acquisition and a target of achieving full accreditation within 12 months.

At the heart of SIG's approach to its Group-wide strategy for environmental matters are the key elements of the management system standard which demonstrates the Group's commitment to environmental management and best practice.

In order to record and assess the principal environmental hazards within the Group, SIG maintains an Environmental Aspects and Impacts Register and Corporate Environmental Risk Assessment. These evaluations formed part of the 2016 Management Review process for each business.

The Group has continued its excellent record of environmental legal compliance and environmentally sound operations throughout 2016 with no prosecutions or actions from the authorities.

The emphasis for the Group's environmental objectives for 2016 is derived from its Low Carbon Business Policy, which aims to reduce fuel, energy and water consumption as well as reduce waste. This report details the progress made by the business.

Carbon management

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

SIG's carbon footprint accounting process in the UK and Ireland has been externally verified since 2009. In 2014 the scope of the verification was extended to cover all SIG Group businesses and activities when the business "achieved limited verification" to ISO 14064-3 and 2016 is the third year that we have attained the standard. This accreditation has been achieved through a detailed assessment, both qualitative and quantitative, of the Group's Greenhouse Gas ("GHG") emissions assertions.

SIG continues to publish its carbon footprint and emissions targets on its website and through the Group's submission to the Carbon Disclosure Project. In 2015, SIG achieved a disclosure score of 95% with a performance band of "C". Under the new scoring methodology in 2016, SIG achieved a performance band "B" against an average of all respondents of "C".

The Group continues its investment in both capital projects and energy efficient technology installations across the property portfolio, including refurbishment of existing buildings, along with the fit out of new sites. Together with the continued consolidation and upgrade of the Group's road vehicle fleet, this has contributed to the continued reduction in the Group's GHG emissions.

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 of the Policy.

The Accident Review Panels continue to be effective in identifying high risk areas, enabling the Group's operational management to focus their attention accordingly. During 2016, a more defined reporting process was designed and implemented, which provides detailed information for each operating company down to regional and branch level. The Group shares this information with its insurers and brokers.

Corporate responsibility
CONTINUED

The Fleet Operator Recognition Scheme ("FORS") is an overarching 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. The FORS scheme is expected to grow in 2017, with changes to the criteria for each element. The SIG fleet compliance team is continuing to work with the operators to maintain and improve their status levels.

How to minimise the risk to vulnerable road users such as cyclists and pedestrians remains one of our highest priorities. SIG is an active champion of the Construction Logistics and Cyclist Safety group. SIG has also taken part in Safer Urban Driving courses, which are essential to SIG drivers in understanding the cyclist's point of view. New innovative solutions are being tested, such as lower windows in vehicle doors to improve visibility. SIG will continue to work with the major manufacturers in developing new processes.

Transport

Along with electricity, road vehicle fuel consumption makes up 88.9% of the Group's total carbon footprint emissions (2015: 89.8%). Due to the growth of the business through acquisition, the number of vehicles and delivery miles has increased in 2016 compared to 2015. However the business has maintained an overall reduction in its emissions from fuel consumption against the base year of 2010 of 13.6%.

Early gains were made largely through: greater efficiency in journey planning and the replacement of older vehicles with new vehicles; the introduction of vehicles fitted with energy reducing features; the introduction of the driver eco training programmes; and accurate efficiency measurement through the Masternaught Telematics programme. These have enabled the business to maintain the downward trend during a period of expansion.

SIG continued in 2016 to measure absolute consumption and target reductions across the core business. This was achieved through further consolidation of its branches and sharing of its fleet, whilst targeting efficiencies across the broader business in terms of improved kilometre per litre ratios to take account of the impact of SIG's plans for business growth.

The five-year Driver Certificate of Professional Competence ("CPC") training programme continued throughout 2016 in the UK, Ireland and Mainland Europe in compliance with EU legislation. Group purchases of new commercial vehicles are now of Euro 6 standard and comply with the latest emission rules for all "Low Emission" zones across Europe and the proposed new ultra-low emission zone intended for London in 2019.

In order to further improve the efficiency of vehicle routing, fuel consumption and enable accurate mileage measurement, the programme to install telematics in commercial vehicles has now been completed in all commercial vehicles under operational control across the Group.

Implementation of a Vehicle Routing and Scheduling System ("VRS") has commenced within the UK. The VRS solution is a Group-wide initiative and will be implemented across Mainland Europe where appropriate.

SIG bolstered its support for drivers with an auditing and advice programme through its fleet management trainers. The highlight of this year's programme was the Driver of the Year competition which reached its conclusion in June 2016. Awards were issued in several categories and the overall winner was Jed Hazelden from SIG Roofing in Huddersfield.

A review of the company car policy within SIG has led to the introduction of hybrid and Plug In Hybrid Electric Vehicles ("PHEVs") as an option. The hybrid vehicles are more fuel efficient through the use of on board battery technology, when compared with their normal diesel or petrol counterparts. These types of vehicle are more tax beneficial for the individual user.

Energy

Emissions from electricity consumption in 2016 accounted for 14.4% of the Group's Scope 1 and 2 emissions (2015: 14.7%). SIG continues to invest in capital projects including energy efficient movement and daylight sensored LED lighting facilities for all its new and refurbished installations, along with energy efficient heating and cooling systems and hand driers. In 2016 SIG invested £0.4m on such energy efficient projects. This has not only improved the efficiency of the building stock, but provided a safer working environment.

The ongoing carbon reduction programme has been influenced by the statutory carbon reporting programme, Energy Saving Opportunities Scheme ("ESOS"). The business has identified a range of energy and fuel saving opportunities, through accurate and full data accounting processes and verified energy efficiency audits.

SIG has worked in close partnership with Carbon Credentials over the past two years to continuously improve the data accounting process, achieve the ISO standard and more recently, meet all the requirements of the UK Government's statutory ESOS. This has resulted in a continuous downward trend for carbon emissions for SIG over the past five years.

The energy efficiency opportunities identified through ESOS and ongoing audit processes continue to feed into the objectives for the business for 2017 and beyond. Due to an increase in the number of operational sites, headcount and turnover, emissions from electricity consumption in 2016 compared to 2015 increased by 0.5%.

Greenhouse gas ("GHG") emissions

SIG reports on all emission sources as required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. As witnessed by SIG's commitment to achieve the ISO 14064-3 standard for the third year running in 2016, the business is committed to providing full and accurate data for its carbon footprint across all of its operational businesses. In order to maintain accurate and consistent data, SIG uses the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014 to calculate its GHG disclosures.

SIG's emission accounting period is non-coterminous with the Group's financial year, with current year data reflecting the year to 30 September 2016. This enables the Group's businesses to dedicate the appropriate time and resource to enable more accurate carbon reporting, employing actual data as opposed to estimates. In 2016, 96% of calculations are based on actual data. Estimates are prepared on the basis of agreed and verified accounting processes.

The Group's carbon footprint includes: Scope 1 CO_2 emissions, for which businesses are directly responsible, and Scope 2 CO_2 emissions from the generation of electricity by a third party resulting in indirect emissions. The Group has also disclosed Scope 3 CO_2 emissions over which the business has limited control, being third party air and rail transportation.

Since 2013 and including 2016, the processes and procedures used to account for the Group's Carbon Footprint have been audited and assessed by Carbon Credentials, who on each occasion have provided a "limited verification" to ISO 14064-3. As a result, the Group's accreditation to the Carbon Trust Standard was allowed to lapse in 2015.

Due to an increase in the number of operational sites, headcount and turnover, a small increase of 2.4% in Scope 1 and 2 emissions was recorded in the last reporting year. However, the Group still recorded a reduction of 15.1% compared to the base year of 2010.

For the same reasons, the overall footprint of the business for Scope 1, 2 and 3 emissions also showed a small increase of 2.7% in the last reporting year; again however, the Group recorded a reduction of 15% compared to the base year of 2010.

CO_2 emissions – Scope 1 – Direct

	Metric tonnes 2016	Metric tonnes 2015	Metric tonnes 2014	Metric tonnes 2013
Road vehicle fuel emissions[1]	**64,510**	63,352	65,686	68,560
Plant vehicle fuel emissions[2]	**5,335**	4,562	4,993	4,934
Natural gas[3]	**2,894**	2,772	2,452	3,372
Coal/coke for heating[4]	**51**	45	55	52
Heating fuels (Kerosene & LPG)[5]	**722**	801	832	1,313
Total	**73,512**	71,532	74,018	78,231

Data source and collection methods

1. Fuel cards and direct purchase records in litres converted according to BEIS guidelines.
2. Direct purchase records in litres converted according to BEIS guidelines.
3. Consumption in kWh converted according to BEIS guidelines.
4. Purchases in tonnes converted according to BEIS guidelines.
5. Purchases in litres converted according to BEIS guidelines.

CO_2 emissions – Scope 2 – Indirect

	Metric tonnes 2016	Metric tonnes 2015	Metric tonnes 2014	Metric tonnes 2013
Electricity[1]	**12,371**	12,307	12,870	13,142

Data source and collection methods

1. Consumption in kWh converted according to BEIS guidelines.

CO_2 emissions – Scope 3 – Other indirect

	Metric tonnes 2016	Metric tonnes 2015	Metric tonnes 2014	Metric tonnes 2013
Third-party provided transport (air and rail)[1]	**586**	352	405	308

Data source and collection methods

1. Distance travelled converted according to BEIS guidelines.

Emission per £m of revenue	**Metric tonnes 2016**	Metric tonnes 2015	Metric tonnes 2014	Metric tonnes 2013
Scope 1	**25.8**	27.9	28.0	28.8
Scope 2	**4.4**	4.8	4.9	4.8
Scopes 1 & 2 as required by GHG Protocol	**30.2**	32.7	32.9	33.6
Scope 3	**0.2**	0.1	0.2	0.1
Scopes 1, 2 & 3	**30.4**	32.8	33.1	33.7

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 includes the businesses classified as discontinued at 31 December 2016.

Corporate responsibility
CONTINUED

Water consumption

More than 95% of the Group's water consumption is consumed for welfare purposes. Water efficiency is a key element of the specification for new and refurbished properties and facilities, including dual flush and cistern management systems for toilet facilities. SIG continues to identify significant opportunities for water consumption efficiencies through the branch audit and bill validation process.

There remain only two low usage manufacturing sites in Southport (UK) and Alizay (France) that use water as part of a manufacturing process. However, SIG does recognise that potable water is a precious resource and continues to maintain its water recycling and reuse practices at these locations.

	Litres ('000) 2016	Litres ('000) 2015	Litres ('000) 2014	Litres ('000) 2013
Third-party provided water supply from national network for processes and welfare	**116,122**	104,999	106,546	107,604

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

Waste management

Each of the Group's businesses partners with a waste management business to provide waste segregation and recycling facilities. The processes are monitored through centrally managed contracts and through the environmental audit and inspections process. Where practicable, waste bailers and compactors are provided to maximise opportunities and minimise storage and welfare risks.

In order to enable the businesses to comply with their Producer Responsibility Obligations under waste management legislation, SIG has partnered with its suppliers to provide for waste take-back schemes for its customers in respect of materials. Take-back schemes include plasterboard and plaster products, uPVC windows, fibre ceiling tiles, vinyl floor covering materials and batteries.

Due to the difficulties in measuring and quantifying the amount of waste disposed of in a year, the key measurement of performance for waste management remains the percentage of waste diverted from landfill. However, the Group continues its programme to reduce overall the amount of waste generated, by adopting paperless delivery processes, online activity reports and the consolidation of photocopying and printing facilities.

SIG is a break bulk supplier of products, which means that a large amount of packaging is opened on the premises. This is viewed as a significant opportunity to reduce waste in the system. By reusing opened packaging products and with the operation of packaging return schemes for items like pallets and bearers, branches actively minimise their "backdoor" waste.

SIG is a member of the Valpak compliance scheme and continues to comply with its commitments under the Producer Responsibility Obligations (Packaging Waste) Regulations.

Hazardous waste

	Absolute tonnes* 2016	Absolute tonnes* 2015	Absolute tonnes 2014	Absolute tonnes 2013
Landfill	**5**	2	60	13
Recycled	**87**	28	41	139
Incinerated	–	–	–	65
Total	**92**	30	101	217

	Absolute tonnes* 2016	Absolute tonnes* 2015	Absolute tonnes 2014	Absolute tonnes 2013
Hazardous waste per £m of revenue	**0.03**	0.01	0.04	0.08

Non-hazardous waste

	Absolute tonnes* 2016	Absolute tonnes* 2015	Absolute tonnes 2014	Absolute tonnes 2013
Landfill	**4,426**	4,469	5,626	4,283
Incinerated	**8**	15	12	12
Total	**4,434**	4,484	5,638	4,295

Other waste diverted from landfill

	Absolute tonnes* 2016	Absolute tonnes* 2015	Absolute tonnes 2014	Absolute tonnes 2013
WEEE (Waste, Electrical and Electronic Equipment)	**7**	2	8	5
Glass	**5**	1	3	3
Wood	**1,586**	1,145	904	1,324
Metal	**1,072**	1,249	1,098	977
Plasterboard+	**195**	973	2,502	1,258
Paper/cardboard	**1,212**	747	588	1,024
Plastic	**267**	353	383	440
Other	**8,601**	8,284	6,573	10,860
Total	**12,945**	12,754	12,059	15,891

	Absolute tonnes* 2016	Absolute tonnes* 2015	Absolute tonnes 2014	Absolute tonnes 2013
Non-hazardous and other waste per £m of revenue	**6.1**	5.0	6.7	7.4

* Volume per annum converted to tonnes.
+ Recycling facility withdrawn in 2015.

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

Health, safety and environment

The Board member responsible for health and safety is the Chief Executive, who is the signatory to the Group's Health, Safety and Environmental Policy, which is displayed in the local language at each operating branch. The Group's health and safety programme is managed and supported by the Group Health, Safety and Environment Manager and a team of directly employed health, safety and environment professionals in each part of the Group.

Having been launched at the Group Leadership Conference in 2014 by the Chief Executive, SIG is in its third year of the Zero Harm health and safety programme. The aim of the programme is to embed health and safety in to the day-to-day management of the branch network, with line management retaining ownership of health and safety, along with a move away from compliance-based auditing to a risk-based process.

The Group's Health and Safety management system is modelled on the internationally recognised Health and Safety Standard BS-OHSAS 18001:2007. The management system in the SIG UK businesses has been audited and accredited to the standard for more than 10 years through its partnership with Intertek.

The success of the Zero Harm programme has been endorsed for the second year in succession by the achievement of the Gold RoSPA Occupational Health & Safety award in 2016. Despite this being a UK award scheme, the submission represents the Group's health and safety programme and the achievement reflects SIG's ongoing commitment to raising the standards for health and safety management across the Group. It recognises the leadership of management at all levels in taking ownership of health and safety and driving the key initiatives, as well as the hard work and dedication of the Health and Safety team across the Group.

A key element of the success to date has been the introduction of the RoSPA accredited SIG Certificate in Health, Safety and Environmental Management modular training programme, delivered to managers and supervisors. The programme continued throughout 2016, and has been supplemented with regionally based training workshops in 'Supervising Safely', 'Working Safely' and 'Work at Height', targeting local supervisors and branch employees.

In 2016 members of SIG's Senior Leadership Team, led by the Chief Executive, completed the 1,000th site inspection as part of the 'Safety Walks' programme launched in 2014. The programme, linked to the business incentive scheme, and supported by an awareness training package, requires Senior Leaders to engage directly with operational personnel to deliver the site safety culture message, and provide feedback and support to line management. The programme includes a compulsory 'back to the shop-floor' style element, which involves shadowing a driver carrying out a routine delivery run. This is in recognition of the potential risk posed to drivers by road travel and accessing construction sites.

The launch of the SIG Charter for Zero Harm in 2016 helped to revitalise the programme and provide a new impetus towards the development of a branch safety culture. The Charter is based on the business' eight key commitments including leadership, communication, near-miss reporting, continual improvement and benchmarking.

The programme was cascaded through a comprehensive communication package of: personal messages from Managing Directors to employees' home addresses; business presentations; tool box talks; workshops; posters; e-learning and monthly information updates.

In addition, employees at operational sites have signed up to a poster displayed in each location committing them to six simple promises to:

- Always follow training and safe procedures, showing respect for self and others by not taking risks.
- Always use the guards, safety devices, personal protection and any other equipment provided for safety.
- Always report all hazards, near misses or situations that are thought to be unsafe to a supervisor, and not 'just walk by'.
- Let colleagues and others know if it is thought they are working in an unsafe way risking themselves or others. Being committed to encouraging safety and safe behaviour.
- Always maintain high housekeeping standards using a 'tidy-as-you-go' approach.
- Always work to SIG's 'Life Saving Rules'.

SIG's 'Life Saving Rules' have been developed based on its Risk Profile with 12 basic rules which will be communicated individually at regular intervals in 2017.

The provision of dedicated health safety and environment professionals across the Group enables the implementation of a robust Risk Assessment and Management Review process through which the key health and safety risks are identified. The Risk Profile of the Group is reviewed annually to inform the Group's Health & Safety Plan.

Occupational road risk and traffic management remain the principal risk areas in terms of potential severity, and remain areas for focus for 2017. Manufacturing also remains an area of focus with a growing number of sites in the Group. In 2016 the Health and Safety support team was restructured, to provide a strategic Health and Safety post for managing manufacturing, with the development of three additional support posts to give greater focus to providing advice and support to the businesses and to manage the plan for continuous improvement.

SIG's Offsite activities continued to expand in 2016 and the restructuring of the Health, Safety and Environment support team carried out in 2016 included the provision of a Health and Safety Manager for construction, and the recruitment of a Health and Safety Advisor to support the activities of the business. The businesses continue to enjoy accreditation to Achilles, CHAS, and BOPAS.

The Zero Harm programme continues to deliver significant reductions in accidents, both in terms of numbers and rates per 1,000 employees. Since its launch in 2014, the Accident Incident Rate ('over three day' and 'specified major injury') has fallen by 33% across the Group, and the number of accidents in this category has fallen by 28%. The rate of RIDDOR reportable accidents and equivalent have reduced over that time for both the Group (37%) and the UK & Ireland (44%).

Corporate responsibility
CONTINUED

The Group has a zero tolerance to any employee being unfit for work due to drugs or alcohol. Following the delivery of a comprehensive information and education cascade programme in the second half of 2015, a programme of random testing was introduced in the UK & Ireland for employees and subcontractors engaged in safety critical roles. This complimented the existing 'for cause' testing programme. The purpose of the policy is to minimise the risk of injury at work due to alcohol and substance misuse. The target set for 10% of employees to be tested across all businesses was achieved ahead of time. The small percentage of failed tests was largely for prohibited substances and was identified through the 'for cause' process. These instances were dealt with through the formal HR Disciplinary process. A six-month review of the programme was conducted and revealed very high pass rates for both drug and alcohol testing in both the 'for cause' and random categories. As a result, the programme will continue throughout 2017 unchanged, with a further review in the second quarter.

Accidents and incidents

UK & Ireland

	Rate per 1,000 employees			
	2016	2015	2014	2013
Major injury	**2.2**	2.3	2.8	3.6
Injury resulting in over three absence days from work	**7.1**	10.8	12.0	11.2
All RIDDORs	**6.3**	10.6	11.4	13.4
Average UK & Ireland headcount	**5,367**	5,174	4,984	5,070
Lost work day rate – number of work days per 100 employees	**22.9**	26.8	35.8	23.3

Group

	Rate per 1,000 employees			
	2016	2015	2014	2013
Major injury	**1.8**	2.2	2.2	2.8
Injury resulting in over three absence days from work	**9.5**	12.0	15.0	16.7
All RIDDORs (equivalent)*	**8.2**	12.0	13.3	16.5
Average Group headcount	**10,315**	9,641	9,454	9,806

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

Quality assurance and management systems

The Group's management systems are maintained to a high standard through management review and internal auditing. A supplier approval process is in place 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 and chain of custody management systems are externally certificated to ISO 9001:2008, FSC0STD 04-004 and PEFC-ST 2002:2013 standards. These universally recognised standards are fully integrated into the daily operations of the business and ensure that the products and services consistently meet customers' expectations. It also ensures that quality and responsible procurement is constantly maintained and improved. The Group's ongoing commitment to maintaining the highest possible quality standard is demonstrated by the re-certification of its UK ISO 9001:2008 accreditation in 2016.

Community

We actively support the communities in which we operate, through a range of activities.

In Germany, for example, our WeGo business was the main sponsor for this year's Hanau Soap Box Derby. Hosted by the not-for-profit Hanau Family Network Association, the proceeds of the event were used to build a children's play area at a local after-school care centre. Our employees organised a drinks stand, provided the transport of soap boxes, and also took part in the race. In total, our people volunteered around 400 hours for the project.

In the UK, our SIG Distribution business sponsored Construction United and, in particular, Construction Week – a week of events aiming to raise awareness around key issues in the construction sector. For example, the 'Big Brew Break' brought together construction workers to highlight mental health problems in the industry. £4,400 was also raised for Construction United's charity partners, The Prince's Trust, CRASH and Mind.

Charitable donations

SIG employees participate in a variety of activities, from sporting events to mountain hikes, to support both local and national charities.

Some highlights from this year include: an employee in the UK who walked 70 miles and raised almost £34,500 for The Indee Rose Trust (an organisation that helps children with brain or spinal tumours); and colleagues from our UK roofing business, SIG Exteriors, who took part in the AJ Bell London Triathlon and raised more than £43,000 for Great Ormond Street Hospital and Macmillan Cancer Support. As a Group, we operate a matched funding scheme to support employees' charitable efforts by matching donations up to £500 (or equivalent), and we help to publicise their fundraising activities.

We also make charitable donations as an organisation. For example, SIG Germany matched employees' charitable donations to Aktion Deutschland Hilft, a union of organisations providing humanitarian aid abroad. A total of €48,000 was donated to the cause. Similarly, our Air Handling business entered a partnership with the European Federation of Allergy and Airways Diseases Patients' Associations (EFA). As a Group we donated £10,000 to the EFA this year.

In 2016, the Group donated £64,359 to charity (2015: £99,451), including donations made through our matched funding scheme.

It is the Group's policy not to make political donations and no such donations were made in the year (2015: £nil).

Employees in the UK can also make charitable donations through our payroll giving scheme. In 2016, £14,490 was raised through this scheme.

Our people

SIG VALUES

OUR VALUES ARE: **TRUST, RESPECT, INTEGRITY, COMMITMENT, TEAMWORK** AND **FUN**.

These values were developed by our people and are the guiding principles by which we work with our customers, our suppliers, our communities and each other. They are the bedrock of our Stronger Together vision and we bring them to life in everything we do.

Developing our people

We recognise that developing our people's skills and expertise is the right thing for them, for us and for our customers.

This starts when people join SIG. Across our Group, new joiners attend a local induction programme that familiarises them with our history, culture, values and strategy. This is an important part of embedding our Stronger Together ethos across the Group.

Throughout people's careers, our Performance Development Review (PDR) process ensures all managers and employees know what is expected of them in their roles and that performance is measured and managed. It also provides an opportunity for employees to discuss their career aspirations with their manager, set development plans and take action on those plans during the year. We continue to support the development of our managers with regional training on how to conduct an effective performance review and over 80% of our colleagues now benefit from an annual, and sometimes bi-annual review.

In addition to our PDR process, we identify people with potential for growth through our annual talent review. In 2016 we worked with the leaders of all business areas to make sure we are identifying both our high performers and also our high-potential employees, with a view to developing them through on-the-job experience, projects, international assignments and coaching or mentoring from internal and external managers.

In particular, we are supporting the development of our high-potential employees through our new RISE programme, which was launched this year. This programme draws together our high-potential middle managers on an 18-month development programme that will:

- Create a cohort of leaders equipped to drive the strategic growth of SIG.
- Embed a stronger culture of collaboration and understanding across the Group.
- Accelerate the development of high-potential managers, ensuring that we significantly improve our talent pipeline and support succession plans.

Of course, we also continue to invest significantly in the training and development of employees at all levels. For example, we are investing in e-learning to give more of our people access to convenient and efficient learning opportunities and we continue to develop our language skills across the Group.

Our people
CONTINUED

DEVELOPING OUR PEOPLE

DEVELOPING WORLD-CLASS TALENT

ANDY CAWLEY, DIRECTOR OF UK SHARED SERVICES, UK ACCOUNTS, CONGRATULATES AISLING ON HER ACCA AWARD

2016 WAS A SUCCESSFUL YEAR FOR AISLING HYLAND, ONE OF OUR GROUP FINANCE TEAM MEMBERS

After studying for her accountancy qualification for three years, Aisling scored the joint highest mark in the world in one of her last papers – the P5 Advanced Performance Management exam.

To mark this outstanding achievement, Aisling was presented with a special Association of Chartered Certified Accountants (ACCA) Global Prize Winner award.

Thanks to her dedication to studying and the on-the-job learning she has gained at SIG, Aisling is now a fully qualified Chartered Accountant.

"Studying while working full time can be really demanding, but I've had lots of support from SIG," explains Aisling. "The Company has paid for my exams and tuition courses, and I've been able to take some study leave each year. Everyone in Group Finance has really encouraged me, too. There's always been someone willing to help if I've had a question or needed advice."

BOGUMILA WINS SIG GOLD

Bogumila Czernecka, Health & Safety Manager in SIG Poland, was among 11 Gold Award winners in our 2016 SIG Awards. Bogumila was recognised in the Zero Harm category, impressing the judges with her innovative approach to improving health and safety across our Polish business. Alongside other initiatives, she launched a national competition to find the safest SIG branch in Poland, encouraging branch workers and drivers to share best practice and ideas about health and safety. She also introduced state-of-the-art training for lorry and company car drivers which covered emergency braking, avoiding obstacles and even a simulation of an overturning car. This led to a 50% reduction both in traffic accidents and in insurance premiums. Bogumila's health and safety bulletin complemented these initiatives by regularly providing practical tips about workplace risks and how to avoid them. Overall, Bogumila's efforts have helped to halve the number of accidents in SIG Poland since 2013.

BOGUMILA RECEIVES HER AWARD FROM MARCIN SZCZYGIEŁ, MANAGING DIRECTOR – SIG POLAND

Growing our talent

Finding and developing talented people as they begin their careers is key to our future success.

Apprenticeships

Apprentices continue to be a great source of fresh talent for our business. We remain committed to supporting the early careers and development of young people as they come into our business through a variety of local apprenticeship schemes. In 2016, 35 apprentices joined us – 13 in the UK and 22 in Germany.

Graduates

Our International Graduate Programme is now well established within the Group, with nine new recruits joining the scheme in 2016. While we continue to recruit graduates into specific functional areas on a country-by-country basis, the international programme provides successful applicants with insight and exposure across our UK & Ireland and Mainland European businesses. The two-year programme is for high-calibre people who are capable of developing into our future leaders. It involves four rotations in different business areas and five extensive development modules.

Alongside our internal work with graduates, we supported Enactus as a Gold Sponsor. Enactus is a community of students, academics and business leaders that develops outreach projects to improve the lives of people across the world.

Internal communications

We recognise the importance of two-way communication with our people. Normally, we begin with our senior leaders, reaching them through regular broadcast calls, email bulletins, e-zines and face-to-face briefings. Those leaders take responsibility for cascading messages to their teams via emails and team meetings so that they can gather feedback along the way. As well as this cascade process, we use intranet articles, posters, mailings and information booklets to keep people informed.

In 2016, our ‘Road to 2020’ roadshows brought our senior leaders face-to-face with managers from across the Group to discuss our strategy and direction. Ideas generated in these sessions were then incorporated into our forward planning. Operational employees also get the chance to talk to our leaders through regular “Meet the Group Executive Committee” events and our annual programme of local roadshows.

Of course, communication between our people is crucial too. The ongoing upgrade of our email system is enabling us to explore new collaboration tools so that we can continue to work stronger together in the future.

Finally, our performance review process for employees facilitates meaningful two-way communication. See “Developing our people” for more information about this.

Engaged employees

SIG Listens is our employee engagement survey. It gives our people the chance to tell us what we are doing well and how we can improve, to make SIG an even better place to work.

Throughout 2016, we have focused on the areas for improvement that were highlighted in our last survey in 2015. For example, the 2015 results told us that our people wanted greater clarity about our vision and strategy. In response, we ran our ‘Road to 2020’ roadshows with managers across the Group and provided them with materials to help cascade information about our future direction to their teams. We have also used intranet articles and e-zines to keep employees up-to-date about progress on our strategy. The SIG Listens results also told us that we could improve the way we recognise the performance of our people and celebrate success. So, we introduced the Values in Practice (ViP) recognition scheme in the UK, alongside our Group-wide SIG Awards (see “Recognising outstanding performance” for more details).

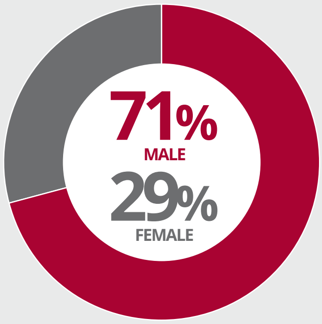
As well as these large-scale initiatives, managers across the Group have held focus groups to understand more about their teams’ views and have put local action plans in place in our various countries of operation as a result. These are receiving positive feedback from our employees and are having an impact locally.

We plan to run the next SIG Listens survey in the second half of 2017.

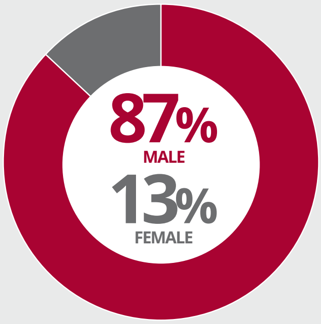
SIG LISTENS

Our people
CONTINUED

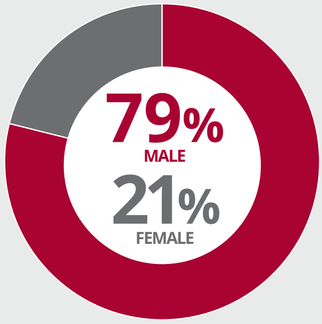
BOARD MEMBERS



SENIOR MANAGERS



ALL EMPLOYEES



Recognising outstanding performance

Recognising excellent performance and celebrating success is part of our culture.

Our annual, Group-wide SIG Awards give our leaders the chance to nominate employees at all levels who have gone the extra mile for SIG. The awards are presented by our senior leaders and the winners are celebrated through newsletters and intranet articles.

This year, our UK business also introduced the Values in Practice (ViP) recognition programme. This enables our people to recognise colleagues who have demonstrated our values and is especially important as it involves peer-to-peer nominations. We aim to roll out ViP further across the Group in 2017.

Employee benefits

We take a fair and consistent approach to both fixed and variable pay, which is regularly benchmarked both externally and internally.

Our bonus schemes are designed to reward exceptional performance. For our Senior Leadership population, the bonus operates to an aligned framework across the Group, specifically focusing on Group-wide deliverables and outcomes. Bonus awards are also made in the local operating businesses aligned to local performance results. These are key in driving and rewarding performance at this level.

We also encourage our employees to become Shareholders in the Company. At the senior level, we operate a Long Term Incentive Plan. Across our UK business we operate a Share Incentive Plan ("SIP") that gives one matching share for each share purchased by the employee up to a maximum of £20 per month. As at 31 December 2016, there were 1,010 employees participating in the SIP.

SIG implemented the UK Government's National Living Wage from 1 April 2016, going beyond the legal requirement and adopting the rate for all employees aged 21 and above. This reflects our commitment to becoming an employer of choice and proactively rewarding our people.

The requirement to report on gender pay will apply from 6 April 2017. The Group will take its first snapshot of pay data on 5 April 2017 and publish it by 4 April 2018.

Equal opportunities

Our policy is to provide equal opportunities to all existing and prospective employees. Across the Group, we recognise that our reputation is dependent upon fair and equitable treatment of all our employees and we prohibit discrimination on the grounds of race, religion, gender, disability, sexual orientation, age, nationality or ethnic origin. Employment opportunities are equally available to all.

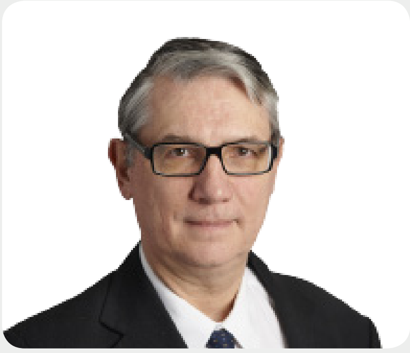
We value diversity of thinking and see this as critical in generating new ideas and innovative solutions for our customers. Employment opportunities are available to disabled persons in accordance with their abilities and aptitudes on equal terms with other employees. If an employee becomes disabled during employment, we make 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 2016, across the total workforce, 2,188 (21%) of all employees were female and 8,195 (79%) were male. Two Board members (29%) were female and five Board members (71%) were male. Ten senior managers (13%) were female and 66 senior managers (87%) were male. SIG continues to work towards improving its workforce diversity and this will be an ongoing area of focus in 2017.

GOVERNANCE

Board of Directors



LESLIE VAN DE WALLE HEC

NON-EXECUTIVE CHAIRMAN AGE 60

Became a Non-Executive Director in October 2010 and became Non-Executive Chairman on 1 February 2011.

External roles

Leslie is Non-Executive Chairman of Robert Walters plc and a Non-Executive Director of DCC plc.

Experience and past roles

Previously, Leslie was 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, Aviva plc and Cape plc, and also Chair of the Advisory Board of Weener Plastic Packaging Group. He formerly held a number of senior management positions with Cadbury Schweppes plc and United Biscuits Limited.

Key strengths

Extensive board and general management experience.

MEL EWELL BSC (HONS)

CHIEF EXECUTIVE AGE 58

Became Interim Chief Executive on 11 November 2016, having previously been a Non-Executive Director from 1 August 2011.

External roles

Until the end of March 2016, Mel was Chief Executive and an Executive Director of Amey Plc, one of the UK's leading infrastructure services providers. Mel is a Non-Executive Director of High Speed Two (HS2) Limited and The Manufacturing Technology Centre Limited.

Experience and past roles

Mel previously held a number of senior management positions for TNT International, Xerox and ADI Group.

Key strengths

Considerable executive management experience.

NICK MADDOCK

CHIEF FINANCIAL OFFICER AGE 46

Appointed Chief Financial Officer on 1 February 2017.

External roles

Nick does not currently hold any external directorships.

