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SIG plc Annual Report and Accounts 2004



**DELIVERING
THE GOODS**
TO CONSTRUCTION
AND INDUSTRY

QUICK REFERENCE

Sales

£1,398
million

Sales

65% UK &
ROI, 35%
Overseas

PBT

£65.5
million

EPS

36.1p

Market cap

at 31 December
2004

£710 million

FTSE 250 company

UK Listing
reference –
SHI

**Total
dividend
per share**
14.0p

**7,000
employees**
in 412
locations

**Serving over
150,000
customers**
every month

FINANCIAL CALENDAR

Final dividend 2004	→	Paid 23 May 2005
Half year results 2005	→	Announcement September 2005
Interim dividend 2005	→	Paid November 2005
Full year results 2005	→	Announcement March 2006
Report and accounts 2005	→	Posted to shareholders March 2006
Final dividend 2005	→	Paid May 2006

Front Cover

Neil Towner, Branch Director of South Coast Roofing Supplies, Lewes, checking stock before delivery to site. Neil has been with the company for 17 years and heads a team of 35.

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



WeGo is the main SIG subsidiary in Germany.

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TRADING HIGHLIGHTS OF 2004



EXCELLENT PERFORMANCE

SALES ↗

Increased by £129.7m (10.2%) to £1,398.2m
(2003 : £1,268.5m)

OPERATING PROFIT ↗

(before amortisation of goodwill)

Increased by £13.9m (21.9%) to £77.3m
(2003 : £63.4m)

PROFIT BEFORE TAX ↗

(after amortisation of goodwill)

Increased by £14.0m (27.2%) to £65.5m
(2003 : £51.5m)

TRADING SITES ↗

(at 31.12.04)

Increased by 42 to 412

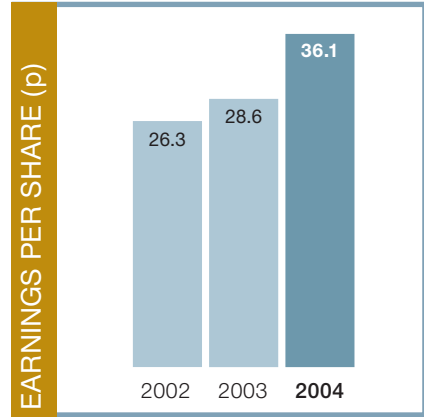
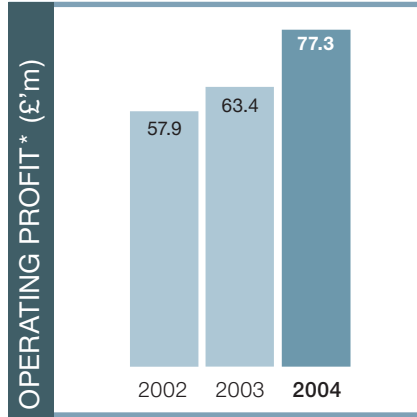
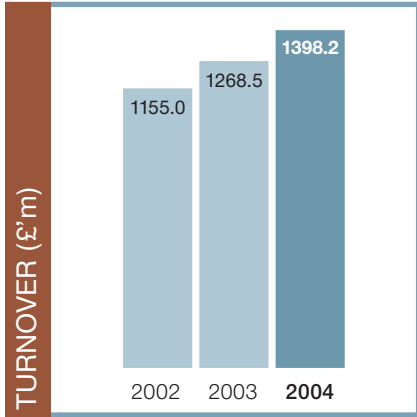
DELIVERING EXCELLENT RESULTS



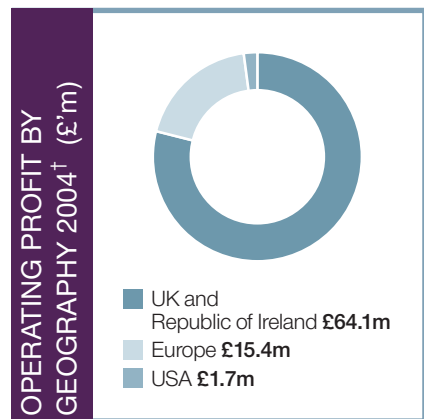
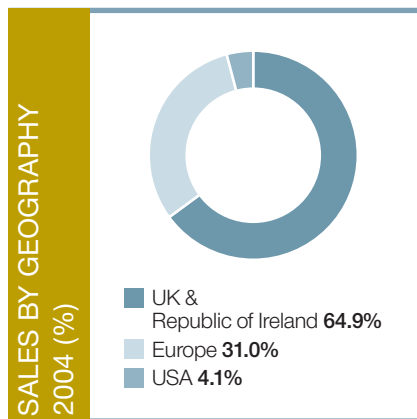
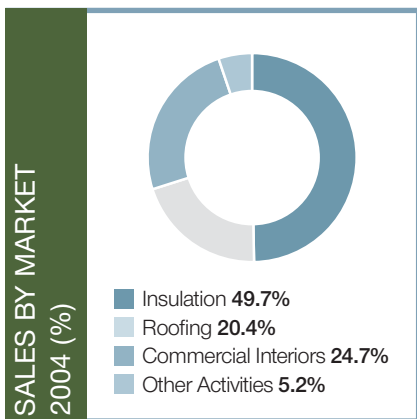
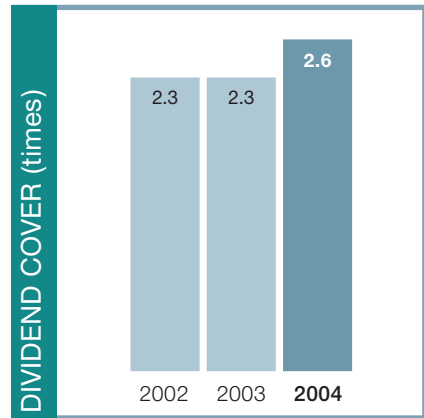
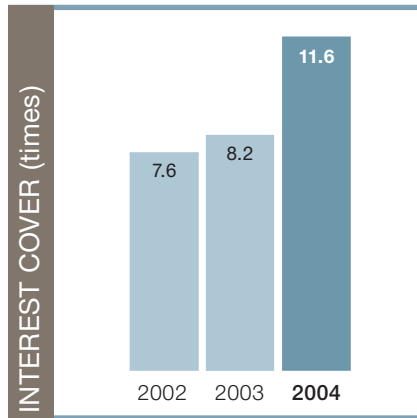
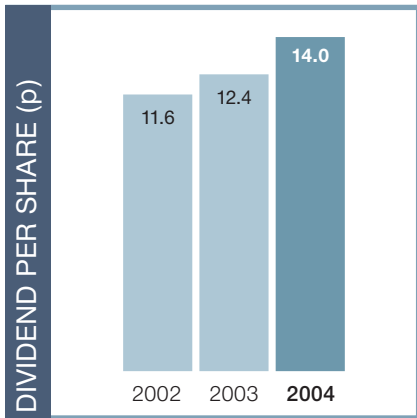
David Williams,
Chief Executive

THESE EXCELLENT RESULTS ARE TESTIMONY TO
THE STRENGTH OF ALL OF OUR PEOPLE.
2004 HAS BEEN A YEAR OF GREAT SUCCESS
WITH RECORD SALES, PROFITS AND
EARNINGS PER SHARE ACHIEVED.

RESULTS AND GROWTH



* before amortisation of goodwill.



† Operating profit is stated before amortisation of goodwill and parent company costs

DELIVERING SHAREHOLDER VALUE

THE CORE OBJECTIVE OF SIG IS TO DEVELOP AND GROW THE GROUP AS A LEADING SUPPLIER OF SPECIALIST PRODUCTS TO CONSTRUCTION AND RELATED MARKETS, IN ORDER TO ACHIEVE SUSTAINABLE LONG TERM GROWTH IN SHAREHOLDER VALUE.

The Board and management throughout the Group are committed to the continued development of the Company, and are focused on the following key factors which will drive growth:

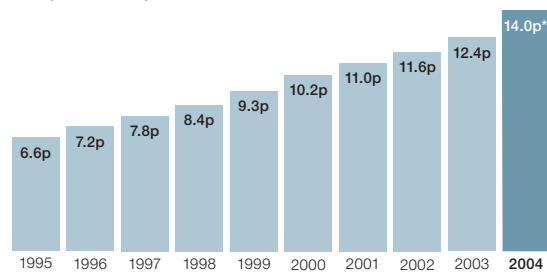
Geographic expansion within the existing businesses

Extending the product range

Improving operational ratios through the internal Continuous Improvement programme

Targeted acquisitions to enhance organic growth

Dividend per Share
Ten year history



*includes final dividend of 9.4p (subject to shareholder approval)

Total Shareholder Return (TSR)
1 January 2000 to 31 December 2004



INSULATION DIVISION

Lee Warren

Lee shows off the new 58000ft² warehouse in Cardiff which was opened in April 2004 as part of an ongoing branch development plan. This has the largest stockholding of insulation and related materials in the South West, supplying the growing city of Cardiff and its surrounding area with a fast, efficient service immediately from stock.



DELIVERING QUALITY & CHOICE FOR OUR CLIENTS

Insulation materials are used across all areas of industry and construction. Traditionally, insulation materials have been used to resist the transfer of **Heat** or **Fire** but the management of **Noise** is now an increasingly important issue for the building industry.

INSULATION DIVISION

SIG is the leading distributor of insulation materials in Europe. It has over 200 branches in 7 countries. Traditionally strong in the UK, SIG is also the leader in Germany and holds strong positions in France, Poland, Benelux and the USA.

Insulation products are used in a wide range of applications from residential, to commercial to industrial uses. 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

To be able to meet the diverse demands for insulation materials, SIG has developed its branch network to be able to cope with an increasingly wide and complex product range. This ability requires expertise on the part of its staff and specialist storage and handling requirement for each of its branches.

Branches must work closely with a wide range of customers. Each branch has a specialist sales team attached to it which includes an Area Sales Executive to handle relationships with specialist contractors, a Business Development Manager to work with national contractors and specifiers and a Telesales operation to manage smaller accounts.

The tightening of regulations within the UK & 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.

Case Study: Acoustics

Sound transmissions and the reduction of noise between rooms and between dwellings is an increasingly important issue. In the UK and across Europe, regulations are being tightened to reflect the increasingly compact and congested world in which we live.

Noise management calls for considerable expertise as sound and vibration can travel through, around, under and over dividing walls. Indeed, sound can travel through the building fabric and it calls for considerable expertise to be able to advise clients on suitable building techniques to mitigate noise transmission.





Left:

Alain Brugieregarde, in Ouest Isol Rouen branch, organising his stock of air ducting products.

Below left:

Already the leading supplier to H&V contractors throughout France, Ouest Isol is developing a comprehensive range of specialist commercial ventilation products.

Below:

In the UK Sheffield Insulations supplies more than 50,000 products via the largest UK branch network in the Insulation industry.

Bottom:

Jamie Davies, an Area Sales Executive, advises customers on which materials will help meet the Insulation standards required by the latest Building Regulations.

Bottom right:

On the spot technical advice and product selection is available at all branches.



ROOFING DIVISION

John Macphee

John is a key member of the team in the South Coast Roofing Supplies business - part of the SIG network of branches throughout the UK & Republic of Ireland, which together make the Group the largest supplier to the roofing industry. The type of materials does vary from region to region, and our staff have the essential local knowledge to ensure we have the right products for customers in every area, for immediate use.



DELIVERING EXPERIENCE & EXPERTISE

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 driver of demand for SIG's products.

ROOFING DIVISION

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

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, from 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 division in the UK & Republic of Ireland from over 130 locations and continues to deliver the service demanded by the roofing industry. Its' operation in the Republic of Ireland is well established in a number of major cities and towns.

Case Study: Bolt-on acquisitions

Acquisitions have proved to be an important strategy for increasingly Shareholder value in this sector. The local nature of the market means that distributors serve a fairly small geographic area and there is ample opportunity for SIG to further increase the density of its branch network.

As each new branch comes on-line, it is able to take advantage of Group buying prices in the industry and utilise centralised back office services.



Recognising the importance of particular demands of roofing contractors, SIG has developed the "Roof Shop" concept within the UK. Roof Shop outlets offer a range of specialist tools and fixings to roofing contractors. Safety equipment is supplied by SIG's safety products business.



Above left:
The Roof Shop at Asphaltic Roofing Supplies Derby branch displays hundreds of products to give roofing contractors everything they need to complete the job.

Top and above:
A thorough knowledge of product lines and their suitable applications is an essential part of the service we provide.

Above right:
Adam Knight, Warehouse Manager at Armour Building Products in Nottingham demonstrates roofing finishing panels.

Left:
Our branches carry a wide range of stock, with staff able to give advice on the appropriate product.

Bottom:
Loading our fleet of delivery trucks at our Lewes branch.



COMMERCIAL INTERIORS DIVISION

Product Manager **Dirk Rombach** demonstrates the functionality of a new ceiling & lighting system, supplied through SIG's German business WeGo, for the recently refurbished InterContinental Hotel in Frankfurt. This system has several novel features which enhance and alter the ambience of the hotel depending on customer requirements.



DELIVERING SPECIALIST ADVICE

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.

COMMERCIAL INTERIORS DIVISION

SIG is the largest supplier of commercial interior products in the UK & Republic of Ireland, as well as having very significant market presence in France, Germany, Benelux 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.

Case Study: Cleanroom technology

MRSA, the hospital superbug that is killing hundreds of patients every year, highlights the importance of hygiene throughout a hospital and not just in the theatre environment.

SIG has developed a range of interiors specifically for the hygiene requirements demanded by the health authorities in their fight against the superbugs. All surfaces must be easily reached and readily sterilised, including walls, ceilings & floors, extending to radiators, storage systems and even the hinges that hang the doors.

Active product and system development is at the core of business success and within the Commercial Interiors market there are many niche areas where SIG is able to bring know-how, skills and good supplier relationships to bear to resolve issues faced by increasingly demanding clients.



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. These projects 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 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.



Above:
Hervé de Bonneville, ceiling and partitioning manager, proud of the large range of tools and accessories displayed at the counter in Caen.

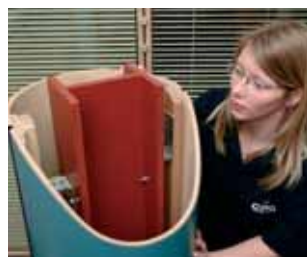
Top right:
CPD Trade Counter staff such as Alan Jones, Sales Office Supervisor at Manchester, provide customers with an efficient collection service and one-stop shop experience, vital in today's fast paced business environment.

Above right:
Sam Crossland, CPD's Telesales Supervisor, reviews the latest selection of ironmongery designed to complement the Tenon Partition Systems range.

Below left:
An architect choosing ceiling tiles amongst the wide range of products in the branch showroom.

Below middle:
Staff product training is ongoing at CPD, as demonstrated here by Victoria Hart, Sales Coordinator and Tenon Partition specialist at Luton branch, examining a new Column Encasement System.

Right:
One of the 300 German WeGo lorries with its 21m crane delivers to our customers in Darmstadt, Hesse.



CHAIRMAN'S STATEMENT



Les Tench,
Non-Executive Chairman

DELIVERING HIGH PERFORMANCE RESULTS

After a year of **exceptional progress** in 2004, the Group enters 2005 from a position of **strength** both **financially** and in the **markets** in which we operate.

2004 has been a year of significant growth and expansion for the Group. Sales, profit before tax and earnings per share all grew substantially compared with the prior year. In addition the number of trading sites increased by 42 during the course of the year to a total of 412 at the end of December 2004.

Key factors contributing to the excellent results were the strong like for like sales performance, the positive impact of widespread product price inflation and the increased pace of acquisition activity.

Results

For the year ended 31 December 2004, compared with the corresponding period in 2003.

Sales

- Total sales, in Sterling, increased by £129.7m (10.2%) to £1,398.2m (2003 : £1,268.5m).
- Sales growth, excluding adverse movement in foreign currency exchange was higher at 11.6%.
- Like for like sales growth (i.e. excluding the impact of acquisitions made in 2003 and 2004) was 7.7% in Sterling and 9.0% excluding foreign exchange movement.

Profits

- Operating profit (before goodwill amortisation) increased by £13.9m (21.9%) to £77.3m (2003 : £63.4m).
- Goodwill amortisation increased by £0.9m to £5.7m (2003 : £4.8m). Total interest charges were reduced by £1.0m to £6.2m (2003 : £7.2m).
- Profit before tax increased by £14.0m (27.2%) to £65.5m (2003 : £51.5m).

