



SIG plc
Interim Report 2006

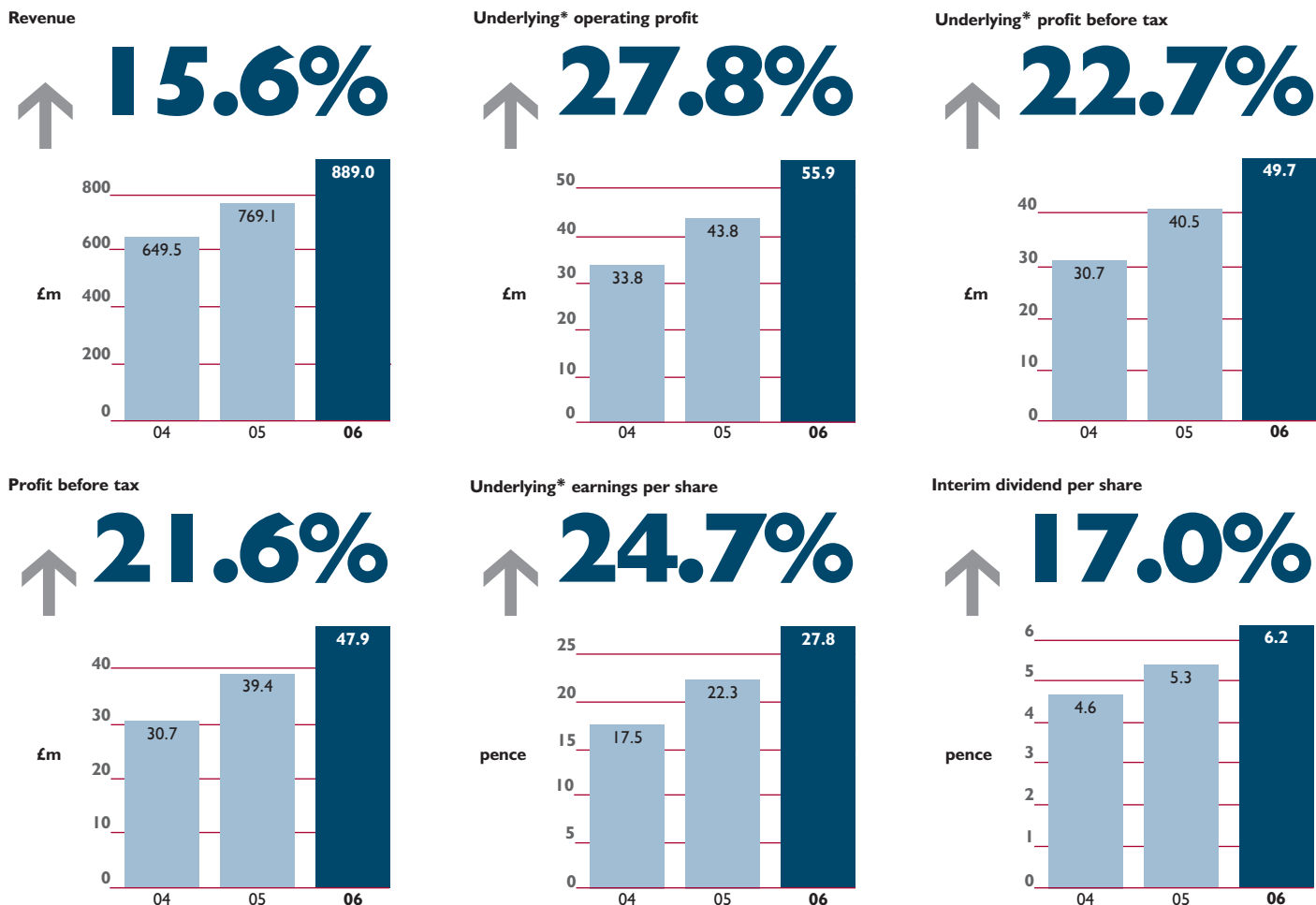


FOCUS, SPECIALISATION AND SERVICE

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

Performance

six months ended 30 June 2006



* Where reference is made to "underlying", this should be taken as meaning before the amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness.