Experience and past roles

Nick is a chartered accountant. Nick was previously Chief Financial Officer of McCarthy & Stone plc. Prior to this, Nick worked as Finance Director for Centrica's upstream oil and gas business, Financial Controller at British Gas and a Director in Mergers and Acquisitions at ING Barings. Nick trained as a chartered accountant and chartered tax advisor at Ernst & Young.

Key strengths

Extensive financial management experience.

BOARD COMMITTEES

Audit Committee

Mr J.C. Nicholls – Chairman
Ms A. Abt
Ms J.E. Ashdown
Mr I.B. Duncan
Mr C.V. Geoghegan

Remuneration Committee

Mr C.V. Geoghegan – Chairman
Ms A. Abt
Ms J.E. Ashdown
Mr I.B. Duncan
Mr J.C. Nicholls

Nominations Committee

Mr L. Van de Walle – Chairman
Ms A. Abt
Ms J.E. Ashdown
Mr I.B. Duncan
Mr M. Ewell
Mr C.V. Geoghegan
Mr J.C. Nicholls

CHRIS GEOGHEGAN BA (HONS), FRAES

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AGE 62

Became a Non-Executive Director in July 2009.

External roles

Chris is a Non-Executive Director of Rentokil Initial plc. Chris is a Fellow of the Royal Aeronautical Society.

Experience and past roles

Previously and prior to his retirement, Chris was Chief Operating Officer of BAE Systems plc with responsibility for all European joint ventures and UK defence electronics assets. He was past President of the Society of British Aerospace companies. Chris was formerly a Non-Executive Director of Lakehouse plc.

Key strengths

Considerable commercial European business experience.

JONATHAN NICHOLLS BA, ACA, FCT

NON-EXECUTIVE DIRECTOR AGE 59

Became a Non-Executive Director in November 2009.

External roles

Jonathan is a Non-Executive Director of DS Smith Plc, Ibstock plc and Non-Executive Chairman of Shaftsbury PLC.

Jonathan will retire from the Board on 31 March 2017 as a Non-Executive Director and Chair of the Audit Committee.

Experience and past roles

Previously and most recently, Jonathan was a Non-Executive Director of Great Portland Estates plc. Jonathan was previously Group Financial Director of Old Mutual plc. Prior to that he was Chief Financial Officer of Hanson plc.

Key strengths

Extensive financial management experience (including recent financial experience).

JANET ASHDOWN BSC (HONS)

NON-EXECUTIVE DIRECTOR AGE 57

Became a Non-Executive Director in July 2011.

External roles

Janet is a Non-Executive Director of Coventry Building Society, the Nuclear Decommissioning Authority and Marshalls plc. She is also Chair of the charity 'Hope in Tottenham'.

Experience and past roles

Previously and until the end of 2012, Janet was the Chief Executive Officer of Harvest Energy Limited and Blue Ocean Oil Trading Limited. She 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.

Key strengths

Strong commercial experience within global businesses.

ANDREA ABT MBA

NON-EXECUTIVE DIRECTOR AGE 56

Became a Non-Executive Director on 12 March 2015.

External roles

Andrea is a Non-Executive Director of Petrofac Limited, and is a member of the supervisory board of Gerresheimer AG.

Experience and past roles

Andrea was previously a Non-Executive Director of Brammer plc. Previously, Andrea has been Head of Supply Chain Management and Chief Procurement Officer of the Siemens sector for Infrastructure & Cities from 2011 to 2014. Since joining Siemens in 1997, she held numerous positions of Finance, Productivity and Supply Chain Management in Germany and internationally. Andrea started her career in industry in the Daimler Benz Group where she was responsible for different teams in aircraft and postal automation service sales.

Key strengths

Specialist knowledge of the European market, together with considerable knowledge of supply chain and procurement.

IAN DUNCAN MA, ACA

NON-EXECUTIVE DIRECTOR AGE 56

Became a Non-Executive Director on 1 January 2017.

External roles

Ian is a Non-Executive Director and Chair of the Audit Committee of Babcock International plc and Bodycote plc.

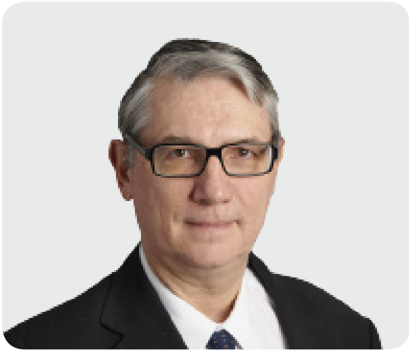
Experience and past roles

Having developed a portfolio career since 2010, Ian was previously a Non-Executive Director and Chair of the Audit Committee at WANdisco plc and Fiberweb plc. Ian's last executive role was as Chief Financial Officer of the Royal Mail Group plc.

Key strengths

Extensive financial and change management experience (including recent financial experience).

Introduction to governance



"The Group is committed to the highest standards of corporate governance"

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 2014 issued by the Financial Reporting Council ("FRC").

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

Board evaluation

Under the Code, the Board is required to undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In December 2016 the Board conducted an internally facilitated evaluation. Details of the process concerning this evaluation and its outcome are covered on pages 55 to 56 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 also acknowledges the work of Sir John Parker and his report into the Ethnic Diversity of UK Boards. The Board Diversity Policy is published on the Company's website (**www.sigplc.com**).

We reported in last year's Annual Report that female representation on the Board had risen to 25%. The matter continues to be reviewed, particularly in light of the Hampton-Alexander Review on FTSE Women Leaders.

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 and ethnicity 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 68 to 85, the Audit Committee Report on pages 62 to 65 and the Nominations Committee Report on pages 66 to 67 describe how the principles of good governance set out in the Code are applied within SIG.

The Company's external Auditor, Deloitte LLP, is required to review whether the above statement reflects the Company's compliance with the provisions of the Code specified for their review by the Listing Rules (as contained within the Financial Conduct Authority's Handbook) and to report if it does not reflect such compliance. No such report has been made.

LESLIE VAN DE WALLE
CHAIRMAN
13 March 2017

Corporate governance

LEADERSHIP

The Board

At 31 December 2016, 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 M. EWELL	Interim Chief Executive (appointed 11 November 2016, and served as an Independent Non-Executive Director throughout the year until that date)
MR D.G. ROBERTSON	Group Finance Director
MS A. ABT	Independent Non-Executive Director
MS J.E. ASHDOWN	Independent Non-Executive Director
MR C.V. GEOGHEGAN	Senior Independent Non-Executive Director
MR J.C. NICHOLLS	Independent Non-Executive Director
MR S.R. MITCHELL	Chief Executive (stepped down on 11 November 2016)

Mr I.B. Duncan was appointed a Non-Executive Director with effect from 1 January 2017. It was announced on 12 December 2016 that Mr J.C. Nicholls intends to retire from the Board on 31 March 2017 as a Non-Executive Director and Chair of the Audit Committee, and it was proposed that Mr Duncan would succeed Mr Nicholls as Chair of the Audit Committee following Mr Nicholls' retirement.

Mr S.R. Mitchell stepped down from the Board as Chief Executive by mutual agreement on 11 November 2016. Mr M. Ewell, a Non-Executive Director, was appointed as Interim Chief Executive from 11 November 2016 on a full time basis whilst the Board conducted an external search for a new Chief Executive, which is currently underway.

Mr D.G. Robertson retired from the Board as Group Finance Director with effect from 31 January 2017 and was succeeded by Mr N.W. Maddock with effect from 1 February 2017.

Biographical details of the Directors holding office at the date of this report appear on pages 48 and 49. Details of Committee memberships are set out on page 54.

At 31 December 2016, SIG had two female Board members, equating to 29% female representation of its Directors.

The Non-Executive Directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgment. The Board has satisfied itself that there is no compromise to the independence of those Directors who have other appointments in outside entities. The Board considers that each of the Non-Executive Directors bring their own senior level of experience and expertise and that the balance between Non-Executive and Executive representation encourages healthy independent challenge to the Executive Directors and senior management.

The Non-Executive Directors have been appointed for their specific areas of expertise and knowledge. Their wide-ranging experience and backgrounds ensure that they can debate matters constructively in relation to both the development of strategy and performance 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 48 and 49.

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 68 to 85.

The roles of the Chairman and 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's 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 Chief Financial Officer 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.

Corporate governance
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There is no maximum number of Directors but there shall at no time be less than two. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board shall hold office only until the next Annual General Meeting ("AGM") and shall then be eligible for 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 2017 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 on page 73. Full details of Directors' remuneration, interests in the share capital of the Company and of share options held are set out on pages 78 to 85 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 11 May 2017.

Board procedures and responsibilities

The Board meets regularly during the year, as well as on an ad hoc basis as required by time-critical business needs. The Board met formally on ten occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table on page 53. 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, share allotments, 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 by Directors at meetings of the Board and Committees in 2016

The following table shows the attendance of Directors at meetings of the Board, Audit, Remuneration and Nominations Committees during the year to 31 December 2016:

	Board (10 meetings)[1]	Audit (4 meetings)	Remuneration (8 meetings)	Nominations (5 meetings)
Ms A. Abt	10	4	8	5
Ms J.E. Ashdown	10	3	8	5
Mr M. Ewell[3]	10	3	6	5
Mr C.V. Geoghegan	10	4	8	5
Mr S.R. Mitchell[2]	9	N/A	N/A	4
Mr J.C. Nicholls	10	4	8	5
Mr D.G. Robertson	10	N/A	N/A	N/A
Mr L. Van de Walle	10	N/A	N/A	5

1. There was one unscheduled Board meeting in 2016.
2. Mr S.R. Mitchell stepped down from the Board on 11 November 2016 and attended all meetings to which he was entitled to attend.
3. Mr M. Ewell was appointed Interim Chief Executive on 11 November 2016 and attended all meetings to which he was entitled to attend. Mr Ewell was no longer an Audit Committee or Remuneration Committee member from 11 November 2016.

Of the ten Board meetings held in 2016, 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 2016 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.

In general, the Board endeavours to hold at least two Board meetings each year at Group business locations both in the UK & Ireland and in 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.

All Directors attended the 2016 AGM and were available to answer any questions raised by the Shareholders.

Corporate governance
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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 62 to 65.

The Group operates an outsourced Internal Audit function, undertaken by KPMG 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 A. Abt
Ms J.E. Ashdown
Mr I.B. Duncan
Mr C.V. Geoghegan
Mr M. Ewell (to 11 November 2016)

NOMINATIONS COMMITTEE

The Nominations Committee operates under written Terms of Reference, which are consistent with current best practice. The 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 66 to 67.

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 A. Abt
Ms J.E. Ashdown
Mr M. Ewell
Mr I.B. Duncan
Mr C.V. Geoghegan
Mr J.C. Nicholls

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 68 to 85.

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 A. Abt
Ms J.E. Ashdown
Mr I.B. Duncan
Mr J.C. Nicholls
Mr M. Ewell (to 11 November 2016)

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 twelve times during the year.

Members:
Mr M. Ewell (Chairman)
Interim Chief Executive
(from 11 November 2016)
Mr N.W. Maddock
Chief Financial Officer
(from 1 February 2017)
Mr R.T. Barclay
Managing Director, UK & Ireland
Mrs L.H. Kennedy-McCarthy
Group Human Resources Director
Mr L. Lvovich
Group Corporate Development Director
Mr M. Pearson
Group Chief Information Officer and Programmes Director
Mr C. Horn
Group Operations Director
Mr P. Denece
Managing Director, France
(from 1 March 2016)
Mr M. Hamori
Managing Director, Germany
(from 1 March 2016)
Mr S.R. Mitchell (previously Chairman)
Chief Executive
(to 11 November 2016)
Mr D.G. Robertson
Group Finance Director
(to 31 January 2017)

GROUP TAX AND TREASURY COMMITTEE

The Treasury Committee operates under the written Treasury Policy Manual. The Committee considers liquidity and funding, interest rate risk management, foreign exchange risk management, counterparty credit risk management, tax risks and any other current Group tax or treasury issues.

Members:
Mr I. Jackson (Chairman)
Group Financial Controller
Mr N.W. Maddock
Chief Financial Officer
(from 1 February 2017)
Mr R.C. Monro
Company Secretary
Mrs S. Clarke
Group Treasurer
Mr I. Norris
Risk & Financial Controller

Effectiveness and evaluation

Board effectiveness and performance evaluation

The effectiveness of the Board and its Committees is vital to the success of the Company. During the year the Board continued its ongoing evaluation process to assess its performance and that of its three principal Committees (Audit, Remuneration and Nominations).

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.

In December 2016, an effectiveness survey of the Board and its Committees (Audit, Remuneration and Nominations) was undertaken. The surveys were internally facilitated and carried out by questionnaire. Each Director (including the Chairman) was asked to place a score against a variety of questions and to make additional comments where appropriate. The surveys also sought to identify the extent to which the issues raised in the previous evaluation process had been addressed. The summary report and response analysis for the December 2016 survey were presented to the Board in January 2017, with suggested improvement actions.

Whilst concluding that the Board, its individual Directors, and its Committees continue to improve the Board's key processes and sub-committees' effectiveness, and are perceived to be working well, the evaluation identified a number of areas for improvement, including Board succession planning. In particular, being aware that the Company had given a second profit warning in two years, the Board evaluation had concluded that there was a need for the Non-Executive Directors' to improve their testing of Company performance and progress, and to better understand the business drivers and competition.

The proposed Board priorities for 2017 will cover:

- Successfully appointing and 'on boarding' the new Executive Management Team.
- Strengthening the balance sheet.
- Increasing focus and insight into business trading and performance, together with relative competitive position.
- Progressing an enhanced people agenda, including succession planning, strengthening front line management, change management and reviewing organisational design.
- Refreshing strategy.

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 a formal externally facilitated effectiveness and evaluation process in 2017.

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 various subjects, 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 the Market Abuse Regulation. Further training is programmed for 2017.

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 FRC's Guidance on Risk Management and Internal Control and Related Financial and Business Reporting (the "Risk Guidance"), 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;
- The risk management process is cascaded throughout the Group, with operating subsidiary boards responsible for maintaining their own risk registers and assessing their internal control systems;

Corporate governance
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- 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 taken where appropriate. There is also regular cash and treasury reporting to the Chief Financial Officer 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 Chief Financial Officer;
- Regular business unit management board meetings (periodically attended by the Chief Executive or Chief Financial Officer), 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 on pages 55 to 56, the Group also has specific systems and controls 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 2016 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 on pages 55 to 56, improvements in internal controls are continuously identified and action plans are devised. Progress towards completion of actions is regularly monitored by management and the Board. The Board considers that none of the areas of improvement identified constitute a significant failing or weakness. The Board considers that the information that it receives is sufficient to enable it to review the effectiveness of the Group's internal controls in accordance with the internal control guidance for Directors in the Code issued by the FRC.

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 2016 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 2016 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, Chief Financial Officer 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 Chief Financial Officer and discussed at its meetings. Formal presentations are made to institutional Shareholders following the announcement of the Company's annual and interim results.

Each year, the Chairman offers one-to-one meetings with SIG's largest Shareholders. Following the release of the November 2016 trading update and the change in Chief Executive, the Chairman met with eight of SIG's large institutional Shareholders.

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, the Company responds to correspondence received from Shareholders on a wide range of issues and also participates 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 review the 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.

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

The Going Concern Statement can be found on page 34 of the Strategic Report.

Viability Statement

The Viability Statement can be found on page 34 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 2016 is fully disclosed in Note 4 to the Consolidated Financial Statements on page 104.

Publication of Annual Report and Notice of AGM

Shareholders are to note that the SIG plc Annual Report 2016, together with the Notice convening the AGM have been published on the Company's website (**www.sigplc.com**). If Shareholders have elected to receive Shareholder correspondence in hard copy, then the Annual Report and Notice convening the AGM will be distributed to them.

Substantial shareholdings

At the date of approval of the 2016 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 as at 31 December 2016 and 13 March 2017:

Shareholder	Voting Rights as at 31 December 2016	%	Voting Rights as at 13 March 2017	%
Investec Asset Management	83,685,727	14.15%	83,685,727	14.15%
IKO Enterprises Limited	43,129,710	7.29%	43,129,710	7.29%
Schroder Investment Management Limited	33,016,449	5.58%	33,016,449	5.58%
FIL Limited	29,955,004	5.06%	29,955,004	5.06%
Tameside MBC re Greater Manchester Pension Fund	29,951,996	5.06%	29,951,996	5.06%
UBS Asset Management	29,578,718	5.00%	29,578,718	5.00%
Massachusetts Financial Services Company	26,799,365	4.53%	26,799,365	4.53%
Norges Bank	18,276,867	3.09%	18,276,867	3.09%

Corporate governance
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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 11 May 2017, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for exercising voting rights, will be circulated to all Shareholders that have elected to receive Shareholder correspondence in hard copy at least 20 working days before the meeting along with this Report. The 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 1 to 46 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) are disclosed in the Corporate Responsibility Report on pages 36 to 46. It is the Group's policy not to make political donations and no political donations were made during the year (2015: £nil).

Details of the Group's policies in relation to Corporate governance are disclosed on pages 51 to 61.

Group results and dividends
The Consolidated Income Statement for the year ended 31 December 2016 is shown on page 88. The movement in Group reserves during the year is shown on page 92 in the Consolidated Statement of Changes in Equity. Segmental information is set out in Note 1 to the Consolidated Financial Statements on pages 100 to 102.

The Board is recommending a final dividend of 1.83p per share (2015: 2.91p) which, together with the interim dividend of 1.83p per share (2015: 1.69p), makes a total for the year ended 31 December 2016 of 3.66p (2015: 4.60p). Payment of the final dividend, if approved at the AGM, will be made on 7 July 2017 to Shareholders registered at the close of business on 9 June 2017.

Greenhouse gases
Details of the Group's greenhouse gas emissions are detailed on pages 38 to 39 of the Corporate Responsibility Report.

Employees
Details of the Group's policies relating to employees are detailed on pages 36 to 46 of the Corporate Responsibility Report.

Post balance sheet events
Details of post balance sheet events are included in Note 11 on page 111 of the Consolidated Financial Statements.

Related party transactions
Save as disclosed in Note 30 to the Consolidated Financial Statements on page 137 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 date of approval of this Directors' Report.

Financial instruments
Information on the Group's financial risk management objectives and policies on the exposure of the Group to relevant risks arising from financial instruments is set out on pages 32 to 34 and in Note 19 to the Consolidated Financial Statements on pages 120 to 123.

Acquisitions and disposals
Details of acquisitions made and businesses identified for sale or closure are covered in Note 11 on page 111 and Note 14 on pages 115 to 116 of the Consolidated Financial Statements.

Group Companies
A full list of Group Companies (and their registered office addresses) are disclosed on pages 161 to 163.

Share capital
The Company has a single class of share capital which is divided into ordinary shares of 10p each. At 31 December 2016, the Company had a called up share capital of 591,460,301 ordinary shares of 10p each (2015: 591,347,148).

During the year ended 31 December 2016, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 113,153 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 108 to 110 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 by special resolution of the Company. A Shareholder whose name appears on the Company's Register of Members can choose whether his shares are evidenced by share certificates (ie in certificated form) or held in electronic (ie 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 such 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.

The Board may determine that the Shareholder is not entitled to exercise any 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.

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.

Corporate governance
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.

2017 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 59,134,874 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 2017 AGM.

Authority to allot ordinary shares
Shareholders' authority to allot ordinary shares up to an aggregate nominal amount of £19,711,624 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 2017 AGM.

During the year ended 31 December 2016, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 113,153 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 108 to 110 which also contains details of options granted over unissued share capital.

Fair, balanced and understandable
The Directors have a responsibility for preparing the 2016 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 it considers that the Annual Report and Accounts, taken as a whole is fair, balanced and understandable, and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. More information can be found in the Audit Committee Report on page 65.

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

Content of Directors' Report
The Corporate governance report (including the Board biographies), which can be found on pages 48 to 61, the Audit Committee Report on pages 62 to 65, the Nominations Committee Report on pages 66 to 67, and the Directors' Responsibility Statement on page 86 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 2016 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 4.1.8R, 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 9.8.4R can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Financial Statements, Note 13, page 114
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Directors' Remuneration Report, pages 79 to 80
(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 60
(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 set out on pages 48 to 86 was approved by the Board of Directors on 13 March 2017 and signed on its behalf by Richard Monro.

RICHARD MONRO
COMPANY SECRETARY
13 March 2017

Audit Committee report

"The Committee aims to ensure high standards of corporate and regulatory reporting, an appropriate control environment, risk management framework and compliance monitoring"

JONATHAN NICHOLLS
CHAIRMAN OF THE AUDIT COMMITTEE

Dear Shareholder,

On behalf of the Board I am pleased to present the Audit Committee report for 2016.

The Audit Committee ("the Committee) has to use judgment when reviewing the accounting treatment for the carrying values of its operations, the disclosure of other items and the recognition and measurement of supplier rebate income.

As discussed within the Annual Report and Accounts, trading was challenging in 2016. As a consequence, the Audit Committee has reviewed the carrying values of its operations for evidence of impairment. The outcome of this review was that the carrying values of Larivière and Poland have been written down.

The Group has continued to invest in upgrading its accounting systems with the implementation of Kerridge in the UK and Talentia in France. Although not complete at the year end, the Group's management is continuing to develop both systems to ensure that they provide enhanced control and financial information in comparison to the systems that are being replaced. The controls for these ERP systems require further development and this will continue to be of focus in 2017.

The Group has outsourced the Internal Audit function to KPMG. KPMG's Internal Control Review undertaken in December 2014 and subsequent internal audit reviews support the view that the Group has an effective system of internal financial control. Management actions continued to be taken to improve controls and bring efficiencies across the business in 2016. During the year KPMG performed reviews in IT performance, cybersecurity, programme assurance, ERP back office effectiveness and acquisition due diligence to identify opportunities for further improvements to the control environment.

The cybersecurity review identified a number of areas for improvement and these will be a focus for the Board in 2017. The 2017 programme of reviews will ensure continued focus on areas of risk to the business to ensure that the control environment remains effective and robust.

Although going concern is a matter for the whole Board (see page 34), a review is made by the Audit Committee of the Group's headroom under its covenants and undrawn facilities in relation to the Group's financial forecasts and sensitivity analyses.

The Committee has again considered the issue of external Auditor rotation and, although continuing to keep this under review, currently intends to reconsider the most appropriate time for the next audit tender process. Further detail is provided in this report.

Mr I.B. Duncan was appointed a Non-Executive Director with effect from 1 January 2017. As announced on 12 December 2016, it is my intention to retire as a Non-Executive Director and Chair of the Audit Committee on 31 March 2017. It is proposed that Mr Duncan succeed me as Chair of the Audit Committee, and, with his knowledge and expertise in finance and change management he is a perfect fit for the role.

The Company has complied during the financial year ended 31 December 2016 with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 that are applicable to it.

JONATHAN NICHOLLS
CHAIRMAN OF THE AUDIT COMMITTEE
13 March 2017

Purpose and aim

The purpose of 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 framework and compliance monitoring. The Committee believes that excellence in these areas enhances the effectiveness and reduces the risks of the business.

Key responsibilities

- The accounting principles, practices and policies applied in, and the integrity of, the Group's accounts.
- The adequacy and effectiveness of the internal control environment.
- The effectiveness of whistleblowing procedures.
- The effectiveness of the Group's outsourced Internal Audit function.
- The appointment, independence, effectiveness and remuneration of the Group's external Auditor, including the policy on the award of non-audit services.
- The supervision of any tender process for the Group's internal and external Auditor.
- External financial reporting and associated announcements.
- The Group's risk management processes and performance.
- The Group's compliance with the UK Corporate Governance Code.

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

Audit Committee membership

As at 31 December 2016, 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 C.V. Geoghegan Ms A. Abt

The Board considers that each member of the Committee is independent within the definition set out in the UK Corporate Governance Code ("the Code"). The combined relevant commercial and financial knowledge and experience of the Committee members satisfies compliance with the Code's 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 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 2016 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 2016 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 four meetings being held during 2016. 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 53. The Committee Chairman regularly invites senior company executives to attend meetings of the Committee to discuss or present specific items, and in particular the previous Group Finance Director, Mr. D.G. Robertson, attended all four of the meetings in 2016. The external Auditor also attended all four meetings of the Committee in 2016 and has direct access to the Committee Chairman. The external Auditor meets periodically, and in between Committee meetings, 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, attends 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.

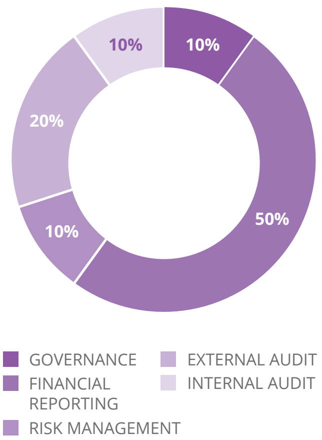
The Committee addressed the following key agenda items during its four meetings in 2016:

4 March 2016	6 June 2016	3 August 2016	8 December 2016
• Internal Audit update • Review of going concern basis of accounting and Viability Statement • Goodwill and intangible assets impairment review • Consideration of the risk management review process • Internal control review • Review of 2015 audit process and results, and discussion of significant accounting matters • Review of the 2015 external Auditor report • Review of the 2015 Annual Report (including fair, balanced and understandable) and preliminary results announcement	• Review of the Internal Audit report • Review of the Committee's Terms of Reference • Review of whistleblowing and non-audit services policies • Discussion of the 2015 Annual Report compared to best and emerging practice • Consideration of 2016 interim results (including goodwill and going concern) • Review Auditor plan for interim review • Assessment of performance of external Auditor	• Review of 2016 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 and year end planning	• Review of the internal control report • Consideration of the risk management review process • Review and approve the 2017 Internal Audit report • Review of audit pre-close accounting and reporting issues • Goodwill and intangible assets impairment discussion • Review of the updated year end external audit planning report • Agreement of 2016 audit fee and review of Auditor independence • Discussions regarding going concern and the Viability Statement • Review of performance of Committee and identification of training requirements • Corporate Governance update by external Auditor

Audit Committee report
CONTINUED

Allocation of time

The chart below gives an indication of the proportion of time spent by the Committee on each of its key areas of responsibility.



Financial reporting and significant accounting matters

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

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 Group financial statements 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.

Going concern and longer term viability

The Group is subject to financial covenants related to its committed bank facilities and private placement notes as set out on page 34. The Group had net debt of £259.9m at 31 December 2016 and reported a leverage of 2.1x for the period against the covenant maximum of 3.0x. The Committee reviewed the Group's cash flow, net debt and leverage forecast and note that there is sufficient headroom forecast against the Group's financial covenants throughout the viability period. Our assessment has placed additional focus on the covenant test points of 30 June (with particular reference to the working capital seasonality of the business which would ordinarily see leverage rise at the half year) and 31 December. The Committee has also reviewed the Group's potential mitigating actions to reduce leverage in the short term and consider these to be achievable and commercially viable. The Committee is satisfied that the assumptions taken are appropriate.

** Items marked as such are areas where judgment is involved in arriving at the accounting conclusion.*

Oversight of Internal Audit

The Internal Audit function provides independent assurance to senior management and the Board on the adequacy and effectiveness of SIG's risk management framework. Internal Audit forms an independent and objective assessment as to whether risks have been adequately identified, adequate internal controls are in place to manage those risks, and those controls are working effectively. The results of all assignments have been reported to the Audit Committee during the year. Areas of weakness that were identified during the year prompted a detailed action plan and a follow-up audit check to establish that actions had been completed. No failings or weaknesses were identified during the year which had a material effect on the 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 pages 55 and 56.

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 2016. 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 and the external Auditor's fees are reviewed and set annually by the Committee and are approved by the Board.

The total fees payable by the Group to its external Auditor for non-audit services in 2016 was £0.1m, primarily the Interim Review (2015: £0.1m). The total fees payable to them for audit services in respect of the same period was £1.5m (2015: £1.4m). A full breakdown of Auditor fees are disclosed in Note 4 to the Consolidated Financial Statements on page 104.

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 June 2016, the Committee undertook its annual review of the effectiveness of the external Auditor 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, the Committee is satisfied that Deloitte LLP continues to provide an effective audit service.

Audit tender

During the year, the Committee considered the Group's position on its Auditor services, taking into account the Code, together with the EU Audit Directive and Regulation and the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

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 their appointment as the Group's 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 the audit for the year ended 31 December 2013. The Committee reported its view last year that it was 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, by making use of the transition arrangements outlined by the Financial Reporting Council in relation to the Code and retaining the Company's existing audit firm until conclusion of the term of its current lead partner.

The Committee has since reconsidered the position. Given the recent appointment of a new Chief Financial Officer, coupled with the appointment of Mr Duncan, as the new Audit Committee Chair effective from 31 March 2017, the Committee believes that it is appropriate to delay the audit tender until after the 2018 audit, and will advise Shareholders of its audit tender plans in the 2017 report.

Therefore, the Committee recommends, and the Board agrees, that a resolution for the re-appointment 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 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information to enable Shareholders to assess the position and performance, strategy and business model of the Company.

In reaching this conclusion the Committee has considered the following:

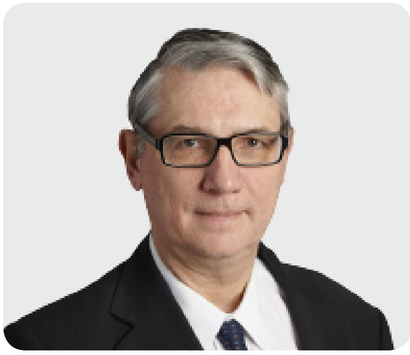
- The preparation of the Annual Report is a collaborative process between Finance, Legal, Human Resources, Investor Relations and Communications functions within SIG, ensuring the appropriate professional input to each section. External guidance and advice is sought where appropriate.
- The coordination 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.
- 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
13 March 2017

Nominations Committee report



"The Committee plays an important role in ensuring the Board has the right balance of experience and skills to support the Group's strategy"

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

During the year the Committee met on five occasions. A quorum is three members, the majority 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 2016, the Committee comprised the Chairman, the Interim Chief Executive and the four independent Non-Executive Directors of the Company.

Chairman of the Committee	Members
Mr L. Van de Walle	Ms J.E. Ashdown Mr C.V. Geoghegan Mr J.C. Nicholls Ms A. Abt Mr M. Ewell

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 and ethnicity are considered in determining the optimum composition of the Board, with the aim to balance them appropriately.

Board succession planning

In accordance with best practice and The Financial Reporting Council's ("FRC") discussion paper entitled 'UK Board Succession Planning', the Committee continues to review and monitor its Board succession planning process, in particular by rigorously reviewing and taking into account the need for progressive refreshing of the Board. The Committee carefully reviews and makes recommendations to the Board concerning the reappointment of any Non-Executive Director at the conclusion of their specified terms of office.

As part of the Board succession planning process, which was discussed at the Committee's December 2015 meeting, a search and selection procedure for Independent Non-Executive Directors was undertaken in 2016 by the Committee.

The Committee considered the position of Mr C.V. Geoghegan, who had completed his second three year period of office in July 2015, and who was appointed to serve for a further term of office expiring at the May 2016 Annual General Meeting. It was the Committee's view that, noting the experience and tenure of Mr Geoghegan, together with the Company's ongoing implementation of its strategic initiatives and the focus on achieving a strong recovery in 2017, it would be in the best interests of the Company's Shareholders, subject to careful and rigorous review, for Mr Geoghegan to offer himself for re-election at the 2017 Annual General Meeting. In the Committee's view, Mr Geoghegan brings considerable management experience and an independent perspective to the Board's discussions and is considered to be independent of management and free from relationship or circumstance that could affect or appear to affect, the exercise of his independent judgment, therefore providing continued valuable support. Therefore, Mr Geoghegan has, subject to his re-election by Shareholders at the Annual General Meeting in May 2017, been invited to serve for a further term of office expiring at the May 2018 Annual General Meeting.

The Committee also considered the position of Ms J.E. Ashdown who would have completed her second three-year period of office in July 2017. Following a rigorous review the Committee concluded that Ms Ashdown brings considerable management experience and an independent perspective to the Board's discussion and is free from relationship or circumstance that could affect or appear to affect the exercise of her independent judgment. Ms Ashdown has, subject to her re-election by Shareholders at the AGM in May 2017, been invited to serve for a further term of office expiring at the May 2018 AGM.

Mr I.B. Duncan was appointed a Non-Executive Director with effect from 1 January 2017 and will offer himself for election at the May 2017 Annual General Meeting. Mr J.C. Nicholls will retire from the Board on 31 March 2017 as a Non-Executive Director and Chair of the Audit Committee. Mr Duncan will succeed Mr Nicholls as Chair of the Audit Committee following Mr Nicholls' retirement.

Mr S.R. Mitchell stepped down from the Board as Chief Executive by mutual agreement on 11 November 2016. Mr M. Ewell, a Non-Executive Director, was appointed as Interim Chief Executive from 11 November 2016 on a full time basis whilst the Board conducts an external search for a new Chief Executive, which is currently underway. It is expected that Mr M. Ewell will resume his Non-Executive Director duties upon the recruitment of a new Chief Executive. The Committee has produced a detailed specification for a new Chief Executive and appointed Korn Ferry to undertake the search for a new Chief Executive. The process has reached the stage of a candidate shortlist and the Committee hopes to be able to recommend a candidate to the Board in the near future.

Mr D.G. Robertson retired from the Board as Group Finance Director with effect from 31 January 2017 and was succeeded by Mr N.W. Maddock with effect from 1 February 2017. Mr Maddock will offer himself for election at the May 2017 Annual General Meeting.

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, in connection with the appointments of Mr I.B. Duncan and Mr N.W. Maddock, the Committee used the services of The Zygos Partnership (who have no other connection with the Company).

The process described above was followed in respect of the appointments of Mr I.B. Duncan as a Non-Executive Director with effect from 1 January 2017 and Mr N.W. Maddock as Chief Financial Officer with effect from 1 February 2017.

Following the appointment of a new Director, the Chairman, in conjunction with the Company Secretary and the Group Human Resources Director, is responsible for ensuring that a full, formal and tailored induction to the Company is given. Although not an exhaustive list, the induction includes one-to-one meetings with key management (including HR, Finance, Risk, Investor Relations and Corporate Development) and an overview of the Group's structure and strategy (including site visits and an overview of operations).

The Committee also carefully reviews and makes recommendations concerning the reappointment of any Non-Executive Director at the conclusion of their specified term of office.

SIG supports the principles of gender diversity and, following the appointment of Ms A. Abt on 12 March 2015, female representation on the Board had risen to 25%. The Committee will continue to consider gender diversity when recommending any future Board appointments, and final appointments will always be made on merit. The Committee is seeking to increase female representation, in particular at senior management level across the Group.