Margins

- The gross margin increased to 25.83% (2003 : 25.25%) reflecting improved price management and the planned investment in increased stockholding at the time of manufacturers' price increases.
- The net operating profit margin before goodwill amortisation of £5.7m (2003 : £4.8m) increased to 5.5% (2003 : 5.0%). This reflects the gross margin increase and the operational gearing impact of the additional sales volume, compared with prior year.

Earnings and Dividends

- Earnings per share increased by 7.5p to 36.1p (2003 : 28.6p), an increase of 26.2%.
- Subject to shareholder approval, a final dividend of 9.4p is proposed. This would make a total dividend for the year of 14.0p, compared with the 2003 full year dividend of 12.4p per share. This represents an increase of 12.9%, and is the 11th consecutive year in which the dividend has been increased. If approved, the final dividend will be payable on 23 May 2005 to shareholders on the register at 15 April 2005.

Finances

Underlying cash flow (i.e. operating cash flow before working capital movements) strengthened further throughout 2004 compared with prior year. An increase in stock levels (partly due to new branches, and also to support increased commercial activities), together with the acquisition program, resulted in an increased borrowing figure at the year end. Gearing rose to 44% as at 31 December 2004 (2003 : 38%).

The Group has a sound financial position with dividend and interest cover ratios both increased compared to prior year.

Acquisitions

The Group indicated early in 2004 its intention to actively resume its programme of seeking suitable acquisitions.

A total of 13 acquisitions were completed in the year, all of which complement existing businesses within the Group, and are within countries in which we already had a trading presence.

The total spend on these acquisitions was £45.1m (including assumed debt and deferred consideration).

Board

Following my appointment to the post of Non-Executive Chairman in April 2004, in accordance with current best practice and recommendations in relation to corporate governance, Peter Blackburn CBE has been appointed Senior Independent Director. Peter has been a member of the Board since 1 July 2001 and this appointment further strengthens the corporate governance of the Company.

The composition of the Board has been addressed and considered during the year, and I believe we have a good mix of experience and varying backgrounds, which provides very considerable professional and commercial expertise to draw upon.

Employees

The commitment, energy and drive shown by all of our employees throughout the Group is our greatest asset, and our ability to meet the demands of our customers, suppliers and shareholders is dependent upon their efforts. I would like to thank all our employees for their loyalty and hard work, and wish them continued success.

I would like to pay particular tribute to the new employees who have joined SIG as a result of acquisition. They have been involved in a process of change and have coped remarkably well and continued to focus on their particular role in the business.

Prospects

Trading conditions were generally more favourable throughout 2004 than in 2003 in most of the main markets in which the Group operates. In addition, price inflation had a higher than expected beneficial impact across a significant proportion of our trading operations.

Looking into 2005 we expect to experience continued strong demand from the broad based construction industry in the UK and Republic of Ireland. Pricing is expected to be positive, but we do not expect the exceptional benefits achieved in 2004 to be repeated.

The outlook for market conditions in France, Poland and Benelux is positive, whilst in Germany, demand is expected to continue to be subdued.

In the USA demand for industrial and technical insulation products is expected to improve.

We are continuing to invest in additional trading sites throughout our operations, and where appropriate, relocating to larger premises in order to increase capacity and further improve customer service. The recently acquired businesses are integrating well into the Group, and we look forward to a positive impact from these expansion activities going forward.

After a year of exceptional progress in 2004, the Group enters 2005 from a position of strength both financially and in the markets in which we operate, and the Board is confident that further progress will be made.

Les Tench, Non-Executive Chairman

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS



David Williams,
Chief Executive

DELIVERING CONSISTENT GROWTH

In addition to producing **record sales**, profits and earnings per share, we have **invested significantly** in **expanding** the business for **future growth**.

I am pleased to report that the Group had a very successful year in 2004. In addition to producing record sales, profits and earnings per share, we invested significantly in expanding the business for future growth.

Market demand and product pricing were generally more helpful in most of our main markets and countries of operation than in the previous year.

Against this positive background, the trading and commercial skills of the Group enabled strong underlying sales growth and maximum benefits from the pricing environment to be achieved. Our focused, specialist approach to customers and the markets in which we operate has enabled the Group to outperform.

Trading Highlights

UK and Republic of Ireland (65% of total Group sales)

- Sales increased by £96.4m (11.9%) to £907.1m (2003 : £810.7m).
- Like for like* sales increased by £71.2m (8.8%).
- Operating profit before goodwill amortisation of £4.8m (2003 : £4.0m) increased by £9.9m (18.2%) to £64.1m (2003 : £54.2m).
- Sales and operating profits were increased in all market sectors in the UK and the Republic of Ireland.

* – Like for like is defined as the business excluding the impact of acquisitions made since 1 January 2003.

The **Insulation** operations again had a year of substantial growth, with double digit like for like and total growth of sales and operating profits compared with prior year. The slight decline in the operating profit margin which occurred in 2003 due to an adverse movement in product mix was reversed in 2004 and the net operating margin for the year was ahead of that in both 2002 and 2003. This is despite continued sluggish demand from the industrial insulation market, where margins have traditionally been slightly higher than from the building related sectors.

Across the building sector demand for thermal and acoustic insulation products for newbuild and renovation applications, ranging from housing upgrading right through to major projects such as new hospitals, increased significantly throughout the year. The tighter regulatory standards within the Building

Regulations continued to stimulate demand, as did the increased activity in the existing housing sector driven by various Government sponsored grants and other schemes. The Group is the leading provider across the entire spectrum of the market and benefited from the widespread increase in demand.

The general level of increased demand exceeded internal expectations and it may be that in addition to the more obvious demand drivers mentioned above, we are beginning to see the effects of higher energy prices, and concern about the impact on the environment of heating related energy consumption within buildings, feed through to demand for insulation. Some price inflation was evident within the insulation sector, though this was not universal across the product range.

Overall, an excellent performance and our strong market position was further reinforced.

The **Roofing** division achieved good like for like growth in sales and operating profits, supplemented by expansion from recent acquisitions. During the year we began a programme of upgrading premises to enable a wider range of products to be offered to our customers and this will continue throughout the network.

As we reported at the time of our January 2005 Trading Update, we believe that overall market demand rose very slightly in the year and that price inflation had a modest, but positive impact on performance in this sector. The operating profit margin was held at the prior year level, and operating profits increased.

The mix of business in the roofing division continued to be biased towards repairs and maintenance, except in the Republic of Ireland where new housing accounts for a relatively larger proportion of sales, reflecting the buoyant new build sector throughout the year.

Commercial Interiors had an excellent performance across the whole division, with a like for like double digit increase in sales and operating profits.

Throughout 2004 we saw growing demand for specialist interior products for both the renovation of existing properties, and new construction in a wide range of non-residential buildings. These include schools, hospitals, sports and leisure facilities, offices, retail developments, hotels, public sector buildings, factories and warehouse units.

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

continued

The specific premium office sector began to recover after two years of sharply reduced demand. Improvements to our product range for office fit out, and the development and introduction of new products for specific related markets enabled the operating margin and operating profits to double in 2004 over prior year in this specific sector.

The core business, which is the leading supplier of interior products to the wider non-residential buildings market invested in additional sales resources. We also successfully re-branded and re-launched the business to provide a simpler, more effective offering to customers. These initiatives were well received and the division achieved excellent growth.

In **Safety and Construction Products**, significant like for like sales growth and a strong improvement in the operating margin produced operating profits more than double that of the prior year. This excellent organic growth was supplemented by the addition of three newly acquired trading sites. The continued development and expansion of this division is enabling us to broaden our offering whilst remaining highly focused on the supply of specialist products to the construction and related markets.

The use of catalogue and internet trading are growing features of our marketing approach in this division.

Mainland Europe (31% of total Group sales)

- Overall in Mainland Europe, sales grew by 12.4% in local currencies, and by £39.4m (10.0%) in Sterling to £433.6m (2003 : £394.2m). The local currency like for like sales growth was 10.5%.
- On a country by country basis, we believe this represents market-beating performance, reflecting continued growth of our market position and market share.
- Operating profits (pre goodwill amortisation) increased by 43.0% in local currencies and by 40.0% in Sterling, up £4.5m to £15.5m (2003 : £11.0m).

Like for like sales growth including the impact of newly opened brownfield trading sites, was achieved in all countries in which we operate in Mainland Europe, and this was supplemented by small bolt-on acquisitions, enabling greater market penetration and improved customer service.

In **Germany**, a modest decline in the volume demand from the construction sector was offset by increased product prices, leaving the overall market value about the same as in 2003.

Sales increased by 6.4% in Euros, and a total of five new sites were added during the year, one of which was acquired and four brownfield openings. Three of the new brownfield sites are in Austria, where a local opportunity arose to establish a position. As these branches are managed within the German management structure, they will continue to be reported within the German results.

Particular emphasis was placed on the management of pricing and improving operational efficiencies within the German business throughout the year. As a result, and despite the one-off charges associated with the new branch openings, costs were reduced as a proportion of sales, and the gross margin was strengthened. The operating profit margin was increased and operating profits were substantially up on prior year. An excellent performance in a difficult market.

In **France**, we continued to make solid progress with sales up 25.9% in total in Euros, of which 18.4% was like for like. Price inflation on a number of products had a positive impact on both sales and margins.

Growth was achieved in insulation, commercial interiors and in the fledgling roofing business. We continue to expand the range by offering more specialist products and the sales of air handling and forced ventilation systems (which are often installed at the same time as our commercial insulation products), grew strongly. We have increased the dedicated sales resources aimed at this market sector.

Operating profits increased significantly though the operating margin was reduced compared with 2003 due to increased costs associated with the absorption of the loss-making business acquired mid year. At the year end we had added 4 new additional branches in France, three of which were acquired.

Sales in **Benelux** were increased by 11.0% in Euros, on a like for like basis, despite very depressed market conditions across the building and construction sector.

The operating profit declined, due to increased costs partly associated with changes to the branch structure, including the opening of a new site in Belgium, and a reduction in the gross margin.

In **Poland**, sales in local currency on a like for like basis increased by 42.5%, in a market which was considerably stronger than prior year in terms of both the volume of demand and price levels. Four new branches were opened during the year as part of our continuing expansion programme.

Having previously reported a small operating profit in the first half of 2004 for the first time in a six month period, profits improved progressively into the second half, with 2004 therefore marking our first full year with a positive operating profit in Poland.

USA (4% of total Group sales)

In the USA, whilst demand from the Petrochem sector was depressed, conditions in the commercial market strengthened, and sales grew by 1% on a like for like basis in Dollars. Management dealt well with these conditions, reducing costs and achieving an increase in the gross margin. The margin improvement was partly influenced by the significant increase in metal prices during the year. As a result of these actions, the operating profit margin was increased, and the operating profit more than doubled in Dollars (an increase of 85% over 2003 in Sterling).

Acquisitions

The acquisition programme, having been deliberately de-emphasised in 2003, was reactivated in 2004, and we increased our resources to improve the depth and pace at which we can conduct research, and to pursue suitable opportunities.

During the year we successfully completed 13 acquisitions, and these breakdown as follows:

	Insulation	Commercial Interiors	Roofing	Others
UK & ROI	2 / £38m	-	4 / £18m	3 / £10m
Mainland				
Europe	-	4 / £14m	-	-

Number of deals/approx £m sales annualised.

As the table shows, all acquisitions during the year were within our existing geographic regions and were all complementary to our existing market focus.

In all cases the acquisitions meet the strategic requirement of being suppliers of specialist products, chiefly to the building and construction industry. I am pleased to say that the integration process is progressing well.

The additional sites (33) gained and retained through the acquisition programme have enabled the Group to reach new customers, extend our product offering to existing and new customers, and to further improve our standards of service to all customers thereby continuing the process of strengthening the Company going forward.

People

I am proud to be part of such a professional and committed team of people; throughout our businesses, regardless of country or market sector, our people are acknowledged as the best in their particular field, with particular focus on meeting their customers requirements. This is an enormous strength of the Group and I thank everyone in the business for their own effort in enabling us to produce such great results in 2004.

Summary

The growth and development of the Group has been very extensive in the last 12 months; virtually every part of the Company has shown strong improvements over prior year. Markets have been reasonably helpful, but I believe that the Company has outperformed, and that our people have shown skill and tenacity in exploiting those conditions.

We have strong positions in markets which I believe will continue to show long term growth. We will continue to seek growth opportunities both organically and through acquisition, and I am confident in our ability to continue to develop and grow the Group to enhance Shareholder value.

David Williams, Chief Executive

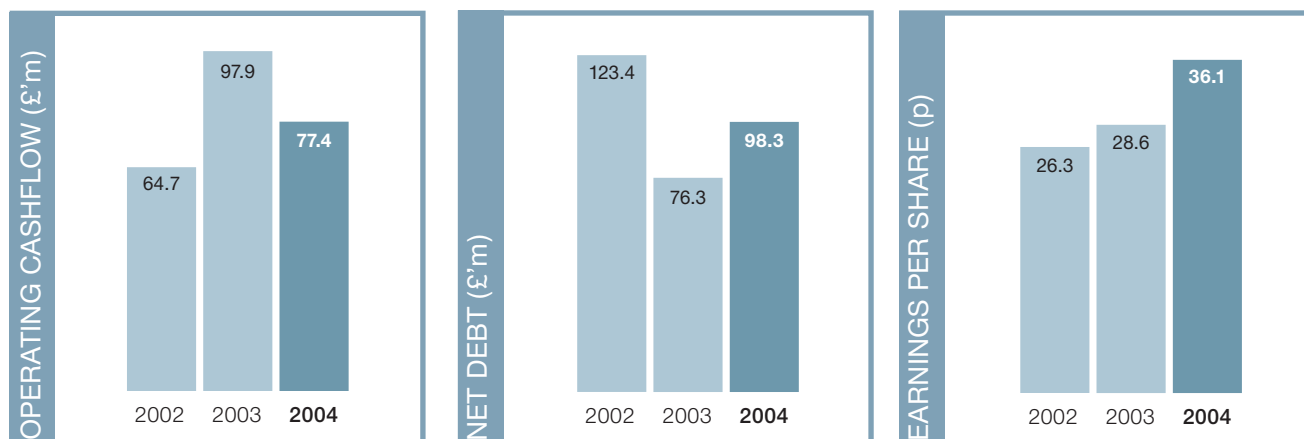
FINANCE DIRECTOR'S REVIEW



Gareth Davies,
Finance Director

DELIVERING QUALITY EARNINGS

The Group has benefited from **another good year** of **generating cash** from operating activities to help support our **strategy** of **investment** in both **organic** and **acquisition** based **growth**.



Group Performance

Turnover for the year rose by 10.2% to £1,398m (2003 : £1,269m). The Group profit before taxation rose by over 27% to £65.5m the majority of which was like for like growth. This is the highest increase in profits growth since 1994.

Two key factors stand out in 2004:

- the healthy like for like¹ sales growth on a constant currency basis of 9%, reflecting our focused efforts on the organic growth of our business; and
- an increase in the returns being achieved by our overseas businesses with operating profits rising by 40% in Europe and by 85% in the USA.

Interest

The Group's interest charge, before other finance charges, was reduced from £6,466k in 2003 to £5,683k in 2004 as a result of continued focus on working capital management. The majority of the Group's debt is held under US Dollar Senior loan notes valued at £94m (see notes 14 and 15) which, subject to translation differences, results in a fixed annual interest charge of approximately £6.3m.

Other finance charges, which represents the net interest cost of our defined benefit pension schemes under FRS 17, fell from £685k in 2003 to £470k.

Taxation

The taxation charge for the year of £21.4m (2003: £16.8m) amounted to 32.6% of pre-tax profits (2003 : 32.6%). This equates to an effective tax rate of 30.0% (2003 : 29.8%) before non deductible amortisation of goodwill.

In 2004, we have seen an upward pressure on the tax charge arising from increased profits from our overseas businesses taxed at rates higher than the UK rate of 30%, offset by the reassessment of the deferred tax assets of those businesses.

¹ Like for like is defined as all business existing as at 1 January 2003, i.e. excluding both current and prior year acquisitions.

