THE CONSTRUCTION INDUSTRY'S **FIRST CHOICE** FOR SPECIALIST PRODUCTS

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SIG plc Annual Report
and Accounts 2007

Registered number
998314

CORPORATE STATEMENT

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

COUNTRIES IN WHICH WE OPERATE:

United Kingdom
Ireland
Germany
France
Poland
The Netherlands
Belgium
Austria
Czech Republic
Slovakia

Number 1

SIG is the leading supplier of insulation, roofing, commercial interiors and specialist construction and safety products in Europe

AT A GLANCE: HIGHLIGHTS

REVENUE†
£2,455m
+32.0%§

† From continuing operations only (i e excluding the USA business sold on 20 November 2006)

§ Represents the percentage growth in 2007 when compared to 2006

* Underlying figures are stated before the amortisation of acquired intangibles the profit on sale of the USA business and hedge ineffectiveness

UNDERLYING* PROFIT BEFORE TAX†
£140.1m
+29.5%§

TRADING SITES AS AT 31 DECEMBER 2007
779

CORPORATE GOVERNANCE

BASIC EPS†
66.3p
+14.1%§

EMPLOYEES AS AT 31 DECEMBER 2007
12,100

UNDERLYING* BASIC EPS†
74.8p
+22.0%§

MARKET CAPITALISATION AS AT 12 MARCH 2008
£1,032m

DIVIDEND PER SHARE
26.7p
+30.2%§

ACQUISITION SPEND IN 2007
£323m

ACCOUNTS

AT A GLANCE: PERFORMANCE

† From continuing operations only (i e excluding the USA business sold on 20 November 2006).

● Underlying figures are stated before the amortisation of acquired intangibles, the profit on sale of the USA business and hedge ineffectiveness

§ Represents the percentage growth in 2007 when compared to 2006

Like for like is defined as the business excluding the impact of acquisitions and disposals made in the current and prior year The 2005 like for like sales growth figure has not been restated to reflect the elimination of the contribution from the USA business sold in November 2006

REVENUE†

£2,455m

+32.0%§

£1,860m

£1,571m

2005 2006 2007

LIKE FOR LIKE# REVENUE GROWTH

10.9%

7 1%

9 3%

2005 2006 2007

UNDERLYING● OPERATING PROFIT†

£159.4m

+31.3%§

£121 4m

£99 1m

2005 2006 2007

OPERATING PROFIT†

£142.2m

+24.2%§

£114 5m

£89 8m

2005 2006 2007

UNDERLYING* PROFIT BEFORE TAX†

£140.1m

+29.5%§

£108 2m

£91 3m

2005 2006 2007

PROFIT BEFORE TAX†

£124.3m

+21.0%§

£102 7m

£83 8m

2005 2006 2007

UNDERLYING* BASIC EPS†

74.8p

+22.0%§

61 3p

50 9p

2005 2006 2007

BASIC EPS†

66.3p

+14.1%§

58 1p

45 2p

2005 2006 2007

DIVIDEND PER SHARE

26.7p

+30.2%§

20 5p

16 8p

2005 2006 2007

AT A GLANCE: ACTIVITIES

"SIG is a supplier of specialist products to the building and construction industry It focuses its activities into four business sectors Insulation, Roofing and External Elements, Commercial Interiors and Specialist Construction and Safety Products."

Focus, Specialisation and Service are the core principles of SIG enabling the Group's businesses to offer expert advice and know-how, wide product choice and a fast and efficient delivery service

SIG is committed to providing fast, efficient, no nonsense service to customers, locally and nationally, as required

Local staff with local knowledge are the driving force of the business and empower it to effectively compete in local market conditions

INSULATION

SIG is the largest supplier of insulation and related products in Europe It holds leading market positions in the UK, Ireland, Germany and Poland and is the leader in industrial insulation in France SIG also operates in The Netherlands, Belgium, Austria, Czech Republic and Slovakia

COUNTRIES OF OPERATION

United Kingdom	The Netherlands
Ireland	Belgium
Germany	Austria
France	Czech Republic
Poland	Slovakia

REVENUE

£916m

37.3%

ROOFING AND EXTERNAL ELEMENTS

SIG is the largest supplier of roofing products in the UK, Ireland and France and a key regional operator in Germany and Poland SIG supplies products and systems to every sector of the roofing industry for both new projects and repair and maintenance

COUNTRIES OF OPERATION

United Kingdom
Ireland
Germany
France
Poland

REVENUE

£641m

26.1%

This mixture of skilled and focused people, efficient business processes and specialist infrastructure differentiates SIG and has enabled the Group to become the leading supplier of specialist building materials in Europe.

SIG is Europe's leading supplier of insulation, roofing and external elements, commercial interiors and specialist construction and safety products.

COMMERCIAL INTERIORS

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

COUNTRIES OF OPERATION

United Kingdom	The Netherlands
Ireland	Belgium
Germany	Austria
France	Czech Republic
Poland	Slovakia

REVENUE

£621m

25.3%

SPECIALIST CONSTRUCTION AND SAFETY PRODUCTS

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

COUNTRIES OF OPERATION

United Kingdom
Ireland
Poland
France (Safety)

REVENUE

£277m

11.3%

CHAIRMAN'S STATEMENT

LES TENCH
NON-EXECUTIVE CHAIRMAN

- Record sales growth
- Record profits and earnings per share
- Strong like for like growth in both operating regions
- Record increase in the number of trading sites
- Record value and volume of acquisitions
- Significant broadening of products and services sold to customers

GLOSSARY OF TERMS
* Like for like is defined as the business excluding the impact of acquisitions made since 1 January 2006
** Underlying is before the amortisation of acquired intangibles and hedge ineffectiveness

2007 was an excellent year for the Company, marked by strong organic growth and an unprecedented level of acquisition activity.

FOCUS, SPECIALISATION AND SERVICE

2007 was an excellent year for the Company, marked by strong organic growth and an unprecedented level of acquisition activity The Company increased the breadth of its trading activities both geographically and by extending the range of products and services to customers throughout the UK and Ireland and in Mainland Europe

Highlights of the year are

- record sales growth,
- record profits and earnings per share,
- strong like for like growth in both operating regions,
- record increase in the number of trading sites,
- record value and volume of acquisitions, and
- significant broadening of products and services sold to customers

RESULTS
For the year ended 31 December 2007, compared with the corresponding period in 2006 excluding the figures for the USA business which was sold in November 2006

SALES
Total sales increased by £595 4m (32 0%) to £2,455 2m (2006 £1,859 8m) Like for like* sales growth was 10 9% in Sterling Foreign exchange rate movements on a year-on-year basis had minimal impact, together adding £11 4m to sales (and £0 5m to operating profits)

PROFITS
Total underlying** operating profit increased by £38 0m (31 3%) to £159 4m (2006 £121 4m) Underlying net finance costs increased by £6 1m to £19 3m (2006 £13 2m) Underlying profit before tax increased by £31 9m (29 5%) to £140 1m (2006 £108 2m) Amortisation of acquired intangibles increased by £10 3m to £17 2m (2006 £6 9m) A credit of £1 4m has arisen in relation to hedge ineffectiveness (2006 £1 4m) Profit before tax increased by £21 6m (21 0%) to £124 3m (2006 £102 7m)

MARGINS
The underlying operating profit margin was held at 8 0% in the UK and Ireland and increased to 4 9% from 4 6% in 2006 in Mainland Europe After increased costs associated with acquisitions and business development, the Group underlying operating profit margin was maintained at 6 5% (2006 6 5%)

EARNINGS AND DIVIDENDS
The underlying basic earnings per share increased by 13 5p (22 0%) to 74 8p (2006 61 3p) Basic earnings per share increased by 8 2p (14 1%) to 66 3p (2006 58 1p) A final dividend of 18 7p is proposed, subject to shareholder approval which would make a total dividend for the year of 26 7p, an increase of 30 2% demonstrating the Board s confidence in the prospects of the business

FINANCES
Cash flow from trading strengthened further in 2007 Continued investment in customer service through investment in stock, trading sites and delivery capability, together with record acquisition spend, resulted in increased borrowings at the year end, with gearing at 75% (2006 65%)

During the year the Company placed 11 4m new ordinary shares at 1,320p each, raising £147m after commissions and expenses In addition a further £100m of committed facilities were obtained during the year with committed facilities totalling £600m at the end of the year

The Group has a sound financial position with prudent interest cover of 8 2x (2006 9 2x)

ACQUISITIONS
The strategy of targeting acquisitions as a means of supplementing the ongoing organic expansion of the Group continued to be successfully executed during 2007 A total of 27 companies were acquired, for a total consideration of £323m, including assumed debt The combined sales of those acquisitions on an annualised basis is £440m, split £300m in Mainland Europe and £140m in the UK and Ireland During the calendar year 2007, £217m of sales from these 27 acquisitions impacted on the Group results

So far in 2008 (to 13 March) 8 acquisitions have been completed, for a total consideration net of cash acquired of £32m Combined annualised sales is c £50m, split as follows

- UK and Ireland – 7 deals, £46m annualised sales 21 trading sites added in Insulation, Commercial Interiors, Roofing and Specialist Construction and Safety Products, and
- Mainland Europe – 1 deal, 1 trading site added, £4m annualised sales in Commercial Interiors

Work is ongoing on the healthy pipeline of further opportunities

BOARD
It was announced on 10 January 2008 that David Williams intends to retire as Chief Executive on 30 June 2008 and will leave the Company on that date Following a comprehensive search conducted by external consultants for a replacement, Chris Davies who has been Managing Director of SIG Mainland Europe since 2001, was appointed Deputy Chief Executive with effect from 10 January 2008 and will take over as Chief Executive on 1 July 2008 During the hand-over period in the first six months of 2008, David is working closely with Chris to ensure continuity and a smooth transition The search for a replacement for Chris as Managing Director of SIG Mainland Europe is well underway

I would like to take this opportunity to thank David for the valuable contribution he has made to the Group over the past twenty four years, particularly during his time as Chief Executive from January 2002 The excellent position and strength of the Group today owes much to his leadership

EMPLOYEES
On behalf of the Board I wish to thank all our employees throughout the Group for their efforts in enabling the Company to outperform market conditions and in driving the continued successful expansion of the business

PROSPECTS
The Group's sales are more heavily weighted towards non-residential construction, both in the UK and Ireland and in Mainland Europe, and it is believed that the substantial pipeline of work in progress of both public and privately funded construction programmes will continue to provide the Group with attractive opportunities in its four main product sectors

Insulation and related products is the Group's largest product sector and demand is expected to continue to increase at a faster rate than overall construction activity in the UK and Ireland and Mainland Europe, both across the new construction and refurbishment markets This will continue to be driven by a range of factors including concern for the environment, rising energy costs, new legislation seeking to limit energy consumption, new building regulations, and grant schemes to improve energy efficiency in existing residential properties The Group is continuing to invest to ensure that it benefits from this expected growth in demand going forward, and capitalises on its market leading position

On a broader basis across the Group, a significant range of expansion opportunities, both organic and acquisition, are being actively pursued The number of individual trading sites has increased substantially over recent years throughout the operating regions, and this programme of expanding market coverage is planned to continue

In 2007, the Group expanded its operations and trading activities significantly and these dynamics provide a strong platform coming into 2008 Trading in 2008 has begun well and the Board believes that the Group will continue its track record of outperforming across its markets The Board is confident of further progress in 2008 and beyond

LES TENCH
CHAIRMAN

DAVID WILLIAMS
CHIEF EXECUTIVE

GARETH DAVIES
FINANCE DIRECTOR

- SIG is the construction industry's first choice for specialist products
- SIG has continually expanded the range of products it sells to specialist contracting companies and professional trades

CONTENTS

GLOSSARY OF TERMS
Like for like is defined as the business excluding the impact of acquisitions made since 1 January 2006

Underlying is before the amortisation of acquired intangibles and hedge ineffectiveness

The continued pursuit and application of the Group's clear Growth Strategy has once again driven excellent increases in sales, profits and earnings per share.

FOCUS, SPECIALISATION AND SERVICE

This Business Review has been prepared by the Board solely for the members of SIG plc It is intended to provide Shareholders with a summary of the development, performance and financial position of the Group for 2007 It also provides details of the main trends and factors underlying the year's results and which are likely to affect future performance and describes the Group's business and its key objectives strategies values and resources together with the main risks and uncertainties it faces A cautionary comment relating to forward looking statements is provided on page 27

INTRODUCTION TO SIG

SIG plc is a leading supplier of specialist products to professionals in the building, construction and related industries, with 779 trading sites throughout the UK, Ireland and Mainland Europe and employs over 12 100 people

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

On 12 March 2008, the share price closed at £7 645 At this date there were 135 002,485 shares in issue, giving a market capitalisation at that date of £1 032m

SIG'S ORGANISATIONAL STRUCTURE

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

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

SIG'S MARKET SECTORS

Over the last two decades, SIG has continually expanded the range of products it sells to specialist contracting companies and professional trades SIG now sells products into four distinct market sectors across a number of different countries as set out below

	Insulation	Roofing and External Elements	Commercial Interiors	Specialist Construction and Safety Products
United Kingdom	•	•	•	•
Ireland	•	•	•	•
Germany and Austria	•	•	•	
France	•	•	•	•
Poland	•	•	•	•
Benelux	•		•	
Czech Republic and Slovakia	•		•	

+ Safety products only

SIG'S PRODUCTS

Insulation

- Thermal insulation
- Fire protection
- Acoustic insulation
- Dry lining
- Refrigeration and cold storage
- Flooring
- Heating and ventilation products
- Industrial lining
- Pipe insulation
- Roofing insulation
- Waterproofing
- Air handling and air treatment

Roofing and External Elements

- Flat roofing
  - Roofing felts – glass, polyester and torch-ons
  - Bitumen
  - Roof lights and domes
  - Solar reflective paints
- Slating and tiling
  - Concrete tiles
  - Clay tiles
  - Promenade tiles
  - Slates – natural and man-made
  - Shingles
- Sheeting and cladding
  - Fire cement sheeting
  - Mastic asphalt
  - Profiled metal sheeting
- Rainwater goods
- Roofline products
  - Soffits
  - Facias
  - Barge boards
- Ventilation

Commercial Interiors

- Suspended ceilings
- Partitioning
- Cleanroom technology products
- Doorsets
- Category lighting
- Dry lining
- Fire protection
- Insulation
- Raised access floors
- Column encasements
- Office/acoustic screens
- Noise control
- Office furniture and storage products
- Fixing products

Specialist Construction and Safety Products

- Mechanical fixings and accessories
- Fixings and fastenings
- Groundwork products
  - Shoring equipment
  - Geotextiles
  - Reinforcement products
  - Ground stabilisation products
- Temporary fencing and scaffolding
- Masonry components
- Construction chemicals
- Safety helmets
- Protective clothing
- Safety glasses
- Safety boots
- Ear plugs
- Gloves
- Dust respirators

THE CORE SIG BUSINESS OFFERING

SUPPLY SPECIALIST CONTRACTORS WITH SPECIALIST PRODUCTS IN FOUR KEY MARKETS

INSULATION
ROOFING AND EXTERNAL ELEMENTS
COMMERCIAL INTERIORS
SPECIALIST CONSTRUCTION AND SAFETY PRODUCTS

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

INTRODUCTION TO SIG CONTINUED

SIG'S ACTIVITIES

SIG is primarily a distributor handling and supplying specialist products manufactured by other companies Where products are bespoke to the end user, SIG's only route to market is by manufacturing products for the specialist contractors to fit SIG currently manufactures partition systems and doorsets in its UK Commercial Interiors division SIG fabricates some custom products in its Insulation and Roofing and External Elements divisions Fabrication involves adding value by cutting, reshaping or attaching two or more core products together The largest fabrication activity is the cutting and shaping of industrial insulation

SIG's contracting activity is focused on the UK, where it installs loft and cavity wall insulation in residential properties

SIG operates under a wide variety of trading names in the respective markets and countries in which it has trading sites Many of these brands are widely recognised throughout their respective market sectors or countries as the leading supplier of focused products and services to customers

SIG'S ROLE IN THE SUPPLY CHAIN

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

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

- BREAKING BULK FOR MANUFACTURERS
  SIG's suppliers deliver products in large lorry loads to each of SIG's trading sites For fast moving items the product can often be taken from the end of the production line straight to the SIG trading site This enables the manufacturers to focus on manufacturing the product as efficiently as possible, and allowing the distributor ("SIG") to focus on breaking and distributing the bulk to the many contractors fitting the product

- PROVIDING "IMMEDIATE" AVAILABILITY OF PRODUCT CLOSE TO SITE LOCATION
  Through its 779 trading sites, contractors are able to obtain product in very quick timeframes to meet the demands of a fast moving construction site The majority of construction sites do not have a large area to store product safely and securely and so the ability to source product quickly overcomes the problems caused by such a space constraint

- HAVING THE MOST EXTENSIVE DELIVERY FLEET IN THE INDUSTRY
  SIG delivers over 70% of its goods sold to the construction site SIG has a wide range of commercial vehicles including a number of mechanical offload and crane facilities to deliver the product to exactly where it is needed

- PROVIDING TECHNICAL ADVICE AND PRODUCT EXPERTISE
  SIG's customer base values the comprehensive technical knowledge that SIG's sales staff have of each product's specific application to ensure that legal and safety standards are met in buildings and industry Where particularly complex queries arise SIG is able to call upon advice from its supplier base This is an important value-added element of the service offered by SIG No other European company has the depth of experience and expertise that SIG has in its product fields

- ENABLING CONTRACTORS TO MAXIMISE EFFICIENT USE OF LABOUR
  SIG's ability to deliver product at short notice enables contractors to flex their work schedule depending upon the daily needs of the construction site This part of the service offering is highly valued by SIG's customer base and ensures SIG maintains its critical role in the supply chain

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

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

MARKETS SUPPLIED BY SIG

SIG is well diversified, serving a wide range of industries and markets The following table provides an indicative estimate, based upon SIG's analysis of sector information of the breakdown of the 2007 Group sales into the different end markets

	Total % of Group	New build % of sub-group	RMI % of sub-group
Non-residential	54%	57%	43%
Residential	36%	46%	54%
Industry (non-construction)	10%	56%	44%

Source SIG estimates

The non-residential market is SIG's largest market segment This includes both private and public expenditure on schools, hospitals, prisons, warehouses, leisure complexes, retail developments, sports stadia airports and offices Residential is SIG's second largest market segment In this market SIG is more heavily weighted to the essential repairs and maintenance market which is less sensitive to the economic fluctuations which can impact the new build sector and provides a strong underlying market in periods of economic downturn

The smallest market for SIG is industry SIG predominantly supplies industrial insulation to this market and includes for example, power stations and process industries where heat is a major part of the production process

DEMAND FOR SIG'S PRODUCTS

Demand for the products sold by SIG is influenced by a wide range of factors Overall building activity is a main driver, both for residential and non-residential properties, and also the expenditure on repairs, maintenance and improvement ("RMI") of all types of existing buildings Demands for parts of the SIG product range are influenced by other specific factors as follows

Business	Sector specific market drivers
Insulation	• Regulation in both the UK and Europe, environmental awareness and high energy costs are all key drivers for insulation demand • Higher standards of comfort – both acoustic and temperature
	Insulation usage in new construction is affected by the Building Regulations in operation in each country Over time, it is expected that governments, businesses and the public will increasingly focus on reducing energy consumption more vigorously than in the past and that as a result insulation demand will continue to rise Changing climatic conditions make it more a necessity to insulate in order to moderate temperature changes within a building
Roofing and External Elements	• A regular and essential RMI requirement for roofs subject to increasingly variable and severe weather conditions • Demand for new products to reduce building exterior maintenance costs • Growth of specialist distribution as the main supply route
	The age profile of roofs across the UK and Europe is on average, increasing and this gives rise to an ongoing RMI requirement This provides a core product demand Certain products are used extensively for upgrading existing properties and demand over time is expected to increase as people look for low-maintenance products to replace traditional high-maintenance painted timber on the exterior of buildings
Commercial Interiors	• Rising standards of internal fit-out and the growing importance of acoustic and safety standards • Increased demand for integrated solutions • Increased need for high security
	SIG has experienced a trend towards higher quality internal working environments, for example, higher value glass partitions in non-residential buildings and higher quality doors to meet fire and acoustic regulations New interiors are often required following a change of use or a change of occupancy within existing non-residential buildings requiring refitting and removal of partitions wall storage and ceiling systems
Specialist Construction and Safety Products	• Tightening of regulations • "Just-in-time" approach to project management • Out-sourcing of technical know-how
	Over recent years, methods of construction have changed leading to a requirement for new innovative specialist products which SIG is ideally placed to supply

Regulation in both the UK and Europe, environmental awareness and high energy costs are all key drivers for insulation demand.

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

The diagram below explains the five key growth strategies SIG is pursuing

SIG growth

- **New countries in Europe**
- **Market demand growth**
- **Acquisition pipeline**
- **Wider product range**
- **More trading sites in existing regions**

1 NEW COUNTRIES IN EUROPE
SIG is continually reviewing new countries in Europe to assess whether there is an opportunity for SIG to enter as specialist supplier in its chosen four market sectors The most effective way to enter these markets is normally by acquisition

Euroconstruct construction forecasts indicate that construction activity growth rates will be higher in new EU accession countries than the more mature European countries over the next few years In view of this, during 2007 SIG acquired new businesses in the Czech Republic and Slovakia SIG is currently building a central services team in this region to support its anticipated growth in the "Central Europe" region

2 MARKET DEMAND GROWTH
The wider European market into which SIG already supplies is huge Taking all the Mainland European countries together (except Russia), there is a population of c 600m The market size for the supply of building and construction products is estimated to be c €900bn per annum SIG is well placed to exploit its product and market knowledge to take a larger share of this market place

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

3 ACQUISITION PIPELINE
SIG employs a carefully targeted acquisition strategy The rationale is to improve SIG's geographic coverage, widen its product range and consolidate and strengthen its market position SIG has two main categories of acquisition

a) 'Bolt-on – these are existing country and existing product acquisitions where SIG brings direct synergies post acquisition to enhance its investment returns

b) Platform' – this describes an acquisition which creates a new substantive position in either

i) an entirely new country,

ii) an entirely new product or market sector, or

iii) which introduces an existing SIG product group into a country in which SIG already has trading operations, but not in the product group of the newly acquired business

Unlike a 'bolt-on' acquisition, there may be few immediate synergies with a platform' acquisition However, SIG would expect to expand its position out from the 'platform' acquisition, to grow sales and profits going forward Examples of 'platform' acquisitions in 2007 are the first move into roofing in France with the acquisition of Larivière, and the entrance into Czech Republic and Slovakia with the acquisition of BEK

In 2007 SIG completed 27 acquisitions for a total enterprise value of £323m (2006 £109m on 23 acquisitions) The acquisitions in 2007 can be split into the two different types as follows

27 ACQUISITIONS

£323m **Enterprise Value**

'BOLT-ON
20 acquisitions
£65m Enterprise Value

PLATFORM'
7 acquisitions
£258m Enterprise Value

The 2007 acquisitions were widely spread right across Europe and in each of SIG's four market sectors, bringing annualised sales to the Group of £440m (2006 £240m) This is further analysed on page 18

The acquisitions include SIG's largest acquisition to date – Larivière – the number one French specialist roofing supplier

Further details of SIG's 2007 acquisition programme are provided on pages 18 and 19

4 WIDER PRODUCT RANGE
Extending the range of specialist products and services which SIG offers improves customer service and market penetration Once SIG has identified a new product offering, consideration is then given to widening the supply of this product through the existing trading site network An example of this is the recent product launches within the UK Commercial Interiors division which include new security doorsets, a system of wall panel products for use specifically in hospitals and other health facilities and access panels for services in commercial and public buildings

REVENUE BY MARKET

£2,455m

SPECIALIST CONSTRUCTION AND SAFETY PRODUCTS
£277m
11 3%

INSULATION
£916m
37 3%

ROOFING AND EXTERNAL ELEMENTS
£641m
26 1%

COMMERCIAL INTERIORS
£621m
25 3%

Maintaining positive like for like growth in every business is a key target by which every business is measured and is a key component of being able to drive profit growth.

SIG'S STRATEGY CONTINUED

5 MORE TRADING SITES IN EXISTING REGIONS

A key feature of the essential service to customers is the ability to deliver product to site or the customer s premises at very short notice Lead times from order placing to actual delivery are usually between one and two days In most cases customers are unable to hold any inventory and delivery times are critical to ensure the efficient use of manpower on site

SIG has a programme of investing in new trading sites and relocating to larger trading sites in order to increase inventory holding capability and reduce delivery journey times The delivery fleet, which is controlled and directed by local management in each trading area, is being expanded to ensure rapid availability and flexibility to meet customer demands

The increase in the Group's trading sites over the last two years is shown below

	UK and Ireland	Mainland Europe	USA	Total
2005	337	139	20	496
Net new openings	4	5	1	10
Acquired/(disposed)	81	52	(21)	112
2006	422	196	–	618
Net new openings	9	4	–	13
Acquired	30	118	–	148
2007	**461**	**318**	–	**779**

KEY LONG TERM OBJECTIVES

SIG is committed to the following key long term objectives in support of its overall strategy

- develop and grow by applying the Group's three core principles of Focus Specialisation and Service,
- expand the Company and its activities as a leading specialist supplier to professional trades in the construction and related industries
- supplement organic growth with carefully targeted acquisitions,
- provide annual dividend growth not necessarily in line with earnings growth but maintaining dividend cover of between two to three times and
- create long term growth in Shareholder value

DEVELOPMENT OF OUR PEOPLE

SIG is committed to ensuring that all employees and management are properly inducted into SIG and given the necessary training to fulfil their roles

The Company has a wide range of programmes running, aimed at improving the skill and competency of employees and also to provide opportunities for personal development This ties in with SIG's policy of offering opportunities for internal promotion and advancement whenever possible

SIG has recently introduced two new training and development programmes The first is a Personal Development Award providing high potential employees with an intensive training and development programme The second is an Executive Development Programme run in conjunction with Sheffield Hallam University aimed at developing the general management skills of SIG's senior employees

There is an active and extensive programme of training in place Full time dedicated professional trainers are employed and their work is supplemented as required by external courses and external agencies In order to meet ever increasing customer demand particular emphasis is placed on customer service and interpersonal skills in the training programme SIG has an objective of increasing the number of man-hours of staff and management training each year

KEY PERFORMANCE INDICATORS

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

1 LIKE FOR LIKE SALES GROWTH

Like for like sales growth is defined as the percentage growth in the sales of the Group excluding the impact of current year and prior year acquisitions and disposals

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

	2005	2006	**2007**
Like for like sales growth	9 3%*	7 1%	**10 9%**

* The 2005 like for like sales growth figure has not been restated to reflect the elimination of the contribution from the USA business sold in November 2006

2 UNDERLYING OPERATING PROFIT MARGIN

The underlying operating profit margin is defined as the ratio of underlying operating profit to sales Underlying operating profit is defined as operating profit before the amortisation of acquired intangibles

SIG works to improve its underlying operating profit margin by managing its selling prices in the local markets in which it operates and by controlling the cost base through operational efficiencies SIG experiences lower underlying operating profit margins in Mainland Europe than it does in the UK and Ireland and the mix of sales between these two regions has an influence on the overall Group underlying operating profit margin

	2005	2006	**2007**
UK and Ireland	7 7%	8 0%	**8 0%**
Mainland Europe	4 1%	4 6%	**4 9%**
Group* (after Parent costs)	6 3%	6 5%	**6 5%**

* Continuing operations only for 2006 and 2007

3 WORKING CAPITAL TO SALES

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

The ability of the Group to manage its working capital in relation to the value of sales made by each business is essential to ensure that the Group generates cash from its operations Cash generation is important to fund and underpin capital and acquisition investment expenditure, to enable the business to pay its taxes as they fall due and to support SIG's progressive dividend policy

	2005	2006	**2007**
Working capital to sales	10 4%	10 5%	**10 4%**

TRADING PERFORMANCE

The Group had a very successful year in 2007, both in respect of the growth in sales and profits from its core operations in its geographic regions, and in terms of the expansion activities and new operations which were added during the year

The clear strategy of seeking expansion opportunities within the UK and Ireland and Mainland Europe, in specialist products and markets related to the building construction and key industrial sectors, was aggressively pursued and continues to fuel both geographic and product group development of the Group's activities

Examples of this continued strategic expansion during 2007 are as follows

- Acquired a total of 27 businesses, together adding annualised sales of £440m, representing additional sales of over 20% on a full-year basis over the 2006 sales revenue
- Increased the total number of trading sites within the Group by 161 during the year, to 779 at 31 December 2007 (618 at 31 December 2006)
- Acquired a trading site in Dubai and one in Spain, both as part of a UK insulation acquisition
- Began trading in two additional countries – Czech Republic and Slovakia (insulation and commercial interiors)
- Expanded the specialist door-set product range into all-metal performance doors
- Acquired the leading specialist supplier of roofing materials in France
- Launched a successful range of innovative wall systems for the healthcare market

TRADING HIGHLIGHTS

All figures are excluding the USA business, which was sold in November 2006 The term "underlying" in relation to the operating profit and operating profit margin is defined as being before the amortisation of acquired intangibles

UK AND IRELAND (62% OF TOTAL SALES)

- Sales increased by £269 5m (21 5%) to £1 523 8m (2006 £1,254 3m)
- Like for like sales increased by £120 0m (9 8%)
- Underlying operating profit increased by £21 4m (21 4%) to £121 3m (2006 £99 9m)
- The underlying operating profit margin was maintained at 8 0% (2006 8 0%)
- 39 trading sites were added in the year, taking the total at 31 December 2007 to 461 (31 December 2006 422)

Overall construction and building activity grew in 2007 over 2006 in the UK, but declined in Ireland, especially in new residential building Whilst residential new construction and RMI weakened in the UK in the latter part of the year, work on non-residential building projects was strong throughout the year

Sales of **insulation** and related products in the UK and Ireland increased by 12 9% in total 8 3% like for like, as overall demand increased, partly driven by the new higher thermal performance standards required for new buildings in the UK In Ireland, reduced construction activity caused a reduction in demand for all products, including insulation Increased manufacturing capacity and output of certain products created some oversupply, which reduced market prices of a number of insulation products

In the specific market for insulation upgrading of residential properties, where the Group is both an insulation supplier and in some situations an installer of insulation into the roof and walls of existing properties, which have little or no insulation from when they were originally built, there was a reduction in demand compared with previous years As previously reported this was due to a timing gap in the flow of grant funds under the Government Energy Efficiency Commitment A new scheme, now called CERT (Carbon Emissions Reduction Target) begins in April 2008 and is expected to generate higher levels of insulation upgrading work over the next three years

Demand for specialist high temperature insulation materials, which are used in a wide range of industrial applications outside the building and construction industry including power plant, petrochemical and gas installations, metal processing and other industries, increased during the year and the Company performed strongly in this sector, where it is the clear market leader

The number of trading sites increased by 4 to 75 at the end of December 2007

The **Commercial Interiors** division had an excellent year, benefiting from strong market demand, increases to the product range and several acquisitions Sales grew by 21 4% in total, 12 3% like for like including some modest price inflation Products were supplied to a wide range of new and refurbishment projects in both the public and private non-residential building sectors These included hospitals, health centres, schools, universities airports and other transport related facilities, offices, retail developments cinemas, hotels and prisons

In addition to marketing a wider selection of ceiling and washroom products, all-metal high performance doorsets and floorcoverings were added to the range to complement our offering to the non-residential sector This ensures that SIG maintains its position as a leading supplier by offering the most comprehensive range available

The number of trading sites increased by 10 to 55 at the end of December 2007

Against the background of improved market demand and sales price inflation of c 4% overall in the sector the **Roofing** division traded strongly, with sales up over 18 1% in total 8 2% like for like, compared with 2006

TRADING PERFORMANCE CONTINUED

The Decent Homes programme, which had been quite slow in 2006, did pick up and generated increased demand for product for the on-going work of re-roofing older residential properties Storm damage in various parts of the UK mid year also increased the volume of repair and renovation work in the second half of 2007

Significant sales growth was achieved in new products, particularly in relation to the growing trend towards low maintenance roofline, rainwater and other external building products, which are increasingly used in new construction as well as in repair and maintenance

The number of trading sites increased by 15 to 278 at the end of December 2007

The **Specialist Construction and Safety Products** division had an excellent year with total sales up by 66 1% in total, 14 8% like for like on 2006, driven by strong underlying performance, continued expansion of the product range and the impact of acquisitions Continued robust market conditions in major construction and infrastructure projects created good levels of demand There was some volatility in some product pricing, for example steel and chemicals, but pricing overall increased year on year by c 3 5%

The number of trading sites increased by 10 to 53 at the end of December 2007

MAINLAND EUROPE (38% OF TOTAL SALES)

- Sales increased by £325 9m (53 8%) to £931 4m (2006 £605 5m)
- Like for like sales on a constant currency basis increased by 12 3%
- Underlying operating profit increased by £18 3m (66 3%) to £45 9m (2006 £27 6m)
- Underlying operating profit margin increased to 4 9% (2006 4 6%)
- Sales and operating profits increased on an underlying like for like basis in each country, as well as on a total basis
- Significant expansion of geographic coverage, with a total of 122 trading sites added during the year, including 21 in two new countries for SIG, Czech Republic and Slovakia, taking the total to 318 at 31 December 2007 (31 December 2006 196)

In **Germany and Austria** (50% of sales in Mainland Europe) sales were increased substantially, up 21 2% in local currency and 8 0% like for like in local currency Overall construction activity grew on a year on year basis The rate of growth compared with 2006 was skewed towards the first half year, due to the exceptionally weak market activity in H1 2006 as a result of extreme adverse weather conditions

The core insulation and commercial interiors business made good progress, and the roofing operations in Germany, which commenced with the acquisition of a regional business with 12 trading sites in July 2006, was expanded during the year to a total of 18 trading sites as at 31 December 2007

The growth in demand for specialist high temperature insulation materials increased, partly as a result of investment in Germany in power generation facilities, and this part of our operations traded strongly Price inflation overall in Germany and Austria is estimated to have been c 3% in the year

The number of trading sites increased by 6 to 82 at the end of December 2007 (31 December 2006 76)

In **France** (29% of sales in Mainland Europe) the core insulation and commercial interiors operations traded very strongly, contributing to total sales growth in 2007 of 104 4% in local currency including the contribution from the large specialist roofing supplies business (called Larivière) which was acquired on 29 June 2007 This is the largest acquisition made by SIG and the retention of customers and staff has been extremely high The business has performed well since joining the SIG Group and is continuing the strategy of geographic expansion throughout France Since the date of acquisition, 6 trading sites have been added, taking the total to 89 as at 13 March 2008