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Highlights

six months ended 30 June 2006

- SIG reports strong sales and profits across all regions.
- Sales increased by 15.6% to £889m (2005: £769m). Like for like sales growth (i.e. excluding the impact of acquisitions made in 2005 and 2006) was 6.7%.
 - UK and Ireland sales increased 17.1% to £605.1m (2005: £516.7m).
 - Mainland Europe sales increased 11.0% to £245.5m (2005: £221.1m).
 - USA sales increased 22.7% to £38.4m (2005: £31.3m).
- Underlying* operating profit increased 27.8% to £55.9m (2005: £43.8m).
 - UK and Ireland underlying operating profit increased 27.4% to £48.0m (2005: £37.7m).
 - Mainland Europe underlying operating profit increased 19.3% to £8.5m (2005: £7.1m).
 - USA underlying operating profit increased by 67.0% to £2.3m (2005: £1.4m).
- Underlying profit before tax was up 22.7% to £49.7m (2005: £40.5m) and underlying basic earnings per share increased by 24.7% to 27.8p (2005: 22.3p).
- Profit before tax was up 21.6% to £47.9m (2005: £39.4m) and basic earnings per share increased by 24.1% to 26.8p (2005: 21.6p).
- Interim dividend per share has been increased 17% to 6.2p (2005: 5.3p).
- So far in 2006, SIG has completed twelve acquisitions, with combined annual sales of c. £115m, for a total consideration of £49m.

* Where reference is made to "underlying", this should be taken as meaning before the amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness.

“The first six months of 2006 has been a period of continued expansion and solid growth throughout the Group.”

Underlying basis

Where reference is made to “underlying”, this should be taken as meaning before the amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness.

The first six months of 2006 has been a period of continued expansion and solid growth throughout the Group.

Strong like for like increases in sales and operating profit across all the geographic regions in which the Group trades were supplemented by the positive impact of businesses acquired in 2005 and during the period.

Results

For the six months to 30 June 2006, compared with the corresponding period in 2005:

Sales

- Total sales were £889m, up £120m (15.6%) over the first half of 2005 (£769m).
- Like for like sales growth, i.e. excluding the impact of acquisitions completed after 1 January 2005, was £51m, an increase of 6.7%.
- Foreign currency exchange rate movements compared to 2005 were minimal, adding less than £5m to Group sales. Sales growth on a constant currency basis was 15.0%.
- Like for like sales growth was achieved in all countries in which the Group has trading operations, and in all principal business streams.

Profits

- Underlying operating profit was £55.9m, an increase of £12.1m (27.8%) over the £43.8m in the first half of 2005.
- Underlying profit before tax increased by £9.2m (22.7%) to £49.7m (2005: £40.5m).
- Net finance charges before hedge ineffectiveness were £6.2m (up from £3.3m for the first half of 2005) reflecting the expenditure on acquisitions and increased Euro interest rates since June 2005.
- Profit before tax increased by £8.5m, up 21.6% to £47.9m (2005: £39.4m).

Earnings per share

- Underlying basic earnings per share were 27.8p, up 5.5p (24.7%) on the 22.3p in the first half of 2005.
- Basic earnings per share increased by 5.2p to 26.8p (2005: 21.6p), an increase of 24.1%.

Financial

- Balance sheet gearing was 65% at 30 June 2006, compared to 60% at 31 December 2005.
- Interest cover continues to be healthy at 9 times (30 June 2005: 13 times).

Dividend

An interim dividend of 6.2p per share has been declared, an increase of 17.0% on the 5.3p interim dividend paid for the first half of 2005.

This dividend is covered 4.3 times.

The dividend is payable on 27 November 2006, to shareholders on the register at 27 October 2006.

Trading review

UK & Ireland (68% of Group sales)

Total sales in the UK and Ireland increased by £88m to £605.1m, up 17.1% on H1 2005 (£516.7m).

Sales growth on a like for like basis was 4.8%.

Operating profit increased by £10.3m to £48.0m, up 27.4% on 2005 (£37.7m) and the net operating margin increased to 7.9% (2005: 7.3%).

This strong performance was achieved against the background of the following market conditions:

Overall construction activity, which is the main external factor influencing the Group, is estimated to have been very slightly up on the first half of 2005. This small increase came from non-residential new build and renovation programmes, where SIG is particularly strong. Within the non-residential sector, commercial office construction grew. Public sector construction, which is heavily influenced by the long term government commitment to rebuild and replace schools and hospitals throughout the UK, is believed to have been flat compared with prior year. The release of new work of this type so far in 2006 has been at a lower level than industry expectations.

