



SIG plc Annual Report and Accounts 2003

Delivering the goods to construction and industry

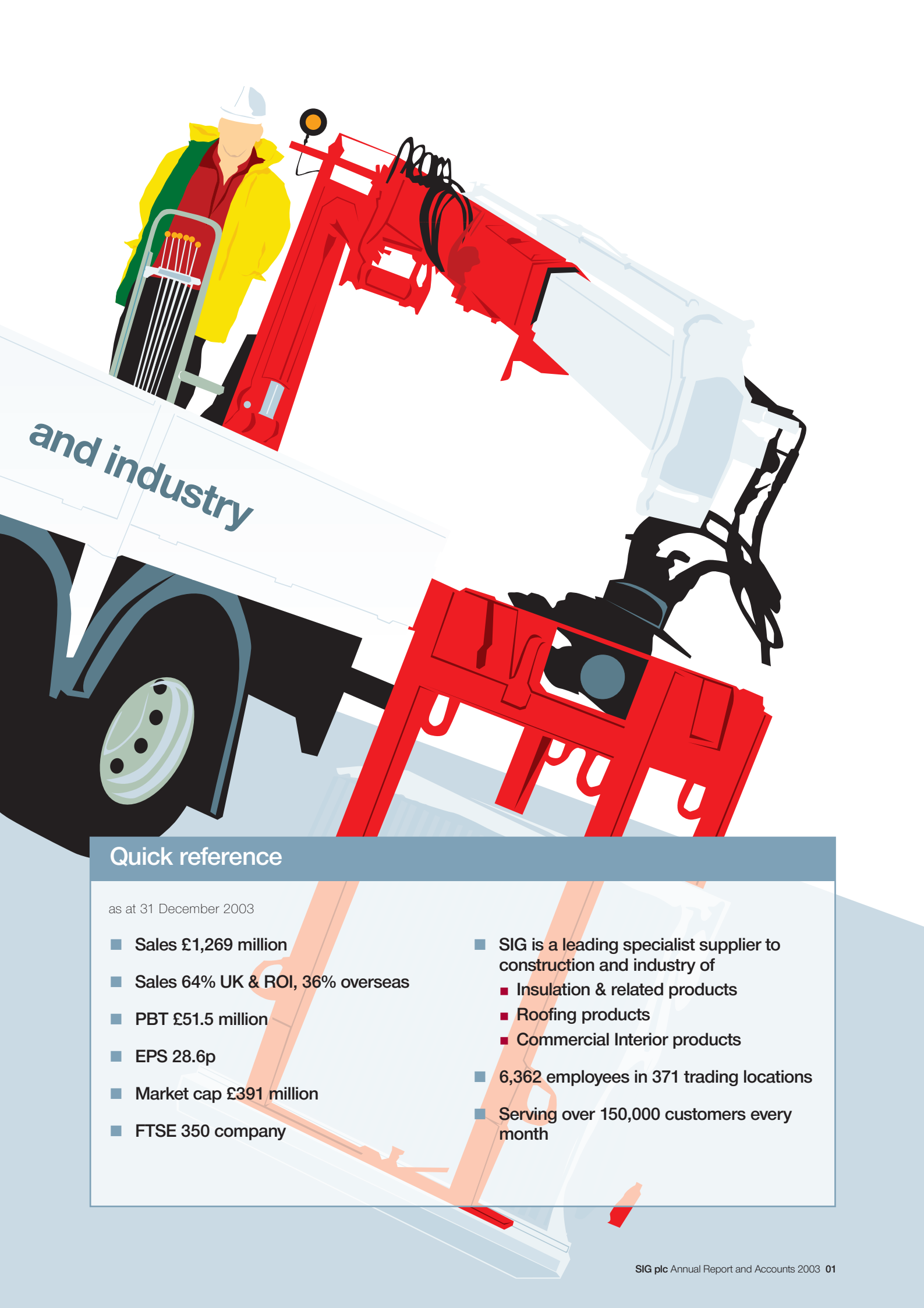


Delivering the goods to **construction**

SIG plc is an international multi-site distributor, specialising in the distribution of insulation, roofing, and commercial interior products to construction and industry.

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and industry

Quick reference

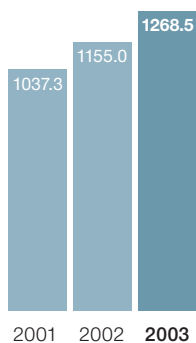
as at 31 December 2003

- Sales £1,269 million
- Sales 64% UK & ROI, 36% overseas
- PBT £51.5 million
- EPS 28.6p
- Market cap £391 million
- FTSE 350 company
- SIG is a leading specialist supplier to construction and industry of
 - Insulation & related products
 - Roofing products
 - Commercial Interior products
- 6,362 employees in 371 trading locations
- Serving over 150,000 customers every month

SIG has an excellent record of delivering results. Its operational strategy is to drive organic growth within the existing business streams and to supplement this with carefully targeted acquisitions as a means of strengthening market position and increasing future earnings.

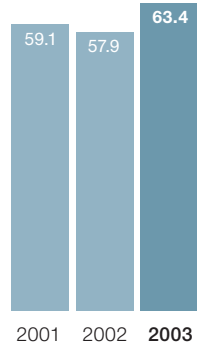
delivering results and growth

Group Turnover (£'m)



Operating Profit (£'m)

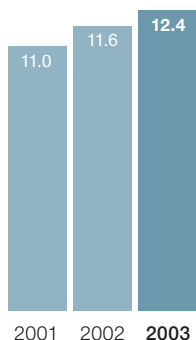
Before amortisation of goodwill



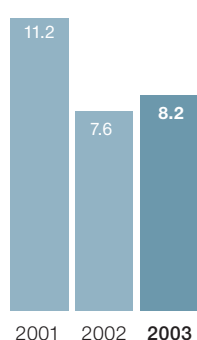
Earnings per Share (p)



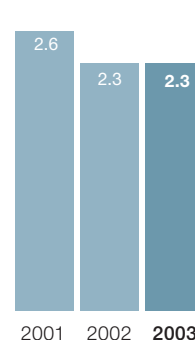
Dividend per Share (p)



Interest Cover (times)



Dividend Cover (times)



Sales by Market 2003



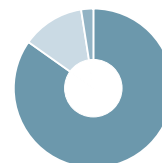
■ Insulation **50.5%**
 ■ Roofing **20.7%**
 ■ Commercial Interiors **23.6%**
 ■ Other Activities **5.2%**

Sales by Geography 2003



■ UK and Republic of Ireland **63.9%**
 ■ Europe **31.1%**
 ■ USA **5.0%**

Operating Profit by Geography* 2003



■ UK and Republic of Ireland **£54.2m**
 ■ Europe **£11.0m**
 ■ USA **£0.9m**

*before amortisation of goodwill and parent company costs

- Sales increased by 9.8% to £1,268.5m (2002 : £1,155.0m). Like for like⁽¹⁾ sales growth was 6.7%.
- Five acquisitions were made in the year, all of which traded profitably.
- Operating profit up 9.9% to £58.6m (2002 : £53.4m).
- Profit before tax was up 11.1% to a record £51.5m (2002 : £46.3m) and earnings per share increased by 8.7% to 28.6p (2002 : 26.3p).
- Cash flow strengthened progressively during the year, enabling substantial reduction in gearing to 38% at the year end (2002: 70%).
- Tenth successive year of dividend growth. Recommended final dividend per share of 8.3p gives a total dividend up 6.9% to 12.4p (2002 : 11.6p), reflecting the Board's confidence in the Group's prospects.

⁽¹⁾ - 'Like for like' in this context means excluding the sales of acquisitions made in 2002 and 2003.



“Growth in sales, profits and earnings per share
have been achieved in tough markets.”

David Williams, Chief Executive

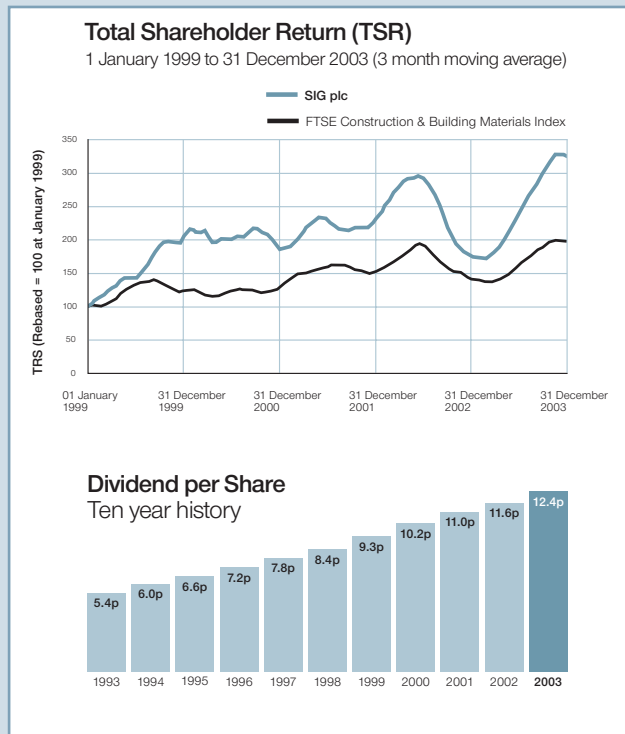
delivering

shareholder value



As Europe's leading supplier of Insulation, Roofing and Commercial Interior products, SIG is well placed to create and sustain shareholder value. Customers benefit from technical expertise on a broad range of products, available from a strategically placed network of specialist branches. It is this commercial support coupled with fast, reliable delivery services that define the core values of the Group.

The resilience of the Group, and its ability to sustain the creation of value for shareholders, is based on its product and market diversity, while still strongly focusing on the specialist needs of both customers and suppliers in its market place. Its geographical spread, and the selection of business streams and activities that cover the whole of the construction cycle, further enhance the ability to deliver results.



Delivering Value...

Value to Shareholders

SIG strives for sustainable performance growth in every facet of its operations to achieve shareholder value and to build a business of lasting quality.

Value to Customers

The Group provides quality products and services that meet the highest demands of its customers.

Value to Suppliers

SIG provides a vital cost effective specialist distribution channel, enabling manufacturers to reach users and consumers with their products.

Value to Employees

The Group creates an environment where creativity and personal achievement is recognised and rewarded and people can find genuine job satisfaction.

For further information visit:

www.sigplc.co.uk/investors

or contact:

John Swynnerton, Company Secretary
SIG plc, Hillsborough Works
Langsett Road, Sheffield S6 2LW
United Kingdom

Insulation

Insulation is used in three key areas, in preventing or resisting the transfer of **heat, noise** or **fire**. Each of these applications is itself a critical requirement in all buildings and in a vast range of industries and processes. SIG is an acknowledged leader in all of these fields.

delivering

technical and specialist knowledge





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SIG is the largest supplier of insulation materials in Europe and the leading supplier to industry in those specific states of North America where it has trading operations. SIG continues to satisfy the demands of construction and industry for increasing levels of thermal and acoustic insulation, together with ongoing demands for passive fire protection.

1 Delivering in Karkonosze Mountain National Park, Poland. SIG operates a specialist fleet of insulation delivery vehicles in the UK & Republic of Ireland, Mainland Europe and the USA. This dedication to having the right transport available at the right time is an essential service for customers and gives a significant commercial advantage.

2 Loading cavity wall insulation, Leeds UK. In the UK, SIG has a fleet of 600 forklift trucks, many of which are mounted on delivery vehicles. These are combined with specifically designed storage and warehousing to that specialist insulation is stocked, handled and delivered to meet the customers' exacting specification.

3 Queen Mary 2, St. Nazaire, France. SIG's French insulation operation worked closely with the ship's designers and specialist contractors to supply the insulation and passive fire protection to the many metres of heating and ventilation ductwork within the liner. The demanding build programme wasn't a problem to the business, which is used to providing specialist technical solutions to a wide range of clients.

The Group's distribution network, and the size and strength of its operations ensure that all major product lines are available to meet every application. Working closely with suppliers, the Group performs a key role in the supply chain for both construction and industry. An ongoing focus on having the right tools to do the job means that most delivery vehicles are fitted with mechanical offload equipment to deliver the product direct to the contractor's place of work.

SIG's ability to deliver is matched by the high levels of technical support available for the products it distributes. Whether the information is from the trade counter or the technical helpline, SIG's operations work closely with both the specifiers and contractors on the job to ensure that the correct products are being used in the best way to achieve the required performance.

Insulation products are used in a wide range of applications from residential, to commercial to industrial. As well as supplying the full range of insulants into these markets, SIG also supplies the widest choice of associated products for fixing, sealing, applying and retaining the insulation. As the market continues to grow, with the increasing costs of energy and the tightening of regulations, SIG is at the forefront of providing a wide range of solutions that allow its customers to meet the demands of the market with a mix of new and existing products.

The tightening of regulations within the UK and the Republic of Ireland, together with new European requirements, has increased the complexity of the market for thermal and acoustic insulation, which has increased the need for a diverse range of products. SIG's ability to stock these, and support them with appropriate technical advice and timely delivery, continues to underpin its market-leading position.

For further information visit:
www.sigplc.co.uk/insulation

Roofing

The **roof** of any building is the most critical part – it **protects** the whole of the building and its contents from the **elements** and is subject to the full forces of the rain, wind, snow, ice and sun. These forces mean that repairs, maintenance and improvement of existing buildings is a significant part of SIG's activity in this area.

delivering

a local presence, with national strength





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SIG is the largest supplier of roofing products in the UK and a leading specialist in the Republic of Ireland. It also has a small, but developing, operation in the supply of specialist roofing materials in France. The demands of this market are for a local supply of materials, which the Group supports with a national supply network.

1 Loading an SIG Roofing lorry, UK. Mechanical on-load and off-load helps meet the customer's need for timely and efficient delivery. SIG has one of the biggest fleets of 26 tonne lorries in the UK - ensuring the branches have the right tools for the job.

2 Re-roofing a private dwelling, UK. The supply of products for repair, maintenance and improvement of existing buildings is a significant part of SIG Roofing's activity. This particular roof is being completely replaced using natural slate, which can be supplied either new or reclaimed to suit customer requirements and planning regulations.

3 Bank of Ireland building, Dublin, Ireland. This new building illustrates the Group's ability to work with main contractors, supplying a whole range of products: roof slates, ceiling tiles, partitions and office desking were all supplied by SIG's operations in Ireland.

SIG supplies products from the leading manufacturers into the flat, pitched, industrial and agricultural sectors of the roofing market. As well as the core roofing products, it supplies a wide variety of accessories ranging from nails to tools. A growing part of the service is the supply of reclaimed materials, which allow existing properties to be re-roofed or repaired sympathetically, or new roofs to assume a more established look.

The ongoing needs for the refurbishment or replacement of existing roofs, whether as a result of natural wear and tear, or as a result of storm damage, creates a resilient market for roofing materials. The emergency nature of some of these repairs requires that materials are available immediately, ex-stock. SIG's roofing operations respond to this demand by stocking a wide range of products which can be made available immediately, either by collection or delivery. Specialist off-load equipment on delivery vehicles means that roofing materials can be delivered to site without the need for external assistance, giving speed, efficiency and safe handling.

SIG operates its roofing operation in the UK from over 100 locations, and continues to deliver the local service demanded by roofing contractors through a number of brand names. Its operation in the Republic of Ireland is well established in a number of major cities and towns, and SIG has started to develop a specialist presence in roofing in the East of France.

The demand for roofing products is driven in part by essential repairs and maintenance. This requires that SIG's roofing operations have a wide range of products in stock, to match existing roofs, as close as possible to the client's premises. The Group continues to develop its geographic coverage of the markets in which it operates.

For further information visit:
www.sigplc.co.uk/roofing

Commercial interiors

The market for **commercial interiors** has become more demanding and more sophisticated in recent years. The emphasis is on achieving the optimum balance between the efficient utilisation of **space** and the **quality** and **comfort** provided for people who use that space as a working environment. The added requirement for a flexible and adaptable interior, to change with the usage of the building, is increasingly important.

delivering

flexible customer and client support





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SIG is the largest supplier of commercial interior products in the UK and Republic of Ireland, as well as having very significant market presence in France, Germany, The Netherlands and Poland. The Group supplies interior solutions to a whole range of buildings and is able to tailor products to meet the clients' requirements. Understanding these requirements and providing a specialist response to them is key to SIG's success in this area.