Earnings per share

Basic earnings per share before amortisation of goodwill rose by 25.2% to 40.7p (2003 : 32.5p). The weighted average number of shares in issue in the period rose from 120.0m to 120.9m, as a result of employees being issued shares under our share option plans. Fully diluted earnings per share before amortisation of goodwill rose by 24.8% to 40.2p (2003: 32.2p). Full details of these calculations are set out in note 8 to the accounts.

Dividends

The proposed final dividend of 9.4p per share delivers a full year rate of 14.0p, representing an increase of 12.9%. This is the highest rate of dividend increase in the last ten years and is covered 2.6 times. Dividends per share have grown from 5.4p in 1993 to 14.0p in 2004, producing a compound increase of 9% with eleven successive years of growth, whilst maintaining prudent cover each year of between 2 and 3 times.

Shareholder return

The Group has delivered a 15.7% Return On Capital Employed² (2003 : 15.2%), which compares favourably to the Group's weighted average cost of capital which is estimated to be 8% (2003 : 8%), thus generating substantial shareholder value.

As at 4 March 2005, the Group's share price closed at 591.5p, representing a market capitalisation of £718m. The total dividend for the year of 14.0p (2003 : 12.4p) provides shareholders with a yield on this date of 2.4%.

Cash Flow and Financial Position

The Group has benefited from another good year of generating cash from operating activities to help support our strategy of investment in both organic and acquisition based growth. The Group generated net cash inflow from operating activities of £77.4m (2003 : £97.9m). Included in the net cash inflow from operating activities is a cash outflow of £17.5m (2003 : inflow £18.0m) in respect of working capital. Ordinarily we would

² Return On Capital Employed is defined as operating profit pre amortisation of goodwill, divided by the average of shareholders' funds, minority interests and net debt.

FINANCE DIRECTOR'S REVIEW

continued

expect a like for like sales increase of £97.2m to require a cash outflow of approximately £11.9m (i.e. by applying our working capital to sales ratio of 12.2% to the sales increase), which is less than the £17.5m outflow reported. The additional outflow of £5.6m is a result of a number of factors; the most prominent of which is our investment decision to hold higher levels of stock during the year to ensure availability to customers.

The following table explains the movement in the Group's net debt:

	2004 £'m	2003 £'m
Operating cash inflow	77.4	97.9
Interest, dividends to minorities and taxation	(21.6)	(18.2)
Net capital expenditure	(21.1)	(12.0)
Dividends	(15.6)	(14.1)
Free cashflow available for acquisitions	19.1	53.6
Acquisition expenditure (including the issue of loan notes to vendors)	(42.7)	(2.7)
Issue of shares and other items	1.6	(3.8)
(Increase)/decrease in net debt	(22.0)	47.1
Opening net debt	(76.3)	(123.4)
Closing net debt	(98.3)	(76.3)

Key points to note are:

- The increase in capital expenditure resulted in a net-capex/depreciation ratio of 1.2 (2003 : 0.7) following our investment in new vehicles and the improvements carried out at a number of our branches;
- On total capital employed of £222.1m (2003 : £199.8m), the Group's gearing is slightly higher at 44% compared with 38% last year. The Board is very comfortable with this level of gearing which is also significantly below our current banking covenant limits; and
- Interest cover for the year is 11.6 times (2003 : 8.2 times).

Working Capital Statistics

The Group's working capital to sales ratio at 31 December 2004 amounted to 12.2% (2003 : 12.8%). The Group is continually focusing upon reducing its working capital requirements, however it maintains flexibility to benefit from price increases in products by investing in stock at pre increase prices. Given the level of price increases in 2004, this was more prevalent.

The statistics relating to each component of working capital on a like for like basis³ are as follows:

	2004	2003
Stock days	40	36
Debtor days	52	52
Creditor days	39	33

December is traditionally the lowest sales month in the year. This seasonal downturn in demand was less marked in December 2004 as the mild weather enabled sites to continue working longer than is normally the case. This resulted in significantly higher debtor and creditor balances at the year end.

The Group's 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.

Pension schemes

As a result of adopting FRS 17 Retirement benefits early in 2003, the Group has separately recorded its liability under four UK defined benefit schemes and two European book reserved schemes. A liability in respect of the two European schemes of £1.2m was included within other provisions in 2003. In this year's financial statements we have restated the 2003 balance sheet to reclassify this amount into the net pension liability.

The Group has recorded a £2.1m increase in its overall pension scheme liability. The key components of this increase are an actuarial loss on the main scheme of £8.2m and a £4.0m special contribution to the main scheme in line with the actuary's recommendation of funding requirements. The main scheme's actuarial loss can be broken down as follows:

- an "experience loss" of £4.1m as the actuary has now obtained a more detailed picture of the exact salary levels, member turnover and age profiles of the scheme's members following the publication of the triennial valuation as at 1 January 2004;
- a loss of £4.1m relating to an increase in the life expectancy assumption. This corresponds to an increase in life expectancy for a male pensioner at Normal Retirement Age of 60 from about 22 years to about 24 years. This has been based primarily upon the Actuarial Profession's Continuous Mortality Investigation reports issued in 2004;
- a loss of £1.0m relating to an increase in the salary growth and inflation assumption by 0.2%; and
- a gain of £1.0m as the returns achieved on pension assets in 2004 have outperformed our underlying assumptions.

Our transition to IFRS in 2005 will be eased somewhat by our early adoption of FRS 17 in 2003. IAS 19 is the IFRS equivalent of FRS 17 and has very similar valuation principles following amendments to IAS 19 introduced on 16 December 2004. We have obtained IAS 19 valuations on the majority of our schemes at 31 December 2004. Subject to any changes in the IAS 19 guidelines we only expect a marginal change to the existing FRS 17 net pension liability. This will be accounted for as a transitional adjustment to our opening 1 January 2005 balance sheet.

³ Stock, debtor and creditor days on a like for like basis. In calculating these ratios the year end working capital balances are divided by the Group's annualised sales or cost of sales.

Funding and financial instruments

The Group's financial instruments that finance its operations comprise cash, borrowings, trade debtors and trade creditors. In addition, the Group also holds derivatives, being foreign currency and interest rate swap contracts to manage interest rate and currency risks arising from the Group's operations. The Group does not trade in derivative contracts for speculative purposes.

The Group manages its financial liabilities using derivatives where appropriate to ensure that it has appropriate maturity profiles in relation to its borrowings and appropriate levels of protection against interest rate and exchange rate fluctuations.

The Group's financial liabilities at 31 December 2004 of £118m (2003 : £132m) can be analysed as follows:

- £60m (2003 : £60m) has a maturity profile of greater than 5 years;
- £81m (2003 : £104m) is denominated in foreign currencies, held to partially hedge the assets of our overseas businesses;
- £115m (2003 : £127m) carries a fixed rate of interest; and
- £3m (2003 : £3m) is secured on the assets of certain overseas subsidiaries.

As at 31 December 2004, the Group had undrawn committed borrowing facilities from its banks of £33.8m (2003 : £22.6m).

Foreign Currency Risk

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 2004 and 2003 profit and loss accounts (average rates) and balance sheets (closing rates).

	Average Rate		Closing Rate	
	2004	2003	2004	2003
Euro	1.473	1.443	1.413	1.419
US Dollar	1.836	1.645	1.920	1.790
Polish Zloty	6.645	6.404	5.751	6.700

The movement in average exchange rates compared to 2003 had a negative effect on overseas earnings streams of £0.6m at 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.

The Group's balance sheet is inherently at risk from movements in the Sterling value of its net investments in foreign businesses. This risk is mitigated by the Group combining financial liabilities and derivatives in currencies that partially hedge the net investment values. The net after tax effect on the Group's Sterling balance sheet of currency translation

differences of all our overseas subsidiaries in 2004 was a loss of £0.422m (2003 : gain of £1.537m).

International Financial Reporting Standards (IFRS)

The Group is well advanced in its action plans for the implementation of IFRS reporting in 2005. We have made good progress in a number of areas. In particular we have:

- Reviewed each accounting standard that will affect our reporting and discussed these with our banks, auditors and tax advisors as appropriate;
- Completed a thorough review of foreign exchange accounting, particularly with reference to intra group and third party financing arrangements;
- Restructured our US Dollar Senior loan note currency derivatives to ensure we mitigate potential hedge ineffectiveness;
- Considered our policy for accounting for intangible assets on acquisitions, and whilst we have draft proposals we would intend to refine these in light of industry guidance;
- Valued our 2003 and 2004 share options using a Black Scholes model;
- Obtained IAS 19 valuations for the majority of our pension schemes (as referred to in the pension section above); and
- Undertaken a review of lease contracts across the Group to confirm our classification of operating and finance leases.

The key items likely to affect our reported earnings in 2005 and thereafter will be:

- the apportionment of the fair value of all share options over their vesting periods;
- any hedge ineffectiveness contained within our US Dollar Senior loan note currency derivatives; and
- the replacement of amortisation of goodwill with amortisation of intangibles on acquisitions made after 1 April 2004.

The key items to affect shareholders' funds on the balance sheet will be:

- the impact of items affecting earnings noted above;
- the recognition of dividends on a paid basis rather than an accruals basis; and
- the recognition of derivative contracts at their fair value rather than their book value.

As set out in the earlier paragraph on pensions, the Group's FRS 17 net pension liability is already included within shareholders' funds and subject to any changes in accounting guidelines, we expect only a very marginal change to this liability under the IFRS equivalent of FRS 17 - IAS 19.

The Group is well prepared to report its 2005 interim accounts in accordance with IFRS.

Gareth Davies, Finance Director

CORPORATE SOCIAL RESPONSIBILITY



DELIVERING SUSTAINABLE SOLUTIONS

The Group's **policy** is to supply and promote wherever possible, those **products**, which contribute to **energy conservation** and do not damage the **environment**.

SIG recognises its corporate social responsibilities to its shareholders, customers, suppliers and employees and is committed to good practice.

The Group has considered CSR issues as part of its business for a number of years and is reporting on these topics more fully this year. SIG is pleased to be able to take this opportunity to inform its stakeholders the measures which it is taking to continue to monitor and improve its CSR performance.

In accordance with the ABI reporting guidelines SIG is able to confirm that the Board takes regular account of the significance of social, environmental and ethical matters to the business of the Group and that it has in place a comprehensive risk management and internal control process which identifies and assesses the significant risks to the Group's short and long term value arising from such matters.

SIG recognises its corporate social responsibilities to its shareholders, customers, suppliers and employees and is committed to good practice.

Environment

The Chief Executive, Mr. D Williams, is the Board Director responsible for the environmental performance of the Group. SIG is committed to minimising the environmental impact of its activities through good environmental management practices. The Group's Environmental policy was revised in 2004. The policy is displayed throughout the Group and on the Group's website. The policy is: –

“SIG is committed to the implementation of this environmental policy and will seek to ensure that all Group companies are fully compliant where appropriate. We believe that developing our businesses in an environmentally responsible manner, taking full account of evolving environmental issues, compliance with applicable legal requirements and commitment to the prevention of pollution, is in the best interests of the Company, its employees and external stakeholders.

As the UK's leading supplier of insulation and related materials our core business is focused on the reduction of energy consumption and the subsequent reduction in harmful environmental impacts.

Environmental objectives and targets have been established at relevant functions and levels within the organisation.

Consequently we conduct our own activities and operations in line with best environmental practice, seeking continual improvement and innovation within all Group businesses and activities.

All SIG plc companies will seek to: -

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

To this end the Company has established an environmental management system in accordance with BS EN ISO 14001 : 2004.”

CORPORATE SOCIAL RESPONSIBILITY

continued

Environmental Management

During the year the focus has been on putting in place the procedures and systems for the Group to introduce an Integrated Management System combining BS EN ISO 14001 (Environment), OHSAS 18001 (Health and Safety), and BS EN ISO 9001-2000 (Quality). Moody International Certification Limited have been appointed assessors for the UK and it is expected that an accreditation to the Standards forming BSI will be attained during 2006.

The Group has identified the significant environmental impact of its operations, which are summarised below together with some of the actions taken to minimise them: -

Energy and Transport

As a founder member of the Association for the Conservation of Energy, SIG is active in seeking the raising of mandatory standards for thermal insulation. Reducing energy consumption is a priority for its operations. This is targeted both through reducing the amount of fuel used in delivery and by increasing the efficiency of lighting and maximising the use of natural light in the Group's properties.

- The Group has a policy of introducing the most energy efficient vehicles commercially available, (currently considered to be Euro IV category engines) as soon as it is practically possible to do so, as vehicles are due for renewal.
- The Group employs staff to train drivers in driving techniques aimed at reducing accidents and damage (safe driving) and to drive vehicles using methods and practices which will reduce fuel consumption. All vehicles are regularly serviced to ensure that vehicle emissions are kept to a minimum.
- The Transport staff in each location throughout the Group are required to make the most efficient use of vehicles, consistent with meeting customer requirements. Techniques used include maximising vehicle loading (within legal limits) so reducing vehicle numbers, and route planning, to minimise distances travelled and thereby fuel usage.
- Vehicles are being fitted with route planning equipment whenever it is practical and cost effective to do so. This is aimed at using the most fuel efficient route for each journey.
- The Group has a policy of seeking to reduce the amount of motor fuel used relative to the number of deliveries and the amount of goods delivered, by a minimum of 1% per annum, beginning in 2005.

Packaging and Waste Reduction

SIG works with its suppliers to minimise primary and secondary packaging, while maintaining necessary levels of packaging to ensure that the product arrives with the customer in perfect condition. As a break bulk supplier, SIG has recognised that the major impact of the organisation on environmental waste is through packaging and has taken a pro-active approach to minimise the amount of new packaging entering the market and the amount of waste generated at branch level.

This is achieved by:

- Purchasing recycled and recyclable packaging where practicable, including pallets and cartons.
- Returning reusable pallets to suppliers and similarly recovering used pallets from customers.
- Reusing packaging opened at branch level for internal transfers and deliveries.
- Actively taking part in recycling and reclamation schemes through the Company's membership of Cleanapak and working closely with suppliers to improve the accuracy of data. SIG meets its responsibilities under the packaging waste regulations in the UK through Cleanapak's compliance scheme.
- As part of the Group's ongoing development in this area, it has entered into a National agreement with Onyx for waste removal in the UK. Onyx operate their own waste recycling and reclamation compliance scheme.
- Within its businesses SIG embraces electronic communication which has resulted in a significant reduction in internal paperwork throughout the Group.

The Group is also actively looking at ways to reduce the number of printed copies of its Annual Report and Accounts. By making an electronic copy available to Internet users through the Group's website the print requirement has been reduced by 1,000 copies. The 2004 Annual Report and Accounts has been printed on environmentally friendly paper, which is Elemental Chlorine Free, suitable for recycling and is derived from renewable timber produced on a fully sustainable basis.

Suppliers

The Group is in the process of implementing a formal supplier audit program which will commence in 2005 and which will include the environmental aspects of their operations. Environmental Management will be one of the criteria considered when examining a supplier's qualifications for Group orders.

Health and Safety

The Group is committed to high standards of health and safety for all of its employees. The Group's policy is displayed throughout the Group's workplaces and is available on the Company's website. Whilst Mr. D Williams the Chief Executive is the Board Director responsible for the health and safety performance of the Group the SIG systems ensure that responsibility exists throughout all of the SIG businesses.

A plan has been put in place to ensure that all UK subsidiary Company Directors will have received appropriate training in health and safety in order to meet their responsibilities. They are supported by specialist safety advisors who are either Company or regionally based. In particular forklift and commercial driver training form an important part of SIG's

Health and Safety (continued)

workplace safety policy, which impacts on reduced insurance costs, enhanced pedestrian and site safety and improved working environment. Daily inspections complement periodic training to keep the vehicle and driver at peak performance.

As part of the Board's ongoing commitment to its health and safety improvement policy a program to achieve OHSAS accreditation in the UK commenced in 2004. Moody International Certification Limited have been appointed assessors and an initial training program has already been planned.

Community

The Group endeavours to contribute to the communities in which it operates. SIG is a member of Business in the Community in the UK and has worked with that organisation to help to develop its approach and practices. This is mainly achieved through charitable donations and other initiatives that help the community. Wherever possible employees are encouraged to get involved with their community. The Group also provides financial support for employees undertaking charity work overseas.

Donations

During the year the Group made charitable donations of £53k (2003 : £ 47k). It is the Group's policy not to make political donations and no political donations were made in the year (2003 : £Nil).