In the residential building sector, new construction activity continued at similar levels to 2005, and the market for upgrading and renovation of existing homes remained sluggish.

Market demand for thermal insulation materials was similar to prior year, and average prices declined due to oversupply in the market arising from increased manufacturing capacity. After three years of very strong growth in demand, the market for upgrading of insulation in existing dwellings began to level off during the first half of 2006. Demand is heavily driven by grants and subsidies both from government agencies and from the energy producers, and whilst the long term prospects are very good, in the short term certain key schemes are beginning to wind down.

Demand for roofing materials continued to be adversely affected by reduced activity in the housing RM&I market, and by the reduced number of "conventional" semi-detached and detached homes under construction.

The range of commercial interiors and specialist construction products sold by SIG are more commonly sold to non-residential rather than residential construction sites, and therefore demand has been slightly stronger in the first six months of 2006.

Against this background of mixed market conditions, results in the first half of 2006 benefited from a range of internal growth and development initiatives, as outlined below.

Businesses acquired in 2005 and so far in 2006 have integrated well into the Group, and together, contributed strongly to the growth achieved.

The range of products sold has been further expanded, and certain products newly introduced as a result of recent acquisitions have been migrated into existing core operations.

Largely as a result of the acquisition programme, the number of trading sites in the UK and Ireland increased by 38 to 375 at 30 June 2006 (31 December 2005: 337). This expansion increases the customer base, and improves the Group's capability to meet customer service demands.

Actions taken as part of our ongoing continuous improvement programme, and the positive impact of higher margin businesses acquired in 2005 enabled the gross and net operating margins to be increased in the period, compared with the first six months of 2005.

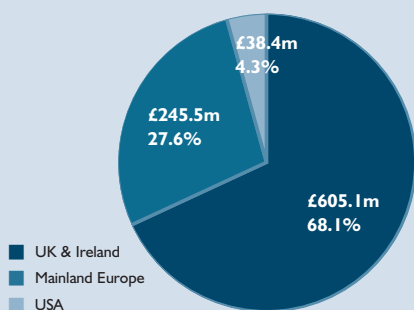
Mainland Europe (28% of Group sales)

Sales in the first half of 2006 increased by £24.4m to £245.5m, up 11.0% on H1 2005 (£221.1m).

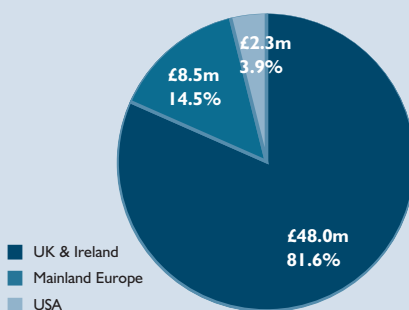
Operating profit increased by £1.4m to £8.5m (2005: £7.1m), an increase of 19.3%.

Management actions and initiatives increased the net operating margin to 3.5% (2005: 3.2%).

Revenue by geography 2006

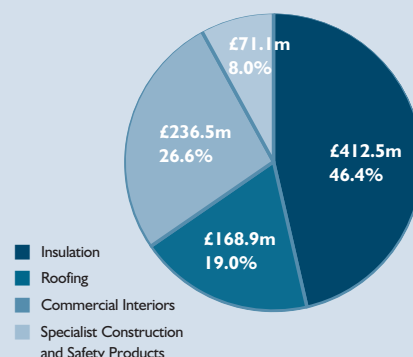


Operating profit by geography† 2006



† before amortisation of acquired intangibles, goodwill impairment and parent company costs

Revenue by market 2006



Chairman's Statement *continued*

Trading review *continued*

Mainland Europe (28% of Group sales) *continued*

Exchange rate movements compared to prior year had a very small positive impact on the results, adding £2.7m to sales and less than £100k to operating profit. On a constant currency basis, sales growth was 9.8%, and operating profit growth 18.3%.

On a like for like constant currency basis, sales growth was 7.6% and operating profit growth 13.7%. These are very encouraging growth figures, and are believed to represent progress at a significantly greater rate than market demand.