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 2016 and the results of this review were reported to the Board.

The proposed activities for the Committee in 2017 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, in conjunction with the FRC's discussion paper on UK Board Succession Planning. The Committee's main aim for 2017 will be the successful recruitment of a new Chief Executive.

LESLIE VAN DE WALLE
CHAIRMAN OF THE
NOMINATIONS COMMITTEE
13 March 2017

Directors' remuneration report
Annual statement

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 2016.

As in previous years, this report is split into three sections: the Annual Statement, the Directors' Remuneration Policy and the Annual Report on Remuneration. SIG's current Remuneration Policy was approved by Shareholders with a 99.7% vote of support at the 16 May 2014 AGM and is due for renewal in 2017. Following a review of the Policy, the Remuneration Committee has concluded that the current structure of our executive remuneration arrangements continues to be effective and appropriate for the business. Over the past three years, the structure has provided us with an appropriate set of tools to motivate and reward senior executives, and has supported Shareholder alignment. Therefore, the proposed Remuneration Policy for which we will be seeking your approval at the AGM this year remains broadly unchanged from that approved in 2014.

Remuneration decisions in 2016
SIG's clear strategy over 2016 has been the continued focus on seeking to grow its three core markets of Insulation and Energy Management, Exteriors and Interiors by combining the reputational strengths of its local brands with the scale efficiencies and know-how of a multinational group. Furthermore, by working together more as a Group, and by fully leveraging its scale and presence in the marketplace, our aim is to make SIG's whole greater than the sum of the parts, for example by improving the way in which we conduct procurement. However, while enacting our transformation programme, we need to ensure that we balance business change with the day-to-day operations of the Group, and that we remain focused on our customers.

For the year ended 31 December 2016, underlying Profit Before Tax ("PBT") was £77.5m and Return on Capital Employed ("ROCE") was 9.4%, both of which fell below threshold for annual bonus purposes. The annual bonus outcome for Mr D.G. Robertson was 25% of maximum, which related to the delivery of savings from Group strategic initiatives.

The Committee has determined that the performance conditions in respect of the awards granted under the 2014 Long Term Incentive Plan ("LTIP") have not been met. These awards were based two-thirds on ROCE and one-third on underlying earnings per share ("EPS"). Three-year average ROCE was 9.4%, however the Committee noted that this was achieved as a result of the significant impairment and losses associated with businesses identified as non-core in 2016, which increased ROCE by 2.1%, resulting in the threshold entry level for the ROCE target being met which would otherwise not have been the case. Accordingly, the Committee has exercised its judgment and confirmed that the ROCE performance target has not been met and that these awards will lapse.

Directorate changes
Mr S.R. Mitchell stepped down from the Board as Chief Executive on 11 November 2016, and Mr D.G. Robertson retired from the Board as Group Finance Director on 31 January 2017. All payments made to both individuals are in line with the Company's existing Remuneration Policy, and consistent with their service agreements and statutory employment rights. Further details of both individuals' exit payments and treatment of outstanding equity awards may be found on page 80.

As announced in November 2016, Mr M. Ewell has been appointed Interim Chief Executive following Mr S.R. Mitchell's departure from the Board. Mr N.W. Maddock was appointed to the Board as Chief Financial Officer on 1 February 2017, following Mr D.G. Robertson's retirement. Further details of Mr M. Ewell and Mr N.W. Maddock's remuneration packages may be found on pages 75 to 81.

Implementation of the Remuneration Policy in 2017
In respect of the 2017 salary review, no changes were made to the base salaries of the Executive Directors, noting that Mr D.G. Robertson would be retiring from the Company in early 2017 and Mr M. Ewell had been appointed Interim Chief Executive with effect from 11 November 2016. Consequently, the Committee agreed that base salaries for Executive Directors will remain unchanged. This compares with an increase of 1.5% for members of the Senior Leadership Team and an average increase across the rest of the Group of 1.5%.

Following a review of the annual bonus in 2016, the Committee made an evolutionary change to the mix of performance measures to better support the Company ethos of "Stronger Together", as reflected in the 2017 bonus metrics. The metrics for the 2017 annual bonus will be linked 60% to Group underlying PBT, 30% to Group working capital and 10% to health and safety. One-third of the bonus will continue to be deferred into shares for three years for Executive Directors.

It is expected that an LTIP award of 150% of salary will be made to Mr N.W. Maddock in late April 2017. The performance measures and targets will be determined closer to the time and disclosed in next year's report.

Both annual bonus and LTIP awards are subject to malus and clawback provisions.

The proposed Remuneration Policy and the Annual Report on Remuneration will be subject to a binding vote and an advisory vote, respectively, 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
13 March 2017

Directors' remuneration report

Directors' remuneration policy

AS REQUIRED BY LEGISLATION, THE REMUNERATION POLICY AS SET OUT IN THIS SECTION OF THE REPORT WILL BE PUT TO A SHAREHOLDER BINDING VOTE AND, SUBJECT TO SHAREHOLDER APPROVAL, WILL BECOME EFFECTIVE FROM THE DATE OF THE 2017 AGM. THE PROPOSED POLICY REMAINS BROADLY UNCHANGED FROM THAT APPROVED IN 2014.

Compliance Statement

This report, prepared by the Committee on behalf of the Board, has been prepared in accordance with the provisions of the Companies Act 2006 ("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 143 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.

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. A significant proportion of remuneration takes the form of variable pay, which is linked to the achievement of specific and stretching targets that align with the creation of Shareholder value and the Company's strategic goals. The Group's financial and strategic objectives are set out in the Strategic Report on pages 8 to 15.

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

Directors' remuneration report

Directors' remuneration policy CONTINUED

Fixed remuneration

Element	Purpose and link to strategy	Operation and process	Opportunity	Performance metrics	Recovery of sums (clawback)
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.	It is anticipated that salary increases will generally be in line with the general employee. In certain circumstances (including, but not limited to, a significant increase in role size or complexity, or no increase for a number of years) the Committee has discretion to make appropriate adjustments to salary levels.	Not applicable.	Not applicable.
Benefits	To provide benefits that are appropriately competitive within the relevant labour market.	Benefits include (but are not 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. The cost of benefits may vary as a result of factors outside the Company's control (eg increases in healthcare insurance premiums), though 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 (eg relocation).	Not applicable.	Not applicable.
Pension	To provide retirement benefits that are appropriately competitive within the relevant labour market.	The Company provides a contribution to a defined contribution pension scheme (open to all UK-based employees of the Group), or provides a cash equivalent.	15% of base salary.	Not applicable.	Not applicable.
Share Incentive Plan ("SIP")	To encourage share ownership across all UK-based employees using HMRC tax-advantaged schemes.	The SIP is an HMRC tax-advantaged plan which provides all UK-based employees with a potentially tax-efficient way of purchasing shares and receiving matching shares. The Company gives one matching share for each share purchased by the employee up to a maximum of £20 each month. Executive Directors are entitled to participate in the SIP on the same terms as other employees.	Maximum opportunity is in line with HMRC limits.	Not applicable.	Not applicable.

Variable remuneration					
Element	**Purpose and link to strategy**	**Operation and process**	**Opportunity**	**Performance metrics**	**Recovery of sums (clawback)**
Annual bonus and Deferred Share Bonus Plan ("DSBP")	To incentivise and reward the achievement of annual financial and non-financial targets, in line with the Company's strategic priorities. Mandatory deferral of part of the bonus into shares to strengthen shareholder alignment.	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 any bonus earned into an award over SIG shares for a period of three years under the DSBP. Dividend equivalents are payable over the vesting period in respect of the DSBP awards which vest.	Maximum opportunity is 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 and non-financial measures. The personal/strategic element will not be weighted more than 30% of the total in any year. When assessing financial performance, the Committee typically considers underlying Profit Before Tax ("PBT") and Group working capital, as well as other indicators of performance defined at the start of the year. Details of the measures and weightings applicable for the financial year under review are provided in the Annual Report on Remuneration.	The annual bonus is subject to malus and clawback, ie 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.
Long-Term Incentive Plan ("LTIP")	To incentivise and reward the delivery of the Group's long-term strategy whilst providing strong alignment with Shareholders.	Executive Directors are granted annual awards of nil-cost options or conditional share awards, which vest based on performance over a minimum of three years. Awards normally vest after three years, and a two-year holding period applies for vested awards, during which time Executive Directors may not sell shares save to cover tax. Dividend equivalents are payable over the vesting and holding periods in respect of the awards which vest.	Maximum annual award is to 150% of salary. In exceptional circumstances, such as to facilitate the recruitment or retention of an executive, or to recognise exceptional individual performance which the Committee considers has generated significant value for Shareholders, the Committee may, in its absolute discretion, exceed this maximum annual opportunity, up to 200% of salary. Threshold performance will result in vesting of no more than 25% of the award.	Vesting of LTIP awards is subject to the Group's performance measured over a minimum of three years. The performance measures and respective weightings may vary year-on-year to reflect strategic priorities, subject to retaining an element based on underlying EPS growth and Return on Capital Employed ("ROCE"). Details of the measures, weightings and performance targets used for specific LTIP grants are included in the Annual Report on Remuneration.	LTIP awards are subject to malus and clawback, ie forfeiture or reduction of unvested awards or recovery of vested awards, in exceptional circumstances (eg material misstatement or gross misconduct).

Directors' remuneration report

Directors' remuneration policy
CONTINUED

The Committee is satisfied that the Directors' Remuneration Policy on pages 69 to 76 is in the best interests of Shareholders and does not promote excessive risk-taking. The Committee has discretion to adjust the formulaic annual bonus and LTIP vesting outcomes to ensure alignment of pay with performance, ie to ensure the final outcome is a fair and true reflection of underlying business performance. Any adjustments will be disclosed in the relevant Annual Report on Remuneration. 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.

Selection of performance measures

Annual bonus and LTIP performance measures used under the annual performance bonus are selected annually to reflect the Group's main short and long-term strategic objectives and reflect financial and non-financial priorities, as appropriate.

In respect of the annual bonus, Group PBT is selected for the year as an objective as it is a well understood measure of the Company's financial performance. The use of working capital and health and safety objectives help reinforce delivery of other key strategic goals.

In respect of the LTIP, 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 a similar annual bonus plan to that for the Executive Directors, with performance measures tailored to individual business areas. A limited number of senior managers are also eligible to 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.

When appointing a new Executive Director, the Committee may use any element of remuneration as set out in the Policy table. Where an individual is appointed on an initial salary that is 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 and Company performance. This may result in above-average salary increases during this period.

The annual bonus is normally reduced on a pro-rata basis to reflect the proportion of the year employed. The Committee retains flexibility to apply different performance measures and targets in the first year of appointment, depending on the timing and nature of the appointment. The maximum level of variable remuneration which may be granted to a new Executive Director is set out in the Policy table.

In addition to the components of remuneration included in the Policy table, the Committee may also make additional cash and/or share-based awards to a new externally appointed Executive Director to "buy out" incentive arrangements forfeited on leaving a previous employer, when it considers this to be in the best interests of the Group and our Shareholders. The Committee may exercise the discretion available under the relevant Listing Rule to facilitate this, ie in the event that a different structure is required. In doing so, the Committee will ensure that any "buyout awards" have a fair value no higher than that of the awards forfeited and will 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.

Where an Executive Director is appointed through internal promotion, and the individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these arrangements.

Share ownership guidelines

To further align Executive Directors' interests with 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 this guideline will be achieved mainly by the vesting of shares through the Company's share plans.

Executive Director service contracts

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 Executive Director, as well as the rules of any incentive plans.

Executive Directors have service agreements. Mr N.W. Maddock has a service agreement with an indefinite term and which is terminable by either the Group or the Executive Director on 12 months' notice (or by the Group on 3 months' notice in the case of illness or injury). Mr M. Ewell, who is acting as Interim Chief Executive, has a service agreement which is terminable by either the Group or the Executive Director on one month's notice. Service agreements make provision, at the Board's discretion, for early termination involving payment of basic salary (but excluding annual bonus and benefits), in lieu of 12 months' notice (one month in the case of Mr M. Ewell). The Company may make such payment as a lump sum or in instalments and may require the Executive Director to mitigate their loss by seeking alternative employment. 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 their tenure.

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 and the individual must seek independent legal advice.

There is no provision in the Executive Directors' service 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 annual bonus and LTIP. Executive Director service contracts are available to view at the Company's registered office.

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

Executive Director	Date of service contract
Mr N.W. Maddock	6 October 2016
Mr M. Ewell	11 November 2016 (employment commenced 1 November 2016)

Directors' remuneration report

Directors' remuneration policy
CONTINUED

Legacy arrangements

For the avoidance of doubt, it is noted that the Company will honour any commitments entered into that have been disclosed previously to Shareholders.

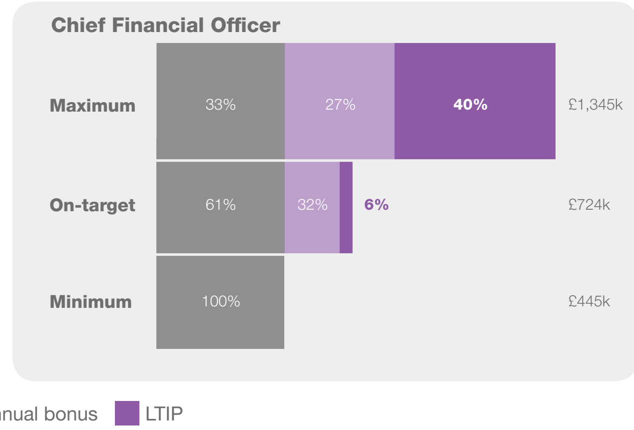
Leaver and change of control provisions

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 and the LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion.

Plan	Scenario	Timing and calculation of vesting/payment
Annual bonus	Death, injury, ill-health or disability, retirement, or any other reason the Committee may determine.	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. The cash element of the bonus is normally paid on the normal payment date. The Committee has discretion to disapply performance test and/or time pro-rating, and to accelerate payment.
	Change of control.	The Committee will assess the most appropriate treatment for the outstanding bonus period according to the circumstances.
	All other reasons.	No bonus is paid.
Deferred Share Bonus Plan ("DSBP")	Death, injury, ill-health or disability, retirement, or any reason other than misconduct or circumstances where the Company could have summarily dismissed the Executive Director.	Awards vest on the normal vesting date, although the Committee has discretion to accelerate vesting in certain circumstances as set out in the rules of the DSBP.
	Change of control.	Awards vest immediately.
	Misconduct or circumstances where the Company could have summarily dismissed the Executive Director.	Awards lapse.
Long-Term Incentive Plan ("LTIP")	Death, ill-health or disability, redundancy, retirement, sale of the employing company or business out of the Group or any other reason as the Committee may determine.	Any outstanding awards will normally vest on the normal vesting date subject to performance, and be pro-rated for time. The Committee has discretion to disapply performance and/or time pro-rating in exceptional circumstances, and to accelerate vesting.
	Change of control.	Any outstanding awards will normally vest immediately subject to performance up to the point of the change of control, and be pro-rated for time. The Committee has discretion to disapply performance and/or time pro-rating in exceptional circumstances.
	All other reasons.	Awards lapse.

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 2017. Note that the projected values exclude the impact of any share price movements.



Assumptions underlying the scenarios:

– The "minimum" scenario includes base salary, pension and benefits (ie fixed remuneration).

– The "on-target" scenario includes fixed remuneration as above, plus target bonus payout of 65% of maximum and threshold LTIP vesting of up to 25% of maximum award.

– The "maximum" scenario includes fixed remuneration, plus full bonus payout (100% of salary) and full LTIP vesting (150% of salary).

Note: Mr M. Ewell was appointed as Interim Chief Executive on 11 November 2016. He receives a fixed salary of £50,000 per month, and does not participate in any incentive scheme or receive any pension contributions or benefits.

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.

NED letters of appointment are available to view at the Company's registered office.

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

NED	Date of current letter of appointment	Effective date of appointment	Expiry of current term
Mr L. Van de Walle	11 May 2016	1 October 2010	9 May 2019
Ms A. Abt	5 March 2015	12 March 2015	10 May 2018
Ms J.E. Ashdown	16 May 2014	11 July 2011	11 May 2017
Mr I.B. Duncan	9 December 2016	1 January 2017	14 May 2020
Mr M. Ewell[1]	16 May 2014	1 August 2011	11 May 2017
Mr C.V. Geoghegan	4 April 2016	1 July 2009	11 May 2017
Mr J.C. Nicholls[2]	4 April 2016	6 November 2009	11 May 2017

1. Mr M. Ewell was appointed as Interim Chief Executive on 11 November 2016, and served as an Independent Non-Executive Director during 2016 until that date. It is expected that Mr M. Ewell will return as a Non-Executive Director as soon as the recruitment of a new permanent Chief Executive for the Group has occurred.

2. Mr J.C. Nicholls will retire from the Board on 31 March 2017.

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 Remuneration Policy on NED fees are set out in the table overleaf:

Directors' remuneration report

Directors' remuneration policy CONTINUED

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 May. The fee paid to the Chairman is determined by the Committee, and fees to NEDs are determined by the Board. Fee levels are benchmarked against comparable companies and take account of the time commitment and the responsibilities of the NEDs. Other than for the Company Chairman, fees comprise a base fee for acting as a NED of the Company, and additional fees for acting as Senior Independent Director or as Chairman of a Board Committee, as appropriate. Additional fees may also be paid in respect of Company advisory boards.	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 a 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 annual aggregate fee, for all Group NEDs, is £500,000 as set out in the Company's Articles of Association.

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 be given only 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.

Considerations of conditions elsewhere in the Group

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

Directors' remuneration report

Annual report on remuneration

Annual report on remuneration

The following section provides details of how SIG's 2014 Remuneration Policy was implemented during the financial year ended 31 December 2016, and how the Remuneration Committee intends to implement the proposed Remuneration Policy in 2017.

The Remuneration Committee

The key responsibilities of the Remuneration Committee are to:

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

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

As at 31 December 2016, the Committee comprised four independent Non-Executive Directors, all of whom are considered to be independent within the definition set out in the UK Corporate Governance Code ("the Code").

Chairman of the Committee	Members
Mr C.V. Geoghegan	Ms J.E. Ashdown Mr J.C. Nicholls Ms A. Abt

During the year the Committee met eight times. Attendance by individual members of the Committee is disclosed in the Corporate Governance section of the Directors' Report on page 53.

Only members of the Committee have the right to attend Committee meetings. The Chairman of the Board, Chief Executive, 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 'External advisors' below for more details.

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

Key activities of the Committee in 2016

The Committee met eight times in 2016. Its key activities included:

- Review and approval of the 2015 Directors' Remuneration Report;
- Review and approval of incentive outcomes for the annual bonus and LTIP in respect of performance for the year to 31 December 2015;
- Approval of opportunities/award levels and performance targets for 2016 annual bonus;
- Review of Executive Director salaries and total remuneration;
- Review of the Non-Executive Chairman fee;
- Review and approval of remuneration packages and appointment terms for the Interim Chief Executive and incoming Chief Financial Officer;
- Consideration and approval of remuneration for leavers;
- Consideration of external market developments and best practice in remuneration;
- Review of the Remuneration Policy, consideration of potential revisions and related Shareholder consultation; and
- Preparation for the 2016 AGM.

External advisors

Kepler (a brand of Mercer), 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, and abides by the Code of Conduct for Remuneration Consultants of UK-listed companies (which can be found at www.remunerationconsultantsgroup.com). Kepler's parent, Mercer, does not provide any other services to the Company. The Committee is satisfied that the advice it receives from Kepler is independent. Kepler's fees for the year were charged on a time and materials basis and totalled £22,950 (2015: £10,750).

Deloitte LLP, external Auditor to the Group, has, when requested, performed specific procedures on the LTIP calculations at the end of the respective performance periods. Deloitte LLP was asked to perform this service in 2016 and received fees for this service which totalled £2,000 (2015: £2,000).

Directors' remuneration report

Annual report on remuneration
CONTINUED

Shareholder vote on the 2015 Directors' Remuneration Report and the existing Remuneration Policy

The following table shows the results of the advisory vote on the Annual Report on Remuneration of the 2015 Directors' Remuneration Report at the 12 May 2016 AGM:

		For	Against	Total votes cast	Votes withheld
Annual Report on Remuneration	Total number of votes	453,913,035	638,000	454,551,035	11,786
	% of votes cast	99.8%	0.2%	100%	0.0%

The following table shows the results of the binding vote on the current Remuneration Policy at the 16 May 2014 AGM:

		For	Against	Total votes cast	Votes withheld
Current Remuneration Policy	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 2016 and the prior year:

Executive Director		Base salary[1] £'000	Taxable Benefits[2] £'000	Pension Benefits[3] £'000	Annual bonus[4] £'000	LTIP[5] £'000	Other[6] £'000	Total Remuneration £'000
Mr S. R. Mitchell[7]	2016	484	25	72	–	–	–	581
	2015	558	26	83	–	98	–	765
Mr D. G. Robertson	2016	336	31	50	84	–	–	501
	2015	336	29	50	–	58	–	473
Mr M. Ewell[8]	2016	100	–	–	–	–	–	100
	2015	–	–	–	–	–	–	–

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

1. Base salary/fee: amount earned for the year.
2. Benefits: include, but are not limited to, company car, medical and permanent health insurance.
3. Pension: the Company's pension contribution during the year of 15% of salary, an amount of which was paid by salary supplement.
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 2016 and 31 December 2015. For the 2014 award the performance conditions were not achieved therefore the award will lapse. For 2015, the figures have been revised from last year's report to reflect the actual share price on the date of vesting at 18 April 2016 of 139p.
6. Other: includes SIP, value based on the face value of matching shares at grant.
7. Mr S.R. Mitchell stepped down from the Board as Chief Executive on 11 November 2016 and his employment ceased on 30 November 2016. His remuneration shown in the table reflects time served to 11 November 2016.
8. Mr M. Ewell was appointed as Interim Chief Executive with effect from 11 November 2016, and receives a fixed salary of £50,000 per month, and does not participate in any incentive scheme or receive pension contributions or benefits. His base salary shown in the table reflects time served as Chief Executive. Fees paid to Mr M. Ewell in respect of his service as a Non-Executive Director are shown in the Non-Executive Director single total figure table on page 80.

Incentive outcomes for 2016

Annual bonus in respect of 2016

In 2016, the maximum bonus opportunity for Executive Directors was 100% of salary. 90% of bonus was based on financial performance, of which 55% was linked to underlying Profit Before Tax ("PBT"), 20% to Return On Capital Employed ("ROCE"), 15% to cumulative savings from the Group strategic initiatives, and 10% on health and safety.

Further details of the bonuses paid, including the financial and non-financial targets and objectives set and actual performance, are provided in the table overleaf:

Financial element

Measure	Weighting (% of salary)	Performance targets: Threshold	Performance targets: Target	Performance targets: Stretch	Actual performance	Payout (% of salary)
Underlying PBT	55%	£95.0m	£100.0m	£105.0m	£77.5m	0%
ROCE (%)	20%	n/a	10.0%	n/a	9.4%	0%
Cumulative savings from the Group strategic initiatives	15%	£33.0m	n/a	£40.0m	£43.3m	15%
Total	90%					15%

Non-financial element

For 2016, non-financial performance was measured through the Company's Health & Safety performance, focusing on the Group's Accident Incident Rate ("AIR") and Health & Safety initiatives. The Committee reviewed performance and determined that the targets were achieved in full, and 10% of bonus (out of a maximum of 10%) was payable.

Overall bonus outcomes

Based on performance in respect of both the financial and non-financial elements, an overall outcome of 25% (out of a maximum of 100%) was warranted.

Mr S.R. Mitchell stepped down from the Board on 11 November 2016, and will not receive a bonus payment in respect of 2016. Mr D.G. Robertson retired from the Board in January 2017 and was eligible to receive a bonus in respect of 2016, subject to performance as determined and approved in the normal manner. Therefore, he will receive a bonus of 25% of salary for 2016. Two-thirds will be paid in cash in March 2017, and one-third will be deferred into shares, vesting in March 2020.

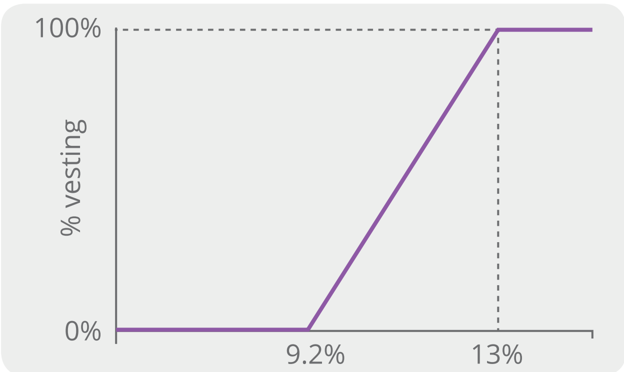
Mr M. Ewell did not participate in the 2016 annual bonus plan.

As in previous years, bonus payments are subject to clawback (ie forfeiture or reduction in exceptional circumstances).

Long-Term Incentive Plan: 2014 awards

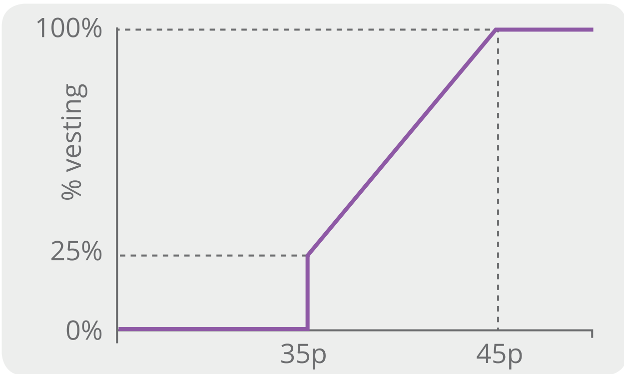
On 18 September 2014, Mr S.R. Mitchell and Mr D.G. Robertson received awards of 466,628 and 280,817 nil-cost options respectively, under the 2014 LTIP. Vesting of the award was dependent on three-year average ROCE, defined as underlying operating profit after tax divided by average net assets plus average net debt (two-thirds of the award), and three-year cumulative underlying EPS performance (one-third). There was no re-testing of performance. The performance targets are illustrated below:

ROCE element of the award (2/3rd)



Average ROCE 2014–2016
(operating profit after tax divided by the sum of total equity plus net debt)

EPS element of the award (1/3rd)



Cumulative underlying EPS 2014–2016
(pence)

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 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.

Directors' remuneration report

Annual report on remuneration
CONTINUED

The three-year period over which performance was measured ended on 31 December 2016. The minimum entry level for cumulative underlying EPS was not met. The minimum entry level for three-year average ROCE was achieved, however as detailed on page 68 the Committee has determined this was only as a result of the significant impairment losses associated with businesses identified as non-core in 2016, and has exercised its judgment that the ROCE performance target has not been met and therefore resulted in a nil vesting. The awards will therefore lapse on 18 September 2017.

Long-Term Incentive Plan: 2016 awards

No LTIP awards were granted in 2016.

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 2016 and the prior year:

	Base fee £'000		Committee Chair/Senior Independent Director fees £'000		Additional Advisory Board fees £'000		Total fees £'000	
Non-Executive Director	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Mr L. Van de Walle (Chairman)	168	167	–	–	–	–	168	167
Ms A. Abt	48	38	–	–	–	–	48	38
Ms J.E. Ashdown	48	48	–	–	–	–	48	48
Mr M. Ewell[1]	40	48	–	–	–	–	40	48
Mr C.V. Geoghegan[2]	48	48	10	10	17	–	75	58
Mr J.C. Nicholls	48	48	10	10	–	–	58	58

1. Mr M. Ewell received a salary for acting as Interim Chief Executive with effect from 1 November 2016 and ceased to receive his Non-Executive Directorship fee from 31 October 2016.
2. Mr C.V. Geoghegan received a fee of £16,666 in 2016 for his additional services as the Non-Executive Chairman of the SIG Offsite Board, to which he was appointed with effect from 1 May 2016 (the fee per annum is £25,000).

Board changes and payments for loss of office

As announced on 11 November 2016, Mr S.R. Mitchell stepped down from the Board as Chief Executive on 11 November 2016 and ceased being an employee on 30 November 2016. All payments made to Mr S.R. Mitchell are in line with the Company's existing Remuneration Policy, and consistent with his service agreement and statutory employment rights.

Mr S.R. Mitchell will receive an amount of up to £558,250 in lieu of base salary and £83,737 in respect of pension contributions (details of the amounts paid in December 2016 are set out in the section 'Payments to former directors' on page 81). These will be paid on a monthly basis in 12 equal instalments, with mitigation to be applied in the event he finds alternative executive permanent employment during the 12-month period. He will also receive up to £9,322 in respect of benefits, and £15,000 in respect of outplacement support.

Mr S.R. Mitchell will not receive a bonus in respect of 2016. His unvested DSBP awards from 31 March 2014 (55,292 shares) and 31 March 2015 (51,646 shares) will be treated in line with the Policy, and will continue in effect and vest on their normal vesting dates of 31 March 2017 and 31 March 2018 respectively. All of his unvested LTIP awards have lapsed.

Mr D.G. Robertson retired from the Board as Group Finance Director on 31 January 2017 and remained an employee until 28 February 2017. He is entitled to 12 months' notice under his service agreement and will receive an amount of £333,726 in lieu of base salary and holiday entitlement, and £41,994 in respect of pension contributions. He will also receive £5,290 in respect of benefits.

Mr D.G. Robertson received a bonus for 2016 based on performance, which will be partially deferred into shares for three years in line with the Policy (see page 71 for more details). He will be eligible to receive a time pro-rated bonus in respect of 2017 subject to the Group's financial and non-financial performance in 2017 as determined and approved by the Remuneration Committee at the end of the year in the normal manner. His unvested DSBP awards from 31 March 2014 (32,078 shares) and 31 March 2015 (31,081 shares) will be treated in line with the Policy, and will continue in effect and vest on their normal vesting dates of 31 March 2017 and 31 March 2018 respectively.

Mr D.G. Robertson's unvested LTIP awards will vest on their normal vesting dates, subject to performance. His entitlements will be pro-rated for his time in service with the Company up to 28 February 2017. Details of these LTIP awards will be included in the relevant future years' Directors' Remuneration Reports.

Mr M. Ewell was appointed as Interim Chief Executive with effect from 11 November 2016, and receives a fixed salary of £50,000 per month, and does not participate in any incentive scheme or receive pension contributions or benefits. Mr N.W. Maddock was appointed as Chief Financial Officer on 1 February 2017, and his remuneration package comprises a basic salary of £360,000, and incentive opportunities and pension contribution in line with Policy. Further details are provided on pages 75 and 81.

Payments to former Directors

Mr S.R. Mitchell stepped down from the Board on 11 November 2016 and his salary and benefits paid to that date can be found in the Single Total Figure of Remuneration for Executive Directors on page 78. Mr S.R. Mitchell's employment terminated on 30 November 2016 and for the period 12 November 2016 to 30 November 2016 he was paid £27,494 basic salary and received benefits to the value of £1,424 and £4,124 in pension contributions. In addition, in the month of December 2016, Mr S.R. Mitchell was paid one month of the total compensation relating to loss of office which amounted to £46,521 basic salary, £776 relating to benefits and £6,978 relating to pension contributions.

Further details are set out under 'Board changes and payments for loss of office' on page 80.

Implementation of remuneration policy in 2017

Base salary

The Committee agreed that base salaries for the Interim Chief Executive and Group Finance Director would remain unchanged for 2017. Annual salaries for 2016 and 2017 are shown in the table below. The average salary increase for 2017 across the wider workforce is 1.5%.

Executive Director	2017 salary £	**2016 salary £**	% change
Mr M. Ewell[1]	600,000	**600,000**	0%
Mr N.W. Maddock[2]	360,000	**N/A**	N/A
Mr D.G. Robertson[3]	335,955	**335,955**	0%

1. Mr M. Ewell was appointed Interim Chief Executive with effect from 11 November 2016, on a fixed salary of £50,000 per month (£600,000 on an annualised basis).
2. Mr N.W. Maddock was appointed Chief Financial Officer with effect from 1 February 2017.
3. Mr D.G. Robertson retired as Group Finance Director with effect from 31 January 2017.

Pension and benefits

The Executive Directors (with the exception of the Interim Chief Executive) 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 (with the exception of the Interim Chief Executive) in 2017 will remain unchanged at 100% of salary.

The 2017 bonus will be linked 90% to financial performance (60% to Group underlying PBT and 30% to Group working capital) and 10% to Health & Safety. 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 the following year's report. Also in line with previous years and in line with market practice, financial performance in respect of the bonus will be measured based on budgeted exchange rates at the start of the year. Financial performance in respect of the LTIP will continue to be based on actual exchange rates.

As in 2016 and in line with the proposed Remuneration Policy, one-third of the annual bonus will be deferred in SIG shares for a period of three years. Malus and clawback provisions apply in exceptional circumstances.

LTIP

The Committee intends to make an LTIP award to Mr N.W. Maddock in late April 2017. The Committee will determine the performance measures and targets closer to the time, and disclose them in full in the 2017 Annual Report on Remuneration, and the relevant RNS announcement.

Directors' remuneration report

Annual report on remuneration
CONTINUED

Chairman and Non-Executive Director fees

With effect from 1 May 2016, the fee payable to the Chairman of the Board is £168,000 p.a. and the basic fee payable to each Non-Executive Director is £48,204 p.a. Additional 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. Additional fees may also be paid in respect of Company advisory boards.

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, based on the Senior Leadership Team.

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. To provide a meaningful comparison, the analysis includes only salaried employees and is based on a consistent set of employees, ie the same individuals appear in the 2016 and 2015 populations.

	Chief Executive £'000			Other employees
	2016	2015	% change	% change
Salary[1]	**584**	558	4.7%	1.9%
Taxable benefits	**25**	26	(3.8)%	3.6%
Annual performance bonus (including deferred element)	**–**	–	0.0%	48.1%
Total	**609**	584	4.3%	6.6%

1. Based on the sum of remuneration paid to Mr S.R. Mitchell from 1 January 2016 up to and including 11 November 2016 and to Mr M. Ewell over the period 1 November 2016 to 31 December 2016.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and Shareholder distributions (ie dividends and share buybacks) from the financial year ended 31 December 2015 to the financial year ended 31 December 2016.

