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

SIG plc Annual Report and Accounts 2008

Registered in England 998314

SIG PLC IS A LEADING EUROPEAN SUPPLIER OF INSULATION, EXTERIORS, INTERIORS AND SPECIALIST CONSTRUCTION PRODUCTS.

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.

The core principles of SIG are:

FOCUS

SPECIALISATION

SERVICE

These principles enable the Group's businesses to offer expert advice and know-how, wide product choice and a fast and efficient delivery service.

AT A GLANCE: PERFORMANCE

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

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

* Underlying figures are stated before the amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments, restructuring costs and the profit on the sale of the USA business.

REVENUE† £3,054m

2008	£3,054m
2007	£2,455m
2006	£1,860m

LIKE FOR LIKE# SALES GROWTH† 6.5%

2008	6.5%
2007	10.9%
2006	7.1%

UNDERLYING* OPERATING PROFIT† £169.8m

2008	£169.8m
2007	£159.4m
2006	£121.4m

OPERATING PROFIT† £107.0m

2008	£107.0m
2007	£142.2m
2006	£114.5m

UNDERLYING* PROFIT BEFORE TAX† £137.3m

2008	£137.3m
2007	£140.1m
2006	£108.2m

PROFIT BEFORE TAX† £33.1m

2008	£33.1m
2007	£124.3m
2006	£102.7m

UNDERLYING* BASIC EPS† 71.4p

2008	71.4p
2007	74.8p
2006	61.3p

BASIC EPS† 4.7p

2008	4.7p
2007	66.3p
2006	58.1p

TRADING SITES AT 31 DECEMBER 2008 807

2008	807
2007	779
2006	618

EMPLOYEES AS AT 31 DECEMBER 2008 13,300

2008	13,300
2007	12,100
2006	9,600

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 and Building Environments, Exteriors, Interiors and Specialist Construction Products.

INSULATION AND BUILDING ENVIRONMENTS

EXTERIORS

INTERIORS

SPECIALIST CONSTRUCTION PRODUCTS

PRINCIPAL COUNTRIES
OF OPERATION
United Kingdom
Ireland
Germany
France
Poland
The Netherlands
Belgium
Austria
Czech Republic
Slovakia
Hungary

COUNTRIES IN WHICH SIG HAS
A SMALL TRADING PRESENCE
Turkey
Romania
Bulgaria
Luxembourg
Dubai*

* Not shown on the map.

FOCUS, SPECIALISATION AND SERVICE

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, Slovakia and Hungary.

£1,112m
36.4%
of total revenue

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

SIG supplies products and systems to every sector of the roofing industry for both new projects and repair and maintenance.

£849m
27.8%
of total revenue

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, Slovakia and Hungary.

£809m
26.5%
of total revenue

SIG is a leading supplier of specialist construction 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, safety products and tools. SIG also supplies specialist construction products in Poland and France.

£284m
9.3%
of total revenue

CHAIRMAN'S STATEMENT

THE EQUITY PLACING WILL CREATE A MORE APPROPRIATE CAPITAL STRUCTURE TO PROVIDE GREATER RESILIENCE AND FINANCIAL FLEXIBILITY IN THE CURRENT ENVIRONMENT.

2008 was a challenging year for UK based construction companies, as macro economic conditions took an increasing toll on building and construction activity. Against this background, helped by its exposure to a broad range of market sectors and geographies, SIG delivered record sales and a solid underlying profit performance.

RESULTS

For the year ended 31 December 2008, compared with the corresponding period in 2007:

SALES

Total sales increased by £598.4m (24.4%) to £3,053.6m (2007: £2,455.2m).

Like for like sales growth was 6.5% in Sterling; down 0.8% in constant currency.

With the weakening of Sterling against all the local currencies in the Group's foreign operations, foreign exchange rate movements had a significant impact on reported sales growth on a year on year basis, adding £226.4m to sales (and £10.6m to underlying operating profit).

PROFITS

Total underlying operating profit increased by £10.4m (6.5%) to £169.8m (2007: £159.4m).

Underlying net finance costs increased by £13.2m to £32.5m (2007: £19.3m).

Underlying profit before tax reduced by £2.8m (2.0%) to £137.3m (2007: £140.1m).

Since 1 July 2008 the Group has taken active steps to realign its cost base in those markets where short to medium term demand is expected to remain subdued. In doing so, associated one-off restructuring costs of £22.2m were incurred during the year.

Amortisation of acquired intangibles increased by £9.2m to £26.4m (2007: £17.2m) and in addition the carrying value of goodwill in respect of the Group's Irish business has been written down by £14.2m during the year. Finally an expense of £41.4m has arisen in relation to losses on derivative financial instruments (2007: income of £1.4m).

Profit before tax therefore reduced by £91.2m to £33.1m (2007: £124.3m).

MARGINS

The underlying operating profit margin for the Group fell from 6.5% to 5.6% during the year.

In the UK and Ireland, the underlying operating profit margin fell from 8.0% to 6.7% reflecting the decline in like for like sales of 2.2% and particularly weak trading conditions in Ireland, where the like for like sales in local currency fell 22.3%. In Mainland Europe, the underlying operating profit margin was held at 4.9%.

EARNINGS AND DIVIDENDS

The underlying basic earnings per share reduced by 3.4p (4.5%) to 71.4p (2007: 74.8p). Basic earnings per share reduced by 61.6p to 4.7p (2007: 66.3p) as a result of the charging of a number of non-underlying costs to profit after tax.

The Board has decided that it is in the best interests of Shareholders not to pay a final dividend in 2008. The dividend for the year will therefore be the interim dividend of 8.3p paid to Shareholders in November 2008 (2007: 26.7p).

The Board remains committed to a progressive dividend policy and SIG will resume dividend payments when markets stabilise and it believes it is prudent to do so taking into account the Group's earnings, cash flow and balance sheet position.

FINANCIAL POSITION

As set out in our Trading Statement on 13 January 2009, SIG has been implementing a range of operational measures to reduce working capital, improve cash generation and reduce net debt. Our full year trading cash conversion was 97%, much improved compared to the 48% achieved in the first half of 2008.

However, the rapid devaluation of Sterling in the second half of 2008 with a closing €/£ exchange rate at 31 December 2008 of 1.03 (opening 1 January 2008: 1.362), contributed to a full year exchange difference on net debt of £154.3m and a closing net debt position of £697.1m (2007: £428.9m).

PLACING AND OPEN OFFER AND FIRM PLACING

The Board's announcement today of a placing and open offer and firm placing to raise approximately £325m (net of expenses) of new equity capital will create a more appropriate capital structure to provide greater resilience and financial flexibility in the current environment. In addition, the Board believes that the associated reduction in financial indebtedness will provide appropriate headroom under the covenant levels in its existing debt facilities. Further details of the Group's indebtedness, including maturity profile and performance against covenants, is included in the Financial section of the Business Review on pages 17 to 21.

ACQUISITIONS

In 2008 the Group completed 25 transactions for a total consideration including assumed debt of £130.5m, with combined annualised sales on an historical basis of £190m. In its interim announcement in August last year, SIG stated that it would materially reduce acquisition spend in the second half and it completed only one transaction in that period, a small bolt-on acquisition in the Czech Republic for a consideration of £2.8m. All other acquisitions were completed in the first half of 2008. Of the acquired historical annualised sales of £190m, £156m impacted 2008.

These businesses are being successfully integrated into the Group and are trading in line with our expectations.

FOCUS, SPECIALISATION AND SERVICE

LES TENCH NON-EXECUTIVE CHAIRMAN

GLOSSARY OF TERMS

LIKE FOR LIKE	is defined as the business excluding the impact of acquisitions made since 1 January 2007.
UNDERLYING	is before the amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs.
TRADING CASH CONVERSION	is defined as cash flow from operations before pension movements divided by underlying operating profit.

HIGHLIGHTS

- Sales exceeded £3bn for the first time
- Increased geographic coverage in Central and Eastern Europe
- Increased product range
- Cost base realigned to take account of market conditions and prospects

COST SAVING INITIATIVES

As set out in the Trading Statement (13 January 2009) and the Interim Management Statement (19 November 2008), in order to better align resources to anticipated levels of trading going into 2009, the Group implemented in the second half of 2008 a comprehensive range of previously prepared contingency measures. These included the closure of 80 trading sites and a reduction in the number of employees in the Group, including head office functions, of 1,020 or 7% of total staffing. From these actions the Directors expect to deliver an anticipated net cost saving of over £35m in total in 2009. The associated one-off restructuring costs of £22.2m are included in the 2008 results as "Other items".

On a business by business basis, these profit protection steps realigned resources to current and anticipated trading levels whilst not compromising the Group's ability to provide excellent service and value to its customers.

While the larger part of these related to the Group's operations in the UK and Ireland, selective steps were also taken in a number of the Group's European businesses.

The cost reduction programme is an ongoing process and since 31 December 2008, the Group has implemented further cost saving initiatives which are expected to deliver additional savings of £12m in 2009 (£15m annualised). SIG is continuing to align resources to anticipated trading levels and has contingency plans in place should further reductions in demand occur.

BOARD

Mr. David Williams, who had been Chief Executive of SIG since January 2002, retired on 30 June 2008. The Board wishes to record its appreciation of the contribution made by Mr. Williams over the 24 years he served with the Group. He was succeeded by Mr. Chris Davies who was SIG's Managing Director of Europe since January 2001. Chris has been instrumental in building SIG's Mainland European operations.

EMPLOYEES

On behalf of the Board I wish to thank all our employees throughout the Group for their efforts in enabling the Group to outperform market conditions.

OUTLOOK

Against a background of sharply declining levels of building activity in the residential new build and repairs, maintenance and improvement sectors in both Ireland and the UK in the second half of 2008, trading in 2009 to date has remained very challenging for those parts of the Group's business most exposed to the housing market. The exception to this trend continues to be the operation of Miller Pattison, which retrofits thermal insulation in existing dwellings and which has continued to see strong growth in demand as a result of the Government's CERT scheme.

The extreme cold weather conditions and snow experienced across the UK at the beginning of February 2009 have also impacted SIG's business as deliveries were unable to be made and construction site activity stopped for a number of days.

Demand from the non-residential sector has been subdued in 2009 to date. Demand from the publicly funded and PFI sectors is gradually working through to contractors' order books, with projects particularly in health and education infrastructure expected to continue to partially offset the slowdown in private sector project work observed in the second half of 2008 and which has continued into 2009.

Sales in Mainland Europe in local currency were more robust through the second half of 2008 than in the UK and Ireland, being ahead of 2007 in total and on a like for like basis in all Mainland European countries in which the Group operates. Extremely harsh winter weather conditions severely impacting building site activity in Germany and Central and Eastern Europe since the start of the year have adversely affected SIG's sales in those countries. Such seasonal volatility inhibits visibility of trading trends. However, notwithstanding the weather effects and some softening in individual market sectors and geographies, notably residential new build and repairs, maintenance and improvement in France and Germany, underlying demand in non-residential construction and industrial insulation appears to be broadly steady at present across most countries in which the Group operates.

The Board continues to monitor developments across its spread of geographies and markets very closely. The current turbulent economic and financial conditions have implications for demand and activity in construction markets through the liquidity and credit issues which have continued into 2009. Whilst the impact continues to vary from country to country, the Group is mindful that trading has become more challenging in those geographies which had previously showed solidity. Nevertheless, the Group's diversified portfolio of markets and countries should continue to offer some resilience to these increasingly testing conditions.

Insulation has been one of the fastest growing construction products in recent years and this trend is expected to continue in the medium to long term, driven by a range of factors. These include concern for the environment, high energy costs, new legislation seeking to reduce energy consumption, new building regulations and grant schemes to improve energy efficiency in existing residential properties. The Group is well placed to benefit from this positive trend. Additionally, in the markets in which the Group operates, overall demand for industrial insulation is expected to remain robust and publicly funded non-residential works are anticipated to benefit from accelerated Government spending.

SIG's experienced and proven management team has a track record of outperforming in adverse conditions and the Company is confident that it will strengthen its market position in the period ahead.

LES TENCH
CHAIRMAN

BUSINESS REVIEW

MANY OF SIG'S BRANDS ARE RECOGNISED THROUGHOUT THEIR RESPECTIVE MARKET SECTORS AS THE LEADING SUPPLIER OF SPECIALIST PRODUCTS AND SERVICES.

GLOSSARY OF TERMS

LIKE FOR LIKE	is defined as the business excluding the impact of acquisitions made since 1 January 2007.
UNDERLYING	is before the amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs.
TRADING CASH CONVERSION	is defined as cash flow from operations before pension movements divided by underlying operating profit.

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 2008. 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 principal risks and uncertainties it faces. A cautionary comment relating to forward looking statements is provided on page 25.

INTRODUCTION TO SIG

SIG plc is a leading supplier of specialist products to professionals in the building, construction and related industries, with 807 trading sites throughout the UK and Ireland and Mainland Europe and employs 13,300 people at 31 December 2008.

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

On 13 March 2009, the share price closed at £1.175. At this date there were 135,765,220 shares in issue, giving a market capitalisation at that date of £160m.

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 the specific requirements of the customer 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-by-country basis and are shared across business units in each 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, the Corporate Development Department and the Group Finance Department.

SIG'S BUSINESS MODEL

SIG is the market leader in most of the specialist markets in which it trades. SIG is positioned as a leading player in the respective specialist market, or seeks to grow its market position through targeted development initiatives.

Specialist markets are characterised by the need to hold a broad and comprehensive range of stock, supported by technical advice and extensive service and delivery capability.

SIG's leading position in specialist markets has enabled the Group's sales growth to outperform the general construction output index in recent years, both on an organic basis and including acquisitions.

Specialist markets provide opportunity for superior growth in their tendency to be more fragmented in nature and the requirement for technical product and application knowledge which provide entry barriers to the general merchanting community. SIG's strategy in fragmented markets is to build scale and market share whilst generating superior purchasing power and achieving economies of scale in back office activities thereby delivering superior returns.

The supply of specialist products requires a proactive sales approach rather than a passive retail approach together with a more collaborative process of supply chain management.

SIG'S MARKET SECTORS

Over the last two decades, SIG has continuously 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. The principal countries from which SIG trades are:

	Insulation and Building Environments	Exteriors	Interiors	Specialist Construction Products
United Kingdom	•	•	•	•
Ireland	•	•	•	•
Germany and Austria	•	•	•	
France	•	•	•	•
Poland	•	•	•	•
Benelux	•		•	
Czech Republic, Slovakia and Hungary	•		•	

During 2008, SIG acquired an international supplier of air handling products which, in addition to locations within SIG's current geographic footprint, extends the Group's sales into Turkey, Romania and Bulgaria. SIG also has a small presence in Luxembourg and Dubai arising out of recent acquisitions. The operations in these five countries amount to less than 1% of Group sales and have not therefore been included in the table above.

FOCUS, SPECIALISATION AND SERVICE

CHRIS DAVIES CHIEF EXECUTIVE

GARETH DAVIES FINANCE DIRECTOR

INTRODUCTION TO SIG CONTINUED
SIG'S PRODUCTS

Insulation and Building Environments

Thermal insulation

Fire protection

Acoustic insulation

Dry lining

Refrigeration and cold storage

Flooring

Installation of insulation

High temperature insulation

Air tightness testing

Heating and ventilation products

Industrial lining

Pipe insulation

Roofing insulation

Waterproofing

Air handling and air treatment

Air conditioning

Exteriors

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
- Insulated panels

Rainwater goods

Roofline products
- Soffits
- Facias
- Barge boards

Ventilation

Building Plastics
- UPVC windows and doors
- Plastic cladding

Interiors

Suspended ceilings

Partitioning

Cleanroom technology products

Doors and doorsets

Category lighting

Dry lining

Fire protection

Insulation

Architectural glass

Toughened and laminated glass

Raised access floors

Column encasements

Office/acoustic screens

Noise control

Office furniture and storage products

Fixing products

Temporary protection products

Floor coverings

Washroom systems

Specialist Construction Products

Mechanical engineering 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

Tools

SPECIALIST MARKETS PROVIDE THE OPPORTUNITY FOR SUPERIOR GROWTH IN THEIR TENDENCY TO BE MORE FRAGMENTED IN NATURE.

THE CORE SIG BUSINESS OFFERING:

SUPPLY SPECIALIST CONTRACTORS WITH SPECIALIST PRODUCTS IN FOUR KEY MARKETS

INSULATION AND BUILDING ENVIRONMENTS

EXTERIORS

INTERIORS

SPECIALIST CONSTRUCTION PRODUCTS

FOCUS, SPECIALISATION AND SERVICE

INTRODUCTION TO SIG CONTINUED

SIG'S ACTIVITIES

SIG is primarily a distributor handling and supplying specialist products manufactured by other companies. In markets where the supply chain requires bespoke products to be made and supplied direct to the end user, SIG's route to market is by manufacturing products for the specialist contractors to fit. SIG currently manufactures partition systems and doorsets in its UK Interiors division. SIG fabricates some custom products in all of its divisions. Fabrication involves adding value by cutting, reshaping or attaching two or more core products together. The largest fabrication activities are the cutting and shaping of industrial insulation, the cutting and processing of glass products and the assembly of composite roofing panels.

SIG's contracting activity is focused on the UK, where it installs loft and cavity wall insulation in residential properties and where customer demands dictate it installs certain interior products.

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 specialist products and services to the construction trade.

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:

- **PROVIDING ACCESS TO A BROAD AND DIVERSE CUSTOMER BASE**

SIG provides a diverse range of specialist products from manufacturers to support specialist contractors. Manufacturers deliver products in bulk to SIG's trading sites throughout each country of operation. SIG then focuses upon delivering a package range of products in job specific quantities on a time critical basis to a broad and diverse customer base as required by the construction cycle. SIG provides an efficient channel by which manufacturers can access thousands of specialist contractors.

- **PROVIDING "IMMEDIATE" AVAILABILITY OF PRODUCT CLOSE TO SITE LOCATION**

Through SIG's 807 trading sites, contractors are able to obtain product in rapid 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 delivery 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 their suitability for purpose and 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 activities 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 2008 Group sales into the different end markets:

	Total % of Group	New build % of sub-group	RMI % of sub-group
Non-residential	55%	57%	43%
Residential	35%	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 an underlying market in periods of economic downturn.

The smallest market for SIG is industry (non-construction). 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.

INTRODUCTION TO SIG CONTINUED

DEMAND FOR SIG'S PRODUCTS

Demand for the products sold by SIG is influenced by a wide range of factors. Overall economic GDP growth drives construction activity in line with the economic cycle. As the economy grows and contracts, construction activity reflects this trend. New build is driven by the economic cycle whilst RMI activity is more constant in nature and in certain markets can be counter cyclical offering a more constant level of activity.

The current economic downturn is inevitably affecting the short term demand for SIG's products. However, the medium to long term prospects for SIG's market sectors are excellent. The current low levels of residential and private non-residential building activity across certain parts of Europe are not sustainable when set against demographic growth trends. Together with the fact that SIG enjoys leading positions in the majority of its markets and geographies and is active in a number of emergent Central European markets, will ensure that the Group is in a prime position to benefit from the upturn in market demand over the medium term.

Demand for parts of the SIG product range are influenced by other specific factors as follows:

Business	**Sector-specific market drivers**
Insulation and Building Environments	• Demand for products to reduce energy consumption in both new and existing residential and non-residential buildings to reduce the impact of high energy costs and to reduce carbon dioxide ("CO_2") emissions. • Demand for insulation products will be driven by regulation in addition to environmental and economic factors. • Public sector and Private Finance Initiatives ("PFI"). 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. Accelerated government expenditure on infrastructure projects and residential developments, some of which will be funded under Private Finance Initiatives, will help support demand for insulation products in the current economic climate.
Exteriors	• 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 gives rise to an ongoing RMI requirement. This provides a core product demand. Certain products are used extensively for both new build and repair and maintenance in commercial property and demand over time is expected to increase as people look for low-maintenance products and energy efficient options. Recent reductions in new housing starts, particularly in the UK, will create a shortage of housing in these regions, exacerbated by an increasing population. In the UK and Ireland there is also an oversupply of multiple occupancy buildings such as city centre flats and an undersupply of detached single family buildings, which by their nature require more roofing product per person.
Interiors	• Rising standards of internal fit out and the growing importance of acoustic and fire safety standards. • Increased demand for integrated solutions. • Government expenditure to improve the internal environments of schools and hospitals and other public buildings. 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. Fire and acoustic regulations are set to become more stringent in the next few years. This will favour the larger suppliers with a depth of technical expertise, such as SIG. 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 Products	• Government and utility investment in major infrastructure projects. • Requirement for value engineered solutions on construction projects. • "Just-in-time" approach to project management. Complex major construction projects require specialist application and performance knowledge. This is provided by SIG's specialist businesses in this area. Over recent years, methods of construction have changed, leading to a requirement for new innovative specialist products which SIG is ideally placed to supply.

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 create growth in long term shareholder value.

In light of current macro economic conditions and the associated reduction in demand for construction related products, SIG has reacted quickly to align the cost base of its businesses with a reduced level of demand. The actions taken have been designed to maintain competitive capabilities and position in order to service customers, outperform competition and to take full advantage of an upturn in market demand.

In order to reduce the Group's net debt, cash generation and cost saving have been a key focus during 2008. This has been driven by a number of initiatives:

- strict management of working capital, through the issue of stringent working capital targets to all business units, primarily in relation to inventory and trade receivables;
- an increased drive for process efficiency through the adoption of best practice principles;
- the deferral of non-essential capital expenditure;
- further cross business unit resource sharing and cost saving initiatives; and
- procurement, logistics and property reviews.

SIG's long term growth plan is focused around five key growth strategies which are as follows:

- **geographical development into attractive new markets;**
- **market demand growth;**
- **pipeline of development initiatives;**
- **wider product range; and**
- **consolidate and exploit existing market leading positions.**

Throughout 2008, SIG worked hard to grow its business despite a backdrop of challenging market conditions in the second half of the year. Details of the growth strategies in action during 2008 are set out below:

1. GEOGRAPHICAL DEVELOPMENT INTO ATTRACTIVE NEW MARKETS

SIG is continually evaluating the construction market prospects of all countries within Europe to assess where the best growth prospects lie. SIG analyses the supply chain structure of each market and evaluates the future potential for SIG to enter the market as a specialist supplier within its chosen four market sectors.

In the first half of 2008, SIG purchased a specialist insulation and interiors business in Hungary and an international supplier of air handling products which, in addition to locations within SIG's current geographic footprint, has small scale operations in Turkey, Romania and Bulgaria. Acquisitions completed in 2007 also extended the Group's footprint into the Czech Republic and Slovakia.

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.€750bn 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. PIPELINE OF DEVELOPMENT INITIATIVES

In support of SIG's long term growth objectives, SIG employs an active business development and portfolio management strategy. This involves identifying attractive growth opportunities for the Group where SIG's key skills and capabilities match with those necessary in developing attractive new market opportunities. This includes a targeted acquisition strategy as well as organic growth initiatives.

In light of the current challenging market environment the Group curtailed its acquisition expenditure at 30 June 2008, with the exception of one small acquisition in the Czech Republic in September 2008, in order to focus upon maximising cash generation.

The Group retains its good knowledge of its market place and possible future acquisition opportunities across Europe. The Board will be very careful in its considerations regarding the most appropriate time to recommence this part of the Group's strategy.

In the meantime, the Group continues to develop and exploit the synergistic benefits that its historic acquisition programme has provided. These benefits include maximising cross business trading, selling new products to existing Group customers, selling existing products to new Group customers and the sharing of resources to enhance current cash flow and profitability.

Further details of SIG's 2008 acquisition programme are provided on pages 17 and 18.

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. A recent example of this is in the UK Interiors division where washroom systems and temporary protection products are being marketed to existing interior contractor customers that previously purchased these items from outside the Group.

BUSINESS REVIEW CONTINUED

THE TALENT MANAGEMENT PROCESS HAS BEEN EXTENDED ACROSS THE GROUP AND WITHIN OPERATING COMPANIES TO MARRY THE ASPIRATIONS OF TALENTED PEOPLE WITH FUTURE BUSINESS REQUIREMENTS AND EXPECTATIONS.

FIVE YEAR HISTORY – TRADING SITES

807

trading sites as at 31 December 2008

2008	807
2007	779
2006	618
2005	496
2004	412

SIG'S STRATEGY CONTINUED

5. CONSOLIDATE AND EXPLOIT EXISTING MARKET LEADING POSITIONS

SIG's strategy is to develop its distribution footprint to achieve further penetration in core markets. SIG continually evaluates its existing trading site network and trading format structure to take advantage of synergistic opportunities within the Group.

Examples of actions taken during 2008 include sharing of trading sites across different trading brands, sharing of transport and inventory across multiple trading sites and combining purchasing capabilities across different business streams.

In light of a reduction in market volumes across a number of SIG's end markets, SIG has reviewed rigorously the appropriate structure of its trading site networks and has quickly resized it to align to the latest forecast of market demand. This has resulted in the closure of 80 trading sites during 2008.

SIG has ensured that it has retained its most profitable and successful trading sites across each of its businesses to ensure that it is well positioned to benefit from any future increases in market demand.

The change in the number of the Group's trading sites over the last two years is shown below:

	UK and Ireland	Mainland Europe	Total
2006	422	196	618
Net openings	9	4	13
Acquired	30	118	148
2007	461	318	779
Net (closures)/openings	(64)	27	(37)
Acquired	36	29	65
2008	**433**	**374**	**807**

SIG'S STRATEGY CONTINUED

KEY LONG TERM OBJECTIVES

SIG is committed to the following key long term objectives:

- create long term growth in shareholder value through a progressive dividend policy and capital growth;
- develop and grow by applying the Group's core principles of Focus, Specialisation and Service;
- expand the Group and its activities as a leading specialist supplier to professional trades in the construction and related industries;
- supplement organic growth with targeted acquisition and development initiatives; and
- be an employer of choice and provide a rewarding and fulfilling environment for its people.

DEVELOPMENT OF OUR PEOPLE

SIG is committed to ensuring that all employees and management know what is expected of them in their roles and that they receive the necessary training and development to be highly competent in what they do. In the UK, an e-learning Induction Training Programme was launched during the year and the range of NVQs offered was extended. As well as acquisition of product knowledge, a great deal of emphasis is placed on on-the-job training and during the year, several coaching skills programmes were run across the Group to further improve the effectiveness of training.

The talent management process has been extended across the Group and within operating companies to marry the aspirations of talented people with future business requirements and expectations. This has led to continued investment in the Executive Development Programme run in conjunction with Sheffield Hallam University and a further 36 high potential individuals attending the prestigious Personal Development Awards. We continue to invest in graduate programmes across the Group and in 2008 piloted an international undergraduate placement programme which will be extended further in 2009.

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. Given the significant exchange rate changes during the last two years, the percentage presented below is on a constant currency basis to provide a realistic understanding as to underlying performance.

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 the 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.

Like for like sales growth rates on a constant currency basis are set out below:

	2006	2007	2008
UK and Ireland	4.4%	9.7%	**(3.4%)**
Mainland Europe	13.2%	12.3%	**4.2%**
Group	7.1%	10.5%	**(0.8%)**

The like for like sales reduction in the UK and Ireland in 2008 reflects the marked reduction in market demand in the second half of the year, particularly in those areas of the business exposed to residential construction. Management believes that despite this reduction, most businesses have either held or grown their market share.