In Germany and Austria sales grew by 8.8% in Euros. After a slow start to 2006, construction activity strengthened in more recent months. Operating profit declined slightly due to a reduction in the gross margin, as a result of changes in the product mix together with generally weaker prices in the market.

In France, sales in Euros increased by 5.9%, and operating profits were substantially increased, with market demand strong and pricing positive.

In Benelux, the good progress reported in 2005 continued in 2006, with sales in Euros up 26.7% and operating profit strongly ahead of prior year.

Construction activity in Poland increased, and sales were up by 16.6% in local currency. In comparison with a small operating loss reported in the first half of 2005, a small operating profit was achieved in the first half of 2006.

The total number of trading sites in Mainland Europe increased by 2 to 141 at 30 June 2006, compared with 139 at 31 December 2005. Again, this represents further growth and market penetration by SIG.

USA (4% of Group sales)

Against the background of strong market conditions, sales increased by £7.1m to £38.4m, (2005: £31.3m), an increase of 22.7%, entirely on a like for like basis.

Operating profit rose by £0.9m to £2.3m (2005: £1.4m), an increase of 67.0%.

Results in Dollars on a like for like basis are sales growth of 18.4%, and operating profit up 61.2%.

Whilst sales in the first three months were positively affected by some one-off reconstruction work in the Southern States arising from the hurricane damage to petrochemical and other industrial processing facilities in that area, the underlying improvement in market demand was reflected in strong growth in the second quarter.

Market price inflation

After a period of strong price inflation in 2004 and 2005, the overall impact of price increases in 2006 has been around 2%. This is in line with internal expectations, and is close to the long range average price inflation in the products and markets served by SIG.

This average figure takes into account the price deflation on a year on year basis of a number of products, most notably certain insulation materials in the UK.

Acquisitions

SIG has had another successful period of acquiring businesses in related and complementary markets in order to broaden the Group's activities, strengthen the core businesses, and increase the range of growth opportunities for the future.

So far in 2006, we have completed twelve acquisitions, with combined annual sales of c. £115m. Total consideration for these acquired businesses is £49m, including assumed debt.

These are broadly spread across the markets served by SIG, and comprise seven in roofing and related building plastics (one in Germany, six in the UK), three in insulation (one in France, two in the UK) and one in both specialist construction products and commercial interiors (both UK).

In June 2006, we acquired a UK distributor of roofline and building plastics that is loss making. With 27 trading sites this acquisition significantly extends our market coverage in this product sector and we are confident that this business will be returned to profitability. As indicated in the Trading Statement released on 11 July 2006, it is anticipated that restructuring costs will be taken over the remainder of 2006 in connection with this acquisition. These are not expected to exceed £1m.

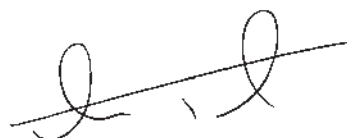
Prospects

Market conditions in the key countries and product sectors which are important to SIG are not expected to change significantly during the remainder of 2006.

We are focused on achieving sustainable long term growth through a programme of investments in existing businesses, and the acquisition of carefully targeted complementary businesses. The company continues to strengthen its position in its key markets, and is well positioned to benefit from future opportunities.

The acquisitions made in 2005 impacted chiefly on the second half year, and for this reason the year on year comparators for the six month period beginning 1 July are more demanding than those for the first six months.

Trading since the end of June has been in line with expectations, and the Board is confident that further progress will be made in 2006.