	2016 £m	2015 £m	% change
Distribution to Shareholders	**28.0**	27.6	1.4%
Employee remuneration	**373.0**	332.0	12.2%

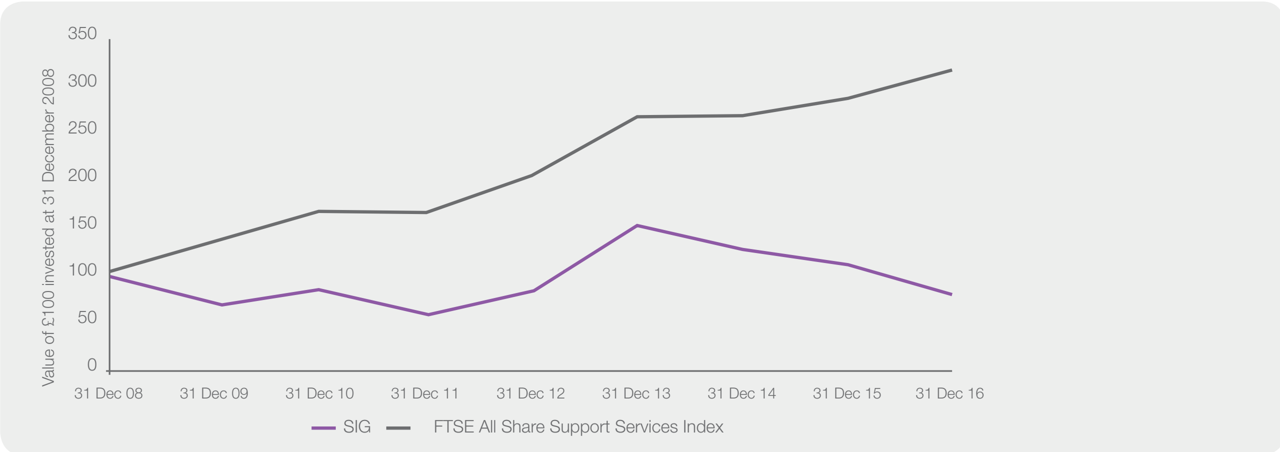
The Directors are proposing a final dividend for the year ended 31 December 2016 of 1.83p per share (2015: 2.91p).

Pay-for-performance

The graph on the following page 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 eight year period to 31 December 2016. 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 on the following page 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 eight years to 31 December 2016.



	2010	2011	2012	2013	2013	2014	2015	**2016**	**2016**
Incumbent	C.J. Davies	C.J. Davies	C.J. Davies	C.J. Davies[1]	S.R. Mitchell[2]	S.R. Mitchell	S.R. Mitchell	S.R. Mitchell[4]	M.Ewell[5]
Chief Executive single figure of remuneration (£'000)	1,087	1,065	1,024	1,031	987	968	765	**581**	**100**
Annual bonus outcome (% of maximum)	59%	96%	54%	50%	60.5%	57.0%	0%[3]	**n/a**	**n/a**
LTIP vesting outcome (% of maximum)	0%	0%	0%	0%	n/a	n/a	19.5%	**n/a**	**n/a**

1. The figures shown pertain to the period 1 January 2013 to 31 December 2013 (includes 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.
3. Mr S.R. Mitchell took the decision to waive his entitlement to the 2015 annual bonus.
4. Mr S.R. Mitchell stepped down as Chief Executive with effect from 11 November 2016, and his remuneration relates to the period served. He did not receive a bonus for 2016, and his unvested outstanding LTIP awards lapsed.
5. Mr M. Ewell was appointed as Interim Chief Executive with effect from 11 November 2016, and his remuneration relates to the period served. Mr M. Ewell does not participate in incentive schemes.

Directors' remuneration report

Annual report on remuneration
CONTINUED

Directors' interests in SIG shares (audited)

The interests of the Directors in office at 31 December 2016, and their families, in the ordinary shares of the Company at the dates below were as follows:

	31 December 2016	1 January 2016
Ms A. Abt	**8,500**	8,500
Ms J.E. Ashdown	**44,450**	33,450
Mr M. Ewell	**27,450**	16,450
Mr C.V. Geoghegan	**40,000**	40,000
Mr J.C. Nicholls	**14,200**	14,200
Mr D.G. Robertson	**207,492***	112,586*
Mr L. Van de Walle	**125,000**	75,000

*Includes shares purchased under the SIP.

There have been no changes to shareholdings between 1 January 2017 and 13 March 2017 save that on 16 January 2017 when Mr. D.G. Robertson acquired a further 142 shares under the 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 pages 84 to 85.

Directors' shareholdings (audited)

The table below shows the shareholding of each Director against their respective shareholding requirement as at 31 December 2016:

	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)[1]	Requirement met
Mr D.G. Robertson	207,492	–	19,801	555,140	63,159	200%	64%	No
Mr M. Ewell[2]	27,450							
Ms A. Abt	8,500							
Ms J.E. Ashdown	44,450							
Mr C.V. Geoghegan	40,000							
Mr J.C. Nicholls	14,200							
Mr L. Van de Walle	125,000							

1. Based on SIG share price of 103.2p as at 31 December 2016.
2. Mr M. Ewell is not subject to the shareholding guideline on the basis that he is an Interim Chief Executive, and is expected to return to his previous Non-Executive Director role as soon as the recruitment of a new permanent Chief Executive has occurred.

Directors' interests in SIG shares and option plans (audited)

	Date of grant	Share price	Number of nil-cost options awarded	Face value at grant £	Performance period	Exercise period
LTIP						
Mr D.G. Robertson	17/09/2015	183.7p	274,323	503,932	01/01/2015 – 31/12/2017	17/09/2020 – 16/09/2025
	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	19,801	29,999	01/01/2013 – 31/12/2015	18/04/2016 – 17/04/2023
Deferred Share Bonus Plan						
Mr D.G. Robertson	31/03/2015	202.3p	31,081	62,889	n/a	31/03/2018 – 30/03/2025
	31/03/2014	201.1p	32,078	64,509	n/a	31/03/2017 – 30/03/2024

Under the 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 D.G. Robertson participated in the SIP in 2016.

The market price of the shares at 31 December 2016 was 103.2p and the range during 2016 was 87.2p to 149.0p.

There were 129,167 options exercised by the Directors (including Mr S.R. Mitchell) in 2016 (2015: 40,083) and the aggregate of the total theoretical gains on options exercised by the Directors during 2016 amounted to £131,033 (2015: £68,141). 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.

External directorships

Mr D.G. Robertson was appointed a Non-Executive Director of HSS Hire Group plc on 12 January 2015. He received a fee of £50,000 in 2016, which he retained.

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report set out on pages 68 to 85 was approved by the Board of Directors on 13 March 2017 and signed on its behalf by Chris Geoghegan, Chairman of the Remuneration Committee.

CHRIS GEOGHEGAN
CHAIRMAN OF THE REMUNERATION COMMITTEE
13 March 2017

Directors' responsibility statement

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

Company law requires the Directors to prepare Accounts for each financial year. Under that law the Directors are required to prepare the Group Accounts 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 Accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". 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 Accounts, 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 Accounts; and
- Prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Accounts, 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 Accounts 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 Accounts may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The Accounts, 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; and
- 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.

This Responsibility Statement was approved by the Board of Directors on 13 March 2017 and is signed on its behalf by:

MEL EWELL
CHIEF EXECUTIVE
13 March 2017

NICK MADDOCK
CHIEF FINANCIAL OFFICER
13 March 2017

FINANCIALS

Consolidated Income Statement
for the year ended 31 December 2016

	Note	**Before Other items* 2016 £m**	**Other items* 2016 £m**	**Total 2016 £m**	Before Other items* 2015 £m	Other items* 2015 £m	Total 2015 £m
Revenue	1	**2,739.8**	**105.4**	**2,845.2**	2,463.1	103.3	2,566.4
Cost of sales	2	**(2,009.0)**	**(84.6)**	**(2,093.6)**	(1,798.3)	(79.7)	(1,878.0)
Gross profit		**730.8**	**20.8**	**751.6**	664.8	23.6	688.4
Other operating expenses	2	**(639.5)**	**(203.1)**	**(842.6)**	(564.9)	(57.6)	(622.5)
Operating (loss)/profit		**91.3**	**(182.3)**	**(91.0)**	99.9	(34.0)	65.9
Finance income	3	**1.2**	**0.5**	**1.7**	1.0	–	1.0
Finance costs	3	**(15.0)**	**(2.0)**	**(17.0)**	(12.3)	(3.3)	(15.6)
(Loss)/profit before tax	4	**77.5**	**(183.8)**	**(106.3)**	88.6	(37.3)	51.3
Income tax expense	6	**(19.5)**	**7.2**	**(12.3)**	(21.4)	6.4	(15.0)
(Loss)/profit after tax		**58.0**	**(176.6)**	**(118.6)**	67.2	(30.9)	36.3
Attributable to:							
Equity holders of the Company		**57.5**	**(176.6)**	**(119.1)**	66.9	(30.9)	36.0
Non-controlling interests		**0.5**	**–**	**0.5**	0.3	–	0.3
Earnings per share							
Basic and diluted (loss)/earnings per share	8	**9.7p**	**(29.8)p**	**(20.1)p**	11.3p	(5.2)p	6.1p

* Other items relate to the amortisation of acquired intangibles, goodwill and intangible impairment charges, profits and losses on agreed sale or closure of non-core businesses and associated impairment charges, net operating losses attributable to businesses identified as non-core in 2016, net restructuring costs, acquisition expenses and contingent consideration, the defined benefit pension scheme curtailment loss, other one-off items, 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 94.

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 2016

	Note	2016 £m	2015 £m
(Loss)/profit after tax		**(118.6)**	36.3
Items that will not subsequently be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit pension liability	29c	**(12.5)**	1.9
Deferred tax movement associated with remeasurement of defined benefit pension liability	23	**2.3**	(0.2)
Effect of change in rate on deferred tax	23	**(0.5)**	(0.7)
		(10.7)	1.0
Items that may subsequently be reclassified to the Consolidated Income Statement:			
Exchange difference on retranslation of foreign currency goodwill and intangibles		**33.6**	(11.7)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)		**35.7**	(16.2)
Exchange and fair value movements associated with borrowings and derivative financial instruments		**(25.3)**	7.3
Tax credit/(charge) on exchange and fair value movements arising on borrowings and derivative financial instruments		**6.3**	(1.5)
Gains and losses on cash flow hedges		**(3.8)**	(4.2)
Transfer to profit and loss on cash flow hedges		**2.3**	2.3
		48.8	(24.0)
Other comprehensive income/(expense)		**38.1**	(23.0)
Total comprehensive (expense)/income		**(80.5)**	13.3
Attributable to:			
Equity holders of the Company		**(81.0)**	13.0
Non-controlling interests		**0.5**	0.3
		(80.5)	13.3

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 2016

	Note	2016 £m	2015 restated £m
Non-current assets			
Property, plant and equipment	10	127.3	142.7
Goodwill	12	352.7	437.5
Intangible assets	13	76.9	88.2
Deferred tax assets	23	16.4	21.0
Derivative financial instruments	19	4.4	2.4
		577.7	691.8
Current assets			
Inventories	15	250.6	242.9
Trade and other receivables	16	516.1	468.1
Current tax assets	16	3.2	4.3
Derivative financial instruments	19	0.1	34.4
Deferred consideration	19	0.7	1.5
Other financial assets	19	1.1	1.3
Cash and cash equivalents	19	127.6	146.2
Assets classified as held for sale	11	15.6	–
		915.0	898.7
Total assets		1,492.7	1,590.5
Current liabilities			
Trade and other payables	17	440.6	417.7
Obligations under finance lease contracts	17	3.1	2.5
Bank overdrafts	17	3.5	59.5
Bank loans	17	171.6	90.9
Private placement notes	17	–	160.1
Loan notes and deferred consideration	17	2.7	3.0
Derivative financial instruments	17	0.2	1.3
Current tax liabilities	17	8.4	8.4
Provisions	17	14.5	9.7
Liabilities directly associated with assets classified as held for sale	11	15.6	–
		660.2	753.1
Non-current liabilities			
Obligations under finance lease contracts	18	8.1	7.5
Bank loans	18	0.3	0.4
Private placement notes	18	200.7	95.8
Derivative financial instruments	18	3.6	0.7
Deferred tax liabilities	23	15.2	18.2
Other payables	18	5.5	3.8
Retirement benefit obligations	18	37.1	23.8
Provisions	18	22.4	37.6
		292.9	187.8
Total liabilities		953.1	940.9
Net assets		539.6	649.6
Capital and reserves			
Called up share capital	25	59.1	59.1
Share premium account		447.3	447.3
Capital redemption reserve		0.3	0.3
Share option reserve		1.1	1.4
Hedging and translation reserve		7.9	(42.4)
Retained profits		23.1	183.0
Attributable to equity holders of the Company		538.8	648.7
Non-controlling interests		0.8	0.9
Total equity		539.6	649.6

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 13 March 2017 and signed on its behalf by:

MEL EWELL
DIRECTOR

NICK MADDOCK
DIRECTOR

Registered in England: 998314

Consolidated Cash Flow Statement
for the year ended 31 December 2016

	Note	2016 £m	2015 £m
Net cash flow from operating activities			
Cash generated from operating activities	26	75.8	61.6
Income tax paid		(9.6)	(11.1)
Net cash generated from operating activities		66.2	50.5
Cash flows from investing activities			
Finance income received		1.2	1.2
Purchase of property, plant and equipment and computer software		(37.5)	(49.0)
Proceeds from sale of property, plant and equipment		39.5	4.9
Settlement of amounts payable for purchase of businesses	14	(25.3)	(70.1)
Net cash used in investing activities		(22.1)	(113.0)
Cash flows from financing activities			
Finance costs paid		(13.7)	(10.7)
Capital element of finance lease rental payments		(2.6)	(2.4)
Issue of share capital	25	–	0.1
Repayment of loans/settlement of derivative financial instruments		(139.5)	(2.5)
New loans/settlement of derivative financial instruments		166.1	91.5
Dividends paid to equity holders of the Company	7	(28.0)	(27.6)
Dividends paid to non–controlling interest		(0.6)	–
Net cash (used in)/generated from financing activities		(18.3)	48.4
Increase/(decrease) in cash and cash equivalents in the year	27	25.8	(14.1)
Cash and cash equivalents at beginning of the year	28	86.7	105.9
Effect of foreign exchange rate changes	28	11.6	(5.1)
Cash and cash equivalents at end of the year	28	124.1	86.7

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 2016

	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 2014	59.1	447.2	0.3	1.8	(20.3)	175.6	663.7	0.6	664.3
Profit after tax	–	–	–	–	–	36.0	36.0	0.3	36.3
Other comprehensive income/(expense)	–	–	–	–	(22.1)	(0.9)	(23.0)	–	(23.0)
Total comprehensive income/(expense)	–	–	–	–	(22.1)	35.1	13.0	0.3	13.3
Share capital issued in the year	–	0.1	–	–	–	–	0.1	–	0.1
Debit to share option reserve	–	–	–	(0.3)	–	–	(0.3)	–	(0.3)
Exercise of share options	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Deferred tax on share options	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Dividends paid to equity holders of the Company	–	–	–	–	–	(27.6)	(27.6)	–	(27.6)
At 31 December 2015	59.1	447.3	0.3	1.4	(42.4)	183.0	648.7	0.9	649.6
(Loss)/profit after tax	–	–	–	–	–	(119.1)	(119.1)	0.5	(118.6)
Other comprehensive income/(expense)	–	–	–	–	50.3	(12.2)	38.1	–	38.1
Total comprehensive income/(expense)	–	–	–	–	50.3	(131.3)	(81.0)	0.5	(80.5)
Share capital issued in the year	–	–	–	–	–	–	–	–	–
Debit to share option reserve	–	–	–	(0.3)	–	–	(0.3)	–	(0.3)
Exercise of share options	–	–	–	–	–	–	–	–	–
Deferred tax on share options	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(0.6)	(0.6)
Dividends paid to equity holders of the Company	–	–	–	–	–	(28.0)	(28.0)	–	(28.0)
At 31 December 2016	**59.1**	**447.3**	**0.3**	**1.1**	**7.9**	**23.1**	**538.8**	**0.8**	**539.6**

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 “Share-based Payment” less the value of any share options that have been exercised.

The hedging and translation reserve represents movements in the Consolidated Balance Sheet as a result of movements in exchange rates which are taken directly to reserves as detailed in the Statement of Significant Accounting Policies on page 94.

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 2016 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 34.

The Group is committed to managing its capital structure to ensure that entities in the Group are able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Further details can be found on page 31.

The following standards were amended in the current period:

- Defined Benefit Plans: Employee Contributions (amendments to IAS 19 "Employee Benefits")
- Annual improvements – 2010-2012 cycle
- Annual improvements – 2012-2014 cycle
- Disclosure Initiative (amendments to IAS 1 "Presentation of Financial Statements").

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

In March 2016, the IFRS Interpretations Committee issued an agenda decision which clarified the circumstances in which certain Balance Sheet items can be offset in accordance with IAS 32 "Financial Instruments: Presentation". It was determined that where a Group does not expect to settle subsidiaries' bank balances on a net basis, these balances cannot be offset. In response to this, the Group has reviewed its cash pooling arrangements which has resulted in changes to the amounts that can be offset. Comparative information for the year ended 31 December 2015 has been restated. The impact of this change on 2015 is to increase both cash and cash equivalents and bank overdrafts in the Consolidated Balance Sheet by £57.2m. In addition, the Group has also reviewed the presentation of its supplier rebates receivable; in particular supplier rebates where there is no right to offset against trade payable balances. As a result comparative information for the year ended 31 December 2015 has been restated. The impact of this change is an increase in respect of both prepayments and accrued income and trade payables of £53.2m. There was no overall impact on net debt or net assets from either restatement.

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 2018

The standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model.

This standard is not expected to have a material impact on the Group's results, with the key changes for SIG being around documentation of policies, hedging strategy and new hedge documentation.

IFRS 15 "Revenue from Contracts with Customers" – effective for accounting periods beginning on or after 1 January 2018

The standard sets out the requirements for recognising revenue from contracts with customers. The transaction price receivable from customers must be allocated to 'distinct' performance obligations, on a relative standalone selling price basis, based on a five-step model.

The Group expects to complete its analysis of the expected impacts of the transition to IFRS 15 during 2017, in terms of both revenue recognition and disclosure requirements. An analysis of the Group's revenue, including that related to construction contracts, is provided in Note 1.

IFRS 16 "Leases" – effective for accounting periods beginning on or after 1 January 2019

The standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value.

The Group is in the process of quantifying the impact of the new standard. This will have a material impact on the Group's results and balance sheet, as a significant number of arrangements that are currently accounted for as operating leases will come onto the Group's Balance Sheet. The Group's current lease commitments are disclosed in Note 29b.

There are no other standards or interpretations issued but not yet effective which are expected to have a material impact on the Group.

Statement of Significant Accounting Policies CONTINUED

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 identified as non-core in 2016 and operations closed in 2015 did not meet the disclosure criteria of being discontinued operations as they did not individually or in aggregate 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.

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 on 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.

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.

On consolidation, assets and liabilities of overseas subsidiary undertakings are translated into Sterling at the rate of exchange prevailing at the balance sheet date. Income and expense items are translated into Sterling at the average rate of exchange for the year.

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.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to the Consolidated Income Statement.

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
- goodwill and intangible impairment charges
- profits and losses on agreed sale or closure of non-core businesses and associated impairment charges
- net operating losses attributable to businesses identified as non-core in 2016
- net restructuring costs
- acquisition expenses and contingent consideration
- the defined benefit pension scheme curtailment loss
- other one-off items
- 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
- the effect of the change in taxation rates.

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. Wherever revenue is generated from a contract to provide services, it is recognised by reference to the stage of completion of the contract.

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 with the Group's financial year, 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.

Where supplier rebates are offset against amounts owing to that supplier, any outstanding amount at the balance sheet date is included within trade payables. Where the supplier rebates are not netted off the amounts owing to that supplier, the outstanding amount is included within prepayments and accrued income. The carrying value of inventory is reduced by the associated amount where the inventory has yet to be sold at the balance sheet date.

OPERATING PROFIT

Operating profit is stated after charging distribution, selling and marketing costs and administrative expenses but before finance income and finance costs.

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.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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
- 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.

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 options, 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 options, 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.

Statement of Significant Accounting Policies CONTINUED

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.

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.

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.

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.

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.

CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Stage of completion is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are recognised only to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from construction contract customers. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to construction contract customers.

CASH AND CASH EQUIVALENTS

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

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

FINANCIAL ASSETS

Financial assets are 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, cross currency swaps and commodity hedging instruments to hedge its exposure to foreign currency exchange, interest rate and fuel price 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 12 months and they are not expected to be otherwise realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivative financial instruments are recognised immediately at fair value. 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.

Statement of Significant Accounting Policies CONTINUED

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.

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 (ie 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 foreign operations are disposed of.

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.

PENSION SCHEMES

SIG operates six 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. Discretionary contributions made by employees or third parties reduce service costs upon payment of these contributions into the plan.

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, any changes in 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.

DIVIDENDS

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

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described on pages 93 to 98, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the change takes place if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgments, estimates and assumptions that have the most important significant impact on the carrying value of the assets and liabilities recognised in the Group Accounts, and will have the most significant impact in the next financial year, are detailed below. All of the below are estimates made by the Group apart from post-employment benefits which is an item that requires both judgment and estimation.

REBATES RECEIVABLE

At 31 December 2016 trade payables is presented net of £73.4m (2015: £72.7m) due from suppliers in respect of supplier rebates where the Group has the right to net settlement. Included within prepayments and accrued income is £56.1m (2015: £53.2m) due in relation to supplier rebates where there is no right to offset against trade payable balances. 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, trade and other receivables, 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 estimate the amount of rebate that will become payable by and due to the Group under these agreements based upon prices, volumes and product mix.

POST-EMPLOYMENT BENEFITS

The Group operates six defined benefit pension schemes. All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 "Employee Benefits". As detailed within the Statement of Significant Accounting Policies on page 98, 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, significant actuarial assumptions and judgments have been made to determine the defined benefit obligation, in particular with regard to discount rate, inflation and mortality. At 31 December 2016 the Group's retirement benefit obligations were £37.1m (2015: £23.8m). Appropriate sensitivities have been performed and disclosed in Note 29c.

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.

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The key estimates made in the value in use calculation 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 that individual CGU.

For the majority of the CGUs, the Group performs goodwill impairment reviews by forecasting cash flows based upon the following year's budget, which anticipates sales growth, and a projection of cash flows based upon industry growth expectations (0%-4%) 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 4% in perpetuity. The discount rates applied to all CGUs represent pre-tax rates.

Assumptions regarding sales and operating profit growth, gross margin, and discount rate are considered to be the key areas of estimation 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 2016 is £556.9m (2015: £668.4m). The most recent results of the impairment review process are disclosed in Note 12 and indicated that the carrying value of non-current assets associated with the Group's Larivière, Poland, Carpet & Flooring and Drywall Qatar CGUs were no longer supportable. Impairment reviews performed during the year indicated that the carrying value of the Group's other non-current assets at 31 December 2016 were considered supportable.

PROVISIONS AGAINST RECEIVABLES

At 31 December 2016 the Group has recognised trade receivables with a carrying value of £417.0m (2015: £386.9m). Using information available at the balance sheet date, the Directors make judgments and detailed estimates based on experience regarding the level of provision required to account for potentially uncollectible receivables.

Notes to the Accounts

1. REVENUE AND SEGMENTAL INFORMATION

Revenue

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

	2016 £m	2015 £m
Sale of goods	**2,786.8**	2,533.4
Revenue from construction contracts	**58.4**	33.0
Total revenue	**2,845.2**	2,566.4
Finance income	**1.7**	1.0
Total income	**2,846.9**	2,567.4

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 & 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.

	2016 UK & Ireland £m	2016 Mainland Europe £m	2016 Eliminations £m	2016 Total £m	2015 UK & Ireland £m	2015 Mainland Europe £m	2015 Eliminations £m	2015 Total £m
Revenue								
Continuing sales	**1,392.1**	**1,347.7**	**–**	**2,739.8**	1,309.6	1,153.5	–	2,463.1
Sales attributable to businesses identified as non-core in 2016	**105.4**	**–**	**–**	**105.4**	103.3	–	–	103.3
Inter-segment sales^	**3.3**	**13.9**	**(17.2)**	**–**	2.3	11.4	(13.7)	–
Total revenue	**1,500.8**	**1,361.6**	**(17.2)**	**2,845.2**	1,415.2	1,164.9	(13.7)	2,566.4
Result								
Segment result before Other items	**53.2**	**48.9**	**–**	**102.1**	62.2	45.1	–	107.3
Amortisation of acquired intangibles	**(8.0)**	**(2.3)**	**–**	**(10.3)**	(8.3)	(2.0)	–	(10.3)
Goodwill and intangible impairment charges	**–**	**(110.6)**	**–**	**(110.6)**	–	–	–	–
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges (Note 11)	**(40.1)**	**–**	**–**	**(40.1)**	–	–	–	–
Net operating losses attributable to businesses identified as non-core in 2016	**(5.8)**	**–**	**–**	**(5.8)**	(1.2)	–	–	(1.2)
Net restructuring costs	**(10.6)**	**(2.7)**	**–**	**(13.3)**	(5.2)	(3.1)	–	(8.3)
Acquisition expenses and contingent consideration (Note 14)	**4.7**	**(0.1)**	**–**	**4.6**	(8.6)	(5.7)	–	(14.3)
Defined benefit pension scheme curtailment loss (Note 29c)	**(0.9)**	**–**	**–**	**(0.9)**	–	–	–	–
Other one-off items	**(6.0)**	**0.1**	**–**	**(5.9)**	(0.3)	0.4	–	0.1
Segment operating (loss)/profit	**(13.5)**	**(66.7)**	**–**	**(80.2)**	38.6	34.7	–	73.3
Parent Company costs				**(10.8)**				(7.4)
Operating (loss)/profit				**(91.0)**				65.9
Net finance costs before Other items				**(13.8)**				(11.3)
Net fair value losses on derivative financial instruments				**(1.9)**				(1.9)
Unwinding of provision discounting				**0.4**				(1.4)
(Loss)/profit before tax				**(106.3)**				51.3
Income tax expense				**(12.3)**				(15.0)
Non-controlling interests				**(0.5)**				(0.3)
(Loss)/profit for the year				**(119.1)**				36.0

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

1. REVENUE AND SEGMENTAL INFORMATION CONTINUED

a) Segmental results continued

	2016 UK & Ireland £m	2016 Mainland Europe £m	2016 Total £m	2015 UK & Ireland £m	2015 Mainland Europe £m	2015 Total £m
Balance sheet						
Assets						
Segment assets (restated)	**783.9**	**682.4**	**1,466.3**	850.7	680.2	1,530.9
Unallocated assets:						
Property, plant and equipment			**0.9**			1.0
Derivative financial instruments			**4.5**			36.8
Deferred consideration			**0.7**			1.5
Other financial assets			**–**			0.3
Cash and cash equivalents			**14.5**			12.8
Deferred tax assets			**2.3**			4.0
Other assets			**3.5**			3.2
Consolidated total assets			**1,492.7**			1,590.5
Liabilities						
Segment liabilities (restated)	**342.8**	**231.7**	**574.5**	384.6	196.0	580.6
Unallocated liabilities:						
Private placement notes			**200.7**			255.9
Bank loans			**158.8**			88.1
Derivative financial instruments			**3.8**			2.0
Other liabilities			**15.3**			14.3
Consolidated total liabilities			**953.1**			940.9
Other segment information						
Capital expenditure on:						
Property, plant and equipment	**21.7**	**12.0**	**33.7**	30.6	10.3	40.9
Computer software	**4.8**	**1.4**	**6.2**	8.4	0.8	9.2
Goodwill and intangible assets (excluding computer software)	**11.2**	**7.3**	**18.5**	60.0	12.7	72.7
Non-cash expenditure:						
Depreciation	**14.4**	**11.6**	**26.0**	13.5	9.5	23.0
Impairment of property, plant and equipment and computer software	**12.0**	**–**	**12.0**	–	–	–
Amortisation of acquired intangibles and computer software	**10.9**	**2.9**	**13.8**	10.8	2.5	13.3
Impairment of goodwill and intangibles (excluding computer software)	**22.0**	**110.6**	**132.6**	–	–	–

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 pages 2 to 9.

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

	2016 £m	2015 £m
Insulation and Energy Management	**1,274.8**	1,144.5
Exteriors	**871.8**	792.5
Interiors	**593.2**	526.1
Total continuing	**2,739.8**	2,463.1
Attributable to businesses identified as non-core in 2016 (Interiors)	**105.4**	103.3
Total	**2,845.2**	2,566.4

Notes to the Accounts CONTINUED

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 and derivative financial instruments) by geographical location are as follows:

Country	**2016 Revenue £m**	**2016 Non-current assets £m**	2015 Revenue £m	2015 Non-current assets £m
United Kingdom	**1,306.6**	**346.4**	1,237.5	373.1
Ireland	**85.5**	**2.7**	72.1	1.1
France	**589.2**	**124.6**	517.3	194.5
Germany & Austria	**413.2**	**22.9**	368.3	19.0
Poland	**115.1**	**6.9**	103.6	15.4
Benelux*	**230.2**	**53.4**	164.3	40.9
Total continuing	**2,739.8**	**556.9**	2,463.1	644.0
Attributable to UK businesses identified as non-core in 2016	**105.4**	**–**	103.3	24.4
Total	**2,845.2**	**556.9**	2,566.4	668.4

* Includes SIG Air Handling.

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

	2016			2015		
	Before Other items £m	**Other items £m**	**Total £m**	Before Other items £m	Other items £m	Total £m
Cost of sales	**2,009.0**	**84.6**	**2,093.6**	1,798.3	79.7	1,878.0
Other operating expenses:						
– distribution costs	**228.9**	**27.3**	**256.2**	204.6	22.6	227.2
– selling and marketing costs	**227.4**	**5.5**	**232.9**	208.0	7.0	215.0
– administrative expenses	**183.2**	**170.3**	**353.5**	152.3	28.0	180.3
	639.5	**203.1**	**842.6**	564.9	57.6	622.5

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.

2. COST OF SALES AND OTHER OPERATING EXPENSES CONTINUED

	2016 £m	2015 £m
Amortisation of acquired intangibles (Note 13)	**(10.3)**	(10.3)
Goodwill and intangible impairment charges (Note 12)	**(110.6)**	–
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges (Note 11)	**(40.1)**	–
Net operating losses attributable to businesses identified as non-core in 2016	**(5.8)**	(1.2)
Net restructuring costs^	**(13.3)**	(8.3)
Acquisition expenses and contingent consideration (Note 14)	**4.6**	(14.3)
Defined benefit pension scheme curtailment loss (Note 29c)	**(0.9)**	–
Other one-off items*	**(5.9)**	0.1
Impact on operating profit	**(182.3)**	(34.0)
Net fair value losses on derivative financial instruments	**(1.9)**	(1.9)
Unwinding of provision discounting	**0.4**	(1.4)
Impact on profit before tax	**(183.8)**	(37.3)
Income tax credit on Other items	**6.6**	4.6
One-off recognition of deferred tax assets	**–**	0.7
Utilisation of losses not previously recognised	**–**	0.3
Effect of change in rate on deferred tax	**0.2**	0.8
Other tax adjustments in respect of previous years	**0.4**	–
Impact on profit after tax	**(176.6)**	(30.9)

^ Included within net restructuring costs are supply chain consultancy costs of £6.7m (2015: £2.6m), property closure costs of £4.4m (2015: £4.6m), redundancy costs of £1.7m (2015: £0.9m), and rebranding costs of £0.5m (2015: £0.2m).

* Other one-off items include the impairment charge and other costs following the cessation of the UK eCommerce project of £9.7m (2015: £nil), a net charge arising as a result of movements in provisions associated with businesses disposed of in previous years of £0.5m (2015: £nil) and income from the sale of land of £2.8m (2015: £1.1m). They also include fair value gains on fuel hedging contracts of £0.4m (2015: losses of £0.4m), a credit of £0.7m arising as a result of the reassessment of the provision associated with the closure in 2015 of the Group's operations in the Kingdom of Saudi Arabia (2015: operating losses and closure costs of £3.6m) and other one-off credits of £0.4m (2015: £0.6m).

3. FINANCE INCOME AND FINANCE COSTS

	2016			2015		
	Before Other items £m	Other items £m	Total £m	Before Other Items £m	Other items £m	Total £m
Finance income						
Interest on bank deposits	**1.2**	**–**	**1.2**	1.0	–	1.0
Unwinding of provision discounting	**–**	**0.5**	**0.5**	–	–	–
Total finance income	**1.2**	**0.5**	**1.7**	1.0	–	1.0
Finance costs						
On bank loans, overdrafts and other associated items^	**5.0**	**–**	**5.0**	2.8	–	2.8
On private placement notes	**8.5**	**–**	**8.5**	7.8	–	7.8
On obligations under finance lease contracts	**0.5**	**–**	**0.5**	0.5	–	0.5
Total interest expense	**14.0**	**–**	**14.0**	11.1	–	11.1
Net finance charge on defined benefit pension schemes	**0.5**	**–**	**0.5**	0.7	–	0.7
Unwinding of provision discounting	**0.1**	**0.1**	**0.2**	0.1	1.4	1.5
Fair value losses on derivative financial instruments*	**0.4**	**1.9**	**2.3**	0.4	1.9	2.3
Total finance costs	**15.0**	**2.0**	**17.0**	12.3	3.3	15.6
Net finance costs	**13.8**	**1.5**	**15.3**	11.3	3.3	14.6

^ Other associated items includes the amortisation of arrangement fees of £0.7m (2015: £0.5m).

* Fair value losses on derivative financial instruments before Other items includes £0.4m (2015: £0.4m) relating to the recycling of amounts previously recorded in reserves in respect of two interest rate derivative contracts cancelled in 2015 as part of the ongoing management of the Group's interest rate hedging policy.