1 Lorry mounted forklift, CP Supplies, UK. SIG is the largest user of this type of forklift in Europe. Operated by the driver, they can be unloaded and ready for action in minutes, avoiding costly and time consuming delays at site.

2 Cleanroom walling system, Manchester, UK, SIG's operation, Komfort Office Environments, has recently developed a cleanroom partitioning system using pre-coated steel from Corus, which helps deliver a controlled environment for pharmaceutical, medical, hospital and sterile applications.

3 Swiss Re building, London, UK. SIG worked closely with the main contractor on this demanding project, where having the right products available for contractors at the right time was of critical importance. Materials were supplied for heating & ventilation, fire protection and specialist board applications.

The Group supplies a wide range of products, backed by high levels of technical expertise and service, to contractors working on both new and refurbishment projects. The buildings worked on range across the spectrum from office and retail, through manufacturing and pharmaceutical, to educational and public sector. The product range is similarly broad, covering the full spectrum of requirements from budget system to top-end boardroom systems.

Effective distribution of commercial interiors products is vital and the Group achieves this using a highly specialised fleet of vehicles, with mechanical offload facilities. These range from lorry mounted forklifts to high level cranes, able to deliver product straight from the vehicle into the building several floors up. This dedication to delivery is one of the aspects of service that sets SIG apart when it comes to meeting the needs of contracting customers.

As well as distributing ceiling and wall products, lighting and storage solutions, the Group also designs and produces demountable partitioning systems and internal architectural glazing systems. These offer the designer the flexibility to tailor the internal environment to their client's needs, while maintaining a tight control over the performance of the systems. Recent development work has also brought a range of steel partitioning to the market, including cleanroom products, which offer superior, microbe-free performance to the end-user.

Commercial Interiors is not just about design, appearance and function – this sector is also affected by fire and acoustic performance regulations. SIG has the knowledge and expertise to offer guidance to clients in these critical areas – ensuring that the finished layout combines technical performance with aesthetic values.

For further information visit:
www.sigplc.co.uk/interiors

Corporate social responsibility

The broader view of business, incorporating social and environmental issues into the operational agenda, has received increasing focus in the last few years. SIG continues to respond to this agenda by integrating this whole range of issues into its strategic and routine management of its operations.

delivering

sustainable solutions

SIG's Core Values

- To build long term sustainable **shareholder** value through continued growth and solid financial performance.
- To provide our **employees** with the opportunity for secure, sustainable employment and the scope for personal development.
- To develop long term **customer** relationships, based on our commitment to service, support and honesty.
- To work with our **suppliers** to deliver a cost effective and dependable route to market, and to develop long term relationships based on mutual benefit, honesty and trust.
- To ensure that our impact on the **environment**, society and the community is positive and reflects our position as a responsible company.





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The Board continues to develop an integrated framework that targets and measures the performance of the Group in the areas of: **Marketplace**, **Workplace**, **Community** and **Environment**. Board responsibility for Corporate Social Responsibility is held by David Williams, Chief Executive and the board are working towards compliance with the relevant guidance on CSR.

1 Driver training, Sheffield, UK.

Driver training forms an important part of SIG's vehicle policy, which impacts on reduced maintenance and 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.

2 Staff at one of SIG's operations, UK.

Employees and local management in each branch work closely together to deliver fast and accurate responses to customers, together with organising same day or next day delivery. Branch staff are supported by central 'back office' functions which ensure that they can concentrate on satisfying customer requests.

3 Roofing product packaging, UK.

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. Re-usable packaging and pallets are returned to suppliers, and often re-usable pallets are recovered from customers.

SIG believes that the financial stability and strength of the Group is key to protecting its stakeholders' interests. The health and vitality of its operations, its employees, its customers and its suppliers are of paramount importance in securing and developing the Group's long term sustainability.

The Group works with its subsidiary operations to ensure that all current employment legislation is complied with fully, and that each **workplace** offers a positive and equitable working environment. Where possible, staff are recruited from the local neighbourhood, and are trained as required to allow them to perform their current jobs effectively as well as being encouraged to develop their careers at all levels of the organisation.

Each operation or location tailors its response to the local **community** as appropriate to the local situation, but in some places this might be working with local community associations to agree acceptable traffic patterns for delivery vehicles, whereas in others it might be branch staff working as school governors, or as local parish councillors. SIG plc is a national member of Business in the Community which gives it further opportunity to develop a positive impact on society.

SIG has developed close relationships with a number of suppliers who can source and supply sustainable products to the **marketplace** which impact positively on the environment. As well as providing a range of products across all its sectors which contribute to energy efficiency and the long term sustainability of the environment, SIG encourages recovery and recycling of a number of products from the construction process, in close collaboration with its suppliers.

As a founder member of the Association for the Conservation of Energy, SIG is active in raising mandatory standards for thermal and acoustic insulation. Energy consumption is a priority for its operations, and many closely monitor their overall impact on the **environment**, whether through reducing the amount of fuel used in delivery, or in increasing the efficiency of lighting in their warehouses. SIG meets its responsibilities under the packaging waste regulations in the UK by working closely with the UK's leading compliance scheme operator.

For further information visit:
www.sigplc.co.uk/csr

Chairman's Statement

The Group has further strengthened its market position and its finances in 2003 and enters 2004 in excellent shape. The Board has confidence that the Group will continue to make further progress.

The Group has produced a solid performance in 2003, having achieved growth in sales, operating profit, profit before tax and earnings per share compared with the prior year. New records for sales and profits have been set in a year when only the UK Structural Insulation market showed any growth, with all other markets in which the Group operates having experienced either flat or reduced demand. This clearly demonstrates the underlying strength and resilience of the Group.

Actions taken during the year on the management of working capital have improved cash flow, reduced gearing significantly and further strengthened the Balance Sheet.

Results

For the year ending 31 December 2003, compared with the corresponding period in 2002:

Sales

- Sales increased by £113.6m (9.8%) to £1,268.5m (2002 : £1,155.0m);
- Sales growth, excluding the impact of foreign exchange, was 6.9%;
- Like for like sales growth was 6.7%, before the benefit of acquisitions in 2002 and 2003.

Profits

- Operating profit was £58.6m, up £5.3m (9.9%);
- Goodwill amortisation increased marginally by £0.3m to £4.8m. Interest costs (prior to FRS 17 finance charges) fell £0.6m to £6.5m, reflecting a significant reduction in borrowings. The impact of adopting FRS 17 (see below) is reflected in an additional £0.7m charge to the total interest figure;
- Profit before tax rose by 11.1%, an increase of £5.1m to £51.5m (2002 : £46.3m).

Margins and Costs

- The gross margin declined slightly compared with prior year, due primarily to changes in the sales mix;
- Operating costs (before goodwill amortisation of £4.8m) were reduced as a proportion of sales;
- The overall Group operating margin (before goodwill amortisation of £4.8m) was maintained at 5.0%.

Earnings and Dividends

Earnings per share in 2003 were 28.6p compared with 26.3p in 2002, an increase of 8.7%. A final dividend of 8.3p is proposed, subject to shareholder approval. This would make a total dividend for the year of 12.4p, up 6.9% from the 11.6p per share dividend in 2002. If approved, the final dividend will be payable on 21 May 2004 to shareholders on the register at 16 April 2004. This marks the tenth successive annual increase in the dividend, a tangible demonstration of the Group's commitment to a progressive dividend policy.

Acquisitions

The Group stated early in 2003 that its primary focus would be on seeking organic improvements during the year and the acquisition programme would be temporarily held back. There were five small bolt-on acquisitions completed during 2003, for a total consideration of £3.5m. Three of these were in the UK and two in France.

Finances

Progressive improvement in cash inflow enabled a substantial reduction in gearing to be achieved, to 38% at the end of December 2003 compared with 50% at 30 June 2003 and 70% at 31 December 2002. The gearing figures have been adjusted to take account of the impact of the early adoption of FRS 17 (see below). Gearing figures pre FRS 17 are 35% for 31 December 2003 and 63% for 31 December 2002. Interest cover remained very prudent and strengthened during 2003 over 2002.

Pensions

The Group has adopted the accounting policy FRS 17 Retirement benefits this year. Though not required to be adopted, the Board considers that, given that the last triennial actuarial valuation of the main scheme was at 1 January 2001, the profit and loss charge and balance sheet position is more accurately reflected under the new standard. The effect of the introduction of the new standard in 2003, when compared to SSAP 24, is to reduce profit before taxation by £190,000 (2002 : £nil) and to reduce comparative shareholders' funds by £16.9m.

Employees

I would like to thank our employees for their efforts and contribution over the year. The continuing success of the Group is only possible through their commitment, enthusiasm and hard work. The quality of their service to our customers has again been key.

Delivering the goods to construction and industry. SIG makes over 10,000 deliveries a day to customers from its branches in the UK, Republic of Ireland, Germany, France, The Netherlands, Poland and the USA. SIG is recognised as *the supplier* who has the expertise to understand the exact requirements of the customer and the right levels of stock to meet the delivery deadline.



Board

In October 2003, I announced my intention to step down from the Board following the AGM in April 2004, having served on the Board for over ten years – seven of which have been as non-executive Chairman. It has been a privilege to be associated with such an exciting and successful Group and, along with my colleagues, to have played a part in the growth and development of the business.

Les Tench, who joined the Board in March 2003 and is presently Deputy Chairman, will take over as Non-Executive Chairman following my departure in April 2004. He is well respected and brings to the role a wealth of building sector experience in both the UK and overseas. Les will work with the executive and non-executive directors alike to ensure that the Board meets its obligations and continues to take the Group forward.

Matters relating to corporate governance are addressed separately within the Report and Accounts, and the Board will continue its policy of maintaining an active and regular review of recommendations and guidance as they emerge and to 'comply or explain' in line with best practice and the practical considerations and needs of the Company. In this regard, the Board has addressed the guidance regarding the numbers and composition of the Board itself, and I am pleased to announce that we have appointed an additional non-executive director. Michael Borlenghi (age 60) joins the Board on 2 April 2004 and will become a member of the Audit, Remuneration and Nomination committees.

Michael is presently chairman of Eliza Tinsley Group plc and has held a number of non-executive board positions since retiring in March 1991 from the GKN plc board. Whilst at GKN he was involved in a number of senior management roles both in the UK and overseas in a career spanning 25 years.

Prospects

Market conditions are not expected to change significantly in 2004 across the areas in which the Group operates.

In the UK and Republic of Ireland, general construction activity is expected to remain robust and demand for insulation and related products is expected to continue to grow. Whilst demand from the premium office sector is not expected to recover in the near term, the wider markets for mainstream commercial interiors products continue to be stable. Demand for roofing products is driven more by essential repairs and maintenance than new build, and this market is expected to continue at satisfactory levels.

In Mainland Europe, whilst demand remains weak in Germany and The Netherlands, the outlook is more positive in France and Poland. Overall demand is expected to be broadly similar to 2003.

In the USA, it is anticipated that activity levels in the industrial and petrochem fields will begin to improve as the year progresses.

As indicated in the Trading Update in January 2004, the Group is active in expanding its position within existing business streams, and we will continue to invest in trading locations and resources to extend our customer reach and service.

The Group has further strengthened its market position and its finances in 2003 and enters 2004 in excellent shape. The Board has confidence that the Group will continue to make further progress.



A handwritten signature in blue ink that reads 'Barrie Cottingham'.

Barrie Cottingham,
Non-Executive Chairman

Chief Executive's Review of Operations

The Group has made good progress in 2003 and we have delivered against the objectives that we outlined to our shareholders at the beginning of the year. The geographic and product diversity of SIG gives me great confidence in our future.

Introduction

I am pleased to report that the Group made good progress in 2003. Sales and profits hit record levels and we strengthened our market position throughout all our activities.

In addition to achieving like for like (i.e. before the benefit of acquisitions in 2002 and 2003) growth in sales and operating profits, the results for the year benefited from the efficiency improvements under our Continuous Improvement Programme, the ongoing impact of acquisitions and the strength of the Euro.

Highlights

UK and Republic of Ireland (c. 64% of total Group sales)

Sales were increased by 10.4% to £810.7m (2002 : £734.5m) and operating profits (pre goodwill amortisation of £3.951m (2002 : £3.669m)) grew by 5.5% to £54.2m (2002 : £51.4m). Like for like sales growth overall was 6% (2002 : 3%).

Sales growth was achieved in all market sectors in the UK and Republic of Ireland, other than in premium office interiors, where the sharp decline in market demand continued throughout the year.

Our largest business unit, UK and Republic of Ireland **Insulation** had an excellent year, with double digit growth in like for like sales and operating profits.

Whilst the gross margin reduced slightly due to changes in the product mix, the net operating margin increased.

Market demand for thermal insulation materials increased progressively throughout the year, as the new, tighter Building Regulations increased the minimum standards of insulation required in the walls, roof and floor of all types of new buildings. It is also apparent that the new standards are being used in many renovation and upgrading projects, where it is technically feasible to do so.

The impact of the new Regulations has created some changes in product mix, due to the technical characteristics of different insulation materials. Whilst this mix change has been slightly detrimental to the gross margin, we believe we have strengthened our market position due to the uniquely comprehensive breadth and depth of our stockholding. We have been able to meet the changing pattern of customer requirements on demand, whilst maintaining very high service levels. Continued investment in customer service is key to our performance in this area.

The Group is heavily involved in a range of energy efficiency programmes concerning the upgrading of insulation in existing homes and these programmes stimulated increased demand during 2003.

The **Roofing** division grew sales and profits significantly during the year, with good like for like sales growth being supplemented by the incremental benefit of the acquisitions made in this sector in 2002 and 2003.

Actions were taken to widen the product range and our on-going programme of expansion led to new site openings in both the UK and the Republic of Ireland. We reinforced our position as the largest materials supplier to the roofing industry.

Gross margins were maintained compared with prior year and the net operating margin reduced slightly due to the impact of increased costs associated with the ongoing programme of investment in sales and customer service facilities.

Within the **Commercial Interiors** division we experienced a continuation of the fall in demand for fit-out products from the premium office sector. Sales and operating profits were sharply down for our core products associated with this market, especially high specification bespoke partition systems.

Expenditure on new product development was increased and the associated costs also impacted on the results in 2003. These changes to our product range extend our coverage and take us into new market sectors and reinforce our position as the leading supplier of specialist partitioning and related products in the UK.

The larger volume operation involved in the supply of mainstream interior products to the wider non-residential building sector had a good year with both sales and operating profits increased. This picture does emphasise the point that the difficulties in the interiors sector were localised to the premium office market.

In Safety Products we had a very successful turnaround year, and moved back into profit. Sales were increased, costs reduced and the gross and operating margin significantly improved. The product range and sales operation have been refocused and these changes, together with a warehouse reorganisation have enabled customer service levels to be significantly improved.

Like for like sales growth in Construction Accessories was supplemented by the full year impact of an acquisition made in 2002. Operating profits declined due to margin pressure and the impact of cost increases partly associated with the reorganisation of this unit.

Mainland Europe (c. 31% of total Group sales)

Sales increased by 2.9% in local currencies and 12.7% in Sterling to £394.2m (2002 : £349.8m). Sales were up in local currency in all countries in which the Group operates (i.e. Germany, France, The Netherlands and Poland). Costs were held in real terms in local currencies and this combined with an increase in the gross margin enabled operating profits (pre goodwill amortisation of £0.6m (2002 : £0.6m)) to increase by 29% in local currencies and 43% in Sterling to £11.0m (2002 : £7.7m).

This is an excellent performance against a background of weak markets.

Trade Counter, SIG Roofing, Bristol, UK.
The Group has an extensive range of trade counters, staffed by experts, across its network of branches. As well as advising impartially on the appropriate product for customers, they give the opportunity for collection from first thing in the morning to last thing at night.



In **Germany** construction activity fell in 2003 and whilst the market for our products declined, we increased sales in Euros despite the closure of six branches towards the end of 2002.

Improved efficiencies and increased focus on pricing management within the business enabled operating profits to be substantially increased.

New products have been added to the stock range and we have further strengthened our position in the market.

France

Sales and operating profit grew in 2003 in Euros, on a like for like basis. This was supplemented by two small acquisitions.

Market demand in both insulation and commercial interiors was weak and our performance represents an increase in our market share.