For 2005 the Group has introduced a new Charitable Donations Policy. The Policy in addition to supporting local causes where SIG employees are involved is to provide support for three main charities for a period of three years. The three charities selected are:

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

The Group is also in the process of introducing a Payroll Giving Scheme.

Employees

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

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

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

There is an active and extensive programme of training in place. Full-time dedicated professional trainers are employed, and their work is supplemented as required by external courses and external agencies. In order to meet ever increasing customer demand particular emphasis is placed on customer service and interpersonal skills in the training programme. The Group has a policy of increasing the number of man-hours of staff and management training conducted by a minimum of 5% per annum beginning in 2005.

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

Employees are encouraged to become shareholders in the Company. The Group currently operates a Save As You Earn Scheme and is considering launching a Share Investment Plan, for which shareholder approval has already been obtained, later in the year. At 31 December 2004 there were 1315 employees saving under the savings related schemes.

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

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

BOARD OF DIRECTORS



*Top row: Peter Blackburn, David Haxby, Michael Borlenghi
Front row: Gareth Davies, Les Tench, David Williams, John Chivers*

Les Tench BSc Non-Executive Chairman

Les Tench (age 59) became a Non-Executive Director on 1 March 2003 and was appointed Deputy Chairman on 1 November 2003. He was appointed Chairman on 1 May 2004. He joined CRH plc in 1992, and since 1998 until his retirement in December 2002 was Managing Director of CRH Europe – Building Products.

David Williams Chief Executive

David Williams (age 54) joined the Group in 1983 having gained UK and overseas sales and marketing experience in several diverse industries. He was appointed Managing Director of Sheffield Insulations and to the main Board in June 1993. He became Chief Executive in January 2002.

Gareth Davies BA, ACA Finance Director

Gareth Davies (age 41) joined the Group in November 1993 as Group Financial Controller, having previously been a senior manager with Arthur Andersen. He was appointed to the main Board in August 2002 as Finance Director.

John Chivers Managing Director, SIG Roofing Supplies

John Chivers (age 52) joined the Group in July 1975 and was appointed a Director of Sheffield Insulations in April 1989. He became Managing Director of SIG Roofing Supplies in July 1997 and was appointed to the main Board in September 2001.

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

Peter Blackburn (age 64) became a Non-Executive Director in July 2001. He is Chairman of the Remuneration Committee and Senior Independent Director. 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.

Michael Borlenghi BSc, FRSA Non-Executive Director

Michael Borlenghi (age 61) became a Non-Executive Director on 2 April 2004. He is Chairman of Eliza Tinsley Group plc and has held a number of Non-Executive board positions since retiring in 1991 from the GKN plc board. Whilst at GKN he was involved in a number of senior management roles both in the UK and overseas in a career spanning 25 years.

David Haxby LL.B, FCA Non-Executive Director

David Haxby (age 63) became a Non-Executive Director in March 2003 and is Chairman of the Audit Committee. He is currently a Non-Executive Director of Cattles plc a position he has held since 1999. From 1991 until his retirement in 1995 he was the London Office managing partner of Arthur Andersen and since then has served on the board of a number of public and private companies.

Board Committees

Audit Committee	Remuneration Committee	Nominations Committee
Mr. D A Haxby, Chairman	Mr. P H Blackburn, Chairman	Mr. L O Tench, Chairman
Mr. P H Blackburn	Mr. M J C Borlenghi	Mr. P H Blackburn
Mr. M J C Borlenghi	Mr. D A Haxby	Mr. M J C Borlenghi
		Mr. D A Haxby
		Mr. D Williams

COMPANY INFORMATION

President

Sir Norman Adsetts, OBE, MA

Secretary

Richard Monro, FCIS

Registered office

Hillsborough Works,
Langsett Road,
Sheffield S6 2LW

Registration number

Registered in England
998314

Listing details

Market - UK Listed
Reference - SHI
Index - FTSE 250
Sector - Construction and
Building Materials

Company website

www.sigplc.co.uk

Registrars and transfer office

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Investor Services PLC
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Auditors

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Principal Bankers

The Royal Bank of Scotland plc
Corporate & Institutional Banking
PO Box 126,
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Leeds LS1 5AH

Solicitors

Pinsent Masons
1 Park Row,
Leeds LS1 5AB

Joint Stockbrokers

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Panmure Gordon & Co. Limited

50 Stratton Street,
London W1J 8LL

Financial PR

Finsbury Group
Friendly House
52 - 58 Tabernacle Street
London EC2A 4NJ

FIVE YEAR FINANCIAL SUMMARY

	2000 £000's	2001 £000's	2002 £000's	2003 £000's	2004 £000's
Turnover	931,927	1,037,258	1,154,968	1,268,525	1,398,237
Operating profit	50,874	56,312	53,379	58,642	71,673
Net interest payable	2,703	5,045	7,051	6,466	5,683
Other financial charges/(income)	-	-	(20)	685	470
Profit before taxation	48,171	51,267	46,348	51,491	65,520
Profit after taxation	32,949	34,250	31,702	34,705	44,160
Earnings per share	27.7p	28.8p	26.3p	28.6p	36.1p
Dividend per share	10.2p	11.0p	11.6p	12.4p	14.0p

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2004.

Principal Activities and Business Review

The principal activity of the Group is the supply of building materials to construction and related markets. The main products supplied are insulation, roofing and commercial interior products.

The Chairman's Statement, Chief Executive's Review of Operations and Finance Director's Review on pages 18 to 27 contain a review of these activities and comments on the future outlook.

Details of the Group's policies in relation to employees and information on charitable and political donations are disclosed on page 31.

Details of the Group's policies in relation to Corporate Governance are disclosed on pages 36 to 40.

Group Results

The Consolidated Profit and Loss Account for the year ended 31 December 2004 is shown on page 50. The movement in the Group reserves during the year is shown in note 18 on page 69. Segmental information is set out in note 1 on page 57.

Dividends

The Board is recommending a final dividend of 9.4p per share (2003 : 8.3p) which, together with the interim dividend of 4.6p (2003 : 4.1p) per share, makes a total for the year ended 31 December 2004 of 14.0p (2003 : 12.4p) per share. Payment of the final dividend, if approved at the Annual General Meeting, will be made on 23 May 2005 to shareholders registered at the close of business on 15 April 2005.

Directors

The names of the Directors as at the date of this report together with biographical notes are set out on page 32. They comprised the Board for the whole of the year except as stated below.

Mr. M J C Borlenghi was appointed a Non-Executive Director on 2 April 2004 and Mr. B Cottingham resigned as a Non-Executive Director and Chairman on 30 April 2004.

The Directors standing for re-election at the Annual General Meeting are Mr. P H Blackburn and Mr. L O Tench. Each Director being eligible, offers himself for re-election. Neither Messrs. Blackburn or Tench have service contracts with the Company.

Full details of Directors' remuneration, interests in the share capital of the Company and of their share options are set out on pages 44 to 46 in the Directors Remuneration Report.

Acquisitions

Details of acquisitions made in the year are covered in note 10 on page 62.

Share Capital

Details of the share capital and allotments during the year, which arose solely from the exercise of options under Employee and Executive share schemes are set out in note 17 on page 68. Details of outstanding options under the Group's Employee and Executive schemes are also set out in note 17 on page 68.

Substantial Shareholdings

As at 7 March 2005, the Company had been notified of the following substantial interests of 3 per cent or more in its ordinary issued share capital.

	% of issued share capital
FMR Corporation/Fidelity International Limited	10.95
Barclays PLC	5.00
Standard Life Investments	4.41

Payment to Suppliers

The Group follows the CBI's prompt payment code and operates and abides by a clearly defined policy, which has been agreed with all major suppliers. As at 31 December 2004 the Company had no trade creditors as it does not trade in its own right. The Group's average number of days outstanding as at 31 December 2004 in respect of trade creditors was 39 (2003 : 34).

Fixed Assets

In the opinion of the Directors, the market value of the Group's properties is not materially different from the value included in the Group Financial Statements.

Directors' and Officers' Liability Insurance

The Company purchases liability insurance cover for Directors and Officers of the Company and its subsidiaries.

Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 Financial Statements 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.

Auditors

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

Annual General Meeting

The Notice convening the Annual General Meeting to be held at the Whitley Hall Hotel, Grenoside, Sheffield at 12 noon on Wednesday 4 May 2005, together with explanatory notes on the resolutions to be proposed, is contained in a circular to be sent to shareholders with this report.

By order of the Board



Richard Monro
Company Secretary
7 March 2005

CORPORATE GOVERNANCE

SIG is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment the Group supports the highest standards in corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement and the Directors Remuneration Report on pages 41 to 47 describe how the principles of good governance set out in the Combined Code are applied within SIG.

Compliance

SIG complied throughout 2004 with the provisions of the Combined Code Principles of Good Governance and Code of Best Practice, except in the following aspects:

A.3.3 There was no Senior Independent Director for the period of 1 to 30 May 2004 following the appointment of Mr. L O Tench (the previous Senior Independent Director) as Chairman of the Board.

B.2.1 The membership of the Remuneration Committee included the previous Non-Executive Chairman of the Board until his retirement on 30 April 2004.

The Company's Auditors Deloitte and Touche LLP, are required to review whether the above statement reflects the Company's compliance with the nine provisions of the Combined Code specified for its review by the Listing Rules and to report if it does not reflect such compliance.

The Board

As at 31 December 2004, the Board was made up of seven members comprising the Chairman, three Executive Directors and three Non-Executive Directors. The Non-Executive Directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Biographical details of each of the Directors, which illustrate their range of experience, are set out on page 32.

The division of responsibilities between the Chairman and Chief Executive is clearly established and is understood by the Board.

The Senior Independent Director from 1 January to 30 April 2004 was Mr. L O Tench. Mr. P H Blackburn was appointed Senior Independent Director on 1 June 2004 and is the Director whom shareholders may contact if they feel their concerns are not being addressed through the normal channels. The Non-Executive Directors meet at least once a year without the Executive Directors present.

All Directors are subject to election at the Annual General Meeting immediately following their appointment and to re-election every three years. Any Director attaining the age of 70 would be subject to re-election annually.

Board Procedures

The Board met formally on eleven occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table below. All Board Members are supplied with information in a form and of a quality appropriate to enable them to discharge their duties. Board and Committee papers are sent out seven days before meetings take place. There is an agreed Schedule of Matters reserved for the Board for collective decision including:

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

To enable the Board to perform its duties effectively all Directors have full access to all relevant information and to the services of the Company Secretary whose responsibility it is for ensuring that Board procedures are followed. The appointment and removal of the Company Secretary is a matter reserved for the Board. There is an agreed procedure whereby Directors wishing to take independent legal advice in the furtherance of their duties may do so at the Company's expense. Appropriate training is available to all Directors on appointment and on an ongoing basis as required.

The Terms of Reference for each of the Board Committees are available on request from the Company Secretary or on the SIG website.

Attendance at Board and Committee Meetings

The following table shows the attendance of Directors at meetings of the Board, Audit, Remuneration and Nomination Committees during the year to 31 December 2004.

	Board	Audit Committee	Remuneration Committee	Nominations Committee
P H Blackburn	11	3	3	1
M J C Borlenghi *	8	2	1	-
M J Chivers	10	N/A	N/A	N/A
B Cottingham **	5	N/A	1	1
G W Davies	10	N/A	N/A	N/A
D A Haxby	11	3	3	1
L O Tench	11	1	1	1
D Williams	11	N/A	N/A	1
Number of meetings in the year	11	3	3	1

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

* Mr. M J C Borlenghi was appointed a Director on 2 April 2004 and has attended all relevant meetings since his appointment with the exception of one Remuneration Committee meeting.

** Mr. B Cottingham resigned as a Director on 30 April 2004 but attended all relevant meetings up to that date.

Board Effectiveness

During the year an appraisal of the Board, each Board Committee, and the performance of the individual Directors was carried out. The appraisal of the Board and the Committees was undertaken using a questionnaire which was completed by each Director. A summary of the responses was reviewed by the Chairman prior to the submission of the results to the whole Board. Formal appraisals of the Executive and Non-Executive Directors' individual performance were conducted by the Chairman by holding a meeting with each Director.

The Non-Executive Directors, chaired by the Senior Independent Director, meet once a year without the Chairman present to assess his performance. The Senior Independent Director then discusses the results of that assessment with the Chairman.

Relations with Shareholders

The Company recognises the importance of communicating with its shareholders, including its employee shareholders, to ensure that its strategy and performance are understood. This is achieved principally through the Annual Report and the Annual General Meeting. In addition, a range of corporate information is available to investors on the Company's website. (www.sigplc.co.uk)

The Chief Executive and Finance Director are primarily responsible for Investor Relations. Feedback from major shareholders is reported to the Board by the Finance Director and the Chairman and discussed at its meetings. Formal presentations are made to institutional shareholders following the announcement of the Company's full year and interim results. During the year the Senior Independent Director met with a number of institutional shareholders. Although the Non-Executive Directors are not at present asked to meet the Company's shareholders, their attendance at presentations of the annual results is encouraged. The Board recognises that the AGM is the principal forum for dialogue with private shareholders. All Directors normally attend the AGM and are available to answer any questions that shareholders may wish to raise. The Notice of Meeting is sent to shareholders at least 20 working days before the meeting. Shareholders vote on a show of hands, unless a poll is validly called and after each such vote the number of proxy votes received for and against the resolution is announced.

The Remuneration Committee

The Remuneration Committee operates under written Terms of Reference and is comprised of only independent Non-Executive Directors. The Committee's Report is set out on pages 41 to 47.

Nominations Committee

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

CORPORATE GOVERNANCE

continued

Nominations Committee (continued)

During the year, on behalf of the Board, the Committee undertook a search for the appointment of a new Non-Executive Director. In conducting this process the Committee appointed an external search consultancy and met with candidates prior to making a recommendation to the Board, which resulted in the appointment of Mr. M J C Borlenghi as a Director of the Company on 2 April 2004. A candidate profile for the search was agreed. It is anticipated that, for the appointment of any future Non-Executive Directors, a similar procedure will be adopted.

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

The Committee also advises the Board on succession planning for Executive Board appointments.

Audit Committee

The Audit Committee operates under written Terms of Reference, which were reviewed during the year, meets at least three times a year and is comprised of only independent Non-Executive Directors. Mr. D A Haxby who is considered by the Board to have significant recent and relevant financial experience chairs the Committee. The expertise and experience of the members of the Committee are summarised on page 32. The Chairman of the Board, Chief Executive and Finance Director normally attend meetings by invitation and the Chairman of the Committee also meets with the external auditors without management present. The external auditors attended two of the meetings and have direct access to the Committee Chairman. The Company Secretary acts as secretary to the Committee.

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

The Committee's responsibilities include:

- reviewing the effectiveness of the Group's financial reporting and internal control procedures for the identification, assessment and reporting of risks;
- reviewing with the external auditors the nature and scope of their planned work;
- reviewing the Group's financial statements at the half year end and year end before submission to the Board;
- reviewing changes in accounting policies; and
- reviewing the cost-effectiveness, independence and objectivity of the external auditors.

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

The Committee met three times in the year and its agenda is linked to events in the Company's financial calendar. The agenda is mostly cyclical such that the Committee Chairman approves the agenda on behalf of all members. Each member may require reports on matters of interest in addition to the regular items. During the year in addition to its normal duties the Committee focused on the Company's preparation, policies and plans for the implementation of the new International Financial Reporting Standards (IFRS).

The Audit Committee also reviews the "whistleblowing" policy under which employees may in confidence notify the Company of any concerns, including inter alia matters involving financial reporting. It also reviews the procedures for investigating and resolving any such concerns. A copy of the whistleblowing policy is available on the Company's website

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 Committee also ensures that key partners within the external auditors are rotated from time to time in accordance with UK rules.

Audit Committee (continued)

The Group policy on the provision by the external auditors of audit and non-audit services, which is based on the principle that the external auditors should only undertake non-audit services where they are the most appropriate provider, categorises such services between:

- Auditor permitted services – Those services which are acceptable for the auditors to provide and the provision of which can be engaged without referral to the Audit Committee. (e.g. regulatory and other specialist financial reporting).
- Auditor excluded services – Those engagements that the Audit Committee and the Board do not consider appropriate for the auditors to undertake. (e.g. provision of outsourced financial or operational management functions).
- Auditor authorised services – Those services for which it is appropriate to consider the use of the external auditors and for which the specific approval of the Audit Committee is required before the auditors are permitted to provide the service. (e.g. transaction support and advisory work, such as due diligence).