The like for like sales growth in Mainland Europe is very encouraging in light of a mixed macro economic backdrop across the region. The geographical spread of the business provides the Group with diversity and an ability to manage risk.

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, impairment charges and restructuring costs.

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 has experienced a fall in its underlying operating profit margin in 2008 as a result of its costs rising against a backdrop of sales volume pressures in certain markets.

Cost inflation was experienced during 2008 in relation to staff costs and fuel. The majority of operating costs in the business relate to people, property and transport and in light of the current macro economic environment, SIG has taken swift action to align these operating costs with the underlying market demand for its products.

SIG currently 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:

	2006	2007	2008
UK and Ireland	8.0%	8.0%	**6.7%**
Mainland Europe	4.6%	4.9%	**4.9%**
Group* (after Parent costs)	6.5%	6.5%	**5.6%**

* Continuing operations only for 2006.

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) on a constant currency basis.

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 enable the Group to pay its taxes and, particularly in the current environment, to ensure that the Group complies with its debt covenants.

	2006	2007	2008
Working capital to sales	10.5%	10.2%	**10.7%**

BUSINESS REVIEW CONTINUED

SIG'S GREATER EXPOSURE TO THE NON-RESIDENTIAL BUILDING SECTORS IN THE UK AND IRELAND ALLIED TO AN EXCELLENT PERFORMANCE IN MAINLAND EUROPE, SERVED TO MITIGATE SOME OF THE WORST EFFECTS OF THE DOWNTURN IN 2008.

TRADING PERFORMANCE

2008 was characterised by the onset of the most turbulent economic conditions in recent memory, in which unprecedented developments in financial markets across the world have increasingly impacted a number of key industrial sectors, with the construction industry becoming one of the most affected. Against this unfolding adverse trading background, the diversity of the Group's countries of operation and market sectors and our focus on specialisation in the markets and products in which we trade, helped to provide some shelter from the worst effects of the deteriorating operating environment. With dramatic falls in particular being experienced in the residential new-build sector in the UK and Ireland as the year progressed, SIG's greater exposure to the non-residential building sectors in this region allied to an excellent performance in Mainland Europe, where sales are now approaching almost half of Group revenue, served to mitigate some of the worst effects of the downturn in 2008.

Following the record performance in sales and profits in 2007, the Group continued to grow sales in 2008, developing and expanding its product portfolio, market coverage and geographical spread in specialist products and markets related to the building, construction and key industrial sectors, at the same time taking exceptional benefit from foreign exchange gains on the translation of overseas earnings denominated in Euros. Product price inflation, driven principally by manufacturers' escalating raw material and energy costs and, on UK imports, the weakness of Sterling, varied between countries and product groups but averaged close to 2% across the year for the Group as a whole. Against this background, total Group turnover in 2008 was £3,054m, an increase of 24.4% on prior year, although underlying profit before tax was 2.0% lower at £137.3m as a result of the more challenging trading conditions.

In response to reducing levels of demand for the Group's products and services in some sectors and where the expectation was that demand would remain at best at a very subdued level for a prolonged period, the Company moved decisively to implement a broad range of initiatives on a business by business basis to reduce costs and improve the working capital position of the Group as far as possible. Meanwhile, the Group continued to allocate appropriate additional resources to core operations which continued to exhibit near term sales and profit potential, notably in insulation and air handling which are both central to the strategically key development sector of improving the energy performance of buildings.

The main changes to our operating network in 2008 were as follows:

- acquired a total of 25 businesses, together adding annualised sales of £190m and 65 trading sites;
- organic changes to the Group's trading site network comprised 43 new openings and 80 closures or mergers, a net reduction of 37 locations;
- as a result of these changes, the Group's total number of locations at the end of December increased by 28 during 2008 to 807 (2007: 779);
- consolidation of our position in Central and Eastern Europe with establishment of our first insulation and interiors market presence in Hungary;
- strengthened our position in the air handling market through the acquisition of Air Trade Centre, a Dutch-based multinational operation with subsidiaries both in SIG's existing countries of operation and in the new markets of Romania, Hungary, Bulgaria and Turkey;
- acquired five bolt-on businesses which strengthen our position in the UK specialist insulation market; and
- extended organically and by acquisition our product range for the interior fit out of non-residential buildings and by acquisition our range for the external roofing and cladding of industrial and non-residential buildings.

TRADING HIGHLIGHTS

UK AND IRELAND (55% OF TOTAL SALES)

- Total sales increased by £145.6m (9.6%) to £1,669.4m (2007: £1,523.8m)
- Like for like sales decreased by £32.2m (2.2%)
- In the UK only, like for like sales decreased by £19.1m (1.4%)
- Underlying operating profit decreased by £10.1m (8.4%) to £111.2m (2007: £121.3m)
- The underlying operating profit margin was 1.3% lower at 6.7% (2007: 8.0%)
- 49 trading sites were added in the year organically and by acquisition, with 77 closures, taking the total at 31 December 2008 to 433 (31 December 2007: 461)

Overall construction activity in the UK weakened in 2008 compared to 2007, principally due to a sharp decline in the residential building sector, where year on year new housing starts and completions fell steeply and discretionary residential RMI also reduced significantly as a consequence of the worsening economic situation, falling house prices and lack of mortgage finance availability. In contrast, the non-residential construction market showed greater resilience, in particular the publicly and PFI-funded sectors encompassing such programmes as the Building Schools for the Future and NHS hospital development projects, although towards the end of the year private sector non-residential markets such as office building and refurbishment, retail and leisure development also began to slow markedly. Whilst the impact of the economic downturn differed in its intensity and timing in SIG's various end market sectors in the UK and whilst some sectors remained relatively stable through the first half of the year, the general picture was one of erosion of demand as the year developed.

TRADING HIGHLIGHTS CONTINUED

UK AND IRELAND (55% OF TOTAL SALES) CONTINUED

In Ireland, private sector residential construction had begun to decline in the Spring of 2007 and continued to regress steeply throughout 2008 due to a combination of a surfeit of unsold finished properties on the market and a range of macro economic issues similar to those experienced in the UK. Other market segments held up better, though the non-residential interiors market became steadily more affected as the year progressed.

Sales of **Insulation** and related products in the UK and Ireland increased by 9.2% in total, 2.6% like for like, notwithstanding the overall reduction in construction activity. In the UK, this was partly due to the higher levels of thermal performance required by the 2006 changes to Building Regulations (Part L) feeding through into increased quantities of insulation being installed in new buildings. In Ireland, the severely reduced level of construction activity resulted in much lower demand for insulation, in common with all other types of building materials.

SIG Insulations, our UK distribution business, also benefited to some extent from the Carbon Emissions Reduction Target ("CERT") scheme, a three-year arrangement under which the Government obliges the six UK power generation companies to fund CO_2 and therefore energy-saving programmes in existing homes and which came into effect in April 2008. The main beneficiary, however, was our Miller Pattison subsidiary, whose main activity is the installation of insulation in the walls and lofts of houses which at the time they were built had little or no insulation fitted. The CERT scheme provided a strong boost for Miller Pattison's services and the Group invested in additional machinery and staff to keep pace with demand.

As well as thermal and acoustic insulation for buildings, SIG is the leading UK supplier of specialist insulation materials for a broad range of industrial process applications, ranging from power generation and petrochemical plant through to pharmaceutical and food processing and demand for industrial insulation from such industries as these remained robust during 2008.

The Company strengthened its position in the UK insulation market with five bolt-on acquisitions of specialist niche businesses which extended its product range and market coverage.

The number of trading sites increased by 8 to 83 at the end of December 2008.

The **Exteriors** division, which is heavily exposed to the residential housing market, found trading conditions increasingly challenging through the year, delivering sales of 1.6% up on prior year in total though down 8.6% on a like for like basis.

In Ireland, where new residential construction fell away sharply, sales volumes were significantly down on 2007 and as a consequence SIG Ireland reconfigured its roofing trading site network, concentrating storage and logistics in a reduced number of locations while maintaining sales coverage in the field.

In the UK, performance was boosted by the acquisition of Steadman, a specialist fabricator of roofing and cladding panels for industrial and agricultural buildings. In the existing roofing business trading became steadily tougher as the year progressed. The division's sales were to some extent protected by having less than a quarter of core roofing product sales made into the new-build housing sector and by having a significant proportion of its RMI sales being for emergency repair purposes. However, sales of both traditional roofing products and roofline and building plastics going into the home improvement market were adversely affected by a general reduction in consumer discretionary spending. As in Ireland, with little prospect of market recovery in the immediate future, steps were taken to rationalise the UK roofing trading site network and concentrate resources in fewer locations while maintaining full sales coverage in the market.

The number of trading sites decreased by 25 to 253 at the end of December 2008.

The **Interiors** division had a solid year, with sales increasing by 21.1% in total and 2.3% like for like. Its various operations supply specialist products such as suspended ceilings, commercial floor coverings and bespoke manufactured partitioning and door sets for the fit out of the interior space of all types of non-residential building, from offices, shops and hotels to schools, hospitals and prisons.

In Ireland, sales and profits in the Interiors division were down, though not as steeply as in other divisions such as insulation and roofing, due to the fact that the non-residential new build and refurbishment market was less badly hit by the recession than the housing market. In the UK, the commercial sector held up well in the first half of the year but tailed down in the second half as existing projects reached completion and many private sector companies began to delay or shelve plans for investment in new building works due to the deepening economic uncertainty.

By contrast, public sector investment in construction steadily gathered pace during the year, with schools and hospital projects in particular helping to offset some of the reduction in the commercial sector.

The Group acquired four small niche interiors businesses during the course of the year, broadening its offering and consolidating its position as the leading supplier of specialist products to the UK interiors market.

The number of trading sites decreased by 6 to 49 at the end of December 2008.

The **Specialist Construction Products** division supplies a wide range of specialist construction products to building contractors, including brickwork accessories, access equipment, groundwork preparation products, power tools, fixings and personal protection equipment. The range was extended during the year by the acquisition of Kem Edwards, a distributor of mechanical and electrical fixing items which are complementary to the division's existing range. Sales in the year were up 7.2% in total, down 8.9% like for like. The parts of the business worst hit by the downturn were those most exposed to residential construction, although sales of primary products also weakened as fewer new non-residential projects got underway. This division has largely been driven by small bolt-on acquisitions and in the face of reducing market demand the opportunity was taken in the second half of 2008 to reconfigure the operating structure, reducing the number of trading sites to improve efficiency.

The number of trading sites decreased by 5 to 48 at the end of December 2008.

MAINLAND EUROPE (45% OF TOTAL SALES)

- Total sales in Sterling increased by £452.8m (48.6%) to £1,384.2m (2007: £931.4m), helped by a strengthening Euro
- Like for like sales on a constant currency basis increased by 4.2%
- Sales increased on a like for like basis in local currency in each country of operation, as well as on a total basis
- Underlying operating profit increased by £22.0m (48.1%) to £67.9m (2007: £45.9m)
- Underlying operating profit margin was maintained at 4.9% (2007: 4.9%)
- Further expansion of geographic coverage, with a total of 56 net trading sites added during the year, including a total of 9 in Hungary, Romania, Bulgaria and Turkey combined, all of which are new countries for SIG, taking the total to 374 at 31 December 2008 (31 December 2007: 318)

AGAINST A BACKDROP OF PROFOUND CHANGES IN OUR OPERATING ENVIRONMENT IN 2008, SIG CONTINUED TO OUTPERFORM LOCAL CONDITIONS AND DELIVER CREDITABLE RESULTS.

TRADING HIGHLIGHTS CONTINUED
MAINLAND EUROPE (45% OF TOTAL SALES) CONTINUED

Overall, SIG's European countries of operation were much less affected by the turmoil in financial markets than was experienced in the UK and Ireland. Generally speaking, although there was some increasing weakness in residential construction and RMI in a number of countries, this was not on the same scale of intensity as in the UK and Ireland and demand in our other core markets of non-residential construction and industrial insulation remained generally solid throughout the year.

In **Germany and Austria** (41% of sales in Mainland Europe) total sales were 23.3% ahead of prior year in Sterling, up 5.8% in local currency and 1.4% like for like in local currency. Overall construction activity in the region showed slight growth over 2007, although the residential market weakened further from what was already a low base. There was some price deflation in the second half of the year in pitched roofing products, though overall the pricing environment was neutral to positive.

Our well-established Insulation and Interiors business made further good progress in 2008, with like for like sales and profits ahead in local currency. The product range and market coverage were enhanced by two small acquisitions and the Company's offering of own label goods was further extended. Our newer operations in the German roofing market, which SIG entered in 2006, were augmented by a bolt-on acquisition. The new division continued to develop internal synergies and improve its effectiveness but found trading very challenging in a market which was down in volume as well as price.

The number of trading sites increased by 7 to 89 at the end of December 2008 (31 December 2007: 82).

In **France** (35% of sales in Mainland Europe) total sales in Sterling grew 79.4% versus prior year, up 53.8% in local currency and 11.0% like for like in local currency. The substantial increase in the overall sales figure reflects the fact that the Group had the benefit of a full year's trading in 2008 from the Larivière roofing distribution business acquired midway through 2007. Larivière outperformed the general roofing market, growing annual sales versus prior year (not all of which were under SIG ownership) by 3% in the residential construction market (down by around 15%) and despite substantial price deflation in zinc, a key French roofing product. Growth stemmed principally from the positive sales development of trading sites opened in the previous two years as part of Larivière's strategic development programme and from the further 16 trading sites opened in 2008. At the same time, a review of the trading site network in light of the deteriorating residential construction market resulted in the closure of four existing sites at the end of the year.

SIG's core Insulation and Interiors operations traded extremely well, with total sales in local currency up 11.2% on 2007. Like for like sales in Euros were 11.0% ahead. These divisions trade mainly outside the housing sector, principally in the non-residential and process industrial insulation markets which remained robust throughout 2008. Both divisions benefited from product price inflation averaging up to 3% and like Larivière experienced organic sales growth from trading sites opened in the previous two years as well as from another nine sites opened in 2008.

Including one small bolt-on insulation acquisition, the number of trading sites increased by 22 to 164 at the end of December 2008 (31 December 2007: 142).

In **Poland and Central Europe** (15% of sales in Mainland Europe), total sales in Sterling increased by 49%, including the two acquisitions made in Hungary and the Czech Republic during the year.

This region offers the prospect of above average sales and profit growth in the medium term, hence SIG's decision in 2007 to extend its presence from Poland to neighbouring countries. In the short term, however, these developing markets are prone to volatility in demand and pricing and 2008 saw some reduction in both sales volume and product prices. Nonetheless, good progress was made in establishing a Central European management base in Prague to cover the Czech Republic, Slovakia and Hungary and this sub-region traded profitably and ahead of expectations.

The core business in Poland traded well in a weak market, with like for like sales in local currency up 3.9% against prior year. There was substantial price deflation in some product groups as material shortages in 2007 gave way to more plentiful supply, with violent swings in the Zloty exchange rate during the year having a destabilising influence on both pricing and market sentiment.

The number of trading sites increased by 14 to 97 at the end of December 2008 (31 December 2007: 83).

Sales in **Benelux** (6% of total sales in Mainland Europe) grew strongly, up 36.8% in total in Sterling, up 17.3% in local currency and up 9.4% like for like in local currency. As in a number of SIG's other European operations the core business in Benelux is focused on Insulation and Interiors and both divisions are performing well against the background of generally stable market conditions in which slightly weaker volume was compensated by price inflation of around 3%.

The number of trading sites increased by 1 to 12 at the end of December 2008 (31 December 2007: 11).

Sales in Air Trade Centre, the European wide air conditioning and air handling business acquired in March 2008, amounted to 3% of total sales in Mainland Europe. This business provides SIG with a platform for growth and was successfully integrated into the Group in 2008.

ACQUISITIONS

Entering 2008, SIG had a strong pipeline of acquisition opportunities, many of which were in very advanced stages and all of which were consistent with the Group's development strategy of strengthening its presence and position in established regions and market sectors. Maintaining a highly selective and progressively more cautious approach, the Group completed a total of 25 transactions in 2008 for a total consideration including assumed debt of £130.5m, delivering annualised sales of £190m and sales in 2008 of £156m.

In the context of the worsening economic climate the acquisition programme was curtailed, with a single small bolt-on deal concluded in the second half of the year.

COST SAVING ACTIONS

As the trading environment deteriorated in certain countries and markets during 2008, management took steps to realign the operating cost base in those markets where medium term demand was expected to remain subdued whilst also keeping market developments under close watch in order to be able to promptly implement additional pre-prepared contingency measures should these become appropriate.

These measures were set out in the Group's Interim Management Statement of 19 November 2008 and Trading Statement of 13 January 2009 and in aggregate involved a reduction in the number of employees of the Group of 1,020 (7% of the total) and the closure of 80 trading sites. While the larger part of these related to the Group's operations in the UK and Ireland, selective steps were also taken in a number of the Group's European businesses.

Taken on a business-by-business basis, those steps were intended to realign resources to current and anticipated trading levels whilst not compromising SIG's ability to provide excellent service and value to its customers.

SUMMARY OF TRADING PERFORMANCE

2008 was a year of profound changes in our operating environment, with more of our countries of operation and market sectors gradually succumbing to the effects on construction markets of the worsening economic and financial conditions. Against this backdrop, SIG's various operating subsidiaries continued to make the most of the opportunities available to them, to outperform local conditions and to deliver creditable results.

The management and staff right across the Group's operations are ready to deal with what are set to be still more challenging trading conditions in 2009, to continue to provide excellent service and value to our customers, to strengthen our position in our different markets and to be ready to take full advantage of the upturn when it eventually comes.

FINANCIAL REVIEW

REVENUE

Sales increased by 24.4% or £599m to £3,054m (2007: £2,455m). On a constant currency basis, like for like sales fell by 0.8% but due to the significant weakening of Sterling during the year actually rose by 6.5% in Sterling. The Group experienced robust demand for its products in the first half of 2008, with like for like sales growth of 2.5% on a constant currency basis. The deterioration in the macro economic backdrop in the second half of 2008 affected the demand for SIG's products, with SIG experiencing a like for like reduction in sales of 3.8% on a constant currency basis.

MARGINS

Gross profit margin decreased from 26.8% to 26.5%. Foreign currency movements accounted for 0.2% of the reduction, i.e. the lower margins in Mainland Europe now account for proportionally more of the Group's overall gross margin and lower gross margins in the 2007 acquisitions accounting for the other 0.1% reduction. On a like for like constant currency basis the Group's gross margin was unchanged.

Underlying operating costs as a percentage of sales increased from 20.3% to 20.9% as cost inflation outpaced growth in sales. The Group experienced cost inflation particularly in respect of staff costs and fuel during 2008. A combination of reduced gross margin and increased costs gave rise to a lower underlying operating margin of 5.6% (2007: 6.5%). As explained in the trading review section, the Group has taken actions in 2008 and early in 2009 to ensure the cost base is appropriate in the short to medium term.

OPERATING PROFIT

Underlying total operating profit increased by 6.5% or £10.4m to £169.8m. Tougher trading conditions in the second half of 2008 resulted in like for like underlying operating profit falling by 8.2% or £12.1m in 2008 to £135.4m. Operating profit decreased by 24.8% or £35.2m to £107.0m reflecting a number of "Other items" that are described on page 18.

FINANCE COSTS

Net finance costs before gains and losses on derivative financial instruments and financing items relating to our defined benefit pension schemes (i.e. net borrowing costs) increased by £13.7m to £32.6m in 2008. The net borrowing cost as a percentage of average debt in issue during the year reduced from 5.7% to 5.5%.

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 19 and 20.

Further details of SIG's interest rate policies are provided in the interest rate risk section on page 23.

Net finance income relating to our defined benefit pension schemes amounted to £0.1m in 2008 (2007: net finance charge of £0.4m). Further details are provided in Note 29c to the Accounts on pages 105 to 108.

Fair value losses on certain financing derivatives gave rise to finance costs in the "Other items" column of the Consolidated Income Statement of £41.4m (2007: finance income of £1.4m). Significant foreign exchange movements during the year resulted in a number of the Group's treasury hedging arrangements which seek to obtain economic hedges becoming ineffective. These arrangements involved the Group seeking to eliminate the risk of paying tax on foreign exchange movements in relation to both foreign currency borrowings hedging the net assets of overseas subsidiaries and on other foreign exchange denominated borrowings to obtain lower interest rate costs. These were achieved through forward foreign exchange contracts with a relationship bank.

Foreign exchange losses on these contracts exceeded the Group's UK taxable profits available for offset in the current year, giving rise to exceptional losses in the Consolidated Income Statement. In December 2008, the Group decided to reduce its foreign currency exposure by the conversion of €198m of debt into Sterling and the close out of associated derivative financial instruments.

Going forward, the Group will seek to structure its treasury arrangements such that if Sterling appreciates against the Euro then some of these losses may become recoverable.

FINANCIAL REVIEW CONTINUED

PROFIT BEFORE TAX

Underlying profit before tax decreased by 2.0% or £2.8m to £137.3m (2007: £140.1m). Profit before tax, decreased by £91.2m to £33.1m (2007: £124.3m).

OTHER ITEMS

Amounts included in "Other items" which in total amounted to £104.2m (2007: £15.8m) before tax are as follows:

- amortisation of acquired intangibles – £26.4m (2007: £17.2m). The accounting policies section on page 69 and Note 12 to the Accounts on page 87 provide details of what is included within intangible assets and over what periods the assets are amortised;
- impairment charge of £14.2m – a review of the carrying value of goodwill in relation to SIG's Irish business which has experienced a significant reduction in demand as a result of falls in construction activity in the last 18 months, has concluded that the assets should be impaired when aligned with our short to medium term view of profitability in respect of the business unit;
- restructuring costs of £22.2m – the Group has taken a number of actions to reduce operating costs. These one-off actions have resulted in redundancy, onerous lease and asset write off costs; and
- losses on derivative financial instruments of £41.4m (2007: gain of £1.4m). The finance costs section above explains this item.

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 principal exchange rates used:

	Average rate		Closing rate	
	2008	2007	**2008**	2007
Euro	**1.250**	1.458	**1.030**	1.362
Polish Zloty	**4.384**	5.500	**4.260**	4.880
Czech Koruna	**31.229**	39.732	**27.445**	36.185
Slovak Koruna	**38.944**	48.482	**31.159**	45.751
Hungarian Forint	**312.660**	N/A	**275.000**	N/A

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

The movement in average exchange rates compared to 2007 had a significant effect on total overseas earnings streams. Total sales increased by £226m and profit before tax was increased by £7m as a result. Further details of SIG's foreign exchange policies are detailed in the "Foreign currency risk" section on page 24.

TAXATION

The income tax charge on underlying profits amounts to £40.2m (2007: £41.9m) which represents an underlying effective rate of 29.3% (2007: 29.9%). Cash tax payments amounted to £27.8m, significantly below the £40.2m income tax charge on underlying profits primarily as a result of the foreign exchange rate losses on derivative financial instruments and restructuring costs reducing UK taxable profits. In 2009, the Group anticipates a similar tax rate to 2008 and would again anticipate cash tax payments to be below the income tax charge as a result of the foreign exchange rate losses on derivative financial instruments noted above reducing UK taxable profits.

The effective income tax charge on total profit before tax of £33.1m is 79.5% (2007: 29.9%). This is a result of not obtaining or not recognising tax relief in respect of the goodwill impairment charge and losses on derivative financial instruments.

EARNINGS PER SHARE ("EPS")

Underlying basic EPS amounted to 71.4p (2007: 74.8p), which represents a decrease of 4.5%. Basic EPS amounted to 4.7p (2007: 66.3p), which takes into account amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs. The weighted average number of shares in issue in the period rose by 5.2 million to 135.3 million (2007: 130.1 million). This increase was primarily due to the issue of 11,363,637 ordinary shares under a share placing that completed on 30 May 2007.

DIVIDENDS

The Board has recently reviewed SIG's near term dividend policy in response to the ongoing global financial crisis and challenging trading conditions. The Board has decided that it is in the best interests of Shareholders not to pay a final dividend in 2008. The Board remains committed to a progressive dividend policy and SIG will resume dividend payments when markets stabilise and it believes it is prudent to do so taking into account the Group's earnings, cash flow and balance sheet position. The cash cost of dividend payments in the financial year ended 31 December 2008 was £36.5m (2007: £28.4m).

ACQUISITIONS

As part of the Group's development strategy, a number of targeted acquisitions were made in the year, principally in the first half. The table below provides an overview of the acquisition activity over the last two years:

	2008	2007
Number of transactions	**25**	27
Annualised sales	**£190m**	£440m
Additional trading sites	**65**	148
Acquisition consideration (including assumed net debt and contingent consideration)	**£131m**	£323m
Transactions by geographic segment		
UK and Ireland	**17**	18
Mainland Europe	**8**	9
	25	27

The 2008 acquisition programme has enabled SIG to reach new customers, extend its product offering to existing and new customers and to further improve its standards of service to all customers thereby continuing the process of strengthening the Group going forward.

In light of the current challenging market environment, the Group has put its acquisition programme on hold in order to focus upon maximising cash generation. In the meantime, the Group continues to develop and exploit the synergistic benefits that its historic acquisition programme has provided.

FINANCIAL REVIEW CONTINUED

SHAREHOLDERS' FUNDS

Shareholders' funds increased by £43.4m to £617.0m (2007: £573.6m). The increase comprised the following elements:

	£m
Profit after tax attributable to equity holders of the Company	6.3
Dividends paid	(36.5)
Exchange differences on assets and liabilities after tax	81.8
Movements attributable to share options	0.3
Actuarial loss on pension schemes (net of deferred tax)	(7.6)
Recognition of option in relation to minority interest	(2.0)
New share capital issued under employee share schemes	1.1
Increase in Shareholders' funds	43.4

PENSION SCHEMES

With effect from 1 January 2008, the UK's four defined benefit pension schemes were merged into a single "main" scheme, with a significant reduction in associated administration costs. In addition to one UK defined benefit scheme, SIG has four book reserved schemes in Mainland Europe and a variety of defined contribution schemes. Together the UK defined benefit scheme and the four book reserved schemes are referred to as "defined benefit pension schemes".

SIG contributed £10.2m (2007: £5.5m) into its five (2007: eight) defined benefit pension schemes during the year, which included £7.2m as a special contribution into the main defined benefit scheme in January 2008. The total charge in respect of defined benefit pension schemes to the Consolidated Income Statement was £1.7m (2007: £2.3m); of this total £1.8m (2007: £1.9m) was charged to operating expenses and £0.1m was credited to net finance income (2007: £0.4m charged to net finance costs).

The overall gross defined benefit pension schemes' liability increased during the year by £3.4m to £19.1m. This can be broken down as follows:

	Increase/ (decrease) in pension scheme liability £m
Increase in mortality assumption from 27.5 to 28.5 years in the main scheme	2.4
Experience gains and losses in all schemes	(7.9)
Change in financial assumptions in all schemes*	16.1
Cash contributions to the schemes above the profit and loss charge^	(8.5)
Exchange difference	1.3
Increase in pension scheme liability	3.4

* 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 5.7% to 6.2% and changes in the assumptions relating to the settlement of liabilities.

^ This is principally due to a special contribution to the main scheme of £7.2m made in January 2008 on the advice of the actuary following on from the last pension scheme valuation undertaken as at 31 December 2007.

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 28.5 years (2007: 27.5 years), which is considered appropriate for a scheme of this nature.

The cost of the Group's defined contribution schemes increased by 16.7% (£0.7m) to £4.9m. Details of the pension schemes operated by SIG are set out in Note 29c to the Accounts on pages 105 to 108.