Notes to the Accounts CONTINUED

4. (LOSS)/PROFIT BEFORE TAX

	2016 £m	2015 £m
(Loss)/profit before tax is stated after crediting:		
Foreign exchange rate gains*	0.3	0.1
Unwinding of provision discounting	0.5	–
Net decrease in provision for inventories	–	1.4
Gains on disposal of property, plant and equipment	8.5	2.4
Acquisition expenses and contingent consideration (Note 14)	10.9	–
Other one–off items (Note 2)	4.3	0.1
And after charging:		
Cost of inventories recognised as an expense	2,089.0	1,916.0
Net increase in provision for inventories	0.1	–
Depreciation of property, plant and equipment:		
– owned	22.8	20.1
– held under finance leases and hire purchase agreements	3.2	2.9
Amortisation of acquired intangibles	10.3	10.3
Amortisation of computer software	3.5	3.0
Operating lease rentals:		
– land and buildings	56.4	49.7
– plant and machinery	18.3	14.4
Auditor remuneration for audit services	1.5	1.4
Non–audit fees	0.1	0.1
Net increase in provision for receivables (Note 16)	5.0	6.0
Foreign exchange rate losses*	–	0.3
Fair value losses on derivative financial instruments	2.3	2.3
Unwinding of provision discounting	0.2	1.5
Goodwill and intangible impairment charges	110.6	–
Profits and losses on agreed sale or closure of non–core businesses and associated impairment charges (Note 11)	40.1	–
Net operating losses attributable to businesses identified as non–core in 2016	5.8	1.2
Net restructuring costs (Note 2)	13.3	8.3
Acquisition expenses and contingent consideration (Note 14)	6.3	14.3
Other one–off items (Note 2)	10.2	–
Defined benefit pension scheme curtailment loss (Note 29c)	0.9	–
Staff costs excluding contingent consideration treated as remuneration (Note 5)	373.3	321.8

* 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:

	2016 Deloitte LLP £m	2015 Deloitte LLP £m
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	0.1	0.1
Fees payable to the Company's Auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	1.4	1.3
Total audit fees	1.5	1.4
Audit-related assurance services (including Interim Review)	0.1	0.1
Total non-audit fees	0.1	0.1
Total fees	1.6	1.5

The Audit Committee Report on pages 62 to 65 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:

	2016 £m	2015 £m
Employee costs during the year amounted to:		
Wages and salaries	**312.8**	270.3
Social security costs	**52.5**	44.3
IFRS 2 share option (credit)/charge	**(0.3)**	0.1
Pension costs (Note 29c)	**8.3**	7.1
Total staff costs excluding contingent consideration	**373.3**	321.8
Contingent consideration treated as remuneration (Note 14)	**(0.3)**	10.2
Total staff costs including contingent consideration	**373.0**	332.0

Of the pension costs noted above, a charge of £2.0m (2015: £1.5m) relates to defined benefit schemes and a charge of £6.3m (2015: £5.6m) 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:

	2016 Number	2015 Number
Production	**887**	704
Distribution	**3,186**	3,050
Sales	**4,155**	4,243
Administration	**2,087**	1,644
Total	**10,315**	9,641

Within the average numbers above for 2016 and 2015 are staff employed by non-core businesses where the sale or closure has been agreed, subject to contract, including 372 (2015: 351) employees of Carpet & Flooring and 28 (2015: 15) employees of Drywall Qatar.

Directors' emoluments

Details of the individual Directors' emoluments are given in the Directors' Remuneration Report on pages 78 to 80.

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

	2016 £m	2015 £m
Directors' remuneration (excluding IFRS 2 share option charge)	**1.4**	1.2
Directors' compensation for loss of office	**0.8**	–
Total	**2.2**	1.2

6. INCOME TAX

The income tax expense comprises:

		2016 £m	2015 £m
Current tax			
UK corporation tax:	– on (losses)/profits for the year	**0.1**	–
	– adjustments in respect of previous years	**–**	–
		0.1	–
Overseas tax:	– on (losses)/profits for the year	**11.4**	10.8
	– adjustments in respect of previous years	**(0.6)**	(0.4)
Total current tax		**10.9**	10.4
Deferred tax			
Current year		**1.8**	5.7
Adjustments in respect of previous years		**(0.3)**	(1.0)
Deferred tax charge in respect of pension schemes*		**0.2**	0.2
Effect of change in rate		**(0.3)**	(0.3)
Total deferred tax		**1.4**	4.6
Total income tax expense		**12.3**	15.0

* Includes a charge of £0.1m (2015: credit of £0.5m) in respect of the change in rate.

Notes to the Accounts CONTINUED

6. INCOME TAX CONTINUED

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 2016 of 20.0% (31 December 2015: 20.0%). Due to the effect of Other items presented of the Consolidated Income Statement and their impact on a Group blend rate of tax, the reconciliation of total income tax expenses has been presented against the UK standard rate of tax, reflecting the tax residency of SIG plc. The differences are explained in the following reconciliation:

	2016		2015	
	£m	**%**	£m	%
(Loss)/profit on ordinary activities before tax	**(106.3)**		51.3	
Tax at 20.0% (2015: 20.0%) thereon	**(21.3)**	**20.0**	10.3	20.0
Factors affecting the income tax expense for the year:				
– non-deductible and non-taxable items	**3.4**	**(3.2)**	4.8	9.4
– impairment charges	**25.6**	**(24.1)**	–	–
– losses arising in the year not recognised for deferred tax purposes	**1.4**	**(1.3)**	–	–
– losses utilised not previously recognised	**–**	**–**	(0.3)	(0.6)
– other adjustments in respect of previous years	**(1.1)**	**1.0**	(1.4)	(2.7)
– effect of overseas tax rates	**4.5**	**(4.2)**	2.4	4.7
– effect of change in rate on deferred tax	**(0.2)**	**0.2**	(0.8)	(1.6)
Total income tax expense	**12.3**	**(11.6)**	15.0	29.2

The effective tax rate for the Group on the total loss before tax of £106.3m is negative 11.6% (2015: positive 29.2%). The effective tax charge for the Group on profit before tax before Other items of £77.5m is 25.2% (2015: 24.2%), which comprises a tax charge of 25.9% (2015: 25.0%) in respect of current year profits and a tax credit of 0.7% (2015: 0.8%) in respect of prior years.

The current tax charge in the UK is minimal due to the use of £20.4m of brought forward non-trade tax losses. There is a corresponding tax charge within the current year deferred tax movement relating to the utilisation of these losses.

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

- the mix of profits between the UK and overseas; in particular, France/Germany/Belgium/the Netherlands (corporate tax rates greater than the rate in the UK) and Ireland/Poland (corporate tax rates less than the rate in the UK). If the proportion of profits from these jurisdictions changes, this could result in a higher or lower Group tax charge;
- the impact of non-deductible expenditure and non-taxable income;
- agreement of open tax computations with the respective tax authorities; and
- the recognition or utilisation (with corresponding reduction in cash tax payments) of unrecognised deferred tax assets (see Note 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.

	2016 £m	2015 £m
Deferred tax movement associated with remeasurement of defined benefit pension liabilities*	**2.3**	(0.2)
Deferred tax on share options	**(0.6)**	(0.1)
Tax credit/(charge) on exchange and fair value movements arising on borrowings and derivative financial instruments	**6.3**	(1.5)
Effect of change in rate on deferred tax*	**(0.5)**	(0.7)
Total	**7.5**	(2.5)

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

7. DIVIDENDS

An interim dividend of 1.83p per ordinary share was paid on 4 November 2016 (2015: 1.69p). The Directors have proposed a final dividend for the year ended 31 December 2016 of 1.83p per ordinary share (2015: 2.91p). 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 2016 and the date of signing the Accounts.

8. EARNINGS PER SHARE

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

	Basic and diluted	
	2016 £m	2015 £m
(Loss)/profit after tax	**(118.6)**	36.3
Non-controlling interests	**(0.5)**	(0.3)
	(119.1)	36.0

	Basic and diluted before Other items	
	2016 £m	2015 £m
(Loss)/profit after tax	**(118.6)**	36.3
Non-controlling interests	**(0.5)**	(0.3)
Other items:		
Amortisation of acquired intangibles (Note 13)	**10.3**	10.3
Goodwill and intangible impairment charges	**110.6**	–
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges (Note 11)	**40.1**	–
Net operating losses attributable to businesses identified as non-core in 2016	**5.8**	1.2
Net restructuring costs	**13.3**	8.3
Acquisition expenses and contingent consideration (Note 14)	**(4.6)**	14.3
Defined benefit pension scheme curtailment loss (Note 29c)	**0.9**	–
Other one-off items	**5.9**	(0.1)
Net fair value losses on derivative financial instruments	**1.9**	1.9
Unwinding of provision discounting	**(0.4)**	1.4
Tax credit relating to Other items	**(6.6)**	(4.6)
One-off recognition of deferred tax assets	**–**	(0.7)
Utilisation of losses not previously recognised	**–**	(0.3)
Effect of change in rate on deferred tax	**(0.2)**	(0.8)
Other tax adjustments in respect of previous years	**(0.4)**	–
	57.5	66.9

Weighted average number of shares	**2016 Number**	2015 Number
For basic and diluted earnings per share	**591,365,906**	591,183,300
Earnings per share		
Basic and diluted (loss)/earnings per share	**(20.1)p**	6.1p
Earnings per share before Other items^		
Basic and diluted earnings per share	**9.7p**	11.3p

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

Notes to the Accounts CONTINUED

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:

	2016			2015		
	Other items £m	**Tax impact £m**	**Tax impact %**	Other items £m	Tax impact £m	Tax impact %
Amortisation of acquired intangibles (Note 13)	**10.3**	**2.1**	**20.4**	10.3	2.2	21.4
Goodwill and intangible impairment charges	**110.6**	**–**	**–**	–	–	–
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges (Note 11)	**40.1**	**0.9**	**2.2**	–	–	–
Net operating losses attributable to businesses identified as non-core in 2016	**5.8**	**0.6**	**10.3**	1.2	0.4	33.3
Net restructuring costs	**13.3**	**2.9**	**21.8**	8.3	1.7	20.5
Acquisition expenses and contingent consideration (Note 14)	**(4.6)**	**–**	**–**	14.3	–	–
Defined benefit pension scheme curtailment loss (Note 29c)	**0.9**	**0.2**	**22.2**	–	–	–
Other one-off items	**5.9**	**(0.5)**	**(8.5)**	(0.1)	(0.1)	–
Impact on operating profit	**182.3**	**6.2**	**3.4**	34.0	4.2	12.4
Net fair value losses on derivative financial instruments	**1.9**	**0.4**	**21.1**	1.9	0.4	21.1
Unwinding of provision discounting	**(0.4)**	**–**	**–**	1.4	–	–
Impact on profit before tax	**183.8**	**6.6**	**3.6**	37.3	4.6	12.3
One-off recognition of deferred tax assets	**–**	**–**	**–**	–	0.7	–
Utilisation of losses not previously recognised	**–**	**–**	**–**	–	0.3	–
Effect of change in rate on deferred tax	**–**	**0.2**	**–**	–	0.8	–
Other tax adjustments in respect of previous years	**–**	**0.4**	**–**	–	–	–
Impact on profit attributable to equity holders of the Company	**183.8**	**7.2**	**3.9**	37.3	6.4	17.2

9. SHARE-BASED PAYMENTS

The Group had two share-based payment schemes in existence during the year ended 31 December 2016 (2015: three). The Group recognised a total credit of £0.3m (2015: charge of £0.1m) in the year relating to share-based payment transactions issued after 7 November 2002 with a corresponding entry to the share option reserve. There were no options granted during the year and therefore the weighted average fair value of each option granted in the year was nil p (2015: 163p). Details of each of the schemes are provided below.

a) 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 150% of base salary.

9. SHARE-BASED PAYMENTS CONTINUED

a) Long Term Incentive Plan ("LTIP") continued

There were no LTIP awards in 2016. The criteria and vesting conditions of the previous LTIP options are as follows:

	2015 Awards		2014 Award	
	EPS	ROCE	EPS	ROCE
Weighting of criteria	33%	67%	33%	67%
Vesting Conditions:				
Does not vest	<38p	<11.0%	<35p	< 9.2%
Vests proportionately	38p - 48p	11.0% - 14.0%	35p - 45p	9.2% - 13.0%
Vests in full	≥48p	≥ 14.0%	≥45p	≥ 13.0%
Proportion that vests at entry level	25%	0%	25%	0%
Exercise period	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)

	2016		2015	
	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
At 1 January	5,437,788	0.0	4,840,049	0.0
Granted during the year	–	–	2,408,985	0.0
Exercised during the year	(113,153)	0.0	(124,413)	0.0
Lapsed during the year	(1,989,073)	0.0	(1,686,833)	0.0
At 31 December	3,335,562	0.0	5,437,788	0.0

Of the above share options outstanding at the end of the year, 96,681 (2015: 15,533) are exercisable at 31 December 2016.

The options outstanding at 31 December 2016 had a weighted average exercise price of nil p (2015: nil p) and a weighted average remaining contractual life of 1.2 years (2015: 1.9 years). In the year, 113,153 options were exercised.

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

	2015 Awards		2014 Award
Share price (on date of official grant)	138p (4 December 2015)	184p (17 September 2015)	177p (18 September 2014)
Exercise price	0.0p	0.0p	0.0p
Expected volatility	25.4%	25.4%	32.3%
Actual life	3 - 5 years	3 - 5 years	3 years
Risk free rate	1.8%	1.8%	1.8%
Dividend	4.67p	4.67p	3.82p
Expected percentage options exercised versus granted at date of grant	12%	50%	50%
Revised expectation of percentage of options to be exercised as at 31 December 2016	0%	0%	0%

Notes to the Accounts CONTINUED

9. SHARE-BASED PAYMENTS CONTINUED

a) Long Term Incentive Plan ("LTIP") continued

No options were granted during the year and so the weighted average fair value of LTIP options granted during the year was nil p.

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.

b) Share Incentive Plan ("SIP")

The SIP is offered to UK employees. The SIP is an HM Revenue & 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 2016, 167,546 (2015: 108,120) 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 2015	70.2	38.1	190.5	298.8
Exchange differences	(3.0)	(0.9)	(7.1)	(11.0)
Additions	4.7	4.6	31.6	40.9
Added on acquisition	1.7	0.2	2.1	4.0
Disposals	(10.2)	(0.4)	(13.8)	(24.4)
At 31 December 2015	63.4	41.6	203.3	308.3
Exchange differences	7.9	2.5	19.6	30.0
Additions	1.5	6.8	25.4	33.7
Added on acquisition	0.3	–	1.7	2.0
Disposals	(13.5)	(1.7)	(41.0)	(56.2)
At 31 December 2016	**59.6**	**49.2**	**209.0**	**317.8**
Accumulated depreciation and impairment				
At 1 January 2015	23.8	20.6	127.2	171.6
Charge for the year	1.2	3.0	18.8	23.0
Exchange differences	(1.2)	(0.7)	(5.2)	(7.1)
Disposals	(8.2)	(0.4)	(13.3)	(21.9)
At 31 December 2015	15.6	22.5	127.5	165.6
Charge for the year	1.7	3.4	20.9	26.0
Impairment charges	–	1.1	3.0	4.1
Exchange differences	3.2	2.2	14.7	20.1
Disposals	(2.9)	(1.5)	(20.9)	(25.3)
At 31 December 2016	**17.6**	**27.7**	**145.2**	**190.5**
Net book value				
At 31 December 2016	**42.0**	**21.5**	**63.8**	**127.3**
At 31 December 2015	47.8	19.1	75.8	142.7

The net book value of plant and machinery at 31 December 2016 includes an amount of £9.3m (2015: £9.5m) in respect of assets held under finance lease contracts.

Included within plant and machinery additions are assets in the course of construction of £0.2m (2015: £8.6m).

Of the £4.1m impairment charges, £0.3m relates to the cessation of the UK eCommerce project, £3.6m relates to the agreed sale of the Group's Carpet & Flooring business and £0.2m relates to the agreed sale, subject to contract, of the Drywall Qatar business.

11. DIVESTMENTS AND EXIT OF NON-CORE BUSINESSES (EVENTS AFTER THE BALANCE SHEET DATE)

The Group has recognised a total charge of £40.1m in respect of "profits and losses on agreed sale or closure of non-core businesses and associated impairment charges" within Other items of the Consolidated Income Statement.

Divestment of Carpet & Flooring

At the 31 December 2016 the Group Board resolved to dispose of its UK specialist flooring distribution operation, Carpet & Flooring. On 17 February 2017 the disposal was agreed with Endless LLP, a UK based private equity investor, and it completed on 28 February 2017. The assets and liabilities sold were as follows:

	At 31 December 2016			
	Recoverable value £m	Impairment and asset write down (Note 2) £m	Original carrying value £m	At 31 December 2015 £m
Goodwill and intangible assets	–	(17.3)	17.3	17.3
Property, plant and equipment	–	(3.6)	3.6	3.5
Inventories	8.5	(7.7)	16.2	18.8
Trade and other receivables	7.1	(6.6)	13.7	14.9
Total assets	15.6	(35.2)	50.8	54.5
Trade and other payables	(15.6)	–	(15.6)	(15.9)
Total liabilities	(15.6)	–	(15.6)	(15.9)
Net assets	–	(35.2)	35.2	38.6

Classification on the Consolidated Balance Sheet	£m
Assets held for sale	15.6
Liabilities held for sale	(15.6)
Net assets held for sale	–

The assets of the business have been impaired to reflect the recoverable amount indicated by the consideration received in respect of the sale, and the assets and liabilities presented as held for sale within the Consolidated Balance Sheet. The loss arising on the agreed sale of Carpet & Flooring of £35.2m and the results for the current and prior year have been disclosed within Other items in the Consolidated Income Statement.

Exit of the Drywall Qatar business

The Group Board resolved to exit the Drywall Qatar business and in March 2017 agreed, subject to contract, to dispose of its controlling interest. The associated assets and liabilities were as follows:

	At 31 December 2016			
	Recoverable value £m	Impairment and asset write down (Note 2) £m	Original carrying value £m	At 31 December 2015 £m
Goodwill and intangible assets	–	(4.7)	4.7	5.2
Property, plant and equipment	–	(0.2)	0.2	0.1
Inventories	0.7	–	0.7	0.6
Trade and other receivables	6.1	–	6.1	4.4
Total assets	6.8	(4.9)	11.7	10.3
Trade and other payables	(3.0)	–	(3.0)	(2.4)
Total liabilities	(3.0)	–	(3.0)	(2.4)
Net assets	3.8	(4.9)	8.7	7.9

The fixed assets of the business have been impaired to reflect the recoverable amount indicated by the year end impairment review process (Note 12). The loss arising on the agreed exit of Drywall Qatar of £4.9m and the results for the current and prior year have been disclosed within Other items in the Consolidated Income Statement.

Notes to the Accounts CONTINUED

12. GOODWILL

	£m
Cost	
At 1 January 2015	487.6
Acquisitions	29.4
Adjustments in respect of prior period acquisitions	0.2
Exchange differences	(11.7)
At 31 December 2015	505.5
Acquisitions	10.8
Adjustments in respect of prior period acquisitions	1.3
Exchange differences	36.8
At 31 December 2016	**554.4**
Accumulated impairment losses	
At 1 January 2015	68.4
Exchange differences	(0.4)
At 31 December 2015	68.0
Impairment charges	127.9
Exchange differences	5.8
At 31 December 2016	**201.7**
Net book value	
At 31 December 2016	**352.7**
At 31 December 2015	437.5

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 sixteen 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:

	2016 £m	2015 £m
UK Distribution	**102.5**	98.1
UK Exteriors	**112.8**	110.6
Larivière	**68.7**	144.7
Other CGUs	**68.7**	84.1
Total goodwill	**352.7**	437.5

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. 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, which anticipates sales growth, and a projection of sales and cash flows based upon industry growth expectations (0%-4%) 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 4% in perpetuity. The discount rates applied to all impairment reviews represent pre-tax rates.

12. GOODWILL CONTINUED

Impairment review process continued

	Long-term operating profit growth rate (%)	Pre-tax discount rate (%)
UK	1.8	9.4
France	1.4	11.0
Germany and Austria	1.3	11.1
Poland	3.0	11.6
Ireland	3.5	9.4
Air Handling	1.5	11.1
Benelux	1.5	10.4

2016 impairment review results

The most recent results of the impairment review process indicated that the carrying value of goodwill and intangible assets associated with the Group's Larivière, Poland, Carpet & Flooring and Drywall Qatar CGUs were no longer supportable.

Increased market and macroeconomic uncertainty and challenging market conditions have led to the lowering of expectations in the future profitability of the Larivière CGU. As a result, a goodwill impairment charge of £100.4m has been recognised as at 31 December 2016. The carrying value of the CGU after the impairment charge is £97.5m.

Due to a change in the short-term forecast profitability of the Poland CGU, an impairment charge of £10.2m has been made to reduce the carrying value of goodwill in respect of this CGU to £1.2m. There are no intangible assets in respect of this CGU.

On 17 February 2017 the Group agreed to the sale of the Carpet & Flooring business (Note 11). The market value of the sale indicated that at 31 December 2016 the carrying value of the goodwill relating to this CGU was impaired in full and, as a result, an impairment charge of £17.3m has been recognised in the Consolidated Income Statement.

In addition, the Group resolved to exit the Drywall Qatar business. The Group has agreed, subject to contract, to dispose of its controlling interest in Drywall Qatar (Note 11). The intangible assets of £4.7m associated with this CGU have been impaired in full based on its revised value in use (Note 13).

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

Sensitivity analysis

A number of reasonably possible 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 table below sets out the amount that the assumption would have to change by for there to be no headroom. The Larivière CGU has been excluded from the 2016 sensitivity analysis on the basis that it has been impaired at the 2016 year end. The results are as follows:

2016		**Like-for-like market volume (average % per annum)**		**Discount rate (%)**		**Gross margin (%)**		**Long-term operating profit growth rate (average % per annum)**	
	Headroom	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**
UK Distribution	**£35.5m**	**0.2**	**(1.9)**	**9.4**	**1.8**	**24.7**	**(0.4)**	**1.8**	**(1.5)**
UK Exteriors	**£133.1m**	**0.3**	**(8.4)**	**9.4**	**5.9**	**29.9**	**(2.5)**	**1.8**	**(4.8)**
Germany and Austria*	**€42.7m**	**0.1**	**(3.6)**	**11.1**	**7.0**	**26.9**	**(1.1)**	**1.3**	**(4.6)**

*The recoverable amount of goodwill in respect of Germany and Austria is £3.0m (2015: £2.6m).

2015		Like-for-like market volume (average % per annum)		Discount rate (%)		Gross margin (%)		Long-term operating profit growth rate (average % per annum)	
	Headroom	Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
UK Distribution	£525.6m	0.6	(15.7)	8.9	19.9	24.5	(3.9)	3.0	(14.5)
UK Exteriors	£547.5m	0.9	(23.7)	8.9	16.7	29.8	(7.3)	3.0	(12.2)
Larivière	€48.6m	1.4	(6.2)	10.8	1.7	23.3	(1.4)	2.0	(1.5)

Notes to the Accounts CONTINUED

12. GOODWILL CONTINUED

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, an impairment would arise in two CGUs, UK Distribution (£71m) and Germany and Austria (€19m). The Board has actively reviewed the forecasts associated with UK Distribution and Germany and Austria, noting the conservative assumptions used, the continued pattern of strong results in challenging economic environments and the outperformance of the markets in which they operate, and is satisfied that no impairments are necessary. The current forecasts provide headroom of £35m in UK Distribution and €43m in Germany and Austria.

If a 5% reduction in revenue were to arise from that forecast in the goodwill impairment reviews, a further impairment of PLN 36m would arise in the Poland CGU and €59m in the Larivière CGU.

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 2015	181.6	11.3	38.6	231.5
Acquisitions	42.3	0.8	–	43.1
Additions	–	–	9.2	9.2
Exchange differences	(4.0)	–	–	(4.0)
At 31 December 2015	219.9	12.1	47.8	279.8
Acquisitions	6.8	0.1	–	6.9
Additions	–	–	6.2	6.2
Adjustment in respect of prior period acquisitions	(0.4)	(0.1)	–	(0.5)
Disposals	–	–	(0.3)	(0.3)
Exchange differences	12.7	–	–	12.7
At 31 December 2016	**239.0**	**12.1**	**53.7**	**304.8**
Amortisation				
At 1 January 2015	158.1	10.3	13.5	181.9
Charge for the year	9.4	0.9	3.0	13.3
Exchange differences	(3.6)	–	–	(3.6)
At 31 December 2015	163.9	11.2	16.5	191.6
Charge for the year	9.8	0.5	3.5	13.8
Impairment charges	4.7	–	7.9	12.6
Disposals	–	–	(0.2)	(0.2)
Exchange differences	10.1	–	–	10.1
At 31 December 2016	**188.5**	**11.7**	**27.7**	**227.9**
Net book value				
At 31 December 2016	**50.5**	**0.4**	**26.0**	**76.9**
At 31 December 2015	56.0	0.9	31.3	88.2

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 96.

Included within additions for the prior year were £0.2m of borrowing costs which were capitalised in accordance with IAS 23 "Borrowing Costs".

Included within computer software additions are assets in the course of construction of £0.9m (2015: £4.7m).

The £4.7m customer relationships impairment charges in the year relate to the Group's Drywall Qatar business. At the December 2016 Group Board meeting, the Board resolved to exit the Drywall Qatar business and therefore the intangible assets associated with this business were impaired in full based on its revised value in use.

The computer software impairment charges in the year relate to the cessation of the UK eCommerce project.

14. ACQUISITIONS

During the period the Group acquired the following:

Acquisition name	% of ordinary share capital acquired	Acquisition date	Country of incorporation	Principal activity
Metall Architektur Limited*	100%	5 January 2016	United Kingdom	Manufacturer and supplier of facade panel systems
Profant Lufttechnik HandelsgmbH	100%	11 January 2016	Austria	Developer and fabricator of specialist air handling systems
Maury SAS	100%	20 January 2016	France	Manufacturer and supplier of metal roofing and facades
Metechno Limited	100%	1 March 2016	United Kingdom	Designer and manufacturer of offsite products
SAS Direct and Partitioning Limited	100%	5 March 2016	United Kingdom	Distributor of partitioning systems and associated products
BLH Bauelemente für Lüftungstechnik Hennen GmbH	100%	4 July 2016	Germany	Fabricator and distributor of specialist air handling systems

* Includes acquisition of the trade and certain assets of KME Yorkshire Limited.

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

	£m
Property, plant and equipment	2.0
Inventories	3.2
Trade and other receivables	6.4
Cash acquired	1.1
Debt acquired	(1.6)
Trade and other payables	(5.5)
Net corporation tax and deferred tax liability	(0.3)
Net assets acquired	5.3
Intangible assets - customer relationships	6.8
Intangible assets - non-compete clauses	0.1
Deferred tax liability on acquired intangible assets	(1.5)
Goodwill	10.8
Total consideration	**21.5**
Consideration is represented by:	
Cash	21.1
Contingent consideration	0.4
Total consideration	**21.5**
Cash (per above)	21.1
Cash acquired	(1.1)
Settlement of loan notes and contingent consideration in respect of acquisitions	5.3
Settlement of amounts payable for purchase of businesses	**25.3**

In accordance with IFRS 3 "Business Combinations", acquisition expenses of £0.8m in relation to the above acquisitions have been recognised within the Consolidated Income Statement and have been presented within Other items.

Dependent upon future profits, a further £15.5m may 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 Consolidated Income Statement as earned. The related accrual of potential consideration in the year to 31 December 2016 is a credit of £0.3m (31 December 2015: charge of £10.2m). Added to the £0.8m acquisition expenses is a £5.1m net decrease in contingent consideration based solely on a reassessment of post-acquisition performance of the acquired businesses; this has led to a net credit within Other items in the Consolidated Income Statement of £4.6m in respect of acquisitions (see Note 2).

Notes to the Accounts CONTINUED

14. ACQUISITIONS CONTINUED

In addition, £0.5m of deferred and 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 2017. 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

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 £6.0m and a gross contractual value of £6.1m. The best estimate at the date of acquisition of the contractual cash flows not able 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 £10.8m 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 2016 for all 2016 acquisitions amounted to £34.8m and £1.3m respectively.

The Directors estimate that the combined pre-acquisition revenue and operating profit of the 2016 acquisitions for the period from 1 January 2016 to the acquisition dates was £4.9m and £0.3m respectively.

15. INVENTORIES

	2016 £m	2015 £m
Raw materials and consumables	**4.7**	3.6
Work in progress	**0.7**	1.1
Finished goods and goods for resale	**245.2**	238.2
Total inventories	**250.6**	242.9

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

16. TRADE AND OTHER RECEIVABLES

	2016 £m	2015 restated £m
Trade receivables	**417.0**	386.9
Amounts due from contract customers	**12.9**	3.9
VAT	**4.7**	3.2
Other receivables	**2.8**	3.2
Prepayments and accrued income	**78.7**	70.9
Trade and other receivables	**516.1**	468.1
Current tax assets	**3.2**	4.3
Assets classified as held for sale (Note 11)	**15.6**	–
Total receivables	**534.9**	472.4

16. TRADE AND OTHER RECEIVABLES CONTINUED

Included within prepayments and accrued income is £56.1m (2015: £53.2m) due in relation to supplier rebates where there is no right to offset against trade payable balances.

The average credit period on sale of goods and services for continuing operations on a constant currency basis is 45 days (2015: 45 days). No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £21.0m at 31 December 2016 (2015: £18.8m). 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 £114.3m (2015: £138.6m) 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 35 days overdue (2015: 34 days).

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

	2016 £m	2015 £m
Neither past due nor renegotiated	**288.5**	240.4
Renegotiated	**2.7**	1.0
Balances overdue which have no provision for impairment:		
1-30 days	**80.0**	90.2
31-60 days	**16.1**	29.7
61-90 days	**6.1**	8.9
91-120 days	**6.5**	4.5
121-180 days	**2.7**	2.8
180+ days	**2.9**	2.5
	114.3	138.6
Total trade receivables for which no provision for impairment has been made	**405.5**	380.0

Movement in the allowance for doubtful debts

	2016 £m	2015 £m
At 1 January	**(18.8)**	(20.7)
Utilised	**6.8**	6.9
Added on acquisition	**(0.1)**	(0.5)
Charged to the Consolidated Income Statement	**(5.0)**	(6.0)
Exchange differences	**(3.9)**	1.5
At 31 December	**(21.0)**	(18.8)

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and makes a provision for impairment accordingly. The concentration of credit risk is limited due to the customer base being large and unrelated. The Directors therefore believe that no further credit provision is required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are trade receivables with a gross balance of £32.5m (2015: £25.7m) and a provision for impairment of £21.0m (2015: £18.8m). 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.

Notes to the Accounts CONTINUED

17. CURRENT LIABILITIES

	2016 £m	2015 restated £m
Trade payables	**320.0**	287.6
Amounts due to construction contract customers	**2.5**	–
Bills of exchange payable	**0.3**	12.7
VAT	**23.1**	15.9
Social security and payroll taxes	**15.2**	13.3
Accruals	**79.5**	88.2
Trade and other payables	**440.6**	417.7
Obligations under finance lease contracts (Note 24)	**3.1**	2.5
Bank overdrafts	**3.5**	59.5
Bank loans	**171.6**	90.9
Private placement notes	**–**	160.1
Loan notes and deferred consideration	**2.7**	3.0
Derivative financial instruments	**0.2**	1.3
Current tax liabilities	**8.4**	8.4
Provisions (Note 22)	**14.5**	9.7
Liabilities directly associated with assets classified as held for sale (Note 11)	**15.6**	–
Current liabilities	**660.2**	753.1

Trade payables is presented net of £73.4m (2015: £72.7m) due from suppliers in respect of supplier rebates where the Group has the right to net settlement.

£0.5m (2015: £2.5m) of the above bank loans and overdrafts are secured on the assets of subsidiary undertakings. All of the above finance lease contracts are secured on the underlying assets. The remaining balances are unsecured. All of the above private placement notes, derivative financial instruments, and £170.2m of the bank debt are guaranteed by certain companies of the Group.

The bank overdrafts are repayable on demand and attract floating rates of interest, which at 31 December 2016 ranged from 0.0% to 2.2% (2015: between 0.2% and 3.0%).

£122.3m (2015: £50.5m) of the bank loans and deferred consideration due within one year (after taking into account derivative financial instruments) are at variable rates of interest.

£52.0m (2015: £43.4m) of the bank loans and deferred consideration due within one year (after taking into account derivative financial instruments) attract an average fixed interest rate of 3.1% (2015: 2.7%).

There are no private placement notes due within one year. In 2015, £92.3m of the private placement notes due within one year (after taking into account derivative financial instruments) were at variable rates of interest.

In 2015, £67.8m of the private placement notes due within one year (after taking into account derivative financial instruments) attracted an average fixed interest rate of 5.9%.

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 39 days (2015: 38 days).

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

18. NON-CURRENT LIABILITIES

	2016 £m	2015 £m
Obligations under finance lease contracts (Note 24):		
– due after one and within two years	**2.7**	2.4
– due after two and within five years	**4.8**	4.5
– due after five years	**0.6**	0.6
Bank loans	**0.3**	0.4
Private placement notes	**200.7**	95.8
Derivative financial instruments	**3.6**	0.7
Deferred tax liabilities (Note 23)	**15.2**	18.2
Other payables	**5.5**	3.8
Retirement benefit obligations (Note 29c)	**37.1**	23.8
Provisions (Note 22)	**22.4**	37.6
Non-current liabilities	**292.9**	187.8

	2016 £m	2015 £m
The bank loans included above are repayable as follows:		
– due after one and within two years	**0.3**	0.2
– due after two and within five years	**–**	0.2
Total	**0.3**	0.4

Of the above bank loans due after more than one year, £0.2m (2015: £0.4m) are secured on certain of the assets of subsidiary undertakings. All of the above private placement notes and derivative financial instruments are guaranteed by certain companies of the Group.

Of the above bank loans due after more than one year, £0.2m (2015: £0.4m) attract variable rates of interest and £0.1m (2015: £ nil) attract an average fixed interest rate of 4.2%.

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

	2016		2015	
	£m	Fixed interest rate %	£m	Fixed interest rate %
Repayable in 2016*	**–**	**n/a**	160.1	5.9
Repayable in 2018	**22.0**	**5.3**	22.4	5.2
Repayable in 2020	**25.6**	**3.7**	22.0	3.7
Repayable in 2021	**17.1**	**3.9**	14.7	3.9
Repayable in 2023	**42.7**	**4.2**	36.7	4.2
Repayable in 2026	**93.3**	**3.3**	–	n/a
Total	**200.7**	**3.8**	255.9	5.3

* The private placement notes repayable in 2016 were included within current liabilities in 2015.