Sales from the new roofing branches increased and the product range was extended.

The Netherlands

Market demand fell in The Netherlands in 2003, both for commercial interior and industrial insulation products. Sales were increased in Euros, due to the full year benefit of the 2002 acquisition. Costs associated with the opening of a new operation together with changes in the product mix reduced operating profits.

Poland

Sales grew strongly and operating losses were sharply lower than prior year. Market demand began to improve from the mid-year onwards. We added a new branch in the North to improve customer service and also invested in new insulation fabrication facilities to take advantage of emerging opportunities.

These developments combined with tight cost control enabled a small operating profit to be achieved in the second half of the year, for the first time in any six month period.

USA (c. 5% of total Group sales)

Total sales in the USA declined by 1.7% in US Dollars and 9.8% in Sterling to £63.7m (2002 : £70.6m).

Demand from the core petrochemical and refining industries in the Southern Gulf States continued to be very weak and some major projects were delayed towards the year end. Actions were taken to reduce costs by restructuring certain operations. Sales and operating profits declined.

The branches located down through the Eastern States, which operate in generally lighter industrial insulation markets (such as heating and air conditioning) traded well, increasing both sales and operating profits.

Our USA operations successfully embraced the drive to improve the operational ratios in the Group and made good progress in cash generation, working capital ratios and cost reduction.

Acquisitions

2003 was a year in which our acquisition activity was intentionally very limited.

We acquired a roofing distributor and two insulation operations in the UK, and in France we added a commercial interiors operation and an air handling operation to compliment our existing sales into this sector.

Total consideration was £3.5m and annualised sales of the acquired operations is circa. £7m. All are trading profitably and have integrated well into the Group.

People

The staff and management throughout SIG share a common culture; to give our customers outstanding service and to continue to strengthen and grow the business for the benefit of all. The performance in 2003 is based on the determination and skills of all our employees.

Summary

The Group has made good progress in 2003 and we have delivered against the objectives that we outlined to our shareholders at the beginning of the year. In addition we have strengthened the business for the longer term. Whilst short term local demand fluctuations will present challenges from time to time, the geographic and product diversity of SIG gives me great confidence in our future.

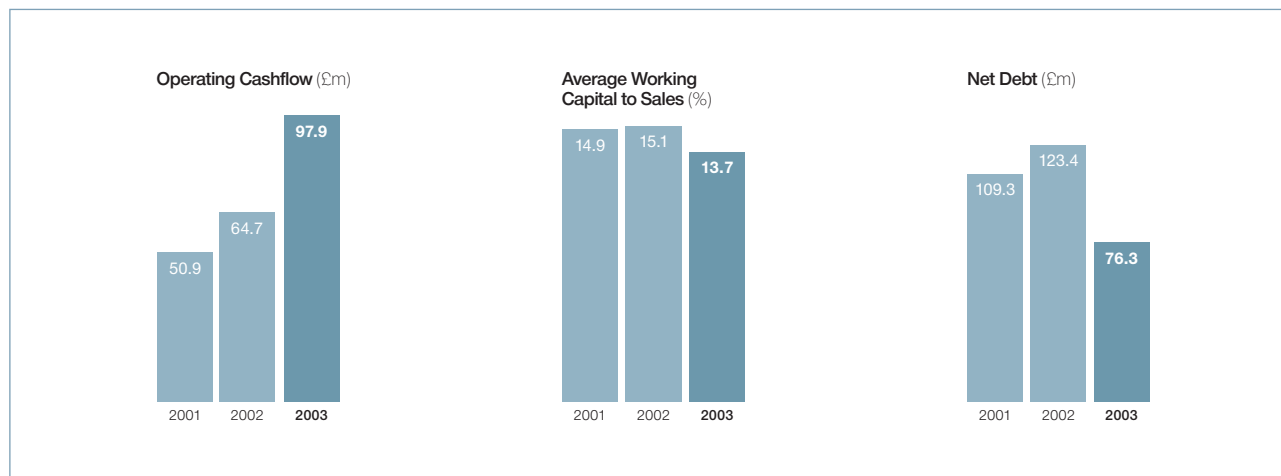


David Williams

David Williams,
Chief Executive

Finance Director's Review

The Group achieved a particularly strong net cash inflow from operating activities of £97.9m (2002: £64.7m) after taking into account an £18m reduction of working capital.



Group Performance

The past year represents a year of further progress by the Group. Turnover for the year amounted to £1,269m (2002 : £1,155m), up 9.8%. Operating profits were up over 5% in the UK and Republic of Ireland and over 46% in Europe. In the USA operating profits fell by £0.6m.

Interest

Our reduced gearing has been reflected in the interest charge (pre FRS 17 finance charges of £0.7m) for the year of £6.5m (2002 : £7.1m), down 8% despite an adverse currency effect of £0.5m.

Taxation

The taxation charge for the year of £16.8m amounted to 32.6% of pre-tax profits and reflects high effective tax rates for the Group's operations in France (44.5%) and the Netherlands (34.5%) and the impact of goodwill amortisation which is not fully tax deductible.

Earnings and Dividends

Earnings per share of 28.6p (2002 : 26.3p) were 8.7% ahead of prior year. The proposed final dividend of 8.3p per share delivers a full year rate of 12.4p, representing an increase of 6.9% and is covered 2.3 times. Dividends per share have grown from 5.4p in 1993 to 12.4p in 2003, with ten successive years of dividend growth, whilst maintaining prudent cover in each of the years of between 2 and 3 times.

Cash Flow/Working Capital

The Group achieved a particularly strong net cash inflow from operating activities of £97.9m (2002 : £64.7m) after taking into account an £18m reduction in working capital, despite sales increasing by 9.8%. This reflects the success of our internal Continuous Improvement Programme during the year.

After payments in respect of interest and dividends to minorities of £7.4m, taxation of £10.8m, dividends of £14.1m and net capital expenditure of £12m, there was a cash inflow of £53.6m. A further £2.7m was spent on acquisitions, net of cash acquired, leaving total net borrowings of £76.3m (2002 : £123.4m) and gearing of 38% compared with 70% last year.

Stock days have improved by 1 when compared to 2002 and the average stock turn across the Group was maintained at 10 times.

Despite the tough trading conditions encountered, in particular by our foreign businesses, Group average debtor days improved by 3 days, from 55 to 52 days. This reflects the continuing efforts of local management in ensuring credit terms are adhered to. The Group bad debt charge as a percentage of sales was in line with our historical norm and our policy in respect of recognition of provisions for doubtful debts on the balance sheet has continued to be consistently applied. We also made progress on creditor payments – creditor days improving by 3 days as a result of our efforts.

Dry-lining products, Sheffield Insulations, UK. Stocking the right product, in the right quantities, to meet the requirements of the customer, is key to SIG's absolute commitment to customer service. The Group continues to invest in the appropriate storage and handling technology to service its diverse customer base, while working to maximise its use of such assets.



FRS 17 Retirement Benefits

The Group has four defined benefit schemes covering a total of 272 active members. All of these schemes have been closed to new members for a number of years. Though not required to be implemented, we have adopted FRS 17 Retirement benefits in 2003. This facilitates a smooth transition to likely IAS requirements and gives greater transparency to the relatively limited impact our pension commitments have on our balance sheet. The effect of FRS 17 is to reduce 2003 profits by £0.2m and to include a pension deficit net of deferred tax on the balance sheet at 31 December 2003 of £13.7m. The overall net pension liability on our four schemes has reduced by £0.5m since 2002.

Funding

The Group's borrowing facilities comprise a mixture of short and medium term facilities. The cash at bank and in hand figure of £55.4m (2002 : £13.6m) was unusually large at the year end when compared to the net debt of the Group of £76.3m (2002 : £123.4m) as a result of the parent company holding short term Euro fixed rate borrowings amounting to £20.2m and our German subsidiary holding the same amount as cash on deposit. This had been drawn down to provide a capital contribution to that company in order to comply with new German tax legislation relating to allowable levels of intra group debt. This short term borrowing requirement was repaid by the end of February 2004.

Of the total gross borrowings outstanding at the year end, 74% (2002 : 77%) was medium term and 96% (2002 : 75%) of the total was at a fixed rate of interest.

With the exception of finance leases, all borrowings in the UK and France are on an unsecured basis. In Germany, The Netherlands and the USA, all borrowings are secured.

Foreign Currency Risk

The Group's exposure to exchange rate movements is limited to currency translation. In order to protect the Group's Sterling balance sheet from movements in the Euro/Sterling exchange rate, the Group finances its net investment in its German, French and Dutch subsidiaries by means of US Dollars fixed rate Senior loan notes swapped into Euros. The net effect on the Group's Sterling balance sheet of currency translation differences on all our overseas' subsidiaries in 2003 was a loss of £0.03m (2002 : loss of £0.93m).

Overseas' earnings streams are translated at the average rate of exchange for the year. Fluctuations in exchange rates have and will continue to give rise to translation differences of overseas'

earnings streams. The table below sets out the exchange rates used for translating the 2003 and 2002 profit and loss accounts (average rates) and balance sheets (closing rates).

	Average Rate		Closing Rate	
	2003	2002	2003	2002
Euro	1.443	1.590	1.419	1.534
US Dollar	1.645	1.509	1.790	1.610
Polish Zloty	6.404	6.147	6.700	6.173

The movement in average exchange rates compared to 2002 had a positive effect on overseas' earnings streams of £1.0m at the profit before taxation level.

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

Summary

We manage the Group on sound and prudent accounting principles and will continue to do so. This approach ensures that the Group has a firm financial platform for long term growth in earnings, free cash flow and dividends.



Gareth Davies,
Finance Director

Board of Directors



Top row: David Haxby, Les Tench, Peter Blackburn, John Chivers
Front row: David Williams, Barrie Cottingham, Gareth Davies

David Williams ■
Chief Executive

David Williams (age 53) joined the Group in 1983 having gained UK and overseas sales and marketing experience in several diverse industries. He was appointed Managing Director of Sheffield Insulations and to the main Board in June 1993. He became Chief Executive on 1 January 2002.

David Haxby LL.B, FCA ◆◆■
Non-Executive Director

David Haxby (age 62) became a non-executive director on 1 March 2003 and is chairman of the Audit Committee. He is currently a non-executive director of Cattles plc and Cyberes plc, positions he has held since 1999 and 2000 respectively. 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.

John Chivers
Managing Director,
SIG Roofing Supplies

John Chivers (age 51) joined the Group in July 1975 and was appointed a director of Sheffield Insulations in April 1989. He became Managing Director of SIG Roofing Supplies in July 1997 and was appointed to the main Board on 1 September 2001.

Barrie Cottingham FCA, ATII ◆◆■
Non-Executive Chairman

Barrie Cottingham (age 70) became a non-executive director in August 1993 and non-executive chairman in April 1996. He is Chairman of the Nomination Committee. He is a former senior partner of Coopers & Lybrand, chartered accountants. He is non-executive chairman of Cattles plc, a non-executive director of Vp plc and non-executive deputy chairman of Dew Pitchmastic plc.

Les Tench BSc ◆◆■
Non-Executive Deputy Chairman

Les Tench (age 58) became a non-executive director on 1 March 2003 and was appointed Deputy Chairman on 1 November 2003. He has taken on the role of senior independent director. He joined CRH plc in 1992, and since 1998 until his retirement in December 2002 was managing director of CRH Europe - Building Products. He is a non-executive director of the privately owned Shepherd Building Group Limited, a position he has held since 1994.

Gareth Davies BA, ACA
Finance Director

Gareth Davies (age 40) 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 on 1 August 2002 as Finance Director.

Peter Blackburn, CBE BA, D.Litt, FCA ◆◆■
Non-Executive Director

Peter Blackburn (age 63) became a non-executive director on 1 July 2001. He is Chairman of the Remuneration Committee. He is non-executive chairman of Northern Foods plc and a non-executive director of Compass Group PLC. From November 1997 to June 2001 he was chairman and chief executive of Nestlé UK. He is a past president of the Food and Drink Federation.

- ◆ Member of the Audit Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee

Company Information

President

Sir Norman Adsetts, OBE, MA

Secretary

John Swynnerton, FCA

Registered office

Hillsborough Works,
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Registration number

Registered in England
998314

Registrars and transfer office

Computershare
Investor Services PLC
PO Box 82,
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Bridgwater Road,
Bristol BS99 7NH

Auditors

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1 City Square,
Leeds LS1 2AL

Principal Bankers

The Royal Bank of Scotland plc
Corporate & Institutional Banking
PO Box 126,
6th Floor,
8 Park Row,
Leeds LS1 5AH

Solicitors

Pinsents
1 Park Row,
Leeds LS1 5AB

Joint Stockbrokers

Cazenove & Co Limited
20 Moorgate,
London EC2R 6DA

Panmure Gordon

50 Stratton Street,
London W1J 8LL

Financial PR

Finsbury Limited
52-58 Tabernacle Street,
London EC2A 4NJ

Report of the Directors

The Directors present their annual report on the affairs of the Company and its subsidiary undertakings ('the Group'), together with the Group accounts and the Independent Auditors' Report for the year ended 31 December 2003.

Principal activities and business review

The principal activity of the Group is the distribution of building materials to the construction sector. The main products distributed are insulation, roofing and commercial interior products.

A review of the business during the year and comments on the future outlook are contained in the Chairman's Statement and the Chief Executive's Review of Operations on pages 14 to 17.

Results

The results for the year are shown on page 34. The movement on the Group reserves during the year is shown in note 18 on page 52. Details of dividends are shown in note 7 on page 43.

Directors and their interests

The directors who served during the year were:

B Cottingham	(Non-Executive Chairman)
L O Tench	(Non-Executive Deputy Chairman and Senior Independent Director) (appointed 1 March 2003)
D Williams	(Chief Executive)
G W Davies	(Finance Director)
M J Chivers	(Managing Director, SIG Roofing Supplies)
P H Blackburn	(Non-Executive)
D A Haxby	(Non-Executive) (appointed 1 March 2003)
N C Paul	(Non-Executive) (resigned 1 March 2003)

Mr M J C Borlenghi (age 60) will join the Board as a non-executive director on 2 April 2004.

Mr Williams (age 53) joined the Group in 1983 having gained UK and overseas sales and marketing experience in several diverse industries. He was appointed Managing Director of Sheffield Insulations and to the main Board in June 1993. He became Chief Executive on 1 January 2002. He is a member of the Nomination Committee.

Mr Davies (age 40) 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 on 1 August 2002 as Finance Director.

Mr Chivers (age 51) joined the Group in July 1975 and was appointed a director of Sheffield Insulations in April 1989. He became Managing Director of SIG Roofing Supplies in July 1997 and was appointed to the main Board on 1 September 2001.

Mr Cottingham (age 70) became a non-executive director in August 1993 and non-executive chairman in April 1996. He is chairman of the Nomination Committee and a member of the Remuneration and Audit Committees. He was chairman of the Audit Committee until 1 March 2003. He is a former senior partner of Coopers & Lybrand, chartered accountants. He is non-executive chairman of Cattles plc, a non-executive director of Vp plc and non-executive deputy chairman of Dew Pitchmastic plc.

Mr Blackburn (age 63) became a non-executive director on 1 July 2001. He is chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He is non-executive chairman of Northern Foods plc and a non-executive director of Compass Group PLC. From November 1997 to June 2001 he was chairman and chief executive of Nestlé UK. He is a past president of the Food and Drink Federation.

Mr Haxby (62) became a non-executive director on 1 March 2003. He is chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. He is currently a non-executive director of Cattles plc and Cyberes plc, positions he has held since 1999 and 2000 respectively. 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.

Mr Tench (58) became a non-executive director on 1 March 2003 and was appointed Deputy Chairman on 1 November 2003. He has taken on the role of senior independent director and is a member of the Remuneration, Audit and Nomination Committees. He joined CRH plc in 1992, and since 1998 until his retirement in December 2002 was managing director of CRH Europe – Building Products. He is a non-executive director of the privately owned Shepherd Building Group Limited, a position he has held since 1994.

Mr Borlenghi (60) will be appointed a non-executive director on 2 April 2004 and will become a member of the Audit, Remuneration and Nomination Committees. He is presently chairman of Eliza Tinsley Group plc and has held a number of non-executive board positions since retiring in March 1991 from the GKN plc board. Whilst at GKN he was involved in a number of senior management roles both in the UK and overseas in a career spanning 25 years.