CASH FLOW AND FINANCIAL POSITION

SIG has benefited from another good year of generating cash from operating activities. The following table explains the movement in SIG's net debt:

	2008 £m	2007 £m
Cash flow from operating activities	**156.0**	160.3
Interest and tax	**(63.4)**	(54.1)
Maintenance capital expenditure*	**(42.6)**	(30.3)
Free cash flow available for investment	**50.0**	75.9
Acquisition investment (including loan notes issued to vendors)^	**(123.2)**	(317.1)
Investment capital expenditure*	**(10.3)**	(30.3)
Dividends (including minority dividends)	**(37.2)**	(29.2)
Proceeds from issue of share capital	**1.1**	148.1
Foreign exchange losses	**(154.3)**	(43.3)
Other items (including fair value movements)	**5.7**	(4.2)
Movement in net debt	**(268.2)**	(200.1)
Opening net debt	**(428.9)**	(228.8)
Closing net debt	**(697.1)**	(428.9)

* 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 £7.3m (2007: £5.7m), which has been recognised as a liability in the Accounts but is yet to give rise to a cash flow.

Key points to note are:

- included within "Cash flow from operating activities" is an increase in working capital of £33.4m, which principally relates to reduction in the amounts owed to our suppliers at the end of the year;
- as trading conditions became more challenging in the second half of 2008, the Group reduced investment in new vehicles and new trading sites. Net capital expenditure amounted to £31.9m in the first half of the year and was reduced to £21.0m in the second half of the year. For the year as a whole the net capital expenditure to depreciation ratio amounted to 1.24 times (2007: 1.77 times after excluding hire equipment of £7.0m). Moving into 2009, capex plans have been cut further in order to conserve cash and we would anticipate capex being approximately half the level of 2008; and
- as a result of the devaluation of Sterling versus SIG's foreign currencies during 2008, the Group's reported Sterling debt position suffered an exchange loss of £154.3m during the year. The principal currency to which the Group has exposure is the Euro and this moved from €1.362 at the start of the year to €1.030 at the end of the year. In December 2008, the Group decided to reduce its foreign currency exposure by the conversion of €198m debt into Sterling debt. It is important to note that if exchange rates continue at this level, then the reported 2009 foreign currency denominated profits will also benefit from this devaluation of Sterling.

THE TRADING CASH CONVERSION RATIO OF 97% IS A SIGNIFICANT IMPROVEMENT ON THE 48% TRADING CASH CONVERSION RATIO IN THE FIRST HALF OF THE YEAR.

REVENUE BY MARKET – 2008

SPECIALIST CONSTRUCTION PRODUCTS
£284m
9.3%

INTERIORS
£809m
26.5%

INSULATION AND BUILDING ENVIRONMENTS
£1,112m
36.4%

EXTERIORS
£849m
27.8%

FINANCIAL REVIEW CONTINUED
CASH FLOW AND FINANCIAL POSITION CONTINUED

The Group's cash flow from operating activities amounted to £156.0m (2007: £160.3m). This represents a trading cash conversion ratio of 97% (2007: 103%) and is a significant improvement on the 48% trading cash conversion ratio at 30 June 2008. Trading cash conversion is defined as cash flow from operating activities before pension movements divided by underlying operating profit and is a key measure that will continue to be a matter of high focus in 2009.

The key working capital ratios underlying the trading cash conversion are set out below on a like for like constant currency basis:

	2008	2007
Inventory days	**39**	41
Trade receivable days	**43**	47
Trade payable days	**28**	37

During the second half of the year, SIG's working capital targets were successful in reducing inventory and trade receivables across the Group. A reduction in purchases towards the end of the year, together with an increase in the amounts owed to the Group by suppliers under the terms of rebate arrangements compared to 31 December 2007 resulted in a nine-day reduction in the trade payable days at the end of the year.

The Group's bad debt charge amounted to 0.6% of sales (2007: 0.5% of sales). The Group is very mindful of the risk of bad debts increasing as the economy weakens, construction activity reduces and as the Group's customer base is at risk of having credit withdrawn by banks. The Group's credit control policies and procedures are regularly reviewed and a number of the Group's businesses have credit insurance to protect them from bad debts rising above prescribed aggregate loss levels.

FINANCIAL REVIEW CONTINUED

DEBT COVENANTS

The Company's debt facilities contain a number of covenants attached to SIG's committed debt facilities. The key covenants are leverage and interest cover and are tested at 30 June and 31 December.

The leverage covenant is a requirement to maintain a ratio of net debt to Annualised EBITDA of less than 3.5 times. Annualised EBITDA is defined as operating profit before amortisation of acquired intangibles, impairment charges, depreciation and restructuring costs, plus interest receivable and adjusted to annualise the EBITDA of acquisitions made during the previous twelve months.

The interest cover covenant is a requirement to maintain a ratio of the previous twelve months' underlying operating profit to underlying net finance costs (excluding pension scheme finance income and costs) of greater than 3.0 times.

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

Leverage covenant	Year ended 31 December 2008	Year ended 31 December 2007
Annualised EBITDA	**£227.0m**	£210.2m
Net debt	**£697.1m**	£428.9m
Leverage ratio	**3.07x**	2.04x

Interest cover covenant	Year ended 31 December 2008	Year ended 31 December 2007
Underlying operating profit	**£169.8m**	£159.4m
Underlying net finance costs*	**£32.6m**	£18.9m
Interest cover ratio	**5.2x**	8.4x

* Excluding pension scheme finance income and costs.

The Company is in compliance with its financial covenants in all respects and has not requested or gained any waivers thereof.

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.

OUTLOOK

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

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 Responsibility Report on page 39. 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 and building environments, exteriors, interiors and specialist construction products. A position of market leadership has been achieved in a number of specific markets. Operations in the other countries and market sectors 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 network of trading sites as demonstrated in the chart on page 12. 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 own 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.

PRINCIPAL RISKS AND UNCERTAINTIES
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 pages 49 and 50 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.

COMPETITORS
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. Some of SIG's competitors may be funded in such a way that they are willing to accept lower financial returns than SIG or have a greater breadth of resources than SIG in particular market sectors. Competition with these companies could adversely affect SIG's profitability and/or, financial condition.

However, the majority of products that are sold by SIG are relatively bulky and inexpensive in relation to their mass and the cost of transport. This means that the risk faced by SIG of price disruption and possible cross border or international trading having a detrimental impact on prices in any particular country is low. Similarly, the risk posed by internet-based trading dependent upon parcel-carrier service is mitigated by the bulky nature of most of the products sold by SIG and the fact that specialist handling and delivery services are an important feature of the service provided by SIG to many customers.

INFORMATION TECHNOLOGY ("IT")
SIG uses a range of computer systems to provide order processing, inventory control and financial management within each country. Outages and interruptions could affect SIG's ability to conduct day-to-day operations. Any lengthy failure or disruption to the IT system in any business unit or country would result in loss of sales and delays to cash flow. Interruption to SIG's IT systems could be caused by a number of factors, including as a result of human error or malfeasance, malfunction, damage, fire or power loss. There can be no certainty that recovery plans and contingency plans will be effective in the event that they need to be activated. SIG's IT systems are not interdependent and there are dedicated support staff directly employed, together with external support service providers, to monitor the IT systems.

COMMERCIAL RELATIONSHIPS
SIG is exposed to changes in relationships with both customers and suppliers. Failure to negotiate competitive terms of business with its suppliers or failure to satisfy the needs of its customers could harm the Group's business. It is a key task for the operational management in each country and business unit to maintain and develop their relationships with customers and suppliers.

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. 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 2008 bad debt expense amounted to 0.6% of sales (2007: 0.5% of sales).

CREDIT INSURERS
A number of the Group's suppliers insure their credit exposure to SIG with a small number of credit insurers. Likewise SIG also insures its credit exposure in relation to a number of its customers. These credit insurers could withdraw their cover on SIG or its customers which would affect the trading relationship between SIG, its suppliers or its customers and potentially the profitability of SIG.

RESTRUCTURING OF SIG
Since 1 July 2008 the Group has actively taken steps to align its cost base in those markets where short to medium term demand was expected to remain subdued. There is a risk that the restructuring plans may not achieve their goals and may cost more than anticipated.

GOVERNMENT LEGISLATION
SIG operates in a number of countries across Europe, each with their own laws and regulations, encompassing environmental, legal, health and safety, employment and tax matters. Changes in these laws and regulations could impact on SIG's ability to conduct its business, or make such conduct of business more costly.

SIG is committed to complying with all local legal requirements and the clear devolution of responsibility to local operating management, together with the employment of competent advisers. Changes to legislation are monitored locally and appropriate actions taken to ensure they are incorporated into the Company's business policies and procedures.

TRANSPORT AND FUEL PRICES
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. In addition, a significant increase in fuel prices can affect profitability.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

PRODUCT AVAILABILITY AND PRODUCT PRICES

The availability and market prices of products that the Group supplies can change. These changes can adversely affect the Group's sales and operating profits.

If product demand outstrips supply, be it due to demand rising or supply falling, there could be a negative impact on the Group's ability to service its customers' needs. The factories that produce fibrous insulation products take a number of years to build and so if demand exceeds the production capacity, product shortages could result. The Group keeps in regular contact with its suppliers to ensure that it protects its position regarding product availability and product pricing. The Group also sources 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 in these negotiations is key to its ability to supply the products to its customers at competitive prices. Rising product prices are advantageous for SIG as the Group's standard gross margin is achieved on a higher selling price resulting in improved overhead recovery, thus providing a higher underlying operating profit 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 disadvantageous for SIG. In recent years, product price inflation across the basket of SIG products has been positive rather than negative.

There is an additional risk that disruption in the supply chain, for example due to the insolvency of a supplier, industrial action or adverse weather conditions, could affect SIG's business. This could lead to SIG being unable to fulfil certain commitments and this could lead to a material adverse effect on SIG's reputation, business, results of operations and overall financial condition.

IDENTIFICATION AND INTEGRATION OF ACQUISITIONS

The Group's long term growth strategy is partly dependent upon the identification of appropriate acquisition opportunities at appropriate prices and the successful integration of acquisitions into the Group. Failure to identify, acquire and integrate new acquisitions could adversely affect the growth of the Group's business in the long term.

SIG commits dedicated resources to the research of new markets, the origination of appropriate acquisition targets and the execution of appropriate due diligence and the contract negotiation process. Post acquisition, SIG constantly evaluates the management structures of its businesses to ensure that appropriate management time can be dedicated to new businesses.

LOSS OF KEY MANAGEMENT OR PERSONNEL

The Group's businesses are highly reliant on the continued services of its Senior Management, including its Executive Directors and other key personnel. These individuals possess sales and marketing, technical, manufacturing, financial and administrative skills that are important to the continued successful operation of the Group's business. SIG is also reliant on the ability to recruit and retain skilled and experienced labour available within the industry at an operational level.

Failure to retain such individuals, or the failure to attract and retain strong management and technical staff in the future, could have an adverse effect upon the Group's business, results of its operations and financial condition.

PRODUCT DEFECT CLAIMS

High product quality is an important reason why customers buy products from SIG. The inadvertent supply of defective or inferior products by SIG to its customers could have an adverse impact on the Company's reputation and standing, thereby harming the Company's business and financial results. The Group takes care to source products selectively to ensure any possible risk associated with product quality issues is minimised.

TREASURY RISK MANAGEMENT

TREASURY RISK

SIG enters into derivative financial instruments (principally foreign currency and interest rate swaps) to hedge certain currency risks arising from SIG's operations and to hedge interest expenses arising from SIG's sources of finance. SIG's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items such as trade receivables and trade payables that arise directly from its operations.

SIG's finance and treasury policies set out the Company's approach to managing treasury risk. These policies are approved by the Board on a regular basis. It is Company policy that no trading in financial instruments or speculative transactions be undertaken. To minimise the credit risk associated with derivative financial instruments, SIG only enters derivative financial instruments with its principal UK banks.

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.

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 exchange rate and interest rate fluctuations. A small proportion of SIG's assets are funded using fixed rate finance lease contracts. At 31 December 2008 outstanding liabilities in respect of such contracts amounted to £12.6m (2007: £9.7m).

The Group's financial liabilities (including derivative financial assets) at 31 December 2008 of £768.8m (2007: £518.1m) can be analysed as follows:

- £151.3m (2007: £226.3m) has a maturity profile of greater than five years;
- £393.7m (2007: £505.7m) is denominated in foreign currencies, held to partially hedge the assets of our overseas businesses;
- £443.1m (2007: £379.1m) carries a fixed rate of interest; and
- £749.2m (2007: £503.5m) is borrowed on an unsecured basis.

Details of derivative financial instruments are shown in Note 18 to the Accounts on pages 93 to 95.

INTEREST RATES

The Company's interest costs in respect of its borrowings will increase in the event of rising interest rates. To reduce this risk the Company has a policy of fixing between 60% and 85% of its net debt via the purchase of appropriate derivative financial instruments. At 31 December 2008, 64% of the Group's net debt is fixed.

SIG IS CONFIDENT THAT ITS RESTRUCTURING ACTIONS WILL ENABLE IT TO INCREASE RETURN ON CAPITAL WHEN BUILDING AND CONSTRUCTION ACTIVITY UPTURNS.

TREASURY RISK MANAGEMENT CONTINUED

LIQUIDITY RISK AND FINANCIAL FACILITIES

Liquidity risk is the risk that SIG is unable to meet its financial obligations as they fall due. In the longer term, a substantial variation in operating performance and cash generation may not be covered within the level of the Company's available debt facilities, which may have a material adverse effect on the Group's business.

In order to mitigate the risk of not being able to meet its financial obligations, SIG seeks a balance between certainty of funding and a flexible, cost-effective borrowing structure, using a mixture of sources of funding in order to reduce the risk of being over reliant upon any one provider. The key sources of finance are private placement note providers, being mainly US-based pension funds and principal bankers, The Royal Bank of Scotland plc, Barclays Bank plc and Lloyds TSB 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.

There is a risk that funding will not be made available to the Group or that the cost of accessing and servicing the funding may be prohibitive. The underwritten placing and open offer and firm placing raises £325m of equity for the Group, reduces the Group's indebtedness and increases the Group's ability to raise and service appropriate debt funding.

As at 31 December 2008, SIG had undrawn UK committed borrowing facilities from its debt providers of £79.6m (2007: £96.2m).

The year end maturity profile and value of undrawn committed borrowing facilities are set out in Note 19 to the Accounts on pages 95 to 97.

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. 49% of SIG's 2008 revenues were in foreign currencies, being primarily Euros, Polish Zloty, Czech Koruna, Slovak Koruna and Hungarian Forint. The vast majority of SIG's sales and purchases are not cross-border. When cross-border transactions occur it is SIG's policy to eliminate currency exposure at that time through forward currency contracts, if the exposure is considered to be material.

SIG faces a translation risk in respect of the local currencies of its primary foreign operations, being Euro, Polish Zloty, Czech Koruna and Hungarian Forint profits. From 1 January 2009 SIG is no longer exposed to the Slovak Koruna as Slovakia has converted its national currency to the Euro. SIG also faces a translation risk from the US Dollar in respect of its private placement borrowings.

The Consolidated Balance Sheet of the Group is inherently at risk from movements in the Sterling value of its net investments in foreign businesses and the Sterling value of its foreign currency net debt.

SIG seeks to mitigate foreign currency risk in general by combining financial liabilities and derivatives in currencies that partially hedge the net investment values. At 31 December 2008, SIG had gross foreign currency borrowings amounting to €393m, PLN1m, CZK247m and HUF133m.

Gearing, being net debt divided by net assets, increased during the year from 75% to 113% as a result of investment in property, plant and equipment, working capital and acquisitions but more significantly it increased as a result of foreign exchange losses arising on the retranslation into Sterling of SIG's foreign currency debt, which amounted to £154.3m in 2008.

The net after tax effect on the Consolidated Balance Sheet of currency transaction and translation differences relating to our overseas subsidiaries in 2008 was a gain of £37.8m (2007: gain of £16.4m). This significant gain arose principally as a result of the 32% year on year depreciation of Sterling versus the Euro (€/£1.030 at 31 December 2008 versus €/£1.362 at 31 December 2007), thus increasing the carrying value of SIG's net investments in its Euro denominated businesses.

DEBT COVENANTS

SIG's debt facilities provided by its private placement note holders and its three relationship banks in the UK contain covenants. The key covenants are leverage and interest cover and are tested at 30 June and 31 December each year. The leverage covenant is a requirement to maintain a ratio of net debt to Annualised EBITDA of less than 3.5 times. The interest cover covenant is a requirement to maintain a ratio of previous twelve-month underlying operating profit to underlying net finance costs (excluding pension scheme finance income and costs) of greater than 3.0 times.

SIG must manage its business and its capital structure so that it meets its debt covenants, thus ensuring it can meet its liabilities as they fall due.

GAINS AND LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

The Group has a number of treasury hedging arrangements that attempt to eliminate foreign exchange, interest rate and associated tax risks under the terms of SIG's Treasury Policy. Where these hedges are deemed imperfect or where exceptional gains and losses arise, then these are included within "Other items" in the middle column of the Consolidated Income Statement. Further details are set out on in the "Finance costs" section on page 17.

OTHER MATTERS

SHAREHOLDER RETURN

SIG has delivered a 10.9% return on capital employed (2007: 15.2%), which compares favourably to SIG's estimated weighted average cost of capital of 5.4% (2007: 7.1%). The reduction in the return on capital employed compared to the prior year primarily reflects the reduced operating profits in the UK and Ireland in light of the challenging trading environment. The reduced weighted average cost of capital reflects a lower ten year UK gilt yield, together with the fact that debt, being cheaper than the cost of equity, now funds a bigger proportion of SIG's total capital employed than it did twelve months ago.

SIG is mindful of this reduction in return and is confident that the restructuring actions it has taken and its ongoing actions will enable it to increase return on capital when building and construction activity upturns.

As at 13 March 2009, SIG's share price closed at £1.175 per share, representing a market capitalisation of £160m at that date. The total dividend for the year of 8.3p (2007: 26.7p) provides Shareholders with a yield on this date of 7.1%. SIG monitors relative Total Shareholder Return ("TSR") for assessing relative financial performance. As at 31 December 2008 the Company's share price was £1.785 per share. When dividends are included this gives a TSR loss of 36% over a five-year performance period. A performance graph has been included on page 56 where the Group's TSR is compared with the FTSE Support Services Index which produced a TSR of 2% over the same five-year period.

GOING CONCERN BASIS

In determining whether the Group's 2008 Accounts can be prepared on a going concern basis, the Directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities. These are set out in the Chairman's Statement and Business Review on pages 4 to 25 and in the Notes to the Group Accounts.

The key factors considered by the Directors were as follows:

- the implications of the challenging economic environment and weakening levels of market demand in the building and construction markets on the Group's revenues and profits. The Group prepares forecasts and projections of revenues, profits and cash flows on a regular basis. Whilst this is essential for targeting performance and identifying areas of focus for management to improve performance and mitigate the possible adverse impact of a deteriorating economic outlook, these also provide projections of working capital requirements;
- the impact of the competitive environment within which the Group's businesses operate;
- the availability and market prices of the goods that the Group sells;
- the credit risk associated with the Group's trade receivable balances;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected; and
- the committed finance facilities available to the Group. The Group has access to a variety of bi-lateral banking facilities to meet day-to-day working capital requirements, which at the year end had undrawn facilities of £79.6m.

At the Extraordinary General Meeting on 9 April 2009, agreement is to be sought from Shareholders to raise £325m net of expenses under a proposed placing and open offer and firm placing. This will significantly reduce the possibility that the Group has to renegotiate any banking facilities in the next twelve months.

In forming their conclusions over the adoption of the going concern basis, the Directors have considered the possibility of the relevant resolutions at the Extraordinary General Meeting not being approved and on the basis of the available evidence have considered this possibility to be remote.

Having considered all the factors above impacting the Group's businesses, including downside sensitivities, the Directors are satisfied that the Group will be able to operate within the terms and conditions of the Group financing facilities for the foreseeable future. The Group has £50.0m of banking facilities expiring in June 2009 and £28.8m expiring in July 2009, with a further £184.1m of facilities expiring between May and July 2010.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's 2008 Accounts.

CAUTIONARY STATEMENT

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

This Business Review and other sections of this Report contain forward looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates and risk factors associated with the building and construction sectors. By their nature, forward looking statements involve a number of risks, uncertainties and 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 level of market demand, fluctuations in product pricing and changes in exchange and interest rates.

The forward looking statements should be read in particular in the context of the specific risk factors for the Company identified on pages 22 to 24 of this Business Review. The Company's Shareholders are cautioned not to place undue reliance on the forward looking statements. This Business Review has not been audited or otherwise independently verified. The information contained in this Business Review has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this Business Review during the financial year ahead.

CHRIS DAVIES
CHIEF EXECUTIVE

GARETH DAVIES
FINANCE DIRECTOR

INSULATION AND BUILDING ENVIRONMENTS

SIG...THE FIRST CHOICE
for insulation materials

Growth drivers:
- The need to reduce energy consumption
- More stringent regulation
- Public sector and Private Finance Initiatives

£1,112m
36.4%
of total revenue

High energy costs and environmental concerns drive the use of insulation products across a wide range of construction and industrial applications. In general, insulation is used to control the transfer of heat and sound and provide resistance to fire, all of which are subject to the specific Building Regulations in each country. In addition, the goal of reducing carbon emissions is placing increasing importance on the use of appropriate insulation materials and systems.

The most widespread application for insulation is that of thermal 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 help 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 220 trading sites in Europe focused on the requirements of the insulation and building environment 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. SIG has built upon its extensive experience in the industrial and Heating, Ventilation and Air Conditioning ("HVAC") insulation market to develop into the adjacent and complementary area of air handling and air conditioning materials. With activities spread across eight countries and twelve trading sites through the recent acquisition of specialist distribution business, Air Trade Centre, this market offers excellent growth prospects driven by increasing regulation on thermal efficiencies in the non-residential environment.

1. SIG stocks a comprehensive range of specialist insulation products to meet the requirements of the customer.
2. SIG has the most extensive delivery fleet in the industry providing next day delivery to specialist contractors.
3. SIG's significant local stock holding is provided from over 220 trading sites across the UK and Ireland and Mainland Europe.

SIG SUPPLIES STRUCTURAL, INDUSTRIAL AND HIGH TEMPERATURE INSULATION PRODUCTS, TOGETHER WITH A RANGE OF AIR HANDLING AND AIR CONDITIONING PRODUCTS.

SIG...THE FIRST CHOICE in all areas of exterior roof-related products

Growth drivers:

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

£849m
27.8%
of total revenue

The roof is one of the most critical parts 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 requires suitable products to be readily available on demand.

The 370 trading sites in this division offer materials from the leading manufacturers of roofing materials and supply 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 Exteriors 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 in the UK of reclaimed and pre-used roof tiles and slates which have two key advantages over newly manufactured products. Firstly, they remove the need for energy-consuming manufacture and secondly, their aged and worn character provides an aesthetically pleasing appearance 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 and guttering, soffit, fascia and barge boards.

1. Roof Libraries in each trading site offer a wide selection of materials and facilitate the specification process.
2. Each of SIG's trading sites provides a range of ancillary products to support the needs of the roofing contractor.
3. Mechanical offload facilities ensure product can be delivered wherever it is required on a construction site.

REPAIR AND MAINTENANCE IS OFTEN AN URGENT REQUIREMENT AND REQUIRES SUITABLE PRODUCTS TO BE READILY AVAILABLE ON DEMAND.

INTERIORS

SIG...THE FIRST CHOICE
for a wide range of interior products

Growth drivers:

- Government investment in schools and hospitals
- Rising standards of internal fit out
- Acoustic and safety standards

£809m
26.5%
of total revenue

The interiors market place 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 ceilings, partitioning, dry lining, floor coverings, glass 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 230 trading sites (80 of which also supply insulation products in Mainland Europe) 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 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.

1. SIG provides bespoke performance door and doorsets into schools, hospitals and a whole range of commercial buildings.
2. In 2008, SIG acquired a glass processing business in the UK to support its partition business but also to enable it to diversify into the wider glass market.
3. SIG provides a range of partitioning solutions that are supplied bespoke to each customer.

DURING 2008, SIG INCREASED ITS PRODUCT OFFERING WITH THE ACQUISITION OF A GLASS PROCESSING SUPPLIER, A MANUFACTURER OF WASHROOM SYSTEMS AND A TEMPORARY PROTECTION PRODUCT SUPPLIER.

SPECIALIST CONSTRUCTION PRODUCTS

SIG...THE FIRST CHOICE
for value-engineered construction solutions

Growth drivers:
- Government investment in infrastructure and non-discretionary spending by utilities
- Demand for high performance solutions and innovative products
- Supply chain efficiency and specific technical "just-in-time" project management

£284m
9.3%
of total revenue

SIG's Specialist Construction Products division provides a range of materials and consumable items that are essential to the construction process. Detailed product knowledge and a keen understanding of specific technical applications are vital elements of customer support.

SIG supplies a wide portfolio of specialist construction products such as concrete accessories, waterproofing systems, construction chemicals and admixtures, brickwork support systems, specialist fixings, safety products and tools from over 50 trading sites. 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 tight specifications and be available for use at the right time and right location. Consequently, relationships throughout the supply chain with manufacturers, major contractors and specialist sub-contractors are vital. The capability to resolve problems with expert technical advice and the ability to offer rapid delivery times to maintain workflows on large projects is a big point of differentiation on time-critical projects.

Public sector investment in large scale infrastructure projects together with non-discretionary spending by utility companies generates high levels of continuing opportunity for SIG's products in this sector.

Major construction contractors are increasingly looking to shrink their supplier base and to outsource more work to less suppliers. SIG's extensive range of products and service make it ideally positioned to take advantage of this opportunity.

1. SIG's trading sites provide customers with technical advice on product specification and product application.
2. SIG sells a wide range of specialist safety products such as eye, hand and foot protection, with particular emphasis on the construction sector.
3. In the UK, SIG's Specialist Construction Product activities now fall under four distinct SIG brands: SIG Construction Accessories, SIG Fixings, SIG Access and SIG Safety and Workwear.

THE PRODUCTS SUPPLIED BY SIG ARE OFTEN OF CRITICAL IMPORTANCE TO THE WHOLE BUILDING PROGRAMME AND MUST PERFORM TO TIGHT SPECIFICATIONS.

CORPORATE RESPONSIBILITY

SIG RECOGNISES ITS CORPORATE RESPONSIBILITIES TO ITS SHAREHOLDERS, CUSTOMERS, SUPPLIERS AND EMPLOYEES AND IS COMMITTED TO GOOD PRACTICE IN ALL ACTIVITIES.

SIG continues to develop its approach to Corporate Responsibility ("CR") and is pleased to be able to inform its stakeholders of the measures which it is taking to continue to monitor and improve its CR performance reporting. The Company is a constituent member of the FTSE4Good index of socially responsible companies. This year, in addition to its UK Mainland operations, the Group is reporting for the first time on its Mainland European and Ireland CO_2 emissions and waste data.

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 CR issues at each of its Board Meetings. CR issues form part of the overall internal control process and are covered in the training of Directors.

SIG recognises its corporate 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 CR across the Group and the inclusion of broader social and environmental issues into its decision making will help us to achieve our business goals and act as an essential building block for growth in shareholder value. SIG has in place a Group-wide Ethics Policy which sets out a number of fundamental principles, which all Group companies are required to follow. In addition we have recently published a Group-wide Anti-corruption Policy. These policies underpin our CR programme and support our business integrity.