The private placement debt repayable in 2018 is denominated in Sterling. The debt was swapped from fixed to floating rate debt using an interest rate swap. The £24.3m of private placement debt repayable in 2026 that was denominated in US Dollar was swapped into Sterling through the use of cross-currency swaps. The remainder of the private placement debt at 31 December 2016 is denominated in Euros. The private placement debt in the table above is valued before application of the cross-currency swaps associated with the US Dollar denominated debt but after application of the interest rate swap associated with the Sterling denominated private placement debt, and therefore differs from the value of private placement debt of £198.4m as disclosed in Note 19 Financial Instruments.

The Directors consider that the carrying amount of non-current liabilities approximates to their fair value, with the exception of the private placements notes, the fair value of which is disclosed in Note 19 on page 120.

Notes to the Accounts CONTINUED

19. FINANCIAL INSTRUMENTS

The "Treasury risk management" section of the Business Review on pages 32 to 34 includes a review of all treasury; liquidity; interest rate and foreign currency risks, and provides an explanation of the role that derivative financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The capital structure of the Group is outlined in the Business Review on page 31.

The Group's financial assets consist of trade and other receivables, cash at bank and derivative financial instruments. The following financial assets form part of the net debt of the Group:

	2016 £m	2015 restated £m
Cash and cash equivalents	**127.6**	146.2
Other financial assets	**1.1**	1.3
Deferred consideration	**0.7**	1.5
Derivative financial instruments	**4.5**	36.8
Total	**133.9**	185.8

The Directors consider the fair value of financial assets to approximate to their book value. The interest received on cash deposits is at variable rates of interest of up to 1.2%.

The Group's credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Of the above cash at bank, £40.3m (2015: £44.7m) is denominated in Sterling, £67.0m (2015: £84.8m) in Euros, £17.4m (2015: £12.9m) in Polish Zloty, and £2.9m (2015: £3.8m) in other currencies. Of the other financial assets, £nil (2015: £1.3m) is denominated in Sterling, and £1.1m (2015: £nil) in United Arab Emirates Dirhams. The deferred consideration is denominated in Sterling.

2016 interest rate and currency profile

The interest rate and currency profile of the Group's financial liabilities at 31 December 2016, after taking account of interest rate and currency derivative financial instruments (including derivative assets of £4.5m 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**	**41.8**	**20.0**	**21.8**	**3.3**	**9.6**	**–**	**41.8**
Other borrowings	**Sterling**	**135.4**	**92.0**	**43.4**	**3.1**	**3.1**	**–**	**135.4**
Finance lease contracts	**Sterling**	**0.3**	**–**	**0.3**	**6.1**	**2.7**	**0.3**	**–**
Private placement notes	**Euro**	**154.5**	**–**	**154.5**	**3.5**	**7.4**	**–**	**154.5**
Other borrowings	**Euro**	**34.0**	**33.8**	**0.2**	**4.2**	**–**	**0.4**	**33.6**
Finance lease contracts	**Euro**	**8.3**	**–**	**8.3**	**5.3**	**3.8**	**8.3**	**–**
Other borrowings	**Polish Zloty**	**0.2**	**0.2**	**–**	**n/a**	**–**	**0.2**	**–**
Finance lease contracts	**Polish Zloty**	**2.6**	**–**	**2.6**	**3.3**	**4.5**	**2.6**	**–**
Other borrowings	**US Dollar**	**11.2**	**–**	**11.2**	**3.0**	**0.3**	**0.1**	**11.1**
Other borrowings	**Other**	**1.0**	**–**	**1.0**	**n/a**	**–**	**–**	**1.0**
Total		**389.3**	**146.0**	**243.3**			**11.9**	**377.4**

In addition to the currency exposures above, the Group held two cross-currency derivative financial instruments which alter the currency profile of the Group's financial liabilities. These amount to an asset of £20.9m and a liability of €26.6m. The fair value of these derivatives was a liability of £2.1m which is included in the Sterling value of Other borrowings in the table above.

The Group's net debt at 31 December 2016 was £259.9m, and, after taking account of these cross-currency derivatives, the Group had net Euro financial liabilities of £151.6m.

All of the above finance lease contracts, totalling £11.2m, are secured on the underlying assets.

The Directors consider the fair value of the Group's floating rate financial liabilities to materially approximate to the book value shown in the table above. The fair value of the Group's private placement notes at 31 December 2016 is estimated to be c.£241m and is classified as a Level 2 fair value measurement for disclosure purposes. The remaining fixed rate debt amounts to £64.9m and relates to finance lease contracts, fixed rate loans (after applying derivative financial instruments) and deferred consideration. 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

2015 interest rate and currency profile

The interest rate and currency profile of the Group's borrowings at 31 December 2015, after taking account of interest rate and currency derivative financial instruments (including derivative assets of £36.8m as noted on page 120), 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	145.8	92.8	53.0	5.8	0.8	–	145.8
Other borrowings (restated)	Sterling	95.5	52.4	43.1	1.8	0.2	–	95.5
Finance lease contracts	Sterling	0.4	–	0.4	6.2	3.7	0.4	–
Private placement notes	Euro	73.4	–	73.4	4.0	6.5	–	73.4
Other borrowings (restated)	Euro	57.7	57.7	–	n/a	n/a	0.6	57.1
Finance lease contracts	Euro	7.6	–	7.6	5.9	6.0	7.6	–
Other borrowings	Polish Zloty	0.3	0.3	–	n/a	n/a	0.3	–
Finance lease contracts	Polish Zloty	2.0	–	2.0	3.3	4.3	2.0	–
Other borrowings	US Dollar	2.2	–	2.2	1.8	1.1	1.9	0.3
Total		384.9	203.2	181.7			12.8	372.1

In addition to the currency exposures above, the Group held 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 £45.5m and a liability of €62.0m was entered into on 31 December 2015 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 2015 was £235.9m, of which £99.4m was denominated in Euros.

All of the above finance lease contracts, totalling £10.0m, were secured on the underlying assets.

In both 2016 and 2015, 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 £4.5m (2015: £36.8m) and loans and receivables (including cash and cash equivalents) of £640.8m (2015 restated: £613.9m).

Included within financial liabilities are derivative financial instruments in designated hedge accounting relationships amounting to £3.6m (2015: £1.6m) and liabilities (including trade payables) at amortised cost of £792.0m (2015 restated: £795.5m).

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 39, movements in the fair values of these derivative financial instruments (for cash flow and net investment hedges) will be recognised in the Consolidated Statement of Comprehensive Income. Where the Group does not meet these rules, movements in the fair value will be recognised as gains and losses on derivative financial instruments in the Consolidated Income Statement in the column entitled Other items.

In order to manage the Group's exposure to interest rate and exchange rate changes, the Group utilises both currency and interest rate derivative financial instruments. The fair values of these derivative financial instruments are calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

The Group is required to analyse financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the financial instruments overleaf are categorised as Level 2.

Notes to the Accounts CONTINUED

19. FINANCIAL INSTRUMENTS CONTINUED

a) Net investment hedges

As at 31 December 2016 the Group held two (31 December 2015: zero) cross-currency derivative financial instruments which receive fixed £20.9m and pay fixed €26.6m. These derivative financial instruments were designated as the hedging instruments in the net investment hedge of the Group's Euro-denominated net assets. The hedge relationships were fully effective and the fair value changes on those derivatives were recognised in equity (hedging and translation reserve). As at 31 December 2015 the Group held one cross-currency forward contract that was designated as a net investment hedge.

Hedge of the Group's Euro denominated assets	**2016 £m**	2015 £m
Liability at 1 January	**–**	–
Fair value losses recognised in equity	**(2.1)**	–
Liability at 31 December	**(2.1)**	–

Additionally, as at 31 December 2016 the Group held €216m (2015: €134m) of direct Euro denominated debt through its revolving credit facility and bilateral private placement debt. This is designated and effective as a net investment hedge of the Group's Euro denominated assets.

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 that 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 2016, the Group held two (31 December 2015: two) cross-currency 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 2015, the Group held one cross-currency interest rate derivative financial instrument which swapped 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 2016, the weighted average maturity date of these swaps is 9.6 years (2015: 0.8 years).

Hedge of the Group's functional currency cash flows	**2016 £m**	2015 £m
Asset at 1 January	**33.4**	29.0
Fair value gains recognised in equity	**26.0**	4.4
Cash settlement on maturity of cash flow hedges	**(56.9)**	–
Asset at 31 December	**2.5**	33.4

The cash flows associated with the cross-currency interest rate swaps are expected to occur every six months in line with the underlying interest payments on the loans which are recorded in the Consolidated Income Statement.

As at 31 December 2016, the Group held two (31 December 2015: two) interest rate derivative financial instruments which swap variable rate debt into fixed rate debt thereby fixing the functional currency cash flows of the Group. Both of these interest rate derivative financial instruments are designated and effective as cash flow hedges and the fair value movement has therefore been deferred in equity via the Consolidated Statement of Comprehensive Income. At 31 December 2016, the weighted average maturity date of these swaps is 3.1 years (2015: 4.1 years).

Hedge of the Group's interest cash flows	**2016 £m**	2015 £m
Liability at 1 January	**(0.7)**	(0.6)
Fair value losses recognised in equity	**(0.8)**	(0.1)
Liability at 31 December	**(1.5)**	(0.7)

The Group purchases diesel fuel on a floating price basis and therefore is exposed to changes in diesel prices, of which the most significant element is crude oil price risk. The Group had no fuel price derivative financial instruments at 31 December 2016. As at 31 December 2015 the Group held two fuel price derivative financial instruments which swapped variable price fuel into fixed price fuel, and which matured in 2016. One of these fuel price derivative financial instruments was 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.

19. FINANCIAL INSTRUMENTS CONTINUED

b) Cash flow hedges continued

Hedge of the Group's fuel costs	2016 £m	2015 £m
Liability at 1 January	**(0.9)**	–
Fair value gains/(losses) recognised in equity	**0.9**	(0.9)
Liability at 31 December	**–**	(0.9)

The remaining fuel price derivative financial instrument was not designated as a cash flow hedge and the fair value credit of £0.4m (2015: charge of £0.4m) has therefore been credited through Other items in the Consolidated Income Statement (Note 2).

The following table reconciles the net fair value gain recognised in equity on cash flow hedges as noted above of £26.1m (2015: £3.4m) to the loss on cash flow hedges recorded in the Consolidated Statement of Comprehensive Income of £1.5m (2015: £1.9m).

	2016 £m	2015 £m
Movement in cash flow hedges recognised in equity	**26.1**	3.4
Amounts reclassified to the Consolidated Income Statement	**(29.9)**	(7.6)
	(3.8)	(4.2)
Spreading charge associated with the cancellation of cash flow hedges*	**2.3**	2.3
Total movement relating to cash flow hedges included in the Consolidated Statement of Comprehensive Income	**(1.5)**	(1.9)

* Of the £2.3m spreading charge associated with cancellation of cash flow hedges in 2016, £1.9m is reported in Other items in the Consolidated Income Statement (2015: £1.9m).

c) Fair value hedges

As at 31 December 2016, the Group held one (31 December 2015: two) derivative financial instrument which hedges the fair value of the fixed interest private placement notes drawn down on 1 February 2007. This interest rate derivative financial instrument is designated and effective as a fair value hedge and the fair value movement has therefore been recognised immediately in the Consolidated Income Statement.

Hedge of the fair value of fixed interest borrowings	2016 £m	2015 £m
Asset at 1 January	**3.4**	4.9
Net fair value losses recognised in the Consolidated Income Statement	**(1.4)**	(1.5)
Asset at 31 December	**2.0**	3.4

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

	2016 £m	2015 £m
Fair value losses on derivative financial instruments recognised in the Consolidated Income Statement	**1.5**	1.5
Fair value gains attributable to the hedged item recognised in the Consolidated Income Statement	**(1.5)**	(1.5)
Spreading charges associated with cancellation of cash flow hedges*	**2.3**	2.3
Total losses on derivative financial instruments included in the Consolidated Income Statement	**2.3**	2.3

* £0.4m of the £2.3m spreading charge has been recognised within Finance Costs before Other items (2015: £0.4m).

Notes to the Accounts CONTINUED

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 2016 was as follows:

	2016 £m	2015 £m
In one year or less	**181.0**	282.9
In more than one year but not more than two years	**23.4**	2.6
In more than two years but not more than five years	**48.6**	47.4
In more than five years	**136.3**	52.0
Total	**389.3**	384.9

The table above excludes trade payables of £320.0m (2015: £287.6m).

Borrowing facilities

The Group had undrawn committed borrowing facilities at 31 December 2016 as follows:

	2016 £m	2015 £m
Expiring in more than two years but not more than five years	**188.1**	160.0
Total	**188.1**	160.0

At 31 December 2016 the Group had £549m of committed facilities, of which £188m were undrawn as disclosed above. Since 31 December 2016, a maximum of £227m has been drawn down against the £350m Revolving Credit Facility.

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

IFRS 7 requires disclosure of the maturity of the Group's remaining contractual financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the Group's financial assets and liabilities including interest that will accrue to those assets and liabilities except where the Group is entitled and intends to repay the liability before its maturity. Both the inclusion of future interest and the values disclosed being undiscounted results in the total position being different to that included in the Consolidated Balance Sheet. Given this is a maturity analysis all trade payables (including amongst other items payroll and sales tax accruals which are not classified as financial instruments) have been included.

2016 analysis

		Maturity analysis				
Current liabilities	**Balance sheet value £m**	**< 1 year £m**	**1-2 years £m**	**2-5 years £m**	**> 5 years £m**	**Total £m**
Trade and other payables	**402.3**	**402.3**	**–**	**–**	**–**	**402.3**
Obligations under finance lease contracts	**3.1**	**3.1**	**–**	**–**	**–**	**3.1**
Bank overdrafts	**3.5**	**3.5**	**–**	**–**	**–**	**3.5**
Bank loans	**171.6**	**172.2**	**–**	**–**	**–**	**172.2**
Private placement notes	**–**	**–**	**–**	**–**	**–**	**–**
Derivative financial instruments	**0.2**	**0.2**	**–**	**–**	**–**	**0.2**
Loan notes and deferred consideration	**2.7**	**2.7**	**–**	**–**	**–**	**2.7**
Total	**583.4**	**584.0**	**–**	**–**	**–**	**584.0**
Non-current liabilities						
Obligations under finance lease contracts	**8.1**	**0.4**	**3.1**	**5.1**	**0.6**	**9.2**
Bank loans	**0.3**	**–**	**0.3**	**0.1**	**–**	**0.4**
Private placement notes	**200.7**	**7.7**	**27.7**	**61.3**	**155.2**	**251.9**
Derivative financial instruments	**3.6**	**0.4**	**0.3**	**(0.2)**	**0.7**	**1.2**
Total	**212.7**	**8.5**	**31.4**	**66.3**	**156.5**	**262.7**
Total liabilities	**796.1**	**592.5**	**31.4**	**66.3**	**156.5**	**846.7**
Other						
Derivative financial instrument assets	**(4.5)**	**(1.4)**	**(1.3)**	**(0.8)**	**(4.6)**	**(8.1)**
Cash and cash equivalents	**(127.6)**	**(127.6)**	**–**	**–**	**–**	**(127.6)**
Other financial assets	**(1.1)**	**(1.1)**	**–**	**–**	**–**	**(1.1)**
Deferred consideration	**(0.7)**	**(0.7)**	**–**	**–**	**–**	**(0.7)**
Trade and other receivables	**(511.4)**	**(511.4)**	**–**	**–**	**–**	**(511.4)**
Total	**(645.3)**	**(642.2)**	**(1.3)**	**(0.8)**	**(4.6)**	**(648.9)**
Grand total	**150.8**	**(49.7)**	**30.1**	**65.5**	**151.9**	**197.8**

The table above includes derivative financial assets with a fair value at 31 December 2016 of £2.5m (2015: £33.3m) and derivative financial liabilities of £2.1m (2015: £nil) that will be settled gross. The final exchange on these derivatives will be payment of €26.6m and receipt of $30.0m in August 2026 (2015: final exchange on maturity in November 2016 was payments of £110.6m and receipts of $205.0m).

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements:

As at 31 December 2016	**Gross amounts of recognised financial assets/ (liabilities) £m**	**Amounts available to offset through netting agreements £m**	**Net amount £m**
Derivative financial assets	4.5	(2.8)	1.7
Derivative financial liabilities	(3.8)	2.8	(1.0)
Total	**0.7**	**–**	**0.7**

Notes to the Accounts CONTINUED

20. MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

2015 analysis

		Maturity analysis				
Current liabilities	Balance sheet value £m	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Trade and other payables	388.5	388.5	–	–	–	388.5
Obligations under finance lease contracts	2.5	2.6	–	–	–	2.6
Bank overdrafts (restated)	59.5	59.5	–	–	–	59.5
Bank loans	90.9	91.1	–	–	–	91.1
Private placement notes	160.1	167.0	–	–	–	167.0
Derivative financial instruments	1.3	1.3	–	–	–	1.3
Loan notes and deferred consideration	3.0	3.0	–	–	–	3.0
Total	705.8	713.0	–	–	–	713.0
Non-current liabilities						
Obligations under finance lease contracts	7.5	0.4	2.8	5.0	0.6	8.8
Bank loans	0.4	–	0.2	0.2	–	0.4
Private placement notes	95.8	4.1	4.1	51.7	56.3	116.2
Derivative financial instruments	0.7	0.5	0.5	0.4	–	1.4
Total	104.4	5.0	7.6	57.3	56.9	126.8
Total liabilities	810.2	718.0	7.6	57.3	56.9	839.8
Other						
Derivative financial instrument assets	(36.8)	(34.4)	(1.0)	(0.9)	–	(36.3)
Cash and cash equivalents (restated)	(146.2)	(146.2)	–	–	–	(146.2)
Other financial assets	(1.3)	(1.3)	–	–	–	(1.3)
Deferred consideration	(1.5)	(1.5)	–	–	–	(1.5)
Trade and other receivables	(464.9)	(464.9)	–	–	–	(464.9)
Total	(650.7)	(648.3)	(1.0)	(0.9)	–	(650.2)
Grand total	159.5	69.7	6.6	56.4	56.9	189.6

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.

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.

21. SENSITIVITY ANALYSIS CONTINUED

a) Interest rate sensitivity continued

2016 analysis

	GBP		EUR		USD		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	**(0.9)**	**0.9** (i)	**(0.1)**	**0.1** (iii)	**–**	**–**	**(1.0)**	**1.0**
Other equity	**1.3**	**(1.0)** (ii)	**2.5**	**(2.5)** (iv)	**(2.2)**	**2.5** (ii)	**1.6**	**(1.0)**
Total Shareholders' equity	**0.4**	**(0.1)**	**2.4**	**(2.4)**	**(2.2)**	**2.5**	**0.6**	**–**

2015 analysis

	GBP		EUR		USD		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	(1.3)	1.3 (i)	0.2	(0.2) (iii)	–	–	(1.1)	1.1
Other equity	2.2	(2.2) (ii)	–	–	(1.2)	1.2 (ii)	1.0	(1.0)
Total Shareholders' equity	0.9	(0.9)	0.2	(0.2)	(1.2)	1.2	(0.1)	0.1

The movements noted above are mainly attributable to:

(i) floating rate Sterling debt and cash deposits

(ii) mark-to-market valuation changes in the fair value of effective cash flow hedges

(iii) floating rate Euro debt and Euro cash deposits

(iv) changes in the value of the Group's Euro denominated assets and liabilities.

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.

2016 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	**0.5**	**(0.6)** (i)	**–**	**–**	**–**	**–**	**0.5**	**(0.6)**
Other equity	**1.7**	**(2.3)** (ii)	**(0.4)**	**0.7** (ii)	**(1.6)**	**2.0** (ii)	**(0.3)**	**0.4**
Total Shareholders' equity	**2.2**	**(2.9)**	**(0.4)**	**0.7**	**(1.6)**	**2.0**	**0.2**	**(0.2)**
Total assets and liabilities*								
Profit or loss	**(3.3)**	**4.3** (iii)	**1.2**	**(1.5)** (v)	**(0.1)**	**0.1** (vi)	**(2.2)**	**2.9**
Other equity	**(20.1)**	**24.5** (iv)	**(0.4)**	**0.7** (iv)	**(4.2)**	**3.4** (iv)	**(24.7)**	**28.6**
Total Shareholders' equity	**(23.4)**	**28.8**	**0.8**	**(0.8)**	**(4.3)**	**3.5**	**(26.9)**	**31.5**

Notes to the Accounts CONTINUED

21. SENSITIVITY ANALYSIS CONTINUED

2015 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	(4.0)	4.9	(ii)	(0.5)	0.6	(ii)	(1.4)	1.7	(ii)	(5.9)	7.2
Total Shareholders' equity	(3.6)	4.4		(0.5)	0.6		(1.4)	1.7		(5.5)	6.7
Total assets and liabilities*											
Profit or loss	(2.9)	3.3	(iii)	–	–	(v)	(0.1)	0.2	(vi)	(3.0)	3.5
Other equity	(29.2)	36.0	(iv)	(0.5)	0.6	(iv)	(4.8)	3.9	(iv)	(34.5)	40.5
Total Shareholders' equity	(32.1)	39.3		(0.5)	0.6		(4.9)	4.1		(37.5)	44.0

* 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 and transaction exposure relating to purchases in Euros

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

v) transaction exposure relating to purchases in US dollars

vi) 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 2016	7.6	15.0	19.2	5.5	47.3
Unused amounts reversed in the period	(0.4)	(0.8)	(7.8)	(1.6)	(10.6)
Utilised	(5.4)	(1.7)	(3.9)	(1.8)	(12.8)
New provisions	5.4	0.9	1.9	2.2	10.4
Unwinding of provision discounting	0.1	0.1	–	–	0.2
Transferred from accruals	0.9	0.2	–	–	1.1
Exchange differences	0.5	–	0.3	0.5	1.3
At 31 December 2016	**8.7**	**13.7**	**9.7**	**4.8**	**36.9**

	2016 £m	2015 £m
Included in current liabilities	**14.5**	9.7
Included in non-current liabilities	**22.4**	37.6
Total	**36.9**	47.3

22 PROVISIONS FOR LIABILITIES AND CHARGES CONTINUED

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. The utilisation of the contingent consideration provision includes the recognition of £1.6m of loan notes and deferred consideration payable within one year.

Other amounts

Other amounts relate principally to claims and warranty provisions. The transfer of economic benefit is expected to be made between one and four years' time.

23. DEFERRED TAX

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

	2016 £m	2015 £m
Deferred tax assets	**16.4**	21.0
Deferred tax liabilities	**(15.2)**	(18.2)
Net deferred tax asset	**1.2**	2.8

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	Short term timing differences £m	Retirement benefit obligations £m	Losses £m	Other £m	Total £m
At 31 December 2014	(5.6)	0.1	7.0	6.4	9.4	(0.4)	16.9
Credit/(charge) to income	2.6	(1.3)	(1.7)	(0.2)	(3.9)	(0.1)	(4.6)
Charge to equity	–	–	–	(0.2)	–	(0.1)	(0.3)
Added on acquisition	(8.4)	(0.2)	–	–	0.1	–	(8.5)
Exchange differences	0.1	0.2	(0.3)	(0.1)	–	0.1	–
Change of rate charged to equity	–	–	–	(0.7)	–	–	(0.7)
At 31 December 2015	(11.3)	(1.2)	5.0	5.2	5.6	(0.5)	2.8
Credit/(charge) to income	2.6	0.4	(2.1)	(0.2)	(2.1)	–	(1.4)
Credit/(charge) to equity	–	–	–	2.3	–	(0.6)	1.7
Added on acquisition	(1.5)	(0.1)	–	–	0.2	–	(1.4)
Exchange differences	(0.5)	(0.4)	0.7	0.4	0.1	(0.3)	–
Change of rate charged to equity	–	–	–	(0.5)	–	–	(0.5)
At 31 December 2016	**(10.7)**	**(1.3)**	**3.6**	**7.2**	**3.8**	**(1.4)**	**1.2**

Notes to the Accounts CONTINUED

23. DEFERRED TAX CONTINUED

The deferred tax charge within the Consolidated Income Statement for 2016 includes a credit of £0.2m (2015: £0.8m) arising from the change in domestic tax rates in the countries in which the Group operates.

Given current and forecast trading the Directors consider that recognition of the deferred tax assets above is appropriate.

The majority of the deferred tax asset associated with the retirement benefit obligations is in respect of the UK defined benefit scheme. Payments against the deficit will be deductible for tax purposes on a paid basis and the Group expects to receive the tax benefit, therefore the associated deferred tax asset has been recognised.

Deferred tax has not been recognised on £13m of tax losses being carried forward on the basis that the realisation of their future economic benefit is uncertain. The unrecognised potential deferred tax asset in relation to these tax losses is £2.8m (2015: £3.0m).

At the balance sheet date, no deferred tax liability is recognised on temporary differences of £21m (2015: £22m) 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	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Amounts payable under finance lease contracts:				
- within one year	**3.5**	3.0	**3.1**	2.5
- after one year and within five years	**8.2**	7.8	**7.5**	6.9
- after five years	**0.6**	0.6	**0.6**	0.6
	12.3	11.4	**11.2**	10.0
Less: future finance charges	**(1.1)**	(1.4)		
Present value of lease obligations	**11.2**	10.0		

The Group leases certain of its motor vehicles, fixtures and equipment under finance lease contracts, which are denominated in Sterling, Euros and Polish Zloty.

The average remaining lease term is 4.0 years (2015: 5.6 years). For the year ended 31 December 2016, the average effective borrowing rate was 4.8% (2015: 5.4%). 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

	2016 £m	2015 £m
Authorised:		
800,000,000 ordinary shares of 10p each (2015: 800,000,000)	**80.0**	80.0
Allotted, called up and fully paid:		
591,460,301 ordinary shares of 10p each (2015: 591,347,148)	**59.1**	59.1

There were 113,153 shares allotted during 2016 (2015: 209,345).

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

25. CALLED UP SHARE CAPITAL CONTINUED

At 31 December 2016 the following share options were outstanding:

	Number of shares					Exercise dates	
Scheme and date of grant	At 31 December 2015	Exercised	Lapsed	**At 31 December 2016**	Original option price per 10p share	Date from which option may be exercised	Date on which option expires
Long Term Incentive Plan							
03/10/2012	15,533	(8,476)	–	**7,057**	0.00p	03/10/2015	02/10/2022
18/04/2013	1,089,142	(104,677)	(894,841)	**89,624**	0.00p	18/04/2016	17/04/2023
18/09/2014	1,950,257	–	(553,516)	**1,396,741**	0.00p	18/09/2017	17/09/2024
17/09/2015	2,382,856	–	(540,716)	**1,842,140**	0.00p	17/09/2018	16/09/2025
Total	**5,437,788**	**(113,153)**	**(1,989,073)**	**3,335,562**			

26. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO CASH GENERATED FROM OPERATING ACTIVITIES

	2016 £m	2015 £m
Operating (loss)/profit	**(91.0)**	65.9
Depreciation (Note 10)	**26.0**	23.0
Amortisation of computer software (Note 13)	**3.5**	3.0
Amortisation of acquired intangibles (Note 13)	**10.3**	10.3
Impairment of computer software (Note 13)	**7.9**	–
Impairment of property, plant and equipment (Note 10)	**0.3**	–
Goodwill and intangible impairment charges	**110.6**	–
Profits and losses on agreed sale or closure of non–core businesses and associated impairment charges (Note 11)	**40.1**	–
Profit on sale of property, plant and equipment	**(8.5)**	(2.4)
Share–based payments	**(0.3)**	–
Working capital movements:		
Increase in inventories	**(0.5)**	(15.8)
Increase in receivables	**(30.5)**	(9.0)
Increase/(decrease) in payables	**7.9**	(13.4)
Cash generated from operating activities	**75.8**	61.6

Included within the cash generated from operating activities is a defined benefit pension scheme employer's special contribution of £2.5m (2015: £2.5m).

Of the total profit on sale of property, plant and equipment, £2.8m has been included within Other items of the Consolidated Income Statement (see Note 2).

Included within working capital movements are payments of £6.1m (2015: £2.1m) in settlement of contingent consideration dependent upon the vendors remaining with the business.

Notes to the Accounts CONTINUED

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

	2016 £m	2015 £m
Increase/(decrease) in cash and cash equivalents in the year	**25.8**	(14.1)
Cash flow from increase in debt	**(19.5)**	(86.6)
Decrease/(increase) in net debt resulting from cash flows	**6.3**	(100.7)
Debt added on acquisition	**(1.6)**	(2.5)
Recognition of loan notes	**(2.7)**	(2.7)
Non-cash items^	**(14.4)**	(3.9)
Exchange differences	**(11.6)**	0.8
Increase in net debt in the year	**(24.0)**	(109.0)
Net debt at 1 January	**(235.9)**	(126.9)
Net debt at 31 December	**(259.9)**	(235.9)

^ 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.

Net debt is defined as follows:

	2016 £m	2015 restated £m
Non-current assets:		
Derivative financial instruments	**4.4**	2.4
Current assets:		
Derivative financial instruments	**0.1**	34.4
Deferred consideration	**0.7**	1.5
Other financial assets	**1.1**	1.3
Cash and cash equivalents (restated)	**127.6**	146.2
Current liabilities:		
Obligations under finance lease contracts	**(3.1)**	(2.5)
Bank overdrafts (restated)	**(3.5)**	(59.5)
Bank loans	**(171.6)**	(90.9)
Private placement notes	**–**	(160.1)
Loan notes and deferred consideration	**(2.7)**	(3.0)
Derivative financial instruments	**(0.2)**	(1.3)
Non-current liabilities:		
Obligations under finance lease contracts	**(8.1)**	(7.5)
Bank loans	**(0.3)**	(0.4)
Private placement notes	**(200.7)**	(95.8)
Derivative financial instruments	**(3.6)**	(0.7)
Net debt	**(259.9)**	(235.9)

28. ANALYSIS OF NET DEBT

	At 31 December 2015 £m	Cash flows £m	Net cash added on acquisition £m	Reclassification of debts £m	Reclassification of contingent to loan notes £m	Non-cash items^ £m	Exchange differences £m	**At 31 December 2016 £m**
Cash and cash equivalents (restated)	146.2	(31.7)	1.1	–	–	–	12.0	**127.6**
Bank overdrafts (restated)	(59.5)	56.4	–	–	–	–	(0.4)	**(3.5)**
	86.7	24.7	1.1	–	–	–	11.6	**124.1**
Financial assets – derivative financial instruments	36.8	(56.9)	–	–	–	(9.2)	33.8	**4.5**
Other financial assets and deferred consideration	2.8	0.8	–	–	–	(1.8)	–	**1.8**
Debts due within one year	(255.3)	126.7	(1.6)	(0.2)	(2.7)	1.4	(42.8)	**(174.5)**
Debts due after one year	(96.9)	(92.7)	–	0.2	–	(2.5)	(12.7)	**(204.6)**
Finance lease contracts	(10.0)	2.6	–	–	–	(2.3)	(1.5)	**(11.2)**
Net debt	(235.9)	5.2	(0.5)	–	(2.7)	(14.4)	(11.6)	**(259.9)**

^ 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.

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

	2016 £m	2015 £m
Contracted but not provided for	**3.4**	7.7

b) Lease commitments

The Group leases a number of its premises under operating leases which expire between 2016 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:	**2016 £m**	2015 £m
- within one year	**53.0**	47.4
- after one year and within five years	**146.8**	122.8
- after five years	**88.6**	58.8
	288.4	229.0

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:	**2016 £m**	2015 £m
- within one year	**16.2**	14.1
- after one year and within five years	**31.6**	19.2
- after five years	**1.8**	0.2
	49.6	33.5

Notes to the Accounts CONTINUED

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

c) Pension schemes

The Group operates a number of pension schemes, six (2015: six) of which provide defined benefits based on final pensionable salary. Of these schemes, one (2015: one) has assets held in a separate trustee administered fund and five (2015: five) 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 decreased to 97.6% as at 31 December 2016 (2015: 105.3%). No change was made to the pension premium percentage of 22.2% (2015: 22.2%). The coverage ratio is calculated by dividing the fund's assets by the total sum of pension liabilities and is based upon market interest rates.

The Group's total pension charge for the year including amounts charged to interest was £8.8m (2015: £7.8m), of which a charge of £2.5m (2015: £2.2m) related to defined benefit pension schemes and £6.3m (2015: £5.6m) 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 five 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 reinsured 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 £0.5m (2015: £0.7m) relating to the defined benefit pension schemes was £2.5m (2015: £2.2m), including a curtailment loss of £0.9m. On 30 June 2016 the UK defined benefit pension scheme was closed to future benefit accrual. The change in assumptions associated with the closure resulted in a curtailment loss of £0.9m which has been charged within Other items in the Consolidated Income Statement.

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 2016 by a qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. Investments have been valued, for this purpose, at fair value.

The UK defined benefit scheme is closed to new members and has an age profile that is rising. The four overseas book reserve schemes remain open to new members.

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

c) Pension schemes continued

Consolidated Balance Sheet liability

The balance sheet position in respect of the six defined benefit schemes can be summarised as follows

	2016 £m	2015 £m
Pension liability before taxation	**(37.1)**	(23.8)
Related deferred tax asset	**7.2**	5.2
Pension liability after taxation	**(29.9)**	(18.6)

The actuarial loss of £12.5m (2015: gain of £1.9m) for the year, together with the associated deferred tax credit of £2.3m (2015: charge of £0.2m) and deferred tax charge of £0.5m (2015: £0.7m) in respect of the change in the UK standard rate of corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020, has been recognised in the Consolidated Statement of Comprehensive Income. In addition a deferred tax charge of £0.2m (2015: £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 £50.2m (2015: £37.7m).

Of the above pension liability before taxation, £26.8m (2015: £15.4m) relates to wholly or partly funded schemes and £10.3m (2015: £8.4m) relates to the overseas unfunded schemes.

The movement in the pension liability before taxation in the year can be summarised as follows:

	2016 £m	2015 £m
Pension liability at 1 January	**(23.8)**	(28.7)
Current service cost	**(1.1)**	(1.5)
Transfer to accruals	**–**	1.0
Payment of unfunded benefits	**–**	0.2
Contributions	**3.1**	3.5
Net finance cost	**(0.5)**	(0.7)
Curtailment loss	**(0.9)**	–
Actuarial (loss)/gain	**(12.5)**	1.9
Effect of changes in exchange rates	**(1.4)**	0.5
Pension liability at 31 December	**(37.1)**	(23.8)

On 30 June 2016 the UK defined benefit pension scheme was closed to future benefit accrual. However, the Group is contracted to pay contributions of £2.5m per annum to January 2019.