In accordance with the Articles of Association, Mr M J C Borlenghi retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Messrs. B Cottingham, M J Chivers and D Williams retire by rotation at the Annual General Meeting. Messrs. M J Chivers and D Williams, being eligible, offer themselves for re-election. Mr B Cottingham has indicated his intention to retire at the conclusion of the Annual General Meeting and Mr L O Tench will succeed him as Chairman.

Directors' interests in the shares of SIG plc

The beneficial shareholdings of the Directors who held office at 31 December 2003 were as follows:

	Ordinary shares of 10p	
	31 December 2003	31 December 2002 or date of appointment
B Cottingham	64,100	64,100
L O Tench	10,000	–
D Williams	60,765	52,463
M J Chivers	32,227	32,227
G W Davies	7,940	7,940
P H Blackburn	8,000	8,000

Subsequent changes

The interests shown above remained the same at 8 March 2004.

Share capital and substantial shareholdings

Details of the share capital of the Company are set out in note 17 to the accounts on page 51.

As at 8 March 2004 the Company has been notified of the following interests, held directly or indirectly, in 3% or more of the Company's issued ordinary share capital:

	Number of shares	% of issued share capital
Fidelity Investments	11,962,940	9.94%
Standard Life Investments	3,721,051	3.09%

Payments to suppliers

It is Group policy to agree terms and conditions for its business transactions with suppliers. Payment is made on those terms subject to the terms and conditions being met by the supplier. The Company does not trade and therefore its average number of days outstanding in respect of trade creditors at 31 December 2003 was nil. The Group's average number of days outstanding in respect of trade creditors was 34 (2002: 31).

Charitable contributions

The Group contributed £47,000 (2002: £45,000) to local charities during the year.

Employees

It is the Group's policy that employees should be kept as fully informed as is practicable about the performance and prospects of the Group.

The Group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person. Where employees become disabled, the Group endeavours to continue to employ them provided there are duties which they can perform, bearing in mind the handicap or disability. As far as possible, training, career development and promotion are available to handicapped and disabled persons where this is in their own as well as the Group's best interests.

Employee share ownership is encouraged through savings related and other employee share schemes. At 31 December 2003 there were 1,145 employees saving under the savings related schemes.

Auditors

On 1 August 2003, Deloitte & Touche transferred its business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Acts 2000. The Company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution for the re-appointment of Deloitte & Touche LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice of the meeting has been sent to shareholders separately with the Report and Accounts, together with the Chairman's letter to shareholders which gives an explanation of the items of special business to be considered at the meeting.

Corporate Governance Statements

These corporate governance statements, including the Internal Control section of this report and the Directors' Remuneration Report, on pages 26 to 31, set out how the Company has applied the principles and complied with the provisions set out in Section 1 of the Principles of Good Governance and Code of Best Practice encompassed in the Code and principles prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel and published in June 1998 ('the Hampel Code'), annexed to the Listing Rules of the Financial Services Authority. In addition, it is addressing actively any issues where it does not fully meet the further governance provisions of the Combined Code on Corporate Governance published in July 2003 by the Financial Reporting Council ('the 2003 FRC Code'), which is appended to the Listing Rules and which will formally apply for accounting periods beginning on or after 1 November 2003. Details are set out below, under the Accountability and Audit Committee section, where progress has been made towards full compliance.

Report of the Directors (continued)

Throughout the year the Company has complied with the Hampel Code provisions, except as detailed below with regard to the appointment of a senior independent non-executive director (Hampel Code provision A.2.1). With effect from 1 March 2003, on the appointment of Mr L O Tench as senior independent non-executive director, the Company has complied with this Code provision.

Directors

The Board meets regularly throughout the year, normally ten times a year, monitoring the executive management. Board meetings follow a formal agenda of matters specifically reserved for decision and approval of the Board, ensuring that full control of appropriate financial, strategic, organisational and compliance matters is maintained. All directors may take independent professional advice at the Company's expense in the furtherance of their duties and have access to the services of the Company Secretary.

Mr B Cottingham, a non-executive director, chairs the Board, and Mr D Williams, the Chief Executive, is responsible for running the Group's operations. On the retirement of Mr B Cottingham at the conclusion of the 2004 Annual General Meeting, Mr L O Tench will chair the Board.

Previously, in view of the small size of the Board, it had not been felt necessary to nominate a senior independent non-executive director. However, with effect from 1 March 2003, Mr L O Tench was appointed to this position.

Until 1 March 2003, the Board consisted of six directors, of whom three were non-executive directors. On 1 March 2003, Mr N C Paul resigned and Messrs. D A Haxby and L O Tench were appointed non-executive directors. Details of the Board as at 31 December 2003, together with short biographies and their membership of Board Committees, are set out on page 20. The non-executive directors bring considerable knowledge and external experience to the Board's discussions. In respect of the year ended 31 December 2003, the Board considers all of the non-executive directors to be independent.

The Board receives reports and financial information prior to meetings, together with other relevant information on business, corporate and strategic issues.

The Company's Articles of Association require one third of the Board to submit themselves for re-election, on a rotational basis, every year. No director is exempt from seeking re-election. Non-executive directors are normally appointed for an initial term of three years.

Nomination Committee

The Nomination Committee comprised Mr B Cottingham (Chairman of the Nomination Committee), Mr L O Tench, Mr P H Blackburn, Mr D A Haxby and Mr D Williams. Mr L O Tench will chair the committee when Mr B Cottingham retires.

Remuneration Committee and Directors' remuneration report

The responsibilities of the Remuneration Committee, together with an explanation of how it applies the directors' remuneration principles of the Hampel Code, are set out in the Directors' Remuneration Report on pages 26 to 31.

Relations with shareholders

During the year directors have met with most of the Company's larger institutional investors to whom presentations were made after the announcement of the Group's preliminary and interim results. Care is taken to ensure that any price sensitive information is released to all shareholders, institutional or private, at the same time in accordance with the Financial Services Authority requirements.

All directors, including the Chairmen of the Audit, Remuneration and Nomination Committees, attended the Annual General Meeting and were available to answer questions from those shareholders present. The Chairman, after the show of hands on each resolution, indicated the number of proxy votes for and against each resolution.

Accountability and Audit Committee

The Chairman's Statement and the Chief Executive's Review of Operations on pages 14 to 17, together with the Finance Director's Review on pages 18 and 19, give an assessment of the Group's position and prospects. The Statement of Directors' Responsibilities for preparing the accounts is set out on page 32.

Until 1 March 2003, the Audit Committee, which meets at least twice a year, comprised the three non-executive directors, Mr B Cottingham (Chairman of the Audit Committee), Mr P H Blackburn and Mr N C Paul. From 1 March 2003, the Audit Committee comprised Mr D A Haxby (Chairman), Mr B Cottingham, Mr P H Blackburn and Mr L O Tench. Mr D A Haxby is considered by the Board to have significant recent and relevant experience.

The Audit Committee monitors the accounting policies and reviews the effectiveness of internal controls of the Group. It also reviews the Group's interim and annual financial statements before submission to the Board for approval. The external auditors are invited to attend all the meetings and have direct access to the Committee Chairman.

The Board is aware of the need to maintain an appropriate degree of independence and objectivity on the part of the Group external auditors when engaged in non-audit assignments. Both the Audit Committee and the external auditors have safeguards in place to avoid such independence and objectivity being compromised.

The Group policy on the provision by the external auditors of audit and non-audit services categorises such services between:

- Auditor preferred services – Those services which are acceptable for the auditors to provide and the provision of which has been pre-approved by the Audit Committee.
- Auditor prohibited services – Those engagements which the Audit Committee and the Board do not consider appropriate for the auditors to undertake.
- Auditor authorised services – Those services for which the specific approval of the Audit Committee is required before the auditors are permitted to provide the service.

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 assignment. The Audit Committee at each meeting reviews an analysis of all services provided by the external auditors. The policy is reviewed annually by the Audit Committee and approved by the Board.

The disclosure of the fees payable to Deloitte & Touche LLP and two other accountancy firms performing audit services during the year are set out in note 4 to the financial statements on page 42.

Following a recent review, the Audit Committee is entirely satisfied with the level of fees, independence, objectivity and effectiveness of Deloitte & Touche LLP. Accordingly a resolution for the re-appointment of Deloitte & Touche LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

The Audit Committee not only reviews the procedures under which employees may in confidence notify the Company of any concerns, inter alia matters involving financial reporting, but also the procedures for investigating and resolving any such concerns.

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, 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, as well as financial.

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 working party: '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 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.
- The risk and control identification and management process is monitored and periodically reviewed by Group executive management. Following a review during the year the process has been refreshed to ensure that the risk management process is fully embedded across the Group.
- 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 business unit management and the Group executive management on matters relating to risk and control.
 - defined expenditure authorisation levels.
 - operating reviews covering all aspects of each operating unit are conducted by Group executive management each quarter.
 - a comprehensive system of financial reporting. An annual budget for each operating unit 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 Group does not have an internal audit function. However, the Board annually reviews the need for such a function and has done so during the year. Bearing in mind that, during the year, there were no adverse trends evident from the monitoring of internal controls or unexpected or unacceptable results of a material nature, at present the Board considers that an internal audit function is not necessary.

Going concern

The directors report that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the Board:

J R Swynnerton, Secretary

8 March 2004

Directors' Remuneration Report

This report has been prepared by the Remuneration Committee ("the Committee") on behalf of the Board in accordance with the requirements introduced by the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the Financial Services Authority.

Unaudited information

Consideration by the directors of matters relating to directors' remuneration

The Board has a long established Committee, which meets at least twice a year. It is composed of the non-executive directors, who, in the opinion of the Board, are independent of management and free from any business or other relationship which could materially interfere with their independent judgement. Until 1 March 2003, the Committee consisted of Mr P H Blackburn (Chairman of the Remuneration Committee), Mr B Cottingham and Mr N C Paul. From 1 March 2003, the composition of the Committee has been Mr P H Blackburn (Chairman), Mr B Cottingham, Mr D A Haxby and Mr L O Tench. The responsibilities of the Committee, together with an explanation of how it applies the directors' remuneration principles of the Hampel Code, are set out below. The 2003 FRC Code will apply for accounting periods beginning on or after 1 November 2003.

The Committee's primary role is to recommend to the Board the remuneration of the Company's executive directors.

The Committee does not consider fees payable to non-executive directors, which is a matter for the Board as a whole.

The Chief Executive, Mr D Williams, is consulted on the remuneration of executive directors and attends all meetings, except when his own remuneration is discussed. The Company Secretary provides information to the Committee and is in attendance at meetings.

The Committee takes independent professional advice, on an ad hoc basis, as required. In January 2003 the Committee appointed Watson Wyatt LLP to review and report on the remuneration of senior executives. During the year, the Committee appointed PricewaterhouseCoopers LLP to review the incentive schemes operated by the Group and made recommendations for the new incentive schemes to be put to shareholders for approval at the 2004 Annual General Meeting. Neither Watson Wyatt LLP nor PricewaterhouseCoopers LLP provided any other services to the Group.

Statement of the Company's policy on directors' remuneration for 2004 and subsequent financial years

Executive Directors

During the year the Remuneration Committee has reviewed the incentive schemes operated by the Group. Best practice in this area has moved on since the current schemes were introduced, some 7 years ago. As a result of this review, and subject to shareholder approval at the 2004 Annual General Meeting, a new long term incentive plan and a deferred annual bonus scheme will be operated in future years; full details are included in the Chairman's letter to shareholders which accompanies the Report and Accounts. An all employee share incentive plan will also be introduced to encourage employee participation in the Company. It is expected that the current schemes will no longer be operated by the Company in the future.

The Company's policy for 2004 and subsequent years is to provide each executive director with a remuneration package which not only gives a fair degree of security by way of a base salary but also, through an annual bonus and long term incentive plan, gives a significant performance-related element. In determining the remuneration packages of executive directors, the Committee considers a number of factors including:

- The basic salaries and benefits available to executive directors of comparable companies;
- The importance of recruiting and retaining management of an appropriate calibre; and
- Linking reward to the Group's performance.

The Company's policy on the duration of service contracts is for executive directors to have service contracts terminable by either party giving 12 months notice in writing. If the Company was to terminate employment in lieu of the 12 months notice period, the executive director would be entitled to a termination payment in accordance with his service contract.

The main components of executive directors' remuneration are given below. Equal importance is attached by the Committee to the basic salary of each executive director, which is not performance related, and to the annual bonus and long term incentive schemes, which sufficiently motivate directors and key employees and only pay significant rewards for the achievement of stretching performance targets.

Base salary and benefits

Base salary and benefits are determined on an annual basis by the Committee based upon the recommendations of the Chief Executive and after a review of the individual's performance 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 include a company car and medical insurance premiums.

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 targets are predominantly based on profit before tax either of the Group or a subsidiary, whichever is appropriate. In addition, for certain executives, additional targets are based on cash flows and reduction in gearing, again, either of the Group or a subsidiary, whichever is appropriate. The maximum annual bonus that can be paid is 50% of basic salary. The annual bonus is not pensionable.

Pension schemes

All executive directors are members of the Group's main 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, incentive schemes and benefits. 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 main 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 4 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.

Share option schemes

1989 Executive Share Option Scheme

In 1997 this Scheme was superseded by the Long Term Incentive Plan and the 1997 Executive Share Option Scheme. Messrs. D Williams and M J Chivers had awards under this scheme, which had vested but which had not been exercised at 31 December 2003. There are no performance criteria attached to the exercise of these options. They must be exercised between three and ten years of the date of grant. The right to exercise options terminates upon the employee ceasing to hold office or employment with the Group, subject to certain exceptions and the discretion of the Board.

Long Term Incentive Plan (L-TIP)

Under the existing L-TIP, executives can be awarded an annual grant of nominal value share options up to a maximum value of 50% of base salary. As set out on page 30 in the directors' share options table under the heading Long Term Incentive Plan, Messrs. D Williams, M J Chivers and G W Davies have awards under this scheme, which had not vested at 31 December 2003, and the performance conditions which apply to them are given below. At the end of the relevant period the Remuneration Committee assesses whether the performance conditions have been satisfied.

Awards under the L-TIP 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 earnings per share is 10% higher than the percentage increase in the Retail Price Index. None of the award vests if the growth in earnings per share is less than 6% above the percentage increase in the Retail Price Index over the same period. Between these two limits, the award vests 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 earnings per share, over a consecutive four year period, is increased to 8% over the percentage increase in the Retail Price Index over the same period. The maximum for the full award to vest is 13.33%.

The awards for Messrs. D Williams and G W Davies will vest in full if the performance condition requirements set out above are achieved. 50% of the awards for Mr Chivers will vest in full if the performance condition requirements set out above are achieved. Providing the 6%, or 8% if extended to a fourth year, minimum growth performance target is met, the remaining 50% of the shares under the award for Mr Chivers will vest in full if the actual profit before tax of the SIG Roofing Supplies operation in aggregate for the consecutive three or four year period, referred to above, exceeds budgeted profit before tax in aggregate for the same period by 1%.

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.

1997 Executive Share Option Scheme (ESOS)

Under the existing ESOS, executives 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 10 years does not exceed 4 times base salary, bonus and benefits. As set out on page 30 in the directors' share options table under the heading 1997 Executive Share Option Scheme, Mr Davies has awards under this scheme, which had not vested at 31 December 2003, to which the performance condition in the next paragraph applies. At the end of the relevant period the Remuneration Committee assesses whether the performance conditions have been satisfied.

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 earnings per share is 6% higher than the percentage increase in the Retail Price Index. None of the award would vest if the growth in earnings per share is less than 6% above the percentage increase in the Retail Price Index over the same period.

The above performance condition was chosen because it was believed to be challenging and not only takes account of the need for long-term performance and commitment but also is an important means of aligning the interests of employees and shareholders.

Savings Related Schemes

The Company operates within the UK a savings related share option scheme 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. Similar arrangements have been introduced in the Republic of 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.

Directors' Remuneration Report (continued)

The right to exercise options terminates if the employee ceases to be employed by the Group otherwise than by way of death, injury or disability, redundancy, retirement or Group reconstruction. Exercise of options following cessation of employment by early retirement or other reason is permitted at the discretion of the Board provided that the date of cessation is at least three years after the date of grant.