Overall market demand was reasonably good in France and price inflation averaged 3% across the product range Like for like sales were increased by 15 4% in local currency

The number of trading sites increased by 91 to 142 at the end of December 2007 (31 December 2006 51)

In **Poland and Central Europe** (15% of sales in Mainland Europe), total sales increased by 163%, including the substantial business acquired in Poland in October 2006, and subsequent acquisitions in Poland, Slovakia and Czech Republic during 2007

Market demand for building products grew during the year, as reconstruction and economic resurgence continues

The core business in Poland, which chiefly sells insulation and commercial interiors products, traded very strongly with sales up 35 6% like for like over 2006 in local currency Prices were volatile throughout the year in some products, with sales price inflation averaging c 5% overall

The number of trading sites increased by 24 to 83 at the end of December 2007 (31 December 2006 59)

Sales in **Benelux** (6% of total sales in Mainland Europe) grew strongly, up 38 3% in total, 15 8% like for like, both in local currency Consistent with SIG s other Mainland European businesses, the core insulation and commercial interiors operations performed strongly against the background of good market conditions Demand from both building and industry (insulation) increased and price inflation is estimated to have been c 3 5% averaged across the product range overall

The number of trading sites increased by 1 to 11 at the end of December 2007 (31 December 2006 10)

BUSINESS REVIEW CONTINUED

TRADING PERFORMANCE CONTINUED
ACQUISITIONS

A record 27 companies were acquired during 2007, for a total consideration including assumed debt of £323m Combined annualised sales of these acquired businesses is £440m of which £217m impacted on 2007

The geographic split of the £440m annualised sales is £300m Mainland Europe, £140m UK and Ireland By market sector, the spread of businesses acquired was very wide and added weight to each of our existing business streams, as shown by the table below

Looking at the acquisitions from a different perspective, they can be categorised as either 'bolt-on' ie adding to an existing position in a product range in any one country, or platform , where we are creating a new position in a product group in a country for the first time, from which we would then plan to expand our position and grow sales and profits going forward

The 'platform acquisitions in 2007 are as follows

- Number one specialist distributor in France of roofing materials
- Leading UK supplier of non-residential flooring materials
- Insulation and commercial interiors supplier in Slovakia
- Insulation and commercial interiors supplier in Czech Republic

Our strategy is to add to each of these initial acquired positions both by organic expansion of their product range and geographic coverage, and by making further bolt-on' acquisitions to accelerate the rate and pace of expansion

During the year we expanded the team of in-house professionals who work on the acquisition search, selection and execution programme At the end of December 2007 we have dedicated specialists located throughout Mainland Europe and in the UK and Ireland

The post-acquisition action plans are tailor-made for each acquisition and involve Finance, HR, IT and Commercial Management The integration process with each of the 2007 acquisitions is progressing well

2007 ACQUISITIONS – PRODUCT IMPACT

	UK and Ireland	Mainland Europe
Insulation	•	•
Commercial Interiors	•	•
Roofing and External Elements	•	•
Specialist Construction and Safety Products	•	

SUMMARY OF TRADING PERFORMANCE

In 2007 the Group has expanded significantly, geographic coverage has increased in both existing and new countries The specialist product range has continued to widen, and we have invested in inventories and customer service facilities to maintain and develop our reputation for high quality products and a high quality service

The continued pursuit and application of the Group's clear Growth Strategy has once again driven excellent increases in sales profits and earnings per share We believe that 2007 marks another year of solid growth in Shareholder value

FINANCIAL REVIEW
REVENUE

Sales rose by 32 0% or £595m to £2,455m (2006 £1,860m) All figures in the financial review exclude the USA business that SIG sold in November 2006 Like for like sales increased in all geographical locations with growth of 10 9% in Sterling and 10 5% on a constant currency basis The Group has an impressive record of like for like sales growth, averaging over 8 3% over the last five years

MARGINS

Gross profit margin decreased from 27 3% to 26 8% reflecting pricing pressures as a result of temporary over supply in certain product sectors, a mix change in certain products and countries, and the impact of the 2007 acquisitions that have historically achieved lower gross margins than that of the Group Pricing management action plans have already been put in place as part of our integration plans to improve the future profitability of these businesses

As a result of tight cost control and operating efficiencies, operating costs as a percentage of sales fell from 20 8% to 20 3% The improvement in operating costs offset the reduction in the gross margin leaving the underlying operating profit margin unchanged at 6 5%

OPERATING PROFIT

Underlying operating profit increased by 31 3% or £38 0m to £159 4m, with £14 2m (12 2%) of the growth being like for like Operating profit increased by 24 2% or £27 7m to £142 2m

FINANCE COSTS

Net finance costs before hedge ineffectiveness and financing items relating to our defined benefit pension schemes (i e net borrowing costs) increased by £6 3m to £18 9m in 2007 The net borrowing cost as a percentage of average debt in issue during the year reduced from 6 2% to 5 7% This is primarily due to the Group borrowing a larger proportion of its overall debt in non-Sterling currencies that bear a lower interest rate than Sterling, in line with the Group s Treasury policy

Net borrowing costs benefited from our continued efforts to manage our working capital, which reduced the daily amount of debt outstanding with our banks Further details are provided in the cash flow and financial position section on pages 21 and 22

Further details of SIG's interest rate policies are provided in the interest rate risk section on page 26

Finance income and charges relating to our defined benefit pension schemes amounted to £0 4m in 2007 (2006 £0 6m) Further details are provided in Note 29c to the Accounts on pages 105 to 110

Hedge ineffectiveness on certain financing derivatives gave rise to finance income of £1 4m (2006 £1 4m) This is recorded in the "Other items" column of the Consolidated Income Statement and is explained further in the sections that follow

PROFIT BEFORE TAX

Underlying profit before tax increased by 29 5% or £31 9m to £140 1m (2006 £108 2m) representing another year of solid profitable growth Profit before tax, i e after all "Other items", increased by 21 0% or £21 6m to £124 3m (2006 £102 7m)

NON-UNDERLYING ITEMS

An explanation of the non-underlying "Other items" included within profit before tax of £15 8m (2006 £5 5m) is set out below

- amortisation of acquired intangibles – £17 2m (2006 £6 9m) The accounting policies section on page 69 and Note 12 to the Accounts on page 88 provide details of what is included within intangible assets and over what periods the assets are amortised The increase in the amortisation expense is a result of our significant acquisition activity during 2006 and 2007, and
- hedge ineffectiveness – income of £1 4m (2006 £1 4m) There is a small element of ineffectiveness in our Sterling/Euro net investment hedge derivatives that we have held since 2001 in relation to our private placement notes Under IAS 32 and IAS 39 the movement in the fair value of this ineffective portion is recorded in the Consolidated Income Statement This hedge ineffectiveness is explained further within the Treasury risk management section on page 27

FOREIGN CURRENCY TRANSLATION

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

	Average rate		Closing rate	
	2007	2006	**2007**	2006
Euro	**1.458**	1 468	**1 362**	1 490
US Dollar*	**N/A**	1 847	**N/A**	1 898
Polish Zloty	**5 500**	5 717	**4 880**	5 683
Czech Koruna	**39.732**	N/A	**36 185**	N/A
Slovak Koruna	**48 482**	N/A	**45 751**	N/A

* As a result of SIG selling its USA business on 20 November 2006 the US Dollar rates shown are for the period up to 20 November 2006 (average rate) and as at 20 November 2006 (closing rate)

Fluctuations in exchange rates have and will continue to give rise to translation differences of overseas earnings streams when translated into Sterling

The movement in average exchange rates compared to 2006 had a very small effect on total overseas earnings streams Total sales were increased by £11 4m and profit before tax was increased by £0 5m Further details of SIG's foreign exchange policies are detailed in the foreign currency risk section on pages 26 and 27

TAXATION

The income tax charge on underlying profits amounts to £41 9m (2006 £32 5m) which represents an effective rate of 29 9% (2006 30 0%) In 2008, the Group will benefit from lower tax rates in the UK and Germany, and as a consequence we currently anticipate the effective tax rate to be up to one percentage point lower in 2008

In 2007 cash tax payments were broadly in line with the underlying tax charge

EARNINGS PER SHARE ("EPS")

Underlying basic EPS amounted to 74 8p (2006 61 3p), which represents an increase of 22 0% Basic EPS amounted to 66 3p (2006 58 1p), which represents an increase of 14 1% The weighted average number of shares in issue in the period rose by 7 5m to 130 1m (2006 122 6m) This increase was primarily due to the issue of 11,363,637 ordinary shares under a share placing that completed on 30 May 2007 Further details of the share placing are provided on page 22

DIVIDENDS

The proposed final dividend of 18 7p per share delivers a full year dividend of 26 7p representing an increase of 30 2% This sets another new record for dividend growth and is a reflection of the Board s confidence in the business going forward Dividend cover, when measured against basic EPS of 66 3p, amounts to 2 5 times (2006 2 8 times) Going forward SIG intends to maintain a policy of dividend progression, whilst maintaining dividend cover of between two and three times The chart on page 20 tracks the dividend growth over the last ten years

ACQUISITIONS

Acquisitions are a key component of SIG's growth strategy, supplementing organic growth A total of 27 acquisitions were completed in the year for a consideration of £323m (including assumed net debt and contingent consideration) all of which complement existing businesses within SIG

The Group continues to strengthen its management structures and corporate development resources to enable it to successfully continue its acquisition strategy The table below provides a detailed breakdown of the acquisition spend over the last two years

	2007	2006
Number of transactions	**27**	23
Annualised sales	**£440m**	£240m
Additional trading sites	**148**	133
Acquisition consideration (including assumed net debt and contingent consideration)	**£323m**	£109m
Transactions by geographic segment		
UK and Ireland	**18**	19
Mainland Europe	**9**	4
	27	23

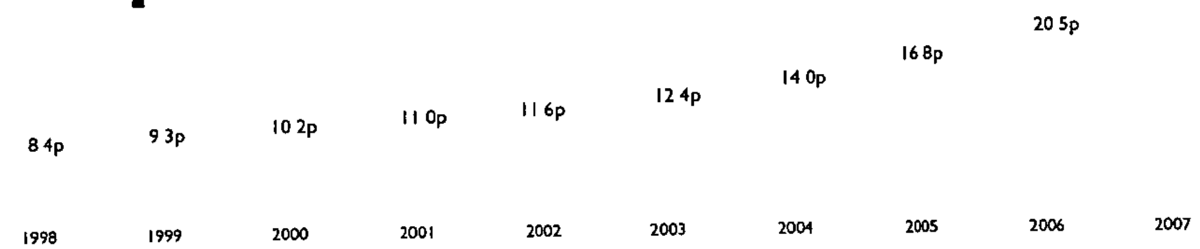
All of the acquisitions meet the strategic requirement of being suppliers of specialist products chiefly to the building and construction industry and the integration process of each acquisition is progressing well

The 148 additional sites added through the 2007 acquisition programme have enabled SIG to reach new customers, extend our product offering to existing and new customers and to further improve our standards of service to all customers thereby continuing the process of strengthening the Company going forward

In order to support SIG's continued acquisition strategy during 2007 the Company increased its borrowings from its relationship banks and undertook an equity placing exercise Details of the equity placing are set out on page 22

TEN YEAR HISTORY – DIVIDEND

26.7p **2007 full year dividend**



The proposed final dividend of 18.7p per share delivers a full year dividend of 26.7p, representing an increase of 30.2%. This sets another new record for dividend growth.

FINANCIAL REVIEW CONTINUED

SHAREHOLDERS' FUNDS

Shareholders' funds increased by £222 1m to £573 6m (2006 £351 5m) The increase comprised the following elements

	£m
Profit after tax attributable to equity holders of the Company	86 2
Dividends paid	(28 4)
Exchange differences on assets and liabilities after tax	12 8
Movements attributable to share options	(0 8)
Actuarial gain on pension schemes (net of deferred tax)	4 2
Equity placing (net of issue expenses)	147 2
New share capital issued under employee share schemes	0 9
Increase in Shareholders' funds	222 1

PENSION SCHEMES

Details of the pension schemes operated by SIG are set out in Note 29c to the Accounts starting on page 105

SIG contributed £5 5m (2006 £2 9m) into its eight (2006 six) defined benefit pension schemes during the year, which included £2 5m as a special contribution into the main defined benefit scheme in December 2007 The total charge in respect of defined benefit pension schemes to the Consolidated Income Statement was £2 3m (2006 £2 9m), of this total £1 9m (2006 £2 3m) was charged to operating expenses and £0 4m (2006 £0 6m) was charged to net finance costs

The overall gross defined benefit pension schemes liability reduced during the year by £8 2m to £15 7m This can be broken down as follows

	Increase/ (decrease) in pension scheme liability £m
Increase in mortality assumption from 24 0 to 27 5 years in the main scheme	5 0
Experience gains and losses in all schemes	4 4
Change in financial assumptions in all schemes*	(15 9)
Cash contributions to the schemes above the P&L charge ^	(3 2)
The inclusion of two book reserve pension schemes in two Mainland European acquisitions	1 0
Exchange difference	0 5
Decrease in pension scheme liability	(8 2)

* There have been a number of changes in financial assumptions, the key items being an increase in the discount rate used to value the pension scheme liabilities from 5 1% to 5 7% and changes in the assumptions relating to the settlement of liabilities

^ This is principally due to a special contribution to the main scheme of £2 5m made in December 2007 on the advice of the actuary following on from the triennial pension scheme valuation undertaken as at 31 December 2006

On advice of the pension scheme actuary, a further special contribution has been made into the main scheme in January 2008 of £7 2m

The Group continues to monitor the life expectancy assumptions used to value its pension scheme liabilities For the main pension scheme, the life expectancy for a male employee beyond the normal retirement age of 60 is 27 5 years (2006 24 0 years), which is considered appropriate for a scheme of this nature

The cost of the Group's defined contribution schemes increased by 7 7% (£0 3m) to £4 2m

CASH FLOW AND FINANCIAL POSITION

SIG has benefited from another good year of generating cash from operating activities to help support its strategy of investment in both organic and acquisition-based growth The following table explains the movement in SIG's net debt

	2007 £m	2006 £m
Cash flow from operating activities	**160 3**	132 4
Interest and tax	**(54 1)**	(48 4)
Maintenance capital expenditure*	**(30 3)**	(24 1)
Free cash flow available for investment	**75 9**	59 9
Acquisition investment (including loan notes issued to vendors)**	**(317 1)**	(104 6)
Net proceeds (after expenses) from sale of USA business	**-**	25 3
Investment capital expenditure*	**(30 3)**	(19 7)
Dividends (including minority dividends)	**(29 2)**	(22 4)
Proceeds from equity issue	**148 1**	1 9
Other items including foreign exchange and fair value movements	**(47 5)**	5 5
Movement in net debt	**(200 1)**	(54 1)
Opening net debt	**(228 8)**	(174 7)
Closing net debt	**(428 9)**	(228 8)

* Maintenance capital expenditure is considered as equivalent to depreciation with the balance being considered investment capital expenditure Capital expenditure shown above includes finance leases drawn down in each year

** The acquisition investment figure excludes contingent consideration of £5 7m (2006 £4 6m), which has been recognised as a liability in the Accounts but is yet to give rise to a cash flow

FINANCIAL REVIEW CONTINUED
CASH FLOW AND FINANCIAL POSITION CONTINUED
Key points to note are

- included within "Cash flow from operating activities" is a working capital increase of £29 0m which represents 15 0% of our like for like sales increase of £193 0m This is above SIG's year end working capital to sales ratio of 10 4% and represents an additional investment in working capital at the year end of £8 9m, which is principally related to investment in working capital in newly acquired businesses,

- the total level of investment in our business being acquisition investment (including contingent consideration) and investment capital expenditure amounts to £353 1m (2006 £128 9m) Capital expenditure includes new delivery vehicles, new brownfield sites and a number of site relocations to larger trading sites These trading site relocations increase our operating capacity and will ensure we fully benefit from any upturn in market demand Also included in capital expenditure is £7 0m (2006 £nil) in relation to scaffolding equipment, hired out to customers by a newly acquired business in the UK Specialist Construction Products division The net capital expenditure to depreciation ratio amounted to 1 77 excluding the £7 0m hire equipment (2006 1 82), and

- as a result of the €/£ exchange rate moving to 1 362 at 31 December 2007, the Group's Euro debt has increased in value by £43 3m in Sterling terms This is the principal component of "Other items" in the table on page 21 It is important to note that the Group's Euro assets have increased by more than this in value, and if the exchange rate continues at this level, then the reported 2008 Euro denominated profits will also benefit from this strengthening of the Euro

Overall, despite our significant rate of like for like sales growth (10 9%), which has the natural effect of increasing our working capital requirements to the detriment of our cash balances, we have converted 78% (2006 77%) of the underlying profit after tax attributable to equity holders into free cash as follows

	2007 £m	2006 £m
Free cash flow available for investment	**75.9**	59 9
Underlying profit after tax attributable to equity holders	**97 3**	77 7
Free cash flow available for investment as a percentage of underlying profit after tax attributable to equity holders	**78%**	77%

78% represents a measure of SIG's cash conversion ability and is in line with prior year Working capital management continues to be a key area of focus across all of SIG's businesses Our ability to generate free cash flow is a vital foundation to support ongoing business investment

A summary of the key debt ratios is as follows

	2007	2006
Gearing*	**75%**	65%
Interest cover**	**8 2x**	9 2x
Leverage – net debt to underlying EBITDA***	**2 26x**	1 58x

* Net debt divided by net assets

** Underlying operating profit divided by underlying net finance charges

*** Net debt divided by continuing underlying operating profit before depreciation

Interest cover and leverage are the two key debt ratios forming the basis of the Group's borrowing covenants The levels at the end of 2007 still provide the Group with significant headroom against the levels set out in the covenants

Details of the Group's Treasury risk management policies are set out on pages 26 and 27 of this review

CAPITAL STRUCTURE
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the Parent Company, comprising issued capital, reserves and retained earnings as disclosed in Note 25

EQUITY PLACING
On 30 May 2007 SIG placed 11,363 637 new ordinary shares with institutional and other investors to raise gross proceeds of £150m (the "Placing") The shares were placed at 1,320p each, raising £147 2m after commissions and expenses The Placing proceeds have been used to fund the acquisition of Larivière and the increased acquisition spend They also provide SIG with financial flexibility to take advantage of acquisition opportunities as they arise and ensure that SIG continues to drive its organic growth through ongoing investment in its businesses

WORKING CAPITAL STATISTICS
The ratio of year end working capital to annualised sales for continuing businesses at 31 December 2007 amounted to 10 4% The comparable working capital to annualised sales ratio for 2006 is 10 5%, demonstrating a small overall improvement in the ratio

The statistics relating to specific components of working capital after adjusting for both acquisitions and disposals in both years are as follows

	2007	2006
Inventory days	**42**	38
Trade receivable days	**48**	48
Trade payable days	**38**	38
Bad debt charge as a % of sales	**0 5%**	0 7%

Inventory days have increased by 4 to 42 This is principally a result of including the acquisition of the French roofing distribution business in the year Given the essential repairs and maintenance focus of this business in line with our existing roofing businesses, inventory days are much higher than the Group average Excluding the effect of the French roofing distribution business, inventory days were held at 38 days The Group s trade receivable days were held at an historical low of 48 days reflecting our efforts in credit control right across the Group The number of days we take to pay our payables was also held against the prior year

The bad debt charge as a percentage of sales has shown a marked improvement against prior year This reduction reflects our proficiency in credit management and a stable building and construction market in 2007 Our policy in respect of recognition of provisions for doubtful debts has continued to be consistently applied

OUTLOOK

The Group's sales are more heavily weighted towards non-residential construction, both in the UK and Ireland and in Mainland Europe, and it is believed that the substantial pipeline of work in progress of both public and privately funded construction programmes will continue to provide the Group with attractive opportunities in its four main product sectors

Insulation and related products is the Group's largest product sector and demand is expected to continue to increase at a faster rate than overall construction activity in the UK and Ireland and Mainland Europe, both across the new construction and refurbishment markets This will continue to be driven by a range of factors including concern for the environment, rising energy costs, new legislation seeking to limit energy consumption, new building regulations, and grant schemes to improve energy efficiency in existing residential properties The Group is continuing to invest to ensure that it benefits from this expected growth in demand going forward, and capitalises on its market leading position

On a broader basis across the Group, a significant range of expansion opportunities, both organic and acquisition, are being actively pursued The number of individual trading sites has increased substantially over recent years throughout the operating regions, and this programme of expanding market coverage is planned to continue

In 2007, the Group expanded its operations and trading activities significantly and these dynamics provide a strong platform coming into 2008 Trading in 2008 has begun well and the Board believes that the Group will continue its track record of outperforming across its markets The Board is confident of further progress in 2008 and beyond

RESOURCES

EMPLOYEES

The commitment drive and enthusiasm of all SIG's employees are its greatest asset and SIG s ability to meet the demands of its customers suppliers and Shareholders is dependent upon their efforts Throughout SIG, regardless of country or sector, we believe our people are recognised as the best in their particular field SIG's policy and strategy towards its employees is detailed further in the Corporate Social Responsibility Report on page 41 Training, coaching and the opportunity for personal career advancement within the Company are important features of how SIG seeks to recruit, retain and develop skilled staff

BRAND STRENGTH

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

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

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

COMPETITIVE POSITION

SIG aims to occupy leading positions as a specialist supplier in each of its main markets of insulation, roofing and external elements commercial interiors and specialist construction and safety products A position of market leadership has been achieved in a number of specific markets Operations in the other countries and business streams are continuing to develop their position

INVENTORY

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

Materials are often required within hours on an emergency basis For example, when a roof leak occurs and immediate repairs are necessary to prevent damage to the building and its contents, or in a chemical processing plant where a pipeline becomes dangerously overheated due to a breakdown of the insulation

In both of these examples, customers have an unplanned emergency need for specific and specialist products in order to prevent substantial damage and costs

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

TRADING SITES

SIG has an extensive and expanding network of trading sites as demonstrated in the chart on page 24 These are an important resource and an important feature of the SIG business model in each country of operation as they enable the local market surrounding each trading site to be serviced on an immediate availability basis For customers conducting work on a regional or national basis in each country, SIG can provide a full national service using locally held inventory, thus avoiding the time and cost penalties of shipping products over large distances

FLEET DELIVERY CAPABILITY

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

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

FIVE YEAR HISTORY – TRADING SITES

779 **trading sites as at 31 December 2007**

2003	2004	2005	2006	2007
371	412	496	618	

SIG has an extensive and expanding network of trading sites.

FOCUS, SPECIALISATION AND SERVICE

OPERATIONAL RISK MANAGEMENT
There are a number of potential risks and uncertainties which could have a material impact on SIG's long term performance SIG has a comprehensive system of risk management installed in all parts of its business and quickly introduces this into new acquisitions The processes are described in detail on page 51 of the Corporate Governance Report

LEVELS OF MARKET DEMAND IN THE BUILDING AND CONSTRUCTION MARKETS IN WHICH SIG OPERATES
Approximately 90% of SIG's sales are made to the building, construction and civil engineering industries

These industries are driven by private and government expenditure and include major new construction projects (e g airports, hospitals, schools and sports complexes), new residential housing developments and a wide range of renovation, upgrading and repair work on existing buildings

SIG is exposed to changes in the level of activity, and therefore demand, from these industries Government policy and expenditure plans, private investor decisions, the general economic climate and both business and (to a lesser extent) consumer confidence are all factors which can influence the level of building activity and therefore the demand for many of SIG's products

Approximately 10% of SIG's sales are made into specific industrial applications, especially where there are temperature critical processes and the use of highly specialist insulation is an important part of the process plant itself These industries include power generation oil and gas processing chemical pharmaceutical and cold storage facilities

SIG is exposed to activity levels and therefore demand for some of its products within these diverse industries These industries would, in turn, be affected by the general economic climate, energy demand and energy costs and business investment decisions in major industries such as power generation and petrochemicals

COMPETITOR RISK
SIG has a mix of both direct specialist competition and some overlap with more general suppliers (such as general builders merchants) in all its markets and countries

As a distributor handling and supplying products manufactured by other companies SIG is itself dependent upon other companies for in excess of 90% of the products that it sells The majority of products that are sold by SIG are relatively bulky and inexpensive in relation to their mass and the cost of transport This means that the risk faced by SIG of price disruption and possible cross border or international trading having a detrimental impact on prices in any particular country is low

Similarly, the risk posed by internet-based trading dependent upon parcel-carrier service is very low because of the bulky nature of most of the products sold by SIG and the fact that specialist handling and delivery services are an important feature of the service provided by SIG to many customers

INFORMATION TECHNOLOGY ("IT")
SIG uses a range of computer systems to provide order processing, inventory control and financial management within each country Any lengthy failure or disruption to the IT system in any business unit or country would result in loss of sales and delays to cash flow These systems are not interdependent, and there are dedicated support staff directly employed, together with external support service providers, monitoring the IT systems

COMMERCIAL RELATIONSHIPS
SIG is exposed to changes in relationships with both customers and suppliers It is a key task for the operational management in each country and business unit to maintain and develop relationships with customers and suppliers

CREDIT RISK
SIG by the nature of its position in the supply chain, buys products from highly reputable suppliers in bulk and sells the products to a wide variety of professional contractors on credit terms SIG sells to the majority of its customers on credit terms There is a risk that customers do not pay as the typical customer does not have many assets SIG has therefore developed well proven credit control guidelines and procedures that are designed to minimise its credit risk whilst trying to maximise sales potential For the year ended 31 December 2007 bad debt expense amounted to 0 5% of sales (2006 0 7% of sales)

GOVERNMENT LEGISLATION
SIG operates in a number of countries right across Europe each with their own laws and regulations, encompassing environmental legal, health and safety, employment and tax matters SIG is committed to complying with each local requirement and the clear devolvement of responsibility to local operating management together with the employment of competent advisers supports this requirement Changes to legislation are monitored locally and appropriate actions taken to ensure they are incorporated into our business policies and procedures

TRANSPORT
In excess of 70% of SIG's sales are delivered to customers Prolonged disruption to road transport systems or the availability of vehicle fuel would result in reduced sales in any country in which this may occur

PRODUCT AVAILABILITY AND PRODUCT PRICES
The availability and the market prices of products that the Group supplies can change These changes can affect the Group s sales and operating profits The Group has very regular dialogue with its suppliers to ensure that it protects its position regarding product availability and product pricing

If product demand outstrips supply be it due to demand rising or supply falling, then this could have an impact on the Group s ability to service its customers' needs The factories that produce insulation products take a number of years to build and so if demand exceeds the production capacity product shortages will ensue and this could damage the Group s ability to fulfil its customers' requirements The Group does however source its products from a number of manufacturers in order to reduce its reliance upon any one manufacturer

The Group negotiates purchase prices with its suppliers The ability of SIG to secure satisfactory terms of trade is key to its ability to supply the products to its customers at competitive prices

Rising product prices are good for SIG as our standard gross margin is achieved on a higher selling price resulting in improved overhead recovery thus providing a higher net margin Rising prices may also provide SIG with the opportunity to benefit from inventory gains whereby inventory is bought at the lower price and sold on at the higher price Conversely, falling product prices are not good for SIG Over the last few years, product price inflation across the basket of SIG products has been positive rather than negative

OPERATIONAL RISK MANAGEMENT CONTINUED
IDENTIFICATION AND INTEGRATION OF ACQUISITIONS

The Group's growth strategy is partly dependent upon the identification of appropriate acquisition opportunities at an appropriate price and the successful integration of an acquisition into the SIG Group SIG is committing more dedicated resources to the research of new markets, the origination of appropriate acquisition targets and the appropriate due diligence and contract negotiation process Once acquired, SIG is constantly evaluating the management structures of its businesses to ensure that appropriate management time can be dedicated to new businesses

PEOPLE

SIG is dedicated to providing high quality service to its customers and therefore needs to have the best skilled and experienced staff available within the industry SIG is committed to providing employees with a professional working environment where hard work and commitment is encouraged and rewarded accordingly SIG is increasingly investing more resources in developing and training its employees, identifying high potential individuals who will become tomorrow's managers and senior managers and attracting and recruiting the best people into its businesses in the future

PRODUCT DEFECT CLAIMS

Product quality is a key reason why customers would buy from SIG The Group is careful to source products very selectively to ensure any possible risk associated with products of inferior quality is minimised

TREASURY RISK MANAGEMENT

SIG's Finance and Treasury policies set out the approach to managing treasury risk These policies are approved by the Board of Directors on a regular basis The treasury risks that SIG faces are interest rate, liquidity and foreign currency risk arising from its international operations

SIG faces a translation risk in respect of its Euro, Polish Zloty, Czech Koruna and Slovak Koruna profits SIG also faces a translation risk from the US Dollar in respect of its private placement borrowings SIG s financial instruments other than derivatives, comprise borrowings, cash and liquid resources and various items such as trade receivables and trade payables that arise directly from its operations SIG enters into derivative financial instruments (principally foreign currency and interest rate swaps) to hedge certain currency risks arising from SIG's operations and to hedge interest expenses arising from SIG s sources of finance

Details of derivative financial instruments are shown in Note 18 to the Accounts on pages 94 to 96

It is, and has been throughout the period under review, SIG's policy that no trading in financial instruments or speculative transactions be undertaken To minimise the credit risk associated with derivative financial instruments, SIG only enters derivative financial instruments with its principal bankers, which are both AA rated by Standard & Poor s

SIG manages its financial liabilities using derivative financial instruments where appropriate to ensure that it has appropriate maturity profiles in relation to its borrowings and appropriate levels of protection against interest rate and exchange rate fluctuations

The Group's financial liabilities at 31 December 2007 of £518 6m (2006 £292 9m) can be analysed as follows

- £226 3m (2006 £137 2m) has a maturity profile of greater than five years,
- £382 7m (2006 £147 6m) is denominated in foreign currencies held to partially hedge the assets of our overseas businesses
- £379 1m (2006 £223 4m) carries a fixed rate of interest, and
- £504 0m (2006 £287 3m) is borrowed on an unsecured basis

As at 31 December 2007, SIG had undrawn committed borrowing facilities from its debt providers of £96 2m (2006 £113 9m)

Gearing increased during the year from 65% to 75% as a result of increased investment in property, plant and equipment, working capital and acquisitions

INTEREST RATE RISK

SIG finances its operations through a mixture of retained profits, Shareholders' equity, bank private placement and other borrowings SIG uses derivative financial instruments to create the desired currency and interest rate profile, so managing SIG's exposure to interest rate fluctuations

A small proportion of SIG's assets are funded using fixed rate finance lease contracts At 31 December 2007 outstanding liabilities in respect of such contracts amounted to £9 7m (2006 £2 8m)

At 31 December 2007, 73% or £379 1m (2006 76% or £223 3m) of the Group's gross debt, being £518 6m (2006 £292 9m), was in the form of fixed rate debt with an average remaining fixed life of 5 0 years (2006 5 3 years)

LIQUIDITY RISK

SIG seeks a balance between certainty of funding and a flexible, cost-effective borrowing structure The Group uses a mixture of sources of funding in order to reduce the risk of being over reliant upon any one provider The key sources of finance are private placement note providers, being mainly USA pension funds, and principal bankers, The Royal Bank of Scotland plc and Barclays Bank plc The last private placement transaction completed on 1 November 2006 increased the certainty of the Group's debt funding, being provided on a committed 7, 10 and 12 year basis

SIG has a policy to have a portfolio of borrowing facilities with different maturities to minimise the possible pressures of a large refinancing exercise

The year end maturity profile and value of undrawn committed borrowing facilities are set out in Note 19 to the Accounts on page 96

FOREIGN CURRENCY RISK

SIG has a number of overseas businesses whose revenues and costs are denominated in the currencies in which the operations are located Approximately 38% of SIG's 2007 revenues were in foreign currencies, being Euros, Polish Zloty, Czech Koruna and Slovak Koruna

The vast majority of SIG's sales and purchases are not cross border When cross border transactions occur it is SIG s policy to eliminate currency exposure at that time through forward currency contracts, if exposure is considered to be material

TREASURY RISK MANAGEMENT CONTINUED
FOREIGN CURRENCY RISK CONTINUED

The Consolidated Balance Sheet is inherently at risk from movements in the Sterling value of its net investments in foreign businesses This risk is mitigated by SIG combining financial liabilities and derivatives in currencies that partially hedge the net investment values At 31 December 2007 SIG had borrowings amounting to €384m, PLN94m and CZK313m that are designated as net investment hedges

The net after tax effect on the Consolidated Balance Sheet of currency transaction and translation differences relating to our overseas subsidiaries in 2007 was a gain of £11 8m (2006 loss of £2 4m) This significant gain arose principally as a result of the 8 6% year on year appreciation of the Euro versus Sterling (£/€1 362 at 31 December 2007 versus £/€1 490 at 31 December 2006), thus increasing the carrying value of SIG's net investments in its Euro denominated businesses

HEDGE INEFFECTIVENESS

Hedge ineffectiveness income of £1 4m (2006 £1 4m) has been classified in the "Other items" column of the 2007 Consolidated Income Statement The income relates to the release of the ineffective portion of the Sterling to Euro derivative financial instruments held as a liability in the Consolidated Balance Sheet The ineffective portion now remaining as a liability amounts to £1 4m (2006 £2 8m) These derivatives are held to form a net investment hedge of our European assets and were entered into as part of the private placement transaction in 2001

OTHER MATTERS
SHAREHOLDER RETURN

SIG has delivered a 15 2% return on capital employed (2006 17 6%), which compares favourably to SIG's estimated weighted average cost of capital of 7 1% (2006 7 7%), providing another year of continued growth in Shareholder value The reduction on prior year reflects the dilutive effect of acquisitions made in 2007 SIG's strategy is to continually enhance the returns from acquired and core businesses to increase this return, before taking into account the effect of future acquisitions

As at 12 March 2008, SIG's share price closed at £7 645 per share, representing a market capitalisation of £1,032m at that date The total dividend for the year of 26 7p (2006 20 5p) provides Shareholders with a yield on this date of 3 5% SIG monitors relative Total Shareholder Return ("TSR") for assessing relative financial performance As at 31 December 2007 the Company's share price was £7 475 per share When dividends are included this gives a TSR of 402% over a five year performance period A performance graph has been included on page 57 where the Group's TSR is compared with the FTSE Support Services Index which produced a TSR of 64% over the same five year period

GOING CONCERN

The Directors are confident on the basis of current financial projections and facilities available that SIG has adequate resources to continue in operation for the foreseeable future Accordingly, the Directors continue to adopt the going concern basis in preparing the Accounts

CAUTIONARY STATEMENT

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

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

The forward looking statements should be read in particular in the context of the specific risk factors for the Company identified on pages 25 and 26 of this Business Review The Company's Shareholders are cautioned not to place undue reliance on the forward looking statements This Business Review has not been audited or otherwise independently verified The information contained in this Business Review has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this Business Review during the financial year ahead

D. Williams

DAVID WILLIAMS
CHIEF EXECUTIVE

GARETH DAVIES
FINANCE DIRECTOR

INSULATION

Insulation materials are used across all areas of construction and industry Traditionally they have been used to resist the transfer of heat and fire but are also becoming important in the management of sound transmission within buildings In addition the goal of reducing carbon emissions is placing increasing importance on the use of appropriate insulation materials and systems

High energy costs and environmental concerns drive the use of insulation products across a wide range of construction and industrial applications In general, these applications fall into three categories of heat, fire and sound management all of which are subject to the specific Building Regulations in each country

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

In all these areas of application, SIG works closely with leading manufacturers to bring a wide range of products to market and provide the technical expertise which only a specialist business is able to offer

The Group has over 190 trading sites in Europe that are focused on the requirements of the insulation market and are able to provide expert advice, wide stock holding and rapid service and delivery In the UK, the Group is also engaged in domestic insulation contracting improving the efficiency of existing residential properties through a number of Government supported schemes and the provision of built-in insulation in new dwellings The Group has also developed its own fabrication facilities which have the capability to provide bespoke solutions and thereby offer a service that differentiates itself from mainstream competition

GROWTH DRIVERS

- Regulation
- Environmental awareness
- High energy costs

The Group has over 190 trading sites in Europe that are focused on the requirements of the insulation market.