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.

This 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 on page 58. A breakdown of the non-audit fees is included in the same note.

The external Auditors and Committee Chairman have regular dialogue concerning matters of independence and a report is made formally to the Committee on this matter at least once a year. 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 Group does not have a dedicated internal audit function. The Board annually reviews the need for such a function and has done so during the year. The Group does however have a function which performs a number of internal audit tasks across the main UK Divisions and this, together with the fact 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 has led the Board to conclude that at present a dedicated internal audit function is not necessary. The Board will continue to keep this matter under review.

Risk Management and Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. It is the role of management to implement the Board's policies on risk and control through the design and operation of appropriate internal control systems.

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

The Board has conducted its annual review of the effectiveness of the Group's system of internal control. This review has covered all controls including operational, compliance and risk management procedures, as well as financial.

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

- Operating management is charged with the ongoing responsibility for identifying risks facing each of the operating units and for putting in place procedures to mitigate, manage and monitor risks.

CORPORATE GOVERNANCE

continued

Risk Management and Internal Control (continued)

- Operating units formally review all business risks and set out the significant risks to the operations, the controls in place and additional controls which could be implemented. These proposals are approved by each operating unit's management and submitted in the form of risk action plans to Group Executive management for review and approval. Any significant matters arising from this review are formally reported to the Board by the Finance Director to ensure that appropriate initiatives are developed and implemented to manage those risks. The Board is advised in this process by the Audit Committee.
- The risk and control identification and management process is monitored and periodically reviewed by Group Executive management.
- 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 company management and the Group Executive management on matters relating to risk and control.
 - defined expenditure authorisation levels.
 - operating reviews covering all aspects of each business are conducted by Group Executive management each quarter.
 - a comprehensive system of financial reporting. An annual budget for each operating company is prepared in detail and approved by the Chief Executive. The Board approves the overall Group's budget and plans. Monthly actual results are reported against budget and prior year and the forecast for the year is revised where necessary. Any significant changes and adverse variances are questioned by the Board and remedial action is taken where appropriate. There is weekly cash and treasury reporting to the Finance Director and periodic reporting to the Board on the Group's tax and treasury position.

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

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

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

Going Concern

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



Richard Monro
Company Secretary
7 March 2005

DIRECTORS' REMUNERATION REPORT

Including the statement of remuneration policy for the year ended 31 December 2004

This report has been prepared by the Remuneration Committee ("the Committee") on behalf of the Board in accordance with the requirements of the Directors' Remuneration Report Regulations 2002 and The Listing Rules. The report is divided into two sections, unaudited and audited information in accordance with Schedule 7a of the Companies Act 1985. The audited information commences on page 44.

The Remuneration Committee

The Board has a long established Remuneration Committee, which meets at least twice a year. It has since May 2004 comprised the independent Non-Executive Directors and is Chaired by Mr. P H Blackburn. Until his retirement on 30 April 2004 Mr. B Cottingham, the previous Non Executive Chairman of the Board, was a member of the Committee. The Remuneration Committee is responsible for determining, on behalf of the Board, the salary and benefits received by the Chairman and the Executive Directors and for overseeing the remuneration of other Senior Executives. The fees paid to Non-Executive Directors are determined by the Board.

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 Chairman of the Board also attends by invitation but does not attend or participate in any way in connection with the determination of his own salary. The Company Secretary provides information to the Committee and is in attendance at meetings. During the year the Committee received survey information on management pay levels from a number of external providers including Monks Partnership. The Committee also takes independent professional advice, on an ad hoc basis, as required.

Policy on remuneration of Executive Directors

The Company's policy for 2004 and subsequent years is to provide remuneration packages that fairly reward the Executive Directors for the contribution they make to the business and are competitive enough to attract, retain and motivate Executive Directors and Senior Managers of the right calibre. The policy is designed to incentivise the Directors to meet the Company's financial and strategic objectives such that a significant proportion of remuneration is performance related. In reviewing Executive Directors' salaries due consideration is given to the levels of increase granted to other employees within the Group and the Committee reviews and notes the total individual remuneration packages of each of the other Senior Executives. The Committee established in 2003 that the Executive Directors' remuneration packages were considerably below both market rates and the Company's comparator group. The salary increases awarded to the Directors in 2004 reflect the ongoing process of alignment with market rates for the various positions. Basic salaries are reviewed annually or when a change of responsibility occurs.

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

The Committee believes that the EPS condition is appropriate for its share option schemes as it requires substantial improvements in the underlying financial performance of the Company in order for the options to become exercisable. Deloitte & Touche LLP in their capacity as auditors are required to review the calculations as to whether the performance targets for share schemes have been achieved before any exercise is permitted.

The main components of Executive Directors' remuneration are given below.

Base salary and benefits

Base salary and benefits are determined on an annual basis by the Committee based upon the recommendations of the Chief Executive and after a review of the individual's performance 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. The value of benefits is not pensionable.

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 annual bonus is not pensionable. The pre-determined performance targets for 2004 were achieved in full by each of the Executive Directors resulting in the maximum 50% of base salary being payable to Mr. Williams and Mr. Davies and an amount of £100,000 to Mr. Chivers.

For the 2005 financial year the Committee has agreed that the maximum bonus that can be earned will increase from 50% to 60% for Messrs. M J Chivers and G W Davies and 70% for Mr. D Williams against the achievement of more stretching targets. For 2005 the Committee has agreed appropriate bonus criteria based on profit performance growth targets and additional specific objectives. The payment of annual bonuses is not guaranteed.

DIRECTORS REMUNERATION REPORT

continued

Pension schemes

All Executive Directors are members of the Group's contributory defined benefit pension scheme, which enables members to retire at age 60 with a maximum pension after 40 years' pensionable service equivalent to two thirds of final pensionable salary.

Pensionable salary is basic salary, excluding bonuses. Final pensionable salary is the average of the highest three consecutive pensionable salaries in the last ten years before retirement. For service up to 31 July 2002, pensions in payment are guaranteed to increase by 5% per annum compound. Following consultation with the active membership of the scheme certain changes were made to the contribution levels and benefits in order to limit future liabilities and, consequently, for service from 1 August 2002, pensions in payment are guaranteed to increase by the lower of 5% per annum or the increase in the Retail Price Index. On death before retirement, a lump sum equal to 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

Long Term Incentive Plans (L-TIP)

All Executive Directors are eligible to participate in the L-TIP. Under the L-TIP participating Directors and other designated senior managers are granted nominal value share options up to a maximum of 50% of base salary. In 2004 shareholders approved the adoption of a new L-TIP. Options were granted in each of the 5 years ended 31 December 2003 under the old Plan and in 2004 under the new Plan. The three year performance periods in respect of both Plans commenced on 1 January in each of those years. As set out on page 46 in the Directors' share options table under the heading Long Term Incentive Plan, Messrs. Williams, Chivers and Davies have awards under both Plans, which had not vested at 31 December 2004. 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 not pensionable.

Awards under both the L-TIPs are exercisable between three and seven years from the date of grant. In the case of options granted prior to 2004, provided the individual's performance criteria are met the award would vest in full 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 Remuneration Committee.

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 would be 13.33%.

The awards for Messrs. D Williams and G W Davies would vest in full if the performance condition requirements set out above are achieved. 50% of the awards for Mr. Chivers would 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 would vest in full if the actual profit before tax of the SIG Roofing Supplies business 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%.

In the case of the 2004 L-TIP Awards the percentage growth in the Company's earnings per share over the three year period from the commencement of the financial year in which the award is made must exceed the percentage growth in the Retail Prices Index over the same period by a minimum of 3% per annum compounded for any of the award to vest. At 3% per annum compounded 30% of the Award vests, between 3% and 10% compounded growth the Award vests proportionately between 30% and 100%. Above 10% per annum the award vests in full. No re-testing of the performance criteria will occur.

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.

Deferred Annual Bonus Scheme

In 2004, shareholders approved the introduction of a Deferred Annual Bonus Scheme (DABS) the first awards under which will be made in 2005. The DABS will operate by inviting participants including Executive Directors to use up to 50% of their annual performance related cash bonus after tax and National Insurance in respect of the preceding financial year to purchase shares in the Company. Participants purchasing such shares will be eligible to receive additional matching shares, providing certain pre-set earnings per share performance targets are met over a consecutive three year period. For 2005 the Remuneration Committee has confirmed that the performance targets for the DABS will be the same as those applicable to the 2004 L-TIP awards.

1989 Executive Share Option Scheme

This Scheme was superseded by the L-TIP and the 1997 Executive Share Option Scheme in 1997. Messrs. D Williams and M J Chivers had awards outstanding under this scheme at 31 December 2003 which have been exercised in 2004. There were no performance criteria attached to the exercise of these options which were granted in 1994 in line with market practice at that time. Awards under this scheme are not pensionable. At 31 December 2004 there are no options outstanding under this scheme.

1997 Executive Share Option Scheme (ESOS)

Under the ESOS, Executives can be awarded an annual grant of share options at market price, provided that the total amount payable by him 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 46 in the Directors' share options table, Mr. Davies has awards under this scheme, which had not vested at 31 December 2004, 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. Awards under this scheme are not pensionable.

The ESOS is 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. At the end of the relevant period the Remuneration Committee assesses whether the performance conditions have been satisfied. No re-testing of the performance criteria will occur. Awards under this scheme are not pensionable.

The above performance condition was chosen because it is 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.

The Committee has resolved that following the introduction of the DABS, approved by shareholders at the 2004 AGM, that no further options will be granted under this scheme.

Savings Related Schemes

The Company currently 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. In line with common practice 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. 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. The Board sought and obtained approval from shareholders at the 2004 Annual General Meeting to introduce a Shareholder Investment Plan (SIP). The Board will consider and decide whether to introduce a SIP in 2005 as an alternative to offering new options under the savings related share option scheme. A decision has been taken not to operate both schemes at the same time.

Non-Executive Directors

For Non-Executive Directors, the Company's policy is that their 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 normally be expected to serve two three-year terms, although the Board may invite them to serve for an additional period. The Executive Directors are responsible for recommending to the Board the fees of Non-Executive Directors. 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.

Service Contracts

The Non-Executive Directors, including the Chairman, do not have service contracts. The Committee's policy is for Executive Directors to have service contracts for a continuous term to retirement age providing for a rolling 12 months' notice period in writing by either party. All contracts comply with this.

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.

DIRECTORS' REMUNERATION REPORT

continued

Service Contracts (continued)

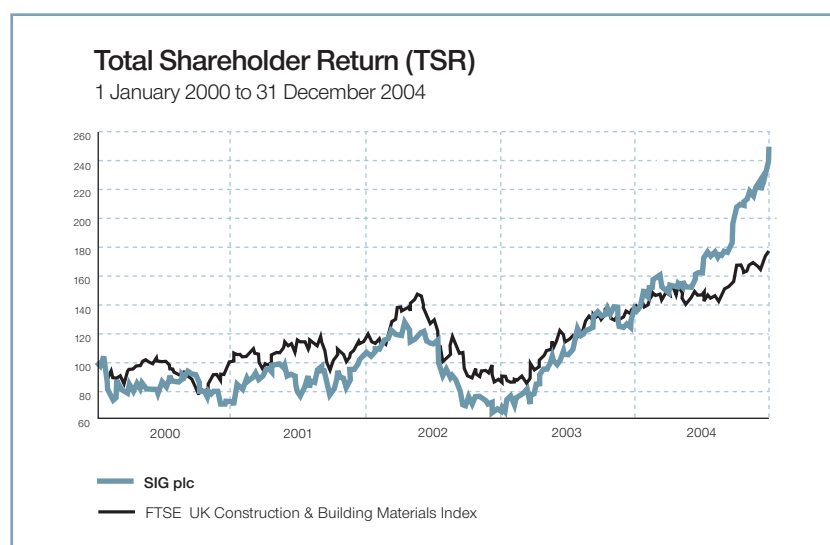
The service contracts for Messrs. M J Chivers and G W Davies are dated 1 January 1995 and 1 August 2002 respectively. The Company can discharge any obligation in relation to the unexpired portion of their notice period or any notice required to be given under their service contracts by making a payment 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.

Share ownership guidelines

To better align Executive Director interests with those of shareholders the Company has established the principle of requiring Executive Directors to build up and maintain a beneficial holding of shares in the Company equivalent to a minimum of one times basic salary. Under normal circumstances it is expected that this should be achieved within 5 years of 31 December 2004, or within 5 years of appointment, whichever is the later. It is anticipated that the satisfaction of this target will be mainly achieved by the vesting of shares through the Company's share schemes

Performance graph

The following graph shows the Company's Total Shareholder Return (TSR) (share price growth plus dividends paid) performance, compared with the performance of the FTSE Construction & Buildings Material Index, over the 5 year period 1 January 2000 to 31 December 2004. 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 to SIG.



Audited Information

Directors' interests in the shares of SIG plc

The beneficial shareholdings of the Directors who held office at 31 December 2004 in the Ordinary shares of the Company were as follows:

	31 December 2004	1 January 2004
P H Blackburn	8,000	8,000
M J C Borlenghi	5,000	* Nil
M J Chivers	43,138	32,227
G W Davies	12,940	7,940
D A Haxby	Nil	Nil
L O Tench	20,000	10,000
D Williams	74,396	60,765

* at date of appointment

The Register of Directors' interests, which is open to inspection at the Company's Registered Office, contains full details of Directors' shareholdings and share options. All shareholdings were unchanged as at 7 March 2005.

Directors' emoluments

	Salary and fees £000's	Performance related bonus £000's	Benefits £000's	2004 Total emoluments £000's	2003 Total emoluments £000's
Chairman					
B Cottingham (<i>Chairman to 30 April 2004</i>)	31	–	–	31	93
L O Tench (<i>Chairman from 1 May 2004</i>)	79	–	–	79	32
Executive					
D Williams	350	175	18	543	400
M J Chivers	175	100	14	289	230
G W Davies	200	100	18	318	234
Non-Executive					
P H Blackburn	36	–	–	36	32
M J C Borlenghi (<i>Appointed 2 April 2004</i>)	25	–	–	25	–
D A Haxby	33	–	–	33	27
N C Paul (<i>Resigned 1 March 2003</i>)	–	–	–	–	8
	929	375	50	1,354	1,056

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

There were no deferred bonuses payable in the period.

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

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

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

Directors' pensions

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

	Increase in accrued benefits £000's	Increase in accrued benefits net of inflation £000's	Transfer value of increase in accrued benefits net of inflation £000's	Accrued benefits at 31 December 2004 or date of cessation £000's	Transfer value at 31 December 2004 or date of cessation £000's	Transfer value at 1 January 2004 or Date of appointment £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	29	26	327	125	2,170	1,520	26	624
M J Chivers	15	13	150	77	1,268	931	13	324
G W Davies	9	9	52	27	261	152	15	94

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. Blackburn, Borlenghi, Haxby and 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					Market price at date of			Exercise dates	
		At 1 Jan 2004	Granted	Exercised	Lapsed	At 31 Dec 2004	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	359.25p	26/03/2004	-
M J Chivers											
19/04/1994	261p	10,000	-	(10,000)	-	-	261p	327p	359.25p	26/03/2004	-
Long Term Incentive Plan											
D Williams											
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
11/05/2004	359.25p	-	70,809	-	-	70,809	10p	-	-	11/05/2007	10/05/2011
M J Chivers											
11/04/2000	232.5p	2,765	-	-	-	2,765	10p	207p	-	11/04/2003	10/04/2007
17/04/2001	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
11/05/2004	359.25p	-	25,289	-	-	25,289	10p	-	-	11/05/2007	10/05/2011
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
11/05/2004	359.25p	-	28,901	-	-	28,901	10p	-	-	11/05/2007	10/05/2011
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	352.25p	29/03/2004	-
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	-	500.25p	20/10/2004	-
M J Chivers											
11/05/1999	152p	13,831	-	(13,831)	-	-	122p	-	500.25p	20/10/2004	-
11/05/2004	360p	-	5,450	-	-	5,450	300p	-	-	01/07/2009	31/12/2009
G W Davies											
07/05/2003	205.5p	9,954	-	-	-	9,954	165p	-	-	01/07/2008	31/12/2008
		288,482	130,449	(92,662)	(5,000)	321,269					

* or date from which option may be exercised.