Non-executive Directors

For non-executive directors the Company's policy is that the appointment will be for an initial term of three years unless otherwise terminated earlier by and at the discretion of either party upon three month's written notice. Non-executive directors will 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. Non-executive directors do not receive benefits from the Company. 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.

Directors' contracts

Non-executive directors, who held office at 31 December 2003, were appointed for an initial term of three years. With the exception of Mr B Cottingham, their appointment is terminable by either party giving three month's written notice. Mr B Cottingham's appointment is subject to a rolling twelve months notice on either side and, in the event of a merger or take-over, his services may be terminated by the payment of 12 months remuneration, at his current rate, in lieu of notice. Mr B Cottingham has indicated that he will be stepping down after the 2004 Annual General Meeting.

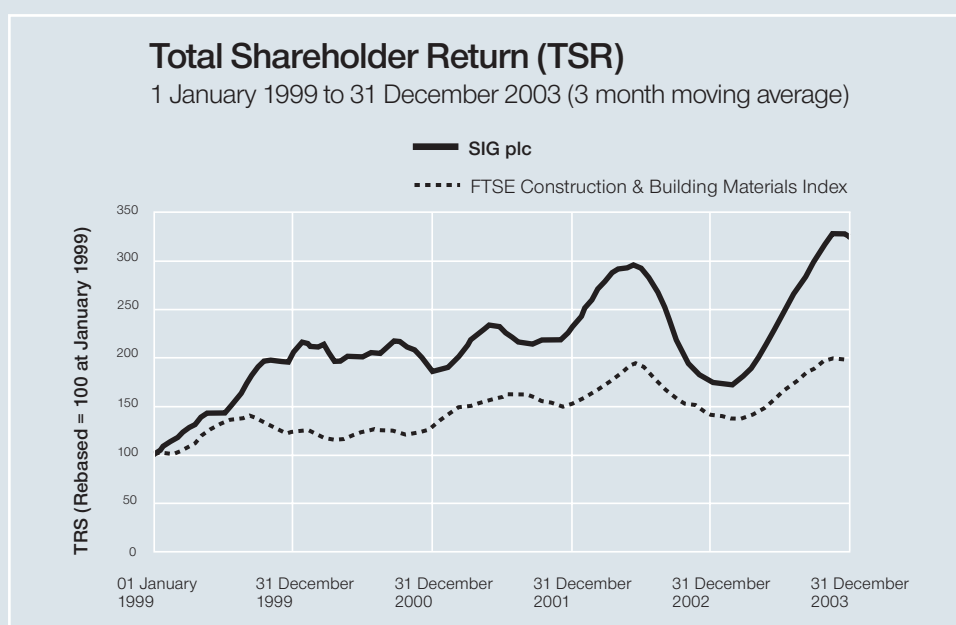
The executive directors, who held office at 31 December 2003, have service contracts for a continuous term to retirement age, which is 65, providing for a rolling 12 months' notice period in writing by either party.

The service contract for Mr D Williams is dated 7 May 2002. The Company can terminate his employment forthwith in lieu of a 12 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 bonus which he would have received had he remained employed during the notice period and providing him with all benefits to which he is entitled, with the exception of his company car. If the Company terminates employment without giving notice or making a payment in lieu, any damages to which he may be entitled is to be calculated in accordance with common law principles, including those relating to mitigation of loss and accelerated receipt.

The service contracts for Messrs. M J Chivers and G W Davies are dated 1 January 1995 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.

Performance graph

The following graph shows the Company's three month moving average Total Shareholder Return (TSR) performance, compared with the performance of the FTSE Construction & Buildings Material Index, also measured by TSR, over the 5 year period ended 31 December 2003. This index has been selected because the Company believes that the constituent companies comprising the FTSE Construction & Buildings Material Index are the most appropriate for this comparison as they are affected by similar commercial and economic factors.



Audited information

Directors' emoluments

The emoluments of the individual directors were as follows:

	Salary and fees £000's	Performance related bonus £000's	Benefits £000's	2003 Total emoluments £000's	2002 Total emoluments £000's
Executive					
D Williams	285	101	14	400	280
M J Chivers	150	70	10	230	203
G W Davies	150	71	13	234	69
F C Prust	–	–	–	–	525
Non-executive					
B Cottingham (Chairman)	93	–	–	93	92
P H Blackburn	32	–	–	32	31
N C Paul	8	–	–	8	31
L O Tench	32	–	–	32	–
D A Haxby	27	–	–	27	–
	777	242	37	1,056	1,231

There were no expense allowance or compensation for loss of office payments.

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

The emoluments of Messrs. L O Tench and D A Haxby are for the period from the date of their appointment as directors. The emoluments of Messrs. F C Prust and N C Paul are for the period up to the date of their resignation.

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's	Increase in accrued benefits net of inflation £000's	Transfer value of increase in accrued benefits net of inflation* £000's	Accrued benefits 31 December 2003 £000's	Transfer value at 31 December 2003 £000's	Transfer value at 1 January 2003 £000's	Contributions made by Executive to the scheme in the year £000's	Transfer value increase after deducting Executive contributions £000's
D Williams	20	19	208	96	1,520	1,199	21	300
M J Chivers	11	10	102	62	931	769	11	151
G W Davies	6	5	25	18	152	102	11	39

* after deduction of director's contributions

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

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

Directors' Remuneration Report (continued)

Directors' share options

Messrs. B Cottingham, P H Blackburn, D A Haxby and 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 are set out below:

Date on which scheme interest was awarded	Market price when scheme interest was awarded	Number of shares					At 31 Dec 2003	Market price at date of		Exercise dates	
		At 1 Jan 2003	Granted	Exercised	Lapsed	Exercise price per 10p share		Vesting	Exercise	Date exercised*	Date on which option expires
1989 Executive Share Option Scheme											
D Williams											
19/04/1994	261p	50,000	–	–	–	50,000	261p	327p	–	19/04/1997	18/04/2004
M J Chivers											
19/04/1994	261p	10,000	–	–	–	10,000	261p	327p	–	19/04/1997	18/04/2004
Long Term Incentive Plan											
D Williams											
01/04/1999	158.5p	5,927	–	(5,927)	–	–	10p	231.5p	177.5p	13/03/2003	
11/04/2000	232.5p	13,993	–	(2,375)	(11,618)	–	10p	207p	248.5p	12/06/2003	
17/04/2001	251p	13,944	–	–	–	13,944	10p	–	–	17/04/2004	16/04/2008
19/04/2002	321p	26,168	–	–	–	26,168	10p	–	–	19/04/2005	18/04/2009
11/04/2003	205.5p	–	62,408	–	–	62,408	10p	–	–	11/04/2006	10/04/2010
M J Chivers											
11/04/2000	232.5p	4,129	–	–	(1,364)	2,765	10p	207p	–	11/04/2003	10/04/2007
7/04/2001	251p	5,129	–	–	–	5,129	10p	–	–	17/04/2004	16/04/2008
19/04/2002	321p	7,788	–	–	–	7,788	10p	–	–	19/04/2005	18/04/2009
11/04/2003	205.5p	–	18,248	–	–	18,248	10p	–	–	11/04/2006	10/04/2010
G W Davies											
01/10/2002	178p	15,168	–	–	–	15,168	10p	–	–	01/10/2005	30/09/2009
11/04/2003	205.5p	–	18,248	–	–	18,248	10p	–	–	11/04/2006	10/04/2010
1997 Executive Share Option Scheme											
G W Davies											
30/05/1997	309.5p	5,000	–	–	–	5,000	309.5p	227.5p	–	30/05/2000	29/05/2007
11/04/2000	232.5p	5,000	–	–	–	5,000	232.5p	207p	–	11/04/2003	10/04/2007
17/04/2001	251p	5,000	–	–	–	5,000	251p	–	–	17/04/2004	16/04/2008
19/04/2002	321p	6,000	–	–	–	6,000	321p	–	–	19/04/2005	18/04/2012
Savings Related Schemes											
D Williams											
11/05/1999	152p	13,831	–	–	–	13,831	122p	–	–	01/07/2004	31/12/2004
M J Chivers											
11/05/1999	152p	13,831	–	–	–	13,831	122p	–	–	01/07/2004	31/12/2004
G W Davies											
17/05/2002	321p	3,696	–	–	(3,696)	–	257p	–	–	01/07/2005	31/12/2005
07/05/2003	205.5p	–	9,954	–	–	9,954	165p	–	–	01/07/2008	31/12/2008
		204,604	108,858	(8,302)	(16,678)	288,482					

* or date from which option may be exercised

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

There are no performance criteria for the 1989 Executive Share Option Scheme or the Savings Related Schemes. Options under the Long Term Investment Plan and 1997 Executive Share Option Scheme are subject to the performance criteria set out on page 27.

There was no variation made in the financial year either to the performance criteria set out on page 27 or in the terms and conditions of any of the above share options.

The market price of the shares at 31 December 2003 was 325p and the range during 2003 was 165p to 340p.

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

The Directors' Remuneration Report was approved by the Board of Directors on 8 March 2004 and signed on its behalf by:

P H Blackburn, Director and Chairman of the Remuneration Committee

Statement of Directors' Responsibilities

Accounts

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

In preparing the accounts, the directors are required to: select suitable accounting policies and then apply them consistently; make judgments and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Other matters

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of SIG plc

We have audited the financial statements of SIG plc for the year ended 31 December 2003 which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Consolidated Shareholders' Funds, the Statement of Accounting Policies and the related notes 1 to 23. We have also audited the information in the part of Directors Remuneration Report that is described as having been audited. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' Remuneration Report. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statements reflect the Company's compliance with the seven provisions of the Hampel 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 Report of the Directors and the other information contained in the annual report for the above year as described in the contents section including the un-audited part of the Directors' Remuneration Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 financial statements and the part of the Directors' Remuneration Report described as having been 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 financial statements and the part of the Directors' Remuneration Report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the profit of the Group for the year then ended; and
- the financial statements and part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Leeds

8 March 2004

Notes

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Consolidated Profit and Loss Account

for the year ended 31 December 2003

	Note	2003 £000's	2003 £000's	2002 £000's	2002 Restated £000's
Turnover					
Continuing operations	1	1,263,508			1,154,968
Acquisitions	1	5,017			–
			1,268,525		1,154,968
Cost of sales	2		948,169		859,128
Gross profit					
Other operating expenses	2		320,356		295,840
			261,714		242,461
Operating profit					
Continuing operations	1	58,337			53,379
Acquisitions	1	305			–
			58,642		53,379
Net interest payable	3		6,466		7,051
Other finance charges/(income)	3		685		(20)
Profit before taxation and amortisation of goodwill					
Amortisation of goodwill		56,287		50,872	
		4,796		4,524	
Profit on ordinary activities before taxation					
Tax on profit on ordinary activities	4		51,491		46,348
	6		16,786		14,646
Profit on ordinary activities after taxation					
Minority interests (all equity)			34,705		31,702
			447		294
Profit for the financial year					
Equity dividends paid and proposed			34,258		31,408
	7		14,920		13,917
Retained profit for the year					
	18		19,338		17,491
Earnings per share					
Basic earnings per share	8		28.6p		26.3p
Diluted earnings per share	8		28.2p		26.1p
Earnings per share before amortisation of goodwill					
Basic earnings per share	8		32.5p		30.1p
Diluted earnings per share	8		32.2p		29.9p

The accompanying Statement of Accounting Policies and Notes to the Accounts are an integral part of this Consolidated Profit and Loss Account.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2003

	Note	2003 £000's	2002 Restated £000's
Profit for the financial year		34,258	31,408
Tax credit on exchange loss arising on foreign currency borrowings	18	1,570	1,197
Tax credit arising on repayment of overseas intercompany loans		-	4,572
Exchange difference on retranslation of overseas net investments	18	5,202	3,062
Exchange difference on foreign currency borrowings	18	(5,235)	(3,990)
Actuarial gain/(loss) relating to the pension schemes	22	335	(13,154)
Deferred tax movement associated with actuarial gain/(loss)	22	(101)	3,946
Total recognised gains and losses for the year		36,029	27,041
Prior year adjustment (FRS 17)	23	(16,884)	-
Total recognised gains and losses since last annual report		19,145	27,041

There is no difference between the results presented on page 34 and the results on an unmodified historical cost basis. Therefore, a note of historical cost profits is not required.

The accompanying Statement of Accounting Policies and Notes to the Accounts are an integral part of this Consolidated Statement of Total Recognised Gains and Losses.

Reconciliation of Movement in Consolidated Shareholders' Funds

for the year ended 31 December 2003

	Note	2003 £000's	2002 Restated £000's
Profit for the financial year		34,258	31,408
Dividends		(14,920)	(13,917)
		19,338	17,491
New share capital issued	17	895	1,735
Tax credit on exchange loss arising on foreign currency borrowings	18	1,570	1,197
Tax credit arising on repayment of overseas intercompany loans		-	4,572
Exchange difference on retranslation of overseas net investments	18	5,202	3,062
Exchange difference on foreign currency borrowings	18	(5,235)	(3,990)
Credit to L-TIP reserve	18	137	174
Actuarial gain/(loss) relating to the pension schemes	22	335	(13,154)
Deferred tax movement associated with actuarial gain/(loss)	22	(101)	3,946
Goodwill transfer		-	4,835
Net additions to shareholders' funds		22,141	19,868
Opening shareholders' funds as previously reported		194,056	164,980
Prior year adjustment (FRS 17)	23	(16,884)	(7,676)
Opening shareholders' funds as restated		177,172	157,304
Closing shareholders' funds		199,313	177,172

Consolidated Balance Sheet

as at 31 December 2003

	Note	2003 £000's	2002 Restated £000's
Fixed assets			
Intangible assets	10	78,696	80,693
Tangible assets	9	69,194	71,717
		147,890	152,410
Current assets			
Stocks	11	93,035	88,876
Debtors	12	223,483	218,074
Cash at bank and in hand		55,417	13,558
		371,935	320,508
Creditors:			
Amounts falling due within one year	13	(198,618)	(172,242)
		173,317	148,266
Net current assets			
		321,207	300,676
Total assets less current liabilities			
Creditors:			
Amounts falling due after more than one year	14	(98,419)	(105,920)
Provision for liabilities and charges	16	(9,327)	(3,136)
		213,461	191,620
Net assets excluding pension liability			
		199,760	177,466
Pension liability			
	22	(13,701)	(14,154)
		199,760	177,466
Net assets including pension liability			
Capital and reserves			
Called up share capital	17	12,027	11,968
Share premium account	18	14,967	14,131
Capital redemption reserve	18	347	347
Special reserve	18	22,113	22,113
L-TIP reserve	18	237	326
Exchange reserve	18	66	(1,471)
Profit and loss account	18	149,556	129,758
		199,313	177,172
Shareholders' funds (all equity)			
Minority interest		447	294
		199,760	177,466
Total capital employed			

The accounts were approved by the Board of Directors on 8 March 2004 and signed on its behalf by:

D. Williams
Director

G.W. Davies
Director

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

Company Balance Sheet

as at 31 December 2003

	Note	2003 £000's	2002 £000's
Fixed assets			
Tangible assets	9	120	1,100
Investments	10	199,223	230,341
		199,343	231,441
Current assets			
Debtors – due within one year	12	40,037	133,450
– due after one year	12	221,480	24,029
Cash at bank and in hand		15,750	1,401
		277,267	158,880
Creditors:			
Amounts falling due within one year	13	(57,996)	(51,793)
		219,271	107,087
Net current assets			
Total assets less current liabilities			
		418,614	338,528
Creditors:			
Amounts falling due after more than one year	14	(136,395)	(88,737)
Provision for liabilities and charges	16	–	8
		282,219	249,799
Net assets			
Capital and reserves			
Called up share capital	17	12,027	11,968
Share premium account	18	14,967	14,131
Merger reserve	18	21,655	21,655
Capital redemption reserve	18	347	347
Special reserve	18	130,365	130,365
L–TIP reserve	18	237	326
Exchange reserve	18	(36)	–
Profit and loss account	18	102,657	71,007
		282,219	249,799
Shareholders' funds (all equity)			

The accounts were approved by the Board of Directors on 8 March 2004 and signed on its behalf by:

D. Williams

Director

G.W. Davies

Director

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

Consolidated Cash Flow Statement

for the year ended 31 December 2003

	Note	2003 £000's	2003 £000's	2002 Restated £000's	2002 Restated £000's
Net cash inflow from operating activities	19		97,942		64,679
Returns on investments and servicing of finance					
Interest received		1,744		1,426	
Interest paid		(8,476)		(7,879)	
Interest element of finance lease rentals		(406)		(582)	
Dividends paid to minority shareholders		(294)		-	
Net cash outflow from returns on investments and servicing of finance			(7,432)		(7,035)
Tax paid			(10,809)		(14,323)
Capital expenditure					
Purchase of tangible fixed assets		(13,367)		(22,068)	
Sale of tangible fixed assets		1,405		1,844	
			(11,962)		(20,224)
Acquisitions					
Purchase of subsidiary undertakings		(3,026)		(22,956)	
Net cash acquired with subsidiary undertakings		343		899	
Net cash outflow from acquisitions			(2,683)		(22,057)
Equity dividends paid			(14,153)		(13,363)
Cash inflow/(outflow) before financing			50,903		(12,323)
Financing					
Issue of ordinary share capital		895		1,735	
Lease financing		286		7,430	
Capital element of finance lease rental payments		(5,408)		(7,107)	
Repayment of loans		(16,873)		-	
New loans		26,499		10,286	
Net cash inflow from financing			5,399		12,344
Increase in cash	20		56,302		21

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

Statement of Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy for FRS 17 Retirement benefits which is explained in notes 22 and 23.