CASE STUDY

FURTHER DEVELOPMENT OF A SPECIALIST NICHE PRODUCT LINE

Structural insulation is the primary insulation market sector which provides products that typically insulate temperatures up to 50°C Industrial insulation is another important insulation market sector and provides products that typically insulate from -180°C to +1,100°C In addition, there is a high temperature insulation market sector that insulates temperatures from 500°C to 2,000°C During 2007, SIG strengthened its presence in the high temperature insulation market, by acquiring a leading specialist in this highly technical sector This business development initiative provides SIG with a platform from which to build its European market share and expertise

High temperature products are used in industrial applications that use a significant amount of energy and typically include power plant, petrochemical and gas installations and metal processing industries

ROOFING AND EXTERNAL ELEMENTS

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

Each trading site offers materials from the leading manufacturers of roofing materials and supplies products for pitched, flat industrial and agricultural applications As the largest specialist supplier of roofing materials in Europe, the Group is able to keep at the forefront of innovations and provide its customers with a level of technical know-how unrivalled in the market As well as specialist roofing materials, each location offers a range of accessories such as tools and fixings, ventilation access equipment, safety products and insulation materials Many of these accessories are core product areas for other Group businesses and the Roofing business is able to draw on the experience and technical knowledge of its sister businesses as well as taking advantage of Group procurement

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

The on-going need for repair or replacement of existing roofs, whether as the result of natural wear and tear or of storm damage, creates a resilient market for roofing materials The emergency nature of some repairs requires materials to be readily available from local stock and these demands dictate the nature of the market which is, for a large number of depots, holding a broad range of stock For new build applications, where consumers or designers require certain styles or finishes SIG also provides "Roof Libraries" which offer a very wide selection of materials and facilitate the specification process During the last few years SIG has also broadened its product offering to include roofline products such as rainwater guttering soffit, fascia and bargeboards and the Group has now established a network of over 120 trading sites focused on this particular niche area in the UK roofing market.

GROWTH DRIVERS

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

The acquisition of Larivière in June 2007 makes SIG the largest specialist supplier of roofing products in Europe.

FOCUS, SPECIALISATION AND SERVICE

CASE STUDY

FURTHER ROLL OUT OF EXISTING GROUP ACTIVITY INTO MAINLAND EUROPE

In June 2007, SIG acquired Lanvière, the largest specialist supplier of roofing materials in France with a national network amounting to 83 trading sites The acquisition of Lanvière makes SIG the largest specialist supplier of roofing products in Europe, provides exciting growth opportunities for the expansion of Lanvière's product range and the expansion of the French trading site network to increase market share and expand the customer base

COMMERICAL INTERIORS

The commercial interiors marketplace is demanding, sophisticated and fast moving Emphasis is on achieving a balance between efficient utilisation of space and the quality and comfort of the working environment There is also an added requirement of flexibility to meet the changing business requirements of today's world

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

The Group has over 150 trading sites which blend the requirements of small, maintenance orientated projects which require ready access to materials with those of larger, specification-based contracts where specialist advice service and support are required to secure orders Customer and client support may include technical design and development of visual appearance, together with logistics and delivery scheduling in order to meet the fit-out requirements Delivery service is an important element of the project planning as city locations can often have difficult access and minimal space for holding stock If materials are not available "on time" then contractors face lost "downtime" and potential time penalties

GROWTH DRIVERS

- Acoustic and safety standards
- Increased demand for integrated solutions
- Increased need for high security

During 2007, SIG increased its product offering with the acquisition of a commercial floorcoverings supplier and a metal doorset manufacturer.

FOCUS, SPECIALISATION AND SERVICE

CASE STUDY
PRODUCT DEVELOPMENT IN THE UK

During 2007, SIG further developed its commercial interiors product offerings with the acquisition of two companies. The first was the UK's second largest specialist commercial floorcoverings supplier. SIG regard this as a 'platform' acquisition, bringing experienced management into the Group who can help SIG expand in this fragmented market. The second acquisition was an all metal doorset manufacturer. This business is focused on doorset products used typically in high security or high footfall environments and strengthens the Group's overall doorset product offering.

SPECIALIST CONSTRUCTION AND SAFETY PRODUCTS

Specialist Construction and Safety Products provides a range of materials and consumable items that are essential to the construction process Detailed product knowledge and a keen understanding of particular applications are vital elements of customer support

The Specialist Construction division covers a wide portfolio of products such as concrete accessories, waterproofing systems, construction chemicals and additives brickwork support systems specialist fixings and tools Typically, products are supplied to large commercial or civil engineering projects Examples include tunnels and bridges schools and hospitals, retail developments, hotels and office buildings

The products supplied by SIG are often of critical importance to the whole building programme and must perform to specification and be available for use at the right time and right location Relationships with contractors the capability to resolve problems with expert technical advice and the ability to offer rapid delivery times so as to maintain workflows on large projects is critical to the service of customers

The division also includes SIG's Safety Products distribution business, which unlike other Group companies manages its resources from a single site, offering next day delivery throughout the UK mainland Specialist safety equipment, such as eye hand and foot protection is supplied to a wide range of industries with particular emphasis on the construction sector The Safety business reaches a wide and growing range of customers by direct marketing and has a strong web presence (www protecdirect com) The growing requirement for customers to have their work and safety wear branded with their own logo is met by in-house print and embroidery capabilities

GROWTH DRIVERS

- Regulation
- "Just-in-time" approach to project management
- Outsourcing of technical know-how

The four acquisitions made in this division in 2007 each bring additional specialist product knowledge to the Group.

CASE STUDY
CONTINUED DEVELOPMENT OF NEW BUSINESS ACTIVITY

The Group has established this division through the acquisition of a series of businesses, many of which were relatively small in scale but provided excellent technical knowledge or enhanced the Group's geographic position

By combining the businesses the Group has been able to achieve back office savings and improve procurement by global sourcing The product/service offering has also been raised as the best ideas and practices are shared across the division National supply agreements with major contractors have also been possible as the development of the trading site network has been extended nationwide

During 2007, the Group acquired four new UK businesses into this division, bringing with them additional expertise in fixing products, construction chemicals and groundwork products

SIG recognises its corporate social responsibilities to its Shareholders, employees, customers and suppliers and is committed to good practice in all its activities.

SIG continues to develop its approach to Corporate Social Responsibility ("CSR") and is pleased to be able to inform its stakeholders of the measures which it is taking to continue to monitor and improve its CSR performance The Company is a constituent member of the FTSE4Good index of socially responsible companies This year, in addition to other relevant information, the Group is reporting for the first time on its CO_2 emissions and management of waste

SIG is able to confirm that the Board takes regular account of the significance of social, environmental and ethical matters to the business of the Group and that it has in place a comprehensive risk management and internal control process which identifies and assesses the significant risks to the Company s short and long term value arising from such matters The Board receives a report on CSR issues at each of its Board Meetings CSR issues form part of the overall internal control process and are covered in the training of Directors

SIG recognises its corporate social responsibilities to its Shareholders, employees, customers and suppliers and is committed to good practice in all its activities The Board believes that the progressive integration of CSR across the Group and the inclusion of broader social and environmental issues into its decision making will help us to achieve our business goals and act as an essential building block for growth in Shareholder value Our recently published Group-wide Ethics Policy sets out a number of fundamental principles, which all Group companies are required to follow The code underpins our CSR programme and supports our business integrity

SIG has certification under ISO 14001 and OHSAS 18001 This certification currently covers 92% of the Group's UK sites with newly acquired sites being added to the certification as part of their integration process

BUSINESS PRINCIPLES AND CODE OF ETHICS

The Group will be issuing its Ethics Policy to all employees in April 2008, which sets out a number of fundamental principles, which all Group companies are required to follow The Policy can be viewed on the Company's website at www sigplc co uk The Ethics Policy includes the Company's prohibition on the giving or receiving of bribes or other payments The key business principles contained in the Ethics Policy are set out below

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

ENVIRONMENT

As a leading international supplier of insulation and related materials our core business is focused on the reduction of energy consumption and the subsequent reduction in harmful environmental impacts

The Chief Executive, Mr D Williams, is the Board Director responsible for the environmental performance of the Group Each individual subsidiary Managing Director is responsible for the environmental performance of their own business SIG is committed to minimising the environmental impact of its activities through good environmental management practices The Group's Environmental Policy was reviewed in 2007 The policy is displayed in all trading sites and offices throughout the Group and on the SIG website Environmental objectives and targets have been established at relevant functions and levels within the organisation

SIG believes that it is in the Group's best interests to be aware of, and seeks to minimise the risks arising from, the social and environmental impact of its activities and is committed to conducting its activities and operations in line with current legislation and best environmental practice, seeking continual improvement and innovation within all Group businesses and activities

All SIG plc UK companies actively seek to

- minimise the use of all materials, supplies and energy – and wherever possible use renewable or recyclable materials
- minimise the quantity of waste produced in all aspects of our business,
- adopt an environmentally sound transport policy,
- communicate our environmental policy to all staff and encourage them to participate in the achievement of our goals,
- supply and promote wherever possible, those products which contribute to energy conservation and do not damage the environment, and
- ensure that the Company continues to meet present and future environmental standards and legislation

To this end the Company has in place an environmental management system in accordance with BS EN ISO 14001 2004

ENVIRONMENTAL MANAGEMENT

The Group has in place in the UK an Integrated Management System combining BS EN ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) in the UK. Moody International are the appointed Assessors and the assessment process, leading to certification under these accreditation schemes, was completed in April 2006, resulting in all the Group's Mainland UK sites receiving certification SIG had no prosecutions relating to Environmental matters during the year

As part of the management systems audit process each location will be annually benchmarked any corrective actions identified and a plan put in place to address deficiencies raised During 2007 this process was completed at over 400 of the Group's UK trading sites

Considerable importance is placed on environmental matters as part of the due diligence process for acquisitions External advisers review and assess any environmental risks to which the Group could potentially become exposed and these are considered as part of the acquisition process Health and safety compliance and processes are also considered as part of the acquisition process

The Group has identified the significant environmental impact of its operations, which are summarised on pages 38 and 39

ENVIRONMENTAL MANAGEMENT CONTINUED

ENERGY AND TRANSPORT

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

Reducing energy consumption is a priority for all of our operations This is targeted both through reducing the amount of fuel used in delivery, by increasing the efficiency of heating and lighting and maximising the use of natural light in the Group's properties and by environmental awareness training at UK sites A programme is being put in place to record and monitor electricity and gas consumption at each location, with sophisticated reporting technology being installed at larger locations In the UK, Energy Brokers have been instructed to, where practicable, purchase energy from renewable sources

- during the year SIG has worked with the Energy Savings Trust (Transport Advice Team) as part of the process of achieving a green fleet operation SIG continues to actively investigate better methods of operation in order to achieve greater efficiencies from its vehicles and there fuel consumption
- SIG has a policy of introducing the most energy efficient vehicles commercially available (currently considered to be Euro V category engines) which the Company purchases, whenever possible,
- SIG employs staff to train drivers in driving techniques aimed at reducing accidents and damage (safe driving) and to drive vehicles using methods and practices which will reduce fuel consumption Equipment is being fitted to commercial vehicles to measure ongoing driver efficiency (in particular fuel and braking) All vehicles are regularly serviced to ensure that vehicle emissions are kept to a minimum
- the Transport Co-ordinators in each trading site throughout the Group are required to make the most efficient use of vehicles, consistent with meeting customer requirements Techniques used include maximising vehicle loading (within legal limits) so reducing vehicle numbers, and route planning, to minimise distances travelled and thereby fuel usage,
- SIG has fitted vehicles with logistics tracking systems and navigation planning equipment This is aimed at using the most fuel efficient route for each journey,
- in 2006 Komfort Workspace installed a wood burning incinerator at its Crawley site which used the off-cuts from its manufacturing processes to provide heat for four manufacturing units Komfort is now planning to install a further unit for its operations at the Andover site Similar operations are in place at Leaderflush & Shapland manufacturing sites at Nottingham and Barnstaple,
- SIG has recently installed video conferencing equipment in nine key locations across the Group in order to reduce in particular, overseas travel with the consequent reduction in the Company's carbon footprint

CARBON (CO_2) EMISSIONS

This is the first year that SIG has presented details of its CO_2 emissions and plans are in place to improve both the quality and comprehensiveness of the information disclosed in future years SIG have reported emissions of CO_2 according to the Greenhouse Gas Protocol which was jointly developed by the World Business Council for Sustainable Development and the World Resources Institute The protocol differentiates between emissions caused in the generation of supplied electricity and all other indirect emissions both upstream and downstream As it is impossible to know or control the negligible downstream emissions generated when products sold by the Group are used, they have been excluded from this report Similarly, reporting on the upstream emissions of our business would currently rely heavily on estimates and, as a result, they have also been excluded from this analysis However given the nature of our operations, the Group does believe that it is appropriate to report on the emissions from third-party provided transportation

CO_2 EMISSIONS – DIRECT IMPACT

Source	Definition	Data source and calculation methods	Metric tonnes 2007
Business operations	Wood burning incineration (Generation of heat)	Emissions per hour x hours in use	7,690
Vehicle fuel	Emission from vehicle use	Fuel Cards and direct purchase records in litres converted according to DEFRA guidelines	45,503
Total			53,193

* The table above comprises CO_2 emission data captured from the Business operations of Komfort Workspace at Crawley and the vehicle fuel data comprises the Group s UK fleet operations

CO_2 EMISSIONS – INDIRECT IMPACT

Source	Definition	Data source and calculation methods	Metric tonnes 2007
Electricity	Directly purchased, which generates greenhouse gases including CO_2 emissions	Yearly consumption from utility bills in KWh converted according to DEFRA guidelines	15,202
Natural gas	Directly purchased which generates greenhouse gases including CO_2 emissions	Yearly consumption from utility bills in KWh converted according to DEFRA guidelines	2 741
Gas oil	Directly purchased which generates greenhouse gases including CO_2 emissions	Yearly purchase from invoices in litres converted according to DEFRA guidelines	1 227
Kerosene	Directly purchased, which generates greenhouse gases including CO_2 emissions	Yearly purchase from invoices in litres converted according to DEFRA guidelines	16
Business travel	Third-party provided transport (air and rail)	Recorded miles converted according to DEFRA guidelines	213
Total			19,399

* The table above comprises CO_2 emission data captured from 64% (Electricity and Gas) of the Group's UK operations representing 75% of UK Group turnover for the year ending 31 December 2007 The data relating to Gas oil and Kerosene has been collected from the Group's UK Operations The data relating to business travel has been collected from the Group's UK and overseas operations and covers travel booked through third party booking agents only

ENVIRONMENTAL MANAGEMENT CONTINUED
PACKAGING AND WASTE REDUCTION

SIG works with its suppliers to minimise primary and secondary packaging while maintaining necessary levels of packaging to ensure that the product arrives with the customer in perfect condition All of the Group's businesses comply with their applicable waste management regulations As a break bulk supplier, SIG has recognised that the major impact of the organisation on environmental waste is through packaging and has taken a pro-active approach to minimise the amount of new packaging entering the market and the amount of waste generated at trading site level

This is achieved by

- environmental awareness training at all sites including the distribution of energy reduction awareness information and reminder aids to all employees
- purchasing recycled and recyclable packaging where practicable, including pallets and cartons,
- returning reusable pallets to suppliers and similarly recovering used pallets from customers,
- reusing packaging for internal transfers and deliveries,
- actively taking part in recycling and reclamation schemes through the Company's membership of Valpak and working closely with suppliers to improve the accuracy of data SIG meets its responsibilities under the packaging waste regulations in the UK through Valpak's compliance scheme As part of the Company's ongoing development in this area it has entered into a national agreement with Veolia for waste removal Veolia operates its own waste recycling and reclamation compliance scheme
- SIG embraces electronic communication within its businesses, which has resulted in a significant reduction in internal and external paperwork throughout the Group,
- SIG continues to implement initiatives to reduce, reuse and recycle its waste through the continued location waste auditing programme performed by Veolia Environmental Services in the UK,
- the expansion of the Group's waste paper and ink cartridge recycling activities at principal administrative centres and where practicable at site level, and
- Komfort Workspace has this year launched a range of demountable partitioning with sustainability in mind Each component being reusable or recyclable

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

WASTE MANAGEMENT

SIG recognises its responsibilities to measure and minimise the waste generated by its business operations Waste is divided into hazardous and non-hazardous

CORPORATE GOVERNANCE

NON-HAZARDOUS WASTE

	Definition	Data source and calculation methods	Absolute tonnes 2007
Landfill	Non-hazardous waste sent to landfill	Volume per annum converted to tonnes	10,630
Recycled**	Non-hazardous diverted from landfill	Volume per annum converted to tonnes	825
Incinerated	Non-hazardous waste incinerated	Volume per annum converted to tonnes	816
Total			12,271

HAZARDOUS WASTE

	Definition	Data source and calculation methods	Absolute tonnes 2007
Landfill	Hazardous waste sent to landfill	Volume per annum converted to tonnes	35
Recycled	Hazardous diverted from landfill	Volume per annum converted to tonnes	153
Incinerated	Hazardous waste incinerated	Volume per annum converted to tonnes	3
Total			191

OTHER WASTE

	Definition	Data source and calculation methods	Absolute tonnes 2007
WEEE (Waste, Electrical and Electrical Equipment)	Diverted from landfill	Volume per annum converted to tonnes	91
Glass	Diverted from landfill	Volume per annum converted to tonnes	280
Wood	Diverted from landfill	Volume per annum converted to tonnes	985
Metal	Diverted from landfill	Volume per annum converted to tonnes	538
Plasterboard	Diverted from landfill	Volume per annum converted to tonnes	182
Total			2 076

* The table above comprises details of waste data captured from 65% of the Group's UK trading sites representing 76 7% of Group turnover for the year ended 31 December 2007

** The recycled non-hazardous waste data stated above does not include baled polythene and cardboard generated at a number of the Group's UK Insulation trading sites

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

SUPPLIERS AND CUSTOMERS

The Group has in place a supplier audit programme The programme is conducted by way of questionnaire and includes a request for details of the environmental aspects of the supplier's operations Environmental management will be one of the criteria considered when examining a supplier s qualifications for Group orders The Group has a policy, that when specified, timber purchased for use in its manufacturing activities must be from renewable resources This is a relatively small part of the UK operations but where accreditation and forest stewardship schemes are applicable and available, SIG uses these in its sourcing procedures

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

HEALTH AND SAFETY

The Group has in place in the UK an Integrated Management System combining BS EN ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) in the UK Moody International are the appointed Assessors and the assessment process, leading to certification under these accreditation schemes for all of the Group's UK sites, was completed in April 2006, resulting in all the Group's UK sites receiving certification SIG had no prosecutions relating to health and safety matters during the year

The Group is committed to high standards of health and safety for all of its employees and the Group's Health and Safety Policy was reviewed in 2007 The Policy is displayed throughout the Group's workplaces and is available on the Company's website Whilst Mr D Williams, the Chief Executive, is the Board Director responsible for the health and safety performance of the Group the SIG systems ensure that responsibility exists throughout all of the SIG businesses Health and safety objectives and targets have been established within relevant functions and levels within the organisation SIG had no prosecutions relating to health and safety matters during the year

Within the Group the continuing improvement of health and safety performance is a key priority A Health and Safety Training Manager was appointed to lead a training programme to ensure that all UK subsidiary company Directors and managers receive appropriate training in health and safety in order to meet their responsibilities

Health and Safety Advisors who are either Company or regionally based support the increased focus on health and safety education and awareness at workplace level As part of the management systems audit process each location is annually benchmarked any corrective actions are identified and a plan put in place to address deficiencies raised During 2007 this process was completed at over 400 of the Group's UK trading sites Forklift and commercial driver training form an important part of SIG s Workplace Safety Policy, which impacts on reduced insurance costs, enhanced pedestrian and site safety and improved working environment Daily inspections complement periodic training to keep the vehicle and driver at peak performance

The Group's accident performance is monitored by the Board on a monthly basis The overall rate of workplace accidents within the Group continues to fall The number of injury accidents reportable to the HSE under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations ("RIDDOR") was 15 5 per 1,000 employees in 2007, compared with 16 2 per 1,000 employees in 2006, a reduction of 4 4%

ACCIDENT AND INCIDENTS

Rate per 1 000 employees	2007	2006
Major injury	**1 8**	3 2
Injury resulting in over 3 absence days from work	**13 2**	12 4
All RIDDORS	**15 5**	16 2
Average UK headcount	**7,341**	6,281

DONATIONS

During the year the Group made charitable donations of £162k (2006 £100k) It is the Group's policy not to make political donations and no political donations were made in the year (2006 £nil)

The Group has a Charitable Donations Policy The Policy in addition to supporting local causes where SIG employees are involved is to provide support for three main charities for a period of three years For the three years to 31 December 2007, the three charities selected were in the fields of disadvantaged children, humanities and the environment and were

- Henshaws College, which is a unique and pioneering education facility offering high quality independent living skills training to around 65 young people aged between 16 and 23, all of whom are visually impaired with additional disabilities SIG supports five students from different parts of the UK,
- Yorkshire Wildlife Trust where SIG sponsors a number of Wildlife projects and have encouraged volunteering days for interested staff and
- Hope and Homes for Children which is an international charity, engaged in providing homes and support for children on a long term basis in third world and war torn countries

For the three years commencing January 2008 the three main charities that the Group will be supporting are Henshaws College, Action For Kids (a national charity working with disabled children and young people, their parents and carers) and St Lazarus Hospice (a charity providing assistance for terminally ill individuals and help and support for families in Krakow, Poland)

Staff are kept informed of charitable activities and are encouraged to attend events as appropriate, as a means of encouraging them to be personally associated with charitable work and in particular with the causes supported by the Group This has included sponsorship for individuals entering specific events and support in kind for building projects By way of example SIG Roofing Supplies managers and suppliers recently competed in the Michelob Ultra Sprint Triathlon raising over £18,000 for the NSPCC

The Group has in place a Payroll Giving Scheme, which is available to all UK employees Employees are free to choose one of the current SIG sponsored charities listed above or any other charity of their choice During the year donations of £9,510 were made through the scheme

COMMUNITY

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

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

EMPLOYEES

The Group operates a culture of openness and has in place a confidential hotline service so that our employees can raise, on a confidential basis, any concerns about how we conduct our business The service is provided by an independent third party and a full investigation is carried out on all matters raised and a report is prepared for feedback to the complainant The hotline was introduced in the UK in November 2007 and is currently in the process of being extended to the rest of the Group's employees

The Group s policy is to provide equal opportunities to all existing and prospective employees SIG recognises that its reputation is dependent on the quality, effectiveness and skill base of its employees and is committed to the fair and equitable treatment of all its employees and specifically to prohibit discrimination on the grounds of race, religion, sex, sexual orientation age, nationality or ethnic origin

Employment opportunities are available to disabled persons in accordance with their abilities and aptitudes on equal terms with other employees If an employee becomes disabled during employment the Group makes every effort to enable them to continue employment with re-training for alternative work where necessary

The Group has a commitment to ensure that all employees and management are properly inducted into the Company and given the necessary training to fulfil their roles

In 2007 considerable effort has been put into the further identification of talent, training and career management With a whole series of development centres and targeted intervention being used to fast track identified talent

In the UK and Ireland a Personal Development Award was introduced with 36 high potential employees attending an intensive ten day personal awareness and management skills development programme

The Executive Development programme was launched in conjunction with Sheffield Hallam University aimed at operating company directors the programme provides opportunity for delegates to develop their capability across the broad range of general management activities

82 employees in the UK have enrolled on NVQ programmes in warehousing and distribution or administration which are being provided through third party providers

2007 also saw the launch of the SIG Sales Academy, providing structured training, coaching and support for sales management and sales professionals The Sales Academy will be made available right across the Group in 2008

There is an active and extensive programme of additional training in place Full-time dedicated professional trainers are employed and their work is supplemented as required by external courses and external agencies In order to meet ever increasing customer demand, particular emphasis is placed on technical, customer service and interpersonal skills The Group has an objective of increasing the number of man-hours of staff and management training each year

SIG recognises the importance of good communications with employees and acknowledges that there should be clear channels of communication and opportunities for consultation and dialogue on issues, which affect both business performance and employee's work lives This is achieved through a variety of media including the Group s intranet, noticeboards, newsletters and meetings

All employees are regularly offered the opportunity to address any questions, particularly relating to the financial performance of SIG in relation to the Results Announcements, directly to the Chief Executive, either by email, by telephone, or in writing

The Group operates a childcare voucher system whereby UK employees can elect to receive childcare vouchers in lieu of part of their salary in a tax efficient manner In January 2008 the Group introduced a Cycle to Work scheme whereby UK employees can obtain a voucher for the purchase of a bicycle free of tax and national insurance to a maximum value of £500

Employees are encouraged to become Shareholders in the Company The Group introduced a new Share Incentive Plan ("SIP") in November 2005 in place of the Save As You Earn Scheme The Company gives one matching share for each share purchased by the employee up to a maximum of four matching shares per month At 31 December 2007 there were 1,482 employees saving under the Company's SIP

The Group operates a number of employee pension schemes across its businesses In the UK it operates a Defined Contribution Scheme, which is open to all employees The Group s UK Defined Benefit Schemes have been closed to new members since 1997

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

BOARD OF DIRECTORS

LEFT TO RIGHT GARETH DAVIES, LES TENCH CHRIS DAVIES DAVID WILLIAMS, JOHN CHIVERS, PETER BLACKBURN DAVID HAXBY AND MICHAEL BORLENGHI

LES TENCH BSC
NON-EXECUTIVE CHAIRMAN
Les Tench (age 62) became a Non-Executive director in March 2003 and was appointed Deputy Chairman in November 2003 He was appointed Chairman on 1 May 2004 He was appointed a Non-Executive Director of Norcros plc on 6 July 2007 He joined CRH plc in 1992 and from 1998 until his retirement in December 2002 was Managing Director of CRH Europe – Building Products

DAVID WILLIAMS
CHIEF EXECUTIVE
David Williams (age 57) joined the Group in 1983 having gained UK and overseas sales and marketing experience in several diverse industries He was appointed Managing Director of Sheffield Insulations and to the main Board in June 1993 He became Chief Executive in January 2002 He is a Non-Executive Director of Sheffield Childrens NHS Foundation Trust and a Member of the Advisory Board of Sheffield University Management School both of which are voluntary unpaid positions

CHRIS DAVIES BA (OXON)
DEPUTY CHIEF EXECUTIVE
Chris Davies (age 54) joined Sheffield Insulations in 1994 having previously gained UK and overseas management experience of manufacturing contracting and specialist distribution in the metals and construction industries He moved to a Group role in 1996 and in 2001 took up the post of Managing Director Europe He was appointed to the main Board on 12 February 2007 and was appointed Deputy Chief Executive on 10 January 2008. It is intended that he will be appointed Chief Executive on 1 July 2008 on the retirement of David Williams

GARETH DAVIES BA, ACA
FINANCE DIRECTOR
Gareth Davies (age 44) joined the Group in November 1993 as Group Financial Controller, having previously been a senior manager with Arthur Andersen. He was appointed to the main Board in August 2002 as Finance Director

JOHN CHIVERS
EXECUTIVE DIRECTOR
John Chivers (age 55) joined the Group in July 1975 and was appointed a Director of Sheffield Insulations in April 1989 He became Managing Director of SIG Roofing Supplies in July 1997 and was appointed to the main Board in September 2001 He is currently responsible for the Groups Roofing Specialist Construction Products and Roofline & Building Plastics businesses in the UK.

PETER BLACKBURN CBE, BA, D LITT, FCA
NON-EXECUTIVE DIRECTOR
Peter Blackburn (age 67) became a Non-Executive Director in July 2001 He is Chairman of the Remuneration Committee and Senior Independent Director From November 1997 to June 2001 he was Chairman and Chief Executive of Nestle UK He was Chairman of Northern Foods from February 2002 to July 2005 He is a past president of the Food and Drink Federation

MICHAEL BORLENGHI BSC
NON-EXECUTIVE DIRECTOR
Michael Borlenghi (age 64) became a Non-Executive Director in April 2004 He has held a number of Non Executive board positions since retiring in 1991 from the GKN plc Board. Whilst at GKN he was involved in senior management roles both in the UK and overseas in a career spanning 25 years

DAVID HAXBY LL B, FCA
NON-EXECUTIVE DIRECTOR
David Haxby (age 66) became a Non Executive Director in March 2003 and is Chairman of the Audit Committee He is currently a Non-Executive Director of Cattles plc a position he has held since 1999 From 1991 until his retirement in 1995 he was the London office Managing Partner of Arthur Andersen and since then has served on the board of a number of public and private companies

BOARD COMMITTEES

AUDIT COMMITTEE
Mr D A Haxby – Chairman
Mr P H Blackburn
Mr M J C Borlenghi

REMUNERATION COMMITTEE
Mr P H Blackburn – Chairman
Mr M J C Borlenghi
Mr D A Haxby

NOMINATIONS COMMITTEE
Mr L O Tench – Chairman
Mr P H Blackburn
Mr M J C Borlenghi
Mr D A Haxby
Mr D Williams

COMPANY INFORMATION

CORPORATE GOVERNANCE

PRESIDENT
Sir Norman Adsetts OBE MA

SECRETARY
Richard Monro FCIS

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998314

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United Kingdom

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LISTING DETAILS
MARKET – UK Listed
REFERENCE – SHI L
INDEX – FTSE 250
SECTOR – Support Services

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www sigplc.co uk

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Corporate Banking
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North East and Yorkshire
Larger Business Team
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SOLICITORS
PINSENT MASONS
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Leeds LS1 5AB

JOINT STOCKBROKERS
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London EC2R 6DA

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FINANCIAL PR
FINSBURY GROUP
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London EC2Y 9AE

AUDITORS
DELOITTE & TOUCHE LLP
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Leeds LS1 2AL

* Shareholders enquiries should be addressed to the Registrars at the above address (Tel. 0870 702 0000).