The aggregate of the total theoretical gains on options exercised by the Directors during 2004 amounted to £169,570 (2003 : £15,592). This is calculated by reference to the difference between the closing mid-market price of the shares on the date of exercise and the exercise price of the options, disregarding whether such shares were sold or retained on exercise, and is stated before tax.

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

The market price of the shares at 31 December 2004 was 585p and the range during 2004 was 325p to 585p.

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

The Board of SIG plc has approved this remuneration report.

On behalf of the Board

A handwritten signature in blue ink, appearing to read 'P H Blackburn', with a stylized flourish at the end.

P H Blackburn
Chairman of the Remuneration Committee

7 March 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIG plc

We have audited the financial statements of SIG plc for the year ended 31 December 2004 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 note of historical cost profits and losses, the Reconciliation of Movements in Consolidated Shareholders' Funds, the Statement of Accounting Policies and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having being audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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 nine provisions of the July 2003 FRC 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 covers 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 Directors' report, the unaudited part of the Directors' remuneration report, the Chairman's Statement, the Chief Executive's Review of Operations and the Finance Director's Review 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 2004 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

7 March 2005

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 2004

	Note	2004 £000's	2004 £000's	2003 £000's	2003 £000's
Turnover					
Existing operations	1		1,369,093		1,268,525
Acquisitions	1		29,144		–
Continuing operations			1,398,237		1,268,525
Cost of sales	2		1,037,052		948,169
Gross profit					
Other operating expenses	2		289,512		261,714
Operating profit					
Existing operations	1	69,792			58,642
Acquisitions	1	1,881			–
Continuing operations			71,673		58,642
Net interest payable	3		5,683		6,466
Other finance charges	3		470		685
Profit before taxation and amortisation of goodwill					
Amortisation of goodwill		71,173		56,287	
		5,653		4,796	
Profit on ordinary activities before taxation					
Tax on profit on ordinary activities	4		65,520		51,491
	6		21,360		16,786
Profit on ordinary activities after taxation					
Minority interests (all equity)			44,160		34,705
			572		447
Profit for the financial year					
Equity dividends paid and proposed	7		43,588		34,258
			17,016		14,920
Retained profit for the year					
	18		26,572		19,338
Earnings per share					
Basic earnings per share	8		36.1p		28.6p
Diluted earnings per share	8		35.6p		28.2p
Earnings per share before amortisation of goodwill					
Basic earnings per share	8		40.7p		32.5p
Diluted earnings per share	8		40.2p		32.2p

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 2004

	Note	2004 £000's	2003 £000's
Profit for the financial year		43,588	34,258
Tax credit on exchange difference arising on foreign currency borrowings	18	1,786	1,570
Exchange difference on retranslation of overseas net investments	18	(532)	5,202
Exchange difference on foreign currency borrowings	18	(1,676)	(5,235)
Actuarial (loss)/gain relating to the pension schemes	22	(8,728)	335
Deferred tax movement associated with actuarial (loss)/gain	22	2,534	(101)
Total recognised gains and losses for the year		36,972	36,029

There is no difference between the results presented on page 50 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 MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS for the year ended 31 December 2004

	Note	2004 £000's	2003 £000's
Profit for the financial year		43,588	34,258
Dividends		(17,016)	(14,920)
		26,572	19,338
New share capital issued	17	1,938	895
Tax credit on exchange difference arising on foreign currency borrowings	18	1,786	1,570
Exchange difference on retranslation of overseas net investments	18	(532)	5,202
Exchange difference on foreign currency borrowings	18	(1,676)	(5,235)
Credit to L-TIP reserve	18	324	137
Actuarial (loss)/gain relating to the pension schemes	22	(8,728)	335
Deferred tax movement associated with actuarial (loss)/gain	22	2,534	(101)
Net additions to shareholders' funds		22,218	22,141
Opening shareholders' funds		199,313	177,172
Closing shareholders' funds		221,531	199,313

CONSOLIDATED BALANCE SHEET

as at 31 December 2004

	Note	2004 £000's	2003 Restated £000's
Fixed assets			
Intangible assets - goodwill	10	114,045	78,696
Tangible assets	9	74,481	69,194
		188,526	147,890
Current assets			
Stocks	11	116,436	93,035
Debtors	12	263,762	223,483
Cash at bank and in hand		19,467	55,417
		399,665	371,935
Creditors:			
Amounts falling due within one year	13	(230,143)	(198,618)
		169,522	173,317
Net current assets			
		358,048	321,207
Total assets less current liabilities			
Creditors:			
Amounts falling due after more than one year	14	(106,185)	(98,419)
Provision for liabilities and charges	16	(12,728)	(8,131)
		239,135	214,657
Net assets excluding pension liability			
		(17,032)	(14,897)
Pension liability			
		222,103	199,760
Net assets including pension liability			
Capital and reserves			
Called up share capital	17	12,139	12,027
Share premium account	18	16,793	14,967
Capital redemption reserve	18	347	347
Special reserve	18	22,113	22,113
L-TIP reserve	18	554	237
Exchange reserve	18	(356)	66
Profit and loss account	18	169,941	149,556
		221,531	199,313
Shareholders' funds (all equity)			
Minority interest (all equity)		572	447
		222,103	199,760
Total capital employed			

The accounts were approved by the Board of Directors on 7 March 2005 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 2004

	Note	2004 £000's	2003 £000's
Fixed assets			
Tangible assets	9	101	120
Investments	10	198,641	199,223
		198,742	199,343
Current assets			
Debtors – due within one year	12	44,060	40,037
Debtors – due after more than one year	12	273,936	221,480
Cash at bank and in hand		1,023	15,750
		319,019	277,267
Creditors:			
Amounts falling due within one year	13	(75,393)	(57,996)
Net current assets		243,626	219,271
Total assets less current liabilities		442,368	418,614
Creditors:			
Amounts falling due after more than one year	14	(152,022)	(136,395)
Provision for liabilities and charges	16	–	–
Net assets		290,346	282,219
Capital and reserves			
Called up share capital	17	12,139	12,027
Share premium account	18	16,793	14,967
Merger reserve	18	21,655	21,655
Capital redemption reserve	18	347	347
Special reserve	18	130,365	130,365
L-TIP reserve	18	554	237
Exchange reserve	18	(214)	(36)
Profit and loss account	18	108,707	102,657
Shareholders' funds (all equity)		290,346	282,219

The accounts were approved by the Board of Directors on 7 March 2005 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 2004

	Note	2004 £000's	2004 £000's	2003 £000's	2003 £000's
Net cash inflow from operating activities	19		77,422		97,942
Returns on investments and servicing of finance					
Interest received		2,319		1,744	
Interest paid		(8,301)		(8,476)	
Interest element of finance lease rentals		(171)		(406)	
Dividends paid to minority shareholders		(447)		(294)	
Net cash outflow from returns on investments and servicing of finance			(6,600)		(7,432)
Tax paid			(15,049)		(10,809)
Capital expenditure					
Purchase of tangible fixed assets		(22,627)		(13,367)	
Sale of tangible fixed assets		1,549		1,405	
			(21,078)		(11,962)
Acquisitions					
Purchase of subsidiary undertakings and businesses		(35,826)		(3,026)	
Net cash acquired with subsidiary undertakings and businesses		86		343	
Net cash outflow from acquisitions			(35,740)		(2,683)
Equity dividends paid			(15,587)		(14,153)
Cash (outflow)/inflow before financing			(16,632)		50,903
Financing					
Issue of ordinary share capital		1,938		895	
Lease financing		-		286	
Capital element of finance lease rental payments		(3,317)		(5,408)	
Repayment of loans		(17,172)		(16,873)	
New loans		-		26,499	
Net cash (outflow)/inflow from financing			(18,551)		5,399
(Decrease)/increase in cash	20		(35,183)		56,302

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. The Consolidated Balance Sheet at 31 December 2003 has been restated for a change in pension scheme presentation as described in note 22d.

Basis of accounting

The accounts have been prepared under the historical cost convention and 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 business, 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 £23,059,000 (2003 profit : £46,344,000). All recognised gains and losses are accounted for in either the Company's Profit and Loss Account or the Consolidated Statement of Total Recognised Gains and Losses.

Investments

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

Turnover

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

Pension costs

The Company operates six defined benefit pension schemes. The full service cost of the pension schemes is charged to operating profit. The finance cost of liabilities and expected return on assets are shown as a net amount of other finance charges or credits on the face of the Consolidated Profit and Loss Account. Both the service cost and the finance charges or credits are included as part of staff pension costs in note 5. The actuarial gain/loss is charged through the Statement of Total Recognised Gains and Losses and is made up of the difference between the expected return on assets and those actually achieved, the difference between the actuarial assumptions for liabilities and actual experience in the period and any changes in the assumptions used in the valuations.

Under FRS 17 Retirement benefits, the 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. The pension scheme deficit is recognised in full, net of deferred tax, and presented on the face of the Consolidated Balance Sheet.

For defined contribution schemes the amount charged to the Consolidated Profit and Loss Account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Consolidated Balance Sheet.

In the prior year, two book reserved schemes operated in Germany and France were reported within other provisions. In 2004, in accordance with FRS 17, these are now included as part of the FRS 17 pensions liability. The impact of this restatement is disclosed in note 22d.

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.

STATEMENT OF ACCOUNTING POLICIES

continued

Foreign currency (continued)

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 Statement of Total Recognised Gains and Losses.

In the Company, where a direct relationship exists between a foreign currency investment and a foreign currency borrowing, the Company retranslates both the investment and the borrowing at the closing rate of exchange, with any movements being taken to the Company exchange reserve.

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 substantively 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 to the Group less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of 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 supplier rebates) 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

The Group makes provisions in respect of onerous leasehold property contracts and leasehold dilapidation commitments where it is probable that a transfer of economic benefits will be required to settle a present obligation.

NOTES TO THE ACCOUNTS

1 Segmental information

Geographical analysis	2004			2003		
	Turnover £000's	Operating Profit £000's	Net Assets £000's	Turnover £000's	Operating Profit £000's	Net Assets £000's
Existing operations						
- UK & Republic of Ireland	884,220	62,217	225,063	810,704	54,235	187,621
- Mainland Europe	427,285	15,487	93,205	394,153	11,038	121,197
- USA	57,588	1,681	19,194	63,668	906	19,850
- Parent Company	-	(3,940)	(120,855)	-	(2,741)	(128,908)
- Amortisation of goodwill	-	(5,653)	-	-	(4,796)	-
Total	1,369,093	69,792	216,607	1,268,525	58,642	199,760
Acquisitions						
- UK & Republic of Ireland	22,834	1,912	4,462	-	-	-
- Mainland Europe	6,310	(31)	1,034	-	-	-
	29,144	1,881	5,496	-	-	-
Total continuing operations	1,398,237	71,673	222,103	1,268,525	58,642	199,760

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 amortisation of goodwill, £4.807m (2003 : £3.951m) relates to the UK & Republic of Ireland, £0.639m (2003 : £0.602m) relates to Mainland Europe and £0.207m (2003 : £0.243m) relates to the USA.

2 Cost of sales and other operating expenses

	2004 Existing operations £000's	2004 Acquisitions £000's	2004 Total £000's	2003 £000's
Cost of sales	1,015,945	21,107	1,037,052	948,169
<i>Operating expenses:</i>				
Distribution costs	113,132	2,852	115,984	106,116
Selling and marketing costs	92,621	2,149	94,770	86,635
Administrative expenses	77,603	1,155	78,758	68,963
	283,356	6,156	289,512	261,714

The administrative expenses above include £5.653m (2003 : £4.796m) in respect of amortisation of goodwill.

3 Net interest payable and other finance charges

	2004 £000's	2003 £000's
Interest payable and similar charges:		
On bank loans, overdrafts and other items	1,607	1,516
On US Senior loan notes	6,224	6,288
On finance leases and hire purchase agreements	171	406
	8,002	8,210
Interest receivable	(2,319)	(1,744)
Net interest payable	5,683	6,466
Other finance charges:		
Net finance charge on pension assets and liabilities (note 22d)	470	685
Total	6,153	7,151

NOTES TO THE ACCOUNTS

continued

4 Profit on ordinary activities before taxation

	2004 £000's	2003 £000's
Profit on ordinary activities before taxation is stated after crediting:		
Gain on disposal of tangible fixed assets	279	335
And after charging:		
Depreciation of tangible fixed assets		
– owned	16,223	14,231
– held under finance leases and hire purchase agreements	1,597	2,600
Amortisation of goodwill	5,653	4,796
Operating lease rentals		
– land and buildings	23,077	21,555
– plant and machinery	3,816	3,670
Auditors' remuneration for audit services		
– Group (excluding Company)	565	487
– Company	40	30
Non-audit fees	620	535
Staff costs (note 5)	174,986	156,641

The audit fees paid to Deloitte & Touche LLP were £382,000 (2003 : £310,000). The remaining audit fees were paid to two other firms of auditors undertaking work overseas.

The non-audit fees relate to tax compliance £162,000 (2003 : £247,000), tax consultancy £366,000 (2003 : £266,000) and other advice £92,000 (2003 : £22,000). Of these non-audit fees £323,000 (2003 : £345,000) was paid to Deloitte & Touche LLP and the remainder was paid to two other firms noted above undertaking work overseas.

The Group has also incurred fees of £130,000 (2003 : £63,000) in respect of tax consultancy and other advisory services from another firm of accountants who are not auditors to any Group company.

5 Staff costs

Particulars of employees (including Directors) are shown below:

	2004 £000's	2003 £000's
Employee costs during the year amounted to:		
Wages and salaries	150,846	134,536
Social security costs	19,747	17,824
Other pension costs (note 22)	4,393	4,281
	174,986	156,641

Of the pension costs noted above, £1.872m (2003 : £1.828m) relates to defined benefit schemes and £2.521m (2003 : £2.453m) relates to defined contribution schemes.

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

	2004 Number	2003 Number
Production	1,085	1,041
Distribution	2,318	2,132
Sales	2,439	2,186
Administration	1,029	1,003
	6,871	6,362

Directors' emoluments:

Details of the individual Directors' emoluments are given in the Directors' Remuneration Report on page 45.

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

	2004 £000's	2003 £000's
Director's remuneration	1,354	1,056

6 Tax on profit on ordinary activities

The taxation charge comprises:

	2004 £000's	2003 £000's
Current tax:		
UK Corporation tax – on profits for the year	14,707	13,530
– adjustments in respect of previous years	397	187
	15,104	13,717
Overseas taxation – on profits for the year	4,117	2,489
– adjustments in respect of previous years	411	(176)
Total current tax	19,632	16,030
Deferred taxation:		
Current year	4,453	2,432
Adjustments in respect of previous years	(3,226)	(1,770)
Deferred tax charge in respect of pension schemes	501	94
Total deferred tax	1,728	756
	21,360	16,786

The current tax charge for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2003 : 30%). The differences are explained in the following reconciliation:

	2004 £000's	2003 £000's
Profit on ordinary activities before tax	65,520	51,491
Tax at 30% thereon:	19,656	15,447
Factors effecting charge for the year:		
Amortisation of goodwill	1,671	1,294
Permanent items	415	1,861
Capital allowances differing from depreciation	(529)	(250)
Short term timing differences	(511)	(462)
Losses and goodwill included in deferred tax	(3,277)	(1,814)
Losses not recognised in deferred tax	156	70
Adjustments in respect of previous years	808	11
Effect of overseas tax rates	1,243	(127)
Current tax charge for the year	19,632	16,030

The Group's total tax charge is currently 32.6% of profit before taxation (2003 : 32.6%). 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 and Poland, all overseas trading companies attract a higher corporation tax rate than that suffered in the UK of 30%. If the proportion of profits from overseas companies increases, this could result in a higher Group tax charge.
- the adverse impact of permanent disallowables, including non tax deductible amortisation of goodwill, on the Group tax charge.