SIG has certification under ISO 14001:2004 (Environment) and OHSAS 18001:1999 (Health and Safety). This certification currently covers 94% of the Group's UK sites with Moody International and BSI being the appointed Assessors. All newly acquired sites continue to be added to the certification as part of their integration process.

BUSINESS PRINCIPLES AND CODE OF ETHICS

The Group issued its Ethics Policy to all employees in March 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 and Anti-corruption Policies include 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;

1. A roofing trading site in Hannover, Germany, displays its solar panel product offering.

2. Caroline Smale, Chief Executive of Henshaws College, accepting a donation cheque from SIG's Kim Boswell, HR Secretary and Mark Smith, Corporate Responsibility Manager.

3. Maria Kitiefs, Service User, presenting Mark Smith with a commemorative partnership plaque on behalf of Action For Kids.

BUSINESS PRINCIPLES AND CODE OF ETHICS CONTINUED

- 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

The Chief Executive, Mr. C. J. Davies, 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.

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 Group's Environmental Policy was reviewed in 2008. 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 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.

ENVIRONMENTAL MANAGEMENT

The Group has in place in the UK an Integrated Management System for Health, Safety and Environment, certified to ISO 14001 (Environment) and OHSAS 18001 (Health and Safety).

Throughout 2008 SIG has employed significant resources to continue to progress towards being a "Carbon Managed" business. During 2008 improved data capture procedures were introduced across the UK and Mainland Europe, including developing a Facilities Management Department. This has resulted in a significant improvement in the accuracy, quality and quantity of the data captured. During 2009 these procedures will continue to be strengthened and developed towards achieving the Group's strategy of reducing its carbon footprint.

2008 was the second year for quantitative benchmarking, with 443 of the Group's UK locations being internally audited by the HSE Advisers with the average audit scores across all the divisions increased.

During 2008 sample auditing was conducted at a number of the Mainland European trading sites. This incorporated 23 trading site visits across eight countries and resulted in objectives being set for 2009 for each country/region.

The Group has received no prosecutions relating to environmental matters during 2008.

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 impacts of its operations, which are summarised on pages 36 and 37.

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. Throughout 2008 significant improvements were made in the recording and monitoring of 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.

- SIG continues to actively investigate better methods of operation in order to achieve greater efficiencies from its vehicles and their fuel consumption. This contributed to the average amount of fuel used per UK road vehicle during 2008 being reduced by 6.5%.
- 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. In addition SIG is in the process of putting in place a structured driver risk assessment process. Equipment is 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 at 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 continues to fit vehicles with logistics tracking systems and navigation planning equipment. This is aimed at using the most fuel efficient route for each journey.
- Video conferencing equipment is used 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.

CORPORATE RESPONSIBILITY CONTINUED

ENVIRONMENTAL MANAGEMENT CONTINUED

CARBON (CO_2) EMISSIONS

SIG's previous disclosures of emission levels were for UK Mainland operations only and this year the Group is, in addition, reporting for the first time on its Mainland European and Ireland CO_2 emissions.

SIG has 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.

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 the 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 going to landfill.

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;

CO_2 EMISSIONS – DIRECT IMPACT

Source	Definition	Data source and calculation methods	Metric tonnes (Group) 2008
Road vehicle fuel	Emission from vehicle use	Fuel cards and direct purchase records in litres converted according to DEFRA guidelines	86,260
Plant vehicle fuel	Emission from vehicle use	Direct purchase records in litres converted according to DEFRA guidelines	2,060
Total			88,320

The above table does not include CO_2 emission data relating to the wood burning (generation of heat) at the Crawley, Nottingham and Barnstaple operations as these operations are deemed to be carbon neutral.

CO_2 EMISSIONS – INDIRECT IMPACT

Source	Definition	Data source and calculation methods	Metric tonnes (Group) 2008
Electricity	Directly purchased electricity, which generates greenhouse gases including CO_2 emissions	Actual or estimated consumption in KWh converted according to DEFRA guidelines	28,377
Natural gas	Directly purchased gas, which generates greenhouse gases including CO_2 emissions	Actual or estimated consumption in KWh converted according to DEFRA guidelines	4,762
Gas oil	Directly purchased gas oil, which generates greenhouse gases including CO_2 emissions	Actual or estimated purchases in litres converted according to DEFRA guidelines	1,804
Coal/Coke	Directly purchased coal/coke, which generates greenhouse gases including CO_2 emissions	Actual or estimated purchases in tonnes converted according to DEFRA guidelines	88
Kerosene	Directly purchased, which generates greenhouse gases including CO_2 emissions	Actual or estimated purchases in litres converted according to DEFRA guidelines	19
Business travel	Third-party provided transport (air and rail)	Actual or estimated distance travelled converted according to DEFRA guidelines	314
Total			35,364

The data above comprises CO_2 emission data captured from electricity and gas from businesses representing circa 93% of Group revenue for the year ended 31 December 2008.

The data relating to Gas oil, Coal/Coke and Kerosene has been collected from all of the Group's operations; with the exception of the Air Trade Centre businesses, which were acquired in April 2008.

The data relating to business travel has been collected from all of the Group's operations, with the exception of the Air Trade Centre businesses, which were acquired in April 2008.

ENVIRONMENTAL MANAGEMENT CONTINUED
PACKAGING AND WASTE REDUCTION CONTINUED

- 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 memberships with Valpak and Veolia 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 embracing electronic communication within its businesses, which has resulted in a significant reduction in internal and external paperwork throughout the Group; and
- the continued expansion of the Group's waste paper and ink cartridge recycling activities at principal administrative centres and where practicable at site level.

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.

SIG's commitment to environmental issues is reflected in this Annual Report which has been printed on Satimatt Green and Revive 50, both recycled paper stocks comprising 50% recycled fibre and 50% virgin fibre. This document was printed by CPG using vegetable-based inks and water soluble lacquers and all production processes used make the minimum demand on the environment and produce the minimum amount of waste. Both the printer and the paper mill are registered to ISO 14001 and FSC approved.

WASTE MANAGEMENT

SIG recognises its responsibilities to measure and minimise the waste generated by its business operations with over 84% of waste generated in the UK being diverted from landfill. In addition improved paper and cardboard recycling has resulted in saving over 1.29 million trees based on the calculation that one tonne of waste recycled equates to the equivalent of 17 trees saved. Waste data is divided into hazardous and non-hazardous.

NON-HAZARDOUS WASTE

	Definition	Data source and calculation methods	Absolute tonnes (Group) 2008
Landfill	Non-hazardous waste to landfill	Volume per annum converted to tonnes	16,877
Incinerated	Non-hazardous waste incinerated	Volume per annum converted to tonnes	812
Total			17,689

HAZARDOUS WASTE

	Definition	Data source and calculation methods	Absolute tonnes (Group) 2008
Landfill	Hazardous waste sent to landfill	Volume per annum converted to tonnes	24
Recycled	Hazardous diverted from landfill	Volume per annum converted to tonnes	279
Incinerated	Hazardous waste incinerated	Volume per annum converted to tonnes	102
Total			405

OTHER WASTE

	Definition	Data source and calculation methods	Absolute tonnes (Group) 2008
WEEE (Waste, Electrical and Electrical Equipment)	Diverted from landfill	Volume per annum converted to tonnes	20
Glass	Diverted from landfill	Volume per annum converted to tonnes	301
Wood	Diverted from landfill	Volume per annum converted to tonnes	9,677
Metal	Diverted from landfill	Volume per annum converted to tonnes	1,034
Plasterboard	Diverted from landfill	Volume per annum converted to tonnes	397
Paper/cardboard	Diverted from landfill	Volume per annum converted to tonnes	75,942
Plastic	Diverted from landfill	Volume per annum converted to tonnes	907
Other	Diverted from landfill	Volume per annum converted to tonnes	671
Total			88,949

The data above comprises waste data captured from businesses representing circa 93% of Group revenue for the year ended 31 December 2008.

CORPORATE 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 health, safety and environmental aspects of the suppliers' operations. Health, safety and environmental management will be one of the criteria considered when examining a suppliers' 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 for Health, Safety and Environment, certified to ISO 14001 (Environment) and OHSAS 18001 (Health and Safety).

The Group is committed to high standards of health and safety for all of its employees and the Health, Safety and Environmental Policy was reviewed in 2008. The Policy is displayed throughout the Group's workplaces and is available on the Company's website. Whilst Mr. C. J. Davies, the Chief Executive, is the Board Director responsible for the health and safety performance of the Group, 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.

One of the objectives for 2008 was to bring the management system into line with the revised standard OHSAS 18001:2007 and this was achieved in Leaderflush + Shapland during the year, with the remaining businesses having been recommended for the upgrade in April 2009 when as part of their certification process the current certification is renewed.

The Group has received no prosecutions relating to health and safety matters during 2008.

In the UK, HSE Advisers 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 system's audit process each location is annually benchmarked, any corrective actions are identified and a plan put in place to address deficiencies raised. In the UK 443 locations were internally audited by the HSE Advisers in 2008 using a quantitative benchmarking system with the average audit scores across all divisions improving. Within the Group the continuing improvement of health and safety performance is a key priority. A Health and Safety Training Manager is in place to ensure that all UK subsidiary company Directors and managers receive appropriate training in health and safety in order to meet their responsibilities.

Another objective for 2008 was to benchmark the Mainland European businesses against the Group's established management system. This was carried out at 23 trading sites across eight countries. Further development of a pan-European policy and arrangements will take place in 2009.

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 UK operations continues to fall. The number of injury accidents reportable to the HSE under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations ("RIDDOR") was 15.0 per 1,000 employees in 2008, compared with 15.5 per 1,000 employees in 2007. The figures for the Group's Mainland European businesses are included in the Group's figures for the first time.

ACCIDENTS AND INCIDENTS

UK

Rate per 1,000 employees	**2008**	2007	2006
Major injury	**2.9**	1.8	3.2
Injury resulting in over three absence days from work	**11.7**	13.2	12.4
All RIDDORS	**15.0**	15.5	16.2
Average UK headcount	**8,230**	6,845	6,228

GROUP

Rate per 1,000 employees	**2008**
Major injury	**2.6**
Injury resulting in over three absence days from work	**19.0**
All RIDDORS	**21.8**
Average Group headcount	**13,520**

DONATIONS

During the year the Group made donations of £210,000 (2007: £162,000). It is the Group's policy not to make political donations and no political donations were made in the year (2007: £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 commencing January 2008 the three main charities that the Group will be supporting are Henshaws College, http://www.henshaws.org.uk (a charity working with young people, all of whom are visually impaired with additional disabilities), Action For Kids, http://www.actionforkids.org (a national charity working with disabled children and young people, their parents and carers) and St Lazarus Hospice, http://www.hospicjum.krakow.pl (a charity providing assistance for terminally ill individuals and help and support for families in Krakow, Poland).

During 2008, SIG's donation enabled Henshaws College to recruit a Volunteer Co-ordinator to facilitate the creation of a volunteer service, that has been able to recruit, train and support volunteers who help people affected by sight loss to reach their true potential in life.

Henshaws College now has a dedicated volunteer based at their Arts and Crafts Centre in Knaresborough, North Yorkshire where volunteers can learn about volunteering opportunities and are able to have training sessions, such as visual impairment awareness, sighted guides and health and safety for visually impaired people that have enabled new and existing volunteers to work safely and effectively.

2008 saw the first year of SIG's partnership with Action For Kids, a charity working to create independence, provide opportunities and offer support to disabled children, young people and their families all around the UK.

During 2008, SIG's donation allowed 100 disabled young people to receive relevant training programmes focusing on office skills and preparation for entering working environments. In addition four young children received specialist mobility equipment to the value of £10,000, which has enabled them to achieve a greater independence.

DONATIONS CONTINUED
2008 was the first year that the Group supported an overseas charity, St Lazarus Hospice in Krakow, Poland, which was nominated by European employees. Donations during the year allowed the purchase of vital equipment such as a lymphatic massager, medication refrigerator, medical waste cabinets and an operation aspirator. In addition the ventilation room was modernised and work began on installing a new heating system.

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.

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 an initiative was undertaken to re-launch the scheme to all UK employees. During the year donations of £16,831 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.

2008 saw SIG Insulations become the main sponsor for the Sheffield Half Marathon event, which raised a record breaking £75,000 for good causes.

As part of our continuing CR programme SIG, in conjunction with the Children's Safety Education Foundation, supplied 250 children aged between seven and eleven years, in three schools in Essex, Leeds and Chesterfield nominated by employees, with unique interactive learning resources. These resources covered topics such as drug and solvent misuse, alcohol, smoking, first aid, racial harassment, hate crime, bullying, anti-social behaviour, trespassing and vandalism and provide safety resources focusing on road, rail, fire, water, electricity, gas and safety in the home.

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
SIG recognises that the skills, experience and motivation of its employees is the key differentiator in the market place. To meet the needs of an expanding and more complex business a restructure of the Mainland European and UK businesses was undertaken during 2008. This has brought improved business focus, clearer lines of responsibility and easier internal communication.

The Group operates a culture of openness and has in place a confidential hotline service so that employees can raise, on a confidential basis, any concerns about how we conduct our business. The service is provided by an independent third party and a full investigation is carried out on all matters raised and a report is prepared for feedback to the complainant. The hotline was introduced in the UK in November 2007 and was extended to the rest of the Group's employees during 2008.

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. Further policy development has taken place relating to diversity and inclusion and dignity at work ahead of a programme to be launched in 2009 to further raise awareness of Company expectations.

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 retraining 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. The Group reviewed and revised its policies relating to Competition Law, Ethics and Anti-corruption during 2008. These were redistributed with local language translations. Awareness training was provided where appropriate.

We continue to enhance and expand talent management processes with formal reviews taking place in each operating company. Investment in Senior Management development was principally through the Executive Development Programme run in conjunction with Sheffield Hallam University and sponsorship on specific external programmes. Management development was addressed via in-house accredited and externally facilitated programmes which were widely available in most operating countries. Within the UK 117 people attended the Certificate in Management programme.

The Personal Development Award which was launched in 2007 to identify and develop emerging talent was run again in 2008 with 90 people attending the initial development day and 36 going on to benefit from the full award.

The Group continues to invest in the future through its various Graduate Programmes, principally in France, Germany and the UK. A new international undergraduate placement programme was piloted during the year and will be extended in 2009. This provides opportunity for business and language students to spend up to a year in a host country developing their fluency in a second language whilst gaining practical work experience.

An on-line induction programme aimed at branch based staff was launched during the year and the range of NVQs provided in the UK extended, with 151 people achieving or working towards a qualification. The Sales Academy, providing coaching and support for sales professionals, was extended across all operating companies in the UK and is now being adapted by other territories.

SIG recognises the importance of good communication with its employees and dedicated personnel were appointed during the year to focus on this. Noticeboards, internal publications, meetings and intranets continue to be the principal media with, where appropriate, formal employee consultation bodies and processes in place. When external announcements are made, for example to investors and analysts, the Chief Executive takes the opportunity to update colleagues on business priorities and performance. This is via webcasts and the publication of transcripts with an opportunity for people to ask questions by telephone and e-mail.

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 2008 there were 1,762 employees saving under the Company's SIP.

The Group operates a number of employee pension schemes across its businesses. In the UK it operates a defined contribution scheme, which is open to all employees. The Group's UK defined benefit scheme has been closed to new members since 1997.

The HR Director has responsibility for 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 AND COMPANY INFORMATION

LES TENCH BSC
NON-EXECUTIVE CHAIRMAN
Les Tench (age 63) 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 is a Non-Executive Director of Norcros plc. He joined CRH plc in 1992 and from 1998 until his retirement in December 2002 was Managing Director of CRH Europe – Building Products.

CHRIS DAVIES BA (OXON)
CHIEF EXECUTIVE
Chris Davies (age 55) joined Sheffield Insulations in 1994, having previously gained UK and overseas management experience of manufacturing, contracting and specialist distribution in the metals and construction industries. He moved to a Group role in 1996 and in 2001 took up the post of Managing Director Europe. He was appointed to the main Board on 12 February 2007 and was appointed Deputy Chief Executive on 10 January 2008. He was appointed Chief Executive on 1 July 2008.

GARETH DAVIES BA, ACA
FINANCE DIRECTOR
Gareth Davies (age 45) 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 56) joined the Group in July 1975 and was appointed a Director of Sheffield Insulations in April 1989. He was appointed to the main Board in September 2001. He is Managing Director of UK Exteriors.

PETER BLACKBURN CBE, BA, D.LITT, FCA
NON-EXECUTIVE DIRECTOR
Peter Blackburn (age 68) 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 Nestlé, 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 65) 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 67) 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. C. J. Davies

BACK ROW: MICHAEL BORLENGHI, DAVID HAXBY, JOHN CHIVERS AND PETER BLACKBURN
FRONT ROW: GARETH DAVIES, CHRIS DAVIES AND LES TENCH

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING	–	To be held on 13 May 2009
INTERIM RESULTS 2009	–	Announcement August 2009
FULL YEAR RESULTS 2009	–	Announcement March 2010
REPORT AND ACCOUNTS 2009	–	Posted to Shareholders April 2010

PRESIDENT
Sir Norman Adsetts OBE, MA

SECRETARY
Richard Monro FCIS

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Email: info@sigplc.co.uk

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United Kingdom

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Fax: 0114 285 6349

LISTING DETAILS

MARKET	–	UK Listed
REFERENCE	–	SHI.L
SECTOR	–	Support Services

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www.sigplc.co.uk

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North East and Yorkshire
Larger Business Team
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1 Park Row
Leeds LS1 5WU

LLOYDS TSB BANK PLC
Lloyds TSB Corporate Markets
PO Box 85
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Sheffield S1 1HP

SOLICITORS
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Leeds LS1 5AB

JOINT STOCKBROKERS
JP MORGAN CAZENOVE LIMITED
20 Moorgate
London EC2R 6DA

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FINANCIAL PR
FINSBURY GROUP
Tenter House
45 Moorfields
London EC2Y 9AE

AUDITORS
DELOITTE LLP
1 City Square
Leeds LS1 2AL

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

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited Accounts for the year ended 31 December 2008.

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, exteriors, interiors and specialist construction products.

The Chairman's Statement and Business Review on pages 4 to 25 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 22 to 24.

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 38 and 39.

Details of the Group's policies in relation to corporate governance are disclosed on pages 47 to 50.

GROUP RESULTS

The Consolidated Income Statement for the year ended 31 December 2008 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 and 75.

DIVIDENDS

Shareholders were paid an interim dividend of 8.3p per share (2007: 8.0p per share) on 27 November 2008. No final dividend is recommended for the year ended 31 December 2008 (2007: 18.7p per share).

DIRECTORS

The names of the Directors as at the date of this report together with biographical notes are set out on page 40. They comprised the Board for the whole of the year except that Mr. D. Williams resigned as a Director on his retirement on 30 June 2008.

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. D. Williams had informed the Board of his intention to step down as a Director of the Company on 30 June 2008 to take early retirement. Mr. D. Williams resigned as a Director on 30 June 2008 and Mr. C. J. Davies was appointed Chief Executive with effect from 1 July 2008.

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. G. W. Davies and Mr. D. A. Haxby. Each Director, being eligible, offers himself for re-election. It is the view of the Board that Mr. D. A. Haxby, a Non-Executive Director and Chairman of the Audit Committee, brings considerable management experience and independent perspective to the Board's discussions and he is considered to be independent of management and free from any relationship or circumstance that could affect, or appear to affect, the exercise of his 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 51 to 59 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 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 pages 88 to 90. 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 2008, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 637,977 new ordinary shares. A further 126,045 new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this Report. Details of outstanding options under the Group's Employee and Executive Schemes are set out in Note 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 issued shares of the class; or

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

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

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.

CREST

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

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 Interim Reports to Shareholders and therefore Interim Reports are no longer being sent to Shareholders. The 2009 Interim Report will be published on the Company's website at www.sigplc.co.uk.

ACQUISITION BY THE COMPANY OF ITS OWN SHARES

Shareholder authority for the purchase by the Company of 13,500,000 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 2009 Annual General Meeting.

SUBSTANTIAL SHAREHOLDINGS

At 13 March 2009, the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Financial Services Authority:

	Ordinary shares of 10p each	% of issued share capital
Deutsche Bank AG	8,301,937	6.11
Aviva plc	6,835,471	5.03
Schroders plc	6,755,490	4.98
BlackRock Inc.	6,632,375	4.88
Fidelity International	6,334,032	4.67
F&C Asset Management plc	6,084,717	4.48
Legal & General plc	5,997,088	4.42
Barclays PLC	4,910,061	3.62

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 2008 the Company had no trade creditors, as it does not trade in its own right. The Group's average number of days outstanding on a like for like constant currency basis as at 31 December 2008 in respect of trade payables was 28 (2007: 37).

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.

GOING CONCERN

After making enquiries, the Directors have formed a judgement, at the time of approving the Accounts, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements. The key factors considered by the Directors in making this statement are set out on page 25 of the Business Review.

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution re-appointing Deloitte 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 the Aston Hotel, Britannia Way, Catcliffe, Sheffield S60 5BD at 12 noon on Wednesday 13 May 2009, 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
18 MARCH 2009

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.

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

- the Accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed on behalf of the Board

CHRIS DAVIES
DIRECTOR
18 MARCH 2009

GARETH DAVIES
DIRECTOR
18 MARCH 2009

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 51 to 59 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 was not in compliance from 1 January 2008 to 30 June 2008. On 30 June 2008 Mr. D. Williams, an Executive Director and the previous Chief Executive, retired and from that date the Board became compliant with Code provision A3.2.

The Company's Auditors, Deloitte 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 2008 and at the date of this Report, the Board was made up of seven members comprising the Chairman, three 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 40. 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 51 to 59.

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.

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 meets regularly during the year, as well as on an ad hoc basis as required by time critical business needs. The Board met formally on 13 occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table on page 48. 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).

CORPORATE GOVERNANCE CONTINUED

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 2008:

	Board (13 meetings)	Audit Committee (4 meetings)	Remuneration Committee (6 meetings)	Nominations Committee (3 meetings)
P. H. Blackburn	13	4	6*	3
M. J. C. Borlenghi	13	4	6	3
M. J. Chivers	11	N/A	N/A	N/A
C. J. Davies (appointed 12 February 2007)	13	N/A	N/A	N/A
G. W. Davies	13	N/A	N/A	N/A
D. A. Haxby	12	4*	6	3
L. O. Tench	13*	N/A	N/A	3*
D. Williams (retired 30 June 2008)	8	N/A	N/A	1

* 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

The effectiveness of the Board and its Committees is vital to the success of the Company and during the year, the Board continued its ongoing evaluation process to assess its performance and that of its three principal Committees.

In 2008, as part of this programme, the Board commissioned an independent third party to prepare a tailored Board Evaluation Questionnaire with the emphasis, in addition to the evaluation of the performance of the Board and its Committees, being targeted at identifying the future needs of the Board, including Board composition and succession planning. Each Director completed their Questionnaire and these were then evaluated by the independent third party who then prepared a report for the Chairman. The Chairman and the independent third party presented the results of the evaluation to the Board, which discussed the results of the evaluation in detail. The discussions then focused on how the actions identified through the process should be implemented. The Board was satisfied that the evaluation of its performance was a worthwhile exercise and that the Directors had participated in an open and frank basis. The evaluation process will continue to be carried out on an annual basis.

During the year a number of the Directors attended training courses and seminars on subjects and topics in conjunction with those that the Chairman had identified as being areas where training would increase the knowledge and effectiveness of the Director. By way of example the entire Board underwent specific externally facilitated training on risk assessment. Further training has been programmed for 2009.

The Non-Executive Directors, chaired by the Senior Independent Director, meet once a year without the Chairman present to assess his performance, taking into account the views of the Executive Directors.

RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of communicating with its Shareholders, including its employee Shareholders, to ensure that its strategy and performance is understood. This is achieved principally through the Annual Report and the Annual General Meeting. The Group's annual and interim results, as well as all announcements issued to the London Stock Exchange, are published on the Company's website. The Company issues regular trading updates to the market and these, together with copies of the presentations made to analysts can also be found on the Company's website. In addition, a range of other corporate information is available to investors on the Company's website (www.sigplc.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 Chairman and the Finance Director and discussed at its meetings. Formal presentations are made to institutional Shareholders following the announcement of the Company's annual and interim results. Contact is also maintained, where appropriate, with Shareholders to discuss overall remuneration plans and policies. The 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 51 to 59.

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 would 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.

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. D. Williams' retirement on 30 June 2008. The process for identifying Mr. D. 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 60 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 twice-yearly 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;

RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

- 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
18 MARCH 2009

DIRECTORS' REMUNERATION REPORT

INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2008

This report has been prepared by the Remuneration Committee on behalf of the Board in accordance with the requirements of the Companies Act 1985, as amended by the Directors' Remuneration Report Regulations 2002 and The Listing Rules of the UK Financial Services Authority. The information set out on pages 57 to 59 of this Report represents the auditable disclosures referred to in the Independent Auditors' Report on page 109 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 47. Shareholders will be invited to approve the Report at the Annual General Meeting on 13 May 2009.

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 Combined Code. They comprised the Committee for all of 2008 and up to the date of this Report. Biographical details of the Committee members are set out on page 40. 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 oversee 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 (currently Mr. C. J. Davies and formerly 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 six 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 Company has decided that, against the current economic background and uncertainty over the state of the market in 2009, that the pay review which would normally have been conducted on 1 January 2009 has been postponed until later in the year when the matter will be re-considered. Consequently the Executives Directors' base salaries were not reviewed on 1 January 2009 in line with the deferment of the salary review for all UK employees.

In view of concern expressed by institutional investors at the level of the Company's net debt, the Committee has reviewed the performance criteria for the operation of the 2009 annual bonus scheme and determined that 30% should be linked to debt management and working capital targets, 50% to profit before tax and 20% to personal objectives.

The Committee has 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 2008 the Committee decided that the threshold at which 30% of the Award vests would remain unchanged requiring 5% real annual compound growth in EPS over the three year performance period but that the level at which the maximum award would vest would be increased from 10% real compound growth to 12% real compound growth over the three year performance period. In view of the substantial fall in the Company's share price the Committee has decided that the maximum 2009 LTIP award will be reduced from 100% to 50% of base salary. The Committee has also decided that for awards made in 2009 an absolute EPS target range will be set. Finally, 25% (previously 30%) of the award will vest at the threshold level and vesting will be pro-rata between threshold (25%) and maximum (100%).

During the 2008 financial year PricewaterhouseCoopers ("PwC") continued to advise the Remuneration Committee on remuneration matters including 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.

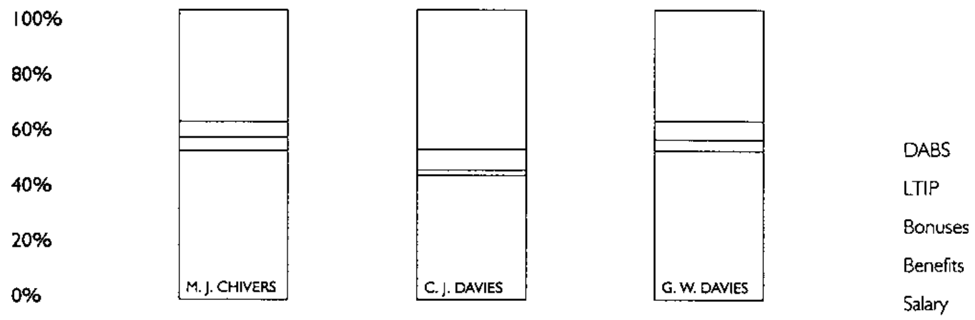
POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

The Company's policy for 2008 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 11 to 13. Under the terms of the DABS and LTIP scheme rules, Mr. D. Williams was entitled to exercise his outstanding options on a time apportioned basis subject to the satisfaction of the performance criteria. No discretion to increase the level of vesting in any way was applied.