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING	–	TO BE HELD ON 14 MAY 2008
FINAL DIVIDEND 2007	–	PAYABLE 27 MAY 2008
INTERIM RESULTS 2008	–	ANNOUNCEMENT 21 AUGUST 2008
INTERIM DIVIDEND 2008	–	PAYABLE NOVEMBER 2008
FULL YEAR RESULTS 2008	–	ANNOUNCEMENT MARCH 2009
REPORT AND ACCOUNTS 2008	–	POSTED TO SHAREHOLDERS APRIL 2009
FINAL DIVIDEND 2008	–	PAYABLE MAY 2009

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited Accounts for the year ended 31 December 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group is the supply of specialist products to construction and related markets The main products supplied are insulation, roofing and external elements, commercial interiors and specialist construction and safety products

The Chairman s Statement and Business Review on pages 6 to 27 contain a review of these activities and comments on the future outlook. The financial risk management objectives and policies of the Company are set out in the Business Review on pages 25 to 27

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

Details of the Group's policies in relation to employees (including disabled employees) and information on charitable and political donations are disclosed on pages 40 to 41

Details of the Group's policies in relation to corporate governance are disclosed on pages 48 to 51

GROUP RESULTS

The Consolidated Income Statement for the year ended 31 December 2007 is shown on page 64 The movement in the Group reserves during the year is shown in Note 25 on page 103 Segmental information is set out in Note 1 on pages 74 to 76

DIVIDENDS

The Board is recommending a final dividend of 18 7p per share (2006 14 3p) which, together with the interim dividend of 8 0p (2006 6 2p) per share, makes a total for the year ended 31 December 2007 of 26 7p (2006 20 5p) per share Payment of the final dividend, if approved at the Annual General Meeting, will be made on 27 May 2008 to Shareholders registered at the close of business on 25 April 2008

DIRECTORS

The names of the Directors as at the date of this report together with biographical notes are set out on page 42 They comprised the Board for the whole of the year except that Mr C J Davies was appointed a Director on 12 February 2007

It was announced on 10 January 2008 that Mr C J Davies had been appointed Deputy Chief Executive with the intention that he should succeed Mr D Williams as Chief Executive of the Company on 1 July 2008 Mr Williams has informed the Board of his intention to step down as a Director of the Company on 30 June 2008 to take early retirement

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 following Annual General Meeting and shall then be eligible for re-appointment by the Shareholders The Board may from time to time appoint one or more Directors as Managing Director or to fulfil any other Executive function within the Company for such term, remuneration and other conditions of appointment as they may determine and may revoke such appointment (subject to the provisions of the Companies Acts)

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

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

The Directors standing for re-election at the Annual General Meeting are Mr P H Blackburn and Mr L O Tench Each Director, being eligible, offers himself for re-election It is the view of the Board that each of the Non-Executive Directors brings considerable management experience and independent perspective to the Board s discussions and they are considered to be independent of management and free from any relationship or circumstance that could affect, or appear to affect, the exercise of their independent judgement

Full details of Directors' remuneration, interests in the share capital of the Company and of their share options are set out on pages 52 to 60 in the Directors' Remuneration Report

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITIES

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

ACQUISITIONS AND DISPOSALS

Details of acquisitions during the year are covered in Note 13 on page 89 There were no disposals of businesses during the year

SHARE CAPITAL

The Company has a single class of share capital which is divided into ordinary shares of 10p each

During the year ended 31 December 2007 options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 533,536 new ordinary shares A further 1,287 new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this Report In addition a total of 11,363,637 new ordinary shares were issued and allotted on 30 May 2007 by a placement, further details of which can be found on page 22 Details of outstanding options under the Group s Employee and Executive Schemes are set out in Note 24 on page 102 which also contains details of options granted over unissued share capital

RIGHTS ATTACHING TO SHARES

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

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

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

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

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

VOTING AT GENERAL MEETINGS

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

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

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

TRANSFER OF SHARES

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

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

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

REPORT OF THE DIRECTORS CONTINUED

VARIATION OF RIGHTS

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

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

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

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

CREST

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

AGREEMENTS WITH EMPLOYEES AND SIGNIFICANT AGREEMENTS

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

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

2008 INTERIM REPORT

In 2007 the Company changed its Articles of Association to permit the use of electronic communications for all Notices documents and information to be sent to Shareholders, in accordance with Shareholder preference This would enable the Company to use website communication with Shareholders as the default position The Company has, at this time, not made any decision as to whether to move to electronic communication as the default position Shareholders will therefore, for the time being continue to receive paper copies of all Company communications Current regulations do however permit the Company not to have to send copies of its Half Yearly Reports to Shareholders and therefore future Interim Reports commencing with the 2008 Report due to be published on 21 August 2008 will no longer be sent to Shareholders The Half Yearly Report will be published on the Company's website at www sigplc co uk

ACQUISITION BY THE COMPANY OF ITS OWN SHARES

Shareholders authority for the purchase by the Company of 12,312,000 of its own shares existed at the end of the year The Company has made no purchases of its own shares pursuant to this authority The Company will seek to renew this authority at the 2008 Annual General Meeting

SUBSTANTIAL SHAREHOLDINGS

The Companies Act 1985 provisions in respect of substantial share interests were repealed on 20 January 2007 and with effect from that date, the Disclosure and Transparency Rules of the UK Financial Services Authority came into force

At 12 March 2008, the Company had received notification that holdings exceeding the 3% notification threshold were as follows

	Ordinary Shares of 10p each	% of issued share capital
F&C Asset Management	9,187,098	6 81
Schroder PLC	7,473 481	5 54
Black Rock Inc	7,030,334	5 21
Fidelity International Limited	6,334,032	4 69
Prudential PLC	4 957 804	3 67
Barclays PLC	4,910,061	3 64
Legal & General Group PLC	4,423,743	3 28

PAYMENT TO SUPPLIERS

The Group follows the CBI's prompt payment code and operates and abides by a clearly defined policy, which has been agreed with all major suppliers As at 31 December 2007 the Company had no trade payables as it does not trade in its own right The Group's average number of days outstanding as at 31 December 2007 in respect of trade payables was 38 (2006 38)

STATEMENT OF THE DIRECTORS ON THE DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the accounts in accordance with applicable law and regulations

Company law requires the Directors to prepare accounts for each financial year The Directors are required by the International Accounting Standards ("IAS") Regulation to prepare the Group Accounts under International Financial Reporting Standards ("IFRS") as adopted by the European Union The Group Accounts are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation

IAS 1 requires that IFRS accounts present fairly for each financial year the Company's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the IAS Board's 'Framework for the preparation and presentation of financial statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS However, Directors are also required to

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

The Directors have elected to prepare the Parent Company accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The Parent Company accounts are required by law to give a true and fair view of the state of affairs of the Company In preparing these accounts, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Parent Company accounts comply with the Companies Act 1985 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

GOING CONCERN

The Directors consider, after making appropriate enquiries at the time of approving the Accounts, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the Accounts

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution re-appointing Deloitte & Touche LLP as Auditors of the Company for the ensuing year will be proposed at the Company's forthcoming Annual General Meeting

ANNUAL GENERAL MEETING

The Notice convening the Annual General Meeting to be held at Aston Hall Hotel, Worksop Road Sheffield S26 2EE at noon on Wednesday 14 May 2008, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for exercising voting rights, is contained in a circular to be sent to Shareholders with this Report

By order of the Board

RICHARD MONRO
COMPANY SECRETARY
12 MARCH 2008

CORPORATE GOVERNANCE

SIG is committed to business integrity high ethical values and professionalism in all its activities As an essential part of this commitment the Group supports the highest standards in corporate governance The Board is accountable to the Company's Shareholders for good governance and this statement and the Directors Remuneration Report on pages 52 to 60 describe how the principles of good governance set out in the Combined Code on corporate governance published by the Financial Reporting Council in June 2006 (the Code") are applied within SIG

STATEMENT OF COMPLIANCE WITH THE CODE

The Company has applied the principles set out in Section 1 of the Code for the period under review and has, throughout the year, complied with the provisions set out therein with the exception of Code provision A3 2 in relation to the required number of Non-Executive Directors where the Company has not been in compliance from 12 February 2007 following the appointment of an additional Executive Director

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

THE BOARD

As at 31 December 2007 and at date of this Report, the Board was made up of eight members comprising the Chairman, four Executive Directors and three Non-Executive Directors The Non-Executive Directors are considered by the Board to be independent of management and free of any relationship, which could materially interfere with the exercise of their independent judgement The Board considers that each of the Non-Executive Directors brings his own senior level of experience and expertise Biographical details of each of the Directors, which illustrate their range of experience, are set out on page 42 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 52 to 60

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

The Senior Independent Director is Mr P H Blackburn

On 12 February 2007 Mr C J Davies was appointed an Executive Director The Board notes the requirement of Code provision A3 2 and confirms that it is intended that in the future at least half of the Board (excluding the Chairman) should comprise Non-Executive Directors determined by the Board to be independent There is no present intention to appoint an additional Executive Director to the Board following the retirement of Mr D Williams and the promotion of Mr C J Davies to Chief Executive at the end of June 2008

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

BOARD PROCEDURES

The Board met formally on twelve occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table on page 49 All Board members are supplied with information in a form and of a quality appropriate to enable them to discharge their duties Board and Committee papers are sent out seven days before meetings take place There is an agreed schedule of matters reserved to the Board for collective decision and these include

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

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

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

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

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

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of Directors at meetings of the Board, Audit Remuneration and Nominations Committees during the year to 31 December 2007

	Board (12 meetings)	Audit Committee (4 meetings)	Remuneration Committee (4 meetings)	Nominations Committee (6 meetings)
P H Blackburn	12	4	4*	6
M J C Borlenghi	12	4	4	6
M J Chivers	12	N/A	N/A	N/A
C J Davies (appointed 12 February 2007)	9	N/A	N/A	N/A
G W Davies	12	N/A	N/A	N/A
D A. Haxby	11	4*	4	6
L O Tench	12*	N/A	N/A	6*
D Williams	11	N/A	N/A	3

* Chairman

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

The Chairman also holds meetings with the Non-Executive Directors without the Executive Directors present

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

BOARD EFFECTIVENESS

During the year, the Board continued its ongoing evaluation process to assess its performance and that of its Committees and to identify areas in which its effectiveness, policies and processes might be enhanced

In 2005 an appraisal of the Board, each Board Committee, and the performance of each individual Director was carried out using a tailored questionnaire prepared by an independent third party in conjunction with the Chairman and the Company Secretary The purpose of the process was to help to identify any areas which needed attention, develop and identify what should be included in the Director's future training programme and to suggest any procedures and improvements which might make the Board operate better In 2006 as part of the process of building on the work done in 2005, the Chairman held structured meetings with each Director which focused on identifying the skills structures and composition of the Board that would be required to evaluate formulate and implement both the Group s short and long term strategies The process then sought to identify whether these attributes were in place The Chairman then collated the results and circulated them to each Board member The Board then met on two separate occasions devoting significant time to discuss the results of the evaluation process and to agree what actions should be taken The discussions then focused on how the actions identified through the process should be implemented

In December 2007 as part of the ongoing structured process, the Board commissioned an independent third party to prepare a tailored Board evaluation questionnaire with the emphasis being targeted at identifying the future needs of the Board including Board composition and succession planning Each Director completed their questionnaire during February 2008 and those questionnaires are currently being evaluated by the independent third party who will then prepare a report for the Chairman The Chairman and the independent third party will then present the results of the evaluation to the Board which will then discuss the results of the evaluation process and agree what actions should be taken The results of that process will be reported in the Group's Annual Report for the financial year ending 31 December 2008

During the year a number of the Directors attended training courses and seminars for subjects and topics in conjunction with those that the Chairman had identified as being areas where training would increase the knowledge and effectiveness of the Director Further training has been programmed for 2008

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

CORPORATE GOVERNANCE CONTINUED

RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of communicating with its Shareholders, including its employee Shareholders, to ensure that its strategy and performance is understood This is achieved principally through the Annual Report and the Annual General Meeting The Group s annual and interim results, as well as all announcements issued to the London Stock Exchange, are published on the Company's website The Company issues regular trading updates to the market and these, together with interviews with the Chief Executive and more recently the Finance Director and 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 co uk)

The Chief Executive and Finance Director are primarily responsible for direct investor relations Feedback from major Shareholders is reported to the Board by the Finance Director and the Chairman and discussed at its meetings Formal presentations are made to institutional Shareholders following the announcement of the Company's annual and interim results Contact is also maintained, where appropriate, with Shareholders to discuss overall remuneration plans and policies The Senior Independent Director is available to meet with institutional Shareholders if requested Although the Non-Executive Directors are not at present asked to meet the Company's Shareholders, they regularly attend presentations of the annual and interim results The Board recognises that the Annual General Meeting is the principal forum for dialogue with private Shareholders and all Shareholders are invited to attend All Directors attend the Annual General Meeting and are available to answer any questions that Shareholders may wish to raise The Notice of Meeting is sent to Shareholders at least 20 working days before the meeting The Company provides a facility for Shareholders to vote electronically and the Form of Proxy provides Shareholders with the option of withholding their vote on a resolution if they so wish

Shareholders vote on a show of hands, unless a poll is validly called and after each such vote the number of proxy votes received for, 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 Annual General Meeting (www sigplc co uk)

THE REMUNERATION COMMITTEE

The Remuneration Committee operates under written Terms of Reference which are consistent with current best practice The Committee comprises only independent Non-Executive Directors The Chairman of the Committee attends the Annual General Meeting to respond to any Shareholder questions that might be raised on the Committee's activities The Committee s Report is set out on pages 52 to 60

NOMINATIONS COMMITTEE

The Nominations Committee operates under written Terms of Reference, which are consistent with current best practice Its principal duty is the nomination of suitable candidates for the approval of the Board to fill Executive and Non-Executive vacancies on the Board The Nominations Committee comprises the Chairman, Chief Executive and the three Non-Executive Directors The meetings of the Committee are chaired by the Non-Executive Chairman

The Committee reviews the structure, size diversity and composition of the Board and makes recommendations concerning the re-appointment of any Non-Executive Director at the conclusion of their specified term of office and in the identification and nomination of new Directors The Committee retains external search and selection consultants as appropriate The Committee also advises the Board on succession planning for Executive Board appointments although the Board itself is responsible for succession generally

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

Following the appointment of a new Director, the Chairman in conjunction with the Company Secretary is responsible for ensuring that a full, formal and tailored induction to the Company is given

In January 2007 the Committee met to consider the Chief Executive's proposal that Mr C J Davies, Managing Director Europe, should be appointed an Executive Director The appointment of Mr C J Davies followed on from the Board effectiveness process which had concluded that the growing importance of the Group's European operations and future development plans was such that these should have direct representation at Board level After careful consideration the Committee recommended his appointment to the main Board By way of induction a detailed pack and programme was provided to Mr C J Davies on his appointment

On 10 January 2008 it was announced that Mr C J Davies had been appointed Deputy Chief Executive and that he would succeed Mr D Williams as Chief Executive following Mr Williams' retirement on 30 June 2008 The process for identifying Mr Williams successor was conducted by the Nominations Committee led by the Chairman and has been described above

AUDIT COMMITTEE

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

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

The Committee's Report is set out on pages 61 to 62

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible 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

For the whole of the year under review and up to the date of approval of the Annual Report and Accounts, the Board has had formal procedures in place to ensure that it is in a position to consider all significant aspects of internal control

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

The formal process followed and reviewed by the Board, to assess the effectiveness of the Group's system of internal control accords with the guidance issued by the Turnbull Report 'Internal Control Guidance for Directors on the Combined Code' and is part of the ongoing process for identifying, evaluating and managing the significant risks faced by the Group This process is summarised as follows

- operating management is charged with the ongoing responsibility for identifying risks facing each of the operating units and for putting in place procedures to mitigate manage and monitor risks,
- operating units formally review all business risks and set out the significant risks to the operations, the controls in place and additional controls, which could be implemented These proposals are approved by each operating unit s management and submitted in the form of risk action plans to Group Executive management for review and approval Any significant matters arising from this review are formally reported to the Board by the Finance Director to ensure that appropriate initiatives are developed and implemented to manage those risks The Board is advised in this process by the Audit Committee,
- the risk and control identification and management process is monitored and periodically reviewed by Group Executive management, and
- 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 Ernst & Young LLP as part of the process of their providing an outsourced internal audit function, report on the administration, management and reporting processes which support the CSA process The CSA process has been rolled out across the UK Ireland and The Netherlands and commenced across the rest of the Group in 2008

The key elements of the controls framework within which the Group operates are

- an organisational structure with clearly defined lines of responsibility delegation of authority and reporting requirements
- an embedded culture of openness of communication between operating divisional management and the Group Executive management on matters relating to risk and control,
- defined expenditure authorisation procedures,
- operating reviews covering all aspects of each business are conducted by Group Executive management at least half yearly, and
- a comprehensive system of financial reporting An annual budget for each operating company is prepared in detail and approved by the Chief Executive The Board approves the overall Group's budget and plans Monthly actual results are reported against budget and prior year and the forecast for the year is revised where necessary Any significant changes and adverse variances are questioned by the Board and remedial action is taken where appropriate There is weekly cash and treasury reporting to the Finance Director and periodic reporting to the Board on the Group's tax and treasury position

The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss

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

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

RICHARD MONRO
COMPANY SECRETARY
12 MARCH 2008

CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION REPORT
INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2007

This report has been prepared by the Remuneration Committee on behalf of the Board in accordance with the requirements of the Directors' Remuneration Report Regulations 2002 and The Listing Rules The information set out on pages 58 and 59 of this Report represents the auditable disclosures referred to in the Auditors' Report on page 111 as specified by the UK listing Authority under Schedule 7A of the Companies Act 1985 Compliance with the Combined Code is detailed in the Corporate Governance Report on page 48 Shareholders will be invited to approve the Report at the Annual General Meeting on 14 May 2008

THE REMUNERATION COMMITTEE

The Board has a long established Remuneration Committee ("the Committee"), which meets at least twice a year It is comprised solely of independent Non-Executive Directors The Committee comprises the following Non-Executive Directors Mr P H Blackburn (who chairs the Committee), Mr M J C Borlenghi and Mr D A Haxby, all of whom are independent within the definition set out in the Code They comprised the Committee for all of 2006, 2007 and up to the date of this report Biographical details of the Committee members are set out on page 42 The fees paid to Non-Executive Directors are determined by the Board The Non-Executive Directors do not participate in any way in connection with the determination of their own fees

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

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

The Chief Executive Mr D Williams is consulted on the remuneration of Executive Directors and attends meetings by invitation but does not participate when his own remuneration is discussed The Chairman of the Board also attends meetings by invitation but does not participate in any way in connection with the determination of his own salary The Company Secretary provides information to the Committee and is in attendance at meetings During the year the Committee met four times and all members of the Committee attended each meeting The Committee also takes independent professional advice, on an ad hoc basis, as required The Committee reviews its own performance annually and considers where improvements can be made

During the year the Committee conducted its annual review of remuneration to ensure that the overall remuneration structure continues to promote the Company's business strategy The Committee also reviewed the share scheme performance criteria to ensure its continued appropriateness prior to the grant of Awards under the Long Term Incentive Plans ("the LTIP") and options under the Deferred Annual Bonus Scheme ("DABS") For the LTIP Awards made in 2007 the Committee decided that the threshold at which 30% of the Award vests should be increased requiring 5% real annual compound growth in EPS over the three year performance period

In January 2006, the Remuneration Committee appointed PricewaterhouseCoopers LLP ("PwC"), a leading consultancy firm with substantial expertise in Executive remuneration to assist the Committee in refining its strategy on rewarding and compensating its Senior Executives and in so doing have regard to market comparability and the remuneration policies of the Group s peers and competitors PwC advised the Committee during the 2007 financial year particularly in relation to the continued implementation of the Group's remuneration strategy and the provision of relevant market information PwC also provides the Company with taxation advice and consultancy services

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

The Company's policy for 2007 and subsequent years is to provide remuneration packages that fairly reward the Executive Directors for the contribution they make to the business and are competitive enough to attract, retain and motivate Executive Directors and Senior Managers of the right calibre The policy is designed to incentivise the Directors to meet the Company's financial and strategic objectives such that a significant proportion of remuneration is performance related The Company's financial and strategic objectives are set out in the Business Review on pages 13 to 15

The Remuneration Committee has the discretion to consider corporate performance of environmental, social and governance issues when determining the overall reward for the Executive Directors

The bar chart on page 53 explains the relevant importance of the elements of the remuneration package that are performance-related and those that are not

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED
RELATIVE IMPORTANCE OF FIXED AND VARIABLE ELEMENTS OF PAY

100%

80%

60% DABS

40% LTIP

Bonus

20% Benefits

0% D WILLIAMS M J CHIVERS G W DAVIES C J DAVIES Salary

For the purposes of the chart set out above salary, benefits (excluding pension) and bonus at the amounts received in 2007 LTIP and DABS awards are included at their face value

In reviewing Executive Directors' salaries due consideration is given to the levels of increase granted to other employees within the Group and the Committee reviews and notes the total individual remuneration packages of each of the other Senior Executives The Committee also considers the information from the Company's comparator group, which comprises 24 companies of broadly similar market capitalisation to the Company's (excluding finance and real estate companies) and 20 companies having broadly similar levels of turnover Basic salaries are reviewed annually or when a change of responsibility occurs

The Committee considers that the targets set for the different elements of performance related remuneration (including the share option schemes) are appropriate and demanding in the context of the Company's trading environment and the business challenges it faces

The Committee believes that the Earnings per Share ("EPS") condition is appropriate for its share incentive schemes (i e LTIP and DABS) as it requires substantial improvements in the underlying financial performance of the Company in order for the options to become exercisable Deloitte & Touche LLP, in their capacity as Auditors are required to review the calculations as to whether the performance targets for all relevant share schemes have been achieved before any exercise is permitted

The main components of Executive Directors' remuneration are given below

BASE SALARY AND BENEFITS

Base salary and benefits are determined on an annual basis by the Committee based upon the recommendations of the Chief Executive and after a review of the individual s performance, experience and market trends The Chief Executive does not make recommendations to the Committee in respect of his own remuneration The Committee takes into account published remuneration information on comparable companies and salary policy within the rest of the Group Benefits comprise a company car, medical and permanent health insurance The value of benefits is not pensionable

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

Name	**Annual rate of salary 2007 £**	Annual rate of salary 2008 £	Increase %
D Williams	**480,000**	510 000	6 25
G W Davies	**285,000**	300 000	5 26
M J Chivers	**258,000**	270,000	4 65
C J Davies	**219,000**	365,000*	66 70

* Mr C J Davies salary was increased to £365 000 with effect from 1 January 2008 following his appointment as Deputy Chief Executive His salary will be increased to £465,000 per annum on 1 July 2008 on his appointment as Chief Executive

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED

ANNUAL BONUS

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

Name		Profit before tax % of salary	Personal objectives % of salary	Maximum bonus of % of salary
D Williams	2007	90%	10%	100%
	2008	90%	10%	100%*
G W Davies	2007	62%	12%	74%
	2008	90%	10%	100%
M J Chivers	2007	60%	14%	74%
	2008	90%	10%	100%
C J Davies	2007	63%	9%	72%
	2008	90%	10%	100%*

The pre-determined performance targets and personal objectives for 2007 were achieved in full by Mr Williams and Mr G W Davies resulting in the maximum 100% of base salary being payable to Mr Williams and 74% of base salary being payable to Mr Davies Mr C J Davies pre-determined performance targets, which relate to profit performance of those businesses under his direct control and to the SIG Group as a whole, were achieved in full resulting in the maximum amount of 72% of base salary being payable Mr M J Chivers pre-determined performance targets, which relate to profit performance of those businesses under his direct control and to the SIG Group as a whole, were substantially achieved resulting in an amount of 67% of base salary being payable

* For the 2008 financial year the Committee has agreed that following the review carried out in 2007 the maximum bonus that can be earned should be 100% of base salary for each Executive Director The performance targets were increased as a result of this change In the case of Mr D Williams his bonus will be based on his base salary at 1 January 2008 up to the date of his intended retirement on 30 June 2008 In the case of Mr C J Davies it has been agreed that his bonus will be based on his salary as at 1 July 2008 when he becomes Chief Executive However, the maximum bonus will only be paid on the achievement of very stretching targets and personal objectives

PENSION SCHEMES

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

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

SHARE OPTION SCHEMES

LONG TERM INCENTIVE PLANS ("LTIP")

All Executive Directors are eligible to participate in the LTIP Under the LTIP participating Directors and other designated Senior Managers are granted nil cost share options up to a maximum of 70% of base salary In 2004 Shareholders approved the adoption of a new LTIP Options were granted in each of the five years ended 31 December 2003 under the old Plan and in 2004, 2005, 2006 and 2007 under the new Plan As set out on page 59 in the Directors share options table under the heading "Long Term Incentive Plan", none of the Executive Directors have awards which had not vested at 31 December 2007 under the old Plan Awards under the LTIP are not pensionable Awards under both of the LTIPs are exercisable between three and ten years from the date of grant Under the Rules of the LTIP outstanding awards vest on termination for certain reasons, such as death retirement and redundancy or on a change of control, on a time related, pro-rata basis subject to the satisfaction of the relevant performance criteria If, however, the termination of employment is for a reason other than one of those specified in the Rules an individual's full award lapses, unless in exceptional circumstances the Committee decides otherwise There were no exercises of discretion by the Committee during the year

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED

SHARE OPTION SCHEMES CONTINUED

LONG TERM INCENTIVE PLANS ("LTIP") CONTINUED

All LTIP awards are subject to earnings per share performance conditions The performance targets attaching to LTIP Awards that are still subject to performance are set out below

In the case of the Awards made in 2004, 2005 and 2006 the performance condition is based on real (in excess of RPI) annual compound growth in EPS as shown below The three year performance period for Awards starts at the beginning of the financial year in which the Award is made There is no facility for retesting the performance condition after the end of the three year performance period

	Real annual compound growth in Group EPS over three years	Percentage of Award vesting
Threshold	3%	30%
Maximum	10%	100%
Between Threshold and Maximum	3% – 10%	Pro-rata between 30% and 100%

In the case of the 2007 Award, the performance condition is based on real (in excess of RPI) annual compound growth in EPS as shown below The three year performance period for Awards starts at the beginning of the financial year in which the Award is made There is no facility for retesting the performance condition after the end of the three year performance period

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

* For 2008 the Remuneration Committee has decided that the level of Award to be made under the LTIP will be increased to 100% of base salary for Mr C J Davies as a result of his appointment as Chief Executive on 1 July 2008 and 75% of base salary for the Mr M J Chivers and Mr G W Davies As a result of his intended retirement of 30 June 2008 no Award will be made to Mr D Williams in 2008 For the Awards to be granted in 2008 the Committee has decided that the requirement at which 100% of the Award vests will be increased requiring 12% real annual compound growth in EPS over the three year performance period

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

In 2007 Awards were made under the LTIP to Mr D Williams with a value of 70% of his base salary and to Mr M J Chivers, Mr C J Davies and Mr G W Davies with a value of 50% of their base salary as shown in the table on page 59

DEFERRED ANNUAL BONUS SCHEME ("DABS")

In 2004, Shareholders approved the introduction of a DABS Participants (including Executive Directors) are invited to use up to 50% of their annual performance related cash bonus (after income tax and national insurance) in respect of the preceding financial year to purchase shares in the Company The purchased shares must be retained for three years Participants purchasing such shares will be eligible to receive up to a maximum of one additional free matching share for every share purchased, providing certain pre-set real (in excess of RPI) annual compound EPS growth targets are met over a three year period For 2007 the performance targets for the DABS are shown below

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

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

Awards made under the DABS are not pensionable and are set out in the table on page 59

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

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED

EMPLOYEE SHARE SCHEMES

The Executive Directors are also eligible to participate in the Company's Share Incentive Plan ("SIP") which commenced in November 2005 and is open to all UK employees of the Group The Company gives one matching share for each share purchased by the employee up to a maximum of four matching shares per month This replaced the Savings Related Share Option Scheme ("SAYE") for UK employees as a decision has been taken not to operate both schemes at the same time

NON-EXECUTIVE DIRECTORS

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

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

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

	Date of letter of appointment	Date of appointment	Basic fee £	Senior Independent Director fee £	Chairman of Remuneration/Audit Committee fee £	**Total annual fees from 1 May 2007 £**	Total annual fees from 1 May 2006 £
L O Tench	01/03/2003	28/02/2003	134,000	–	–	**134,000**	130 000
P H Blackburn	01/07/2001	14/06/2001	42,000	2,000	6,000	**50,000**	48,000
D A Haxby	01/03/2003	28/02/2003	42,000	–	8,000	**50,000**	46,000
M J C Borlenghi	02/04/2004	08/03/2004	42,000	–	–	**42,000**	40 000

Mr P H Blackburn Mr M J C Borlenghi, Mr D A Haxby and Mr L O Tench, as Non-Executive Directors, did not hold or have granted any share options during the year

SERVICE CONTRACTS

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

The service contract for Mr D Williams is dated 4 December 2006 The Company can terminate his employment forthwith in lieu of a twelve month notice period or any unexpired portion thereof by paying to him an amount equal to his basic salary for such period and an amount in lieu of the bonus which he would have received had he remained employed during the notice period and providing him with all benefits to which he is entitled If the Company terminates employment without giving notice or making a payment in lieu, any damages to which he may be entitled is to be calculated in accordance with common law principles, including those relating to mitigation of loss and accelerated receipt

The service contracts for Mr M J Chivers, Mr G W Davies and Mr C J Davies are dated 1 January 1995 1 August 2002 and 12 September 2002 The Company can discharge any obligation in relation to the unexpired portion of their notice period or any notice required to be given under their service contracts by making a payment in lieu thereof subject to the deduction of tax and national insurance If the Company terminates employment without giving notice or making a payment in lieu, any damages to which the Executive may be entitled is to be calculated in accordance with common law principles, including those relating to mitigation of loss and accelerated receipt

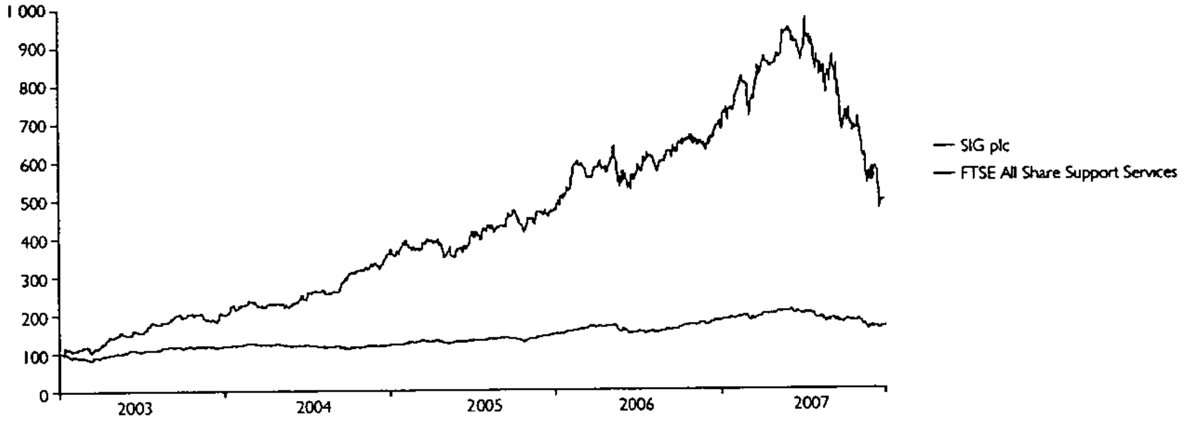
SHARE OWNERSHIP GUIDELINES

To better align Executive Director 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 one times basic salary Under normal circumstances it is expected that this should be achieved within five years of 31 December 2004, or within five years of appointment, whichever is the later It is anticipated that the satisfaction of this target will be mainly achieved by the vesting of shares through the Company s share schemes

PERFORMANCE GRAPH

The following graph shows the Company's Total Shareholder Return ("TSR") performance, compared with the performance of the FTSE All Share Support Services Index over the five year period to 31 December 2007 This index has been selected because the Company believes that the constituent companies comprising the FTSE All Share Support Services Index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to SIG

1 JANUARY 2003 TO 31 DECEMBER 2007



TSR (rebased = 100 at 1 January 2003)

Source Thomson Datastream

DIRECTORS' INTERESTS IN THE SHARES OF SIG PLC

The Directors who have held office during the year ended 31 December 2007 had the following interests in the ordinary shares of the Company

	31 December 2007	1 January 2007 or date of appointment
P H Blackburn	**8,000**	8,000
M J C Borlenghi	**5,000**	5 000
M J Chivers	**51,471•**	46,270•
C J Davies (appointed 12 February 2007)	**23,300**	14,112•
G W Davies	**55,597•**	43,998•
D A. Haxby	**Nil**	Nil
L O Tench	**24,000**	20,000
D Williams	**113,231•**	100,190•

• Includes shares purchased under the SIG plc Share Incentive Plan

All shareholdings were unchanged as at 13 March 2008 other than on 15 January 2008 Mr D Williams, Mr G W Davies and Mr C J Davies acquired a further 15 shares and Mr M J Chivers a further 13 shares under the SIG Share Incentive Plan and on 15 February 2008 Mr Williams Mr G W Davies and Mr C J Davies acquired a further 16 shares and Mr M J Chivers twelve shares under the SIG Share Incentive Plan

DIRECTORS' EMOLUMENTS

	Salary and fees £000's	Annual performance related bonus £000's	Benefits £000s	2007 Total emoluments £000's	2006 Total emoluments £000's
Chairman					
L O Tench	133	–	–	**133**	125
Executive					
D Williams	480	480	6	**966**	795
M J Chivers	258	173	20	**451**	385
G W Davies	285	211	20	**516**	450
C J Davies (appointed 12/02/2007)	219	162	1	**382**	–
Non-Executive					
P H Blackburn	49	–	–	**49**	46
M J C Borlenghi	41	–	–	**41**	39
D A Haxby	49	–	–	**49**	44
Total	1,514	1 026	47	**2,587**	1,884

The base salaries for the Executive Directors as at 1 January 2008 following the review are Mr D Williams £510,000, Mr C J Davies £365,000, Mr G W Davies £300,000, and Mr M J Chivers £270,000 The increases were in line with the Committee's stated policy of targeting base salaries at median market rate

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

There are no deferred bonuses

The highest paid Director in the year was Mr D Williams

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

There were no sums paid to third parties in respect of the services of any Director

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Executive Directors

DIRECTORS' PENSIONS

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

	Increase in accrued benefits £000s	Increase in accrued benefits net of inflation £000s	Transfer value of increase in accrued benefits net of inflation* £000s	Accrued benefits at 31 December 2007 £000s	Transfer value at 31 December 2007 £000s	Transfer value at 1 January 2007 £000s	Contributions made by Executive to the scheme in the year £000's	Increase in transfer value* £000s
D Williams	29	22	333	219	4,430	3,632	36	762
M J Chivers	20	15	222	136	2,603	2,095	19	489
C J Davies	7	6	74	42	738	579	14	145
G W Davies	11	9	67	62	733	559	21	153

* after deducting Executive contributions

The transfer values disclosed above are calculated in a manner consistent with 'Retirement Benefit Schemes – Transfer Values (GN11)' published by the Institute of Actuaries and the Faculty of Actuaries They do not represent a sum paid or payable to the individual Director, but instead represent a potential liability of the pension scheme

Members of the above scheme have the option to pay Additional Voluntary Contributions, neither such contributions nor the resulting benefits are included in the above table

DIRECTORS' SHARE OPTIONS

Mr Blackburn, Mr Borlenghi, Mr Haxby and Mr Tench, as Non-Executive Directors, did not hold or have granted any share options during the year

The share options for the other Directors who held office at any time during the year ended 31 December 2007 are set out below

		Number of shares						Market price at date of		Exercise dates		
Date on which scheme interest was awarded	Market price when scheme interest was awarded	At 1 January 2007 or date of appointment	Granted	Exercised	Lapsed	At 31 December 2007	Exercise expires per 10p share	Vesting	Exercised	Earliest vesting date	Date exercised	Date on which option expires
Deferred Annual Bonus Scheme												
D Williams												
– 19/04/2005	610 0p	2,626	–	–	–	**2,626**	Nil	–	–	19/04/2008	–	18/04/2015
– 13/04/2006	866 3p	2 026	–	–	–	**2,026**	Nil	–	–	13/04/2009	–	12/04/2016
C J Davies (appointed 12/02/2007)												
– 13/04/2006	866 3p	1,447	–	–	–	**1,447**	Nil	–	–	13/04/2009	–	12/04/2016
– 17/04/2007	1,166p	–	1,072	–	–	**1,072**	Nil	–	–	17/04/2010	–	16/04/2017
Long Term Incentive Plan												
D Williams												
– 11/05/2004	359 25p	70,809	–	(70,809)	–	–	10 0p	1,315 0p	1,372 0p	11/05/2007	15/06/2007	10/05/2014
– 19/04/2005	610 0p	48,770	–	–	–	**48,770**	Nil	–	–	19/04/2008	–	18/04/2015
– 13/04/2006	911 7p	34,935	–	–	–	**34,935**	Nil	–	–	13/04/2009	–	12/04/2016
– 17/04/2007	1,300 8p		25 830	–	–	**25,830**	Nil	–	–	17/04/2010	–	16/04/2017
M J Chivers												
– 11/05/2004	359 25p	25 289	–	(25,289)	–	–	10 0p	1,315 0p	1,372 0p	11/05/2007	15/06/2007	10/05/2014
– 19/04/2005	610 0p	17,622	–	–	–	**17,622**	Nil	–	–	19/04/2008	–	18/04/2015
– 13/04/2006	911 7p	13,436	–	–	–	**13,436**	Nil	–	–	13/04/2009	–	12/04/2016
– 17/04/2007	1,300 8p		9 917	–	–	**9,917**	Nil	–	–	17/04/2010	–	16/04/2017
G W Davies												
– 11/05/2004	359 25p	28,901	–	(28,901)	–	–	10 0p	1 315 0p	1 372 0p	11/05/2007	15/06/2007	10/05/2014
– 19/04/2005	610 0p	19 262	–	–	–	**19,262**	Nil	–	–	19/04/2008	–	18/04/2015
– 13/04/2006	911 7p	14,808	–	–	–	**14,808**	Nil	–	–	13/04/2009	–	12/04/2016
– 17/04/2007	1,300 8p		10,955	–	–	**10,955**	Nil	–	–	17/04/2010	–	16/04/2017
C J Davies (appointed 12/02/2007)												
– 11/05/2004	359 25p	13,167	–	(13,167)	–	–	10 0p	1,315 0p	1,372 0p	11/05/2007	15/06/2007	10/05/2014
– 19/04/2005	610 0p	8,042	–	–	–	**8,042**	Nil	–	–	19/04/2008	–	18/04/2015
– 13/04/2006	911 7p	5,765	–	–	–	**5,765**	Nil	–	–	13/04/2009	–	12/04/2016
– 17/04/2007	1,300 8p	–	8,649	–	–	**8,649**	Nil	–	–	17/04/2010	–	16/04/2017
Savings Related Schemes												
M J Chivers												
– 10/05/2004	360 0p	5 450	–	–	–	**5,450**	300 0p	–	–	01/07/2009	–	31/12/2009
C J Davies (appointed 12/02/2007)												
– 10/05/2004	360 0p	5,450	–	–	–	**5,450**	300 0p	–	–	01/07/2009	–	31/12/2009
G W Davies												
– 07/05/2003	205 5p	9,954	–	–	–	**9,954**	165 0p	–	–	01/07/2008	–	31/12/2008
Total		327,759	56 423	(138,166)	–	**246,016**						

DIRECTORS' SHARE OPTIONS CONTINUED

LTIP and DABS awards are subject to real annual compound EPS targets over the three year performance period as set out on pages 54 and 55

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

The market price of the shares at 31 December 2007 was 747 5p and the range during 2007 was 700 5p to 1,458 0p

The aggregate of the total theoretical gains on options exercised by the Directors during 2007 amounted to £1,881,821 (2006 £1,444 279) This is calculated by reference to the difference between the closing mid-market price of the shares on the date of exercise and the exercise price of the options, disregarding whether such shares were sold or retained on exercise and is stated before tax

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

The Board of SIG plc has approved this Directors' Remuneration Report

On behalf of the Board

PETER BLACKBURN
CHAIRMAN OF THE REMUNERATION COMMITTEE
12 MARCH 2008

REPORT OF THE AUDIT COMMITTEE

This report to Shareholders has been prepared by the Audit Committee ("the Committee") on behalf of the Board in accordance with the requirements of paragraph C 3 3 of the Combined Code on Corporate Governance and paragraphs 5 1 and 5 2 of the guidance on Audit Committees produced by Sir Robert Smith The Report gives details of the work of the Committee in discharging its responsibilities

MEMBERSHIP

Throughout 2007, the Committee comprised the three independent Non-Executive Directors Mr D A Haxby was the Chairman and Mr P H Blackburn and Mr M J C Borlenghi were members The Board considers that each Member of the Committee is independent within the definition set out in the Code

The Chairman of the Committee Mr D A Haxby is a Chartered Accountant (FCA) and is considered by the Board to have significant recent and relevant financial experience He was a Partner in Arthur Andersen for 18 years (1977–1995) holding senior management positions in the UK Practice from 1985 to 1995 Since then he has served as Audit Committee Chairman of a number of UK listed companies The other members of the Committee have a wide range of business experience, which is evidenced by their biographical summaries on page 42 The Board makes appointments to the Committee The Company Secretary acts as Secretary to the Committee

Members of the Committee undertake ongoing training as required

TERMS OF REFERENCE

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

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

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

The Committee has the power to engage outside advisers if it considers it to be necessary

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

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

MEETINGS

The Committee meets regularly throughout the year and its agenda is linked to events in the Company s financial calendar The agenda is mostly cyclical although each member of the Committee may require reports on matters of interest in addition to the regular items It is planned to meet four times a year In 2007 it met four times and all members of the Committee attended each meeting The Finance Director attended all four of the scheduled meetings and the external Auditors three and they have direct access to the Committee Chairman The Chairman of the Board and the other Executive Directors attend the meetings of the Committee at the invitation of the Committee Chairman The external Auditors had a confidential discussion with Members of the Committee without the Chairman of the Board and the Executive Directors being present on one occasion in 2007 and in March 2008 before the signing off of the 2007 Annual Report and Accounts Ernst & Young who provide an outsourced internal audit function for the Group are invited to all meetings to present their reports The Chairman of the Committee also meets with Ernst & Young without the Executive Directors present.