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

7 Equity dividends paid and proposed

Ordinary:

	2004 £000's	2003 £000's
– interim paid of 4.6p per share (2003 : 4.1p)	5,604	4,937
– final proposed of 9.4p per share (2003 : 8.3p)	11,412	9,983
	17,016	14,920

NOTES TO THE ACCOUNTS

continued

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	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Profit after tax	44,160	34,705	44,160	34,705
Minority interests	(572)	(447)	(572)	(447)
Amortisation of goodwill	-	-	5,653	4,796
	43,588	34,258	49,241	39,054

Weighted average number of shares:

	2004 Number	2003 Number
For basic earnings per share	120,863,011	119,981,696
Exercise of share options	1,747,068	1,313,821
For diluted earnings per share	122,610,079	121,295,517

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		Plant and machinery £000's	Total £000's
	Freehold £000's	Short leasehold £000's		
The movement in the year was as follows:				
Cost:				
Beginning of year	18,947	8,134	92,837	119,918
Exchange difference	70	(2)	164	232
Businesses acquired	-	5	1,415	1,420
Additions	1,712	848	20,301	22,861
Disposals	-	(689)	(9,339)	(10,028)
End of year	20,729	8,296	105,378	134,403
Depreciation:				
Beginning of year	5,770	1,758	43,196	50,724
Exchange difference	22	(17)	131	136
Charge for year	891	868	16,061	17,820
Disposals	-	(637)	(8,121)	(8,758)
End of year	6,683	1,972	51,267	59,922
Net book value, beginning of year	13,177	6,376	49,641	69,194
Net book value, end of year	14,046	6,324	54,111	74,481

The net book value of plant and machinery includes an amount of £3.853m (2003 : £8.113m) in respect of assets held under finance leases and hire purchase agreements.

9 Tangible fixed assets (continued)

Company	Freehold land and buildings £000's	Plant and machinery £000's	Total £000's
The movement in the year was as follows:			
Cost:			
Beginning of year	62	201	263
Additions	–	22	22
End of year	62	223	285
Depreciation:			
Beginning of year	17	126	143
Charge for year	6	35	41
End of year	23	161	184
Net book value, beginning of year	45	75	120
Net book value, end of year	39	62	101

10 Fixed asset investments and intangible assets

Company	2004 £000's	2003 £000's
Fixed asset investments comprise investments in subsidiary undertakings, as follows:		
Cost:		
Beginning of year	199,250	230,368
Additions	–	66,996
Disposal	–	(98,114)
Exchange difference	(582)	–
End of year	198,668	199,250
Provisions, beginning and end of year	(27)	(27)
Net book value, beginning of year	199,223	230,341
Net book value, end of year	198,641	199,223

The exchange difference arising in the year relates to the retranslation of an overseas investment.

NOTES TO THE ACCOUNTS

continued

10 Fixed asset investments and intangible assets (continued)

Group	2004 £000's	2003 £000's
Intangible assets comprise goodwill arising on the acquisition of subsidiary undertakings, as follows:		
Cost:		
Beginning of year	92,951	90,152
Additions	41,002	2,799
End of year	133,953	92,951
Amortisation:		
Beginning of year	14,255	9,459
Charge for year	5,653	4,796
End of year	19,908	14,255
Net book value, beginning of year	78,696	80,693
Net book value, end of year	114,045	78,696

Details of the Group's principal trading subsidiaries, all of which have been included in the consolidated accounts, are shown on page 77. The Group has adopted the acquisition method of accounting for each acquisition.

During 2004 the Group acquired the entire share capital of Orion Trent Holdings Limited ("Orion Trent"), Rectification et Spécialités S.A., Techniques Applications S.A., Idencourt Limited, Accurate Roofing Supplies Limited, Blueprint Construction Supplies Limited, Scotplas Limited, Marvellous Fixings Limited, Lee and Son Limited, Monofix Limited, Forte GmbH and certain trade and assets of Homewarm Insulations Limited and Dubois Materiaux S.A. for £45.178m including acquisition expenses. The fair value of the total net assets acquired was £4.176m resulting in goodwill of £41.002m.

For all the acquisitions noted above, with the exception of Orion Trent, the pre-acquisition results are considered immaterial, and as such, have not been disclosed.

The pre-acquisition profit after tax for Orion Trent, which was acquired on 6 September 2004, for the eight months ended 6 September 2004 amounted to £1.093m (Twelve months ended 31 December 2003 : £0.588m).

The 2004 Consolidated Profit and Loss Account includes the following amounts in respect of the acquisition of Orion Trent: turnover £11.990m, cost of sales, £8.881m; distribution costs, £1.345m; selling and marketing costs, £0.922m and administrative expenses, of £0.080m giving an operating profit of £0.762m.

Orion Trent had the following effects on the Group's cashflows in 2004: net cash inflow from operating activities, £0.184m; interest paid, £0.049m; capital expenditure, £0.012m; taxation paid £0.554m.

10 Fixed asset investments and intangible assets (continued)

2004 acquisitions summary fair value table

	Orion Trent			Other acquisitions			Group Total
	Book Values £000's	Accounting policy alignment £000's	Fair value £000's	Book values £000's	Accounting policy alignment £000's	Fair value £000's	Fair value £000's
Fixed assets							
Intangible assets – goodwill	2,311	(2,311)	–	–	–	–	–
Tangible assets	915	(77)	838	669	(87)	582	1,420
Total fixed assets	3,226	(2,388)	838	669	(87)	582	1,420
Current assets							
Stocks	1,176	(127)	1,049	3,276	(133)	3,143	4,192
Debtors	9,241	(66)	9,175	6,765	(83)	6,682	15,857
Cash/(overdraft)	(1,076)	–	(1,076)	1,162	–	1,162	86
Total assets	12,567	(2,581)	9,986	11,872	(303)	11,569	21,555
Liabilities	(10,792)	(213)	(11,005)	(6,048)	(326)	(6,374)	(17,379)
Net assets	1,775	(2,794)	(1,019)	5,824	(629)	5,195	4,176
Goodwill			21,825			19,177	41,002
Total consideration			20,806			24,372	45,178
Represented by:							
Contingent consideration			1,000			1,346	2,346
Cash			18,895			16,931	35,826
Loan notes			911			6,095	7,006
Total consideration			20,806			24,372	45,178
Acquisition cashflows during the year:							
Cash paid for acquisitions during the year			18,895			16,931	35,826
Net debt/(cash) acquired			1,076			(1,162)	(86)
Net cash outflow from acquisitions			19,971			15,769	35,740

Due to the proximity of the timing of some of the acquisitions close to the year end, the Directors have made a provisional assessment of the fair value of the net assets acquired. Any further adjustments arising will be accounted for in 2005.

The contingent consideration of £2.346m 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	
	2004 £000's	2003 £000's
Raw materials and consumables	4,025	3,946
Finished goods and goods for resale	112,411	89,089
	116,436	93,035

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

NOTES TO THE ACCOUNTS

continued

12 Debtors

	Group		Company	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Trade debtors	243,766	211,021	-	-
Amounts owed by subsidiary undertakings	-	-	315,770	258,778
Corporation tax recoverable	-	-	1,963	2,258
VAT	1,840	482	-	-
Other debtors	4,877	3,719	-	-
Prepayments and accrued income	13,279	8,261	263	481
	263,762	223,483	317,996	261,517

All of the Group's debtors are due within one year (2003 : All).

Of the total amount owed to the Company by subsidiary undertakings, £273.936m (2003 : £221.480m) is due after more than one year.

13 Creditors: Amounts falling due within one year

	Group		Company	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Obligations under finance leases and hire purchase agreements	1,391	3,258	-	-
Bank overdrafts	2,966	4,061	8,490	14,501
Bank loans	10,245	26,898	10,078	26,258
Trade creditors	118,235	92,779	-	-
Bills of exchange payable	13,632	10,221	-	-
Amounts owed to subsidiary undertakings	-	-	37,831	3,161
Taxation and social security:				
-Corporation tax payable	14,976	10,445	-	-
-VAT	6,392	6,802	-	-
-Social security and payroll taxes	4,550	3,987	-	-
Proposed dividend	11,412	9,983	11,412	9,983
Accruals and deferred income	46,344	30,184	7,582	4,093
	230,143	198,618	75,393	57,996

£1.778m (2003 : £0.636m) of the above Group bank loans and overdrafts are secured on the assets of subsidiary undertakings. The remaining Group balances are unsecured. All of the Company's bank loans and overdrafts are unsecured.

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Obligations under finance leases and hire purchase agreements:				
-Due after one and within two years	366	1,278	-	-
-Due after two and within five years	198	78	-	-
Bank loans	1,345	2,187	-	-
Loan notes	7,006	-	-	-
US Senior loan notes	94,268	93,972	94,268	93,972
Amounts owed to subsidiary undertakings	-	-	57,754	42,423
Accruals and deferred income	3,002	904	-	-
	106,185	98,419	152,022	136,395

14 Creditors: Amounts falling due after more than one year (continued)

	Group		Company	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
The bank loans included above are repayable as follows:				
Due after one and within two years	808	1,388	-	-
Due after two and within five years	151	294	-	-
Due after five years	386	505	-	-
	1,345	2,187	-	-
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
The loan notes included above are repayable as follows:				
Due after one and within two years	7,006	-	-	-

Of the above bank loans, £1.336m (2003 : £2.176m) is secured on certain of the assets of subsidiary undertakings, and is repayable by instalments.

The bank loan repayable after more than five years attracts a fixed interest rate of 3.4% and is repayable in full in 2017.

The US Senior loan notes are unsecured, repayable in 2008 (£34.283m) and 2011 (£59.985m) 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 2003 and 2004 is a result of the movements in Euro/Sterling exchange rate on the associated derivative contracts. In accordance with SSAP 20 Foreign currency translation, the exchange loss of £0.296m 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 24 to 27 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 repayable on demand) of £19.467m (2003 : £55.417m) which are part of the financing arrangements of the Group.

After taking into account interest rate and currency swaps, the interest rate and currency profile of the Group's financial liabilities at 31 December 2004 was as follows:

	Total 2004 £000's	Floating rate 2004 £000's	Fixed rate 2004 £000's	Total 2003 £000's	Floating rate 2003 £000's	Fixed rate 2003 £000's
Sterling	37,231	-	37,231	27,416	-	27,416
Euro	74,824	2,598	72,226	97,263	4,063	93,200
US Dollar	5,730	652	5,078	7,053	1,054	5,999
Total	117,785	3,250	114,535	131,732	5,117	126,615

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

The interest rate on floating rate financial liabilities is linked to LIBOR for Euro liabilities and the US prime rate and LIBOR for US Dollar liabilities.

£24.149m (2003 : £24.149m) of the Sterling and £70.119m (2003 : £69.823m) 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% (2003 : 6.851%).

NOTES TO THE ACCOUNTS

continued

15 Derivatives and other financial instruments (continued)

£1.068m (2003 : £3.267m) of the Sterling and £0.888m (2003 : £1.345m) of the Euro fixed rate liabilities are lease contracts taken out over a maximum period of 5 years with an average interest rate of 5.6% (2003 : 5%).

The remaining Sterling fixed rate liabilities of £12.014m (2003 : nil) have a weighted average interest rate of 3.8% (2003 : nil) and are repayable over a weighted average period of one year (2003 : nil). Of this amount, £7.006m is loan notes payable in respect of certain acquisitions made during the year.

The remaining Euro fixed rate liabilities of £1.219m (2003 : £22.032m) have a weighted average interest rate of 3.6% (2003 : 2.7%) and are repayable over a weighted average period of three years (2003 : one year).

The US Dollar fixed rate liability attracts an interest rate of 2.92% (2003 : 1.63%) and is repayable within one year.

Currency exposures

The Group's objectives in managing the currency exposures arising from its net investment overseas (in other words, its structural currency exposures) are 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 65 represent a hedge against the Group's overseas net investments, and therefore the 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 amount arising in the Group during 2004 in respect of transactional exposures amounted to a loss of £112,000 (2003 : gain of £171,000).

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2004 was as follows:

	Borrowings	
	2004 £000's	2003 £000's
In one year or less	14,602	34,218
In more than one year but not more than two years	8,180	2,665
In more than two years but not more than five years	34,632	34,556
In more than five years	60,371	60,293
Total	117,785	131,732

Borrowing facilities

The Group had undrawn committed borrowing facilities at 31 December 2004 as follows:

	Borrowings	
	2004 £000's	2003 £000's
Expiring in more than one year but not more than two years	25,007	21,937
Expiring in more than two years but not more than five years	8,446	676
Expiring in more than five years	361	-
Total	33,814	22,613

Fair values

The estimated fair value of financial assets and liabilities at 31 December 2004 was:

	2004	2004	2003	2003
	Book value £000's	Fair value £000's	Book value £000's	Fair value £000's
US Senior loan notes	94,268	63,854	93,972	68,128
US Senior loan note swaps	-	37,039	-	28,640
Cash less overdrafts	(16,501)	(16,501)	(51,356)	(51,356)
Bank loans	11,590	11,590	29,085	29,085
Loan notes	7,006	7,006	-	-
Total	96,363	102,988	71,701	74,497

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

The fair value 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 2004.

The US Senior loan notes and their associated swaps form a net investment hedge of the Group's European businesses and consequently, differences under UK GAAP between fair value and book value are not expected to impact the Consolidated Profit and Loss Account.

16 Provision for liabilities and charges

	Group		Company	
	2004 £000's	2003 Restated £000's	2004 £000's	2003 £000's
Deferred tax	2,279	1,068	-	-
Other provisions	10,449	7,063	-	-
	12,728	8,131	-	-

Deferred tax	Group		Company	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Deferred tax analysis:				
Capital allowances in excess of depreciation	867	1,417	(12)	(15)
Short term timing differences	(4,225)	(1,504)	(171)	(71)
Losses	(5,614)	(10,236)	-	-
Tax deductible goodwill in overseas entities	11,251	11,391	-	-
Reclassification to other debtors	-	-	183	86
	2,279	1,068	-	-
The movement during the year was as follows:				
Beginning of year	1,068	439	(86)	(8)
On acquisition of subsidiaries	3	(33)	-	-
Charge/(credit) for the year	1,227	662	(97)	(78)
Exchange differences	(19)	-	-	-
Reclassification to other debtors	-	-	183	86
End of year	2,279	1,068	-	-

Deferred tax on defined benefit pension schemes is included as part of the net pension liability detailed in note 22d.

Other provisions

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

Group	Onerous leases £000's	Leasehold dilapidations £000's	Other amounts £000's	Total £000's
Beginning of year (restated - note 22d)	2,018	4,914	131	7,063
Transferred in from accruals	-	205	-	205
Released	(348)	(35)	(16)	(399)
Utilised	(419)	(308)	(81)	(808)
Added on acquisition	-	225	-	225
Charge for the year	2,631	1,147	375	4,153
Exchange difference	-	-	10	10
End of year	3,882	6,148	419	10,449

Onerous leases

The Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing. The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and the likely income from existing and future sub lease agreements on a contract by contract basis. The provision covers potential transfer of economic benefit over the full range of current lease commitments disclosed in note 22.

Leasehold dilapidations

These provisions relate to contractual obligations to reinstate leasehold properties into their original state of repair at the end 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.

Other amounts relate principally to claims provisions.

NOTES TO THE ACCOUNTS

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17 Called up share capital

	2004 £000's	2003 £000's
Authorised:		
190,000,000 ordinary shares of 10p each (2003 : 190,000,000)	19,000	19,000
Allotted, called up and fully paid:		
121,394,738 ordinary shares of 10p each (2003 : 120,271,800)	12,139	12,027

Cash consideration received by the Company for 1,122,938 10p ordinary shares allotted during the year amounted to £1.938m (2003 : £0.895m).