The principal assumptions used for the IAS 19 actuarial valuation of the schemes were:

	2016 %	2015 %	2014 %
Rate of increase in salaries*	**n/a**	2.5	2.5
Rate of fixed increase of pensions in payment	**1.7**	1.7	1.6
Rate of increase of LPI pensions in payment	**3.1**	3.0	2.9
Discount rate	**2.8**	3.9	3.6
Inflation assumption	**3.2**	3.1	3.0

* Upon closure of the UK defined benefit scheme to future benefit accrual the accrued benefits of active members ceased to be linked to their final salary and will instead revalue in deferment broadly in line with movements in the Consumer Price Index.

Notes to the Accounts CONTINUED

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

c) Pension schemes continued

Deferred pensions are revalued to retirement in line with the schemes' rules and statutory requirements, with the inflation assumption used for LPI revaluation in deferment.

The life expectancy for a male employee beyond the normal retirement age of 65 is 22.2 years (2015: 22.4 years). The life expectancy on retirement at age 65 of a male employee currently aged 45 years is 23.5 years (2015: 24.2 years).

If the discount rate were to be increased/decreased by 0.1%, this would decrease/increase the Group's gross pension scheme deficit by £3.8m. If the rate of inflation increased/decreased by 0.1% this would increase/decrease the Group's gross pension scheme deficit by £1.4m. If the life expectancy for employees increased by one year the Group's gross pension scheme deficit would increase by £9.5m. If the life expectancy for employees decreased by one year the Group's gross pension scheme deficit would decrease by £9.1m.

The average duration of the defined benefit scheme obligation at 31 December 2016 is 20 years (2015: 18 years).

The fair value of the assets in the schemes at each balance sheet date were:

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Equities	**78.1**	65.5	74.7	62.7	57.8
Bonds	**62.9**	55.5	51.5	44.9	44.6
Other	**23.3**	21.8	16.8	23.5	14.8
Total fair value of assets	**164.3**	142.8	143.0	131.1	117.2

The amount included in the Consolidated Balance Sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Fair value of assets	**164.3**	142.8	143.0	131.1	117.2
Present value of scheme liabilities	**(201.4)**	(166.6)	(171.7)	(156.6)	(151.6)
Net liability recognised in the Consolidated Balance Sheet	**(37.1)**	(23.8)	(28.7)	(25.5)	(34.4)

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:

	2016 £m	2015 £m
Current service cost	**1.1**	1.5
Curtailment loss	**0.9**	–
Net finance cost	**0.5**	0.7
Amounts recognised in the Consolidated Income Statement	**2.5**	2.2

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 £30.7m (2015: £2.5m).

Analysis of the actuarial (loss)/gain recognised in the Consolidated Statement of Comprehensive Income in respect of the schemes:

	2016 £m	2015 £m
Actual return less expected return on assets	**25.4**	(2.7)
Effect of changes in demographic assumptions	**(1.0)**	–
Effect of changes in financial assumptions	**(37.6)**	3.9
Impact of liability experience	**0.7**	0.7
Remeasurement of the defined benefit liability	**(12.5)**	1.9

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:

	2016 £m	2015 £m
Present value of schemes' liabilities at 1 January	**(166.6)**	(171.7)
Current service cost	**(1.1)**	(1.5)
Transfer to accruals	**–**	1.0
Interest on pension schemes' liabilities	**(5.8)**	(5.8)
Benefits paid	**12.3**	6.1
Payment of unfunded benefits	**–**	0.2
Curtailment loss	**(0.9)**	–
Effect of changes in exchange rates	**(1.4)**	0.5
Remeasurement (losses)/gains:		
Actuarial loss arising from changes in demographic assumptions	**(1.0)**	–
Actuarial (loss)/gain arising from changes in financial assumptions	**(37.6)**	3.9
Actuarial gain due to liability experience	**0.7**	0.7
Present value of schemes' liabilities at 31 December	**(201.4)**	(166.6)

Movements in the fair value of the schemes' assets were as follows:

	2016 £m	2015 £m
Fair value of schemes' assets at 1 January	**142.8**	143.0
Finance income	**5.3**	5.1
Actual return less expected return on assets	**25.4**	(2.7)
Contributions from sponsoring companies	**3.1**	3.5
Benefits paid	**(12.3)**	(6.1)
Fair value of schemes' assets at 31 December	**164.3**	142.8

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 £17.1m (2015: £12.5m). Of this amount, £9.0m (2015: £9.0m) relates to a standby letter 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 £284m in 2016 (2015: £251m). At the balance sheet date net trade payables in respect of the co-operative amounted to £12m (2015: £1m).

In 2016, SIG incurred expenses of £0.3m (2015: £0.3m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

Remuneration of key management personnel

The total remuneration of key management personnel of the Group, being the Group Executive Committee members and the Non-Executive Directors (see page 54), is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	2016 £m	2015 £m
Short-term employee benefits	**3.9**	2.8
Termination and post-employment benefits	**0.8**	–
IFRS 2 share option (credit)/charge	**(0.1)**	0.1
	4.6	2.9

Notes to the Accounts CONTINUED

31. SUBSIDIARIES

Details of the Group's subsidiaries, all of which have been included in the Consolidated Accounts, are shown on pages 161 to 163.

32. NON-STATUTORY INFORMATION

The Group uses a variety of alternative performance measures, which are non-IFRS, to assess the performance of its operations.

The Group considers these performance measures to provide useful historical financial information to help investors evaluate the underlying performance of the business.

a) Leverage covenant

	Note	2016 £m	2015 £m
Operating (loss)/profit		(91.0)	65.9
Depreciation	10	26.0	23.0
Amortisation of computer software	13	3.5	3.0
Amortisation of acquired intangibles	13	10.3	10.3
Goodwill and intangible impairment charges		110.6	–
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	11	40.1	–
Net operating losses attributable to businesses identified as non-core in 2016*	2	5.8	–
Depreciation attributable to businesses identified as non-core in 2016*		(0.5)	–
Net restructuring costs	2	13.3	8.3
Acquisition expenses and contingent consideration	2	(4.6)	14.3
Defined benefit pension scheme curtailment loss	2	0.9	–
Other one-off items	2	5.9	(0.1)
Annualised EBITDA impact of acquisitions		0.3	8.7
Covenant EBITDA		**120.6**	133.4

* The 2015 covenant calculation has not been restated to reflect the decision in December 2016 to exit the non-core businesses of Carpet & Flooring and Drywall Qatar.

	Note	2016 £m	2015 £m
Reported net debt	27	259.9	235.9
Other covenant financial indebtedness		3.5	2.6
Foreign exchange adjustment*		(6.4)	(1.6)
Covenant net debt		**257.0**	236.9

* For the purpose of covenant calculations, leverage is calculated using net debt translated at average rather than period end rates.

	2016	2015
Leverage (covenant net debt to covenant EBITDA - maximum 3.0x)	**2.1x**	1.8x

32. NON-STATUTORY INFORMATION CONTINUED

b) Post-tax Return on Capital Employed ("ROCE")

	Note	2016 £m	2015 £m
Operating (loss)/profit		**(91.0)**	65.9
Income tax expense	6	**(12.3)**	(15.0)
Operating (loss)/profit after tax		**(103.3)**	50.9

	Note	2016 £m	2015 £m
Operating (loss)/profit		**(91.0)**	65.9
Amortisation of acquired intangibles	13	**10.3**	10.3
Goodwill and intangible impairment charges		**110.6**	–
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	11	**40.1**	–
Net operating losses attributable to businesses identified as non-core in 2016	2	**5.8**	1.2
Net restructuring costs	2	**13.3**	8.3
Acquisition expenses and contingent consideration	2	**(4.6)**	14.3
Defined benefit pension scheme curtailment loss	2	**0.9**	–
Other one-off items	2	**5.9**	(0.1)
Underlying operating profit		**91.3**	99.9
Income tax expense	6	**(12.3)**	(15.0)
Tax credit associated with Other items	2	**(7.2)**	(6.4)
Underlying operating profit after tax		**71.8**	78.5

	Note	2016 £m	2015 £m
Opening reported net assets		**649.6**	664.3
Opening reported net debt	27	**235.9**	126.9
Opening capital employed		**885.5**	791.2
Computer software impairment charges*		**(7.9)**	(7.9)
Goodwill and intangible impairment charges*		**(110.6)**	(110.6)
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges*		**(40.1)**	(40.1)
Adjusted opening capital employed		**726.9**	632.6
Closing reported net assets		**539.6**	649.6
Closing reported net debt	27	**259.9**	235.9
Closing capital employed		**799.5**	885.5
Computer software impairment charges*		**–**	(7.9)
Goodwill and intangible impairment charges*		**–**	(110.6)
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges*		**–**	(40.1)
Adjusted closing capital employed		**799.5**	726.9
Average capital employed		**842.5**	838.4
Adjusted average capital employed*		**763.2**	679.8

* Capital employed has been adjusted to take into account the normalised impact of the goodwill and intangible impairment charges, the profits and losses on agreed sale or closure of non-core businesses and associated impairment charges incurred in 2016 and computer software impairment charges.

	2016	2015
Unadjusted ROCE (operating profit after tax to average capital employed)	**(12.3)%**	6.1%
ROCE (underlying operating profit after tax to adjusted average capital employed)	**9.4%**	11.5%

Notes to the Accounts CONTINUED

32. NON-STATUTORY INFORMATION CONTINUED

c) Covenant interest cover ratio

	Note	2016 £m	2015 £m
Operating (loss)/profit		**(91.0)**	65.9
Add back:			
Amortisation of acquired intangibles	13	**10.3**	10.3
Goodwill and intangible impairment charges		**110.6**	–
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges		**40.1**	–
Net restructuring costs	2	**13.3**	8.3
Defined benefit pension scheme curtailment loss	2	**0.9**	–
Contingent consideration*		**(4.7)**	2.2
Other one-off items**		**6.3**	(0.5)
Consolidated EBITA		**85.8**	86.2
Finance costs	3	**17.0**	15.6
Finance income	3	**(1.7)**	(1.0)
Less:			
Finance costs included within Other items	3	**(2.0)**	(3.3)
Finance income included within Other items	3	**0.5**	–
Interest costs arising on the defined benefit pension scheme	3	**(0.5)**	(0.7)
Covenant net interest payable		**13.3**	10.6

	2016	2015
Interest cover ratio (consolidated EBITA to covenant net interest payable)	**6.5x**	8.1x

* This relates to the element of contingent consideration that is disallowed in the covenant calculation.

** Other one-off items in 2016 is adjusted for the credit relating to fair value gains and losses on fuel hedging contracts of £0.4m (2015: charge of £0.4m) in the covenant calculation.

d) Working capital to sales ratio

	Note	2016 £m	2015 £m
Current:			
Inventories	15	**250.6**	242.9
Trade and other receivables	16	**516.1**	468.1
Trade and other payables	17	**(440.6)**	(417.7)
Provisions	22	**(14.5)**	(9.7)
Non-current:			
Other payables	18	**(5.5)**	(3.8)
Provision	22	**(22.4)**	(37.6)
Reported working capital		**283.7**	242.2
Working capital for non-core businesses	11	**(3.8)**	(20.4)
Foreign exchange adjustment*		**(7.6)**	19.0
Adjusted working capital		**272.3**	240.8

* Working capital is translated at average rather than period end rates.

32. NON-STATUTORY INFORMATION CONTINUED

d) Working capital to sales ratio continued

	Note	2016 £m	2015 £m
Reported revenue		**2,845.2**	2,566.4
Sales attributable to business identified as non-core in 2016		**(105.4)**	(103.3)
Pre-acquisition revenue of the current year acquisitions for the period from 1 January to the acquisition dates	14	**4.9**	61.4
Foreign exchange adjustment		**–**	160.0
Adjusted revenue		**2,744.7**	2,684.5

	2016	2015
Reported working capital to reported revenue	**10.0%**	9.4%
Like-for-like working capital to sales ratio (adjusted working capital to adjusted revenue)	**9.9%**	9.0%

e) Net capital expenditure to depreciation ratio

	Note	2016 £m	2015 £m
Property, plant and equipment additions	10	**33.7**	40.9
Computer software additions	13	**6.2**	9.2
Gross capital expenditure		**39.9**	50.1
Proceeds from sale of property, plant and equipment		**(39.5)**	(4.9)
Net capital expenditure		**0.4**	45.2
Depreciation	10	**26.0**	23.0
Amortisation of computer software	13	**3.5**	3.0
Depreciation (including amortisation of computer software)		**29.5**	26.0

	2016	2015
Gross capital expenditure to depreciation ratio	**1.35x**	1.93x
Net capital expenditure to depreciation ratio	**0.01x**	1.74x

f) Gearing

	Note	2016 £m	2015 £m
Reported net assets		**539.6**	649.6
Reported net debt	27	**259.9**	235.9

	2016	2015
Gearing (reported net debt to reported net assets ratio)	**48.2%**	36.3%

Notes to the Accounts CONTINUED

32. NON-STATUTORY INFORMATION CONTINUED

g) Like-for-like sales

Like-for-like sales is calculated on a constant currency basis, and represents the growth in the Group's sales per day excluding any acquisitions or disposals completed or agreed in the current and prior year. Sales are not adjusted for organic branch openings and closures.

	UK £m	Ireland £m	**UK & Ireland £m**	Germany & Austria £m	France £m	Poland £m	Benelux £m	SIG Air Handling £m	**Mainland Europe £m**	**Group £m**
Continuing revenue 2016	1,306.6	85.5	**1,392.1**	413.2	589.2	115.1	99.7	130.5	**1,347.7**	**2,739.8**
Continuing revenue 2015	1,237.5	72.1	**1,309.6**	368.3	517.3	103.6	85.7	78.6	**1,153.5**	**2,463.1**
% change year on year:										
Continuing revenue	5.6%	18.6%	**6.3%**	12.2%	13.9%	11.1%	16.3%	66.0%	**16.8%**	**11.2%**
Impact of currency	(0.3)%	(14.1)%	**(1.1)%**	(13.3)%	(13.5)%	(9.0)%	(13.8)%	(19.5)%	**(13.4)%**	**(6.8)%**
Impact of acquisitions	(4.3)%	(0.4)%	**(4.0)%**	(0.1)%	(1.1)%	–	–	(38.0)%	**(3.2)%**	**(3.7)%**
Impact of working days	–	(0.3)%	**–**	–	(1.2)%	–	–	–	**(0.6)%**	**(0.3)%**
Like-for-like sales	**1.0%**	**3.8%**	**1.2%**	**(1.2)%**	**(1.9)%**	**2.1%**	**2.5%**	**8.5%**	**(0.4)%**	**0.4%**

h) Cash inflow from trading

	Note	**2016 £m**	2015 £m
Cash generated from operating activities	**26**	**75.8**	61.6
Addback:			
Increase in inventories		**0.5**	15.8
Increase in receivables		**30.5**	9.0
(Increase)/decrease in payables		**(7.9)**	13.4
Cash inflow from trading		**98.9**	99.8

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 2016 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, including FRS 101 "Reduced Disclosure Framework"; 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 that we have audited comprise:

- the Consolidated Income Statement;
- the Consolidated and Parent Company Statements of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated Cash Flow Statement;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statement of Significant Accounting Policies; and
- the related Group Notes 1 to 32 and related Parent Company Notes 1 to 14.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: • the valuation of the goodwill and intangible assets of UK Distribution, UK Exteriors, Larivière and Poland; • the valuation of supplier rebate receivables and the completeness of management's listing of supplier rebates; • the classification of Other items in the Consolidated Income Statement; and • going concern.
Materiality	The materiality that we used in the current year was £3.1m which was determined on the basis of 5% of adjusted pre-tax profit. Adjusted pre-tax profit is defined as profit before tax before adding back goodwill and intangible impairment charges, profit and loss on agreed sale or closure of non-core businesses, net operating losses attributable to businesses identified as non-core and net restructuring costs.
Scoping	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The Group audit and audit of the consolidation is performed at the Group's head office in Sheffield. The accounting records of the trading businesses within the Group are spread across the countries in which the Group operates. We perform audit work in each of the eight principal countries of operation.
Significant changes in our approach	We have identified one new risk in the current year which has been detailed below: Going concern. This was identified due to the profit warning announced in November 2016 and the related sensitivity to banking covenants in the upcoming 12 months.

Independent Auditor's Report CONTINUED
TO THE MEMBERS OF SIG PLC

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting and the Directors' statement on the longer-term viability of the Group contained within the strategic report on page 34.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 34 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 16 to 19 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement contained within the strategic report on page 34 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the Directors' explanation on page 34 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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.

We have refined the risks that were reported in our audit report in the prior year as explained in each of the respective risk sections below. We have not reported on the recognition and measurement for trade receivables in the current year as this did not have the greatest effect on the allocation of resources and directing the efforts of the engagement team.

The valuation of the goodwill and intangible assets of UK Distribution, UK Exteriors, Larivière and Poland

Risk description	The goodwill and intangible assets (excluding computer software) of UK Distribution, UK Exteriors, Larivière and Poland of £315.5m represent 21.1% of total assets and 54.6% of non-current assets and therefore the judgments over the carrying value are significant. The downturn in profitability in the year has heightened this risk for these CGUs. Management's judgments in relation to the financial forecasts of the business units, discount rates and perpetuity growth rates used to determine the value in use of the CGUs are subjective and are described in the Critical Accounting Judgments and Key Sources of Estimation Uncertainty on page 99 and Note 12 to the financial statements.
How the scope of our audit responded to the risk	• We evaluated the design and implementation of key controls relating to the assessment of the carrying value of goodwill and intangible assets; • We challenged 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 performed sensitivity analysis against these assumptions. 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 utilised specialists in assessing the appropriateness of the methodology applied by management in calculating the value in use for each CGU; • We assessed whether the disclosures in Note 12 of the financial statements appropriately disclose the key judgments taken so that the reader of the accounts is aware of the impact of the financial statement of changes to key assumptions that may lead to impairment; and • We tested the integrity of management's model using our computer assisted analytical tools.
Key observations	Whilst we note further actions are required by the Group to achieve these forecasts over the medium term, we concluded that the assumptions applied in the impairment models are within an acceptable range and that the overall level of net impairment recognised in respect of Larivière and Poland of £110.6m was reasonable. We also agree that the disclosure of the impairment in Other items meets the Group's definition for separate presentation and is reasonable.

The valuation of supplier rebate receivables and the completeness of management's listing of supplier rebates

Risk description	As described in the Statement of Significant Accounting Policies on page 95, the Group has agreements with suppliers whereby volume-related allowances and other discounts are received in connection with the purchase of goods for resale from those suppliers. In accordance with IFRS, supplier rebate receivables should only be recognised as a deduction from trade payables, when the performance conditions associated with it have been met. In some cases, supplier rebate calculations are complex and span non-coterminous trading periods. Judgment is therefore required in determining estimates of future volumes and the related receivables. As a result of the wide range of products and suppliers to the Group, there are a significant number of complex purchase agreements in place. There is a risk that rebates are therefore not accounted for. Further explanation is given on page 99 Critical Accounting Judgments and Key Sources of Estimation Uncertainty. The consideration made by the Audit Committee is set out on page 64.
How the scope of our audit responded to the risk	• We evaluated the design and implementation of key controls related to the valuation of supplier rebate receivables where the receivables are significant, and the completeness of the listing of rebate suppliers; • We discussed significant rebate arrangements with the commercial managers to understand the complexities and judgments that may exist over valuation of supplier rebate balances; • We circularised suppliers in business units where supplier rebate receivables are significant to confirm a sample of amounts receivable, including high value balances. Where supplier rebate responses were not returned, we reviewed further correspondence between the Group and the supplier to verify the position taken; • We reperformed a sample of management's calculations of supplier rebate receivables, agreeing purchase volumes for the year through to purchasing records and correspondence from suppliers or to other available documentation; • We agreed supplier rebate percentages applied through to a signed contract where available or to other supplier correspondence; • We compared post year end cash receipts to identify any misstatement in the year end receivable; • We challenged whether the recognition policies and estimates were appropriate, particularly when there were non-coterminous trading periods and renegotiated rebate agreements; and • We compared the listing of suppliers where rebate agreements exist to the previous year's listing and reviewed third party confirmations of creditor balances at year end for credit notes.
Key observations	We consider the receivable balances recognised, and related disclosures given, to be appropriate on the Group's balance sheet at 31 December 2016.

Independent Auditor's Report CONTINUED
TO THE MEMBERS OF SIG PLC

The classification of Other items in the Consolidated Income Statement

Risk description	The Company and Group has consistently used a three column approach for the classification of the Consolidated Income Statement to separately identify certain income/costs which are non-underlying in nature. The inappropriate or inconsistent inclusion of income/costs within Other items could distort the underlying profit disclosed. The Company and Group's definition for separate presentation within Other items is set out in the Statement of Significant Accounting Policies on page 94. The net loss associated with Other items is £176.6m as shown in Note 2.
How the scope of our audit responded to the risk	• We evaluated the design and implementation of key controls related to the classification of Other items; • We assessed the nature of the income/costs included in Other items and challenged whether they met the Company and Group's definition for separate presentation; • Where income/costs have been presented as Other items, we obtained evidence to assess whether this presentation is appropriate; • We performed detailed substantive testing for a sample of the income/costs by verifying these against supporting invoices, agreements and other records as appropriate; and • Particular focus has been given to net restructuring costs of £13.3m as set out on page 27 to assess whether they arise from restructuring and changing the shape and operations of the business.
Key observations	We consider the items recognised in Other items to meet the Company and Group's definition for separate presentation and the related disclosures are appropriate.

Going concern

Risk description	Group net debt at 31 December 2016 is £259.9m (2015: £235.9m), with financing comprising a revolving credit facility and private placement notes which are subject to debt covenants. The covenants restrict net debt to three times EBITDA, interest cover to minimum of three times EBIT and consolidated net worth to be greater than £400m, subject to certain adjustments. Any breach of these financial covenants could impact the Group's access to financing which in turn could impact the going concern basis under which the financial statements have been prepared. In assessing the future covenant compliance and liquidity, the Directors are required to prepare cash flow projections. Headroom on the covenants decreased at 31 December 2016 due to the profit warning in November 2016. The Group normally sees its leverage increase with seasonality at the half year and therefore particular attention has been placed on the next covenant reporting period ending on 30 June 2017. Further explanation is given within the Strategic Report on pages 16 to 19 and in the Audit Committee Report on page 55.
How the scope of our audit responded to the risk	• We evaluated the design and implementation of key controls related to the assessment of going concern; • We obtained and reviewed management's budget and viability model, challenging the key assumptions based on industry forecasts, the Group's historical performance, budgeting accuracy and our understanding of the future performance of the business; • We performed sensitivity analysis in relation to the key assumptions used to consider the extent of changes that either individually or collectively would result in a covenant breach scenario, in particular relating to the sales and gross margin performance, cost savings, short-term working capital measures and possible mitigating actions; • We assessed the mitigating actions that management can take if performance is worse than plan. We paid particular attention to the mitigating actions identified to evaluate whether they are achievable and commercially viable within the forecast period; • We tested the integrity of management's viability model using our computer assisted analytics tools, and tested the accuracy and completeness of the underlying data and formulae used; and • We evaluated the adequacy of disclosures provided in the Treasury Risk Management section on page 34 of the Strategic Report in relation to the preparation of the financial statements on a going concern basis.
Key observations	Based on the work performed we are satisfied that the disclosures in the Treasury Risk Management section on page 34 of the Strategic Report are appropriate.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Group materiality	£3.1m (2015: £4.25m)
Basis for determining materiality	5% of adjusted pre-tax profit (2015: 5% underlying pre-tax profit)
Rationale for the benchmark applied	We previously used underlying pre-tax profit as the benchmark for determining materiality, however for 2016 we have used adjusted pre-tax profit (as defined on page 143) as this better reflects the underlying performance of the business. Pre-tax profit is a key metric for users of the financial statements.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.15m (2015: £0.1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The change in the reporting threshold has been made following our reassessment of what matters require communicating. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

The component materiality applied ranged from 50% to 95% of Group materiality (£1.5m to £2.9m) (2015: 50% to 95% or £2.1m to £4.0m), dependent on our assessment of risks specific to each location and based on the component's revenue and underlying pre-tax profit contribution.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The Group audit and audit of the consolidation is performed at the Group's head office in Sheffield. The accounting records of the trading businesses within the Group are spread across the countries in which the Group operates. We perform audit work in each of the eight principal countries of operation.

Full scope audits were performed for the principal business units in the United Kingdom, Germany, France, Poland and Ireland covering 84% of the Group's total revenue (2015: 90%) and 79% of pre-tax profit (2015: 84%). A further 13% of the Group's total revenue (2015: 5%) and 19% pre-tax profit (2015: 6%) 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.

At the parent entity level we also tested the consolidation process, including testing on the acquisitions which are significant to the Group's result and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team followed a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations which were significant to the Group audit scope at least twice a year. During 2016 and 2015 a senior member of the Group audit team visited Germany, France and the United Kingdom at least twice.

Going forward, we will continue to visit all key components at least on an annual basis.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Independent Auditor's Report CONTINUED
TO THE MEMBERS OF SIG PLC

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if, in our opinion, certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Corporate Governance Statement
Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain 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). 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 FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, UK
13 March 2017

Five-Year Summary

Statutory basis	Total 2012 £m	Total 2013 £m	Total 2014 £m	Total 2015 £m	**Total 2016 £m**
Revenue	2,635.5	2,719.8	2,633.9	2,566.4	**2,845.2**
Operating (loss)/profit	57.9	15.4	53.2	65.9	**(91.0)**
Finance income	1.9	1.6	1.0	1.0	**1.7**
Finance costs	(15.8)	(14.8)	(15.2)	(15.6)	**(17.0)**
(Loss)/profit before tax	43.7	2.1	39.0	51.3	**(106.3)**
(Loss)/profit after tax	26.6	(14.3)	34.5	36.3	**(118.6)**
(Loss)/earnings per share	4.5p	(2.5)p	5.6p	6.1p	**(20.1)p**
Total dividend per share	3.00p	3.55p	4.40p	4.60p	**3.66p**

Continuing basis^	Underlying* 2012 £m	Underlying* 2013 £m	Underlying* 2014 £m	Underlying* 2015 £m	**Underlying* 2016 £m**
Revenue	2,327.0	2,451.0	2,512.1	2,463.1	**2,739.8**
Operating profit	91.1	100.3	112.4	99.9	**91.3**
Finance income	1.5	1.4	0.9	1.0	**1.2**
Finance costs	(13.6)	(12.7)	(13.0)	(12.3)	**(15.0)**
Profit before tax	79.0	89.0	100.3	88.6	**77.5**
Profit after tax	54.3	62.6	72.2	67.2	**58.0**
Earnings per share	9.1p	10.6p	12.2p	11.3p	**9.7p**

* Underlying figures are stated before amortisation of acquired intangibles, goodwill and intangible impairment charges, profits and losses on agreed sale or closure of non-core businesses and associated impairment charges, net operating losses attributable to businesses identified as non-core in 2016, net restructuring costs, acquisition expenses and contingent consideration, the defined benefit pension scheme curtailment loss, other one-off items, 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.

^ All underlying numbers are stated on a continuing basis (ie excluding the trading results attributable to businesses identified as non-core in 2016).

COMPANY ACCOUNTS

Prepared Under United Kingdom Generally Accepted Accounting Practice

(including Financial Reporting Standard 101)

Company Statement of Comprehensive Income
for the year ended 31 December 2016

	2016 £m	2015 £m
Profit after tax	**16.8**	20.5
Items that may subsequently be reclassified to the Company Income Statement		
Gains and losses on cash flow hedges	**(3.8)**	(3.3)
Transfer to profit and loss on cash flow hedges	**2.3**	2.3
Other comprehensive expense	**(1.5)**	(1.0)
Total comprehensive income	**15.3**	19.5
Attributable to:		
Equity holders of the Company	**15.3**	19.5

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

Company Balance Sheet
as at 31 December 2016

	Note	2016 £m	2015 £m
Fixed assets			
Investments	5	**443.0**	443.0
Tangible fixed assets	6	**0.9**	1.0
		443.9	444.0
Current assets			
Debtors – due within one year	7	**915.1**	188.2
Debtors – due after more than one year	7	**7.6**	683.3
Deferred tax assets	11	**2.3**	4.0
Other financial assets		**–**	0.3
Cash at bank and in hand		**14.5**	12.8
		939.5	888.6
Creditors: amounts falling due within one year	8	**385.5**	439.3
Net current assets		**554.0**	449.3
Total assets less current liabilities		**997.9**	893.3
Creditors: amounts falling due after one year	9	**275.3**	157.8
Provisions	10	**2.1**	2.0
Net assets		**720.5**	733.5
Capital and reserves			
Called up share capital	12	**59.1**	59.1
Share premium account	12	**447.3**	447.3
Merger reserve	12	**21.7**	21.7
Capital redemption reserve	12	**0.3**	0.3
Share option reserve	12	**1.1**	1.4
Exchange reserve	12	**(0.2)**	(0.2)
Retained profits	12	**191.2**	203.9
Shareholders' funds		**720.5**	733.5

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

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own Company Income Statement for the year. SIG plc reported a profit after tax for the financial year ended 31 December 2016 of £16.8m (2015: £20.5m).

The Accounts were approved by the Board of Directors on 13 March 2017 and signed on its behalf by:

MEL EWELL
DIRECTOR

NICK MADDOCK
DIRECTOR

Registered in England: 998314

Company Statement of Changes in Equity

for the year ended 31 December 2016

	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Share option reserve £m	Exchange reserve £m	Retained profits £m	Total Equity £m
At 1 January 2015	59.1	447.2	21.7	0.3	1.8	(0.2)	212.0	741.9
Profit after tax	–	–	–	–	–	–	20.5	20.5
Other comprehensive income/(expense)	–	–	–	–	–	–	(1.0)	(1.0)
Total comprehensive income/(expense)	–	–	–	–	–	–	19.5	19.5
Exercise of share options	–	–	–	–	(0.1)	–	–	(0.1)
Debit to share option reserve	–	–	–	–	(0.3)	–	–	(0.3)
Share capital issued in the year	–	0.1	–	–	–	–		0.1
Dividends paid to equity holders of the Company	–	–	–	–	–	–	(27.6)	(27.6)
At 31 December 2015	59.1	447.3	21.7	0.3	1.4	(0.2)	203.9	733.5
Profit after tax	–	–	–	–	–	–	16.8	16.8
Other comprehensive income/(expense)	–	–	–	–	–	–	(1.5)	(1.5)
Total comprehensive income/(expense)	–	–	–	–	–	–	15.3	15.3
Exercise of share options	–	–	–	–	–	–	–	–
Debit to share option reserve	–	–	–	–	(0.3)	–	–	(0.3)
Share capital issued in the year	–	–	–	–	–	–	–	–
Dividends paid to equity holders of the Company	–	–	–	–	–	–	(28.0)	(28.0)
At 31 December 2016	**59.1**	**447.3**	**21.7**	**0.3**	**1.1**	**(0.2)**	**191.2**	**720.5**

There was no movement in the merger reserve, capital redemption reserve and exchange reserve in the year. During 2016 the Company allotted 113,153 shares (2015: 209,345) following the exercising of share options.

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

Company Statement of Significant Accounting Policies

BASIS OF ACCOUNTING

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention (except for the revaluation of financial instruments which are held at fair value as disclosed below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. Categorisation of fair value is set out in the Group Accounts on page 121.

The separate financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101) and the Companies Acts 2006 as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a qualifying entity that would otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The Company is a qualifying entity for the purposes of FRS 101.

The following new and revised Standards and Interpretations have been adopted in the current period:

- Annual improvements – 2010-2012 cycle
- Annual improvements – 2012-2014 cycle
- Disclosure Initiative (amendments to IAS 1 "Presentation of Financial Statements").

The application of these specific Standards and Interpretations has not had a material effect on the Company.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 "Share-based Payment"
- the requirements of IFRS 7 "Financial Instruments: Disclosures"
- the requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement"
- the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
  i) paragraph 79(a)(iv) of IAS 1
  ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment"
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40B, 111, and 134 to 136 of IAS 1 "Presentation of Financial Statements"
- the requirements of IAS 7 "Statement of Cash Flows"
- the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- the requirements of paragraph 17 of IAS 24 "Related Party Disclosures"
- the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 "Impairment of Assets".

The Company has notified its Shareholders in writing, and they do not object to the use of the disclosure exemptions used by the Company in these financial statements. Where required, equivalent disclosures are given in the Group Accounts.

Share-based payments

The accounting policy for share-based payments (IFRS 2) is consistent with that of the Group as detailed on page 95.

Derivative financial instruments

The accounting policy for derivative financial instruments is consistent with that of the Group as detailed on pages 97 and 98.

Financial assets and liabilities

The accounting policy for financial assets and liabilities is consistent with that of the Group as detailed on page 97.

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 96.

Foreign currency

The accounting policy for foreign currency is consistent with that of the Group as detailed on page 94.

Taxation

The accounting policy for taxation is consistent with that of the Group as detailed on page 95.

Dividends

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

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described above, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the change takes place if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgments, estimates and assumptions that have the most important significant impact on the carrying value of the assets and liabilities recognised by the Company, and will have the most significant impact in the next financial year, are detailed below. All are considered to be estimates made by the Company.

Impairment of fixed asset investments

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £443m (2015: £443m) with no impairment loss recognised in 2016 or 2015.

Deferred tax assets

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, estimates are made to establish whether deferred tax balances should be recognised, in particular in respect of non-trading losses.

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 Company Income Statement for the year. SIG plc reported a profit after tax for the financial year ended 31 December 2016 of £16.8m (2015: £20.5m).

The Auditor's remuneration for audit services to the Company was £0.2m (2015: £0.1m).

2. SHARE-BASED PAYMENTS

The Company had two share-based payment schemes in existence during the year ended 31 December 2016. The Company recognised a total credit of £0.3m (2015: charge of £0.1m) in the year relating to share-based payment transactions issued after 7 November 2002. Details of each of the two share-based payment schemes can be found in Note 9 to the Group Accounts on pages 108 to 110.

3. DIVIDENDS

An interim dividend of 1.83p per ordinary share was paid on 4 November 2016 (2015: 1.69p). The Directors have proposed a final dividend for the year ended 31 December 2016 of 1.83p per ordinary share (2015: 2.91p). 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 2016 and the date of signing the Accounts.