WORK OF THE COMMITTEE

The Committee discharged its obligations in respect of 2007 as follows

- Annual Report and Accounts and Half Yearly Report – at its meetings in August 2007 and March 2008, the Committee reviewed the financial reporting issues and judgements contained in the Company s Interim Announcement and its Annual Report and Accounts respectively At the March 2008 meeting the Committee received a report from the external Auditors setting out the accounting or judgemental issues which required its attention,
- accounting policies and standards – at its November 2007 meeting the Committee reviewed the application of any new accounting policies or standards that would be applicable to the Group's 2007 Annual Report and Accounts, in particular IFRS 7 "Financial Instruments Disclosures" The Committee is updated regularly on actual and pending changes to Accounting Standards,
- internal controls and risk management – in November 2007 and March 2008, the Committee considered detailed reports from the Group Finance Director on the operation of, and issues arising from the Group's internal control procedures, together with observations from the external Auditors It also monitored the effectiveness of the Group's risk management process, which considers the key risks, both financial and non-financial, facing the Group and the effectiveness of the Group s controls to manage and reduce the impact of those risks,

REPORT OF THE AUDIT COMMITTEE CONTINUED

WORK OF THE COMMITTEE CONTINUED

- in August 2007 the Committee reviewed its Terms of Reference and Non-Audit Services Policy Following the appointment of PwC as the Group's tax advisors in August 2006 and other preferred suppliers having been identified for due diligence services Deloitte & Touche s role is now solely that of Group Auditor for the whole of the SIG Group together with any "auditor permitted" services which the Group considers appropriate
- external Auditors work and relationship – the Committee reviewed the external Auditors' proposed audit plan in November 2007, considered its pre year-end issues report in December 2007 reviewed the fees paid for audit and for non-audit services in March 2008, and assessed the external Auditors' independence and objectivity in November 2007 and March 2008,
- internal audit function – in April 2006 Ernst & Young LLP were appointed to provide an outsourced internal audit function for the Group At that time the Committee agreed a proposed approach and work plan for the remainder of 2006 and for 2007 During the year Ernst & Young undertook work on the Group's Control Self Assessment ("CSA") procedures including the independent validation of CSA reporting at a number of businesses in the UK and Ireland and a number of special projects The Committee received reports from Ernst & Young at its meetings in March 2007, August 2007, November 2007 December 2007 and March 2008 In March 2008 the Committee agreed the scope of work of the internal audit function for 2008 and
- "Whistleblowing" policy – in August 2007 the Committee reviewed the "whistleblowing" policy under which employees may in confidence notify the Company of any concerns, inter alia matters involving financial reporting It also reviewed the procedures for investigating and resolving any such concerns A copy of the whistleblowing policy is available on the Company's website The Committee also reviewed the arrangements for the Group s Confidential Hotline which provides a facility for employees to bring matters to Management's attention on a confidential basis The Hotline is provided by an independent third party The Hotline was introduced for UK employees in November 2007 for identification of matters they consider relevant A full investigation is carried out on all matters raised and a report is prepared for feedback to the complainant The Hotline will be extended to employees of all of the Group s Mainland European Operations in April 2008

INDEPENDENCE OF AUDITORS

The Board is aware of the need to maintain an appropriate degree of independence and objectivity on the part of the Group external auditors Both the Audit Committee and the external auditors, Deloitte & Touche LLP have safeguards in place to avoid the Auditors independence and objectivity being compromised

The Group policy with regard to the provision of audit and non-audit services by the external auditors, which was operated during 2007, is based on the principles that they should only undertake non-audit services where they are the most appropriate and cost-effective provider of the service, and where the provision of non-audit services does not impair or is not perceived to impair the external auditors independence and objectivity It categorises such services between

- Auditor permitted services – those services which it is acceptable for the Auditors to provide and the provision of which can be engaged without referral to the Committee (e g regulatory and other specialist financial reporting accounting advisory services)
- Auditor excluded services – those engagements that the Committee and the Board do not consider appropriate for the Auditors to undertake (e g selection design or implementation of major financial systems, provision of internal audit services or risk management assessment and monitoring services), and
- Auditor authorised services – those services for which the specific approval of the Committee is required before the Auditors are permitted to provide the service (e g complex tax planning and structure advice, corporate finance and M&A activity)

The policy 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 Committee regularly reviews an analysis of all services provided by the external Auditors The policy is reviewed annually by the Committee and is approved by the Board

Details of the amounts paid to the external Auditors for audit and non-audit services in 2007 are set out in Note 4 to the Accounts on page 77

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

On behalf of the Board

DAVID HAXBY
CHAIRMAN OF THE AUDIT COMMITTEE
12 MARCH 2008

GROUP ACCOUNTS (PREPARED IN ACCORDANCE WITH IFRS)

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**Before other items* 2007 £m**	**Other items* 2007 £m**	**Total 2007 £m**	Before other items* 2006 £m	Other items* 2006 £m	Total 2006 £m
Revenue							
Existing operations		**2,238 6**	**–**	**2,238 6**	1,766 7	–	1,766 7
Acquisitions		**216 6**	**–**	**216 6**	93 1	–	93 1
Continuing operations	1	**2,455 2**	**–**	**2,455 2**	1,859 8	–	1,859 8
Cost of sales	2	**(1,796 6)**	**–**	**(1,796 6)**	(1,352 5)	–	(1,352 5)
Gross profit		**658 6**	**–**	**658 6**	507 3	–	507 3
Other operating expenses	2	**(499 2)**	**(17 2)**	**(516 4)**	(385 9)	(6 9)	(392 8)
Operating profit							
Existing operations		**147 5**	**(17 2)**	**130 3**	116 7	(6 9)	109 8
Acquisitions		**11 9**	**–**	**11 9**	4 7	–	4 7
Continuing operations		**159 4**	**(17 2)**	**142 2**	121 4	(6 9)	114 5
Finance income	3	**9 2**	**1 4**	**10 6**	6 0	1 4	7 4
Finance costs	3	**(28 5)**	**–**	**(28 5)**	(19 2)	–	(19 2)
Profit before tax	4	**140 1**	**(15.8)**	**124 3**	108 2	(5 5)	102 7
Income tax expense	6	**(41 9)**	**4.7**	**(37 2)**	(32 5)	1 6	(30 9)
Profit after tax from continuing operations		**98 2**	**(11 1)**	**87 1**	75 7	(3 9)	71 8
Discontinued operation							
Profit on disposal of discontinued operation		**–**	**–**	**–**	–	1 9	1 9
Profit before tax from discontinued operation		**–**	**–**	**–**	3 8	–	3 8
Income tax expense on discontinued operation		**–**	**–**	**–**	(1 1)	0 1	(1 0)
		–	**–**	**–**	2 7	2 0	4 7
Profit after tax		**98 2**	**(11 1)**	**87 1**	78 4	(1 9)	76 5
Attributable to							
Equity holders of the Company		**97 3**	**(11 1)**	**86 2**	77 7	(1 9)	75 8
Minority interests		**0 9**	**–**	**0 9**	0 7	–	0 7
Earnings per share							
From continuing operations							
Basic earnings per share	8	**74 8p**	**(8 5p)**	**66 3p**	61 3p	(3 2p)	58 1p
Diluted earnings per share	8	**74 2p**	**(8 4p)**	**65 8p**	60 6p	(3 1p)	57 5p
From continuing and discontinued operations							
Basic earnings per share	8	**74 8p**	**(8 5p)**	**66 3p**	63 4p	(1 5p)	61 9p
Diluted earnings per share	8	**74 2p**	**(8 4p)**	**65 8p**	62 8p	(1 6p)	61 2p

* "Other items" relate to the amortisation of acquired intangibles, hedge ineffectiveness and the profit on disposal of discontinued operation "Other items" have been disclosed separately in order to give an indication of the underlying earnings of the Group Further information is provided within the Statement of Significant Accounting Policies on page 68

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £m	2006 £m
Profit after tax		**87 1**	76 5
Exchange difference on retranslation of foreign currency goodwill and intangibles	25	**24 7**	(0 9)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	25	**18 8**	(4 0)
Exchange and fair value movements associated with borrowings and derivative financial instruments	25	**(41 2)**	3 7
Tax credit/(charge) on exchange difference arising on borrowings and derivative financial instruments	25	**12.0**	(1 1)
Gains and losses on cash flow hedges	25	**(5 2)**	1 8
Transfer to profit and loss on cash flow hedges	25	**2 1**	1 2
Current and deferred tax on share options	25	**(0 8)**	2 2
Actuarial gain on defined benefit pension schemes	25	**6 2**	3 3
Deferred tax movement associated with actuarial gain	25	**(2 0)**	(1 0)
Total recognised income and expense for the year		**101 7**	81 7
Attributable to			
Equity holders of the Company		**100 8**	81 0
Minority interests		**0 9**	0 7
		101 7	81 7

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 £m	2006 £m
Non-current assets			
Property, plant and equipment	10	**209 0**	135 0
Goodwill	11	**434 9**	216 3
Intangible assets	12	**152 8**	81 9
Deferred tax assets	22	**17 4**	16 4
		814 1	449 6
Current assets			
Inventories	14	**224 6**	151 9
Trade receivables	15	**414 4**	310 4
Other receivables	15	**25 4**	20 5
Derivative financial instruments	15	**0 5**	1 7
Cash and cash equivalents		**89 2**	62 4
		754 1	546 9
Total assets		**1,568 2**	996 5
Current liabilities			
Trade and other payables	16	**366 1**	260 6
Obligations under finance lease contracts	16	**2 6**	1 4
Bank overdrafts	16	**1 9**	3 3
Bank loans	16	**150 8**	50 8
Private placement notes	16	**22 1**	–
Loan notes	16	**2 8**	0 5
Derivative financial instruments	16	**36 7**	0 1
Current tax liabilities	16	**17 4**	21 4
Provisions	16	**9 5**	12 0
		609 9	350 1
Non-current liabilities			
Obligations under finance lease contracts	17	**7 1**	1 4
Bank loans	17	**5 9**	4 7
Private placement notes	17	**251 8**	193 0
Loan notes	17	**1 4**	–
Derivative financial instruments	17	**35 5**	37 7
Deferred tax liabilities	17	**44 3**	17 8
Other payables	17	**2 8**	1 3
Retirement benefit obligations	17	**15 7**	23 6
Provisions	17	**18 9**	14 2
		383 4	293 7
Total liabilities		**993 3**	643 8
Net assets		**574 9**	352 7
Capital and reserves			
Called up share capital	24	**13 5**	12 3
Share premium account	25	**166 5**	19 6
Capital redemption reserve	25	**0 3**	0 3
Special reserve	25	**22 1**	22 1
Share option reserve	25	**2 7**	1 8
Hedging and translation reserve	25	**9 7**	(4 6)
Retained profits	25	**358 8**	300 0
Attributable to equity holders of the Company		**573 6**	351 5
Minority interests	25	**1 3**	1 2
Total equity	25	**574.9**	352 7

The Accounts were approved by the Board of Directors on 12 March 2008 and signed on its behalf by

DAVID WILLIAMS
DIRECTOR

GARETH DAVIES
DIRECTOR

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £m	2006 £m
Net cash flow from operating activities			
Cash inflow from operating activities	26	**160 3**	132 4
Borrowing costs paid		**(19.3)**	(14 2)
Interest received		**5 0**	2 4
Income tax paid		**(39 8)**	(36 6)
Net cash inflow from operating activities		**106 2**	84 0
Cash flows from investing activities			
Purchase of property, plant and equipment		**(60 5)**	(44 7)
Proceeds from sale of property, plant and equipment		**4 1**	2 0
Purchase of businesses	13	**(226 8)**	(90 1)
Net proceeds from sale of discontinued operation		**–**	25 3
Net cash used in investing activities		**(283 2)**	(107 5)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	24	**148 1**	1 9
Capital element of finance lease rental payments		**(2 5)**	(1 8)
Repayment of loans		**(12 6)**	(135 1)
New loans		**98 6**	211 6
Dividends paid to equity holders of the Company	7	**(28 4)**	(21 7)
Payments to minority Shareholder		**(0 8)**	(0 7)
Net cash generated in financing activities		**202.4**	54 2
Increase in cash and cash equivalents in the year	27	**25 4**	30 7
Cash and cash equivalents at beginning of year	28	**59 1**	28 9
Effect of foreign exchange rate changes		**2.8**	(0 5)
Cash and cash equivalents at end of year	28	**87 3**	59 1

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

ACCOUNTS

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in this Annual Report and Accounts for the year ended 31 December 2007 are set out below

BASIS OF PREPARATION

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

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

The Group has adopted IFRS 7 "Financial instruments Disclosures" for the first time in these Accounts This standard relates to the disclosures surrounding financial assets and liabilities, and therefore, the adoption of this standard has no impact on the Consolidated Income Statement or the Consolidated Balance Sheet in either 2007 or 2006

There are a number of new standards and interpretations issued but not yet effective which the Group has not applied in these Accounts These include

- IAS 1 (Revised) "Presentation of Financial Statements",
- IFRS 8 "Operating Segments"
- IAS 23 "Borrowing Costs",
- IFRIC 11 "IFRS 2 Group Treasury Share Transactions",
- IFRIC 12 "Service Concession Arrangements",
- IFRIC 13 "Customer Loyalty Programmes" and
- IFRIC 14 "IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The Directors are currently in the process of assessing the impact of these new accounting standards and interpretations on the Group s Consolidated Accounts

BASIS OF CONSOLIDATION

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

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

CONSOLIDATED INCOME STATEMENT DISCLOSURE

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

- amortisation of acquired intangibles,
- hedge ineffectiveness, and
- profit on disposal of discontinued operation (USA business sold on 20 November 2006)

In addition, the results of the discontinued USA business prior to its disposal have been disclosed separately below profit after tax from continuing operations

GOODWILL AND BUSINESS COMBINATIONS

All business combinations are accounted for by applying the purchase method

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

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

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

In accordance with the transitional arrangements of IFRS 1 the Group has taken the option to apply IFRS 3 to business combinations from the transition date only (1 January 2004) Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date Goodwill written off to reserves under UK GAAP prior to 1 January 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal

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

Negative goodwill arising on an acquisition is recognised immediately in the Consolidated Income Statement

INTANGIBLES

The Group recognises intangible assets at cost less accumulated amortisation and impairment losses The Group recognises two types of intangible assets acquired and purchased Acquired intangible assets arise as a result of applying IFRS 3 which requires the separate recognition of intangible assets from goodwill on all business combinations from 1 January 2004 Purchased intangible assets relate primarily to software that is separable from any associated hardware

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

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

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

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

REVENUE RECOGNITION

Revenue represents amounts receivable for goods net of allowances and value added tax Revenue from the sale of goods is recognised when the goods have been received by the customer

BORROWING COSTS

All borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred

PENSION COSTS

SIG operates eight defined benefit pension schemes

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

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

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

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

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

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

SHARE-BASED PAYMENT TRANSACTIONS

In accordance with the transitional provisions, IFRS 2 has been applied to all share options granted after 7 November 2002 that remained unvested as of 1 January 2005 IFRS 2 has also been applied to all share options granted in 2006 and 2007

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

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Financial assets (including trade receivables) are assessed for indicators of impairment on an ongoing basis Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows have been impacted When there is objective evidence of impairment appropriate allowances are made for estimated irrecoverable amounts based upon expected future cash flows discounted by an appropriate interest rate where applicable The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account When a trade receivable is uncollectible it is written off against the allowance account Subsequent recoveries of amounts previously written off are credited against the allowance account

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

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

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

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

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

Other financial liabilities (including trade payables) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method

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

FOREIGN CURRENCY
Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction

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

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Consolidated Income Statement

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

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

DERIVATIVE FINANCIAL INSTRUMENTS
The Group uses derivative financial instruments including interest rate swaps, forward foreign exchange contracts and cross currency swaps to hedge its exposure to foreign currency exchange and interest rate risks arising from operational and financial activities In accordance with its Treasury Policy the Group does not hold or issue derivative financial instruments for trading purposes However derivative financial instruments or part thereof, that do not qualify for hedge accounting are accounted for as trading instruments The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than twelve months Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability

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

Unless hedge accounting is achieved, the gain or loss on remeasurement to fair value is recognised immediately as hedge ineffectiveness and is included as part of finance income or finance costs within the column of the Consolidated Income Statement entitled "Other items"

Hedge accounting is discontinued when the hedging instrument expires or is sold terminated exercised or no longer qualifies for hedge accounting At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Consolidated Income Statement for the period

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

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and the hedged item along with its risk management objectives and its strategy for undertaking various hedge transactions Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

CASH FLOW HEDGES

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction the effective part of any gain or loss on the derivative financial instrument is recognised directly in the Consolidated Statement of Recognised Income and Expense (i e equity) When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or financial liability, then the associated gains or losses that were previously recognised in the Consolidated Statement of Recognised Income and Expense (equity) are reclassified into the Consolidated Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Consolidated Income Statement

For cash flow hedges, the ineffective portion of any gain or loss is recognised immediately as hedge ineffectiveness and is included as part of finance income or finance costs within the column of the Consolidated Income Statement entitled "Other items" Gains and losses deferred in the hedging and translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of

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 Recognised Income and Expense (i e equity) The ineffective portion of any gain or loss is recognised immediately as hedge ineffectiveness and is included as part of finance income or finance costs within the column of the Consolidated Income Statement entitled "Other items" Gains and losses deferred in the hedging and translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of

FAIR VALUE HEDGES

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement Gains or losses from remeasuring the derivative financial instruments are recognised immediately in the Consolidated Income Statement

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 Recognised Income and Expense

Current tax is the expected tax payable on the taxable income for the year, using tax rates that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

In accordance with IAS 12 the following temporary differences are not provided for

- goodwill not deductible for taxation purposes
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is shown at original cost to the Group less accumulated depreciation and any provision for impairment

Depreciation is provided at rates calculated to write off the cost less estimated residual value of property plant and equipment on a straight line basis over their estimated useful lives as follows

Freehold buildings	–	50 years
Leasehold buildings	–	period of lease
Plant and machinery (including motor vehicles)	–	3 to 8 years

Freehold land is not depreciated

Residual values, which are based on market rates, are reassessed annually

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

INVENTORIES

Inventories are stated at the lower of cost (including an appropriate proportion of attributable overheads, supplier rebates and discounts) and net realisable value

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow moving or defective items where appropriate

LEASES AND HIRE PURCHASE AGREEMENTS

The cost of assets held under finance leases and hire purchase agreements is capitalised with an equivalent liability categorised as appropriate under current liabilities or non-current liabilities The asset is depreciated over its useful life

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

Rentals under operating leases are charged to the Consolidated Income Statement on a straight line basis over the lease term

Lease incentives are recognised on a straight line basis over the lease term in the Consolidated Income Statement

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 benefits will be required to settle a present obligation

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

IMPAIRMENT OF NON-CURRENT ASSETS

Determining whether a non-current asset is impaired requires an estimation of the "value in use" and/or the "fair value less costs to sell" of the cash-generating units ("CGU") which the non-current asset has been allocated The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value The key assumptions for these value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs The Directors estimate discount rates using pre tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU

Cash flow forecasts are prepared using the following year s operating budget approved by the Directors and an appropriate projection of cash flows based upon industry expectations for up to five years After this period the growth rates applied to the cash flow forecasts are no more than 2% and do not exceed the long term average growth rate for the industry

The carrying amount of non-current assets at 31 December 2007 was £814 1m (2006 £449 6m) No instances of impairment of non-current assets have been noted as a result of the impairment reviews performed in the year

POST-EMPLOYMENT BENEFITS

The Group operates eight 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 69, in accordance with IAS 19, all actuarial gains and losses have been recognised immediately through the Consolidated Statement of Recognised Income and Expense

For all defined benefit pension schemes, pension valuations have been performed using specialist advice obtained from independent qualified actuaries In performing these valuations, judgements assumptions and estimates have been made These assumptions have been disclosed within Note 29c on pages 105 to 110

TAXATION

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Therefore, judgements are required to establish whether deferred tax balances should be recognised

SHARE-BASED PAYMENTS

The Company provides share-based payments under five separate schemes

In accordance with IFRS 2, share options are measured at fair value at the date of grant The fair value determined is then expensed in the Consolidated Income Statement on a straight line basis over the vesting period, with a corresponding increase in equity The fair value of the options is measured by use of the Black-Scholes option pricing model

The valuation of these share-based payments requires several judgements to be made in respect of the number of options that are expected to be exercised Details of the assumptions made in respect of each of the five share-based payment schemes are disclosed in Note 9 on pages 82 to 85

PROVISIONS AND ALLOWANCES

Using information available at the balance sheet date, the Directors make judgements based on experience on the level of provision required to satisfy all onerous lease and dilapidation commitments and the level of allowance to account for potential uncollectible receivables and unsaleable inventory

1 REVENUE AND SEGMENTAL INFORMATION

REVENUE

An analysis of the Group s revenue is as follows

	2007 £m	2006 £m
Continuing operations – sale of goods	**2,455 2**	1,859 8
Discontinued operation – sale of goods	–	65 2
Total revenue	**2,455 2**	1 925 0
Finance income	**10 6**	7 4
Total income	**2,465 8**	1 932 4

GEOGRAPHICAL SEGMENTS

As at 31 December 2007, the Group is managed and organised in two geographies UK and Ireland and Mainland Europe On 20 November 2006, the Group disposed of its operations in the USA These geographies are the basis on which the Group reports its primary segment information

Segment information about these geographies is presented below

	2007 UK and Ireland £m	2007 Mainland Europe £m	2007 Eliminations £m	2007 Total £m	2006 UK and Ireland £m	2006 Mainland Europe £m	2006 Discontinued operation (USA) £m	2006 Eliminations £m	2006 Total £m
Revenue									
External sales	**1,523 8**	**931 4**	–	**2,455 2**	1 254 3	605 5	65 2	–	1,925 0
Inter-segment sales*	**0 3**	–	**(0 3)**	–	0 1	–	–	(0 1)	–
Total revenue	**1,524.1**	**931.4**	**(0 3)**	**2,455 2**	1,254 4	605 5	65 2	(0 1)	1,925 0
Result									
Segment result before amortisation of acquired intangibles	**121 3**	**45.9**	–	**167 2**	99 9	27 6	3 8	–	131 3
Amortisation of acquired intangibles	**(12 0)**	**(5 2)**	–	**(17 2)**	(6 5)	(0 4)	–	–	(6 9)
Segment result	**109 3**	**40 7**	–	**150 0**	93 4	27 2	3 8	–	124 4
Parent Company costs				**(7 8)**					(6 1)
Operating profit				**142 2**					118 3
Net finance costs – continuing operations				**(17 9)**					(11 8)
Profit before tax				**124 3**					106 5
Profit on disposal of discontinued operation				–					1 9
Income tax credit – on profit on disposal of discontinued operation				–					0 1
Income tax expense – continuing operations				**(37 2)**					(30 9)
Income tax expense – discontinued operation				–					(1 1)
Minority interests				**(0 9)**					(0 7)
Retained profit				**86 2**					75 8
Attributable to									
Continuing operations				**86 2**					71 1
Discontinued operation				–					4 7
				86 2					75 8

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

1 REVENUE AND SEGMENTAL INFORMATION CONTINUED

GEOGRAPHICAL SEGMENTS CONTINUED

	2007 UK and Ireland £m	2007 Mainland Europe £m	2007 Eliminations £m	2007 Total £m	2006 UK and Ireland £m	2006 Mainland Europe £m	2006 Discontinued operation (USA) £m	2006 Eliminations £m	2006 Total £m
Balance sheet									
Assets									
Segment assets	**902 7**	**662 3**	–	**1,565 0**	718 4	266 5	–	–	984 9
Unallocated assets				**3 2**					11 6
Consolidated total assets				**1,568 2**					996 5
Liabilities									
Segment liabilities	**319 6**	**169 0**	–	**488 6**	264 4	91 9	–	–	356 3
Unallocated liabilities				**504 7**					287 5
Consolidated total liabilities				**993 3**					643 8
Other segment information									
Capital expenditure on									
Property, plant and equipment	**44 9**	**19 8**	–	**64 7**	37 3	8 2	0 4	–	45 9
Intangible assets	**22 7**	**59 3**	–	**82 0**	28 9	10 8	–	–	39 7
Goodwill	**44 3**	**155 8**	–	**200 1**	36 5	18 9	–	–	55 4
Non-cash expenditure									
Depreciation	**21 4**	**8 9**	–	**30 3**	18 3	5 5	0 3	–	24 1
Amortisation of acquired intangibles	**12 0**	**5 2**	–	**17 2**	6 5	0 4	–	–	6 9

BUSINESS SEGMENTS

Business segments are the basis on which the Group presents its secondary segment information The Group operates in four different segments of the market – Insulation, Roofing and External Elements ("R&EE"), Commercial Interiors and Specialist Construction and Safety Products ("SC&SP")

The following table provides an analysis of Group sales, assets and capital expenditure by business segment

	2007 Insulation £m	2007 R&EE £m	2007 Commercial Interiors £m	2007 SC&SP £m	2007 Total continuing operations £m
Revenue					
External sales	**915 8**	**640 8**	**621 2**	**277 4**	**2,455 2**
Assets					
Segment assets	**542 0**	**391 7**	**488 4**	**142.9**	**1,565 0**
Unallocated assets					**3 2**
Consolidated total assets	**542 0**	**391 7**	**488 4**	**142 9**	**1,568 2**
Other segment information					
Capital expenditure on					
Property plant and equipment	**13 6**	**9 5**	**34.9**	**6 7**	**64 7**
Intangible assets	**0 9**	**57 4**	**15 1**	**8 6**	**82 0**
Goodwill	**5 4**	**144 9**	**36 7**	**13.1**	**200 1**

1 REVENUE AND SEGMENTAL INFORMATION CONTINUED

BUSINESS SEGMENTS CONTINUED

	2006 Insulation £m	2006 R&EE £m	2006 Commercial Interiors £m	2006 SC&SP £m	2006 Total continuing operations £m	2006 Discontinued operation (USA) £m	2006 Total £m
Revenue							
External sales	781 0	437 1	483 6	158 1	1 859 8	65 2	1,925 0
Assets							
Segment assets	374 2	249 5	294 8	66 4	984 9	–	984 9
Unallocated assets					11 6		11 6
Consolidated total assets					996 5		996 5
Other segment information							
Capital expenditure on							
Property, plant and equipment	15 0	9 0	18 6	2 9	45 5	0 4	45 9
Intangible assets	11 2	5 8	2 4	20 3	39 7	–	39 7
Goodwill	12 1	17 3	5 5	20 5	55 4	–	55 4

2 COST OF SALES AND OTHER OPERATING EXPENSES

	2007 Existing operations £m	**2007 Acquisitions £m**	**2007 Total £m**	2006 Existing operations £m	2006 Acquisitions £m	2006 Discontinued operation (USA) £m	2006 Total £m
Cost of sales	**1,631 3**	**165 3**	**1,796 6**	1 281 6	70 9	48 5	1 401 0
Other operating expenses							
– distribution costs	**198 0**	**16 3**	**214 3**	152 4	7 0	3 6	163 0
– selling and marketing costs	**167 5**	**13.8**	**181 3**	125 1	5 8	3 2	134 1
– administrative expenses	**111 5**	**9 3**	**120 8**	97 8	4 7	6 1	108 6
	477 0	**39 4**	**516 4**	375 3	17 5	12 9	405 7

The administrative expenses above include £17 2m (2006 £6 9m) in respect of amortisation of acquired intangibles

3 FINANCE INCOME AND FINANCE COSTS

	2007 £m	2006 £m
Finance income		
Interest on bank deposits	**5 0**	2 4
Finance income on pension scheme assets	**4 2**	3 6
Finance income before hedge ineffectiveness	**9 2**	6 0
Fair value gains on derivative financial instruments (hedge ineffectiveness)	**1 4**	1 4
Total finance income	**10 6**	7 4
Finance costs		
On bank loans, overdrafts and other items	**4 7**	7 2
On private placement notes	**18 7**	7 7
Interest on obligations under finance lease contracts	**0 5**	0 1
Finance charge on pension scheme liabilities	**4 6**	4 2
Total finance costs	**28 5**	19 2
Net finance costs	**17 9**	11 8
Attributable to		
Continuing operations	**17 9**	11 8
Discontinued operation	–	–
	17 9	11 8

4 PROFIT BEFORE TAX

	2007 Continuing operations and total £m	2006 Continuing operations £m	2006 Discontinued operation (USA) £m	2006 Total £m
Profit before tax is stated after crediting:				
Foreign exchange rate gains*	**0 8**	0 2	–	0 2
Fair value gains on derivative financial instruments (hedge ineffectiveness)	**1 4**	1 4	–	1 4
Gain on disposal of property, plant and equipment	**2.0**	0 6	–	0 6
And after charging:				
Cost of inventories recognised as an expense	**1,731 6**	1,294 3	48 3	1 342 6
Depreciation of property, plant and equipment				
– owned	**28 5**	23 1	0 3	23 4
– held under finance leases and hire purchase agreements	**1 8**	0 7	–	0 7
Amortisation of acquired intangibles included in operating expenses	**17 2**	6 9	–	6 9
Operating lease rentals				
– land and buildings	**39 6**	29 4	1 2	30 6
– plant and machinery	**7 6**	5 9	0 3	6 2
Auditors' remuneration for audit services	**1 0**	0 8	–	0 8
Non-audit fees	**0 1**	0 2	–	0 2
Increase in provision for inventories	**0 4**	3 4	0 1	3 5
Increase in provision for receivables	**9 7**	8 8	0 3	9 1
Foreign exchange rate losses*	**0 1**	–	–	–
Staff costs (Note 5)	**315 5**	250 0	6 3	256 3

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

A more detailed analysis of Auditors' remuneration is provided below:

	2007 Deloitte and Touche £m	2006 Deloitte and Touche £m
Audit services		
Fees payable to the Company's Auditors for the audit of the Company's Consolidated Accounts	**0 1**	0 1
Fees payable to the Company's Auditors and their associates for other services to the Group		
– for the audit of the Company s subsidiaries pursuant to legislation	**0 9**	0 7
Total	**1 0**	0 8
Tax services		
– compliance services	–	0 1
– advisory services	–	0 1
Total	–	0 2
Other services	**0 1**	–
Total	**0 1**	–
Grand total	**1 1**	1 0