Basis of accounting

The accounts have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards.

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.

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life up to a maximum of twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods has been written-off against reserves on acquisition, in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written-off to reserves has not been reinstated in the balance sheet. On disposal of a previously acquired operation, the attributable amount of goodwill previously written-off to reserves is included in determining the profit or loss on disposal.

No Profit and Loss Account is presented for SIG plc, as permitted by Section 230 of the Companies Act 1985. The Company's profit for the financial year was £46,344,000 (2002 loss - £12,405,000). All recognised gains and losses are accounted for in the Company's Profit and Loss Account.

Investments

Fixed asset investments are shown at cost less provision for any impairment in value.

Turnover

Group turnover represents the invoiced value of sales net of allowances and value added tax in the normal course of business.

Change in accounting policy for pension costs

The Group has adopted FRS 17 Retirement benefits in these financial statements with effect from 1 January 2003. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated to reflect the removal of the pension costs, prepayment and deferred tax provisions made under SSAP 24 as previously reported and to include the cost and liability position under FRS 17. Details of the effect of adopting FRS 17 are given in the related prior year adjustment note 23.

The Group operates four defined benefit pension schemes. Under FRS 17, these pension scheme assets are measured using fair values whilst the pension scheme liabilities are measured using a projected unit method and discounted using an appropriate discount rate. Each pension scheme deficit is recognised in full, net of deferred tax, and presented on the face of the Consolidated Balance Sheet. The movement in the deficit is split between operating and finance charges in the Consolidated Profit and Loss Account and also in the Consolidated Statement of Total Recognised Gains and Losses. The full service cost of the pension schemes is charged to operating profit, net of increases in the value of benefits already accrued and the expected return on assets charged to other financing costs. The actuarial gain or loss is charged through the Consolidated Statement of Total Recognised Gains and Losses and is made up of the difference between the expected return on assets and those actually achieved and also any changes in the assumptions and experiences used in the valuations.

For defined contribution schemes the amount charged to the Consolidated Profit and Loss Account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction or where appropriate at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or where appropriate at the rate of exchange in a related forward contract.

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 Profit and Loss Account.

For the purpose of consolidation the closing rate method is used. Profit and loss accounts 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 and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the Consolidated Statement of Total Recognised Gains and Losses.

Statement of Accounting Policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Tangible fixed assets

Tangible fixed assets are shown at original cost or fair value to the Group less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost or fair value less estimated residual value of fixed assets on a straight line basis over their estimated useful lives as follows:

Freehold buildings	-	50 years
Leasehold buildings	-	period of lease
Plant and machinery	-	3 to 8 years

Stocks

Stocks are stated at the lower of cost (including an appropriate proportion of attributable overheads) 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 creditors falling due within or after one year. 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 liability and the finance costs are charged in arriving at the profit on ordinary activities.

Rentals under operating leases are charged to the Consolidated Profit and Loss Account on a straight line basis over the lease term.

Property provisions

In accordance with the requirements under FRS 12 Provisions, contingent liabilities and contingent assets, the Group has made provisions in respect of onerous leasehold property contracts and leasehold dilapidation commitments.

Further information on the movements in these provisions is contained in note 16.

Notes to the Accounts

1 Segmental information

Geographical analysis	2003			2002		Net Assets Restated £000's
	Turnover £'000's	Operating Profit £'000's	Net Assets £'000's	Turnover £000's	Operating Profit Restated £000's	
Continuing operations						
– UK & Republic of Ireland	807,752	53,944	184,361	734,537	51,428	175,601
– Mainland Europe	392,088	11,024	120,212	349,821	7,718	87,290
– USA	63,668	906	19,850	70,610	1,501	14,515
– Parent Company	–	(2,741)	(128,908)	–	(2,744)	(99,940)
– Amortisation of goodwill	–	(4,796)	–	–	(4,524)	–
Total	1,263,508	58,337	195,515	1,154,968	53,379	177,466
Acquisitions						
– UK & Republic of Ireland	2,952	291	3,260	–	–	–
– Mainland Europe	2,065	14	985	–	–	–
Total	5,017	305	4,245	–	–	–
Total operations	1,268,525	58,642	199,760	1,154,968	53,379	177,466

Turnover and operating profit by destination are not materially different from these amounts.

The directors consider that all of the Group's activities in each of its market sectors represent one principal activity, being the distribution of construction related products.

Of the goodwill amortisation, £3.951m (2002 : £3.669m) relates to the UK & Republic of Ireland, £0.602m (2002 : £0.586m) relates to Mainland Europe and £0.243m (2002 : £0.269m) relates to the USA.

2 Cost of sales and other operating expenses

	2003	2002
	£000's	Restated £000's
Distribution costs	106,116	95,122
Selling and marketing costs	86,635	82,412
Administrative expenses	68,963	64,927
	261,714	242,461

The administrative expenses above include £4.796m (2002 : £4.524m) in respect of goodwill amortisation.

Cost of sales and other operating expenses for 2003 include the following amounts relating to acquisitions; cost of sales £3.742m and other operating expenses £0.970m being distribution costs of £0.390m, selling and marketing costs of £0.390m and administrative expenses of £0.190m.

3 Net interest payable

	2003	2002
	£000's	Restated £000's
Interest payable and similar charges:		
On bank loans, overdrafts and other loans repayable within five years	1,489	1,917
On bank loans, repayable after five years	27	124
On US Senior loan notes	6,288	5,854
On finance leases and hire purchase agreements	406	582
	8,210	8,477
Interest receivable	(1,744)	(1,426)
Net interest payable	6,466	7,051
Net finance charge/(income) on pension assets and liabilities (note 22)	685	(20)
Total	7,151	7,031

4 Profit on ordinary activities before taxation

	2003 £000's	2002 £000's
Profit on ordinary activities before taxation is stated after crediting:		
Gain on disposal of tangible fixed assets	335	451
And after charging:		
Depreciation of tangible fixed assets		
– owned	14,231	12,402
– held under finance leases and hire purchase agreements	2,600	3,626
Amortisation of goodwill	4,796	4,524
Operating lease rentals		
– land and buildings	21,555	19,601
– plant and machinery	3,670	3,584
Auditors' remuneration for audit services		
– Group (excluding Company)	487	487
– Company	30	30
– non-audit work	535	365
Staff costs (note 5)	156,641	146,114

The audit fees paid to Deloitte & Touche LLP were £310,000 (2002 : £310,000). The remaining audit fees were paid to two other firms of accountants undertaking work overseas.

The non audit fees relate to tax compliance £247,000 (2002 : £130,000), tax consultancy £266,000 (2002 : £228,000), and other advice £22,000 (2002 : £7,000). Of these non audit fees £345,000 (2002 : £256,000) was paid to Deloitte & Touche LLP and the remainder was paid to two other firms of accountants undertaking work overseas.

In addition, fees of £nil (2002 : £131,000), which were incurred in relation to due diligence services, are included in the cost of acquisitions.

5 Staff costs

Particulars of employees (including executive directors) are shown below:

	2003 £000's	2002 £000's
Employee costs during the year amounted to:		
Wages and salaries	134,536	126,098
Social security costs	17,824	15,826
Other pension costs (note 22)	4,281	4,190
	156,641	146,114

Of the pension costs noted above, £1.828m (2002 : £1.464m) relates to defined benefit schemes and £2.453m (2002 : £2.726m) relates to defined contribution schemes.

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

	2003 Number	2002 Number
Production	1,041	1,016
Distribution	2,132	2,138
Sales	2,186	2,241
Administration	1,003	921
	6,362	6,316

Directors' emoluments:

Details of the individual directors' emoluments are given in the Directors' Remuneration Report on page 29.

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

	2003 £000's	2002 £000's
Management remuneration	1,056	1,231
Company contributions to money purchase schemes	–	152
	1,056	1,383

6 Tax on profit on ordinary activities

The taxation charge comprises:

	2003 £000's	2002 £000's
Current tax		
UK Corporation tax - on profits for the year	13,530	12,589
- adjustments in respect of previous years	187	(875)
	13,717	11,714
Overseas taxation - on profits for the year	2,489	2,220
- adjustments in respect of previous years	(176)	-
	16,030	13,934
Deferred taxation		
Current year	2,432	585
Adjustments in respect of previous years	(1,770)	127
Deferred tax charge in respect of pension schemes	94	-
	756	712
	16,786	14,646

The current tax charge for the year is higher than that resulting from applying the standard rate of corporation tax in the UK: 30% (2002 : 30%). The differences are explained in the following reconciliation:

	2003 £000's	2002 £000's
Profit on ordinary activities before tax	51,491	46,348
Tax at 30% thereon:	15,447	13,904
Factors affecting the charge for the year:		
Amortisation of goodwill	1,294	1,350
Permanent items	1,861	430
Capital allowances differing from depreciation	(250)	(472)
Short term timing differences	(462)	(918)
Losses and goodwill included in deferred tax	(1,814)	870
Losses and goodwill not recognised in deferred tax	70	180
Adjustments in respect of previous years	11	(875)
Effect of overseas tax rates	(127)	(535)
Current tax charge for the year	16,030	13,934

The Group's total tax charge is currently 32.6% of profit before taxation (2002 : 31.6%). The following factors that will affect the Group's future total tax charge are:

- the mix of profits between UK and overseas companies. With the exception of the Republic of Ireland, all overseas trading companies attract a higher corporation tax rate than that suffered in the UK of 30%. As the level of profits from overseas companies increases, this could result in a higher Group tax charge depending upon the overseas source of such profits.
- the adverse impact of permanent disallowables including non tax deductible goodwill amortisation.

Under the rules of FRS 19 Deferred tax, the Group has already taken account of substantially all trading losses in its deferred tax balance. Although tax losses can be used to reduce cash payments of tax, utilisation of such losses results in a deferred tax charge in that year which will eliminate any profit and loss benefit.

7 Equity dividends paid and proposed

	2003 £000's	2002 £000's
Ordinary:		
- interim paid of 4.1p per share (2002 : 3.9p)	4,937	4,701
- final proposed of 8.3p per share (2002 : 7.7p)	9,983	9,216
	14,920	13,917

8 Earnings per share

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

	Basic and diluted		Basic and diluted before amortisation of goodwill	
	2003 £000's	2002 £000's	2003 £000's	2002 £000's
Profit after tax	34,705	31,702	34,705	31,702
Minority interests	(447)	(294)	(447)	(294)
Amortisation of goodwill	-	-	4,796	4,524
	34,258	31,408	39,054	35,932

Weighted average number of shares:

	2003 Number	2002 Number
For basic earnings per share	119,981,696	119,309,596
Exercise of share options	1,313,821	935,230
For diluted earnings per share	121,295,517	120,244,826

Earnings per share before amortisation of goodwill is presented in order to give an indication of the underlying performance of the Group.

9 Tangible fixed assets

Group	Land and buildings			Total £000's
	Freehold £000's	Short leasehold £000's	Plant and machinery £000's	
The movement in the year was as follows:				
Cost:				
Beginning of year	17,654	7,354	86,704	111,712
Exchange difference	1,241	25	2,134	3,400
Operations acquired	-	-	212	212
Additions	52	853	12,462	13,367
Disposals	-	(98)	(8,675)	(8,773)
End of year	18,947	8,134	92,837	119,918
Depreciation:				
Beginning of year	4,633	1,206	34,156	39,995
Exchange difference	364	15	1,222	1,601
Charge for year	773	537	15,521	16,831
Disposals	-	-	(7,703)	(7,703)
End of year	5,770	1,758	43,196	50,724
Net book value, beginning of year	13,021	6,148	52,548	71,717
Net book value, end of year	13,177	6,376	49,641	69,194

The net book value of plant and machinery includes an amount of £8.113m (2002 : £16.147m) in respect of assets held under finance leases and hire purchase agreements.

9 Tangible fixed assets (continued)

Company	Freehold land £000's	Plant and machinery £000's	Total £000's
The movement in the year was as follows:			
Cost:			
Beginning of year	50	1,671	1,721
Additions	12	21	33
Disposals - intragroup	-	(1,491)	(1,491)
End of year	62	201	263
Depreciation:			
Beginning of year	11	610	621
Charge for year	6	35	41
Disposals - intragroup	-	(519)	(519)
End of year	17	126	143
Net book value, beginning of year	39	1,061	1,100
Net book value, end of year	45	75	120

10 Fixed asset investments and intangible assets

Company	2003 £000's	2002 £000's
Fixed asset investments comprise investments in subsidiary undertakings, as follows:		
Cost:		
Beginning of year	230,368	95,151
Additions	66,996	135,217
Disposal	(98,114)	-
End of year	199,250	230,368
Provisions, beginning and end of year	(27)	(27)
Net book value, beginning of year	230,341	95,124
Net book value, end of year	199,223	230,341

Additions to investments in 2003 comprise an investment in an intermediate holding company, the subscription for preference shares in two subsidiaries and a capital contribution to SIG-USA, Inc. The disposal arose from the Company transferring its investment in one of its European holding companies to another intermediate holding company.

10 Fixed asset investments and intangible assets (continued)

Group	2003 £000's	2002 £000's
Intangible assets comprise goodwill arising on the acquisition of subsidiary undertakings, as follows:		
Cost:		
Beginning of year	90,152	72,087
Additions	2,799	18,065
End of year	92,951	90,152
Amortisation:		
Beginning of year	9,459	4,935
Charge for year	4,796	4,524
End of year	14,255	9,459
Net book value, beginning of year	80,693	67,152
Net book value, end of year	78,696	80,693

Details of the Group's principal trading subsidiaries, all of which have been included in the consolidated accounts, are shown on page 61. The Group has adopted the acquisition method of accounting for each acquisition.

During 2003 the Group acquired the entire share capital of Acoustique Diffusion S.A.S., Lofty Installations (North East) Limited, Ashwest Limited (and its wholly owned subsidiary TA Stephens (Roofing) Limited), Pamada International Sarl and the trade and assets of 1st Saxon Property Services Limited for £3.457m including acquisition expenses. The Group also acquired the outstanding minority shareholding in J S McCarthy Limited, a subsidiary of SIG Building Products Limited (formerly Capco Holdings Limited), for £0.485m. The fair value of the total net assets acquired was £1.143m resulting in goodwill of £2.799m.

All acquisitions are considered immaterial and as such pre acquisition results have not been disclosed.

2003 acquisitions summary fair value table

	Book Values £000's	Accounting policy alignment £000's	Fair value £000's
Fixed assets			
Tangible assets	323	(111)	212
	323	(111)	212
Current assets			
Stocks	404	(73)	331
Debtors	1,692	(32)	1,660
Cash	343	-	343
Total assets	2,762	(216)	2,546
Liabilities	(1,401)	(2)	(1,403)
Net assets	1,361	(218)	1,143
Goodwill			2,799
Consideration including costs			3,942
Prepaid consideration			(472)
Contingent consideration			(444)
Satisfied by cash			3,026
Net cash acquired			(343)
Net cash outflow from acquisitions			2,683

The directors have made a provisional assessment of the fair value of the net assets acquired with the current year acquisitions. Any further adjustments arising will be accounted for in 2004.