The Remuneration Committee has the discretion to consider the Company's performance on environmental, social and governance issues when determining the overall reward for the Executive Directors.

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED

The bar chart below explains the relevant importance of the elements of the remuneration package that are performance related and those that are not.



For the purposes of the chart set out above, salary, benefits and bonuses are the amounts received in 2008 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 18 companies of broadly similar market capitalisation to the Company's (excluding finance and real estate companies) and 16 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 incentive 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 EPS condition is appropriate for its share incentive schemes (i.e. LTIP and DABS) as it requires substantial improvements from an appropriate base level in the underlying financial performance of the Company in order for the awards to become exercisable. Deloitte 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 annually 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 Company has decided that against the current economic background and uncertainty over the state of the market in 2009, the pay review which would normally have been effective from I January 2009 has been postponed. Consequently the Executive Directors' base salaries were not reviewed on I January 2009. This is in line with the arrangements in place for the rest of the UK workforce.

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

Name	Annual rate of salary 2008	**Annual rate of salary 2009**	Increase
M. J. Chivers	£270,000	**£270,000**	Nil
C. J. Davies	£365,000^	**£465,000**	Nil
G. W. Davies	£300,000	**£300,000**	Nil
D. Williams	£515,000*	–	Nil

^ Mr. C. J. Davies' salary was increased to £365,000 with effect from 1 January 2008 following his appointment as Deputy Chief Executive and increased to £465,000 per annum on 1 July 2008 on his appointment as Chief Executive. The basic salaries of the Executive Directors were not reviewed at 1 January 2009 in line with the deferment of the salary review for all UK employees.

* Mr. D. Williams ceased to be a Director on 30 June 2008.

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	Year	Debt management/ working capital improvement	Profit before tax % of salary	Personal objectives % of salary	Maximum bonus of % of salary
M. J. Chivers	2008	–	85%	15%	100%
	2009	30%	50%	20%	100%
C. J. Davies	2008	–	90%	10%	100%
	2009	30%	50%	20%	100%
G. W. Davies	2008	–	90%	10%	100%
	2009	30%	50%	20%	100%
D. Williams	2008	–	90%	10%	100%

Despite the Group achieving a creditable performance in an exceptionally difficult trading environment the Group's profit before tax in 2008 was not sufficient for any part of the profit element of the annual bonus to become payable. The personal objectives for 2008 were achieved in full by Mr. C. J. Davies resulting in the maximum 10% of base salary for this element being payable to Mr. C. J. Davies and in the case of Mr. G. W. Davies to the extent that 7.5% of base salary being payable to him for this element. In addition, during the year in view of the rapidly deteriorating economic climate, Mr. C. J. Davies and Mr. G. W. Davies were separately targeted to implement specific restructuring measures within the Group for which an additional maximum of 5% of base salary could be earned. These specific measures were successfully implemented and an amount of 5% of base salary became payable to Mr. C. J. Davies and Mr. G. W. Davies. Mr. M. J. Chivers' personal objectives were achieved to the extent of an amount of 10.5% of base salary being payable. The annual bonus paid to Mr. D. Williams was based on the achievement of his personal objectives on the financial performance of the Group for the period to 30 June 2008 being the date of his retirement.

For 2009 the Committee has agreed that the maximum bonus that can be earned should remain at 100% of base salary for each Executive Director. The performance metrics have been changed to include an element for debt management/working capital improvement in addition to the profit before tax and personal objective elements as set out in the table above.

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

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 100% 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, 2007 and 2008 under the new Plan. As set out on page 58 in the Directors' share options table under the heading LTIP, none of the Executive Directors have awards which had not vested at 31 December 2008 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 but the right to exercise options terminates upon the employee ceasing to hold office with the Group, subject to certain exceptions and the discretions of the Remuneration Committee. There were no exercises of discretion by the Committee during the year.

All LTIP awards are subject to EPS 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%

DIRECTORS' REMUNERATION REPORT CONTINUED
INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2008

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS CONTINUED
SHARE OPTION SCHEMES CONTINUED
LONG TERM INCENTIVE PLANS CONTINUED

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%

In the case of the 2008 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	12%	100%
Between threshold and maximum	5% – 12%	Pro-rata between 30% 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 the employees and Shareholders. At the end of the relevant period the Remuneration Committee assesses whether the performance conditions have been satisfied.

In 2008 Awards were made under the LTIP to Mr. C .J. Davies with a value of 100% of his base salary at 1 July 2008 and to Mr. M. J. Chivers and Mr. G. W. Davies with a value of 75% of their base salary as shown in the table on page 58.

For 2009 the Remuneration Committee has decided that the level of Award to be made under the LTIP will be reduced to a maximum of 50% of base salary and the performance criteria will be based on the achievement of an absolute EPS target which would be set between a prescribed range to be achieved at the end of the three year performance period.

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 2008 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 58.

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

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. 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 appointment	Date of letter of appointment	Basic fee £	Senior Independent Director fee £	Chairman of Remuneration/ Audit Committee fee £	**Total annual fees from 1 May 2008 £**	Total annual fees from 1 May 2007 £
P. H. Blackburn	01/07/2001	14/06/2001	44,500	2,000	6,000	**52,500**	50,000
M. J. C. Borlenghi	02/04/2004	08/03/2004	44,500	–	–	**44,500**	42,000
D. A. Haxby	01/03/2003	28/02/2003	44,500	–	8,000	**52,500**	50,000
L. O. Tench	01/03/2003	28/02/2003	145,000	–	–	**145,000**	134,000

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-month notice period in writing by either party.

The service contracts for Mr. M. J. Chivers, Mr. C. J. Davies and Mr. G. W. Davies are dated 1 January 1995, 28 January 2009 and 1 August 2002 respectively. 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. The service contract for Mr. D. Williams, who served as a Director until 30 June 2008, was dated 4 December 2006. The Company could 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 would have been entitled. If the Company had terminated his employment without giving notice or making a payment in lieu, any damages to which he may have been entitled would have been calculated in accordance with common law principles, including those relating to mitigation of loss and accelerated receipt. On his retirement, Mr. D. Williams received no additional or ex-gratia payments.

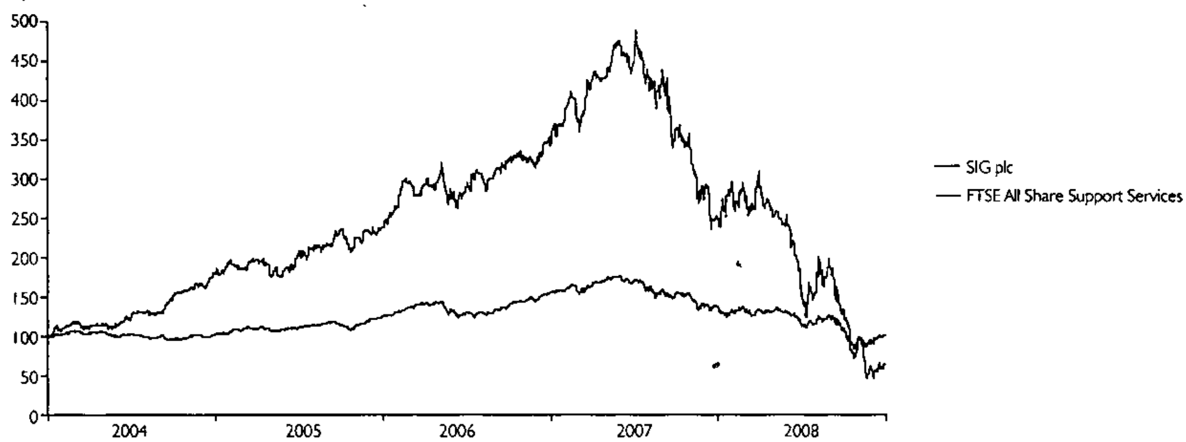
SHARE OWNERSHIP GUIDELINES

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 2008. 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 2004 TO 31 DECEMBER 2008



TSR (rebased = 100 at 1 January 2004)

DIRECTORS' INTERESTS IN THE SHARES OF SIG PLC

The interests of the Directors in office at 31 December 2008 and of their families in ordinary shares of the Company at the following dates were:

	31 December 2008	1 January 2008 or date of appointment
P. H. Blackburn	**13,000**	8,000
M. J. C. Borlenghi	**7,236**	5,000
M. J. Chivers	**53,679***	51,471*
C. J. Davies	**41,409***	23,300*
G. W. Davies	**89,156***	55,597*
D. A. Haxby	**Nil**	Nil
L. O. Tench	**34,000**	24,000

* Includes shares purchased under the SIG plc SIP.

All shareholdings were unchanged as at 17 March 2009 other than on 15 January 2009, Mr. C. J. Davies and Mr. G. W. Davies acquired a further 73 shares and Mr. M. J. Chivers a further 74 shares under the SIG SIP and on 17 February 2009 Mr. M. J. Chivers, Mr. C. J. Davies and Mr. G. W. Davies acquired a further 125 shares under the SIG SIP.

DIRECTORS' EMOLUMENTS

	Salary and fees £000	Annual performance related bonus £000	Benefits £000	**2008 Total emoluments £000**	2007 Total emoluments £000
Chairman					
L. O. Tench (Chairman)	141	–	–	**141**	133
Executive					
C. J. Davies (appointed 12/02/2007)	415	70	18	**503**	382
D. Williams (retired 30/06/2008)	269	83	3	**355**	966
M. J. Chivers	270	28	24	**322**	451
G. W. Davies	300	38	22	**360**	516
Non-Executive					
P. H. Blackburn	52	–	–	**52**	49
M. J. C. Borlenghi	44	–	–	**44**	41
D. A. Haxby	52	–	–	**52**	49
Total	1,543	219	67	**1,829**	2,587

The base salaries for the Executive Directors as at 1 January 2009 are: Mr. C. J. Davies £465,000; Mr. G. W. Davies £300,000; and Mr. M. J. Chivers £270,000. As has been previously stated the 1 January 2009 salary review has been postponed.

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. C. J. Davies.

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 £000	Increase/ (decrease) in accrued benefits net of inflation £000	Transfer value of increase in accrued benefits net of inflation* £000	Accrued benefits at 31 December 2008 £000	Transfer value at 31 December 2008 £000	Transfer value at 1 January 2008 £000	Contributions made by Executive to the scheme in the year £000	Transfer value increase after deducting Executive contributions £000
M. J. Chivers	16	11	367	152	3,810	2,603	20	1,187
C. J. Davies	21	19	436	63	1,440	738	27	675
G. W. Davies	10	7	123	72	1,142	733	23	388
D. Williams	17	(75)	(1,929)	153	4,920	4,430	20	470

* After deducting Executive contributions.

Mr. D. Williams retired from the scheme on 30 June 2008 and took a pension of £152,800 per annum and a cash sum of £763,226, which included his Additional Voluntary Contributions ("AVC") fund value of £90,622. The amounts disclosed above at 31 December 2008 are in relation to the pension only.

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 AVC; neither such contributions nor the resulting benefits are included in the above table.

DIRECTORS' REMUNERATION REPORT CONTINUED
INCLUDING THE STATEMENT OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2008

DIRECTORS' SHARE OPTIONS

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.

The share options for the other Directors who held office at any time during the year ended 31 December 2008 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 2008 or date of appointment	Granted	Exercised	Lapsed	**At 31 December 2008 or date of cessation**	Exercise expires per 10p share	Vesting	Exercised	Earliest vesting date	Date exercised	Date on which option expires
Deferred Annual Bonus Scheme												
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	1,166.0p	1,072	–	–	–	**1,072**	Nil	–	–	17/04/2010	–	16/04/2017
D. Williams (resigned 30/06/2008)												
– 19/04/2005	610.0p	2,626	–	(2,626)	–	–	Nil	–	789.0p	19/04/2008	23/04/2008	29/06/2009
– 13/04/2006	866.3p	2,026	–	–	–	**2,026**	Nil	–	–	30/06/2008	–	29/06/2009
Long Term Incentive Plan												
M. J. Chivers												
– 19/04/2005	610.0p	17,622	–	(17,622)	–	–	Nil	–	789.0p	19/04/2008	23/04/2008	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
– 14/04/2008	801.1p	–	25,277	–	–	**25,277**	Nil	–	–	14/04/2011	–	13/04/2018
C. J. Davies (appointed 12/02/2007)												
– 19/04/2005	610.0p	8,042	–	(8,042)	–	–	Nil	–	789.0p	19/04/2008	23/04/2008	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
– 14/04/2008	801.1p	–	45,562	–	–	**45,562**	Nil	–	–	14/04/2011	–	13/04/2018
– 08/09/2008	542.3p	–	9,220	–	–	**9,220**	Nil	–	–	08/09/2011	–	07/09/2018
G. W. Davies												
– 19/04/2005	610.0p	19,262	–	(19,262)	–	–	Nil	–	789.0p	19/04/2008	23/04/2008	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
– 14/04/2008	801.1p	–	28,086	–	–	**28,086**	Nil	–	–	14/04/2011	–	13/04/2018
D. Williams (resigned 30/06/2008)												
– 19/04/2005	610.0p	48,770	–	(48,770)	–	–	Nil	–	789.0p	19/04/2008	23/04/2008	29/06/2009
– 13/04/2006	911.7p	34,935	–	–	–	**34,935**	Nil	–	–	30/06/2008	–	29/06/2009
– 17/04/2007	1,300.8p	25,830	–	–	–	**25,830**	Nil	–	–	30/06/2008	–	29/06/2009
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	–	508.0p	01/07/2008	22/08/2008	31/12/2008
Total		246,016	108,145	(106,276)	–	**247,885**						

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 53 and 54.

No price has been paid for any awards of share options.

The market price of the shares at 31 December 2008 was 178.5p and the range during 2008 was 129.5p to 920p.

The aggregate of the total theoretical gains on options exercised by the Directors during 2008 amounted to £794,123 (2007: £1,881,821). 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
18 MARCH 2009

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 2008, 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 Combined 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 40. 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 and identifying any matters on which the Committee considers that action or improvement is needed and making recommendations as to the steps to be taken.

The 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 2008 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. 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 2008 and in March 2009 before the signing off of the 2008 Annual Report and Accounts. Ernst & Young LLP, who provide an outsourced internal audit function for the Group, are invited to most meetings to present their reports. The Chairman of the Committee also meets with Ernst & Young LLP without the Executive Directors present.

WORK OF THE COMMITTEE

The Committee discharged its obligations in respect of 2008 as follows:

- Annual Report and Accounts and Half-yearly Report – at its meetings in August 2008 and March 2009, 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 2009 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 2008 meeting the Committee reviewed the application of any new accounting policies or standards that would be applicable to the Group's 2008 Annual Report and Accounts. The Committee is updated regularly on actual and pending changes to accounting standards;
- internal controls and risk management – in December 2008 and March 2009, 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;
- in August 2008 the Committee reviewed its Terms of Reference and Non-audit Services Policy. Following the appointment of PricewaterhouseCoopers as the Group's tax advisers in August 2006 and other preferred suppliers having been identified for due diligence services, Deloitte LLP's role is now solely that of Group Auditors 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 December 2008; considered its pre year-end issues report in December 2008; reviewed the fees paid for audit and for non-audit services in March 2009; and assessed the external Auditors' independence and objectivity in November 2008 and March 2009;
- internal audit function – in April 2006 Ernst & Young LLP was appointed to provide an outsourced internal audit function for the Group. 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 2008, August 2008, November 2008, December 2008 and March 2009. In March 2008 the Committee agreed the scope of work of the internal audit function for 2008; and
- "Whistleblowing" Policy – in August 2008 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 was 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 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 2008, 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 and 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).

REPORT OF THE AUDIT COMMITTEE CONTINUED

INDEPENDENCE OF AUDITORS CONTINUED

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 2008 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 LLP has 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 LLP, the Committee recommends (and the Board agrees) that a resolution for the re-appointment of Deloitte 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
18 MARCH 2009

GROUP ACCOUNTS
(PREPARED IN ACCORDANCE WITH IFRS)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Before other items* 2008 £m	Other items* 2008 £m	Total 2008 £m	Before other items* 2007 £m	Other items* 2007 £m	Total 2007 £m
Revenue							
Existing operations		**2,898.0**	–	**2,898.0**	2,238.6	–	2,238.6
Acquisitions		**155.6**	–	**155.6**	216.6	–	216.6
Continuing operations	1	**3,053.6**	–	**3,053.6**	2,455.2	–	2,455.2
Cost of sales	2	**(2,245.2)**	–	**(2,245.2)**	(1,796.6)	–	(1,796.6)
Gross profit		**808.4**	–	**808.4**	658.6	–	658.6
Other operating expenses	2	**(638.6)**	**(62.8)**	**(701.4)**	(499.2)	(17.2)	(516.4)
Operating profit							
Existing operations		**156.6**	**(62.8)**	**93.8**	147.5	(17.2)	130.3
Acquisitions		**13.2**	–	**13.2**	11.9	–	11.9
Continuing operations		**169.8**	**(62.8)**	**107.0**	159.4	(17.2)	142.2
Finance income	3	**11.9**	–	**11.9**	9.2	1.4	10.6
Finance costs	3	**(44.4)**	**(41.4)**	**(85.8)**	(28.5)	–	(28.5)
Profit before tax	4	**137.3**	**(104.2)**	**33.1**	140.1	(15.8)	124.3
Income tax expense	6	**(40.2)**	**13.9**	**(26.3)**	(41.9)	4.7	(37.2)
Profit after tax from continuing operations		**97.1**	**(90.3)**	**6.8**	98.2	(11.1)	87.1
Attributable to:							
Equity holders of the Company		**96.6**	**(90.3)**	**6.3**	97.3	(11.1)	86.2
Minority interests		**0.5**	–	**0.5**	0.9	–	0.9
Earnings per share							
Basic earnings per share	8	**71.4p**	**(66.7p)**	**4.7p**	74.8p	(8.5p)	66.3p
Diluted earnings per share	8	**71.1p**	**(66.5p)**	**4.6p**	74.2p	(8.4p)	65.8p

* "Other items" relate to the amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs. "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 2008

	Note	2008 £m	2007 £m
Profit after tax		**6.8**	87.1
Exchange difference on retranslation of foreign currency goodwill and intangibles	25	**97.0**	24.7
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	25	**61.8**	18.8
Exchange and fair value movements associated with borrowings and derivative financial instruments	25	**(92.9)**	(41.2)
Tax credit on exchange difference arising on borrowings and derivative financial instruments	25	**13.8**	12.0
Gains and losses on cash flow hedges	25	**3.5**	(5.2)
Transfer to profit and loss on cash flow hedges	25	**(1.4)**	2.1
Current and deferred tax on share options	25	**(0.7)**	(0.8)
Actuarial (loss)/gain on defined benefit pension schemes	25	**(10.6)**	6.2
Deferred tax movement associated with actuarial (loss)/gain	25	**3.0**	(2.0)
Total recognised income and expense for the year		**80.3**	101.7
Attributable to:			
Equity holders of the Company		**79.8**	100.8
Minority interests		**0.5**	0.9
		80.3	101.7

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 2008

	Note	2008 £m	2007 £m
Non-current assets			
Property, plant and equipment	10	**259.3**	209.0
Goodwill	11	**567.1**	434.9
Intangible assets	12	**183.4**	152.8
Deferred tax assets	22	**18.7**	17.4
		1,028.5	814.1
Current assets			
Inventories	14	**268.6**	224.6
Trade receivables	15	**469.7**	414.4
Other receivables	15	**31.3**	25.4
Derivative financial instruments	15	**74.6**	0.5
Cash and cash equivalents		**71.7**	89.2
		915.9	754.1
Total assets		**1,944.4**	1,568.2
Current liabilities			
Trade and other payables	16	**373.2**	366.1
Obligations under finance lease contracts	16	**3.4**	2.6
Bank overdrafts	16	**18.8**	1.9
Bank loans	16	**345.3**	150.8
Private placement notes	16	**–**	22.1
Loan notes	16	**0.1**	2.8
Derivative financial instruments	16	**60.6**	36.7
Current tax liabilities	16	**5.9**	17.4
Provisions	16	**8.3**	9.5
		815.6	609.9
Non-current liabilities			
Obligations under finance lease contracts	17	**9.2**	7.1
Bank loans	17	**6.4**	5.9
Private placement notes	17	**328.6**	251.8
Loan notes	17	**0.1**	1.4
Derivative financial instruments	17	**70.9**	35.5
Deferred tax liabilities	17	**49.5**	44.3
Other payables	17	**4.0**	2.8
Retirement benefit obligations	17	**19.1**	15.7
Provisions	17	**22.1**	18.9
		509.9	383.4
Total liabilities		**1,325.5**	993.3
Net assets		**618.9**	574.9
Capital and reserves			
Called up share capital	24	**13.6**	13.5
Share premium account	25	**167.5**	166.5
Capital redemption reserve	25	**0.3**	0.3
Special reserve	25	**22.1**	22.1
Share option reserve	25	**2.6**	2.7
Hedging and translation reserve	25	**89.4**	9.7
Retained profits	25	**321.5**	358.8
Attributable to equity holders of the Company		**617.0**	573.6
Minority interests	25	**1.9**	1.3
Total equity	25	**618.9**	574.9

The Accounts were approved by the Board of Directors on 18 March 2009 and signed on its behalf by:

CHRIS DAVIES
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 BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Non-current assets			
Property, plant and equipment	10	**259.3**	209.0
Goodwill	11	**567.1**	434.9
Intangible assets	12	**183.4**	152.8
Deferred tax assets	22	**18.7**	17.4
		1,028.5	814.1
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Other receivables	15	**31.3**	25.4
Derivative financial instruments	15	**74.6**	0.5
Cash and cash equivalents		**71.7**	89.2
		915.9	754.1
Total assets		**1,944.4**	1,568.2
Current liabilities			
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Bank overdrafts	16	**18.8**	1.9
Bank loans	16	**345.3**	150.8
Private placement notes	16	**–**	22.1
Loan notes	16	**0.1**	2.8
Derivative financial instruments	16	**60.6**	36.7
Current tax liabilities	16	**5.9**	17.4
Provisions	16	**8.3**	9.5
		815.6	609.9
Non-current liabilities			
Obligations under finance lease contracts	17	**9.2**	7.1
Bank loans	17	**6.4**	5.9
Private placement notes	17	**328.6**	251.8
Loan notes	17	**0.1**	1.4
Derivative financial instruments	17	**70.9**	35.5
Deferred tax liabilities	17	**49.5**	44.3
Other payables	17	**4.0**	2.8
Retirement benefit obligations	17	**19.1**	15.7
Provisions	17	**22.1**	18.9
		509.9	383.4
Total liabilities		**1,325.5**	993.3
Net assets		**618.9**	574.9
Capital and reserves			
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Capital redemption reserve	25	**0.3**	0.3
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Share option reserve	25	**2.6**	2.7
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CHRIS DAVIES
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 2008

	Note	2008 £m	2007 £m
Net cash flow from operating activities			
Cash inflow from operating activities	26	**156.0**	160.3
Borrowing costs paid		**(42.2)**	(19.3)
Interest received		**6.6**	5.0
Income tax paid		**(27.8)**	(39.8)
Net cash inflow from operating activities		**92.6**	106.2
Cash flows from investing activities			
Purchase of property, plant and equipment		**(65.9)**	(60.5)
Proceeds from sale of property, plant and equipment		**15.8**	4.1
Purchase of businesses	13	**(121.4)**	(226.8)
Net cash used in investing activities		**(171.5)**	(283.2)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	24	**1.1**	148.1
Capital element of finance lease rental payments		**(3.5)**	(2.5)
Repayment of loans/settlement of derivative financial instruments		**(74.8)**	(12.6)
New loans		**146.0**	98.6
Dividends paid to equity holders of the Company	7	**(36.5)**	(28.4)
Payments to minority Shareholder		**(0.7)**	(0.8)
Net cash generated in financing activities		**31.6**	202.4
(Decrease)/increase in cash and cash equivalents in the year	27	**(47.3)**	25.4
Cash and cash equivalents at beginning of year	28	**87.3**	59.1
Effect of foreign exchange rate changes		**12.9**	2.8
Cash and cash equivalents at end of year	28	**52.9**	87.3

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in this Annual Report and Accounts for the year ended 31 December 2008 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 Accounts have been prepared on the basis of a going concern as set out on page 25.

At the date of authorisation of these Accounts, there are a number of new standards and interpretations issued but not yet effective (some of which are pending endorsement by the European Union), which the Group has not applied in these Accounts. These include:

- IFRS 8 "Operating Segments" – effective for accounting periods beginning on or after 1 January 2009;
- IAS 1 "Presentation of Financial Statements" – revision effective for accounting periods on or after 1 January 2009;
- IAS 27 "Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" – revision effective for accounting periods beginning on or after 1 July 2009;
- IAS 23 "Borrowing Costs" – effective for costs incurred from 1 January 2009;
- IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" – revision applies retrospectively for accounting periods beginning on or after 1 July 2009;
- IFRS 2 "Share-based Payment" – revision effective for accounting periods beginning on or after 1 January 2009;
- IFRS 3 "Business Combinations" – revision effective for accounting periods beginning on or after 1 July 2009; and
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" – effective for accounting periods beginning on or after 1 October 2008.

With the exception of IFRS 3 "Business Combinations", the adoption of these standards in future periods are not expected to have a material impact on the financial results of the Group. IFRS 3 "Business Combinations" is expected to impact the treatment of any acquisition-related costs (for instance finder's fees, advisory, legal, accounting, valuation and other professional or consulting fees incurred on the acquisition of new businesses) with such costs being expensed in the period. IFRS 3 is also expected to impact the treatment of contingent consideration associated with acquisitions.

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;
- impairment charges;
- gains and losses on derivative financial instruments; and
- restructuring costs.

GOODWILL AND BUSINESS COMBINATIONS

All business combinations are accounted for by applying the purchase method.

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

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

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

GOODWILL AND BUSINESS COMBINATIONS CONTINUED

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 five defined benefit pension schemes.

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

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

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

The actuarial gain or loss arising is charged through the Consolidated Statement of 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

SHARE-BASED PAYMENTS
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 thereafter.

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.

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 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.

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 gains or losses on derivative financial instruments and is included as part of finance income or finance costs within the column of the Consolidated Income Statement entitled "Other items".

Hedge 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 gains or losses on derivative financial instruments and is included as part of finance income or finance costs within the column of the Consolidated Income Statement entitled "Other items". Gains and losses deferred in the hedging and translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of.

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 gains or losses on derivative financial instruments and is included as part of finance income or finance costs within the column of the Consolidated Income Statement entitled "Other items". Gains and losses deferred in the hedging and translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of.

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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 CGU to 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 set out on page 86. 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. In instances where significant investment is expected, a rate in excess of the industry growth is used in the five-year forecast. 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 2008 was £1,028.5m (2007: £814.1m). As a result of impairment reviews performed on all CGUs in the year, the Ireland CGU was impaired to reflect its recoverable amount. Details of the recoverable amount of the Ireland CGU is disclosed within Note 11 on page 86.