At 31 December 2004 the following share options were outstanding:

Scheme and date of grant	Number of shares				Exercise dates			
	At 1 January 2004	Granted	Exercised	Lapsed	At 31 December 2004	Option price per 10p share	Date from which option may be exercised	Expiry date
1989 Share Option Scheme								
19/04/1994	170,000	-	(149,000)	(21,000)	-	261.00p	19/04/1997	Expired
Long Term Incentive Plan (L-TIP)								
11/04/2000	7,179	-	(2,966)	-	4,213	10.00p	11/04/2003	10/04/2007
17/04/2001	38,513	-	-	-	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	01/10/2005	02/10/2009
11/04/2003	139,767	-	-	-	139,767	10.00p	11/04/2006	10/04/2010
11/05/2004	-	190,447	-	-	190,447	10.00p	11/05/2007	10/05/2011
1997 Executive Share Option Scheme								
30/05/1997	155,500	-	(76,211)	(13,500)	65,789	309.50p	30/05/2000	29/05/2007
27/04/1998	87,473	-	(48,716)	(1,500)	37,257	212.50p	27/04/2001	26/04/2008
01/04/1999	84,000	-	(26,500)	(8,000)	49,500	158.50p	01/04/2002	31/03/2009
11/04/2000	84,000	-	(30,098)	(5,000)	48,902	232.50p	11/04/2003	10/04/2010
11/09/2000	3,000	-	(1,500)	-	1,500	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	-	-	(21,000)	182,500	321.00p	19/04/2005	19/04/2012
11/04/2003	215,500	-	-	(3,000)	212,500	205.50p	11/04/2006	11/04/2013
Savings Related Schemes								
11/05/1999	635,972	-	(625,394)	(10,578)	-	122.00p	01/07/2002	Expired
02/05/2000	144,270	-	-	(6,891)	137,379	186.00p	01/07/2003	31/12/2005
04/05/2001	360,898	-	(157,103)	(23,143)	180,652	201.00p	01/07/2004	31/12/2006
17/05/2002	356,527	-	(2,336)	(57,609)	296,582	257.00p	01/07/2005	31/12/2007
07/05/2003	1,318,231	-	(3,114)	(201,324)	1,113,793	165.00p	01/07/2006	31/12/2008
10/05/2004	-	431,969	-	-	431,969	300.00p	01/07/2007	31/12/2009
Total	4,234,106	622,416	(1,122,938)	(535,045)	3,198,539			

18 Reserves

	Group		Company	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Share premium account	16,793	14,967	16,793	14,967
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	554	237	554	237
Exchange reserve	(356)	66	(214)	(36)
Profit and loss account	169,941	149,556	108,707	102,657
Total reserves	209,392	187,286	278,207	270,192

There was no movement in the Capital redemption reserve and Special reserve of the Group and of the Company during the year, or in the Company's Merger reserve.

The movement in other 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				
Beginning of year	14,967	237	66	149,556
Premium on allotments	1,826	-	-	-
Retained profit for the year	-	-	-	26,572
Tax credit on exchange difference arising on foreign currency borrowings	-	-	1,786	-
Exchange difference on retranslation of overseas net investments	-	-	(532)	-
Exchange difference on foreign currency borrowings	-	-	(1,676)	-
Actuarial loss	-	-	-	(8,728)
Deferred taxation on actuarial loss	-	-	-	2,534
Credit to L-TIP reserve	-	324	-	-
Transfer on L-TIP exercise	-	(7)	-	7
End of year	16,793	554	(356)	169,941

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 (2003 : £133.431m).

For all L-TIP share options issued, the difference between the market prices at the date of grant and the nominal share option price is charged to the Consolidated Profit and Loss Account and credited to the L-TIP reserve over their vesting periods. A transfer of this provision is made from the L-TIP reserve to the profit and loss reserve as the options are exercised.

The pension liability net of deferred tax of £17.032m (2003 : £14.897m) has been deducted from the profit and loss account reserve.

	Share premium account £000's	L-TIP reserve £000's	Exchange reserve £000's	Profit and loss account £000's
Company				
Beginning of year	14,967	237	(36)	102,657
Premium on allotments	1,826	-	-	-
Retained profit for the year	-	-	-	6,043
Exchange differences on retranslation of overseas investments and loans	-	-	(178)	-
Credit to L-TIP reserve	-	324	-	-
Transfer on L-TIP exercise	-	(7)	-	7
End of year	16,793	554	(214)	108,707

NOTES TO THE ACCOUNTS

continued

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

	Group	
	2004 £000's	2003 £000's
Operating profit	71,673	58,642
Depreciation charge	17,820	16,831
Amortisation of goodwill	5,653	4,796
Profit on sale of tangible fixed assets	(279)	(335)
Increase in stocks	(19,307)	(2,525)
(Increase)/decrease in debtors	(21,573)	946
Increase in creditors	23,435	19,587
Net cash inflow from operating activities	77,422	97,942

The acquisitions during the year had the following effects on the Group's cash flows: net cash inflow from operating activities, £1.125m; interest paid, £0.049m; capital expenditure, £0.114m; taxation paid, £0.624m.

Included within the increase in creditors is a cash outflow relating to pension contributions being £4.578m (2003 : £0.313m) greater than the amount charged to operating profit.

20 Reconciliation of net cash flow to movements in net debt

	Group	
	2004 £000's	2003 £000's
(Decrease)/increase in cash in the year	(35,183)	56,302
Cash inflow/(outflow) from movement in debt	20,255	(4,504)
Changes in net debt resulting from cash flows	(14,928)	51,798
Acquisitions	(7,488)	(20)
Exchange differences	413	(4,713)
Movement in net debt in the year	(22,003)	47,065
Net debt at beginning of year	(76,315)	(123,380)
Net debt at end of year	(98,318)	(76,315)

21 Analysis of net debt

	At 1 January 2004 £000's	Cash flows £000's	Non cash items £000's	Acquisitions £000's	Exchange differences £000's	At 31 December 2004 £000's
Cash	55,417	(36,306)	-	-	356	19,467
Overdrafts	(4,061)	1,123	-	-	(28)	(2,966)
	51,356	(35,183)	-	-	328	16,501
Debts due within one year	(26,898)	16,343	-	-	310	(10,245)
Debts due after one year	(96,159)	829	-	(7,070)	(219)	(102,619)
Finance leases and hire purchase agreements	(4,614)	3,317	(234)	(418)	(6)	(1,955)
	(76,315)	(14,694)	(234)	(7,488)	413	(98,318)

22 Guarantees and other financial commitments

	Group	
	2004 £000's	2003 £000's
a. Capital commitments		
Contracted but not provided for	5,560	3,191

The Company has no capital commitments (2003 : £ nil).

b. Lease commitments

The Group leases a number of its premises under leases which expire between 2005 and 2049.

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

	2004 £000's	2003 £000's
Operating leases which expire:		
– within 1 year	4,532	5,183
– within 2-5 years	8,807	9,924
– after 5 years	10,954	8,367
	24,293	23,474

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

	2004 £000's	2003 £000's
Operating leases which expire:		
– within 1 year	638	1,428
– within 2-5 years	3,188	2,488
– after 5 years	–	139
	3,826	4,055

c. Guarantees

The Company has cross guaranteed overdrafts of subsidiary undertakings amounting to £5.894m (2003 : £8.011m).

d. Pension schemes

The Group operates a number of pension schemes, six (2003 : six) of which provide defined benefits based on final pensionable salary. Of these schemes, four (2003 : four) have assets 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 five smaller schemes.

Change in presentation

In the prior year, two book reserved schemes operated in Germany and France were reported within other provisions. In 2004, in accordance with FRS 17, these are now included as part of the FRS 17 pension liability.

The effect of this change in presentation as at 31 December 2003 is a restatement to decrease the provision for liabilities and charges from £9.327m to £8.131m, to increase net assets excluding pension liability from £213.461m to £214.657m, and to increase the pension liability from £13.701m to £14.897m. There was no effect on the Consolidated Profit and Loss Account.

Defined benefit pension scheme valuations

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

The main actuarial assumptions in the pension assessments were that over the long term the annual investment return would be 2% higher than the annual increase in pensionable salaries, and after retirement 2.5% higher than the annual price inflation-linked increase in pensions.

The last formal actuarial valuations of three of the defined benefits schemes (including the main scheme) were conducted at 1 January 2004, and showed that the market value of the schemes' assets were £29.8m, £7.8m and £1.9m and their actuarial values covered 64%, 94% and 70% respectively 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 2004 and showed that the market value of the scheme's assets was £1.2m and its actuarial value covered 60% of the benefits accrued to members after allowing for expected future increases in pensionable salaries.

The fifth and sixth schemes are book reserved schemes whereby the sponsoring company does not hold any separate assets to fund the pension scheme but make a reserve in their accounts. Therefore, these schemes do not hold separate scheme assets. The liabilities of the schemes are met by the sponsoring companies.

NOTES TO THE ACCOUNTS

continued

22 Guarantees and other financial commitments (continued)

d. Pension schemes (continued)

Consolidated Profit and Loss Account Charges

The pension charge for the year relating to the main scheme was £1.440m (2003 : £1.458m), £0.432m (2003 : £0.370m) in relation to other schemes and was £2.521m (2003 : £2.453m) in relation to defined contribution schemes. In accordance with FRS 17 Retirement benefits, the charge for the defined benefit schemes has been calculated as the sum of the cost of benefits accruing in the year, the increase in the value of benefits already accrued and the expected return on assets.

The Group contribution to the main scheme (including fixed monthly contributions) during the year amounted to 31.7% of pensionable salaries. In addition, in December 2004, a special contribution of £4.0m was made to the main scheme on advice of the actuary.

The actuarial valuations described above have been updated at 31 December 2004 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.

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

Consolidated Balance Sheet liability

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

	2004	2004	2003	2003
	£000's	£000's	Restated £000's	Restated £000's
Deficit in the main scheme	(18,791)		(15,445)	
Related deferred tax asset	6,537		4,633	
Net pension liability of the main scheme		(12,254)		(10,812)
Deficit in the other defined benefit schemes	(6,145)		(5,323)	
Related deferred tax asset	1,367		1,238	
Net pension liability of the other defined benefit schemes		(4,778)		(4,085)
Total pension liability		(17,032)		(14,897)

The net actuarial loss, adjusted for deferred tax, for the year recognised in the Consolidated Statement of Total Recognised Gains and Losses amounted to £6,194,000 (2003 : gain of £234,000).

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

	£000's
Net pension liability at beginning of year (restated)	(14,897)
Current service cost	(1,402)
Contributions	6,450
Net finance cost	(470)
Actuarial loss	(8,728)
Exchange difference	(18)
Deferred tax asset movement – Consolidated Statement of Total Recognised Gains and Losses	2,534
Deferred tax asset movement – Consolidated Profit and Loss Account	(501)
Net pension liability at end of year	(17,032)

Main scheme disclosure

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

	2004	2003	2002
	%	%	%
Rate of increase in salaries	4.8	4.6	4.3
Rate of fixed increase of pensions in payment	5.0	5.0	5.0
Rate of increase LPI pensions in payment	2.8	2.6	2.3
Discount rate	5.4	5.4	5.6
Inflation assumption	2.8	2.6	2.3

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

22 Guarantees and other financial commitments (continued)**d. Pension schemes** (continued)

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

	2004 %	2004 £000's	2003 %	2003 £000's	2002 %	2002 £000's
Equities	7.2	23,596	7.5	21,949	7.5	17,306
Bonds	4.9	15,087	5.1	7,772	5.1	6,746
Other	4.5	326	4.8	34	4.5	62
Total fair value of assets		39,009		29,755		24,114
Present value of scheme liabilities		(57,800)		(45,200)		(39,700)
Deficit in the scheme		(18,791)		(15,445)		(15,586)
Related deferred tax asset		6,537		4,633		4,676
Net pension liability		(12,254)		(10,812)		(10,910)

Future joint (employer and employee) contribution rates for the main scheme have been agreed at 21.3% of pensionable salaries plus fixed monthly Company contributions of £120,600.

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

	2004 £000's	2003 £000's
Current service cost	1,091	920

Analysis of the amount charged to other finance charges under FRS 17 in relation to the main scheme:

	2004 £000's	2003 £000's
Expected return on pension scheme assets	2,119	1,711
Interest on pension scheme liabilities	(2,468)	(2,249)
Net finance charge	(349)	(538)

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

	2004 £000's	2003 £000's
Actual return less expected return on assets	951	2,107
Experience gains and losses on liabilities	(4,074)	-
Changes in assumptions	(5,050)	(2,455)
Actuarial loss recognised	(8,173)	(348)

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

	2004 £000's	2003 £000's
Deficit in main scheme at beginning of year	(15,445)	(15,586)
Current service cost	(1,091)	(920)
Contributions	6,267	1,947
Net finance cost	(349)	(538)
Actuarial loss	(8,173)	(348)
Deficit in main scheme at end of year	(18,791)	(15,445)

NOTES TO THE ACCOUNTS

continued

22 Guarantees and other financial commitments (continued)

d. Pension schemes (continued)

History of experience of gains and losses

	2004	2003	2002
Difference between the expected and actual return on scheme assets:			
Amount (£000's)	951	2,107	(6,093)
Percentage of scheme assets	2%	7%	(25%)
Experience gains and losses on scheme liabilities:			
Amount (£000's)	(4,074)	-	-
Percentage of the present value of scheme liabilities	(7%)	0%	0%
Total amount recognised in the Consolidated Statement of Total Recognised Gains and Losses:			
Amount (£000's)	(8,173)	(348)	(8,012)
Percentage of the present value of scheme liabilities	(14%)	(1%)	(20%)

Other Schemes disclosure

The Company also operates a further five 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 valuations of the other defined benefit schemes can be summarised as follows:

	2004 %	2003 %	2002 %
Rate of increase in salaries	4.4	4.3	4.3
Rate of fixed increase of LPI pensions in payment	2.7	2.6	2.3
Discount rate	5.4	5.4	5.6
Inflation assumption	2.8	2.6	2.3

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:

	2004 %	2004 £000's	2003 %	2003 Restated £000's	2002 %	2002 £000's
Equities	6.7	9,996	6.7	9,218	6.6	7,902
Bonds	4.3	942	4.4	1,390	4.3	1,234
Property	6.7	244	6.5	237	6.4	336
Cash	3.8	521	3.9	193	3.6	242
Total fair value of assets		11,703		11,038		9,714
Present value of scheme liabilities		(17,848)		(16,361)		(14,348)
Deficit in the schemes		(6,145)		(5,323)		(4,634)
Related deferred tax asset		1,367		1,238		1,390
Net pension liability		(4,778)		(4,085)		(3,244)

Future joint contribution rates (employers and employees) for two of the above schemes have been agreed at 29.8% and 34.2% of pensionable salaries. Annual joint contributions for another scheme, for which one active member remains, have been agreed at £114,000. For the two overseas book reserved schemes, in accordance with the scheme rules, no contributions are made.

22 Guarantees and other financial commitments (continued)

d. Pension schemes (continued)

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

	2004 £000's	2003 £000's
Current service cost	311	223

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

	2004 £000's	2003 £000's
Expected return on pension scheme assets	611	623
Interest on pension scheme liabilities	(732)	(770)
Net finance charge	(121)	(147)

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

	2004 £000's	2003 £000's
Actual return less expected return on assets	195	864
Experience gains and losses on liabilities	320	(32)
Changes in assumptions	(1,070)	(149)
Net actuarial (loss)/gain recognised	(555)	683

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

	2004 £000's	2003 Restated £000's
Deficit in the other schemes at beginning of year	(5,323)	(4,634)
Current service cost	(311)	(223)
Contributions	183	194
Net finance cost	(121)	(147)
Actuarial (loss)/gain	(555)	683
Transfers in from other provisions	-	(1,196)
Exchange difference	(18)	-
Deficit in the other schemes at end of year	(6,145)	(5,323)

History of experience of gains and losses

	2004	2003	2002
Difference between the expected and actual return on scheme assets:			
Amount (£000's)	195	864	(3,420)
Percentage of scheme assets	2%	8%	(35%)
Experience gains and losses on scheme liabilities:			
Amount (£000's)	320	(32)	(605)
Percentage of the present value of scheme liabilities	2%	0%	(4%)
Total amount recognised in the Consolidated Statement of Total Recognised Gains and Losses:			
Amount (£000's)	(555)	683	(5,142)
Percentage of the present value of scheme liabilities	(3%)	4%	(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 £823,000 (2003 : £944,000).

PRINCIPAL ADDRESSES

Head office

SIG plc

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United Kingdom

SIG Trading Limited, trading as
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CPD Distribution**

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**SIG Roofing Supplies
Support Site**

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**Komfort Office
Environments**

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Safety Distribution

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Orion Trent

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Atlas North
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S4 7QQ

Miller Pattison Limited

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S35 2PH

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Mainland Europe

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& Co. Holding OHG**

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Germany

Ouest Isol

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France

SIG Nederland B.V.

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The Netherlands

WKT Polska Sp. Z o.o.

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Poland

USA

BWI Group, Inc.

10942 Beaver Dam Road
Hunt Valley
MO2130
USA

SIG-Southwest, Inc.

PO Box 23847
Houston
TX 77 28 - 3847
USA

PRINCIPAL TRADING SUBSIDIARIES

At 31 December 2004 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	■	■	■
Insulation Distributors Limited	■		
Germany			
WeGo Dämmstoffe GmbH & Co. Holding OHG	■		■
France			
Société de l'Ouest des Produits Isolants SA (Ouest Isol)	■	■	■
Benelux			
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 specialist construction products.

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..

Past and Forward 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.



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