Prepaid consideration arose as a result of £0.472m being paid to the vendors of Acoustique Diffusion S.A.S. in December 2002, although the acquisition was effective from 1 January 2003. The contingent consideration of £0.444m is payable to the vendors of four of the acquisitions set out in the note above, if certain profit targets are achieved.

11 Stocks

	Group	
	2003	2002
	£000's	£000's
Raw materials and consumables	3,946	4,502
Finished goods and goods for resale	89,089	84,374
	93,035	88,876

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

12 Debtors

	Group		Company	
	2003	2002	2003	2002
	£000's	Restated £000's	£000's	£000's
Trade debtors	211,021	207,478	-	-
Amounts owed by subsidiary undertakings	-	-	258,778	152,628
Corporation tax recoverable	-	-	2,258	4,550
VAT	482	338	-	-
Other debtors	3,719	3,617	-	-
Prepayments and accrued income	8,261	6,641	481	301
	223,483	218,074	261,517	157,479

Of the total amount owed to the Company by subsidiary undertakings, £221.480m (2002 : £24.029m) is due after more than one year.

13 Creditors: Amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£000's	£000's	£000's	£000's
Obligations under finance leases and hire purchase agreements	3,258	5,446	-	-
Bank overdrafts	4,061	18,598	14,501	997
Bank loans	26,898	7,819	26,258	7,500
Trade creditors	92,779	77,192	-	-
Bills of exchange payable	10,221	11,158	-	-
Amounts owed to subsidiary undertakings	-	-	3,161	31,001
Taxation and social security:				
-Corporation tax payable	10,445	6,693	-	-
-VAT	6,802	4,345	-	-
-Social security and payroll taxes	3,987	3,745	-	-
Proposed dividend	9,983	9,216	9,988	9,216
Accruals and deferred income	30,184	28,030	4,088	3,079
	198,618	172,242	57,996	51,793

£0.636m (2002 : £0.319m) of the above Group bank loans and overdrafts are secured on the assets of subsidiary undertakings. The remaining Group balances are unsecured. All the Company's bank loans and overdrafts are unsecured.

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2003 £000's	2002 £000's	2003 £000's	2002 £000's
Obligations under finance leases and hire purchase agreements				
–Due after one and within two years	1,278	3,322	–	–
–Due after two and within five years	78	824	–	–
Bank loans	2,187	12,192	–	–
US Senior loan notes	93,972	88,737	93,972	88,737
Amounts owed to subsidiary undertakings	–	–	42,423	–
Accruals and deferred income	904	845	–	–
	98,419	105,920	136,395	88,737

	2003 £'000's	2002 £000's	2003 £'000's	2002 £000's
The bank loans included above are repayable as follows:				
Due after one and within two years	1,388	780	–	–
Due after two and within five years	294	9,663	–	–
Due after five years	505	1,749	–	–
	2,187	12,192	–	–

Of the above bank loans, £2.176m (2002 : £3.479m) is secured on certain assets of subsidiary undertakings, and is repayable by instalments.

Details of the bank loans repayable after more than five years are as follows:

- £0.071m has a fixed interest rate, is repayable in full by 2011 and attracts an interest rate of 8.05%.

- £0.434m is repayable in full by 2017 and attracts a fixed interest rate of 5%.

The US Senior loan notes are unsecured, repayable in 2008 (£34.184m) and 2011 (£59.788m) and as a result of the Group interest rate swaps as referred to in note 15 attract an average interest rate of 6.851%.

The movement in the US Senior loan notes between 2002 and 2003 reflects the movements in Euro and Sterling exchange rates during the year. In accordance with SSAP 20 Foreign currency translation, the exchange loss of £5.235m has been taken to the exchange reserve to offset exchange gains on retranslation of Euro denominated overseas net assets.

15 Derivatives and other financial instruments

The Finance Director's Review on pages 18 and 19 provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in FRS 13 Derivatives and other financial instruments. Certain financial assets such as investments in subsidiary undertakings are excluded from the scope of these disclosures, as are short-term debtors and creditors, other than the currency disclosures.

Interest rate profile

The Group has no financial assets other than cash at bank, (including cash deposits) of £55.417m (2002 : £13.558m) which are part of the financing arrangements of the Group.

After taking into account interest rate and currency swaps, the interest rate and currency profiles of the Group's financial liabilities at 31 December 2003 were as follows:

	Total 2003 £000's	Floating rate 2003 £000's	Fixed rate 2003 £000's	Total 2002 £000's	Floating rate 2002 £000's	Fixed rate 2002 £000's
Sterling	27,416	–	27,416	51,768	19,777	31,991
Euro	97,263	4,063	93,200	76,458	6,321	70,137
US Dollar	7,053	1,054	5,999	8,712	8,712	–
Total	131,732	5,117	126,615	136,938	34,810	102,12

15 Derivatives and other financial instruments (continued)

The fixed rates are fixed for a period of between one and fourteen years.

The interest rate on floating rate financial liabilities is linked to UK base rate in the case of Sterling liabilities, LIBOR for Euro liabilities, US prime rate and LIBOR for US Dollar liabilities.

£24.149m (2002 : £24.149m) of the Sterling and £69.823m (2002 : £64.588) of the Euro fixed rate liabilities relate to the unsecured US Senior loan notes repayable in 2008 and 2011 and attract an average interest rate of 6.851% (2002 : 6.851%).

£3.267m (2002 : £7.842m) of the Sterling and £1.345m (2002 : £1.750m) of the Euro fixed rate liabilities are lease contracts taken out over a maximum period of five years with an average interest rate of 5% (2002 : 5%).

The remaining Euro fixed rate liabilities of £22.032m (2002 : £3.799m) have a weighted average interest rate of 2.7% (2002 : 6.3%) and are repayable over a weighted average period of less than one year (2002 : two years).

The US Dollar fixed rate liability attracts an interest rate of 1.63% and is repayable within one year.

Currency exposures

The Group's objective in managing the currency exposures arising from its net investment overseas (in other words, its structural currency exposures) is to maintain medium term borrowings to minimise currency exposures on foreign currency assets. Gains and losses arising from these structural currency exposures are recognised in the Consolidated Statement of Total Recognised Gains and Losses.

The Euro and US Dollar denominated borrowings (after taking into account currency swaps) set out on page 48 represent a hedge against the Group's overseas net investments, and therefore exchange gains and losses arising are recognised in the Consolidated Statement of Total Recognised Gains and Losses and not in the Consolidated Profit and Loss Account.

Transactional exposures that give rise to net currency gains and losses recognised in the Consolidated Profit and Loss Account are minimal as Group companies do not enter into significant amounts of cross border transactions. The gain arising in the Group during 2003 in respect of transactional exposures amounted to £171,000 (2002 : £24,000).

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2003 was as follows:

	Borrowings	
	2003 £000's	2002 £000's
In one year or less	34,218	31,863
In more than one year but not more than two years	2,665	4,102
In more than two years but not more than five years	34,556	10,487
In more than five years	60,293	90,486
Total	131,732	136,938

Borrowing facilities

The Group had undrawn committed borrowing facilities at 31 December 2003 as follows:

	Borrowings	
	2003 £000's	2002 £000's
Expiring in more than one year but not more than two years	21,937	25,000
Expiring in more than two years but not more than five years	676	10,589
Total	22,613	35,589

Fair Values

The estimated fair value of financial assets and liabilities at 31 December 2003 was:

	2003		2002	
	Book Value £000's	Fair Value £000's	Book Value £000's	Fair Value £000's
US Senior loan notes	93,972	68,128	88,737	75,186
US Senior loan note swaps	-	28,640	-	12,569
(Cash)/overdraft	(51,356)	(51,356)	5,040	5,040
Bank Loans	29,085	29,085	20,011	20,011
Total	71,701	74,497	113,788	112,806

The fair values of overdraft and bank loans are not considered materially different to their book values.

The fair values of the US Senior loan notes and their associated swaps are calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at 31 December 2003.

16 Provision for liabilities and charges

	Group		Company	
	2003	2002	2003	2002
	£000's	Restated £000's	£000's	£000's
Deferred tax	1,068	439	-	(8)
Other provisions	8,259	2,697	-	-
	9,327	3,136	-	(8)

	Group		Company	
	2003	2002	2003	2002
	£000's	Restated £000's	£000's	£000's
Deferred tax analysis:				
Capital allowances in excess of depreciation	1,417	962	(15)	(8)
Short term timing differences	(1,504)	766	(71)	-
Losses	(10,236)	(9,756)	-	-
Goodwill	11,391	9,637	-	-
Reclassification to other debtors	-	-	86	-
Prior year adjustment (note 23)	-	(1,170)	-	-
	1,068	439	-	(8)

The movement during the year was as follows:

Beginning of year	439	1,089	(8)	-
On acquisition of subsidiaries	(33)	(211)	-	-
Charge for the year	662	712	(78)	(8)
Exchange differences	-	19	-	-
Reclassification to other debtors	-	-	86	-
Prior year adjustment (note 23)	-	(1,170)	-	-
End of year	1,068	439	-	(8)

Other provisions

The movement on other provisions during the year was as follows:

Group	2003 Total £000's
Beginning of year	2,697
Transferred in from accruals and deferred income	4,124
Released	(155)
Utilised	(841)
New provisions	2,304
Exchange difference	130
End of year	8,259

Other provisions relate principally to property provisions, being in respect of onerous leasehold property contracts and leasehold dilapidation commitments.

Onerous leasehold property contracts

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 as disclosed in note 22.

Leasehold dilapidation commitments

Transferred from accruals and deferred income into other provisions are property dilapidation provisions. These provisions relate to contractual obligations to reinstate leasehold properties into their original state of repair upon exit of the lease. The provisions are 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 22.

17 Called up share capital

	2003 £000's	2002 £000's
Authorised:		
190,000,000 ordinary shares of 10p each (2002 – 190,000,000)	19,000	19,000
Allotted, called up and fully paid:		
120,271,800 ordinary shares of 10p each (2002 – 119,683,995)	12,027	11,968

Cash consideration received by the Company for shares allotted during the year amounted to £0.895m (2002 : £1.735m).

At 31 December 2003 the following share options were outstanding:

Scheme and date of grant	Number of shares				Exercise dates			
	At 1 January 2003	Granted	Exercised	Lapsed	At 31 December 2003	Option price per 10p share	Date from which option may be exercised	Date on which option expires
1989 Share Option Scheme								
19/04/1994	204,000	–	(29,000)	(5,000)	170,000	261.00p	19/04/1997	18/04/2004
Long Term Incentive Plan								
01/04/1999	5,927	–	(5,927)	–	–	10.00p	01/04/2002	31/03/2006
11/04/2000	72,999	–	(41,458)	(24,362)	7,179	10.00p	11/04/2003	10/04/2007
17/04/2001	75,930	–	(37,417)	–	38,513	10.00p	17/04/2004	17/04/2008
19/04/2002	52,108	–	–	–	52,108	10.00p	19/04/2005	19/04/2009
01/10/2002	15,168	–	–	–	15,168	10.00p	02/10/2005	02/10/2009
11/04/2003	–	139,767	–	–	139,767	10.00p	11/04/2006	10/04/2010
1997 Executive Share Option Scheme								
30/05/1997	157,500	–	–	(2,000)	155,500	309.50p	30/05/2000	29/05/2007
27/04/1998	94,866	–	(6,393)	(1,000)	87,473	212.50p	27/04/2001	26/04/2008
01/04/1999	115,500	–	(29,500)	(2,000)	84,000	158.50p	01/04/2002	31/03/2009
11/04/2000	115,500	–	(14,500)	(17,000)	84,000	232.50p	11/04/2003	10/04/2010
11/09/2000	9,000	–	(1,500)	(4,500)	3,000	261.00p	11/09/2003	11/09/2010
17/04/2001	162,500	–	–	–	162,500	251.00p	17/04/2004	17/04/2011
19/04/2002	203,500	–	–	–	203,500	321.00p	19/04/2005	19/04/2012
11/04/2003	–	215,500	–	–	215,500	205.50p	11/04/2006	11/04/2013
Savings Related Schemes								
13/11/1995	2,800	–	(700)	(2,100)	–	223.00p	30/11/2000	29/05/2003
21/05/1998	276,807	–	(265,903)	(10,904)	–	166.00p	01/07/2001	31/12/2003
11/05/1999	705,123	–	(33,544)	(35,607)	635,972	122.00p	01/07/2002	31/12/2004
02/05/2000	295,555	–	(117,817)	(33,468)	144,270	186.00p	01/07/2003	31/12/2005
04/05/2001	473,556	–	(3,382)	(109,276)	360,898	201.00p	01/07/2004	31/12/2006
17/05/2002	617,582	–	(608)	(260,447)	356,527	257.00p	01/07/2005	31/12/2007
07/05/2003	–	1,423,840	(156)	(105,453)	1,318,231	165.00p	01/07/2006	31/12/2008
Total	3,655,921	1,779,107	(587,805)	(613,117)	4,234,106			

18 Reserves

	Group		Company	
	2003	2002	2003	2002
	£000's	Restated £000's	£000's	£000's
Share premium account	14,967	14,131	14,967	14,131
Merger reserve	–	–	21,655	21,655
Capital redemption reserve	347	347	347	347
Special reserve	22,113	22,113	130,365	130,365
L-TIP reserve	237	326	237	326
Exchange reserve	66	(1,471)	(36)	–
Profit and loss account	149,556	129,758	102,657	71,007
Total reserves	187,286	165,204	270,192	237,831

The movement in reserves during the year was as follows:

	Share premium account £000's	L-TIP reserve £000's	Exchange reserve £000's	Profit and loss account £000's
Group				
At 31 December 2002 as previously reported	14,131	326	(1,471)	146,642
Prior year adjustment (see note 23)	–	–	–	(16,884)
At 31 December 2002 as restated	14,131	326	(1,471)	129,758
Premium on allotments	836	–	–	–
Retained profit for the year	–	–	–	19,338
Exchange difference on retranslation of overseas net investments	–	–	5,202	–
Exchange difference on foreign currency borrowings	–	–	(5,235)	–
Tax credit on exchange loss arising on foreign currency borrowings	–	–	1,570	–
Actuarial gain relating to the pension schemes	–	–	–	335
Deferred tax movement associated with actuarial gain	–	–	–	(101)
Credit to L-TIP reserve	–	137	–	–
Transfer on L-TIP exercise	–	(226)	–	226
At 31 December 2003	14,967	237	66	149,556

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 £133.431m (2002 : £133.431m).

	Share premium account £000's	L-TIP reserve £000's	Exchange reserve £000's	Profit and loss account £000's
Company				
Beginning of year	14,131	326	–	71,007
Premium on allotments	836	–	–	–
Retained profit for the year	–	–	–	31,424
Exchange differences on retranslation of overseas investments and loans	–	–	(36)	–
Credit to L-TIP reserve	–	137	–	–
Transfer on L-TIP exercise	–	(226)	–	226
End of year	14,967	237	(36)	102,657

There were no movements in the Capital Redemption reserve or the Special reserve of the Group or the Company during the year. There was no movement in the Company's Merger reserve during the year.

19 Reconciliation of operating profit to net cash inflow from operating activities

	Group	
	2003	2002
	£000's	Restated £000's
Operating profit	58,642	53,379
Depreciation charge	16,831	16,028
Amortisation of goodwill	4,796	4,524
Profit on sale of tangible fixed assets	(335)	(451)
Increase in stocks	(2,525)	(4,010)
Decrease/(increase) in debtors	946	(5,675)
Increase in creditors	19,587	884
Net cash inflow from operating activities	97,942	64,679

The acquisitions during the year had the following effects on the Group's cash flows: net cash inflow from operating activities, £0.242m; interest paid, £0.072m; capital expenditure, £0.060m; and taxation paid, £0.054m.