The report of the Audit Committee on pages 61 and 62 provides an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditors

NOTES TO THE ACCOUNTS CONTINUED

5. STAFF COSTS

Particulars of employees (including Directors) are shown below

	2007 £m	2006 £m
Employee costs during the year amounted to		
Wages and salaries	**271 6**	220 5
Social security costs	**35 8**	27 8
IFRS 2 share option charge	**1 6**	1 1
Other pension costs (Note 29c)	**6 5**	6 9
	315 5	256 3
Attributable to		
Continuing operations	**315 5**	250 0
Discontinued operation	**–**	6 3
	315 5	256 3

Of the pension costs noted above, £2 3m (2006 £2 9m) relates to defined benefit schemes and £4 2m (2006 £4 0m) relates to defined contribution schemes

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

	2007 Number	2006 Number
Production	**1,911**	1 853
Distribution	**3,998**	2,849
Sales	**3,983**	3,350
Administration	**1,664**	1,326
	11,556	9,378
Attributable to		
Continuing operations	**11,556**	9,114
Discontinued operation	**–**	264
	11,556	9,378

DIRECTORS' EMOLUMENTS

Details of the individual Director's emoluments are given in the Directors' Remuneration Report on page 58

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

	2007 £m	2006 £m
Directors remuneration (excluding IFRS 2 share option charge)	**2.6**	1 9

6 INCOME TAX EXPENSE

The income tax expense comprises

	2007 £m	2006 £m
Current tax		
UK Corporation tax		
– on profits for the year	**25 4**	23 6
– adjustments in respect of previous years	**(0 7)**	(1 4)
	24 7	22 2
Overseas taxation		
– on profits for the year	**16 9**	11 5
– adjustments in respect of previous years	**3 3**	(2 2)
Total current tax	**44 9**	31 5
Deferred taxation		
Current year	**(3 9)**	(1 0)
Adjustments in respect of previous years	**(4 9)**	1 0
Deferred tax charge in respect of pension schemes	**1 3**	0 4
Change in tax rates	**(0 2)**	–
Total deferred tax	**(7 7)**	0 4
Total income tax expense	**37 2**	31 9
Attributable to		
Continuing operations	**37 2**	30 9
Discontinued operation	**–**	1 0
	37 2	31 9

The total tax charge for the year differs from that resulting from applying the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained in the following reconciliation

	2007 £m	2007 %	2006 £m	2006 %
Profit on ordinary activities before tax – continuing operations	**124 3**		102 7	
Profit on ordinary activities before tax – discontinued operation	**–**		3 8	
Profit on disposal of discontinued operation	**–**		1 9	
	124 3		108 4	
Tax at 30% thereon	**37 3**	**30 0%**	32 5	30 0%
Factors affecting the income tax expense for the year				
– permanent items	**2 4**	**1 9%**	2 0	1 8%
– profit on sale of discontinued operation	**–**	**–**	(0 7)	(0 6%)
– losses not previously recognised in deferred tax	**–**	**–**	(0 1)	(0 1%)
– adjustments in respect of previous years	**(2 3)**	**(1 9%)**	(2 6)	(2 4%)
– effect of overseas tax rates	**–**	**–**	0 8	0 7%
– change in tax rates	**(0 2)**	**(0 1%)**	–	–
Total income tax expense	**37 2**	**29 9%**	31 9	29 4%
Effective tax rate				
– tax on continuing operations	**37 2**	**29.9%**	30 9	30 0%

6 INCOME TAX EXPENSE CONTINUED

The effective tax charge for the Group is 29 9% (2006 30 0%), which comprises a charge of 31 8% (2006 32 4%) in respect of current year profits and a tax credit of 1 9% (2006 2 4%) in respect of prior years The following factors that will affect the Group's future total tax charge as a percentage of underlying profits are

- the mix of profits between the UK (corporate tax rate 30%, 28% from April 2008) and overseas, in particular, France/Germany/Belgium (corporate tax rates greater than 30%) and Ireland/Poland/The Netherlands/Czech Republic/Slovakia (corporate tax rates less than 30%) If the proportion of profits from these jurisdictions changes, this could result in a higher or lower Group tax charge,
- the impact of permanent disallowables, and
- the agreement of open tax computations with the respective tax authorities

The Group has taken account of the majority of its trading losses in its deferred tax balance Although tax losses can be used to reduce cash payments of tax, utilisation of such losses would result in a deferred tax charge in that year which would eliminate any profit and loss benefit

In addition to the amounts charged to the Consolidated Income Statement, the following amounts in relation to taxes have been credited/(charged) directly to equity and are shown in the Consolidated Statement of Recognised Income and Expense and Note 25

	2007 £m	2006 £m
Deferred tax movement associated with actuarial gain	**(2 0)**	(1 0)
Current and deferred tax on share options	**(0 8)**	2 2
Tax credit/(charge) on exchange difference arising on borrowings and derivative financial instruments	**12 0**	(1 1)
	9 2	0 1

7 DIVIDENDS

Amounts recognised as distributions to equity holders of the Company in the year

	2007 £m	2006 £m
Final approved dividend for the year ended 31 December 2006 of 14 3p per share (2005 11 5p)	**17 6**	14 0
Interim dividend for the year ended 31 December 2007 of 8 0p per share (2006 6 2p)	**10 8**	7 7
	28 4	21 7

Amounts proposed as distributions to equity holders of the Company after the year end

	2007 £m	2006 £m
Proposed final dividend for the year ended 31 December 2007 of 18 7p per share (2006 14 3p)	**25.2**	17 6

The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and as such has not been included as a financial liability in these Accounts

8 EARNINGS PER SHARE

The calculations of earnings per share are based on the following profits and numbers of shares

	Basic and diluted			
	2007 Continuing operations and total £m	2006 Continuing operations £m	2006 Discontinued operation (USA) £m	2006 Total £m
Profit after tax	**87 1**	71 8	4 7	76 5
Minority interests	**(0 9)**	(0 7)	–	(0 7)
	86 2	71 1	4 7	75 8

	Basic and diluted before amortisation of acquired intangibles hedge ineffectiveness and profit on disposal of discontinued operation			
	2007 Continuing operations and total £m	2006 Continuing operations £m	2006 Discontinued operation (USA) £m	2006 Total £m
Profit after tax	**87 1**	71 8	4 7	76 5
Minority interests	**(0 9)**	(0 7)	–	(0 7)
Amortisation of acquired intangibles	**17 2**	6 9	–	6 9
Hedge ineffectiveness	**(1 4)**	(1 4)	–	(1 4)
Tax relating to the amortisation of acquired intangibles and hedge ineffectiveness	**(4 7)**	(1 6)	–	(1 6)
Profit after tax on disposal of discontinued operation	–	–	(2 0)	(2 0)
	97 3	75 0	2 7	77 7

Weighted average number of shares

	2007 Number	2006 Number
For basic earnings per share	**130,090,267**	122 560,171
Exercise of share options	**982,011**	1,287,923
For diluted earnings per share	**131,072,278**	123 848,094

	2007	2006
Earnings per share		
Basic earnings per share – continuing operations	**66 3p**	58 1p
Basic earnings per share – discontinued operation	–	3 8p
Total basic earnings per share	**66 3p**	61 9p
Diluted earnings per share – continuing operations	**65 8p**	57 5p
Diluted earnings per share – discontinued operation	–	3 8p
Total diluted earnings per share	**65 8p**	61 2p
Earnings per share before amortisation of acquired intangibles, hedge ineffectiveness and profit on disposal of discontinued operation		
Basic earnings per share – continuing operations	**74 8p**	61 3p
Basic earnings per share – discontinued operation	–	2 2p
Total basic earnings per share	**74 8p**	63 4p
Diluted earnings per share – continuing operations	**74 2p**	60 6p
Diluted earnings per share – discontinued operation	–	2 1p
Total diluted earnings per share	**74 2p**	62 8p

8 EARNINGS PER SHARE CONTINUED

Earnings per share before amortisation of acquired intangibles hedge ineffectiveness and profit on disposal of discontinued operation is disclosed in order to present the underlying performance of the Group The following disclosures reconcile these adjustments to the disclosures made on the face of the Consolidated Income Statement

a) Amortisation of acquired intangibles of £17 2m (2006 £6 9m) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items"

b) Hedge ineffectiveness of £1 4m (2006 £1 4m) is included as finance income within the column of the Consolidated Income Statement entitled "Other items"

c) Both the amortisation of acquired intangibles and the hedge ineffectiveness give rise to tax at a rate of 30% (2006 30%)

	2007 £m	2006 £m
Amortisation of acquired intangibles	**17 2**	6 9
Hedge ineffectiveness	**(1 4)**	(1 4)
	15 8	5 5
Income tax at 30%	**4 7**	1 6

d) Profit after tax on disposal of discontinued operation of £2 0m is disclosed separately on the face of the Consolidated Income Statement in the column entitled "Other items"

9 SHARE-BASED PAYMENTS

The Group had five share-based payment schemes in existence during the year ended 31 December 2007 The Group recognised a total charge of £1 6m (2006 £1 1m) in the year relating to equity-settled share-based payment transactions issued after 7 November 2002 with a corresponding entry to the share option reserve The weighted average fair value of each option granted in the year was £9 59 (2006 £6 67) Details of each of the schemes are provided below

A) SAVE AS YOU EARN ("SAYE") SCHEME

The Company operates a SAYE scheme within the UK which is open to all UK employees and is linked to a monthly savings contract over three and five year periods Options have been granted to scheme participants at 80% of the prevailing market price The market price is taken approximately one month prior to the official grant date Similar arrangements have existed since 17 May 2002 in Ireland There are no performance conditions attached to the exercise of these options These options may be exercised within a fixed six month period three or five years from the date of grant

No SAYE options have been granted in the UK in 2006 or 2007 Instead the Company has issued share options in 2006 and 2007 under a Share Incentive Plan ("SIP") as approved at the 2004 Annual General Meeting (see below) SAYE options were granted in Ireland in 2006 and 2007

SAYE OPTIONS (ISSUED AFTER 7 NOVEMBER 2002)

	2007		2006	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**902,602**	**260 5**	1 470,817	207 7
Granted during the year	**32,045**	**823 0**	37,761	797 0
Lapsed during the year	**(14,555)**	**237 9**	–	N/A
Exercised during the year	**(171,761)**	**299 0**	(605 976)	165 8
Outstanding at the end of the year	**748,331**	**276 1**	902,602	260 5

Of the above share options outstanding at the end of the year, none are exercisable at 31 December 2007

The SAYE options outstanding at the balance sheet date had a weighted average exercise price of 276 1p (2006 260 5p) and a weighted average remaining contractual life of 1 5 years (2006 1 75 years) The weighted average share price on options exercised in the year was 1 300p (2006 887p)

9. SHARE-BASED PAYMENTS CONTINUED

A) SAVE AS YOU EARN ("SAYE") SCHEME CONTINUED

SAYE OPTIONS (ISSUED AFTER 7 NOVEMBER 2002) CONTINUED

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

	Shares granted in		
	2005	2006	**2007**
Share price (on date of official grant)	656p (21 October 2005)	967p (10 November 2006)	**1,028p (26 November 2007)**
Exercise price	571p	797p	**823p**
Expected volatility	29 8%	13 1%	**26 0%**
Actual life	3 and 5 years	3 and 5 years	**3 and 5 years**
Risk free rate	4 5%	4 5%	**4 5%**
Dividend	14 0p	16 8p	**20 5p**
Expected percentage options exercised versus granted			
– 3 years	68%	64%	**65%**
– 5 years	65%	64%	**65%**

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 effects of behavioural conditions

B) EXECUTIVE SHARE OPTION SCHEMES ("ESOS")

Under the existing ESOS (for which the last options were granted in 2003), Directors and senior management can be awarded an annual grant of share options at market price, provided that the total amount payable by the individual to exercise options under the ESOS or any other share option scheme of the Group (excluding savings related schemes) granted during the immediately preceding ten years does not exceed four times base salary, bonus and benefits

Share options under the ESOS are exercisable between three and ten years for the HM Revenue and Customs approved scheme and three and seven years for the unapproved scheme from the date of grant The award would vest in full if, over a consecutive three year period, the growth in the Group s earnings per share ("EPS") is 6% higher than the percentage increase in the Retail Price Index None of the award would vest if the growth in EPS is less than 6% above the percentage increase in the Retail Price Index over the same period

ESOS (ISSUED AFTER 7 NOVEMBER 2002)

	2007		2006	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**61,562**	**205 5**	194 500	205 5
Lapsed during the year	**(1,500)**	**205 5**	(24,000)	205 5
Exercised during the year	**(24,562)**	**205 5**	(108,938)	205 5
Outstanding at the end of the year	**35,500**	**205 5**	61 562	205 5

No ESOS options were granted in 2005, 2006 or 2007 The options outstanding at the balance sheet date had a weighted average exercise price of 205 5p (2006 205 5p) and are all exercisable at both 31 December 2007 and 31 December 2006 The weighted average share price on options exercised in the year was 1,290p (2006 929p)

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

2003 ESOS	
Share price on 11 April 2003 (date of official grant)	205 5p
Exercise price	205 5p
Expected volatility	31 8%
Actual life	3 years
Risk free rate	4 2%
Dividend	11 6p
Expected percentage options exercised versus granted	95%

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 effects of behavioural conditions

ACCOUNTS

9 SHARE-BASED PAYMENTS CONTINUED

C) LONG TERM INCENTIVE PLAN ("LTIP")

Under the existing LTIP policy Executives can be awarded an annual grant of nil paid share options up to a maximum value of 100% of base salary

2003 LTIP CRITERIA

Awards under the 2003 LTIP are exercisable between three and seven years from the date of grant Provided the individual's performance criteria are met the award vests if, over a consecutive three year period, the growth in the Group s EPS is 10% higher than the percentage increase in the Retail Price Index None of the award vests if the growth in EPS is less than 6% above the percentage increase in the Retail Price Index over the same period Between these two limits the awards vest proportionately The right to exercise options terminates upon the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board

If the 6% minimum growth performance target is not met, the performance period is extended by one year and the minimum growth in the Group s EPS, over a consecutive four year period, is increased to 8% over the percentage increase in the Retail Price Index over the same period The target for the full award to vest is 13 33%

2004/2005/2006 AND 2007 LTIP CRITERIA

Awards under the 2004 2005, 2006 and 2007 LTIPs are exercisable between three and ten years from the date of grant The award vests if the following criteria are met

	Percentage of award vesting
Percentage growth in the Company's EPS over the three year period from the commencement of the financial year in which the award is made exceeds the percentage growth in the Retail Price Index over the same period by	
– less than 3% per annum compounded	None of the award vests
– 3% per annum compounded*	30% of award vests
– between 3% and 10% per annum compounded*	Award vests proportionately between 30% and 100%
– 10% per annum compounded	100% of award vests

* In the case of the 2007 LTIPs, the threshold for 30% of the award vesting is 5% per annum compounded, and the subsequent band for the award vesting proportionally between 30% and 100% is between 5% and 10% per annum compounded

No retesting of the performance criteria will occur

LTIP OPTIONS (ISSUED AFTER 7 NOVEMBER 2002)

	2007 Options	2007 Weighted average exercise price (p)	2006 Options	2006 Weighted average exercise price (p)
Outstanding at the beginning of the year	**425,716**	**4 58**	460,179	7 20
Granted during the year	**70,951**	**–**	100,835	–
Lapsed during the year	**(5,529)**	**10 0**	(4,489)	10 0
Exercised during the year	**(179,349)**	**10 0**	(130 809)	10 0
Outstanding at the end of the year	**311,789**	**0 32**	425,716	4 58

Of the above share options outstanding at the end of the year, 10 038 (2006 4,469) are exercisable at the balance sheet date

The options outstanding at the balance sheet date had a weighted average exercise price of 0 32p (2006 4 58p) and a weighted average remaining contractual life of 1 1 years (2006 1 2 years) The weighted average share price on options exercised in the year was 1,353p (2006 905p)

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

	Shares granted in 2005	2006	2007
Share price (on date of official grant)	601p (19 April 2005)	898p (13 April 2006)	**1,292p (17 April 2007)**
Exercise price	0p	0p	**0p**
Expected volatility	29 8%	13 1%	**26 0%**
Actual life	3 years	3 years	**3 years**
Risk free rate	4 5%	4 5%	**4 5%**
Dividend	14 0p	16 8p	**20 5p**
Expected percentage options exercised versus granted	98%	98%	**99%**

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 effects of behavioural considerations

9 SHARE-BASED PAYMENTS CONTINUED

D) DEFERRED ANNUAL BONUS SCHEME ("DABS")

Options were granted under the DABS scheme for the first time in 2005 The DABS operates by inviting participants including Executive Directors to use up to 50% of their annual performance related cash bonus (after tax and national insurance) in respect of the preceding financial year to purchase shares in the Company Providing certain criteria are met, participants purchasing such shares will be eligible to receive nil cost matching shares up to a maximum of one per share purchased by the participant The criteria are as follows

	Percentage of award vesting
Percentage growth in the Company's EPS over the three year period from the commencement of the financial year in which the award is made exceeds the percentage growth in the Retail Price Index over the same period by	
– less than 3% per annum compounded	None of the award vests
– 3% per annum compounded	50% of award vests
– between 3% and 5% per annum compounded	Award vests proportionately between 50% and 100%
– 5% per annum compounded	100% of award vests

DABS (ISSUED AFTER 7 NOVEMBER 2002)

	2007 Options	2006 Options
Outstanding at the beginning of the year	**34,782**	17,520
Granted during the year	**11,297**	17 262
Outstanding at the end of the year	**46,079**	34,782

None of the above share options outstanding at the end of the year are exercisable at 31 December 2007

All DABS are nil paid options and therefore the options outstanding at the balance sheet date had a weighted average exercise price of nilp and a weighted average remaining contractual life of 1 2 years (2006 1 8 years)

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

	Shares granted in		
	2005	2006	2007
Share price (on date of official grant)	601p (19 April 2005)	898p (13 April 2006)	**1,292p (17 April 2007)**
Exercise price of matching shares	0p	0p	**0p**
Expected volatility	29 8%	13 1%	**26 0%**
Actual life	3 years	3 years	**3 years**
Risk free rate	4 5%	4 5%	**4 5%**
Dividend	14 0p	16 8p	**20 5p**
Expected percentage options exercised versus granted	100%	100%	**100%**

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 effects of behavioural considerations

E) SHARE INCENTIVE PLAN ("SIP")

Shares were granted under the SIP scheme for the first time in 2005 The SIP is an HM Revenue and Customs approved scheme and operates by inviting participants, including Executive Directors, to purchase shares in the Company in a tax efficient manner on a monthly basis For each share purchased by the employee the Company will match one free share up to a maximum of four free shares per month No performance criteria is attached to these matching shares other than to avoid forfeiture they must remain within the plan for a minimum of two years In 2007, 54,014 (2006 50,547) 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 movement in the year and the preceding year was as follows

	Land and buildings			
	Freehold £m	Short leasehold £m	Plant and machinery £m	Total £m
Cost or valuation				
At 1 January 2006	32 4	12 1	126 9	171 4
Exchange difference	(0 3)	(0 1)	(1 2)	(1 6)
Businesses acquired	5 4	3 3	5 3	14 0
Additions	10 2	5 2	30 5	45 9
Disposal of discontinued operation (USA)	–	(0 4)	(4 5)	(4 9)
Disposals	(0 1)	(0 1)	(13 2)	(13 4)
At 31 December 2006	47 6	20 0	143 8	211 4
Exchange difference	5 2	1 5	6 5	13 2
Businesses acquired	20 4	3 4	11 4	35 2
Additions	7 4	8 5	48 8	64 7
Disposals	(1 9)	(0 3)	(11 7)	(13 9)
At 31 December 2007	**78 7**	**33 1**	**198 8**	**310 6**
Accumulated depreciation and impairment				
At 1 January 2006	8 3	2 8	58 3	69 4
Charge for the year	0 7	1 5	21 9	24 1
Exchange difference	(0 1)	(0 1)	(0 9)	(1 1)
Disposal of discontinued operation (USA)	–	(0 3)	(3 7)	(4 0)
Disposals	(0 1)	(0 1)	(11 8)	(12 0)
At 31 December 2006	8 8	3 8	63 8	76 4
Charge for the year	1 2	2 2	26 9	30 3
Exchange difference	1 3	0 7	4 7	6 7
Disposals	(1 4)	(0 2)	(10 2)	(11 8)
At 31 December 2007	**9 9**	**6 5**	**85 2**	**101 6**
Net book value				
At 31 December 2007	**68 8**	**26 6**	**113 6**	**209 0**
At 31 December 2006	38 8	16 2	80 0	135 0

The net book value of plant and machinery includes an amount of £9 8m (2006 £2 3m) in respect of assets held under finance lease contracts

Additions in the year include £7 0m of equipment purchased for the purpose of hiring to customers

11. GOODWILL

	£m
Cost	
At 1 January 2006	185 0
Exchange difference	(1 0)
Recognised on acquisition of businesses	55 4
Disposal of discontinued operation (USA)	(4 0)
At 31 December 2006	235 4
Exchange difference	19 0
Recognised on acquisition of businesses (Note 13)	200 1
At 31 December 2007	**454 5**
Accumulated impairment losses	
At 1 January 2006	20 4
Exchange difference	(0 2)
Disposal of discontinued operation (USA)	(1 1)
At 31 December 2006	19 1
Exchange difference	0 5
At 31 December 2007	**19 6**
Net book value	
At 31 December 2007	**434 9**
At 31 December 2006	216 3

Goodwill acquired in a business combination is allocated at the date of acquisition to the cash-generating units ("CGU") that are expected to benefit from that business combination

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired

The recoverable amounts of the CGUs are determined from value in use calculations The key assumptions for these value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs The Directors' estimate discount rates using pre tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU

The Group prepares cash flow forecasts using the following year's operating budget approved by the Directors and an appropriate projection of cash flows based upon industry expectations for up to five years After this period, the growth rates applied to the cash flow forecasts are no more than 2% and do not exceed the long term average growth rate for the industry The discount rates applied to all impairment reviews represent pre tax rates and ranged between 11 7% and 13 2%

There have been no instances of goodwill impairment noted from the annual impairment tests performed in 2007 The carrying amount of goodwill of £434 9m (2006 £216 3m) has been allocated across multiple CGUs Individual amounts of goodwill allocated to a CGU that are significant in comparison to the overall carrying amount of goodwill are as follows

	2007 £m	2006 £m
UK Insulation	**41 5**	34 8
UK Roofing and External Elements	**71 1**	64 5
UK Specialist Construction Products	**42.1**	28 9
UK Commercial Interiors	**17 8**	–
LS Group	**13 2**	13 2
Ireland	**41 7**	34 8
Poland	**8 3**	8 3
Larivière	**141 4**	–
German Roofing	**15 2**	5 4
Central Europe	**10 3**	–
Total	**402 6**	189 9
Other CGUs	**32.3**	26 4
Total goodwill	**434 9**	216 3

In addition, the Group has an indefinite life intangible asset (LS Group brand) of £12 6m Further details of impairment reviews performed on this asset are provided in Note 12

ACCOUNTS

12 INTANGIBLE ASSETS

The intangible assets presented below relate entirely to acquired intangibles These arise as a result of applying IFRS 3 which requires the separate recognition of acquired intangibles from goodwill As detailed in the Statement of Significant Accounting Policies the Group has elected not to apply IFRS 3 retrospectively to acquisitions that took place before 1 January 2004 During 2006 and 2007 the Group owned purchased intangible assets with an insignificant book value (mainly software separable from any associated hardware) and these have not been reclassified from property, plant and equipment on the grounds of materiality

	Customer relationships £m	Brands £m	Non-compete clauses £m	Order books £m	Total £m
Cost					
At 1 January 2006	39 3	12 6	1 5	0 1	53 5
Additions	37 9	–	1 8	–	39 7
At 31 December 2006	77 2	12 6	3 3	0 1	93 2
Exchange difference	6 0	–	0 2	–	6 2
Additions	79 3	–	2 7	–	82 0
At 31 December 2007	**162 5**	**12 6**	**6 2**	**0 1**	**181 4**
Amortisation					
At 1 January 2006	3 9	–	0 4	0 1	4 4
Charge for the year	6 3	–	0 6	–	6 9
At 31 December 2006	10 2	–	1 0	0 1	11 3
Charge for the year	15 7	–	1 5	–	17 2
Exchange difference	0 1	–	–	–	0 1
At 31 December 2007	**26 0**	**–**	**2 5**	**0 1**	**28 6**
Net book value					
At 31 December 2007	**136 5**	**12 6**	**3 7**	**–**	**152 8**
At 31 December 2006	67 0	12 6	2 3	–	81 9

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

The weighted average amortisation period for each category of intangible asset is disclosed in the Statement of Significant Accounting Policies on page 69

In the opinion of the Directors, the only intangible asset which has an indefinite useful life is the brand attributable to the acquisition of LS Group Limited The carrying value of the LS brand at the balance sheet date is £12 6m An indefinite useful life has been determined for the LS brand on the basis that it is expected to be maintained indefinitely and is expected to continue to drive value for the Group The recoverable value of the brand is based upon value in use calculations Further information on value in use calculations is provided within Note 11 The Directors have used past experience in determining each of the key assumptions in the value in use calculation for the LS brand The growth rates assumed are in line with industry expectations and, for periods beyond those covered by its management forecasts, do not exceed the long term average growth rate for the industry The discount rate applied is 11 7%, equivalent to its pre tax weighted average cost of capital

13 ACQUISITIONS MADE IN THE YEAR

Dunng 2007 the Group acquired the following companies

Acquisition name	% of share capital acquired	Acquisition date	Country of incorporation	Principal activity
MacGregor & Moir Limited	100%	18 January 2007	United Kingdom	Distribution of insulating materials and associated products
Drainex Limited	100%	5 February 2007	United Kingdom	Distribution of roofing materials and associated products
General Fixings Limited	100%	6 March 2007	United Kingdom	Distribution of specialist construction products
Meldertse Plafonneerartikelen N V	100%	22 March 2007	The Netherlands	Distribution of commercial interiors products
Franklin (Sussex) Limited	100%	2 April 2007	United Kingdom	Distribution of insulating materials and associated products
Milte Dach-und Wandbaustoffe GmbH & Vestiche Dachbaustoffe GmbH	100%	16 April 2007	Germany	Distribution of roofing materials and associated products
BEK Baustoffe s r o & BEK Baustoffe Slovakia s r o	100%	27 April 2007	Czech Republic/Slovakia	Distribution of insulating and commercial interiors products
Warwickshire Roofing Centre Limited	100%	3 May 2007	United Kingdom	Distribution of roofing materials and associated products
Branigan Interiors Limted	100%	21 May 2007	Republic of Ireland	Distribution of commercial interiors products
TP Conseil	100%	31 May 2007	France	Fabrication and distribution of insulating materials and associated products
Buildspan Limited	100%	8 June 2007	United Kingdom	Distribution of specialist construction products
Larivière S.A.S	100%	29 June 2007	France	Distribution of roofing materials and associated products
Insulation and Machining Services Limited	100%	13 July 2007	United Kingdom	Fabrication and distribution of insulating materials and associated products
C M S Acoustic Solutions Limited	100%	19 July 2007	United Kingdom	Distribution of specialist construction products
Falco International s r o	100%	3 August 2007	Czech Republic	Distribution of insulating and commercial interiors products
Firth Powerfix Limited	100%	3 August 2007	United Kingdom	Distribution of specialist construction products
Fitzpatrick Doors Ltd	100%	10 August 2007	United Kingdom	Manufacture and distribution of metal doors and doorsets
Handelsonderneming Jansen B V	100%	30 August 2007	Belgium	Distribution of commercial interiors products
Fastplas Limited	100%	4 September 2007	United Kingdom	Distribution of roofing materials and associated products
Landsdon Limited	100%	7 September 2007	United Kingdom	Distribution of commercial interiors products
Thomas Smith (Roofing Centres) Limited	100%	12 September 2007	United Kingdom	Distribution of roofing materials and associated products
MVG Metal-Vertriebs-Gesellschaft mbH	100%	19 September 2007	Germany	Distribution of roofing materials and associated products
Plastic Pipe Supplies Limited	100%	3 December 2007	United Kingdom	Distribution of roofing materials and associated products
Drainage Online Limited	100%	3 December 2007	United Kingdom	Distribution of roofing materials and associated products
Interior Zachód Sp zo o	100%	29 December 2007	Poland	Distribution of commercial interiors products

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

Acquisition name	Acquisition date	Country of operation	Principal activity
Keydek Limited	22 February 2007	United Kingdom	Distribution of roofing materials and associated products
Polyshapes Limited	8 June 2007	United Kingdom	Distribution of roofing materials and associated products

NOTES TO THE ACCOUNTS CONTINUED

13 ACQUISITIONS MADE IN THE YEAR CONTINUED
2007 ACQUISITIONS SUMMARY FAIR VALUE TABLE

	Larivière			Other acquisitions			
	Book value £m	Fair value adjustments £m	Fair value £m	Book value £m	Fair value adjustments £m	Fair value £m	Total £m
Non-current assets							
Property, plant and equipment	26 9	(0 3)	26 6	8 6	–	8 6	**35 2**
Goodwill	46 3	(46 3)	–	6 8	(6 8)	–	**–**
	73 2	(46 6)	26 6	15 4	(6 8)	8 6	**35 2**
Current assets							
Inventories	33 1	(2 2)	30 9	24 6	(1 4)	23 2	**54 1**
Trade and other receivables	44 9	0 9	45 8	46 1	(2 4)	43 7	**89 5**
Cash/(overdrafts) acquired	–	–	–	(3 8)	–	(3 8)	**(3 8)**
Total assets	151 2	(47 9)	103 3	82 3	(10 6)	71 7	**175 0**
Liabilities	147 3	–	147 3	55 7	1 0	56 7	**204 0**
Net assets/(liabilities)	3 9	(47 9)	(44 0)	26 6	(11 6)	15 0	**(29 0)**
Intangible assets – customer relationships			33 1			46 2	**79 3**
Intangible assets – non-compete clauses			–			2 7	**2.7**
Deferred tax liability on acquired intangible assets			(13 9)			(11 0)	**(24 9)**
Goodwill			141 4			58 7	**200 1**
Total consideration			116 6			111 6	**228 2**
Represented by							
Contingent consideration			–			5 7	**5 7**
Cash			116 6			102 7	**219 3**
Loan notes and deferred consideration			–			3 2	**3 2**
Total consideration			116 6			111 6	**228 2**

The total consideration including assumed debt and net of cash and cash equivalents acquired is as follows

	Larivière Fair value £m	Other acquisitions Fair value £m	Total £m
Total consideration (as above)	116 6	111 6	**228 2**
Add debt acquired	80 2	10 6	**90 8**
Net overdraft acquired	–	3 8	**3 8**
Total consideration (including assumed debt)	196 8	126 0	**322 8**
Acquisition cash flows during the year			
Cash paid for 2007 acquisitions during the year	116 6	102 7	**219 3**
Net overdraft acquired with 2007 acquisitions	–	3 8	**3 8**
Net cash outflow from 2007 acquisitions	116 6	106 5	**223 1**
Contingent/deferred consideration paid on prior year acquisitions			**3 7**
Net cash outflow from 2007 and prior year acquisitions			**226 8**

All contingent consideration is included within provisions (Note 21)

Due to the proximity of the timing of some of the acquisitions close to the year end, 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 2008 The fair value adjustments above relate primarily to

- the review of the carrying value of all non-current assets to ensure that they accurately reflect their market value,
- the alignment of valuation and provisioning methodologies to those adopted by the Group and
- an assessment of all provisions and payables to ensure they are accurately reflected in accordance with the Group's policies

Included within goodwill are staff acquired as part of the business and strategic acquisition synergies which are specifically excluded in the identification of intangible assets on acquisition by the relevant accounting standards

The pre-acquisition revenue and operating profit for Larivière, which was acquired on 29 June 2007, for the six months ended 29 June 2007 amounted to £121 3m and £7 0m respectively The 2007 Consolidated Income Statement includes the following amounts in respect of Larivière revenue £111 5m, cost of sales £86 4m and operating expenses £19 7m giving an operating profit of £5 4m

The Directors estimate the pre-acquisition revenue and operating profit for the other acquisitions for the period from 1 January 2007 to the respective acquisition dates amounted to £102 1m and £6 0m respectively The 2007 Consolidated Income Statement includes the following amounts in respect of the other acquisitions revenue £105 1m, cost of sales £78 9m and operating expenses £19 7m giving an operating profit of £6 5m

Revenue and operating profit for the twelve month period ended 31 December 2007 for all 2007 acquisitions amounted to £440m and £24 9m respectively

13 ACQUISITIONS MADE IN THE YEAR CONTINUED

Acquisitions made in 2007 (made in 2006) had the following impact on the Group's cash flows in 2007 (in 2006) cash inflow from operating activities £9 2m (2006 £4 7m), borrowing costs paid £6 1m (2006 £1 7m), purchase of property, plant and equipment £4 8m (2006 £1 8m), repayment of loans £nil (2006 £10 1m) and income tax paid £2 4m (2006 £1 8m)

Since the balance sheet date and up to the date of approval of the Accounts, the Group has acquired eight companies, being HHI Building Products Limited, Altrim Plastics Limited, WK-Bodensysteme GmbH, Central Refractories (Scotland) Limited, Kem Edwards Limited, Tufwell Tempered Glass Limited, Tolway Fixings Limited and GRM Distribution Limited Information regarding these eight acquisitions is provided below

	Book and fair value £m
Non-current assets	
Property plant and equipment	2 6
Current assets	
Inventories	3 3
Trade and other receivables	16 4
Cash and cash equivalents	2 1
Total assets	24 4
Liabilities	14 2
Net assets	10 2
Intangible assets – customer relationships	7 0
Deferred tax liability on intangible assets	(2 1)
Goodwill	18 7
Total consideration	33 8
Total consideration represented by	
Cash	33 8
Acquisition cash flows	
Cash paid for acquisitions	33 8
Net cash acquired	(2 1)
Net cash outflow from acquisitions	31 7

14 INVENTORIES

	2007 £m	2006 £m
Raw materials and consumables	**6 5**	6 1
Work in progress	**0 9**	0 7
Finished goods and goods for resale	**217 2**	145 1
	224 6	151 9

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

15 TRADE AND OTHER RECEIVABLES

	2007 £m	2006 £m
Trade receivables	**414 4**	310 4
VAT	**2.2**	0 7
Other receivables	**7 0**	9 4
Prepayments and accrued income	**16 2**	10 4
Other receivables	**25 4**	20 5
Derivative financial instruments	**0 5**	1 7
	440.3	332 6

The average credit period on sale of goods and services is 48 days (2006 48 days) No interest is charged on receivables An allowance has been made for estimated irrecoverable amounts from the sale of goods of £25 6m at 31 December 2007 (2006 £15 6m) 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 £140 7m (2006 £96 2m) which are past due at the reporting date which the Group has not provided for, as there has not been a significant change in credit quality and the Group considers that the amounts are still recoverable The Group does not hold any collateral over these balances The average age of these receivables is 26 6 days overdue (2006 28 9 days)

15 TRADE AND OTHER RECEIVABLES CONTINUED

AGEING ANALYSIS OF TRADE RECEIVABLES FOR WHICH NO ALLOWANCE FOR DOUBTFUL DEBTS HAS BEEN MADE

	2007 £m	2006 £m
Neither past due or renegotiated	**252 4**	209 1
Renegotiated	**0 2**	0 3
Balances overdue which have no allowance for impairment		
0–30 days	**105 1**	73 5
31–60 days	**26 5**	15 0
61–90 days	**5 1**	3 5
91–120 days	**2 0**	1 2
120–180 days	**1 3**	1 6
180+ days	**0 7**	1 4
	140 7	96 2
Total trade receivables	**393 3**	305 6

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2007 £m	2006 £m
Beginning of year	**(15 6)**	(12 6)
Added on acquisition	**(6 0)**	(3 1)
Utilised	**8 0**	9 2
Charged to the Consolidated Income Statement	**(9 7)**	(9 1)
Exchange differences	**(2 3)**	–
End of year	**(25 6)**	(15 6)

In determining the recoverability of the 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 an allowance for doubtful debts accordingly The concentration of credit risk is limited due to the customer base being large and unrelated The Directors therefore believe that there is no further credit provision required in excess of the allowance for doubtful debts

The allowance for doubtful debts of £25 6m (2006 £15 6m) relates to trade receivables with a gross balance of £46 7m (2006 £20 4m) The allowance for doubtful debts 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 approximate 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

The credit risk on liquid funds and derivative financial instruments is limited because the counter-parties are banks with strong credit ratings assigned by international credit rating agencies

16. CURRENT LIABILITIES

	2007 £m	2006 £m
Trade and other payables		
Trade payables	**225.9**	161.8
Bills of exchange payable	**14.8**	15.4
VAT	**20.8**	11.6
Social security and payroll taxes	**12.4**	9.9
Accruals and deferred income	**92.2**	61.9
Trade and other payables	**366.1**	260.6
Obligations under finance lease contracts (Note 23)	**2.6**	1.4
Bank overdrafts	**1.9**	3.3
Bank loans	**150.8**	50.8
Private placement notes	**22.1**	–
Loan notes	**2.8**	0.5
Derivative financial instruments	**36.7**	0.1
Current tax liabilities	**17.4**	21.4
Provisions (Note 21)	**9.5**	12.0
Current liabilities	**609.9**	350.1

£1.4m (2006 £2.5m) of the above bank loans and overdrafts are secured on the assets of subsidiary undertakings. The remaining balances are unsecured.