POST-EMPLOYMENT BENEFITS

The Group operates five defined benefit pension schemes. All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 "Employee Benefits". As detailed within the Statement of Significant Accounting Policies on page 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 108.

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 and various other assumptions. 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

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 uncollectable receivables and unsaleable inventory.

NOTES TO THE ACCOUNTS

1. REVENUE AND SEGMENTAL INFORMATION

REVENUE

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

	2008 £m	2007 £m
Sale of goods	**3,053.6**	2,455.2
Total revenue	**3,053.6**	2,455.2
Finance income	**11.9**	10.6
Total income	**3,065.5**	2,465.8

GEOGRAPHICAL SEGMENTS

As at 31 December 2008, the Group is managed and organised in two geographies: UK and Ireland and Mainland Europe. These geographies are the basis on which the Group reports its primary segment information.

Segment information about these geographies is presented below:

	2008 UK and Ireland £m	2008 Mainland Europe £m	2008 Eliminations £m	2008 Total £m	2007 UK and Ireland £m	2007 Mainland Europe £m	2007 Eliminations £m	2007 Total £m
Revenue								
External sales	**1,669.4**	**1,384.2**	**–**	**3,053.6**	1,523.8	931.4	–	2,455.2
Inter-segment sales*	**–**	**2.3**	**(2.3)**	**–**	0.3	–	(0.3)	–
Total revenue	**1,669.4**	**1,386.5**	**(2.3)**	**3,053.6**	1,524.1	931.4	(0.3)	2,455.2
Result								
Segment result before amortisation of acquired intangibles, impairment charges and restructuring costs	**111.2**	**67.9**	**–**	**179.1**	121.3	45.9	–	167.2
Amortisation of acquired intangibles and impairment charges	**(31.7)**	**(8.9)**	**–**	**(40.6)**	(12.0)	(5.2)	–	(17.2)
Restructuring costs	**(19.1)**	**(3.1)**	**–**	**(22.2)**	–	–	–	–
Segment result	**60.4**	**55.9**	**–**	**116.3**	109.3	40.7	–	150.0
Parent Company costs				**(9.3)**				(7.8)
Operating profit				**107.0**				142.2
Net finance costs				**(32.5)**				(19.3)
(Losses)/gains on derivative financial instruments				**(41.4)**				1.4
Profit before tax				**33.1**				124.3
Income tax expense				**(26.3)**				(37.2)
Minority interests				**(0.5)**				(0.9)
Retained profit				**6.3**				86.2

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

1. REVENUE AND SEGMENTAL INFORMATION CONTINUED

GEOGRAPHICAL SEGMENTS CONTINUED

	2008 UK and Ireland £m	2008 Mainland Europe £m	2008 Eliminations £m	2008 Total £m	2007 UK and Ireland £m	2007 Mainland Europe £m	2007 Eliminations £m	2007 Total £m
Balance sheet								
Assets								
Segment assets	**909.0**	**961.4**	**–**	**1,870.4**	902.7	662.3	–	1,565.0
Unallocated assets				**74.0**				3.2
Consolidated total assets				**1,944.4**				1,568.2
Liabilities								
Segment liabilities	**245.4**	**246.5**	**–**	**491.9**	319.6	169.0	–	488.6
Unallocated liabilities				**833.6**				504.7
Consolidated total liabilities				**1,325.5**				993.3
Other segment information								
Capital expenditure on:								
Property, plant and equipment	**39.7**	**29.0**	**–**	**68.7**	44.9	19.8	–	64.7
Intangible assets	**35.8**	**4.6**	**–**	**40.4**	22.7	59.3	–	82.0
Goodwill	**40.2**	**25.8**	**–**	**66.0**	44.3	155.8	–	200.1
Non-cash expenditure:								
Depreciation	**28.4**	**14.2**	**–**	**42.6**	21.4	8.9	–	30.3
Amortisation of acquired intangibles	**17.5**	**8.9**	**–**	**26.4**	12.0	5.2	–	17.2
Impairment charges	**14.2**	**–**	**–**	**14.2**	–	–	–	–

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 and Building Environments ("Insulation"), Exteriors, Interiors and Specialist Construction Products ("SCP").

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

	2008 Insulation £m	2008 Exteriors £m	2008 Interiors £m	2008 SCP £m	2008 Total £m
Revenue					
External sales	**1,111.5**	**848.9**	**809.2**	**284.0**	**3,053.6**
Assets					
Segment assets	**587.8**	**501.5**	**624.3**	**156.8**	**1,870.4**
Unallocated assets					**74.0**
Consolidated total assets					**1,944.4**
Other segment information					
Capital expenditure on:					
Property, plant and equipment	**24.8**	**12.4**	**21.8**	**9.7**	**68.7**
Intangible assets	**19.4**	**3.5**	**4.0**	**13.5**	**40.4**
Goodwill	**25.8**	**21.6**	**17.3**	**1.3**	**66.0**

	2007 Insulation £m	2007 Exteriors £m	2007 Interiors £m	2007 SCP £m	2007 Total £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					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

NOTES TO THE ACCOUNTS CONTINUED

2. COST OF SALES AND OTHER OPERATING EXPENSES

	2008 Existing operations £m	2008 Acquisitions £m	2008 Total £m	2007 Existing operations £m	2007 Acquisitions £m	2007 Total £m
Cost of sales	**2,138.5**	**106.7**	**2,245.2**	1,631.3	165.3	1,796.6
Other operating expenses:						
– distribution costs	**237.9**	**13.9**	**251.8**	198.0	16.3	214.3
– selling and marketing costs	**239.4**	**14.6**	**254.0**	167.5	13.8	181.3
– administrative expenses	**188.4**	**7.2**	**195.6**	111.5	9.3	120.8
	665.7	**35.7**	**701.4**	477.0	39.4	516.4

The administrative expenses above include £62.8m (2007: £17.2m) of "Other items" which have been disclosed in a separate column within the Consolidated Income Statement in order to provide a better indication of the underlying earnings of the Group. Other operating expenses and finance (costs)/income included within "Other items" are as follows:

	2008 £m	2007 £m
Amortisation of acquired intangibles (Note 12)	**(26.4)**	(17.2)
Restructuring costs	**(22.2)**	–
Impairment of goodwill (Note 11)	**(14.2)**	–
	(62.8)	(17.2)
(Losses)/gains on derivative financial instruments	**(41.4)**	1.4
	(104.2)	(15.8)
Taxation	**13.9**	4.7
	(90.3)	(11.1)

3. FINANCE INCOME AND FINANCE COSTS

	2008 £m	2007 £m
Finance income		
Interest on bank deposits	**6.6**	5.0
Finance income on pension scheme assets	**5.3**	4.2
Finance income before gains on derivative financial instruments	**11.9**	9.2
Fair value gains on derivative financial instruments	**–**	1.4
Total finance income	**11.9**	10.6
Finance costs		
On bank loans, overdrafts and other items	**18.6**	4.7
On private placement notes	**19.4**	18.7
Interest on obligations under finance lease contracts	**1.2**	0.5
Finance charge on pension scheme liabilities	**5.2**	4.6
Finance costs before losses on derivative financial instruments	**44.4**	28.5
Fair value losses on derivative financial instruments	**41.4**	–
Total finance costs	**85.8**	28.5
Net finance costs	**73.9**	17.9

4. PROFIT BEFORE TAX

	2008 £m	2007 £m
Profit before tax is stated after crediting:		
Foreign exchange rate gains*	**1.9**	0.8
Fair value gains on derivative financial instruments	–	1.4
Gains on disposal of property, plant and equipment	**1.8**	2.0
And after charging:		
Cost of inventories recognised as an expense	**2,151.0**	1,731.6
Depreciation of property, plant and equipment:		
– owned	**39.5**	28.5
– held under finance leases and hire purchase agreements	**3.1**	1.8
Amortisation of acquired intangibles	**26.4**	17.2
Operating lease rentals:		
– land and buildings	**37.4**	39.6
– plant and machinery	**4.2**	7.6
Auditors' remuneration for audit services	**1.5**	1.0
Non-audit fees	**0.1**	0.1
Increase in provision for inventories	**2.4**	0.4
Increase in provision for receivables	**13.2**	9.7
Foreign exchange rate losses*	**2.3**	0.1
Fair value losses on derivative financial instruments	**41.4**	–
Impairment charges	**14.2**	–
Restructuring costs	**22.2**	–
Staff costs (Note 5)	**402.6**	315.5

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

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

	2008 Deloitte LLP £m	2007 Deloitte LLP £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 in 2008 pursuant to legislation	**1.2**	0.9
– additional costs for the audit of the Company's subsidiaries in 2007 pursuant to legislation	**0.2**	–
Total	**1.5**	1.0
Tax services		
– compliance services	–	–
– advisory services	–	–
Total	–	–
Other services	**0.1**	0.1
Total	**0.1**	0.1
Grand total	**1.6**	1.1

The report of the Audit Committee on pages 60 to 62 provides an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditors.

5. STAFF COSTS

Particulars of employees (including Directors) are shown below:

	2008 £m	2007 £m
Employee costs during the year amounted to:		
Wages and salaries	**347.4**	271.6
Social security costs	**47.6**	35.8
IFRS 2 share option charge	**1.0**	1.6
Other pension costs (Note 29c)	**6.6**	6.5
	402.6	315.5

Of the pension costs noted above, £1.7m (2007: £2.3m) relates to defined benefit schemes and £4.9m (2007: £4.2m) relates to defined contribution schemes.

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

	2008 Number	2007 Number
Production	**2,365**	1,911
Distribution	**4,691**	3,998
Sales	**4,482**	3,983
Administration	**1,982**	1,664
	13,520	11,556

DIRECTORS' EMOLUMENTS

Details of the individual Director's emoluments are given in the Directors' Remuneration Report on page 57.

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

	2008 £m	2007 £m
Directors' remuneration (excluding IFRS 2 share option charge)	**1.8**	2.6

6. INCOME TAX EXPENSE

The income tax expense comprises:

	2008 £m	2007 £m
Current tax		
UK Corporation tax:		
– on profits for the year	**15.7**	25.4
– adjustments in respect of previous years	**(1.9)**	(0.7)
	13.8	24.7
Overseas taxation:		
– on profits for the year	**17.5**	16.9
– adjustments in respect of previous years	**0.2**	3.3
Total current tax	**31.5**	44.9
Deferred taxation		
Current year	**(8.1)**	(3.9)
Adjustments in respect of previous years	**0.4**	(4.9)
Deferred tax charge in respect of pension schemes	**2.5**	1.3
Change in tax rates	**–**	(0.2)
Total deferred tax	**(5.2)**	(7.7)
Total income tax expense	**26.3**	37.2

6. INCOME TAX EXPENSE CONTINUED

The total tax charge for the year differs from that resulting from applying the blended rate of corporate tax in the UK 28.5% (2007: 30%). The differences are explained in the following reconciliation:

	2008 £m	2008 %	2007 £m	2007 %
Profit on ordinary activities before tax	**33.1**		124.3	
Tax at 28.5% (2007: 30%) thereon	**9.4**	**28.5%**	37.3	30.0%
Factors affecting the income tax expense for the year:				
– permanent items	**1.8**	**5.3%**	2.4	1.9%
– impairment charges	**4.0**	**12.1%**	–	–
– losses not recognised	**11.9**	**36.0%**	–	–
– adjustments in respect of previous years	**(1.3)**	**(3.9%)**	(2.3)	(1.9%)
– effect of overseas tax rates	**0.5**	**1.5%**	–	–
– change in tax rates	**–**	**–**	(0.2)	(0.1%)
Total income tax expense	**26.3**	**79.5%**	37.2	29.9%

The effective tax charge for the Group on total profits before tax of £33.1m is 79.5% (2007: 29.9%). The effective tax charge for the Group on profit before tax before the amortisation of intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs of £137.3m is 29.3% (2007: 29.9%), which comprises a charge of 30.3% (2007: 31.8%) in respect of current year profits and a tax credit of 1.0% (2007: 1.9%) 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 28% from April 2008, 30% for the period to April 2008) and overseas; in particular, France/Germany/Belgium (corporate tax rates greater than 28%) and Ireland/Poland/Netherlands/Czech Republic/Slovakia (corporate tax rates substantially less than 28%). If the proportion of profits from these jurisdictions changes, this could result in a higher or lower Group tax charge;
- the impact of non-deductible expenditure and non-taxable income;
- agreement of open tax computations with the respective tax authorities; and
- the recognition or utilisation (with corresponding reduction in cash tax payments) of unrecognised deferred tax assets (see Note 22).

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:

	2008 £m	2007 £m
Deferred tax movement associated with actuarial (loss)/gain	**3.0**	(2.0)
Current and deferred tax on share options	**(0.7)**	(0.8)
Tax credit on exchange difference arising on borrowings and derivative financial instruments	**13.8**	12.0
	16.1	9.2

NOTES TO THE ACCOUNTS CONTINUED

7. DIVIDENDS

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

	2008 £m	2007 £m
Final approved dividend for the year ended 31 December 2007 of 18.7p per share (2006: 14.3p)	**25.2**	17.6
Interim dividend for the year ended 31 December 2008 of 8.3p per share (2007: 8.0p)	**11.3**	10.8
	36.5	28.4

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

	2008 £m	2007 £m
Proposed final dividend for the year ended 31 December 2008 of nil p per share (2007: 18.7p)	**–**	25.2

The Directors have proposed no final dividend for the year ended 31 December 2008.

8. EARNINGS PER SHARE

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

	Basic and diluted	
	2008 £m	2007 £m
Profit after tax	**6.8**	87.1
Minority interests	**(0.5)**	(0.9)
	6.3	86.2

	Basic and diluted before amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs	
	2008 £m	2007 £m
Profit after tax	**6.8**	87.1
Minority interests	**(0.5)**	(0.9)
Amortisation of acquired intangibles	**26.4**	17.2
Impairment charges	**14.2**	–
Losses/(gains) on derivative financial instruments	**41.4**	(1.4)
Restructuring costs	**22.2**	–
Tax relating to the amortisation of acquired intangibles and restructuring costs	**(13.9)**	(4.7)
	96.6	97.3

8. EARNINGS PER SHARE CONTINUED

Weighted average number of shares:

	2008 Number	2007 Number
For basic earnings per share	**135,314,199**	130,090,267
Exercise of share options	**557,700**	982,011
For diluted earnings per share	**135,871,899**	131,072,278

	2008	2007
Total basic earnings per share	**4.7p**	66.3p
Total diluted earnings per share	**4.6p**	65.8p
Earnings per share before amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs		
Total basic earnings per share	**71.4p**	74.8p
Total diluted earnings per share	**71.1p**	74.2p

Earnings per share before amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs 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:

- amortisation of acquired intangibles of £26.4m (2007: £17.2m) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";
- losses on derivative financial instruments of £41.4m (2007: gain of £1.4m) are included as finance costs/(income) within the column of the Consolidated Income Statement entitled "Other items";
- an impairment charge of £14.2m (2007: £nil) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";
- restructuring costs of £22.2m (2007: £nil) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other Items"; and
- both the amortisation of acquired intangibles and restructuring costs give rise to tax at a rate of 28.5% (2007: 30%), as disclosed in the table below.

	2008 £m	2007 £m
Amortisation of acquired intangibles	**26.4**	17.2
Restructuring costs	**22.2**	–
Gains on derivative financial instruments	**–**	(1.4)
	48.6	15.8
Income tax at 28.5% (2007: 30%)	**13.9**	4.7

NOTES TO THE ACCOUNTS CONTINUED

9. SHARE-BASED PAYMENTS

The Group had five share-based payment schemes in existence during the year ended 31 December 2008. The Group recognised a total charge of £1.0m (2007: £1.6m) 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 £4.18p (2007: £9.59p). 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 2007 or 2008. Instead, the Company has issued share options in 2007 and 2008 under a Share Investment Plan ("SIP") as approved at the 2004 Annual General Meeting (see below). SAYE options were granted in Ireland in 2007 and 2008.

SAYE OPTIONS (ISSUED AFTER 7 NOVEMBER 2002)

	2008		2007	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at beginning of the year	**748,331**	**276.1**	902,602	260.5
Granted during the year	**129,479**	**330.0**	32,045	823.0
Lapsed during the year	**(100,603)**	**603.5**	(14,555)	237.9
Exercised during the year	**(444,870)**	**166.4**	(171,761)	299.0
Outstanding at the end of the year	**332,337**	**345.0**	748,331	276.1

Of the above share options outstanding at the end of the year, 184,744 are exercisable at 31 December 2008.

The SAYE options outstanding at the balance sheet date had a weighted average exercise price of 345.0p (2007: 276.1p) and a weighted average remaining contractual life of 2.2 years (2007: 1.5 years). The weighted average share price on options exercised in the year was 455p (2007: 1,300p).

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

	Shares granted in		
	2006	2007	**2008**
Share price (on date of official grant)	967p (10 November 2006)	1,028p (26 November 2007)	**212p (24 November 2008)**
Exercise price	797p	823p	**330p**
Expected volatility	13.1%	26.0%	**38.0%**
Actual life	3 and 5 years	3 and 5 years	**3 and 5 years**
Risk free rate	4.5%	4.5%	**4.5%**
Dividend	16.8p	20.5p	**26.7p**
Expected percentage options exercised versus granted:			
– 3 years	64%	65%	**50%**
– 5 years	64%	65%	**50%**

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 Inland Revenue approved scheme and three and seven years for the unapproved scheme from the date of grant. The award would vest in full if, over a consecutive three year period, the growth in the Group's 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.

9. SHARE-BASED PAYMENTS CONTINUED
B) EXECUTIVE SHARE OPTION SCHEMES ("ESOS") CONTINUED
ESOS (ISSUED AFTER 7 NOVEMBER 2002)

	2008		2007	
	Options	**Weighted average exercise price (p)**	Options	Weighted average exercise price (p)
Outstanding at beginning of the year	**35,500**	**205.5**	61,562	205.5
Lapsed during the year	**–**	**–**	(1,500)	205.5
Exercised during the year	**(11)**	**205.5**	(24,562)	205.5
Outstanding at the end of the year	**35,489**	**205.5**	35,500	205.5

No ESOS options were granted in 2005, 2006, 2007 or 2008. The options outstanding at the balance sheet date had a weighted average exercise price of 205.5p (2007: 205.5p) and are all exercisable at both 31 December 2008 and 31 December 2007. The weighted average share price on options exercised in the year was 893p (2007: 1,290p).

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.

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 – 2008 LTIP CRITERIA
Awards under the 2004 to 2008 LTIPs are exercisable between three and ten years from the date of grant. The award vests if the 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. The percentage of the award vests as follows:

	EPS % growth less RPI % growth over three-year vesting period		
	2008	2007	2004–2006
Percentage of award vesting:			
– none of the award vests	**<5% p.a.**	<5% p.a.	<3% p.a.
– 30% of award vests	**5% p.a.**	5% p.a.	3% p.a.
– award vests proportionately between 30% and 100%	**5%–12% p.a.**	5%–10% p.a.	3%–10% p.a.
– 100% of award vests	**12% p.a.**	10% p.a.	10% p.a.

No retesting of the performance criteria will occur.

NOTES TO THE ACCOUNTS CONTINUED

9. SHARE-BASED PAYMENTS CONTINUED
C) LONG TERM INCENTIVE PLAN ("LTIP") CONTINUED
LTIP OPTIONS (ISSUED AFTER 7 NOVEMBER 2002)

	2008 Options	2008 Weighted average exercise price (p)	2007 Options	2007 Weighted average exercise price (p)
Outstanding at beginning of the year	**311,789**	**0.3**	425,716	4.6
Granted during the year	**145,629**	**0.0**	70,951	0.0
Lapsed during the year	**(3,295)**	**0.0**	(5,529)	10.0
Exercised during the year	**(118,662)**	**0.0**	(179,349)	10.0
Outstanding at the end of the year	**335,461**	**0.3**	311,789	0.3

Of the above share options outstanding at the end of the year, 18,046 (2007: 10,038) are exercisable at the balance sheet date.

The options outstanding at the balance sheet date had a weighted average exercise price of 0.30p (2007: 0.32p) and a weighted average remaining contractual life of 1.4 years (2007: 1.1 years). The weighted average share price on options exercised in the year was 754p (2007: 1,353p).

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

	Shares granted in 2006	Shares granted in 2007	Shares granted in 2008
Share price (on date of official grant)	898p (13 April 2006)	1,292p (17 April 2007)	**785p (14 April 2008)**
Exercise price	0p	0p	**0p**
Expected volatility	13.1%	26.0%	**38.0%**
Actual life	3 years	3 years	**3 years**
Risk free rate	4.5%	4.5%	**4.5%**
Dividend	16.8p	20.5p	**26.7p**
Expected percentage options exercised versus granted	98%	30%	**33%**

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.

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)

	2008 Options	2007 Options
Outstanding at beginning of the year	**46,079**	34,782
Granted during the year	**24,495**	11,297
Lapsed during the year	**(773)**	–
Exercised during the year	**(10,755)**	–
Outstanding at the end of the year	**59,046**	46,079

All DABS are nil paid options and therefore the options outstanding at the balance sheet date had a weighted average exercise price of nil p and a weighted average remaining contractual life of 1.4 years (2007: 1.2 years).

9. SHARE-BASED PAYMENTS CONTINUED
D) DEFERRED ANNUAL BONUS SCHEME ("DABS") CONTINUED
DABS (ISSUED AFTER 7 NOVEMBER 2002) CONTINUED

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

	Shares granted in		
	2006	2007	**2008**
Share price (on date of official grant)	898p (13 April 2006)	1,292p (17 April 2007)	**785p (14 April 2008)**
Exercise price of matching shares	0p	0p	**0p**
Expected volatility	13.1%	26.0%	**38.0%**
Actual life	3 years	3 years	**3 years**
Risk free rate	4.5%	4.5%	**4.5%**
Dividend	16.8p	20.5p	**26.7p**
Expected percentage options exercised versus granted	100%	100%	**33%**

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 2008, 69,702 (2007: 54,014) 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 2007	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
Exchange difference	16.9	4.8	26.6	48.3
Businesses acquired	7.3	0.1	7.9	15.3
Additions	4.4	5.0	59.3	68.7
Disposals	(3.2)	(1.7)	(36.0)	(40.9)
At 31 December 2008	**104.1**	**41.3**	**256.6**	**402.0**
Accumulated depreciation and impairment				
At 1 January 2007	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
Charge for the year	1.6	3.7	37.3	42.6
Exchange difference	5.1	2.8	17.5	25.4
Disposals	(0.3)	(1.5)	(25.1)	(26.9)
At 31 December 2008	**16.3**	**11.5**	**114.9**	**142.7**
Net book value				
At 31 December 2008	**87.8**	**29.8**	**141.7**	**259.3**
At 31 December 2007	68.8	26.6	113.6	209.0

The net book value of plant and machinery includes an amount of £11.1m (2007: £9.8m) in respect of assets held under finance lease contracts.

NOTES TO THE ACCOUNTS CONTINUED

11. GOODWILL

	£m
Cost	
At 1 January 2007	235.4
Exchange difference	19.0
Recognised on acquisition of businesses	200.1
At 31 December 2007	454.5
Exchange difference	81.3
Recognised on acquisition of businesses (Note 13)	66.0
At 31 December 2008	**601.8**
Accumulated impairment losses	
At 1 January 2007	19.1
Exchange difference	0.5
At 31 December 2007	19.6
Impairment losses for the year	14.2
Exchange difference	0.9
At 31 December 2008	**34.7**
Net book value	
At 31 December 2008	**567.1**
At 31 December 2007	434.9

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 over a period of five years. In instances where significant investment is expected, a rate in excess of the industry growth is used in the five-year forecast. 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% and 13%.

During the period the Irish business experienced a significant reduction in demand for its products. The resulting value in use calculation for the Ireland CGU indicated that the carrying value of goodwill was not supportable, therefore the Ireland CGU has been reduced to the recoverable amount through recognition of an impairment loss against goodwill as follows:

	£m
At 31 December 2007	41.7
Additions	1.9
Exchange difference	11.3
Impairment loss recognised	(14.2)
At 31 December 2008	**40.7**

The recoverable amounts of all other CGUs were fully supported by the value in use calculations in the year and are as follows:

	2008 £m	2007 £m
UK Insulation	**50.6**	41.5
UK Exteriors	**82.3**	71.1
UK Specialist Construction Products	**48.5**	42.1
UK Interiors	**29.1**	17.8
Leaderflush + Shapland	**14.2**	13.2
Ireland	**40.7**	41.7
Poland	**11.3**	8.3
Larivière	**192.8**	141.4
German Roofing	**22.1**	15.2
Central Europe	**21.1**	10.3
Air Trade Centre	**15.4**	-
Total	**528.1**	402.6
Other CGUs	**39.0**	32.3
Total goodwill	**567.1**	434.9

In addition, the Group has an indefinite life intangible asset (Leaderflush + Shapland brand) of £12.6m. Further details of impairment reviews performed on this asset are provided in Note 12.

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 2007 and 2008, 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 2007	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
Exchange difference	17.0	–	0.6	–	17.6
Additions	35.7	–	4.7	–	40.4
At 31 December 2008	**215.2**	**12.6**	**11.5**	**0.1**	**239.4**
Amortisation					
At 1 January 2007	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
Charge for the year	23.9	–	2.5	–	26.4
Exchange difference	0.9	–	0.1	–	1.0
At 31 December 2008	**50.8**	**–**	**5.1**	**0.1**	**56.0**
Net book value					
At 31 December 2008	**164.4**	**12.6**	**6.4**	**–**	**183.4**
At 31 December 2007	136.5	12.6	3.7	–	152.8

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 Leaderflush + Shapland Limited. The carrying value of the Leaderflush + Shapland brand at the balance sheet date is £12.6m. An indefinite useful life has been determined for the Leaderflush + Shapland 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 Leaderflush + Shapland 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%, equivalent to its pre tax weighted average cost of capital.