20 Reconciliation of net cash flow to movements in net debt

	Group	
	2003	2002
	£000's	£000's
Increase in cash in the year	56,302	21
Cash outflow from decrease in debt	(4,504)	(10,609)
Changes in net debt resulting from cash flows	51,798	(10,588)
Acquisitions	(20)	(151)
Exchange differences	(4,713)	(3,313)
Movement in net debt in the year	47,065	(14,052)
Net debt at beginning of year	(123,380)	(109,328)
Net debt at end of year	(76,315)	(123,380)

21 Analysis of net debt

Group	At	Cash flows	Acquisitions	Exchange Differences	At
	1 January 2003				31 December 2003
	£000's	£000's	£000's	£000's	£000's
Cash	13,558	40,973	343	543	55,417
Overdrafts	(18,598)	14,986	–	(449)	(4,061)
	(5,040)	55,959	343	94	51,356
Debts due within one year	(7,819)	(19,053)	–	(26)	(26,898)
Debts due after one year	(100,929)	9,427	(17)	(4,640)	(96,159)
Finance leases and hire purchase agreements	(9,592)	5,122	(3)	(141)	(4,614)
	(123,380)	51,455	323	(4,713)	(76,315)

22 Guarantees and other financial commitments

	2003	Group 2002
	£000's	£000's
a. Capital commitments		
Contracted but not provided for	3,191	1,133

The Company has no capital commitments (2002 : £ nil).

b. Lease commitments

The Group leases a number of its premises under leases which expire between 2004 and 2049.

The rentals payable are subject to renegotiation at various dates. The minimum annual rentals under the foregoing leases are as follows:

	2003	2002
	£000's	£000's
Operating leases which expire:		
– within 1 year	5,183	2,377
– within 2-5 years	9,924	11,183
– after 5 years	8,367	8,642
	23,474	22,202

The Group also leases certain items of plant and machinery whose minimum annual rentals are as follows:

	2003	2002
	£000's	£000's
Operating leases which expire:		
– within 1 year	1,428	1,065
– within 2-5 years	2,488	2,585
– after 5 years	139	10
	4,055	3,660

c. Guarantees

The Company has cross guaranteed overdrafts of subsidiary undertakings amounting to £8.011m (2002 : £12.133m).

d. Pension scheme

The Group operates a number of pension schemes, four (2002 : four) of which provide defined benefits based on final pensionable salary, the assets of which are held in separate trustee administered funds. The Group also operates a number of defined contribution schemes all of which are independently managed. The defined benefit schemes are herein after referred to as the "main scheme" and "other schemes", being three smaller schemes.

The Group has adopted FRS 17 Retirement benefits for its defined benefit pension schemes for the first time in 2003. The full impact of this change in accounting policy has been disclosed in note 23.

Defined benefit pension scheme valuations

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

The main actuarial assumptions in the pension assessments were that over the long term the annual investment return would be 2.5% higher than the annual increase in pensionable salaries, and 1% higher than the annual increase in pensions.

The last formal actuarial valuations of two of the defined benefit schemes (including the main scheme) were conducted at 1 January 2001, and showed that the market value of the schemes' assets were £24.6m and £2.1m and their actuarial values covered 83% and 117% respectively of the benefits accrued to members after allowing for expected future increases in pensionable salaries.

The last formal actuarial valuation of the third defined benefit scheme was at 30 June 2001 and showed that the market value of the scheme's assets was £9.47m and its actuarial value covered 117% of the benefits accrued to members after allowing for expected future increases in pensionable salaries.

The last formal actuarial valuation of the fourth defined benefit scheme was at 6 April 2001 and showed that the market value of the scheme's assets was £1.507m and its actuarial value covered 87% of the benefits accrued to members after allowing for future expected increases in pensionable salaries.

As at 31 December 2003, actuarial valuations are currently being performed on three out of the four defined benefit schemes, including the main scheme.

22 Guarantees and other financial commitments (continued)

d. Pension scheme (continued)

Profit and Loss Account charges

The pension charge for the year relating to the main scheme was £1.458m (2002 : £1.401m), £0.370m (2002 : £0.063m) in relation to other schemes and £2.453m (2002 : £2.726m) in relation to defined contribution schemes. In accordance with FRS 17 Retirement benefits, the charge for the main scheme has been calculated on 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 net assets. The Group contribution to the main scheme during the year amounted to 20.7% of pensionable salaries.

The actuarial valuations described above have been updated at 31 December 2003 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

All defined benefit schemes are closed to new members, have an age profile that is rising and therefore under the projected unit method the current service cost will increase as the members of the schemes approach retirement.

Balance Sheet liability

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

	2003 £000's	2003 £000's	2002 £000's	2002 £000's
Deficit in the main scheme	(15,445)		(15,586)	
Related deferred tax asset	4,633		4,676	
Net pension liability of the main scheme		(10,812)		(10,910)
Deficit in the other schemes	(4,127)		(4,634)	
Related deferred tax asset	1,238		1,390	
Net pension liability of the other schemes		(2,889)		(3,244)
Total pension liability		(13,701)		(14,154)

The net actuarial gain adjusted for deferred tax for the year recognised in the Consolidated Statement of Total Recognised Gains and Losses amounted to £234,000 (2002 : loss of £9,208,000).

Main scheme disclosure

The principal assumptions used for the FRS 17 actuarial valuation of the main scheme were:

	2003 %	2002 %	2001 %
Rate of increase in salaries	4.6	4.3	4.5
Rate of fixed increase of pensions in payment	5.0	5.0	5.0
Rate of increase LPI pensions in payment	2.6	2.3	2.5
Discount rate	5.4	5.6	6.0
Inflation assumption	2.6	2.3	2.5

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

	2003 %	2003 £000's	2002 %	2002 £000's	2001 %	2001 £000's
Equities	7.5	21,949	7.5	17,306	8.0	19,800
Bonds	5.1	7,772	5.1	6,746	5.0	6,600
Other	4.8	34	4.5	62	5.0	200
Total fair value of assets		29,755		24,114		26,600
Present value of scheme liabilities		(45,200)		(39,700)		(34,800)
Deficit in the scheme		(15,445)		(15,586)		(8,200)
Related deferred tax asset		4,633		4,676		2,460
Net pension liability		(10,812)		(10,910)		(5,740)

Future joint contribution rates for the main scheme have been agreed at 18% of pensionable salaries plus fixed monthly company contributions of £120,600.

22 Guarantees and other financial commitments (continued)

d. Pension scheme (continued)

Analysis of the amount charged to operating profit under FRS 17 in relation to the main scheme:

	2003 £000's	2002 £000's
Current service cost	920	1,170
Past service cost	-	100
	920	1,270

Analysis of the amount charged to net finance income under FRS 17 in relation to the main scheme:

	2003 £000's	2002 £000's
Expected return on pension scheme assets	1,711	1,989
Interest on pension scheme liabilities	(2,249)	(2,120)
	(538)	(131)

Analysis of the actuarial loss recognised in the Consolidated Statement of Total Recognised Gains and Losses in respect of the main scheme:

	2003 £000's	2002 £000's
Actual return less expected return on assets	2,107	(6,093)
Experience gains and losses on liabilities	-	-
Changes in assumptions	(2,455)	(1,919)
Actuarial loss recognised	(348)	(8,012)

Movement in deficit during the year in respect of the main scheme:

	2003 £000's	2002 £000's
Deficit in main scheme at beginning of year	(15,586)	(8,200)
Current service cost	(920)	(1,170)
Past service cost	-	(100)
Contributions	1,947	2,027
Net finance cost	(538)	(131)
Actuarial loss	(348)	(8,012)
Deficit in main scheme at end of year	(15,445)	(15,586)

History of experience of gains and losses

	2003	2002
Difference between the expected and actual return on scheme assets:		
Amount (£000's)	2,107	(6,093)
Percentage of scheme assets	7%	(25%)
Experience gains and losses on scheme liabilities:		
Amount (£000's)	-	-
Percentage of the present value of scheme liabilities	0%	0%
Total amount recognised in the Consolidated Statement of Total Recognised Gains and Losses:		
Amount (£000's)	(348)	(8,012)
Percentage of the present value of scheme liabilities	(1%)	(20%)

22 Guarantees and other financial commitments (continued)

d. Pension scheme (continued)

Other schemes disclosure

The Group also operates a further three defined benefit pension schemes, details of which have been aggregated below and are referred to as "other schemes".

The principal assumptions used for the FRS 17 actuarial valuation of the other schemes can be summarised as follows:

	2003 %	2002 %	2001 %
Rate of increase in salaries	4.3	4.3	4.3
Rate of fixed increase LPI pensions in payment	2.6	2.3	2.5
Discount rate	5.4	5.6	6.0
Inflation assumption	2.6	2.3	2.5

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

	2003 %	2003 £000's	2002 %	2002 £000's	2001 %	2001 £000's
Equities	6.7	9,218	6.6	7,902	7.2	10,307
Bonds	4.4	1,390	4.3	1,234	5.1	1,637
Property	6.5	237	6.4	336	6.7	313
Cash	3.9	193	3.6	242	4.0	262
Total fair value of assets		11,038		9,714		12,519
Present value of scheme liabilities		(15,165)		(14,348)		(12,166)
(Deficit)/surplus in the schemes		(4,127)		(4,634)		353
Related deferred tax asset/(liability)		1,238		1,390		(105)
Net pension (liability)/asset		(2,889)		(3,244)		248

Analysis of the amount charged to operating profit under FRS 17 in relation to the other schemes:

	2003 £000's	2002 £000's
Current service cost	223	214

Analysis of the amount charged to net finance income under FRS 17 in relation to the other schemes:

	2003 £000's	2002 £000's
Expected return on pension scheme assets	623	858
Interest on pension scheme liabilities	(770)	(707)
	(147)	151

Analysis of the actuarial loss recognised in the Consolidated Statement of Total Recognised Gains and Losses in respect of the other schemes:

	2003 £000's	2002 £000's
Actual return less expected return on assets	864	(3,420)
Experience gains and losses on liabilities	(32)	(605)
Changes in assumptions	(149)	(1,117)
Actuarial gain/(loss) recognised	683	(5,142)

22 Guarantees and other financial commitments (continued)

d. Pension scheme (continued)

Movement in deficit during the year in respect of the other schemes:

	2003 £000's	2002 £000's
(Deficit)/surplus in the other schemes at beginning of year	(4,634)	353
Current service cost	(223)	(214)
Contributions	194	218
Net finance (cost)/income	(147)	151
Actuarial gain/(loss)	683	(5,142)
Deficit in the other schemes at end of year	(4,127)	(4,634)

History of experience of gains and losses

	2003	2002
Difference between the expected and actual return on scheme assets:		
Amount (£000's)	864	(3,420)
Percentage of scheme assets	8%	(35%)

Experience gains and losses on scheme liabilities:

Amount (£000's)	(32)	(605)
Percentage of the present value of scheme liabilities	0%	4%

Total amount recognised in the Consolidated Statement of Total Recognised Gains and Losses

Amount (£000's)	683	(5,142)
Percentage of the present value of scheme liabilities	(5%)	36%

e. Contingent liabilities

As at the balance sheet date, the Group had outstanding obligations under customer guarantees, claims and discounted bills of up to £944,000 (2002 : £912,000).

23 Prior year adjustment

The Group has adopted FRS 17 Retirement benefits with effect from 1 January 2003. As a result, the 2002 Group Balance Sheet has been restated as follows:

	Prepayments and accrued income £000's	Pension liability £000's	Deferred taxation £000's	Equity shareholders funds £000's
2002 as previously reported	10,541	–	(1,609)	194,056
Reversal of SSAP 24	(3,900)	–	1,170	(2,730)
Adoption of FRS 17	–	(14,154)	–	(14,154)
2002 restated	6,641	(14,154)	(439)	177,172

There was no material impact on reported profit as a result of adopting FRS 17 in 2002 and as a result the only adjustment to the 2002 Consolidated Profit and Loss Account has been to add £20,000 income to "Other finance charges/(income)" and to increase operating expenses by £20,000.

The impact in 2003 of adopting FRS 17 was to reduce profit before taxation by £190,000 and reduce net assets at 31 December 2003 by £17,074,000.

Financial Calendar

Final dividend 2003	→	Paid May 2004
Half year results 2003	→	Announcement September 2004
Interim dividend 2004	→	Paid November 2004
Full year results 2004	→	Announcement March 2005
Report and accounts 2004	→	Posted to shareholders March 2005
Final dividend 2004	→	Paid May 2005

Five Year Financial Summary

	1999 £000's	2000 £000's	2001 £000's	2002 £000's	2003 £000's
Turnover	841,304	931,927	1,037,258	1,154,968	1,268,525
Operating profit	44,207	50,874	56,312	53,379*	58,642
Net interest payable	1,902	2,703	5,045	7,051	6,466
Other finance charges/(income)	-	-	-	(20)*	685
Profit before taxation	42,305	48,171	51,267	46,348	51,491
Profit after taxation	29,072	32,949	34,250	31,702	34,705
Earnings per share	24.4p	27.7p	28.8p	26.3p	28.6p
Dividend per share	9.3p	10.2p	11.0p	11.6p	12.4p

* - restated following the adoption of FRS 17 Retirement benefits (see note 23)

Principal Addresses

Head office

 For further information visit:
www.sigplc.co.uk/subsids

SIG plc

Hillsborough Works
Langsett Road
Sheffield
S6 2LW

United Kingdom

SIG Trading Limited, trading as

Sheffield Insulations CPD Distribution

Hillsborough Works
Langsett Road
Sheffield
S6 2LW

SIG Roofing Supplies Support Site

Harding Way
St. Ives
Cambridge
PE7 4YJ

Komfort Office Environments

Whittle Way
Crawley
West Sussex
RH10 2RW

Safety Distribution

Unit 1
Britannia Park
Trident Drive
Wednesbury
West Midlands
WS10 7XB

Miller Pattison Limited

Hillsborough Works
Langsett Road
Sheffield
S6 2LW

Republic of Ireland

SIG Building Products Limited (formerly Capco Holdings Limited)

Mount Tallant Ave
Terenure
Dublin 6W
Republic of Ireland

Insulation Distributors Limited

Unit 15
Parkwest Industrial Estate
Nangor Road
Dublin 12
Republic of Ireland

Mainland Europe

WeGo Dämmstoffe GmbH & Co. Holding OHG

Maybachstrasse 14
D-63456 Hanau-Steinheim
Germany

Ouest Isol

Zone Industrielle B.P.15
27460 Alizay
France

SIG Nederland B.V.

Bedrijfsweg 15
5061 JX Oisterwijk
The Netherlands

WKT Polska Sp. Z o.o.

ul. Wadowicka 8W/14
30-415 Kraków
Poland

USA

BWI Group, Inc.

10942 Beaver Dam Road
Hunt Valley
M02130
USA

SIG-Southwest, Inc.

PO Box 23847
Houston
TX 77 28 - 3847
USA

Principal Trading Subsidiaries

At 31 December 2003 the Company's principal trading subsidiaries, all of which are wholly owned except where stated, were as follows:



Insulation and related products



Roofing products



Commercial interior products

United Kingdom

SIG Trading Limited



Miller Pattison Limited



Republic of Ireland

SIG Building Products Limited
(formerly Capco Holdings Limited)



Insulation Distributors Limited



Germany

WeGo Dämmstoffe GmbH & Co. Holding OHG



France

Société de l'Ouest des Produits Isolants SA (Ouest Isol)



The Netherlands

SIG Nederland B.V.



Poland

WKT Polska Sp. z o.o.



USA

SIG-Southwest, Inc.



BWI Group, Inc.



All of the above companies are registered in the country referred to above, with the exception of SIG Trading Limited and Miller Pattison Limited which are registered in England and Wales.

SIG Trading Limited also distributes personal protective equipment and construction accessories.

Fibreglass Insulations Limited, an intermediate holding company, has beneficial ownership of WeGo Dämmstoffe GmbH & Co. Holding OHG (via two other intermediate holding companies), owns 99% of the ordinary share capital of WKT Polska Sp. z o.o. (1% owned by SIG plc), and owns 100% of the ordinary share capital of SIG Nederland B.V..

Freeman Holdings Limited, an intermediate holding company, owns 100% of the ordinary share capital of Ouest Isol, via another intermediate holding company France Isolation S.A.S..

SIG-USA, Inc. an intermediate holding company, owns the entire share capital of SIG-Southwest, Inc. and BWI Group, Inc.

The Group owns 80% of the ordinary share capital of Insulation Distributors Limited, via SIG Trading Limited.



SIG plc

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www.sigplc.co.uk
for further information