The bank overdraft is repayable on demand and attracts a floating interest rate which at 31 December 2007 was 5.0% (2006 4.8%).

£46.5m (2006 £9.8m) of the bank loans and loan notes due within one year (after taking into account derivative financial instruments) are at variable rates of interest.

£107.1m (2006 £41.5m) of the bank loans and loan notes due within one year (after taking into account derivative financial instruments) attract an average fixed interest rate of 4.54% (2006 4.77%).

Trade payables and accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases on a like for like basis excluding the discontinued operation in 2006, is 38 days (2006 38 days).

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

17. NON-CURRENT LIABILITIES

	2007 £m	2006 £m
Obligations under finance lease contracts (Note 23)		
– due after one and within two years	**5.4**	1.4
– due after five years	**1.7**	–
Bank loans	**5.9**	4.7
Private placement notes	**251.8**	193.0
Loan notes	**1.4**	–
Derivative financial instruments	**35.5**	37.7
Deferred tax liabilities (Note 22)	**44.3**	17.8
Other payables	**2.8**	1.3
Retirement benefit obligations (Note 29c)	**15.7**	23.6
Provisions (Note 21)	**18.9**	14.2
	383.4	293.7

	2007 £m	2006 £m
The bank loans included above are repayable as follows		
– due after one and within two years	**0.9**	0.5
– due after two and within five years	**4.5**	3.8
– due after five years	**0.5**	0.4
	5.9	4.7

Of the above bank loans £5.0m (2006 £1.3m) is secured on certain of the assets of subsidiary undertakings, and is repayable by instalments.

NOTES TO THE ACCOUNTS CONTINUED

17 NON-CURRENT LIABILITIES CONTINUED

Details of the private placement notes are as follows

	2007 £m	2007 fixed interest rate* %	2006 £m	2006 fixed interest rate* %
Repayable in 2008	**22.1**	**7.1%**	22 4	7 1%
Repayable in 2011	**39 7**	**7 3%**	40 3	7 3%
Repayable in 2013	**69 2**	**5 1%**	25 5	5 9%
Repayable in 2016	**122 9**	**6 0%**	104 8	6 0%
Repayable in 2018	**20 0**	**5 8%**	–	N/A
	273 9	**6 0%**	193 0	6 4%

* before applying associated derivative financial instruments

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

18 FINANCIAL INSTRUMENTS

The Treasury risk management section of the Business Review on pages 26 and 27 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 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

	2007 £m	2006 £m
Cash at bank (including cash deposits repayable on demand)	**89 2**	62 4
Derivative financial instruments	**0 5**	1 7
	89 7	64 1

The Directors consider the fair value of these financial assets to approximate to their book value The interest received on cash deposits is at variable rates of interest of up to 6%

2007 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group's financial liabilities at 31 December 2007, after taking account of interest rate and currency derivative financial instruments (with the exception of the short term currency swaps noted after the table) 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	**172.9**	**12.5**	**160 4**	**5 9%**	**7 5**	**–**	**172.9**
Other borrowings	Sterling	**68 5**	**30 8**	**37 7**	**4 8%**	**1 7**	**0 4**	**68 1**
Finance lease contracts	Sterling	**1 1**	**–**	**1 1**	**5 2%**	**1 7**	**1 0**	**0 1**
Private placement notes	Euro	**146 2**	**44 1**	**102.1**	**6 1%**	**3 5**	**–**	**146 2**
Other borrowings	Euro	**99 0**	**29 7**	**69 3**	**4 5%**	**3 6**	**5 9**	**93 1**
Finance lease contracts	Euro	**8 4**	**–**	**8 4**	**5 8%**	**3 0**	**7 2**	**1 2**
Finance lease contracts	PLN	**0 2**	**0 2**	**–**	**N/A**	**N/A**	**–**	**0 2**
Other borrowings	PLN	**19 5**	**19.5**	**–**	**N/A**	**N/A**	**–**	**19.5**
Other borrowings	CZK	**2 8**	**2.7**	**0 1**	**3 0%**	**3 5**	**0 1**	**2 7**
Total		**518 6**	**139 5**	**379 1**			**14 6**	**504 0**

In addition to the currency exposures above, the Group has entered into ten short term currency derivative financial instruments as follows

- two net investment hedges amounting to an asset of £106 6m and a liability of €135 0m and CZK270 0m, and
- eight cash flow hedges which hedge the post tax functional currency cash flows of the Group amounting to an asset of £123 0m and a liability of €151 5m, CZK145 2m and PLN37 3m

All of these derivative financial instruments were entered into on 31 December 2007 at market rates and therefore their fair value is deemed to equate to their book value of £nil The expiry date of these derivative financial instruments is within one year

Of the above finance lease contracts, £8 2m (2006 £1 8m) are secured on the underlying assets

The Directors consider the fair value of the Group's floating rate financial liabilities to approximate to the book value shown in the table above The fair value of the Group s private placement notes approximates to the amount in the value of the financial liabilities above £37 7m of the Sterling "Other borrowings" and £66 1m of the Euro "Other borrowings" relate to debt on which the Group has taken out interest rate derivative financial instruments to fix the interest rate, and the debt is already carried at approximately its fair value in the table above The remaining fixed rate debt amounts to £12 8m and relates to finance lease contracts and fixed rate loans The Directors consider the fair value of these remaining fixed rate debts to approximate to the book values shown above

18 FINANCIAL INSTRUMENTS CONTINUED

2006 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group's financial liabilities at 31 December 2006, after taking account of interest rate and currency derivative financial instruments (with the exception of the short term currency swaps noted after the table) 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	138 0	56 6	81 4	6 2%	7 9	–	138 0
Other borrowings	Sterling	40 3	0 4	39 9	4 8%	2 6	–	40 3
Finance lease contracts	Sterling	0 6	–	0 6	5 4%	1 0	0 6	–
Private placement notes	Euro	93 4	–	93 4	6 1%	4 5	–	93 4
Other borrowings	Euro	8 0	2 2	5 8	6 8%	2 6	3 8	4 2
Finance lease contracts	Euro	2 0	–	2 0	4 8%	1 3	1 0	1 0
Finance lease contracts	PLN	0 2	–	0 2	21 3%	1 8	0 2	–
Other borrowings	PLN	10 4	10 4	–	N/A	N/A	–	10 4
Total		**292.9**	**69 6**	**223.3**			**5 6**	**287 3**

In addition to the currency exposures above, the Group had entered into four short term currency derivative financial instruments at 31 December 2006 as follows

- one net investment hedge amounting to an asset of £33 6m and a liability of €50 0m, and
- three cash flow hedges which hedge the post tax functional currency cash flows of the Group amounting to an asset of £53 2m and a liability of €79 3m

All of these derivative financial instruments were entered into on 29 December 2006 at market rates and therefore their fair value is deemed to equate to their book value of £nil The expiry date of these derivative financial instruments was 31 December 2007

The Directors considered the fair value of the Group's floating rate financial liabilities to approximate to the book value shown in the table above The fair value of the Group's private placement notes approximates to the amount in the value of the financial liabilities above £40 0m of the Sterling "Other borrowings" related to debt on which the Group had taken out interest rate derivative financial instruments to fix the interest rate, and the debt is already carried at approximately its fair value in the table above The remaining fixed rate debt amounted to £8 5m and related to finance lease contracts and fixed rate loans The Directors considered the fair value of these remaining fixed rate debts to approximate to the book values shown above

In both 2007 and 2006 the interest rate on floating rate financial liabilities is linked to UK LIBOR in the case of Sterling liabilities EURIBOR for Euro liabilities, WIBOR for Polish Zloty liabilities and PRIBOR for Czech Koruna liabilities

HEDGING RELATIONSHIPS

Included within financial assets are derivative financial instruments in designated hedge accounting relationships amounting to £0 5m (2006 £1 7m) and loans and receivables (including cash and cash equivalents) of £503 6m (2006 £372 8m)

Included within financial liabilities are derivative financial instruments in designated hedge accounting relationships amounting to £72 2m (2006 £37 8m) and liabilities (including trade payables) at amortised cost of £672 3m (2006 £416 9m)

The Group does not trade in derivative financial instruments for speculative purposes Where the Group can demonstrate a hedge relationship under the rules of IAS 32 and IAS 39 movements in the fair values of these derivative financial instruments will be recognised in the Consolidated Statement of Recognised Income and Expense Where the Group does not meet these rules, movements in the fair value will be recognised as hedge ineffectiveness 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 value 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

A) NET INVESTMENT HEDGES

As at 31 December 2007 the Group had entered into five (31 December 2006 four) cross-currency derivative financial instruments which form a net investment hedge of the Group's Euro and Czech Koruna denominated trading assets At 31 December 2007, these five derivative financial instruments had a fair value liability of £15 4m (31 December 2006 £8 6m) Of this fair value movement, £1 4m has been recognised directly in the Consolidated Income Statement (as hedge ineffectiveness) and £5 4m has been recognised directly in equity via the Consolidated Statement of Recognised Income and Expense

B) CASH FLOW HEDGES

With regard to cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in equity, and is subsequently removed and included in the Consolidated Income Statement within "Finance costs" in the same period the hedged item affects the Consolidated Income Statement The cash flow hedges described below are expected to impact 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

18 FINANCIAL INSTRUMENTS CONTINUED

HEDGING RELATIONSHIPS CONTINUED

B) CASH FLOW HEDGES CONTINUED

As at 31 December 2007, the Group had entered into seven (31 December 2006 seven) 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 2007, the Group had entered into one (31 December 2006 one) cross-currency interest rate derivative financial instrument which swaps fixed US Dollar denominated debt held in the UK into variable Sterling denominated debt These derivative financial instruments form a cash flow hedge as they fix the functional currency cash flows of the Group At 31 December 2007, these eight derivative financial instruments had a fair value liability of £28 2m (31 December 2006 £29 3m) 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 Recognised Income and Expense At 31 December 2007, the average maturity date of the these swaps is 7 0 years (2006 8 0 years)

As at 31 December 2007 the Group had entered into nine (31 December 2006 two) interest rate derivative financial instruments which swap variable rate Sterling debt into fixed rate Sterling debt thereby fixing the functional currency cash flows of the Group At 31 December 2007, these nine derivative financial instruments had a fair value liability of £4 2m (31 December 2006 asset of £0 7m) All of these interest rate derivative financial instruments are designated and effective as cash flow hedges and the fair value movement has therefore been deferred in equity via the Consolidated Statement of Recognised Income and Expense At 31 December 2007 the average maturity date of the these swaps is 4 8 years (31 December 2006 2 6 years)

As at 31 December 2007, the Group had entered into eight (31 December 2006 three) cross-currency derivative financial instruments which swap fixed Sterling denominated debt into fixed Euro, Polish Zloty and Czech Koruna denominated debt The movement in fair value of these derivative financial instruments hedge the post tax cash flows of the Group and thereby fix the functional currency cash flows of the Group and are therefore fully effective As these derivative financial instruments were entered into on 31 December 2007 at market rates prevailing at that date, the fair value of these derivative financial instruments at 31 December 2007 was £nil At 31 December 2007, the average maturity date of the these swaps is one year (2006 one year)

As at 31 December 2007, the Group had entered into three (31 December 2006 three) derivative financial instruments which swap fixed Sterling and Euro denominated debt into floating Sterling and Euro denominated debt As at 31 December 2007, the fair value liability of these derivative financial instruments was £1 6m (2006 £0 5m) All of these interest rate derivative financial instruments are designated and effective as cash flow hedges and the fair value movement has therefore been deferred in equity via the Consolidated Statement of Recognised Income and Expense

19 MATURITY OF FINANCIAL ASSETS AND LIABILITIES

MATURITY OF FINANCIAL LIABILITIES

The maturity profile of the Group's financial liabilities at 31 December 2007 was as follows

	2007 £m	2006 £m
In one year or less	**216 9**	56 1
In more than one year but not more than two years	**4 8**	1 6
In more than two years but not more than five years	**70 6**	98 0
In more than five years	**226 3**	137 2
Total	**518 6**	292 9

BORROWING FACILITIES

The Group had undrawn committed borrowing facilities at 31 December 2007 as follows

	2007 £m	2006 £m
Expiring in more than one year but not more than two years	**0 1**	50 0
Expiring in more than two years but not more than five years	**95 5**	63 5
Expiring in more than five years	**0 6**	0 4
Total	**96 2**	113 9

19. MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL ASSETS AND LIABILITIES

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 As the values disclosed include future interest and are undiscounted, the total position differs from that included in the Consolidated Balance Sheet

2007 ANALYSIS

	Balance sheet value £m	Maturity analysis Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Current liabilities						
Trade payables	225 9	225 9	–	–	–	225 9
Obligations under finance lease contracts	2 6	2 6	–	–	–	2 6
Bank overdrafts	1 9	1 9	–	–	–	1 9
Bank loans	150 8	153 4	–	–	–	153 4
Private placement notes	22 1	23 1	–	–	–	23 1
Loan notes	2 8	2 9	–	–	–	2 9
Derivative financial instruments ^	36 7	59 5	–	–	–	59 5
Total	**442 8**	**469 3**	–	–	–	**469 3**
Non-current liabilities						
Obligations under finance lease contracts	7 1	0 4	2 8	2 9	1 8	7 9
Bank loans	5 9	0 4	0 9	4 2	1 3	6 8
Private placement notes	251 8	17 4	17 4	87 9	255 3	378 0
Loan notes	1 4	–	1 4	0 1	–	1 5
Derivative financial instruments ^	35 5	6 8	6 8	82 4	44 0	140 0
Total	**301 7**	**25 0**	**29 3**	**177 5**	**302 4**	**534 2**
Total liabilities	**744 5**	**494 3**	**29 3**	**177 5**	**302 4**	**1,003 5**
Other						
Derivative financial instrument assets*	(0 5)	(0 5)	–	–	–	(0 5)
Cash and cash equivalents*	(89 2)	(89 2)	–	–	–	(89 2)
Derivative financial instruments ^	–	(26 9)	(5 2)	(54 6)	(33 6)	(120 3)
Total	**(89 7)**	**(116 6)**	**(5 2)**	**(54 6)**	**(33 6)**	**(210 0)**
Grand total	**654 8**	**377 7**	**24 1**	**122 9**	**268 8**	**793 5**

* Derivative financial instrument assets and cash and cash equivalents have also been disclosed in order to present a full analysis of the Group's financial assets and liabilities

^ In accordance with IFRS 7, for all gross settled derivative financial instruments (i e £/€ net investment hedges), the pay leg has been disclosed within liabilities and the receive leg has been included within other

19 MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED
CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL ASSETS AND LIABILITIES CONTINUED
2006 ANALYSIS

	Balance sheet value £m	Maturity analysis Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Current liabilities						
Trade payables	161 8	161 8	–	–	–	161 8
Obligations under finance lease contracts	1 4	1 4	–	–	–	1 4
Bank overdrafts	3 3	3 3	–	–	–	3 3
Bank loans	50 8	51 3	–	–	–	51 3
Loan notes	0 5	0 5	–	–	–	0 5
Derivative financial instruments	0 1	0 1	–	–	–	0 1
Total	**217 9**	**218 4**	–	–	–	**218 4**
Non-current liabilities						
Obligations under finance lease contracts	1 4	0 1	1 1	0 4	–	1 6
Bank loans	4 7	0 3	0 9	4 2	0 4	5 8
Private placement notes	193 0	13 2	35 1	74 0	165 7	288 0
Derivative financial instruments ^	37 7	5 9	33 3	68 9	8 5	116 6
Total	**236 8**	**19.5**	**70 4**	**147 5**	**174 6**	**412 0**
Total liabilities	**454 7**	**237.9**	**70 4**	**147 5**	**174 6**	**630 4**
Other						
Derivative financial instrument assets•	(1 7)	(1 7)	–	–	–	(1 7)
Cash and cash equivalents•	(62 4)	(62 4)	–	–	–	(62 4)
Derivative financial instruments ^	–	(4 4)	(24 4)	(47 9)	–	(76 7)
Total	**(64 1)**	**(68 5)**	**(24 4)**	**(47 9)**	–	**(140 8)**
Grand total	**390 6**	**169 4**	**46 0**	**99 6**	**174 6**	**489 6**

• Derivative financial instrument assets and cash and cash equivalents have also been disclosed in order to present a full analysis of the Group's financial assets and liabilities

^ In accordance with IFRS 7, for all gross settled derivative financial instruments (i e £/€ net investment hedges), the pay leg has been disclosed within liabilities and the receive leg has been included within other

20 SENSITIVITY ANALYSIS
IFRS 7 requires the disclosure of a sensitivity analysis that details the effects on the Group's profit or loss and other equity of reasonably possible fluctuations in market rates

This sensitivity analysis has been prepared to illustrate the effect of the following hypothetical variations in market rates on the fair value of the Group's financial assets and liabilities

- a 1% (100 basis points) increase or decrease in market interest rates and
- a 10% strengthening or weakening of Sterling against all other currencies that the Group is exposed to

20 SENSITIVITY ANALYSIS CONTINUED

A) INTEREST RATE SENSITIVITY

The Group is exposed to Sterling, Euro US Dollar, Polish Zloty and Czech Koruna interest rates

The following tables detail the Group's sensitivity to a 100 basis point change in each respective interest rate The 100 basis points represents the Directors' assessment of the reasonably possible change in interest rates 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

2007 ANALYSIS

	GBP		EUR		USD		PLN		CZK		Total	
	+ 1 basis point £m	1 basis point £m	+ 1 basis point £m	1 basis point £m	+ 1 basis point £m	- 1 basis point £m	+ 1 basis point £m	- 1 basis point £m	+ 1 basis point £m	- 1 basis point £m	+ 1 basis point £m	- 1 basis point £m
Profit or loss	(1 9)	1 9[i]	1 5	(1 6)[iii]	–	–	(0 1)	0 1[v]	–	–	(0 5)	0 4
Other equity	7 1	(6 0)[ii]	2 9	(3 1)[iv]	(10 2)	11 0[ii]	–	–	–	–	(0 2)	1 9
Total Shareholders' equity	**5 2**	**(4 1)**	**4 4**	**(4 7)**	**(10 2)**	**11 0**	**(0 1)**	**0.1**	**–**	**–**	**(0 7)**	**2 3**

2006 ANALYSIS

	GBP		EUR		USD		PLN		Total	
	+ 1 basis point £m	1 basis point £m	+ 1 basis point £m	1 basis point £m	+ 1 basis point £m	1 basis point £m	+ 1 basis point £m	- 1 basis point £m	+ 1 basis point £m	1 basis point £m
Profit or loss	(2 8)	2 9[i]	2 3	(2 5)[iii]	–	–	–	–	(0 5)	0 4
Other equity	2 7	(2 8)[ii]	1 6	(1 7)[iv]	(11 2)	12 2[ii]	–	–	(6 9)	7 7
Total Shareholders' equity	(0 1)	0 1	3 9	(4 2)	(11 2)	12 2	–	–	(7 4)	8 1

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

(i) floating rate Sterling debt and hedge ineffectiveness on some of the Group's £/€ net investment hedges

(ii) "Mark-to-Market" valuation changes in the fair value of fully effective cash flow hedges

(iii) floating rate Euro debt, Euro cash deposits and hedge ineffectiveness on some of the Group's £/€ net investment hedges

(iv) changes in value of the Group's Euro denominated assets and liabilities

(v) floating rate Polish Zloty debt

B) FOREIGN CURRENCY SENSITIVITY

The Group is exposed to currency rate changes between Sterling and Euros US Dollars Polish Zloty Czech Koruna and Slovak Koruna

The following tables detail the Group s sensitivity to a 10% change in Sterling against the respective foreign currencies The 10% represents Directors' assessment of the reasonably possible change in foreign currency exchange rates 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

2007 ANALYSIS

	EUR		USD		PLN		CZK		SKK		Total	
	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	10% £m
Assets and liabilities under the scope of IFRS 7												
Profit or loss	1 8	(1 3)[i]	–	–	0 1	(0 1)[v]	–	–	–	–	1 9	(1 4)
Other equity	24 8	(27 8)[ii]	(1 5)	1 8[ii]	0 7	(0 8)[ii]	(0 3)	0 3	–	–	23 7	(26 5)
Total Shareholders' equity impact	26 6	(29 1)	(1 5)	1 8	0 8	(0 9)	(0 3)	0 3	–	–	25 6	(27 9)
Total assets and liabilities*												
Profit or loss	(1 3)	1 9[iv]	–	–	(0 4)	(0 1)[iv]	(0 1)	0 1[iv]	(0 1)	0 1[iv]	(1 9)	2 0
Other equity	(7 1)	7 8[iv]	(1 5)	1 8[ii]	(1 4)	2 2[iv]	(1 1)	0 8[iv]	(0 8)	0 9[iv]	(11 9)	13 5
Total Shareholders' equity impact	(8 4)	9 7	(1 5)	1 8	(1 8)	2 1	(1 2)	0 9	(0 9)	1 0	(13 8)	15 5

ACCOUNTS

NOTES TO THE ACCOUNTS CONTINUED

20 SENSITIVITY ANALYSIS CONTINUED

B) FOREIGN CURRENCY SENSITIVITY CONTINUED

2006 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	1 4	(0 8)(i)	–	–	0 1	(0 1)(v)	1 5	(0 9)
Other equity	3 5	(2 5)(ii)	(0 8)	1 0(ii)	0 7	(0 9)(ii)	3 4	(2 4)
Total Shareholders' equity	4 9	(3 3)	(0 8)	1 0	0 8	(1 0)	4 9	(3 3)
Total assets and liabilities*								
Profit or loss	(1 1)	2 3(iii)	(0 4)	0 5(vii)	–	–	(1 5)	2 8
Other equity	(4 1)	5 3(iv)	(0 4)	0 5(iv)	(1 0)	0 8(iv)	(5 5)	6 6
Total Shareholders equity	(5 2)	7 6	(0 8)	1 0	(1 0)	0 8	(7 0)	9 4

* Certain assets and liabilities such as inventories, non-current assets and provisions do not come under the scope of IFRS 7 Therefore in order to present a complete analysis of the Group's exposure to movements in foreign currency exchange rates, the exposure on the Group's total assets and liabilities has been disclosed

The movements noted above are described below being mainly attributable to

(i) hedge ineffectiveness on some of the Group's £/€ net investment hedges and retranslation of Euro interest flows

(ii) "Mark-to-Market" valuation changes in the fair value of fully effective cash flow and net investment hedges

(iii) retranslation of Euro profit streams and hedge ineffectiveness on some of the Group's £/€ net investment hedges

(iv) retranslation of overseas denominated assets and liabilities outside the scope of IFRS 7 and "Mark-to-Market" valuation changes in the fair value of fully effective cash flow and net investment hedges

(v) retranslation of Polish Zloty interest flows

(vi) retranslation of Polish Zloty Czech Koruna and Slovakian Koruna profit streams

(vii) retranslation of US Dollar profit streams and the sale of the US business

21 PROVISIONS FOR LIABILITIES AND CHARGES

	2007 Onerous leases £m	2007 Leasehold dilapidations £m	2007 Contingent consideration £m	2007 Other amounts £m	2007 Total £m
Beginning of year	**3 0**	**12 1**	**9 2**	**1 9**	**26 2**
Unused amounts reversed in the period	**(1 2)**	**-**	**(1 5)**	**(0 1)**	**(2 8)**
Utilised	**(0 7)**	**(0 4)**	**(3 5)**	**(0 6)**	**(5 2)**
Added on acquisition	**0 2**	**0 4**	**5 7**	**1 3**	**7 6**
New provisions	**0 7**	**0 9**	**–**	**0 9**	**2.5**
Exchange difference	**–**	**0 1**	**–**	**–**	**0.1**
End of year	**2.0**	**13 1**	**9 9**	**3 4**	**28 4**

	2007 £m	2006 £m
Included in current liabilities	**9 5**	12 0
Included in non-current liabilities	**18 9**	14 2
	28 4	26 2

ONEROUS LEASES

The Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and the likely income from existing and future sub lease agreements on a contract by contract basis The provision covers potential transfer of economic benefit over the full range of current lease commitments disclosed in Note 29b

LEASEHOLD DILAPIDATIONS

This provision relates to contractual obligations to reinstate leasehold properties into their original state of repair The provision is calculated with reference to the expired portion of individual lease agreements where such a clause exists in the lease contract The transfer of economic benefits will be made at the end of the leases as set out in Note 29b

21. PROVISIONS FOR LIABILITIES AND CHARGES CONTINUED

CONTINGENT CONSIDERATION

Contingent consideration relates to the amounts due to vendors of current and prior year acquisitions providing certain future profit targets are met The transfer of economic benefit is expected to be made within two years

OTHER AMOUNTS

Other amounts relate principally to claim provisions The transfer of economic benefit is expected to be made between one and three years

22. DEFERRED TAX

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

	2007 £m	2006 £m
Deferred tax assets	**17 4**	16 4
Deferred tax liabilities	**(44 3)**	(17 8)
Net deferred tax liability	**(26 9)**	(1 4)

The net deferred tax liability is made up of the following elements

	2007 £m	2006 £m
Deferred tax analysis		
Capital allowances in excess of depreciation	**(7 1)**	(1 1)
Short term timing differences	**(24 1)**	(7 9)
Losses	**0 9**	0 9
On retirement benefit obligations	**3 4**	6 7
Net deferred tax liability	**(26 9)**	(1 4)

The movement during the year in the net deferred tax (liability)/asset was as follows

	2007	2006
Beginning of year	**(1 4)**	13 6
On acquisition of subsidiaries	**(29 0)**	(13 2)
Credit/(charge) for the year	**7 7**	(0 4)
Exchange difference	**0 1**	(0 1)
On retirement benefit obligations	**(2 0)**	(1 0)
Deferred tax on share options	**(2.3)**	(0 3)
End of year	**(26 9)**	(1 4)

Given current trading the Directors consider that recognition of the deferred tax assets above is appropriate

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries with a lower rate of corporation tax than that suffered in the UK, for which no deferred tax liabilities have been recognised was £39 6m (2006 £40 6m) No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future

23 OBLIGATIONS UNDER FINANCE LEASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	2007 £m	2006 £m	2007 £m	2006 £m
Amounts payable under finance lease contracts				
– within one year	**2.8**	1 5	**2 6**	1 4
– in the second to fifth years	**6 0**	1 5	**5 4**	1 4
– after five years	**1 8**	–	**1 7**	–
	10 6	3 0	**9 7**	2 8
Less future finance charges	**0 9**	0 2		
Present value of lease obligations	**9 7**	2 8		

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

The average remaining lease term is 2 9 years (2006 1 3 years) For the year ended 31 December 2007, the average effective borrowing rate was 5 7% (2006 6 3%) Interest rates are fixed at the contract date

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

24. CALLED UP SHARE CAPITAL

	2007 £m	2006 £m
Authorised		
190,000,000 ordinary shares of 10p each (2006 190,000,000)	**19 0**	19 0
Allotted, called up and fully paid		
135,001,198 ordinary shares of 10p each (2006 123,104,025)	**13 5**	12 3

On 30 May 2007 SIG placed 11,363 637 new ordinary shares with institutional and other investors to raise gross proceeds of £150m (the "Placing") The shares were placed at 1 320p each, raising £147 2m after commissions and expenses The Placing proceeds have been used to fund the acquisition of Larivière and the increased acquisition spend They also provide SIG with financial flexibility to take advantage of acquisition opportunities as they arise and ensure that SIG continues to drive its organic growth through ongoing investment in its businesses

Total cash consideration received by the Company (including the Placing) for the 11,897 173 shares allotted during the year, net of commissions and expenses, amounted to £148 1m (2006 £1 9m)

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

At 31 December 2007 the following share options were outstanding

Scheme and date of grant	Number of shares: At 31 December 2006	Granted	Exercised	Lapsed	At 31 December 2007	Option price per 10p share	Exercise dates: Date from which option may be exercised	Date on which option expires
Deferred Annual Bonus Scheme								
19/04/2005	17,520	–	–	–	**17,520**	0 00p	19/04/2008	18/04/2015
13/04/2006	17,262	–	–	–	**17,262**	0 00p	13/04/2009	12/04/2016
17/04/2007	–	11 297	–	–	**11,297**	0 00p	17/04/2010	16/04/2017
Long Term Incentive Plan								
11/04/2003	4,469	–	–	–	**4,469**	10 00p	11/04/2006	10/04/2010
11/05/2004	190,447	–	(179,349)	(5,529)	**5,569**	10 00p	11/05/2007	10/05/2014
19/04/2005	129,965	–	–	–	**129,965**	0 00p	19/04/2008	18/04/2015
13/04/2006	100 835	–	–	–	**100,835**	0 00p	13/04/2009	12/04/2016
17/04/2007	–	70,951	–	–	**70,951**	0 00p	17/04/2010	16/04/2017
1997 Executive Share Option Scheme								
30/05/1997	17,500	–	(17 500)	–	–	309 50p	30/05/2000	29/05/2007
27/04/1998	10 057	–	(3,607)	–	**6,450**	212 50p	27/04/2001	26/04/2008
11/04/2000	4,000	–	(2,500)	–	**1,500**	232 50p	11/04/2003	10/04/2009
19/04/2002	24,000	–	(1 724)	–	**22,276**	321 00p	19/04/2005	18/04/2010
11/04/2003	61 562	–	(24,562)	(1,500)	**35,500**	205 50p	11/04/2006	10/04/2011
Savings Related Schemes								
04/05/2001	4,027	–	–	(4,027)	–	201 00p	01/07/2004	31/12/2006
17/05/2002	134,336	–	(132 533)	(388)	**1,415**	257 00p	01/07/2005	31/12/2007
07/05/2003	467,189	–	(1,261)	(6,695)	**459,233**	165 00p	01/07/2006	31/12/2008
10/05/2004	365,802	–	(170 500)	(7,860)	**187,442**	300 00p	01/07/2007	31/12/2009
21/10/2005	31 850	–	–	–	**31,850**	571 00p	01/11/2008	31/05/2010
10/11/2006	37 761	–	–	–	**37,761**	797 00p	01/01/2010	31/07/2012
26/11/2007	–	32 045	–	–	**32,045**	823 00p	01/01/2011	31/07/2013
Total	1,618,582	114,293	(533,536)	(25,999)	**1,173,340**			