NOTES TO THE ACCOUNTS CONTINUED

13. ACQUISITIONS MADE IN THE YEAR

During 2008 the Group acquired the following companies:

Acquisition name	% of share capital acquired	Acquisition date	Country of incorporation	Principal activity
HHI Building Products Limited	100%	14 January 2008	Ireland	Distribution of roofing materials and associated products
Alltrim Plastics Limited	100%	15 January 2008	United Kingdom	Distribution of roofing materials and associated products
Central Refractories (Scotland) Limited	100%	31 January 2008	United Kingdom	Distribution of insulating materials and associated products
Kem Edwards Limited	100%	31 January 2008	United Kingdom	Distribution of specialist construction products
Tufwell Tempered Glass Limited	100%	14 February 2008	United Kingdom	Distribution of interiors products
Tolway Fixings Limited	100%	3 March 2008	United Kingdom	Distribution of specialist construction products
GRM Distribution Limited	100%	7 March 2008	United Kingdom	Distribution of insulating materials and associated products
Danskin Flooring Systems Limited	100%	19 March 2008	United Kingdom	Distribution of insulating materials and associated products
Swindon Roofing Centre Limited/ Harris Roofing Supplies Gloucester Limited	100%	27 March 2008	United Kingdom	Distribution of roofing materials and associated products
A Steadman & Son Limited	100%	27 March 2008	United Kingdom	Manufacture and distribution of roofing materials and associated products
Clyde Insulation Supplies Limited/ Clyde Insulation Contracts Limited	100%	3 April 2008	United Kingdom	Distribution and installation of insulating materials and associated products
Ockwells Limited	100%	3 April 2008	United Kingdom	Distribution of interiors products
Pannon II Kereskedelmi és Szolgáltató Kft	100%	4 April 2008	Hungary	Distribution of insulating and interiors products
Wood Floor Sales Limited	100%	29 April 2008	United Kingdom	Distribution of interiors products
Air Trade Centre International B.V.	95%	29 April 2008	The Netherlands	Distribution of air handling equipment
Ryan Roofing Supplies Limited	100%	30 April 2008	United Kingdom	Distribution of roofing materials and associated products
Cubicle Systems Limited	100%	24 May 2008	United Kingdom	Distribution of interiors products
Elthisol S.A.R.L	100%	2 June 2008	France	Distribution of insulating and interiors products
Impex (Avon) Limited	100%	3 June 2008	United Kingdom	Distribution of specialist construction products
Insulslab Limited	100%	27 June 2008	United Kingdom	Distribution of insulating materials and associated products
INTAS Hradec Kralove s.r.o	100%	5 September 2008	Czech Republic	Distribution of insulating and 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
WK-Bodensysteme GmbH	2 January 2008	Germany	Distribution of insulating and interiors products
Georg Eicken GmbH	26 March 2008	Germany	Distribution of roofing materials and associated products
MAT-CHEM-BUD BIS	1 April 2008	Poland	Distribution of insulating and interiors products
Sprenger Baustoffe GmbH	26 May 2008	Germany	Distribution of insulating and interiors products

13. ACQUISITIONS MADE IN THE YEAR CONTINUED
2008 ACQUISITIONS SUMMARY FAIR VALUE TABLE

	Book value £m	Fair value adjustments £m	Fair value £m
Non-current assets			
Property, plant and equipment	18.3	(3.0)	15.3
Goodwill	0.3	(0.3)	–
	18.6	(3.3)	15.3
Current assets			
Inventories	22.5	(1.1)	21.4
Trade and other receivables	40.1	(1.1)	39.0
Net cash acquired	8.8	–	8.8
Total assets	90.0	(5.5)	84.5
Total liabilities	41.7	5.4	47.1
Net assets	48.3	(10.9)	37.4
Minority interest on acquisition			(1.4)
Intangible assets – customer relationships			35.7
Intangible assets – non-compete clauses			4.7
Deferred tax liability on acquired intangible assets			(11.3)
Goodwill			66.0
Total consideration			131.1
Represented by:			
Contingent consideration			7.3
Cash			123.7
Loan notes and deferred consideration			0.1
Total consideration			131.1

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

Total consideration (as above)	131.1
Add debt acquired	8.2
Net cash acquired	(8.8)
Total consideration (including assumed debt)	130.5
Acquisition cash flows during the period:	
Cash paid for 2008 acquisitions during the period	123.7
Net cash acquired with 2008 acquisitions	(8.8)
Net cash outflow from 2008 acquisitions	114.9
Contingent/deferred consideration paid on prior year acquisitions	6.5
Net cash outflow from 2008 and prior year acquisitions	121.4

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 2009. 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.

NOTES TO THE ACCOUNTS CONTINUED

13. ACQUISITIONS MADE IN THE YEAR CONTINUED

2008 ACQUISITIONS SUMMARY FAIR VALUE TABLE CONTINUED

The Directors estimate the pre-acquisition revenue and operating profit of the 2008 acquisitions for the period from 1 January 2008 to the respective acquisition dates amounted to £34.4m and £6.4m respectively. The 2008 Consolidated Income Statement includes the following amounts in respect of the 2008 acquisitions: revenue £155.6m, cost of sales £106.7m and operating expenses £35.7m giving an operating profit of £13.2m.

Revenue and operating profit for the twelve-month period ended 31 December 2008 for all 2008 acquisitions amounted to £190.0m and £19.6m respectively.

Acquisitions made in 2008 (made in 2007) had the following impact on the Group's cash flows in 2008 (in 2007): cash inflow from operating activities £11.9m (2007: £9.2m), borrowing costs paid £4.8m (2007: £6.1m), purchase of property, plant and equipment £3.2m (2007: £4.8m), repayment of loans £nil (2007: £nil) and income tax paid £2.5m (2007: £2.4m).

Since the balance sheet date and up to the date of approval of the Accounts, no acquisitions have been made.

14. INVENTORIES

	2008 £m	2007 £m
Raw materials and consumables	**12.2**	6.5
Work in progress	**1.4**	0.9
Finished goods and goods for resale	**255.0**	217.2
	268.6	224.6

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

15. TRADE AND OTHER RECEIVABLES

	2008 £m	2007 £m
Trade receivables	**469.7**	414.4
VAT	**8.8**	2.2
Other receivables	**8.2**	7.0
Prepayments and accrued income	**14.3**	16.2
Other receivables	**31.3**	25.4
Derivative financial instruments	**74.6**	0.5
	575.6	440.3

The average credit period on sale of goods and services on a like for like constant currency basis is 43 days (2007: 47 days). No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £34.1m at 31 December 2008 (2007: £25.6m). 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 £119.6m (2007: £140.7m) which are past due at the reporting date for which the Group has not provided for, as there has not been a significant change in credit quality and the Group considers that the amounts are still recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 33.9 days overdue (2007: 26.6 days).

15. TRADE AND OTHER RECEIVABLES CONTINUED

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

	2008 £m	2007 £m
Neither past due or renegotiated	**319.3**	252.4
Renegotiated	**0.1**	0.2
Balances overdue which have no provision for impairment:		
0–30 days	**83.2**	105.1
31–60 days	**20.9**	26.5
61–90 days	**6.7**	5.1
91–120 days	**4.5**	2.0
121–180 days	**1.8**	1.3
180+ days	**2.5**	0.7
	119.6	140.7
Total trade receivables	**439.0**	393.3

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2008 £m	2007 £m
Beginning of year	**(25.6)**	(15.6)
Added on acquisition	**(1.3)**	(6.0)
Utilised	**9.4**	8.0
Charged to the Consolidated Income Statement	**(13.2)**	(9.7)
Exchange differences	**(3.4)**	(2.3)
End of year	**(34.1)**	(25.6)

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 a provision for impairment accordingly. The concentration of credit risk is limited due to the customer base being large and unrelated. The Directors therefore believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are trade receivables with a gross balance of £64.8m (2007: £46.7m) and a provision for impairment of £34.1m (2007: £25.6m). The impairment represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount.

The Directors consider that the carrying amount of trade and other receivables 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.

NOTES TO THE ACCOUNTS CONTINUED

16. CURRENT LIABILITIES

	2008 £m	2007 £m
Trade and other payables:		
Trade payables	**197.3**	225.9
Bills of exchange payable	**30.1**	14.8
VAT	**23.0**	20.8
Social security and payroll taxes	**17.2**	12.4
Accruals and deferred income	**105.6**	92.2
Trade and other payables	**373.2**	366.1
Obligations under finance lease contracts (Note 23)	**3.4**	2.6
Bank overdrafts	**18.8**	1.9
Bank loans	**345.3**	150.8
Private placement notes	**–**	22.1
Loan notes	**0.1**	2.8
Derivative financial instruments	**60.6**	36.7
Current tax liabilities	**5.9**	17.4
Provisions (Note 21)	**8.3**	9.5
Current liabilities	**815.6**	609.9

£5.5m (2007: £1.4m) of the above Group bank loans and overdrafts are secured on the assets of subsidiary undertakings and £399.7m of the debt disclosed above is guaranteed by certain companies of the Group. The remaining balances are unsecured.

The bank overdraft is repayable on demand and attracts a floating interest rate which at 31 December 2008 was 3.0% (2007: 5.0%).

£76.1m (2007: £46.5m) of the bank loans and loan notes due within one year (after taking into account derivative financial instruments) are at variable rates of interest.

£269.2m (2007: £107.1m) 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 5.13% (2007: 4.54%).

Trade payables, 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 constant currency basis, is 28 days (2007: 37 days).

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

17. NON-CURRENT LIABILITIES

	2008 £m	2007 £m
Obligations under finance lease contracts (Note 23):		
– due after one and within two years	**2.6**	2.6
– due after two and within five years	**5.1**	2.8
– due after five years	**1.5**	1.7
Bank loans	**6.4**	5.9
Private placement notes	**328.6**	251.8
Loan notes	**0.1**	1.4
Derivative financial instruments	**70.9**	35.5
Deferred tax liabilities (Note 22)	**49.5**	44.3
Other payables	**4.0**	2.8
Retirement benefit obligations (Note 29c)	**19.1**	15.7
Provisions (Note 21)	**22.1**	18.9
	509.9	383.4

	2008 £m	2007 £m
The bank loans included above are repayable as follows:		
– due after one and within two years	**0.5**	0.9
– due after two and within five years	**5.6**	4.5
– due after five years	**0.3**	0.5
	6.4	5.9

Of the above bank loans, £1.5m (2007: £5.0m) is secured on certain of the assets of subsidiary undertakings and is repayable by instalments and £399.5m of the debt disclosed above is guaranteed by certain companies of the Group.

17. NON-CURRENT LIABILITIES CONTINUED

Details of the private placement notes are as follows:

	2008 £m	2008 Fixed interest rate* %	2007 £m	2007 Fixed interest rate* %
Repayable in 2008	**–**	**–**	22.1	7.1%
Repayable in 2011	**53.0**	**6.9%**	39.7	7.3%
Repayable in 2013	**93.0**	**5.1%**	69.2	5.1%
Repayable in 2016	**162.6**	**6.0%**	122.9	6.0%
Repayable in 2018	**20.0**	**5.8%**	20.0	5.8%
	328.6	**5.9%**	273.9	6.0%

* Before applying associated derivative financial instruments.

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

18. FINANCIAL INSTRUMENTS

The "Treasury risk management" section of the Business Review on pages 23 and 24 provides an explanation of the role that derivative financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The capital structure of the Group is outlined in the Business Review on page 21.

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:

	2008 £m	2007 £m
Cash at bank (including cash deposits repayable on demand)	**71.7**	89.2
Derivative financial instruments	**74.6**	0.5
	146.3	89.7

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 2%.

2008 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group's financial liabilities at 31 December 2008, after taking account of interest rate and currency derivative financial instruments (including derivative financial instrument assets of £74.6m as noted above but excluding 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**	**137.4**	**78.2**	**59.2**	**6.1%**	**6.5**	**–**	**137.4**
Other borrowings	**Sterling**	**312.6**	**142.5**	**170.1**	**5.3%**	**8.4**	**–**	**312.6**
Finance lease contracts	**Sterling**	**1.1**	**–**	**1.1**	**5.8%**	**1.1**	**1.1**	**–**
Private placement notes	**Euro**	**158.7**	**56.6**	**102.1**	**5.9%**	**3.3**	**–**	**158.7**
Other borrowings	**Euro**	**137.9**	**38.8**	**99.1**	**4.1%**	**2.4**	**5.9**	**132.0**
Finance lease contracts	**Euro**	**11.3**	**–**	**11.3**	**12.0%**	**3.0**	**11.3**	**–**
Other borrowings	**PLN**	**0.2**	**0.2**	**–**	**N/A**	**N/A**	**0.2**	**–**
Finance lease contracts	**PLN**	**0.1**	**–**	**0.1**	**3.1%**	**1.2**	**0.1**	**–**
Other borrowings	**HUF**	**0.5**	**0.5**	**–**	**N/A**	**N/A**	**0.5**	**–**
Finance lease contracts	**HUF**	**0.1**	**–**	**0.1**	**4.7%**	**1.8**	**0.1**	**–**
Other borrowings	**CZK**	**8.9**	**8.9**	**–**	**N/A**	**N/A**	**0.4**	**8.5**
Total		**768.8**	**325.7**	**443.1**			**19.6**	**749.2**

In addition to the currency exposures above, the Group has entered into five short term currency derivative financial instruments as follows:

- five cash flow hedges which hedge the post tax functional currency cash flows of the Group amounting to an asset of £76.0m and a liability of €75.9m and CZK58.7m.

All of these derivative financial instruments were entered into on 31 December 2008 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 31 December 2009.

Of the above finance lease contracts, £12.6m (2007: £8.2m) are secured on the underlying assets.

The Directors consider the fair value of the Group's floating rate financial liabilities to materially approximate to the book value shown in the table above. The fair value of the Group's private placement notes approximates to the amount in the value of the financial liabilities above. £170.1m of the Sterling "Other borrowings" and £97.0m 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 £14.7m and relates to finance lease contracts and fixed rate loans. The Directors consider the fair value of these remaining fixed rate debts to materially approximate to the book values shown above.

NOTES TO THE ACCOUNTS CONTINUED

18. FINANCIAL INSTRUMENTS CONTINUED
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 (including derivative financial instrument assets of £0.5m as noted above but excluding 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	68.0	30.3	37.7	4.8%	1.7	0.4	67.6
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		518.1	139.0	379.1			14.6	503.5

In addition to the currency exposures above, the Group had entered into ten short term currency derivative financial instruments at 31 December 2007 as follows:

- two net investment hedge 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.

Of the above finance lease contracts, £8.2m are secured on the underlying assets.

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. £37.7m of the Sterling "Other borrowings" and £66.1m of the Euro "Other borrowings" relate 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 £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.

In both 2008 and 2007, the interest rate on floating rate financial liabilities is based upon appropriate local market rates.

HEDGING RELATIONSHIPS
Included within financial assets are derivative financial instruments in designated hedge accounting relationships amounting to £74.6m (2007: £0.5m) and loans and receivables (including cash and cash equivalents) of £541.4m (2007: £503.6m).

Included within financial liabilities are derivative financial instruments in designated hedge accounting relationships amounting to £131.5m (2007: £72.2m) and liabilities (including trade payables) at amortised cost of £909.2m (2007: £672.3m).

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 gains or losses on derivative financial instruments in the Consolidated Income Statement in the column entitled "Other items".

In order to manage the Group's exposure to interest rate and exchange rate changes, the Group utilises both currency and interest rate derivative financial instruments. The fair 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 2008, the Group had entered into two (31 December 2007: five) cross-currency interest rate derivative financial instruments which form a net investment hedge of the Group's Euro denominated trade assets (31 December 2007: Euro and Czech Koruna). At 31 December 2008, these two derivative financial instruments had a fair value liability of £37.8m (31 December 2007: £15.4m). Of this fair value movement, a charge of £1.5m (31 December 2007: income of £1.4m) has been recognised directly in the Consolidated Income Statement and a liability of £20.9m (31 December 2007: £8.2m) has been recognised directly in equity via the Consolidated Statement of Recognised Income and Expense.

18. FINANCIAL INSTRUMENTS CONTINUED
HEDGING RELATIONSHIPS CONTINUED
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.

As at 31 December 2008, the Group had entered into five (31 December 2007: seven) cross-currency interest rate derivative financial instruments which swap fixed US Dollar denominated debt held in the UK into fixed Sterling denominated debt. In addition, as at 31 December 2008, the Group had entered into one (31 December 2007: 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 2008, these six derivative financial instruments had a fair value asset of £64.0m (31 December 2007: liability of £28.2m). 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 2008, the average maturity date of these swaps is 6.4 years (2007: 7.0 years).

As at 31 December 2008, the Group had entered into eleven (2007: nine) interest rate derivative financial instruments which swap variable rate debt into fixed rate debt thereby fixing the functional currency cash flows of the Group. At 31 December 2008, these eleven derivative financial instruments had a fair value liability of £33.0m (31 December 2007: £4.2m). 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 2008, the average maturity date of these swaps is 6.2 years (2007: 4.8 years).

As at 31 December 2008, the Group had entered into five (31 December 2007: eight) cross-currency derivative financial instruments which swap fixed Sterling denominated debt into fixed Euro and Czech Koruna denominated debt (31 December 2007: Euro, Polish Zloty and Czech Koruna). 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 2008 at market rates prevailing at that date, the fair value of these derivative financial instruments at 31 December 2008 was £nil. At 31 December 2008, the average maturity date of these swaps is one year (2007: one year).

As at 31 December 2008, the Group had entered into three (31 December 2007: three) derivative financial instruments which hedged the interest rate exposure on the private placement debt drawn down on 1 February 2007. As at 31 December 2008, the fair value asset of these derivative financial instruments was £6.3m (2007: liability of £1.6m). 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 2008 was as follows:

	2008 £m	2007 £m
In one year or less	**424.1**	216.9
In more than one year but not more than two years	**8.7**	4.8
In more than two years but not more than five years	**184.7**	70.6
In more than five years	**151.3**	226.3
Total	**768.8**	518.6

BORROWING FACILITIES

The Group had undrawn UK committed borrowing facilities at 31 December 2008 as follows:

	2008 £m	2007 £m
Expiring in less than one year	**36.2**	–
Expiring in more than one year but not more than two years	**2.7**	0.1
Expiring in more than two years but not more than five years	**40.7**	95.5
Expiring in more than five years	**–**	0.6
Total	**79.6**	96.2

As at 31 December 2008, the Group had £794.4m of UK committed facilities, of which £79.6m were undrawn as disclosed above. Since the year end a further £10.6m has been drawn down.

NOTES TO THE ACCOUNTS CONTINUED

19. MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL ASSETS AND LIABILITIES

2008 ANALYSIS

IFRS 7 requires disclosure of the maturity of the Group's remaining contractual financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the Group's financial assets and liabilities including interest that will accrue to those assets and liabilities except where the Group is entitled and intends to repay the liability before its maturity. Both the inclusion of future interest and the values disclosed being undiscounted result in the total position being different to that included in the Consolidated Balance Sheet.

		Maturity analysis				
	Balance sheet value £m	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Current liabilities						
Trade payables	373.2	373.2	–	–	–	373.2
Obligations under finance lease contracts	3.4	3.6	–	–	–	3.6
Bank overdrafts	18.8	18.8	–	–	–	18.8
Bank loans	345.3	346.3	–	–	–	346.3
Private placement notes	–	–	–	–	–	–
Loan notes	0.1	0.1	–	–	–	0.1
Derivative financial instruments ^	60.6	60.6	–	–	–	60.6
Total	**801.4**	**802.6**	–	–	–	**802.6**
Non-current liabilities						
Obligations under finance lease contracts	9.2	1.1	3.4	5.5	0.5	10.5
Bank loans	6.4	0.4	0.9	6.2	0.4	7.9
Private placement notes	328.6	20.7	20.7	198.8	218.7	458.9
Loan notes	0.1	–	0.1	–	–	0.1
Derivative financial instruments ^	70.9	15.9	15.9	122.5	19.3	173.6
Total	**415.2**	**38.1**	**41.0**	**333.0**	**238.9**	**651.0**
Total liabilities	**1,216.6**	**840.7**	**41.0**	**333.0**	**238.9**	**1,453.6**
Other						
Derivative financial instrument assets*	(74.6)	(7.1)	(2.9)	(21.3)	(51.6)	(82.9)
Cash and cash equivalents*	(71.7)	(71.7)	–	–	–	(71.7)
Derivative financial instruments ^	–	(4.7)	(4.7)	(79.2)	–	(88.6)
Total	**(146.3)**	**(83.5)**	**(7.6)**	**(100.5)**	**(51.6)**	**(243.2)**
Grand total	**1,070.3**	**757.2**	**33.4**	**232.5**	**187.3**	**1,210.4**

^ 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.

* 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.

19. MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED
CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL ASSETS AND LIABILITIES CONTINUED
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**

^ 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.

* 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.

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.

A) INTEREST RATE SENSITIVITY

The Group is exposed to Sterling, Euro, US Dollar, Polish Zloty and Czech Koruna interest rates.

The following table details the Group's sensitivity to a 100 basis point change in each respective interest rate. The 100 basis points has been disclosed in order to show a reasonable illustration of the Group's sensitivity to 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.

2008 ANALYSIS

	GBP		EUR		USD		PLN		CZK		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	(1.3)	1.3[i]	1.8	(1.8)[iii]	–	–	(0.2)	0.2[v]	–	–	0.3	(0.3)
Other equity	7.9	(8.0)[ii]	2.9	(3.0)[iv]	(13.9)	15.5[ii]	–	–	–	–	(3.1)	4.5
Total Shareholders' equity	6.6	(6.7)	4.7	(4.8)	(13.9)	15.5	(0.2)	0.2	–	–	(2.8)	4.2

2007 ANALYSIS

	GBP		EUR		USD		PLN		CZK		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
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

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

(i) floating rate Sterling debt and gains and losses on derivative financial instruments 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 gains and losses on derivative financial instruments on some of the Group's £/€ net investment hedges;

(iv) changes in value of the Group's Euro denominated assets and liabilities; and

(v) floating rate Polish Zloty debt.

20. SENSITIVITY ANALYSIS CONTINUED

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 table details the Group's sensitivity to a 10% change in Sterling against the respective foreign currencies, indicating the likely impact of changes in foreign exchange rates on the Group's financial position. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity.

2008 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	**2.2**	**(1.8)[i]**	**0.1**	**(0.1)[v]**	**0.4**	**(0.5)[v]**	**0.7**	**(0.9)[v]**	–	–	**3.4**	**(3.3)**
Other equity	**34.0**	**(30.7)[ii]**	**(3.6)**	**5.0[ii]**	**(1.9)**	**2.3[ii]**	**(0.4)**	**0.5[ii]**	**(0.3)**	**0.3[ii]**	**27.8**	**(22.6)**
Total Shareholders' equity	**36.2**	**(32.5)**	**(3.5)**	**4.9**	**(1.5)**	**1.8**	**0.3**	**(0.4)**	**(0.3)**	**0.3**	**31.2**	**(25.9)**
Total assets and liabilities*												
Profit or loss	**(2.4)**	**1.2[iii]**	**0.1**	**(0.1)**	**0.1**	**(0.1)[vi]**	**0.8**	**(1.9)[vi]**	**(0.1)**	**0.1[vi]**	**(1.5)**	**(0.8)**
Other equity	**(9.5)**	**14.5[iv]**	**(3.6)**	**5.0[ii]**	**(4.4)**	**5.2[iv]**	**(1.6)**	**1.8[iv]**	**(1.6)**	**1.9[iv]**	**(20.7)**	**28.4**
Total Shareholders' equity	**(11.9)**	**15.7**	**(3.5)**	**4.9**	**(4.3)**	**5.1**	**(0.8)**	**(0.1)**	**(1.7)**	**2.0**	**(22.2)**	**27.6**

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[ii]	–	–	23.7	(26.5)
Total Shareholders' equity	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[iii]	–	–	(0.4)	(0.1)[vi]	(0.1)	0.1[vi]	(0.1)	0.1[vi]	(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	(8.4)	9.7	(1.5)	1.8	(1.8)	2.1	(1.2)	0.9	(0.9)	1.0	(13.8)	15.5

* Certain assets and liabilities such as inventories, non-current assets and provisions do not come under the scope of IFRS 7. Therefore, in order to present a complete analysis of the Group's exposure to movements in foreign currency exchange rates, the exposure on the Group's total assets and liabilities has been disclosed.

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

(i) gains and losses on derivative financial instruments on 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 and retranslation of assets and liabilities under the scope of IFRS 7;

(iii) retranslation of Euro profit streams and gains and losses on derivative financial instruments on 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 US Dollar, Polish Zloty and Czech Koruna interest flows; and

(vi) retranslation of Polish Zloty, Czech Koruna and Slovak Koruna profit streams.

NOTES TO THE ACCOUNTS CONTINUED

21. PROVISIONS

	2008 Onerous leases £m	2008 Leasehold dilapidations £m	2008 Contingent consideration £m	2008 Other amounts £m	2008 Total £m
Beginning of year	**2.0**	**13.1**	**9.9**	**3.4**	**28.4**
Unused amounts reversed in the period	**(0.1)**	–	**(4.2)**	**(0.1)**	**(4.4)**
Utilised	**(1.1)**	**(0.2)**	**(4.0)**	–	**(5.3)**
Added on acquisition	–	**0.1**	**7.3**	**1.1**	**8.5**
New provisions	**0.3**	**0.2**	–	**0.2**	**0.7**
Exchange difference	**0.1**	**0.3**	**0.9**	**1.2**	**2.5**
End of year	**1.2**	**13.5**	**9.9**	**5.8**	**30.4**

	2008 £m	2007 £m
Included in current liabilities	**8.3**	9.5
Included in non-current liabilities	**22.1**	18.9
	30.4	28.4

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.

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:

	2008 £m	2007 £m
Deferred tax assets	**18.7**	17.4
Deferred tax liabilities	**(49.5)**	(44.3)
Net deferred tax liability	**(30.8)**	(26.9)

The net deferred tax liability is made up of the following elements:

	2008 £m	2007 £m
Deferred tax analysis:		
Capital allowances in excess of depreciation	**(7.2)**	(7.1)
Short term timing differences	**(28.5)**	(24.1)
Losses	**1.0**	0.9
On retirement benefit obligations	**3.9**	3.4
Net deferred tax liability	**(30.8)**	(26.9)

The movement during the year in the net deferred tax liability was as follows:

	2008	2007
Beginning of year	**(26.9)**	(1.4)
On acquisition of subsidiaries	**(11.6)**	(29.0)
Credit for the year	**5.2**	7.7
Exchange difference	**0.4**	0.1
On retirement benefit obligations	**3.0**	(2.0)
Deferred tax on share options	**(0.9)**	(2.3)
End of year	**(30.8)**	(26.9)

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 £62.1m (2007: £39.6m). 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.

The Group has not taken account of excess non-trading losses associated with financial instruments in determining the above deferred tax liability at 31 December 2008, or the deferred tax credit for the year thereon. In this respect, any future utilisation of the unrecognised deferred tax asset of £40.0m associated with these non-trading losses will result in a reduction of cash payments of tax and will also result in a profit and loss benefit in the year of utilisation.

23. OBLIGATIONS UNDER FINANCE LEASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	2008 £m	2007 £m	2008 £m	2007 £m
Amounts payable under finance lease contracts:				
– within one year	**4.0**	2.8	**3.4**	2.6
– in the second to fifth years	**8.5**	6.0	**7.7**	5.4
– after five years	**1.6**	1.8	**1.5**	1.7
	14.1	10.6	**12.6**	9.7
Less: future finance charges	**1.5**	0.9		
Present value of lease obligations	**12.6**	9.7		

The Group leases some of its motor vehicles, fixtures and equipment under finance lease contracts.

The average remaining lease term is 4.2 years (2007: 2.9 years). For the year ended 31 December 2008, the average effective borrowing rate was 5.8% (2007: 5.7%). Interest rates are fixed at the contract date.

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

NOTES TO THE ACCOUNTS CONTINUED

24. CALLED UP SHARE CAPITAL

	2008 £m	2007 £m
Authorised:		
190,000,000 ordinary shares of 10p each (2007: 190,000,000)	**19.0**	19.0
Allotted, called up and fully paid:		
135,639,175 ordinary shares of 10p each (2007: 135,001,198)	**13.6**	13.5

Total cash consideration received by the Company for the 637,977 shares (2007: 11,897,173 shares) allotted during the year amounted to £1.1m (2007: £148.1m).