4. STAFF COSTS

Particulars of employees (including Directors) are shown below:

	2016 £m	2015 £m
Employee costs during the year amounted to:		
Wages and salaries	**6.4**	4.7
Social security costs	**0.9**	0.6
IFRS 2 share option (credit)/charge	**(0.3)**	0.1
Pension costs	**0.4**	0.3
Total	**7.4**	5.7

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

	2016 Number	2015 Number
Administration	**60**	49

5. FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings, as follows:

	2016 £m	2015 £m
Cost		
At 1 January and 31 December	**650.2**	650.2
Accumulated impairment charges		
At 1 January and 31 December	**207.2**	207.2
Net book value		
At 1 January and 31 December	**443.0**	443.0

Details of the Company's subsidiaries are shown on pages 161 to 163.

6. TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	Land and buildings: Freehold land and buildings £m	Land and buildings: Short leasehold £m	Plant and machinery £m	Total £m
Cost				
At 1 January 2015	0.1	–	0.4	0.5
Additions	–	0.8	0.3	1.1
Disposals	–	–	–	–
At 1 January 2016	0.1	0.8	0.7	1.6
Additions	–	–	0.2	0.2
At 31 December 2016	**0.1**	**0.8**	**0.9**	**1.8**
Depreciation				
At 1 January 2015	0.1	–	0.3	0.4
Charge for the year	–	0.1	0.1	0.2
Disposals	–	–	–	–
At 1 January 2016	0.1	0.1	0.4	0.6
Charge for the year	–	0.1	0.2	0.3
At 31 December 2016	**0.1**	**0.2**	**0.6**	**0.9**
Net book value				
At 31 December 2016	**–**	**0.6**	**0.3**	**0.9**
At 31 December 2015	–	0.7	0.3	1.0

No impairment review was performed in 2016 or 2015 as there were no indications of impairment.

7. DEBTORS

	31 December 2016 £m	31 December 2015 £m
Amounts owed by subsidiary undertakings	**913.5**	150.1
Corporation tax recoverable	**–**	1.0
Derivative financial instruments	**0.1**	34.4
Prepayments and accrued income	**0.8**	1.2
Deferred consideration	**0.7**	1.5
Debtors – due within one year	**915.1**	188.2
Amounts owed by subsidiary undertakings	**3.2**	680.9
Derivative financial instruments	**4.4**	2.4
Debtors – due after more than one year	**7.6**	683.3
Total	**922.7**	871.5

Notes to the Company Accounts CONTINUED

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2016 £m	31 December 2015 £m
Private placement notes	**–**	160.1
Bank loans	**158.8**	88.1
Bank overdrafts	**3.7**	69.8
Amounts owed to subsidiary undertakings	**211.1**	109.2
Derivative financial instruments	**0.2**	1.3
Accruals and deferred income	**10.2**	8.0
Corporation tax	**1.5**	2.8
Total	**385.5**	439.3

All of the Company's bank loans and overdrafts are unsecured. The bank loans are guaranteed by certain companies of the Group.

9. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	31 December 2016 £m	31 December 2015 £m
Private placement notes	**200.7**	95.8
Derivative financial instruments	**3.6**	0.7
Amounts owed to subsidiary undertakings	**71.0**	61.3
Total	**275.3**	157.8

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

	31 December 2016		31 December 2015	
	£m	**Fixed interest rate %**	£m	Fixed interest rate %
Repayable in 2016*	**–**	**n/a**	160.1	5.9
Repayable in 2018	**22.0**	**5.3**	22.4	5.2
Repayable in 2020	**25.6**	**3.7**	22.0	3.7
Repayable in 2021	**17.1**	**3.9**	14.7	3.9
Repayable in 2023	**42.7**	**4.2**	36.7	4.2
Repayable in 2026	**93.3**	**3.3**	–	–
Total	**200.7**	**3.8**	255.9	5.3

* The private placement notes repayable in 2016 were included within creditors: amounts falling due within one year at 31 December 2015.

10. PROVISIONS

	Warranty Claims £m
At 1 January 2015	3.4
New provisions	–
Unwinding of provision discounting	0.1
Utilised	(1.5)
At 31 December 2015	2.0
New provisions	1.3
Unwinding of provision discounting	–
Utilised	(1.2)
At 31 December 2016	**2.1**

10. PROVISIONS CONTINUED

	31 December 2016 £m	31 December 2015 £m
Amounts falling due within one year	**1.0**	0.7
Amounts falling due after one year	**1.1**	1.3
Total	**2.1**	2.0

The transfer of economic benefit in respect of the warranty provision is expected to be made between one and 23 years' time.

11. DEFERRED TAX

	31 December 2016 £m	31 December 2015 £m
Deferred tax assets	**2.3**	4.0

The different components of deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting period are analysed below:

	Losses £m	Other £m	Total £m
At 1 January 2015	8.7	0.9	9.6
Credit/(charge) to income	0.7	(0.8)	(0.1)
Utilised	(5.5)	–	(5.5)
At 31 December 2015	3.9	0.1	4.0
Credit/(charge) to income	2.5	(0.1)	2.4
Utilised	(4.1)	–	(4.1)
At 31 December 2016	**2.3**	**–**	**2.3**

Given the current profitability of the Company, the Directors consider that the recognition of the deferred tax assets above is appropriate.

12. CAPITAL AND RESERVES

	31 December 2016 £m	31 December 2015 £m
Called up share capital	**59.1**	59.1
Share premium account	**447.3**	447.3
Merger reserve	**21.7**	21.7
Capital redemption reserve	**0.3**	0.3
Share option reserve	**1.1**	1.4
Exchange reserve	**(0.2)**	(0.2)
Retained profits	**191.2**	203.9
Total reserves	**720.5**	733.5

Notes to the Company Accounts CONTINUED

12. CAPITAL AND RESERVES CONTINUED

The movements in reserves during the year was as follows:

	Called up share capital £m	Share premium account £m	Share option reserve £m	Retained profits £m
At 1 January 2015	59.1	447.2	1.8	212.0
Exercise of share options	–	–	(0.1)	–
Debit to share option reserve	–	–	(0.3)	–
Fair value movement on cash flow hedges	–	–	–	(3.3)
Transfer to profit and loss on cash flow hedges	–	–	–	2.3
Issue of share capital	–	0.1	–	–
Profit for the period	–	–	–	20.5
Dividends	–	–	–	(27.6)
At 31 December 2015	59.1	447.3	1.4	203.9
Issue of share capital	–	–	–	–
Debit to share option reserve	–	–	(0.3)	–
Exercise of share options	–	–	–	–
Fair value movement on cash flow hedges	–	–	–	(3.8)
Transfer to profit and loss on cash flow hedges	–	–	–	2.3
Profit for the period	–	–	–	16.8
Dividends	–	–	–	(28.0)
At 31 December 2016	**59.1**	**447.3**	**1.1**	**191.2**

There was no movement in the merger reserve, capital redemption reserve and exchange reserve in the year. During 2016 the Company allotted 113,153 shares (2015: 209,345) following the exercising of share options.

The Company has sufficient distributable reserves to pay dividends for a number of years, and when required the Company can receive dividends from its subsidiaries to further increase distributable reserves.

Details of the Company's share capital can be found in Note 25 of the Group Accounts on page 130.

13. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Guarantees

At 31 December 2016 the Company had provided guarantees of £18.2m (2015: £9.0m) 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 (2015: £9.0m). This standby letter of credit, issued by HSBC Bank plc, is in respect of the Group's insurance arrangements.

14. RELATED PARTY TRANSACTIONS

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 68 to 85. In addition, the Company recognised a share-based credit under IFRS 2 of £0.3m (2015: charge of £0.1m).

Group Companies 2016

Full list of subsidiary undertakings

The SIG Group comprises a large number of companies. A full list of subsidiary undertakings in which an SIG Group Company has a controlling interest as at 31 December 2016 is detailed below, together with registered office addresses. The list includes those subsidiaries which in the Directors' opinion affect the figures shown in the Consolidated Financial Statements. The country of incorporation and the effective percentage of equity owned (if less than 100 per cent) is also detailed. Unless otherwise noted, the share capital comprises shares which are indirectly held by SIG plc. Unless otherwise stated, the share capital disclosed comprises ordinary shares. Unless otherwise noted, the registered office address of the United Kingdom companies is Hillsborough Works, Langsett Road, Sheffield, S6 2LW, United Kingdom.

Fully owned subsidiaries (United Kingdom)

A. M. Proos & Sons (Birmingham) Limited (England) (ii)
A. M. Proos & Sons Limited (England) (ii)
A. M. Proos (South) Limited (England) (ii)
A. Steadman & Son (Holdings) Limited (England) (ii)
A. Steadman & Son Limited (England) (ii)
Aaron Roofing Supplies Limited (England) (ii)
Accurate Roofing Supplies Limited (England) (ii)
Acoustic and Insulation Manufacturing Limited (England) (ii)
Acoustic and Insulation Materials Limited (England) (ii)
ADB Industrial Gloves & Clothing Limited (England) (ii)
Advanced Cladding & Insulation Group Limited (England) (ii)
Ainsworth Insulation Limited (England) (xi)
Ainsworth Insulation Supplies Limited (England) (xiii)
Air Trade Centre UK Limited (England) (ii)
AIS Insulation Supplies Limited (England)
Alltrim Plastics (Stoke) Limited (England) (ii)
Alltrim Plastics Limited (England) (ii)
Asphaltic Properties Limited (England) (ii)
Asphaltic Roofing Supplies Limited (England) (ii)
Auron Limited (England) (ii) (xix)
BBM (Materials) Limited (England) (ii)
Blueprint Construction Supplies Limited (England) (ii)
Bondec Boards Limited (England) (ii)
<Border Slate Suppliers Limited (Scotland) (ii)
Bowller Group Limited (England) (ii)
Builders–Express Limited (England) (ii)
Buildspan Holdings Limited (England) (ii) (vii)
Buildspan Limited (England) (ii)
C. P. Supplies Limited (England) (ii)
Cairns Roofing and Building Merchants Limited (England) (ii)
#Capco (Northern Ireland) Limited (Northern Ireland) (ii) (vii)
Capco Interior Supplies Limited (England) (ii) (xv)
Capco Slate & Tile Limited (England) (ii)
Capco UK Holdings Limited (England) (ii) (xiv)
Carpet and Flooring (Midlands) Limited (England)
Carpet and Flooring (South West) Limited (England) (ii)
Ceiling System Supplies Limited (England) (ii) (xv)
Ceilings Distribution Limited (England) (i) (ii)
+Central Refractories Scotland Limited (Scotland) (ii)
CH Insulation Products Limited (England) (ii) (viii)
Cheshire Roofing Supplies Limited (England) (ii)
Cladding and Fascia Supplies Limited (England) (ii)
Classicbond Limited (England) (ii)
+Clyde Insulation (Contracts) Limited (Scotland) (ii)
+Clyde Insulation Supplies Limited (Scotland) (ii)
Clydesdale Roofing Supplies (Leyland) Limited (England) (ii)
C.M.S. Acoustic Solutions Limited (England) (ii) (x)
CMS Danskin Acoustics Limited (England) (ii)
C.M.S. Vibration Solutions Limited (England) (ii) (xv)
Coleman Group Limited (England) (ii) (xviii)
Coleman Roofing Supplies Limited (England) (ii)
Conservatory Village Limited (England) (ii)
Construction Material Specialists Limited (England) (ii) (xvi)
Coxbench IP Limited (England) (ii)
CPD Distribution Plc (England) (ii)
*Dane Weller Glass and Blinds Limited (England) (ii)
*Dane Weller Holdings Limited (England) (ii)
+Danskin Flooring Systems Limited (Scotland) (ii)
Dataplus Software Limited (England) (ii)
Davies & Tate Installations Limited (England) (ii)
Davies & Tate Replacement Window Systems Limited (England) (ii)
Davies and Tate plc (England) (ii)
Daylight Domes Limited (England) (ii)
Drainage Online Limited (England) (ii)
Drainex Limited (England) (ii) (viii)
Dyfed Roofing Centre Limited (England) (ii)
Eurisol Limited (England) (ii)
Euroform Products Limited (England) (ii)
Eviee Limited (England) (ii)
Exton Construction Supplies Limited (England) (ii)
<Fastplas Limited (Scotland) (ii)
Fibreglass Insulations Limited (England) (ii)
Fireseal (North West) Limited (England) (ii)
Firth Powerfix Limited (England) (ii) (vii)
Flex–R Limited (England) (xv)
Footitts Roofing Supplies Limited (England) (ii)
Formerton Limited (England) (ii)
Formerton Sheet Sales Limited (England) (ii)
Franklin (Sussex) Limited (England) (ii)
Freeman Group Limited (England) (i) (ii)
Freeman Holdings Limited (England) (ii)
General Fixings Limited (England) (ii)
The Greenjackets Roofing Services Limited (England) (xv)
GRM Distribution Limited (England) (ii)
G.S. Insulation Supplies Limited (England) (ii)
Gutters & Ladders (1968) Limited (England) (ii)
Harris Roofing Supplies Gloucester Limited (England) (ii)
>HHI Building Products Limited (Northern Ireland) (ii)
Hillsborough Investments Limited (England) (i) (ii) (iii)
Homewarm Insulation Limited (England) (i) (ii)
IBSL Group Limited (England) (ii)
Impex Avon Limited (England) (ii) (xv)
Insulation & Buoyancy Services Limited (England) (ii)
Insulation and Machining Services Limited (England) (ii)
Insulation Express Limited (England) (ii)
Insulslab Limited (England) (ii)
+J. Danskin & Company Limited (Scotland) (ii)
John Hughes (Roofing Merchant) Limited (England) (ii)
John Hughes (Wigan) Limited (England) (ii)
Jordan Wedge Limited (England) (ii)
K.D. Insulation Supplies Limited (England) (ii)
Kem Edwards Limited (England) (ii)
Kent Flooring Supplies Limited (England) (ii)
Kesteven Roofing Centre Limited (England) (ii)
Kitson's Thermal Supplies Limited (England) (ii) (v)
Landsdon Holdings Limited (England) (ii) (xv)
Landsdon Limited (England) (ii) (x)
Leaderflush + Shapland Holdings Limited (England)
Lee and Son Limited (England) (ii)
Leicester Ceiling Supplies Limited (England) (ii)
Lifestyle Partitions and Furniture Limited (England) (ii) (vi)
London Insulation Supplies Limited (England) (ii)
>Long Construction Services (Northern Ireland) Limited (Northern Ireland) (ii)
+MacGregor & Moir Limited (Scotland) (ii)
Marvellous Fixings Limited (England) (ii)
Mayplas Limited (England) (ii) (ix)
M.C. Insulation Supplies Limited (England) (ii)
Metall Architektur Limited (England)
Metechno Limited (England)
Monofix Limited (England) (ii)
MP Acoustics Solutions Limited (England) (ii)
Ockwells Limited (England) (ii) (vii)
Omni Plastics Limited (England) (ii)

Group Companies 2016 CONTINUED

Omnico (Developments) Limited (England) (ii)
Omnico Plastics Limited (England) (ii)
One Stop Roofing Centre Limited (England) (ii)
Orion Trent Holdings Limited (England) (ii) (xvii)
Orion Trent Limited (England) (ii) (xvii)
Parking Ventilation Equipment Limited (England) (xv)
Penkridge Holdings Limited (England) (ii)
Plastic Pipe Supplies Limited (England) (ii)
Polytech Systems Limited (England) (ii) (xvii)
Pre–Pour Services Limited (England) (ii) (xv)
*Procurewide Limited (England) (ii)
Proos Roofing Centres Limited (England) (ii)
Rinus International Limited (England) (ii)
R.J. & T. Wormwell Limited (England) (ii)
Roberts & Burling Roofing Supplies Limited (England) (ii)
Roof Care (Northern) Limited (England) (ii)
Roof Fitters Mate Limited (England) (ii)
Roof Shop Limited (England) (ii)
Roofers Mate Limited (England) (ii)
Roofing Centre Group Limited (England) (ii)
Roofing Material Supplies Limited (England) (ii)
Roofspace Solutions Limited (England) (ii)
Roplas (Humberside) Limited (England) (ii)
Roplas (Lincs) Limited (England) (ii)
Rubberbond Roofing Systems Limited (England) (ii)
Ryan Roofing Supplies Limited (England) (ii) (viii)
S.K. (Sales) Limited (England) (ii)
Safety & Workwear Limited (England) (ii)
Safety Direct Limited (England) (ii)
SAS Direct and Partitioning Limited (England)
Scotplas Limited (England) (ii)
Scotwarm Insulations Limited (England) (i)
S.G. Insulation Supplies Limited (England) (ii)
Sheffield Insulations Limited (England) (i) (ii) (iii)
Shropshire Roofing Supplies Limited (England) (ii)
SIG Building Solutions Limited (England) (ii)
SIG Construction Accessories Limited (England) (ii)
SIG Distribution Limited (England) (ii)
*SIG Dormant Company Number Eight Limited (England) (ii) (iv)
SIG Dormant Company Number Eleven Limited (England) (ii)
*SIG Dormant Company Number Nine Limited (England) (i) (ii)
SIG Dormant Company Number Seven Limited (England) (i) (ii)
SIG Dormant Company Number Six Limited (England) (ii)
SIG Dormant Company Number Ten Limited (England) (i) (xvii)
SIG Dormant Company Number Thirteen Limited (England) (ii)
SIG Dormant Company Number Three Limited (England) (i) (ii)
*SIG Dormant Company Number Twelve Limited (England) (ii)
SIG Dormant Company Number Two Limited (England) (i) (ii) (iv)
*SIG Energy Management Limited (England) (i) (ii)
SIG EST Trustees Limited (England) (i) (ii)
SIG European Holdings Limited (England) (i)
SIG European Investments Limited (England)
SIG Express Limited (England) (ii)
*SIG Finance Limited (England) (ii)
SIG Fixings Limited (England) (ii)
SIG Glazing Services Limited (England) (ii)
SIG Green Deal Provider Company Limited (England) (i)
SIG Group Life Assurance Scheme Trustees Limited (England) (ii)
*SIG Hillsborough Limited (England)
SIG Insulations Limited (England) (ii)
SIG International Trading Limited (England) (i)
SIG Logistics Limited (England) (ii)
*SIG Manufacturing Limited (England)
SIG Offsite Limited (England) (ii)
SIG Retirement Benefits Plan Trustee Limited (England) (i) (ii)
SIG Roofing Supplies Limited (England) (i) (ii)
SIG Specialist Construction Products Limited (England) (ii)
SIG Sustainable Solutions Limited (England) (ii)
SIG Trading Limited (England) (i)
SIG Trading (KSA) Limited (England) (ii)
Solent Insulation Supplies Limited (England) (ii)
South Coast Roofing Supplies Limited (England) (ii)
Southern Roofing Warehouse Limited (England) (ii)
Southwest Roofing Supplies Limited (England) (ii) (viii)
Specialised Fixings (East Anglia) Limited (England) (ii)
Specialised Fixings Limited (England) (ii)
Summers PVC (Essex) Limited (England) (ii)
Summers PVC Limited (England) (ii)
Support Site Limited (England) (i) (ii)
Swindon Roofing Centre Limited (England) (ii) (xv)
T A Stephens (Roofing) Limited (England) (ii)
TD Insulation Supplies Limited (England) (ii)
Tenon Partition Systems Limited (England) (ii)
Thomas Smith (Roofing Centres) Limited (England) (ii)
Tolway East Limited (England) (ii)
Tolway Fixings Limited (England) (ii)
Tolway Holdings Limited (England) (ii)
Tooltray.com Limited (England) (ii)
Trent Insulations Limited (England) (ii)
Trimform Products Limited (England) (ii)
TSS Plastics Centre Limited (England) (ii)
Turner Fixings Limited (England) (ii)
Undercover Holdings Limited (England)
Undercover Insulations Limited (England) (ii)
Undercover Roofing Supplies Limited (England)
United Roofing Products Limited (England) (ii)
United Trading Company (UK) Limited (England) (ii) (vii)
Universal Roofing Supplies Limited (England) (ii)
Valley Sealants Limited (England) (ii)
V.J. Technology Limited (England) (ii)
W.W. Fixings Limited (England) (ii) (xvi)
Walkwell Flooring Supplies Limited (England) (ii)
Warm A Home Limited (England) (ii) (xx)
Warren Insulation plc (England) (ii)
Warwickshire Roofing Centre Limited (England) (ii)
Weymead Holdings Limited (England) (xv)
Wedge Roofing Centres Holdings Limited (England) (ii)
Wedge Roofing Centres Limited (England) (ii)
Westway Insulation Supplies Limited (England) (ii)
White & Taylor (Tunstall) Limited (England) (ii) (xii)
William Smith & Son (Roofing) Limited (England) (ii)
Window Fitters Mate Limited (England) (ii)
Window Village Limited (England) (ii)
Wood Floor Sales Limited (England) (ii)
Woods Insulation Limited (England) (ii)
Workspace London Limited (England) (ii)
Zip Screens Limited (England) (i) (ii)

Controlling interests (United Kingdom)

Drywall Qatar UK Limited (England) (51%)
Passive Fire Protection (PFP) UK Limited (England) (51%) (ii)
SIG Building Systems Limited (England) (51%)
SIG Roofspace Limited (England) (80%) (xv)

* Registered Office Address: Signet House, 17 Europa View, Sheffield Business Park, Sheffield, S9 1XH, United Kingdom
\+ Registered Office Address: 95 Westburn Drive, Cambuslang, Glasgow, G72 7NA, United Kingdom
< Registered Office Address: The Unit, Waverley Place, Newtown, St Boswells, Melrose, TD6 0RS, United Kingdom
> Registered Office Address: 6–8 Balmoral Road, Balmoral Industrial Estate, Belfast, Northern Ireland, BT12 6QA, United Kingdom
\# Registered Office Address: 27 Balmoral Road, Balmoral Industrial Estate, Belfast, BT12 6QA, United Kingdom

Fully owned subsidiaries (overseas) (including registered office addresses)

Air Trade Centre Netherlands B.V. (The Netherlands) –
1e Tochtweg 11, 2913 LN Nieuwerkerk aan den Ussel, The Netherlands

Asimex Klimaattechniek B.V. (The Netherlands) –
Leeghwaterstraat 12 3316 EC Dordrecht, The Netherlands

Beleggingsmij Interland Techniek B.V. (The Netherlands) –
Leeghwaterstraat 12 3316 EC Dordrecht, The Netherlands

BLH Bauelemente fur Luftengstechnik Hennen GmbH (Germany) –
Johann–Philipp–Reis–Strasse 1, 54293 Trier, Germany

Capco Interior Supplies Limited (Ireland) (ii) –
Mount Tallant Avenue, Terenure, Dublin 6W, Ireland

Elthisol S.A.R.L. (France) – Rue Charles Lindbergh – 35150 Janze, France

Gate Pizzaras SL (Spain) – Ponferrada, Villamartin Leon, Spain

Hamar B.V. (The Netherlands) – Zijlweg 1, 5145 NR Waalwijk, The Netherlands

Handelmaatschappij Bracol Nederland B.V. (The Netherlands) –
Industrieweg 32B, Zoeterwoude 2382 NW, The Netherlands

HC Barcol Air B.V. (The Netherlands) –
Cantekoogweg 10–12 1442 LG Purmerend, The Netherlands

HCKP B.V. (The Netherlands) – Tielenstraat 19 5145RC Waalwijk, The Netherlands

HCPS B.V. (The Netherlands) – Tielenstraat 19 5145RC Waalwijk, The Netherlands

Hillsborough (Guernsey) Limited (Guernsey) –
Redwood House, St Julian's Avenue, St Peter Port, GY1 1WA, Guernsey

Hillsborough Investments (Guernsey) Limited (Guernsey) –
Redwood House, St Julian's Avenue, St Peter Port, GY1 1WA, Guernsey

Holland Conditioning B.V. (The Netherlands) –
Tielenstraat 19 5145RC Waalwijk, The Netherlands

Houdstermaatschappij Gisama B.V. (The Netherlands) –
Leeghwaterstraat 12 3316 EC Dordrecht, The Netherlands

Isolatec b.v.b.a. (Belgium) – Scheepvaartkaai 5, Hasselt 3500, Belgium

Insulation Products & Systems B.V. (The Netherlands) –
Zijlweg 1, 5145 NR Waalwijk, The Netherlands

Interland Techniek B.V. (The Netherlands) –
Leeghwaterstraat 12 3316 EC Dordrecht, The Netherlands

J S McCarthy Limited (Ireland) –
Ballymount Retail Centre, Ballymount Road Lower, Dublin 24, Ireland

Lariviere S.A.S. (France) – 36 bis rue delaage, 49100 Angers, France

LITT Diffusion S.A.S. (France) – 8–16 rue Paul Vaillant Couturier 92240 Malakoff, France

Maury S.A.S. (France) – Chemin de la Plaisse, 73370 Le Bourget–du–Lac, France

Megawand B.V. (The Netherlands) – Lingewei 7, 4004 LK Tiel, The Netherlands

Meldertse Plafonneerartikelen N.V. (Belgium) – Bosstraat 60, Lummen 3560, Belgium

MPA BXL N.V. (Belgium) – Z. 4 Broekooi 200, Asse 1730, Belgium

Multijoint SA (Switzerland) – Route du Nant–d'Avril 101, 1217 Meyrin, Switzerland

M. Van Tol B.V. (The Netherlands) – Harsweg 12, 2461 EZ Ter Aar, The Netherlands

Netherlands Financing B.V. (The Netherlands) –
Bedrijfweg 15, 5061 JX Oisterwijk, The Netherlands

Profant Lufttechnik Handels GmbH (Austria) – Statteggerstrasse 131, 8045 Graz, Austria

Saftair Ventilation S.A.S. (France) – 15 rue du Levant, 76590 Torcy Le Petit, France

Sebemex S.A.S. (France) – 21 rue du Luxembourg, 37100 Tours, France

SIG Aftbouwspecialist B.V. (The Netherlands) –
Parklaan 12a, 5061 JT Oisterwijk, The Netherlands

SIG Air Handling N.V. (Belgium) – Hoogstraat 180, B–1930, Zaventem, Belgium

SIG Air Handling Sp. z.o.o. (Poland) – ul. Kamienskiego 51, 30–644 Krakow, Poland

SIG Air Handling Hungary Kft (Hungary) – 2040 Budaors, Gyar utca 2, Hungary

SIG Air Handling International B.V. (The Netherlands) –
1e Tochtweg 11, 2913 LN Nieuwerkerk aan den Ussel, The Netherlands

SIG Air Handling Netherlands B.V. (The Netherlands) –
Tielenstraat 19 5145RC Waalwijk, The Netherlands

SIG Air Handling Romania srl (Romania) –
1st Urban district, Sos, Odai No. 307–309, 2nd Floor Right Module Room 1, Romania

SIG Belgium Holdings N.V. (Belgium) – Z. 4 Broekooi 200, Asse 1730, Belgium

SIG Building Products Limited (Ireland) (ii) –
Ballymount Retail Centre, Ballymount Road Lower, Dublin 24, Ireland

SIG Central Services B.V. (The Netherlands) –
Bedrijfweg 15, 5061 JX Oisterwijk, The Netherlands

SIG Construction GmbH (Germany) –
Maybachstrasse 14, 63456 Hanau–Steinheim, Germany

SIG Financing (Jersey) Limited (Jersey) – 44 Esplanade, St Helier, JE4 9WG, Jersey

SIG France S.A.S. (France) – 8–16 rue Paul Vaillant Couturier, 92240 Malakoff, France

SIG Germany GmbH (Germany) – Maybachstrasse 14, 63456 Hanau–Steinheim, Germany

SIG GBT Machines B.V. (The Netherlands) (ii) –
Databankweg 7A, 3821 AL Amersfoort, The Netherlands

SIG Holdings B.V. (The Netherlands) –
Bedrijfweg 15, 5061 JX Oisterwijk, The Netherlands

SIG International Trading FZE (Dubai) – Jabel Ali, Dubai

SIG Nederland B.V. (The Netherlands) – Bedrijfweg 15, 5061 JX Oisterwijk, The Netherlands

SIG Property GmbH (Germany) –
Maybachstrasse 14, 63456 Hanau–Steinheim, Germany

SIG Technische Isoolatiespecialist B.V. (Belgium) –
Zijlweg 1, 5145 NR Waalwijk, The Netherlands

SIG Services Limited (Jersey) – 44 Esplanade, St Helier, JE4 9WG, Jersey

SIG Stukadoorsspecialist B.V. (The Netherlands) –
Hoogeveenenweg 160, Nieuwerkerk a.d. Ussel, 2913 LV, The Netherlands

SIG Trading (Ireland) Limited (Ireland) (viii) –
Ballymount Retail Centre, Ballymount Road Lower, Dublin 24, Ireland

SIG Sp. z.o.o. (Poland) – ul. Kamienskiego 51, 30–644 Krakow, Poland

Sitaco Sp. z.o.o. (Poland) – ul. Kamienskiego 51, 30–644 Krakow, Poland

Sitaco Sp. z.o.o. Spolka Komandytowa (Poland) –
ul. Kamienskiego 51, 30–644 Krakow, Poland

SML System und Metallbau GmbH (Germany) –
Juri–Gagarin–Ring 11, 19370 Parchim, Germany

Societe Industrielle de l'Ouest des Produits Isolants S.A.S. (France) –
Chemin de Rouville, 27460 Alizay, France

Technische Handelmaatschappij "Inatherm" B.V. (The Netherlands) –
Vijzelweg 10, 5145NK Waalwijk, The Netherlands

U.M.B. Amersfoort B.V. (The Netherlands) –
Databankweg 7, 3821 AL Amersfoort, The Netherlands

U.M.B. Tiel B.V. (The Netherlands) – Lingewei 7, 4004 LK Tiel, The Netherlands

WeGo Systembaustoffe GmbH (Germany) –
Maybachstrasse 14, 63456 Hanau–Steinheim, Germany

WeGo Systembaustoffe Austria GmbH (Austria) – Ruthnergasse 28, 1210 Wien, Austria

Controlling interests (overseas) (including registered office addresses)

Air Trade Centre East B.V. (The Netherlands) (80%) –
1e Tochtweg 11, 2913 LN Nieuwerkerk aan den Ussel, The Netherlands

Air Trade Centre Limited Sti Turkey (Turkey) (80%) – Seyrantepe mah. Ibrahim Karaoglanoglu cad. No: 101 K:1, Kagithane/Istanbul, Turkey

Drywall Qatar LLC (Qatar) (49%) – P.O. Box 49636, Qatar

SIG Air Handling Bulgaria Limited (Bulgaria) (60%) –
301, Tzarigradsko chaussee Blvr. Sofia 1582, Bulgaria

SIG Middle East LLC (Dubai) (49%) – P.O. Box 215851, Dubai

Notes

(i) Directly owned by SIG plc
(ii) Dormant company
(iii) Ownership held in cumulative preference shares
(iv) Ownership held in ordinary shares and 12% cumulative redeemable preference shares
(v) Ownership held in ordinary shares and preference shares
(vi) Ownership held in ordinary shares and deferred ordinary shares
(vii) Ownership held in ordinary shares and class A ordinary shares
(viii) Ownership held in ordinary shares and class B ordinary shares
(ix) Ownership held in ordinary shares, class A ordinary shares and class B ordinary shares
(x) Ownership held in ordinary shares, class B ordinary shares and class C ordinary shares
(xi) Ownership held in ordinary shares, class A ordinary shares, class B ordinary shares and class C ordinary shares
(xii) Ownership held in ordinary shares and class E ordinary shares
(xiii) Ownership held in ordinary shares, class A ordinary shares, class B ordinary shares, class C ordinary shares, class E ordinary shares, class F ordinary shares and class G ordinary shares
(xiv) Ownership held in class A ordinary shares
(xv) Ownership held in class A ordinary shares and class B ordinary shares
(xvi) Ownership held in class A ordinary shares, class B ordinary shares and class C ordinary shares
(xvii) Ownership held in class A ordinary shares, class B ordinary shares and preference shares
(xviii) Ownership held in class A ordinary shares, class B ordinary shares and cumulative redeemable preference shares
(xix) Ownership held in class B ordinary shares and preference shares
(xx) Ownership held in class AA ordinary shares, class AB ordinary shares, class AC ordinary shares, class AD ordinary shares, class AE ordinary shares, class AF ordinary shares, class AG ordinary shares, class B ordinary shares and class C ordinary shares

Company information

President
Sir Norman Adsetts OBE, MA

Secretary
Richard Monro FCIS

Registered number
Registered in England
998314

Registered office
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Langsett Road
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Company website
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Sector Support Services

London Stock Exchange
LISTED
PREMIUM

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Computershare Investor Services Plc
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Bristol BS13 8AE

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1 City Square
Leeds LS1 2AL

Solicitors
Pinsent Masons LLP
1 Park Row
Leeds LS1 5AB

Principal bankers
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Corporate Banking
3rd Floor
2 Whitehall Quay
Leeds LS1 4HR

Barclays Bank PLC
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1 Park Row
Leeds LS1 5WU

Commerzbank Aktiengesellschaft AG
London Branch
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London EC2P 2XY

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116 Wellington Street
Leeds LS1 4LT

HSBC Bank plc
4th Floor
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Leeds LS1 2HL

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London EC4V 3BJ

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One New Change
London EC4M 9AF

Financial public relations
FTI Consulting Limited
200 Aldersgate
Aldersgate Street
London EC1A 4HD

Shareholder enquiries

Our share register is managed by Computershare, who can be contacted by telephone on:

24 hour helpline*	0370 707 1293
Overseas callers	+44 370 707 1293
Text phone	0370 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.

Dividend tax allowance

In respect of UK shareholders, from April 2016 dividend tax credits were replaced by an annual £5,000 tax-free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of the dividends paid by SIG plc and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

If you have any tax queries, please contact a financial advisor.

Financial calendar

Annual General Meeting	– to be held on 11 May 2017
Interim Results 2017	– announcement August 2017
Full Year Results 2017	– announcement March 2018
Annual Report and Accounts 2017	– posted to Shareholders April 2018

Shareholder analysis at 31 December 2016

Size of shareholding	Number of shareholders	%	Number of ordinary shares	%
0 – 999	712	31.76	297,485	0.05
1,000 – 4,999	854	38.09	1,904,556	0.32
5,000 – 9,999	214	9.55	1,426,173	0.24
10,000 – 99,999	268	11.95	8,371,392	1.42
100,000 – 249,999	66	2.94	10,958,221	1.85
250,000 – 499,999	36	1.61	12,566,852	2.13
500,000 – 999,999	24	1.07	17,757,502	3.00
1,000,000+	68	3.03	538,178,120	90.99
Total	**2,242**	**100.00**	**591,460,301**	**100.00**

Shareholder notes

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