25 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Special reserve £m	Share option reserve £m	Hedging and translation reserve £m	Retained profits £m	Total £m	Minority interests £m	Total equity £m
At 31 December 2005	12 2	17 8	0 3	22 1	1 4	(2 3)	237 7	289 2	1 2	290 4
Profit after tax	–	–	–	–	–	–	75 8	75 8	0 7	76 5
Dividends	–	–	–	–	–	–	(21 7)	(21 7)	–	(21 7)
New share capital issued	0 1	1 8	–	–	–	–	–	1 9	–	1 9
Exchange difference on retranslation of foreign currency goodwill and intangibles	–	–	–	–	–	(0 9)	–	(0 9)	–	(0 9)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	–	–	–	–	–	(4 0)	–	(4 0)	–	(4 0)
Exchange and fair value movements associated with borrowings and derivative financial instruments	–	–	–	–	–	3 7	–	3 7	–	3 7
Tax charge on exchange difference arising on borrowings and derivative financial instruments	–	–	–	–	–	(1 1)	–	(1 1)	–	(1 1)
Gains and losses on cash flow hedges	–	–	–	–	–	–	1 8	1 8	–	1 8
Transfer to profit and loss on cash flow hedges	–	–	–	–	–	–	1 2	1 2	–	1 2
Current and deferred tax on share options	–	–	–	–	–	–	2 2	2 2	–	2 2
Actuarial gain on defined benefit pension schemes	–	–	–	–	–	–	3 3	3 3	–	3 3
Deferred tax movement associated with actuarial gain	–	–	–	–	–	–	(1 0)	(1 0)	–	(1 0)
Credit to share option reserve	–	–	–	–	1 1	–	–	1 1	–	1 1
Exercise of share options	–	–	–	–	(0 7)	–	0 7	–	–	–
Payment to minority interest Shareholder	–	–	–	–	–	–	–	–	(0 7)	(0 7)
At 31 December 2006	12 3	19 6	0 3	22 1	1 8	(4 6)	300 0	351 5	1 2	352 7
Profit after tax	–	–	–	–	–	–	86 2	86 2	0 9	87 1
Dividends	–	–	–	–	–	–	(28 4)	(28 4)	–	(28 4)
New share capital issued	1 2	146 9	–	–	–	–	–	148 1	–	148 1
Exchange difference on retranslation of foreign currency goodwill and intangibles	–	–	–	–	–	24 7	–	24 7	–	24 7
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	–	–	–	–	–	18 8	–	18 8	–	18 8
Exchange and fair value movements associated with borrowings and derivative financial instruments	–	–	–	–	–	(41 2)	–	(41 2)	–	(41 2)
Tax credit on exchange difference arising on borrowings and derivative financial instruments	–	–	–	–	–	12 0	–	12 0	–	12 0
Gains and losses on cash flow hedges	–	–	–	–	–	–	(5 2)	(5 2)	–	(5 2)
Transfer to profit and loss on cash flow hedges	–	–	–	–	–	–	2 1	2 1	–	2 1
Current and deferred tax on share options	–	–	–	–	–	–	(0 8)	(0 8)	–	(0 8)
Actuarial gain on defined benefit pension schemes	–	–	–	–	–	–	6 2	6 2	–	6 2
Deferred tax movement associated with actuarial gain	–	–	–	–	–	–	(2 0)	(2 0)	–	(2 0)
Credit to share option reserve	–	–	–	–	1 6	–	–	1 6	–	1 6
Exercise of share options	–	–	–	–	(0 7)	–	0 7	–	–	–
Payment to minority interest Shareholder	–	–	–	–	–	–	–	–	(0 8)	(0 8)
At 31 December 2007	**13.5**	**166 5**	**0 3**	**22 1**	**2 7**	**9 7**	**358 8**	**573 6**	**1 3**	**574 9**

The special reserve arises as a result of a number of transfers from the Group s share premium reserve up until 1996 Goodwill arising on a number of historic acquisitions was then written off against this special reserve The cumulative amount of goodwill resulting from acquisitions in earlier years which has been written off directly against reserves, net of goodwill relating to undertakings disposed of, is £131 4m (2006 £131 4m)

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

The hedging and translation reserve represents movements in the Consolidated Balance Sheet as a result of movements in exchange rates which are taken directly to reserves as detailed in the Statement of Significant Accounting Policies on pages 68 to 72

NOTES TO THE ACCOUNTS CONTINUED

26 RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES

	2007 **£m**	2006 £m
Operating profit from continuing operations	**142.2**	114 5
Operating profit from discontinued operation	**–**	3 8
Operating profit	**142 2**	118 3
Depreciation charge	**30 3**	24 1
Amortisation of acquired intangibles	**17 2**	6 9
Profit on sale of property, plant and equipment	**(2.0)**	(0 6)
Share-based payments	**1 6**	1 1
Increase in inventories	**(8 2)**	(14 9)
Decrease/(increase) in receivables	**0 1**	(4 4)
(Decrease)/increase in payables	**(20 9)**	1 9
Cash inflow from operating activities	**160 3**	132 4

Included in the decrease (2006 increase) in payables is a cash outflow relating to defined benefit pension contributions being £3 6m (2006 £0 6m) greater than the amount charged to operating profit

27 RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	2007 **£m**	2006 £m
Increase in cash and cash equivalents in the year	**25 4**	30 7
Cash flow from increase in debt	**(87 7)**	(75 8)
Increase in net debt resulting from cash flows	**(62 3)**	(45 1)
Debt acquired with acquisitions*	**(94 0)**	(15 9)
Non-cash items ^	**(21 7)**	5 9
Exchange difference	**(22 1)**	1 0
Increase in net debt in the year	**(200 1)**	(54 1)
Net debt at beginning of year	**(228 8)**	(174 7)
Net debt at end of year	**(428 9)**	(228 8)

- Including loan notes issued

^ Non-cash items relate to the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow

28 ANALYSIS OF NET DEBT

	At 31 December 2006 £m	Cash flows £m	Debt acquired with acquisitions* £m	Non-cash items ^ £m	Exchange difference £m	**At 31 December 2007 £m**
Cash and cash equivalents	62 4	23 9	–	–	2 9	**89 2**
Overdrafts	(3 3)	1 5	–	–	(0 1)	**(1 9)**
	59 1	25 4	–	–	2 8	**87 3**
Financial assets – derivative financial instruments	1 7	(1 7)	0 5	–	–	**0 5**
Debts due within one year	(51 4)	(47 2)	(86 2)	(21 7)	(5 9)	**(212 4)**
Debts due after one year	(235 4)	(37 1)	(3 7)	–	(18 4)	**(294 6)**
Finance lease contracts	(2 8)	(1 7)	(4 6)	–	(0 6)	**(9 7)**
	(228 8)	(62 3)	(94 0)	(21 7)	(22 1)	**(428 9)**

- Including loan notes issued

^ 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

	2007 £m	2006 £m
Contracted but not provided for	**11 1**	7 7

B) LEASE COMMITMENTS

The Group leases a number of its premises under operating leases which expire between 2008 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

	2007 £m	2006 £m
Minimum lease rentals due		
– within one year	**35 2**	29 5
– after one year and within five years	**101 2**	87 1
– after five years	**122 7**	101 6
	259 1	218 2

The Group also leases certain items of plant and machinery whose total future minimum lease rentals under the foregoing leases are as follows

	2007 £m	2006 £m
Minimum lease rentals due		
– within one year	**6 5**	4 1
– after one year and within five years	**7 3**	7 3
– after five years	**0 3**	0 2
	14 1	11 6

C) PENSION SCHEMES

The Group operates a number of pension schemes, eight (2006 six) of which provide defined benefits based on final pensionable salary Of these schemes, four (2006 four) have assets held in separate trustee administered funds and four (2006 two) are overseas book reserved schemes The Group also operates a number of defined contribution schemes all of which are independently managed The defined benefit schemes are herein after referred to as the "main scheme" and "other schemes" being seven smaller schemes

DEFINED BENEFIT PENSION SCHEME VALUATIONS

In accordance with the amendment to IAS 19 which was issued on 16 December 2004 the Group has elected to recognise all actuarial gains and losses in full in the period in which they arise in the Consolidated Statement of Recognised Income and Expense

The actuarial valuations of the defined benefits pension schemes are assessed by an independent actuary every three years who recommends the rate of contribution payable each year

The four UK defined benefit pension schemes were merged on 1 January 2008 The last formal actuarial valuation of the SIG plc Retirement Benefits Plan the main scheme, was conducted at 31 December 2006 and showed that the market value of the scheme s assets were £53 1m and their actuarial value covered 71% of the benefits accrued to members after allowing for expected future increases in pensionable salaries

As a result of the merger, valuations of the second and third defined benefit schemes were not carried out at 31 December 2006 Consequently the last formal actuarial valuations of the second and third defined benefit schemes were conducted at 1 January 2004 and showed that the market value of the schemes assets were £7 8m and £1 9m and their actuarial values covered 94% and 70% respectively of the benefits accrued to members after allowing for expected future increases in pensionable salary The last formal actuarial valuation of the fourth defined benefit scheme was at 6 April 2004 and showed that the market value of the scheme's assets was £1 2m and its actuarial value covered 60% of the benefits accrued to members after allowing for expected future increases in pensionable salaries

The other four schemes are book reserved schemes whereby the sponsoring company does not hold any separate assets to fund the pension scheme but makes a reserve in its accounts Therefore, these schemes do not hold separate scheme assets The liabilities of the schemes are met by the sponsoring companies

NOTES TO THE ACCOUNTS CONTINUED

29 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES CONTINUED

CONSOLIDATED INCOME STATEMENT CHARGES

The pension charge for the year relating to the main scheme was £1 8m (2006 £2 1m), £0 5m (2006 £0 8m) in relation to other schemes and was £4 2m (2006 £4 0m) in relation to defined contribution schemes In accordance with IAS 19 "Retirement Benefits", the charge for the defined benefit schemes has been calculated as the sum of the cost of benefits accruing in the year, the increase in the value of benefits already accrued and the expected return on assets

The actuarial valuations described above have been updated at 31 December 2007 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 four UK defined benefit schemes are closed to new members, have an age profile that is rising and therefore under the projected unit method the current service cost will increase as the members of the schemes approach retirement The four overseas book reserved schemes remain open to new members

CONSOLIDATED BALANCE SHEET LIABILITY

The balance sheet position in respect of the eight defined benefit schemes can be summarised as follows

	2007 £m	**2007 £m**	2006 £m	2006 £m
Deficit in the main scheme	**(11 1)**		(17 0)	
Deficit in the other defined benefit schemes	**(4 6)**		(6 6)	
Pension liability before taxation		**(15 7)**		(23 6)
Related deferred tax asset		**3 4**		6 7
Pension liability after taxation		**(12 3)**		(16 9)

The actuarial gain of £6 2m (2006 gain £3 3m) for the year, together with the associated deferred tax debit of £2 0m (2006 £1 0m), has been recognised in the Consolidated Statement of Recognised Income and Expense The remaining deferred tax debit of £1 3m (2006 0 4m) has been recognised in the Consolidated Income Statement The cumulative actuarial gains and losses, gross of deferred tax (from 2004 onwards) recognised in the Consolidated Statement of Recognised Income and Expense amounted to a loss of £1 1m (2006 loss of £7 3m)

Of the above pension liability before taxation, £12 1m (2006 £21 2m) relates to wholly or partly funded schemes and £3 6m (2006 £2 4m) relates to unfunded schemes

The movement in the pension liability before taxation in the year can be summarised as follows

	2007 £m	2006 £m
Pension liability at beginning of year	**(23 6)**	(27 0)
Current service cost	**(1 9)**	(2 3)
Businesses acquired	**(1 0)**	-
Contributions	**5 5**	2 9
Net finance cost	**(0 4)**	(0 6)
Actuarial gain	**6 2**	3 3
Exchange difference	**(0.5)**	0 1
Pension liability at end of year	**(15 7)**	(23 6)

MAIN SCHEME DISCLOSURE

The principal assumptions used for the IAS 19 actuarial valuation of the main scheme were

	2007 %	2006 %	2005 %
Rate of increase in salaries	**5 3**	5 0	4 8
Rate of fixed increase of pensions in payment	**5.3**	5 0	5 0
Rate of increase LPI pensions in payment	**3 3**	3 0	2 8
Discount rate	**5 7**	5 1	4 9
Inflation assumption	**3 3**	3 0	2 8

Deferred pensions are revalued to retirement in line with the scheme's rules and statutory requirements, with the inflation assumption used for LPI revaluation in deferment

For the main pension scheme, the life expectancy for a male employee beyond the normal retirement age of 60 is 27 5 years (2006 24 0 years)

29 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES CONTINUED

MAIN SCHEME DISCLOSURE CONTINUED

The fair value of the assets in the main scheme the present value of the liabilities in the main scheme and the expected rate of return at each balance sheet date were

	2007 %	2007 £m	2006 %	2006 £m	2005 %	2005 £m
Equities	6 9	37 5	6 8	32 8	6 7	29 0
Bonds	4 6	23 1	4 6	20 1	4 4	18 7
Other	4 1	–	4 1	–	4 0	0 1
Total fair value of assets		60 6		52 9		47 8
Present value of scheme liabilities		(71 7)		(69 9)		(67 5)
Deficit in the scheme		(11 1)		(17 0)		(19 7)
Related deferred tax asset		3.3		5 4		6 5
Pension liability after taxation		(7 8)		(11 6)		(13 2)

The overall expected rate of return is based upon market conditions at the balance sheet date

Following the actuarial valuation of the scheme as at 31 December 2006, in December 2007, a special contribution of £2 5m was made to the main scheme on the advice of the actuary In addition, a further special contribution of £7 2m was made in January 2008 Future joint (employer and employee) contribution rates for the main scheme have been agreed at 23% of pensionable salaries plus fixed monthly Company contributions of £0 1m

Analysis of the amount charged to operating profit under IAS 19 in relation to the main scheme

	2007 £m	2006 £m
Current service cost	1 5	1 6

Analysis of the amount charged to finance income and finance charges under IAS 19 in relation to the main scheme

	2007 £m	2006 £m
Finance income – being expected return on pension scheme assets	3 3	2 8
Finance costs – being interest on pension scheme liabilities	(3 6)	(3 3)
Net finance cost	(0 3)	(0 5)

The actual return on scheme assets was £3 5m (2006 £3 0m)

Analysis of the actuarial gain recognised in the Consolidated Statement of Recognised Income and Expense in respect of the main scheme

	2007 £m	2006 £m
Actual return less expected return on assets	0 2	0 2
Experience gains and losses on liabilities	(5 9)	–
Changes in assumptions	8 4	2 1
Actuarial gain recognised	2.7	2 3

Movement in deficit during the year in respect of the main scheme

	2007 £m	2006 £m
Deficit in main scheme at beginning of year	(17.0)	(19 7)
Current service cost	(1 5)	(1 6)
Contributions	5 0	2 5
Net finance cost	(0 3)	(0 5)
Actuarial gain	2.7	2 3
Deficit in main scheme at end of year	(11 1)	(17 0)

29 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES CONTINUED

MAIN SCHEME DISCLOSURE CONTINUED

Movements in the present value of the main scheme liabilities were as follows

	2007 £m	2006 £m
Fair value of main scheme liabilities at beginning of year	**(69 9)**	(67 5)
Current service cost	**(1 5)**	(1 6)
Interest on pension scheme liabilities	**(3 6)**	(3 3)
Experience gains and losses on liabilities	**(5 9)**	–
Changes in assumptions	**8 4**	2 1
Contributions from scheme members	**(0 5)**	(0 5)
Benefits paid	**1 3**	0 9
Fair value of main scheme liabilities at end of year	**(71 7)**	(69 9)

Movements in the fair value of the main scheme assets were as follows

	2007 £m	2006 £m
Fair value of main scheme assets at beginning of year	**52 9**	47 8
Expected return on assets	**3 3**	2 8
Actual return less expected return on assets	**0 2**	0 2
Contributions from sponsoring companies	**5 0**	2 5
Contributions from scheme members	**0 5**	0 5
Benefits paid	**(1 3)**	(0 9)
Fair value of main scheme assets at end of year	**60 6**	52 9

History of experience of gains and losses

	2007	2006	2005
Difference between the expected and actual return on main scheme assets			
Amount (£m)	**0 2**	0 2	4 0
Percentage of main scheme assets	**–**	–	7%
Experience gains and losses on main scheme liabilities			
Amount (£m)	**(5 9)**	–	–
Percentage of the present value of main scheme liabilities	**(8%)**	–	–
Total amount recognised in the Consolidated Statement of Recognised Income and Expense			
Amount (£m)	**2 7**	2 4	(1 3)
Percentage of the present value of main scheme liabilities	**4%**	3%	(2%)

OTHER SCHEMES DISCLOSURE

The Company also operates a further seven defined benefit pension schemes details of which have been aggregated below and are referred to as "other schemes"

The principal assumptions used for the IAS 19 actuarial valuations of the other schemes can be summarised as follows

	2007 %	2006 %	2005 %
Rate of increase in salaries	**5 3**	5 0	4 8
Rate of fixed increase of LPI pensions in payment	**3 3**	3 0	2 9
Discount rate	**5 7**	5 1	4 8
Inflation assumption	**3 3**	3 0	2 9

29 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES CONTINUED

OTHER SCHEMES DISCLOSURE CONTINUED

The fair value of the assets, the present value of the liabilities and the expected rate of return at each balance sheet date for the other schemes were

	2007 %	2007 £m	2006 %	2006 £m	2005 %	2005 £m
Equities	**6 2**	**11 2**	6 5	11 2	6 5	12 1
Bonds	**5 1**	**4 9**	4 7	3 6	4 4	1 0
Property	**6 2**	**0 1**	6 5	0 1	6 5	0 3
Cash	**5 0**	**–**	4 5	0 1	4 0	0 3
Total fair value of assets		**16 2**		15 0		13 7
Present value of scheme liabilities		**(20 8)**		(21 6)		(21 0)
Deficit in the schemes		**(4 6)**		(6 6)		(7 3)
Related deferred tax asset		**0.1**		1 3		1 6
Pension liability after taxation		**(4 5)**		(5 3)		(5 7)

The overall expected rate of return is based upon market conditions at the balance sheet date

Future joint contribution rates (employers and employees) for two of the other schemes have been agreed at 31 0% and 34 2% of pensionable salaries Annual joint contributions for another scheme for which one active member remains, have been agreed at £0 1m For the four overseas book reserved schemes, in accordance with the scheme rules, no contributions are made

Analysis of the amount charged to operating profit under IAS 19 in relation to the other schemes

	2007 £m	2006 £m
Current service cost	**0 4**	0 7

Analysis of the amount charged to finance income and finance charges under IAS 19 in relation to the other schemes

	2007 £m	2006 £m
Finance income – being expected return on pension scheme assets	**0 9**	0 8
Finance costs – being interest on pension scheme liabilities	**(1 0)**	(0 9)
Net finance cost	**(0 1)**	(0 1)

The actual return on scheme assets was £1 1m (2006 £1 1m)

Analysis of the actuarial gain recognised in the Consolidated Statement of Recognised Income and Expense in respect of the other schemes

	2007 £m	2006 £m
Actual return less expected return on assets	**0 2**	0 3
Experience gains and losses on liabilities	**1 5**	0 1
Changes in assumptions	**1 8**	0 5
Actuarial gain recognised	**3 5**	0 9

Movement in deficit during the year in respect of the other schemes

	2007 £m	2006 £m
Deficit in the other schemes at beginning of year	**(6 6)**	(7 3)
Current service cost	**(0 4)**	(0 7)
Businesses acquired	**(1 0)**	–
Contributions	**0 5**	0 5
Net finance cost	**(0 1)**	(0 1)
Actuarial gain	**3 5**	0 9
Exchange difference	**(0 5)**	0 1
Deficit in the other schemes at end of year	**(4 6)**	(6 6)

29 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES CONTINUED

OTHER SCHEMES DISCLOSURE CONTINUED

Movements in the present value of the other schemes' liabilities were as follows

	2007 £m	2006 £m
Fair value of the other schemes' liabilities at beginning of year	**(21 6)**	(21 0)
Current service cost	**(0 4)**	(0 7)
Interest on pension scheme liabilities	**(1 0)**	(0 9)
Experience gains and losses on liabilities	**1 5**	0 1
Changes in assumptions	**1 8**	0 5
Contributions from scheme members	**–**	(0 1)
Businesses acquired	**(1 0)**	–
Exchange differences	**(0 5)**	0 1
Benefits paid	**0 4**	0 4
Fair value of the other schemes' liabilities at end of year	**(20 8)**	(21 6)

Movements in the fair value of the other schemes' assets were as follows

	2007 £m	2006 £m
Fair value of the other schemes' assets at beginning of year	**15 0**	13 7
Expected return on assets	**0 9**	0 8
Actual return less expected return on assets	**0 2**	0 3
Contributions from sponsoring companies	**0 5**	0 5
Contributions from scheme members	**–**	0 1
Benefits paid	**(0 4)**	(0 4)
Fair value of the other schemes' assets at end of year	**16 2**	15 0

HISTORY OF EXPERIENCE OF GAINS AND LOSSES	2007	2006	2005
Difference between the expected and actual return on the other schemes' assets			
Amount (£m)	**0 2**	0 3	1 4
Percentage of the other schemes assets	**1%**	2%	10%
Experience gains and losses on the other schemes liabilities			
Amount (£m)	**1 5**	0 1	–
Percentage of the present value of the other schemes' liabilities	**7%**	1%	–
Total amount recognised in the Consolidated Statement of Recognised Income and Expense			
Amount (£m)	**3 5**	0 9	(0 6)
Percentage of the present value of the other schemes' liabilities	**17%**	4%	(3%)

D) CONTINGENT LIABILITIES

As at the balance sheet date, the Group had outstanding obligations under customer guarantees, claims, standby letters of credit and discounted bills of up to £8 4m (2006 £8 0m) Of this amount, £7 5m (2006 £7 0m) related to standby letters of credit, issued by The Royal Bank of Scotland plc, in respect of the Group's insurance arrangements

In addition, there is a possible risk that when SIG acquires certain companies that include employee shareholders the capital gain made by these shareholders could be reclassified as an income tax liability As at 31 December 2007, this could give rise to a social security cost for the Group of up to £10m

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors who are the key management personnel of the Group is provided in the audited part of the Directors' Remuneration Report on pages 52 to 60 In addition the Group recognised a share-based payment charge under IFRS 2 in respect of the Directors of £0 6m (2006 £0 4m)

31 SUBSIDIARIES

Details of the Group's principal trading subsidiaries, all of which have been included in the Consolidated Accounts are shown on page 121

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIG PLC

We have audited the Group financial statements of SIG plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Significant Accounting Policies and the related notes 1 to 31 These Group financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors Remuneration Report that is described as having been audited

We have reported separately on the Parent Company financial statements of SIG plc for the year ended 31 December 2007

This report is made solely to the Company's members, as a body in accordance with Section 235 of the Companies Act 1985 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 Auditors Report and for no other purpose To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors Responsibilities

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the Group financial statements give a true and fair view whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors Report is consistent with the Group financial statements

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements Our responsibilities do not extend to any further information outside the Annual Report

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' Remuneration Report to be audited

OPINION

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation,
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Group financial statements

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
LEEDS
12 MARCH 2008

FIVE YEAR SUMMARY

	UK GAAP	IFRS				
				Continuing operations ^		
	2003 £m	2004 £m	2005 £m	2005 £m	2006 £m	**2007 £m**
Revenue	1,268 5	1,398 2	1,639 3	1 571 4	1,859 8	**2,455 2**
Underlying* operating profit	63 4	77 0	102 1	99 1	121 4	**159 4**
Operating profit	58 6	76 4	92 8	89 8	114 5	**142.2**
Finance income	4 1	5 0	8 6	8 6	7 4	**10 6**
Finance charges	(11 2)	(11 2)	(14 5)	(14 5)	(19 2)	**(28 5)**
Underlying* profit before tax	56 3	70 9	94 3	91 3	108 2	**140 1**
Profit before tax	51 5	70 2	86 8	83 8	102 7	**124 3**
Profit after tax	34 7	48 8	58 1	56 0	71 8	**87 1**
Underlying* earnings per share	32 5p	40 3p	52 7p	50 9p	61 3p	**74 8p**
Earnings per share	28 6p	39 9p	47 0p	45 2p	58 1p	**66 3p**
Dividend per share	12 4p	14 0p	16 8p	16 8p	20 5p	**26 7p**

* Underlying figures are stated before the amortisation of acquired intangibles, the impairment/amortisation of goodwill and hedge ineffectiveness

^ SIG sold its USA business on 20 November 2006 Figures stated are from continuing operations (i e excluding the USA business)

A more detailed five year summary can be found in the investor section of the Company's website (www sigplc co uk)

COMPANY ACCOUNTS (PREPARED IN ACCORDANCE WITH UK GAAP)

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 £m	2006 £m
Fixed assets			
Investments	4	**354 7**	353 7
Tangible assets	5	**0 1**	–
		354 8	353 7
Current assets			
Debtors – due within one year	6	**135 0**	59 4
Debtors – due after more than one year	6	**485 9**	266 1
Cash at bank and in hand		**2 2**	7 6
		623 1	333 1
Creditors amounts falling due within one year	7	**(228 9)**	(135 7)
Net current assets		**394 2**	197 4
Total assets less current liabilities		**749 0**	551 1
Creditors amounts falling due after one year	8	**(341 1)**	(265 7)
Net assets		**407.9**	285 4
Capital and reserves			
Called up share capital	10	**13 5**	12 3
Share premium account	10	**166 5**	19 6
Merger reserve	10	**21 7**	21 7
Capital redemption reserve	10	**0 3**	0 3
Special reserve	10	**130 4**	130 4
Share option reserve	10	**2 7**	1 8
Exchange reserve	10	**(0 2)**	(0 2)
Profit and loss account	10	**73 0**	99 5
Shareholders' funds (all equity)		**407 9**	285 4

The Accounts were approved by the Board of Directors on 12 March 2008 and signed on its behalf by

DAVID WILLIAMS
DIRECTOR

GARETH DAVIES
DIRECTOR

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The separate Accounts of the Company are presented as required by the Companies Act 1985 They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards ("UK GAAP") and Law

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

The Company has taken the exemption from FRS 29 "Financial Instruments Disclosures" provided for a Parent Company s single entity financial statements

SHARE-BASED PAYMENTS

The accounting policy for share-based payments mirrors that of the Group as detailed on page 69

FINANCIAL INSTRUMENTS

The accounting policy for financial instruments mirrors that of the Group as detailed on pages 70 and 71

FINANCIAL ASSETS AND LIABILITIES

The accounting policy for financial assets and liabilities mirrors that of the Group as detailed on page 70

INVESTMENTS

Fixed asset investments in subsidiaries are shown at cost less provision for impairment

FOREIGN CURRENCY

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Profit and Loss Account

NOTES TO THE ACCOUNTS

1 PROFIT FOR THE YEAR

As permitted by Section 230 of the Companies Act 1985 the Company has elected not to present its own Profit and Loss Account for the year SIG plc reported a profit for the financial year ended 31 December 2007 of £3 0m (2006 £9 9m)

The Auditors' remuneration for audit services to the Company was £0 1m (2006 £0 1m)

2 SHARE-BASED PAYMENTS

The Company had five share-based payment schemes in existence during the year ended 31 December 2007 The Company recognised a total charge of £0 6m (2006 £0 3m) in the year relating to equity-settled share-based payment transactions issued after 7 November 2002 Share based payment charges of £1 0m (2006 £0 8m) were transferred to subsidiary undertakings of the Company The total amount transferred to the share option reserve in the year amounted to £1 6m (2006 £1 1m) Details of the valuations of each of the five share-based payment schemes can be found in Note 9 to the Group Accounts on pages 82 to 85

3 STAFF COSTS

Particulars of employees (including Directors) are shown below

	2007 £m	2006 £m
Employee costs during the year amounted to		
Wages and salaries	**3 7**	2 6
Social security costs	**0 5**	0 4
FRS 20 share option charge	**0 6**	0 3
Pension costs	**0 5**	0 4
	5.3	3 7

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

	2007 Number	2006 Number
Administration	**37**	23

4 FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings, as follows

	2007 £m	2006 £m
Cost		
Beginning of year	**353 8**	284 1
Additions	**1 0**	85 0
Disposals	**–**	(15 3)
End of year	**354 8**	353 8
Provisions at the beginning and end of year	**(0 1)**	(0 1)
Net book value, beginning of year	**353 7**	284 0
Net book value, end of year	**354 7**	353 7

On 10 August 2007, the Company acquired 100% of the shares in Fitzpatrick Doors Limited for £1 0m

On 6 December 2006 the Company acquired a further 850,000,000 ordinary shares of 10p each at par in a subsidiary company, SIG Trading Limited for £85 0m

On 20 November 2006, the Company disposed of its USA business The total investment disposed of amounted to £15 3m

Details of the Company's principal trading subsidiaries are shown on page 121

5 TANGIBLE FIXED ASSETS

The movement in the year was as follows

	Freehold land and buildings £m	Plant and machinery £m	Total £m
Cost			
Beginning of year	0 1	0 2	0 3
Additions	–	0 1	0 1
End of year	**0 1**	**0.3**	**0 4**
Depreciation			
Beginning of year	0 1	0 2	0 3
Charge for year	–	–	–
End of year	**0 1**	**0 2**	**0 3**
Net book value, beginning of year	–	–	–
Net book value, end of year	–	**0 1**	**0 1**

6 DEBTORS

	2007 £m	2006 £m
Amounts owed by subsidiary undertakings	**610 5**	317 7
Corporation tax recoverable	**6 8**	2 5
Deferred tax assets (Note 9)	**2 6**	3 1
Derivative financial instruments	**–**	1 7
Prepayments and accrued income	**1 0**	0 5
	620 9	325 5

Of the total amount owed to the Company by subsidiary undertakings, £485 9m (2006 £266 1m) is due after more than one year

7 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £m	2006 £m
Bank loans	**150 1**	49 8
Private placement notes	**22 1**	–
Amounts owed to subsidiary undertakings	**1 7**	75 8
Derivative financial instruments	**36 7**	0 1
Accruals and deferred income	**18 3**	10 0
	228 9	135 7

All the Company s bank loans and overdrafts are unsecured

8 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £m	2006 £m
Private placement notes	**251 8**	193 0
Derivative financial instruments	**35 5**	37 7
Amounts owed to subsidiary undertakings	**53 8**	35 0
	341 1	265 7

Details of the private placement notes are as follows

	2007 £m	2007 fixed interest rate* %	2006 £m	2006 fixed interest rate* %
Repayable in 2008	**22 1**	**7 1%**	22 4	7 1%
Repayable in 2011	**39 7**	**7 3%**	40 3	7 3%
Repayable in 2013	**69 2**	**5 1%**	25 5	5 9%
Repayable in 2016	**122 9**	**6 0%**	104 8	6 0%
Repayable in 2018	**20 0**	**5 8%**	–	N/A
	273 9	**6 0%**	193 0	6 4%

* Before applying associated derivative financial instruments

With the exception of the derivative financial asset of £0 5m, all Group derivative financial instruments disclosed in Note 18 on pages 94 to 96 have been entered into by the Company and therefore disclosures have not been repeated within this note

9 DEFERRED TAX

	2007 £m	2006 £m
Deferred tax assets	**2.6**	3 1

The deferred tax assets above comprise of short term timing differences

The movement during the year in the deferred tax asset was as follows

	2007 £m	2006 £m
Beginning of year	**3 1**	3 4
Effect of rate change	**(0 2)**	–
Charge for the year	**(0 3)**	(0 3)
End of year	**2.6**	3 1

Given the current profitability of the Company, the Directors consider that recognition of the deferred tax asset above is appropriate

10 CAPITAL AND RESERVES

	2007 £m	2006 £m
Called up share capital	**13 5**	12 3
Share premium account	**166 5**	19 6
Merger reserve	**21.7**	21 7
Capital redemption reserve	**0.3**	0 3
Special reserve	**130 4**	130 4
Share option reserve	**2 7**	1 8
Exchange reserve	**(0 2)**	(0 2)
Profit and loss account	**73.0**	99 5
Total reserves	**407 9**	285 4

The movement in reserves during the year was as follows

	Called up share capital £m	Share premium account £m	Share option reserve £m	Retained profits £m
Beginning of year	12 3	19 6	1 8	99 5
Proceeds on allotments	1 2	146 9	–	–
Credit to share option reserve	–	–	1 6	–
Exercise of share options	–	–	(0 7)	0 7
Fair value movement on cash flow hedges	–	–	–	(1 8)
Profit for the period	–	–	–	3 0
Dividends	–	–	–	(28 4)
End of year	**13 5**	**166 5**	**2 7**	**73 0**

There was no movement in the merger reserve, capital redemption reserve special reserve and exchange reserve in the period

Details of the Company s share capital can be found in Note 24 of the Group Accounts on page 102

11 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

A) GUARANTEES

The Company has cross-guaranteed overdrafts of subsidiary undertakings amounting to £14 1m (2006 £11 7m)

B) CONTINGENT LIABILITIES

As at the balance sheet date, the Company had outstanding obligations under standby letters of credit of up to £7 5m (2006 £7 0m) These standby letters of credit, issued by The Royal Bank of Scotland plc, are in respect of the Group's insurance arrangements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIG PLC

We have audited the Parent Company financial statements of SIG plc for the year ended 31 December 2007 which comprise the Balance Sheet, the Statement of Significant Accounting Policies and the related notes 1 to 11 These Parent Company financial statements have been prepared under the accounting policies set out therein

We have reported separately on the Group financial statements of SIG plc for the year ended 31 December 2007 and on the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 Auditors' Report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report the Directors' Remuneration Report and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the Parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the Directors Report is consistent with the Parent Company financial statements

In addition we report to you if in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Parent Company financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements Our responsibilities do not extend to any further information outside the Annual Report

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the Parent Company financial statements It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements are free from material misstatement whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements

OPINION

In our opinion

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007,
- the Parent Company financial have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors Report is consistent with the Parent Company financial statements

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
LEEDS
12 MARCH 2008

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Odborarska 52
Slovakia

PRINCIPAL TRADING SUBSIDIARIES

At 31 December 2007 the Company's principal trading subsidiaries, all of which are wholly owned except where stated were as follows

	Insulation	Roofing and External Elements	Commercial Interiors	Specialist Construction and Safety Products
United Kingdom				
SIG Trading Limited	●	●	●	●
Miller Pattison Limited	●			
LS Group Limited			●	
Ireland				
SIG Building Products Limited	●	●	●	●
Insulation Distributors Limited	●			
Germany				
WeGo Systembaustoffe GmbH	●		●	
Melle Dachbaustoffe GmbH		●		
France				
Ouest Isol SA	●			●
LITT Diffusion SAS			●	
Larivière SAS		●		
Benelux				
SIG Nederland B V	●		●	
SIG Belgium Holdings N V	●		●	
Poland				
WKT Polska Sp zo o	●	●	●	
Wodan Sp zo o	●		●	●
Czech Republic				
BEK Baustoffe CZ s r o	●		●	
Slovakia				
BEK Baustoffe Slovakia s r o	●		●	

All of the above companies are registered in the country referred to above, with the exception of SIG Trading Limited, Miller Pattison Limited and LS Group Limited that are registered in England and Wales

SIG European Investments Limited and SIG European Holdings Limited together hold the beneficial ownership of SIG Building Products Limited, WeGo Systembaustoffe GmbH Melle Dachbaustoffe GmbH, Société de l'Ouest des Produits Isolants SA , LITT Diffusion SAS Larivière SAS, SIG Nederland B V, SIG Belgium Holdings N V, WKT Polska Sp zo o , Wodan Sp zo o , BEK Baustoffe CZ s r o and BEK Baustoffe Slovakia s r o

The Group owns 80% of the ordinary share capital of Insulation Distributors Limited, via SIG Trading Limited

The Group owns 93 5% of the ordinary share capital of LS Group Limited This company owns the entire share capital of Leaderflush + Shapland Limited, via Leaderflush + Shapland Holdings Limited

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