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

At 31 December 2008 the following share options were outstanding:

	Number of shares						Exercise dates	
Scheme and date of grant	At 31 December 2007	Granted	Exercised	Lapsed	At 31 December 2008	Option price per 10p share	Date from which option may be exercised	Date on which option expires
Deferred Annual Bonus Scheme								
19/04/2005	17,520	–	(10,436)	(153)	**6,931**	0.00p	19/04/2008	18/04/2015
13/04/2006	17,262	–	(251)	(260)	**16,751**	0.00p	13/04/2009	12/04/2016
17/04/2007	11,297	–	(68)	(360)	**10,869**	0.00p	17/04/2010	16/04/2017
14/04/2008	–	24,495	–	–	**24,495**	0.00p	14/04/2011	13/04/2018
Long Term Incentive Plan								
11/04/2003	4,469	–	–	–	**4,469**	10.00p	11/04/2006	10/04/2010
11/05/2004	5,569	–	–	–	**5,569**	10.00p	11/05/2007	10/05/2014
19/04/2005	129,965	–	(118,662)	(3,295)	**8,008**	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
14/04/2008	–	136,409	–	–	**136,409**	0.00p	14/04/2011	13/04/2018
08/09/2008	–	9,220	–	–	**9,220**	0.00p	08/09/2011	07/09/2018
1997 Executive Share Option Scheme								
27/04/1998	6,450	–	(6,450)	–	**–**	212.50p	27/04/2001	26/04/2008
11/04/2000	1,500	–	–	–	**1,500**	232.50p	11/04/2003	10/04/2009
19/04/2002	22,276	–	(3,000)	–	**19,276**	321.00p	19/04/2005	18/04/2010
11/04/2003	35,500	–	(11)	–	**35,489**	205.50p	11/04/2006	10/04/2011
Savings Related Schemes								
17/05/2002	1,415	–	(1,287)	(128)	**–**	257.00p	01/07/2005	31/12/2007
07/05/2003	459,233	–	(440,334)	(14,122)	**4,777**	165.00p	01/07/2006	31/12/2008
10/05/2004	187,442	–	(4,536)	(11,668)	**171,238**	300.00p	01/07/2007	31/12/2009
21/10/2005	31,850	–	–	(23,121)	**8,729**	571.00p	01/11/2008	31/05/2010
10/11/2006	37,761	–	–	(33,012)	**4,749**	797.00p	01/01/2010	31/07/2012
26/11/2007	32,045	–	–	(18,680)	**13,365**	823.00p	01/01/2011	31/07/2013
24/10/2008	–	129,479	–	–	**129,479**	330.00p	01/01/2012	31/07/2014
Total	1,173,340	299,603	(585,035)	(104,799)	**783,109**			

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 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	–	–	–
Dividend 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
Profit after tax	–	–	–	–	–	–	6.3	6.3	0.5	6.8
Dividends	–	–	–	–	–	–	(36.5)	(36.5)	–	(36.5)
New share capital issued	0.1	1.0	–	–	–	–	–	1.1	–	1.1
Exchange difference on retranslation of foreign currency goodwill and intangibles	–	–	–	–	–	97.0	–	97.0	–	97.0
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	–	–	–	–	–	61.8	–	61.8	–	61.8
Exchange and fair value movements associated with borrowings and derivative financial instruments	–	–	–	–	–	(92.9)	–	(92.9)	–	(92.9)
Tax credit on exchange difference arising on borrowings and derivative financial instruments	–	–	–	–	–	13.8	–	13.8	–	13.8
Gains and losses on cash flow hedges	–	–	–	–	–	–	3.5	3.5	–	3.5
Transfer to profit and loss on cash flow hedges	–	–	–	–	–	–	(1.4)	(1.4)	–	(1.4)
Current and deferred tax on share options	–	–	–	–	–	–	(0.7)	(0.7)	–	(0.7)
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	–	(10.6)	(10.6)	–	(10.6)
Deferred tax movement associated with actuarial loss	–	–	–	–	–	–	3.0	3.0	–	3.0
Recognition of option in relation to minority interest Shareholding	–	–	–	–	–	–	(2.0)	(2.0)	–	(2.0)
Credit to share option reserve	–	–	–	–	1.0	–	–	1.0	–	1.0
Exercise of share options	–	–	–	–	(1.1)	–	1.1	–	–	–
Minority interest acquired	–	–	–	–	–	–	–	–	1.4	1.4
Purchase of minority interest Shareholding	–	–	–	–	–	–	–	–	(0.6)	(0.6)
Dividend payment to minority interest Shareholder	–	–	–	–	–	–	–	–	(0.7)	(0.7)
At 31 December 2008	**13.6**	**167.5**	**0.3**	**22.1**	**2.6**	**89.4**	**321.5**	**617.0**	**1.9**	**618.9**

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 (2007: £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

	2008 £m	2007 £m
Operating profit	**107.0**	142.2
Depreciation charge	**42.6**	30.3
Amortisation of acquired intangibles and impairment charges	**40.6**	17.2
Profit on sale of property, plant and equipment	**(1.8)**	(2.0)
Share-based payments	**1.0**	1.6
Decrease/(increase) in inventories	**15.1**	(8.2)
Decrease in receivables	**43.0**	0.1
Decrease in payables	**(91.5)**	(20.9)
Cash inflow from operating activities	**156.0**	160.3

Included in the decrease in payables is a cash outflow relating to defined benefit pension contributions being £8.4m (2007: £3.6m) greater than the amount charged to operating profit.

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

	2008 £m	2007 £m
(Decrease)/increase in cash and cash equivalents in the year	**(47.3)**	25.4
Cash flow from increase in debt	**(70.5)**	(87.7)
Increase in net debt resulting from cash flows	**(117.8)**	(62.3)
Debt acquired with acquisitions*	**(8.2)**	(94.0)
Non-cash items ^	**(52.7)**	(21.7)
Exchange difference	**(89.5)**	(22.1)
Increase in net debt in the year	**(268.2)**	(200.1)
Net debt at beginning of year	**(428.9)**	(228.8)
Net debt at end of year	**(697.1)**	(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.

28. ANALYSIS OF NET DEBT

	At 31 December 2007 £m	Cash flows £m	Debt acquired with acquisitions* £m	Non-cash items^ £m	Exchange difference £m	**At 31 December 2008 £m**
Cash and cash equivalents	89.2	(30.7)	–	–	13.2	**71.7**
Overdrafts	(1.9)	(16.6)	–	–	(0.3)	**(18.8)**
	87.3	(47.3)	–	–	12.9	**52.9**
Financial assets – derivative financial instruments	0.5	–	–	74.1	–	**74.6**
Debts due within one year	(212.4)	(32.2)	(7.3)	(114.1)	(40.0)	**(406.0)**
Debts due after one year	(294.6)	(39.0)	–	(12.7)	(59.7)	**(406.0)**
Finance lease contracts	(9.7)	0.7	(0.9)	–	(2.7)	**(12.6)**
	(428.9)	(117.8)	(8.2)	(52.7)	(89.5)	**(697.1)**

* 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.

Included within the "Cash flows" column of the above movement analysis is an outflow of £17.8m relating to foreign exchange rate movements. In addition, £47.0m of the "Non-cash items" relates to foreign exchange rate movements. Combined with the exchange difference of £89.5m as per the above table, the total increase in the Group's net debt position at 31 December 2008 attributable to foreign exchange rate movements is £154.3m.

REVIEW OF THE YEAR

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

A) CAPITAL COMMITMENTS

	2008 £m	2007 £m
Contracted but not provided for	**4.2**	11.1

B) LEASE COMMITMENTS

The Group leases a number of its premises under operating leases which expire between 2009 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:

	2008 £m	2007 £m
Minimum lease rentals due:		
– within one year	**30.3**	35.2
– after one year and within five years	**95.0**	101.2
– after five years	**98.9**	122.7
	224.2	259.1

The Group also leases certain items of plant and machinery whose total future minimum lease rentals under the foregoing leases are as follows:

	2008 £m	2007 £m
Minimum lease rentals due:		
– within one year	**10.8**	6.5
– after one year and within five years	**21.5**	7.3
– after five years	**2.3**	0.3
	34.6	14.1

CORPORATE GOVERNANCE

C) PENSION SCHEMES

The Group operates a number of pension schemes, five (2007: eight) of which provide defined benefits based on final pensionable salary. Of these schemes, one (2007: four) has assets held in a separate trustee administered fund and four (2007: four) are overseas book reserved schemes. The Group also operates a number of defined contribution schemes all of which are independently managed.

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 benefit pension schemes are assessed by an independent actuary every three years who recommends the rate of contribution payable each year.

Four UK defined benefit pension schemes were merged on 1 January 2008, creating one UK defined benefit pension scheme. The last formal actuarial valuation of the SIG plc Retirement Benefits Plan, the main scheme, was conducted at 31 December 2007 and showed that the market value of the scheme's assets were £75.0m and their actuarial value covered 83% 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.

ACCOUNTS

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 five defined benefit pension schemes was £1.7m (2007: £2.3m). 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 2008 by a qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. Investments have been valued, for this purpose, at fair value.

The UK defined benefit scheme is closed to new members, has an age profile that is rising and therefore under the projected unit method the current service cost will increase as the members of the scheme approach retirement. The four overseas book reserved schemes remain open to new members.

CONSOLIDATED BALANCE SHEET LIABILITY

The balance sheet position in respect of the five defined benefit schemes can be summarised as follows:

	2008 £m	2007 £m
Pension liability before taxation	**(19.1)**	(15.7)
Related deferred tax asset	**3.9**	3.4
Pension liability after taxation	**(15.2)**	(12.3)

The actuarial loss of £10.6m (2007: gain of £6.2m) for the year, together with the associated deferred tax credit of £3.0m (2007: debit of £2.0m), has been recognised in the Consolidated Statement of Recognised Income and Expense. The remaining deferred tax debit of £2.5m (2007: £1.3m) 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 £11.7m (2007: loss of £1.1m).

Of the above pension liability before taxation, £14.2m (2007: £12.1m) relates to wholly or partly funded schemes and £4.9m (2007: £3.6m) relates to unfunded schemes.

The movement in the pension liability before taxation in the year can be summarised as follows:

	2008 £m	2007 £m
Pension liability at beginning of year	**(15.7)**	(23.6)
Current service cost	**(1.8)**	(1.9)
Businesses acquired	**–**	(1.0)
Contributions	**10.2**	5.5
Net finance income/(cost)	**0.1**	(0.4)
Actuarial (loss)/gain	**(10.6)**	6.2
Exchange difference	**(1.3)**	(0.5)
Pension liability at end of year	**(19.1)**	(15.7)

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED
C) PENSION SCHEMES CONTINUED
SCHEMES' DISCLOSURE

The principal assumptions used for the IAS 19 actuarial valuation of the schemes were:

	2008 %	2007 %	2006 %
Rate of increase in salaries	**4.7**	5.3	5.0
Rate of fixed increase of pensions in payment	**4.7**	5.3	5.0
Rate of increase LPI pensions in payment	**2.7**	3.3	3.0
Discount rate	**6.2**	5.7	5.1
Inflation assumption	**2.7**	3.3	3.0

Deferred pensions are revalued to retirement in line with the schemes' rules and statutory requirements, with the inflation assumption used for LPI revaluation in deferment.

The life expectancy for a male employee beyond the normal retirement age of 60 is 28.5 years (2007: 27.5 years).

If the discount rate was to be increased/decreased by 0.25%, this would decrease/increase the Group's gross pension scheme deficit by £4.5m.

The fair value of the assets in the schemes, the present value of the liabilities in the schemes and the expected rate of return at each balance sheet date were:

	2008 %	2008 £m	2007 %	2007 £m	2006 %	2006 £m
Equities	**6.4**	**40.3**	6.7	48.7	6.7	44.0
Bonds	**5.2**	**34.3**	4.7	28.0	4.6	23.7
Other	**N/A**	**–**	6.2	0.1	5.5	0.2
Total fair value of assets		**74.6**		76.8		67.9
Present value of scheme liabilities		**(93.7)**		(92.5)		(91.5)
Deficit in the schemes		**(19.1)**		(15.7)		(23.6)
Related deferred tax asset		**3.9**		3.4		6.7
Pension liability after taxation		**(15.2)**		(12.3)		(16.9)

The overall expected rate of return is based upon market conditions at the balance sheet date.

Following the actuarial valuation of the schemes, a special contribution of £7.2m was made on the advice of the actuary in January 2008.

Analysis of the amount charged to operating profit under IAS 19 in relation to the schemes:

	2008 £m	2007 £m
Current service cost	**1.8**	1.9

Analysis of the amount charged to finance income and finance charges under IAS 19 in relation to the schemes:

	2008 £m	2007 £m
Finance income – being expected return on pension scheme assets	**5.3**	4.2
Finance costs – being interest on pension scheme liabilities	**(5.2)**	(4.6)
Net finance income/(cost)	**0.1**	(0.4)

The actual loss on scheme assets was £10.0m (2007: return of £4.6m).

Analysis of the actuarial (loss)/gain recognised in the Consolidated Statement of Recognised Income and Expense in respect of the schemes:

	2008 £m	2007 £m
Actual return less expected return on assets	**(15.3)**	0.4
Experience gains and losses on liabilities	**5.5**	(4.4)
Changes in assumptions	**(0.8)**	10.2
Actuarial (loss)/gain recognised	**(10.6)**	6.2

NOTES TO THE ACCOUNTS CONTINUED

29. GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED
C) PENSION SCHEMES CONTINUED
SCHEMES' DISCLOSURE CONTINUED

Movements in the present value of the schemes' liabilities were as follows:

	2008 £m	2007 £m
Fair value of schemes' liabilities at beginning of year	**(92.5)**	(91.5)
Current service cost	**(1.8)**	(1.9)
Interest on pension schemes' liabilities	**(5.2)**	(4.6)
Experience gains and losses on liabilities	**5.5**	(4.4)
Changes in assumptions	**(0.8)**	10.2
Contributions from schemes' members	**(0.6)**	(0.5)
Businesses acquired	**–**	(1.0)
Exchange differences	**(1.3)**	(0.5)
Benefits paid	**3.0**	1.7
Fair value of schemes' liabilities at end of year	**(93.7)**	(92.5)

Movements in the fair value of the schemes' assets were as follows:

	2008 £m	2007 £m
Fair value of schemes' assets at beginning of year	**76.8**	67.9
Expected return on assets	**5.3**	4.2
Actual return less expected return on assets	**(15.3)**	0.4
Contributions from sponsoring companies	**10.2**	5.5
Contributions from schemes' members	**0.6**	0.5
Benefits paid	**(3.0)**	(1.7)
Fair value of schemes' assets at end of year	**74.6**	76.8

History of experience of gains and losses:

	2008	2007	2006
Difference between the expected and actual return on schemes' assets:			
– amount (£m)	**(15.3)**	0.4	0.5
– percentage of schemes' assets	**(20.5%)**	0.5%	0.7%
Experience gains and losses on schemes' liabilities:			
– amount (£m)	**5.5**	(4.4)	(9.0)
– percentage of the present value of schemes' liabilities	**5.9%**	(4.9%)	9.9%
Total amount recognised in the Consolidated Statement of Recognised Income and Expense:			
– amount (£m)	**(10.6)**	6.2	3.3
– percentage of the present value of the scheme liabilities	**(11.3%)**	6.7%	6.3%

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 £9.4m (2007: £8.4m). Of this amount, £7.8m (2007: £7.5m) 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. 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 57 to 59. In addition, the Group recognised a share-based payment charge under IFRS 2 in respect of the Directors of £0.4m (2007: £0.6m).

In June 2005, the Group acquired 93.5% of the share capital of LS Group Limited. The remaining 6.5% shareholding was held by employees of that company. During the period the Group acquired the remaining 6.5% shareholding for a total consideration of £1.6m. This purchase generated goodwill of £1.0m.

31. SUBSIDIARIES

Details of the Group's principal trading subsidiaries, all of which have been included in the Consolidated Accounts, are shown on page 120.

32. POST BALANCE SHEET EVENTS

At the time of signing the Accounts, the Board announced a placing and open offer and firm placing to raise £325m as described in the Chairman's Statement on page 4. The Group continues its cost reduction programme and has implemented cost-saving initiatives since the year end which are expected to deliver savings of £12m in 2009, over and above those implemented in 2008.

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 2008 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 32. 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 2008.

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. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Business Review that is cross referred from the Business Review section of the Directors' Report.

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 2006 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 judgements 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 2008 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 LLP

DELOITTE LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
LEEDS
18 MARCH 2009

FIVE YEAR FINANCIAL SUMMARY

	IFRS					
			Continuing operations ^			
	2004 £m	2005 £m	2005 £m	2006 £m	2007 £m	**2008** **£m**
Revenue	1,398.2	1,639.3	1,571.4	1,859.8	2,455.2	**3,053.6**
Underlying* operating profit	77.0	102.1	99.1	121.4	159.4	**169.8**
Operating profit	76.4	92.8	89.8	114.5	142.2	**107.0**
Finance income	5.0	8.6	8.6	7.4	10.6	**11.9**
Finance costs	(11.2)	(14.5)	(14.5)	(19.2)	(28.5)	**(85.8)**
Underlying* profit before tax	70.9	94.3	91.3	108.3	140.1	**137.3**
Profit before tax	70.2	86.8	83.8	102.7	124.3	**33.1**
Profit after tax	48.8	58.1	56.0	71.8	87.1	**6.8**
Underlying* earnings per share	40.3p	52.7p	50.9p	61.3p	74.8p	**71.4p**
Earnings per share	39.9p	47.0p	45.2p	58.1p	66.3p	**4.7p**
Dividend per share	14.0p	16.8p	16.8p	20.5p	26.7p	**8.3p**

^ SIG sold its USA business on 20 November 2006. Figures stated are from continuing operations (i.e. excluding the USA business).

* Underlying figures are stated before the amortisation of acquired intangibles, impairment charges, gains and losses on derivative financial instruments and restructuring costs.

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 ACCOUNTS

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Fixed assets			
Investments	4	**519.4**	354.7
Tangible assets	5	**0.1**	0.1
		519.5	354.8
Current assets			
Debtors – due within one year	6	**326.8**	135.0
Debtors – due after more than one year	6	**507.2**	485.9
Cash at bank and in hand		**1.5**	2.2
		835.5	623.1
Creditors: amounts falling due within one year	7	**(518.9)**	(228.9)
Net current assets		**316.6**	394.2
Total assets less current liabilities		**836.1**	749.0
Creditors: amounts falling due after one year	8	**(455.9)**	(341.1)
Net assets		**380.2**	407.9
Capital and reserves			
Called up share capital	10	**13.6**	13.5
Share premium account	10	**167.5**	166.5
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	**2.6**	2.7
Exchange reserve	10	**(0.2)**	(0.2)
Profit and loss account	10	**44.3**	73.0
Shareholders' funds (all equity)		**380.2**	407.9

The Accounts were approved by the Board of Directors on 18 March 2009 and signed on its behalf by:

CHRIS DAVIES
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 PAYMENT TRANSACTIONS

The accounting policy for share-based payments mirrors that of the Group as detailed on page 70.

DERIVATIVE FINANCIAL INSTRUMENTS

The accounting policy for derivative financial instruments mirrors that of the Group as detailed on page 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 2008 of £4.3m (2007: £3.0m).

The Auditors' remuneration for audit services to the Company was £0.1m (2007: £0.1m).

2. SHARE-BASED PAYMENTS

The Company had five share-based payment schemes in existence during the year ended 31 December 2008. The Company recognised a total charge of £0.4m (2007: £0.6m) in the year relating to equity-settled share-based payment transactions issued after 7 November 2002. Share-based payment charges of £0.6m (2007: £1.0m) were transferred to subsidiary undertakings of the Company. The total amount transferred to the share option reserve in the year amounted to £1.0m (2007: £1.6m). 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:

	2008 £m	2007 £m
Employee costs during the year amounted to:		
Wages and salaries	**3.7**	3.7
Social security costs	**0.5**	0.5
FRS 20 share option charge	**0.4**	0.6
Pension costs	**0.3**	0.5
	4.9	5.3

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

	2008 Number	2007 Number
Administration	**32**	37

4. FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings, as follows:

	2008 £m	2007 £m
Cost		
Beginning of year	**354.8**	353.8
Additions	**164.7**	1.0
End of year	**519.5**	354.8
Provisions at the beginning and end of year	**(0.1)**	(0.1)
Net book value, beginning of year	**354.7**	353.7
Net book value, end of year	**519.4**	354.7

On 3 April 2008, the Company acquired 46,430 'B' ordinary shares in LS Group Limited for a consideration of £1.1m. On 4 July 2008, the Company acquired 19,000 'B' ordinary shares in LS Group Limited, for a consideration of £0.5m. At 31 December 2008, the Company owned 100% of the 'B' ordinary share capital of LS Group Limited (2007: 87.5%).

On 31 July 2008, the Company made an additional capital contribution to WKT Polska Sp. z o.o. of £0.1m. At 31 December 2008, the Company owned 1% of the ordinary share capital of WKT Polska Sp. z o.o. (2007: 1%). At 31 December 2008, the Company indirectly owned 100% of the share capital of WKT Polska Sp. z o.o. (2007: 100%).

On 16 December 2008, the Company acquired a further 19,000,000 'A' ordinary shares of £1 each at par in the wholly-owned subsidiary company, LS Group Limited, for a consideration of £19.0m.

On 16 December 2008, the Company acquired a further 900,000,000 shares of 10p each at par in the wholly-owned subsidiary company, SIG Trading Limited, for a consideration of £90.0m.

On 16 December 2008, the Company acquired a further 9,000,000 ordinary shares of £1 each at par in the wholly-owned subsidiary company, Miller Pattison Limited, for a consideration of £9.0m.

On 23 December 2008, the Company acquired a further 450,000,000 shares of 10p each at par in the wholly-owned subsidiary company, SIG Trading Limited, for a consideration of £45m.

Details of the Company's principal trading subsidiaries are shown on page 120.

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	0.3	0.4
Additions	–	–	–
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	–	0.1	0.1
Net book value, end of year	**–**	**0.1**	**0.1**

6. DEBTORS

	2008 £m	2007 £m
Amounts owed by subsidiary undertakings	**746.6**	610.5
Corporation tax recoverable	**8.6**	6.8
Deferred tax assets (Note 9)	**2.3**	2.6
Derivative financial instruments	**74.6**	–
Prepayments and accrued income	**1.9**	1.0
	834.0	620.9

Of the total amount owed to the Company by subsidiary undertakings, £507.2m (2007: £485.9m) is due after more than one year.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £m	2007 £m
Bank loans	**356.1**	150.1
Private placement notes	**–**	22.1
Amounts owed to subsidiary undertakings	**86.3**	1.7
Derivative financial instruments	**60.6**	36.7
Accruals and deferred income	**15.9**	18.3
	518.9	228.9

All the Company's bank loans and overdrafts are unsecured.

NOTES TO THE ACCOUNTS CONTINUED

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £m	2007 £m
Private placement notes	**328.6**	251.8
Derivative financial instruments	**70.9**	35.5
Amounts owed to subsidiary undertakings	**56.4**	53.8
	455.9	341.1

Details of the private placement notes are as follows:

	2008 £m	2008 Fixed interest rate* %	2007 £m	2007 Fixed interest rate* %
Repayable in 2008	**–**	**–**	22.1	7.1%
Repayable in 2011	**53.0**	**6.9%**	39.7	7.3%
Repayable in 2013	**93.0**	**5.1%**	69.2	5.1%
Repayable in 2016	**162.6**	**6.0%**	122.9	6.0%
Repayable in 2018	**20.0**	**5.8%**	20.0	5.8%
	328.6	**5.9%**	273.9	6.0%

* Before applying associated derivative financial instruments.

All Group derivative financial instruments disclosed in Note 18 on pages 93 to 95 have been entered into by the Company and therefore disclosures have not been repeated within this note.

9. DEFERRED TAX

	2008 £m	2007 £m
Deferred tax assets	**2.3**	2.6

The deferred tax assets above comprise of short term timing differences.

The movement during the year in the deferred tax assets was as follows:

	2008 £m	2007 £m
Beginning of year	**2.6**	3.1
Effect of rate change	**–**	(0.2)
Charge for the year	**(0.3)**	(0.3)
End of year	**2.3**	2.6

Given the current profitability of the Company, the Directors consider that recognition of the deferred tax assets above is appropriate.

10. CAPITAL AND RESERVES

	2008 £m	2007 £m
Called up share capital	**13.6**	13.5
Share premium account	**167.5**	166.5
Merger reserve	**21.7**	21.7
Capital redemption reserve	**0.3**	0.3
Special reserve	**130.4**	130.4
Share option reserve	**2.6**	2.7
Exchange reserve	**(0.2)**	(0.2)
Profit and loss account	**44.3**	73.0
Total reserves	**380.2**	407.9

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	13.5	166.5	2.7	73.0
Proceeds on allotments	0.1	1.0	–	–
Credit to share option reserve	–	–	1.0	–
Exercise of share options	–	–	(1.1)	1.1
Fair value movement on cash flow hedges	–	–	–	2.4
Profit for the period	–	–	–	4.3
Dividends	–	–	–	(36.5)
End of year	**13.6**	**167.5**	**2.6**	**44.3**

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 £20.6m (2007: £14.1m).

B) CONTINGENT LIABILITIES

As at the balance sheet date, the Company had outstanding obligations under standby letters of credit of up to £7.8m (2007: £7.5m). 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 2008 which comprise the Company Balance Sheet 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 2008 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 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. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Business Review that is cross referred from the Business Review section of the Directors' Report.

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 judgements 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 2008;
- the Parent Company financial statements 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 LLP

DELOITTE LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
LEEDS
18 MARCH 2009

PRINCIPAL ADDRESSES

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REGISTERED OFFICE
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Hungary

PRINCIPAL TRADING SUBSIDIARIES

At 31 December 2008 the Company's principal trading subsidiaries, all of which are wholly owned except where stated, were as follows:

	Insulation and Building Environments	Exteriors	Interiors	Specialist Construction Products
UNITED KINGDOM				
SIG Trading Limited	●	●	●	●
Miller Pattison Limited	●			
Leaderflush + Shapland Limited			●	
IRELAND				
SIG Building Products Limited	●	●	●	●
Insulation Distributors Limited	●			
GERMANY				
WeGo Systembaustoffe GmbH	●		●	
Melle Dachbaustoffe GmbH		●		
FRANCE				
Société de l'Ouest des Produits Isolants SA	●			●
LITT Diffusion SAS			●	
Larivière SAS		●		
BENELUX				
SIG Nederland B.V.	●		●	
SIG Melderste Plafonneerartikelen N.V.			●	
Air Trade Centre Belgium N.V.	●			
POLAND				
WKT Polska Sp. z o.o.	●	●	●	
Wodan Sp. z o.o.	●		●	●
CZECH REPUBLIC				
BEK Baustoffe CZ s.r.o.	●		●	
SLOVAKIA				
BEK Baustoffe Slovakia s.r.o.	●		●	
HUNGARY				
Pannon II Kft	●		●	

All of the above companies are registered in the country referred to above, with the exception of SIG Trading Limited, Miller Pattison Limited and Leaderflush + Shapland 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 Melderste Plafonneerartikelen N.V., Air Trade Centre Belgium N.V., WKT Polska Sp. z o.o., Wodan Sp. z o.o., BEK Baustoffe CZ s.r.o., BEK Baustoffe Slovakia s.r.o and Pannon II Kft.

The Group owns 80% of the ordinary share capital of Insulation Distributors Limited, via SIG Trading Limited. The Group also owns 95% of Air Trade Centre International B.V., that itself owns 100% of Air Trade Centre Belgium N.V.