Les Tench,
Non-Executive Chairman
12 September 2006

Consolidated Income Statement

for the six months ended 30 June 2006

	Unaudited six months ended 30 June 2006			Unaudited six months ended 30 June 2005			Audited year ended 31 December 2005			
	Note	Before amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness* £000's	Amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness* £000's	Total £000's	Before amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness* £000's	Amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness* £000's	Total £000's	Before amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness* £000's	Amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness* £000's	Total £000's
Continuing operations										
Revenue	2	888,987	–	888,987	769,074	–	769,074	1,639,332	–	1,639,332
Operating profit	2	55,892	(2,969)	52,923	43,748	(1,359)	42,389	102,103	(9,342)	92,761
Finance income		2,785	1,170	3,955	3,385	250	3,635	6,691	1,880	8,571
Finance costs		(9,019)	–	(9,019)	(6,657)	–	(6,657)	(14,521)	–	(14,521)
Profit before tax		49,658	(1,799)	47,859	40,476	(1,109)	39,367	94,273	(7,462)	86,811
Income tax expense	3	(15,374)	540	(14,834)	(13,045)	333	(12,712)	(29,211)	542	(28,669)
Profit after tax		34,284	(1,259)	33,025	27,431	(776)	26,655	65,062	(6,920)	58,142
Attributable to:										
Equity holders of the Company		33,914	(1,259)	32,655	27,063	(776)	26,287	64,106	(6,920)	57,186
Minority interests		370	–	370	368	–	368	956	–	956
Earnings per share										
Basic earnings per share	4	27.8p	(1.0p)	26.8p	22.3p	(0.7p)	21.6p	52.7p	(5.7p)	47.0p
Diluted earnings per share	4	27.4p	(1.1p)	26.3p	21.9p	(0.6p)	21.3p	51.9p	(5.6p)	46.3p

* Amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness have been disclosed separately in order to give an indication of the underlying earnings of the Group.

Consolidated Statement of Recognised Income and Expense

for the six months ended 30 June 2006

	Unaudited six months ended 30 June 2006	Unaudited six months ended 30 June 2005 Restated £000's	Audited year ended 31 December 2005
	£000's	£000's	£000's
Profit after tax	33,025	26,655	58,142
Exchange difference on retranslation of foreign currency goodwill and intangibles	10	(1,498)	(725)
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	320	(4,868)	(1,669)
Exchange difference on foreign currency borrowings	(1,756)	4,871	1,111
Tax credit/(charge) on exchange difference arising on foreign currency borrowings	333	(1,647)	(639)
Deferred tax credit on share options	558	405	596
Fair value movement on interest rate swaps	700	–	–
Actuarial loss on defined benefit pension schemes	–	–	(1,885)
Deferred tax movement associated with actuarial loss	–	–	563
Transitional adjustment to adopt IAS 32 and IAS 39 at 1 January 2005	–	(6,625)	(6,625)
Recognition of deferred tax assets on certain transitional adjustments at 1 January 2005	–	3,869	3,869
Total recognised income and expense for the period	33,190	21,162	52,738
Attributable to:			
Equity holders of the Company	32,820	20,794	51,782
Minority interests	370	368	956
	33,190	21,162	52,738

In the second half of 2005, in light of further guidance from the UK tax authorities regarding the tax treatment of IFRS transitional adjustments relating to derivative financial instruments and foreign currency exchange differences, a deferred tax asset of £3.869m was booked as at 1 January 2005. As a result the Consolidated Statement of Recognised Income and Expense has been restated for the period ended 30 June 2005. This adjustment was already reflected in the results reported for the year ended 31 December 2005 and therefore no restatement is necessary in respect of that period. Further details of this restatement are provided in Note 9.

Consolidated Balance Sheet

as at 30 June 2006

	Unaudited 30 June 2006 £000's	Unaudited 30 June 2005 Restated £000's	Audited 31 December 2005 £000's
Non-current assets			
Property, plant and equipment	108,947	91,078	102,093
Goodwill	174,465	138,013	164,675
Intangible assets	51,558	38,355	49,252
Deferred tax assets	20,495	25,729	21,085
	355,465	293,175	337,105
Current assets			
Inventories	145,012	118,021	128,101
Trade receivables	327,943	307,540	281,053
Other receivables	28,388	22,516	21,745
Derivative financial instruments	1,163	1,069	–
Cash and cash equivalents	39,579	22,975	32,120
	542,085	472,121	463,019
Total assets	897,550	765,296	800,124
Current liabilities			
Trade and other payables	272,327	250,358	224,859
Obligations under finance leases and hire purchase agreements	770	918	756
Bank overdrafts	1,516	4,168	3,211
Bank loans	132,107	63,574	95,148
Derivative financial instruments	601	158	–
Loan notes	5,244	–	2,253
Current tax liabilities	22,918	22,056	25,483
Provisions	2,438	1,639	2,252
	437,921	342,871	353,962
Non-current liabilities			
Obligations under finance leases and hire purchase agreements	859	799	838
Bank loans	506	874	521
Derivative financial instruments	32,415	30,289	28,376
Loan notes	66,344	75,029	75,740
Deferred tax liabilities	7,576	14,456	7,507
Other payables	2,327	4,192	2,159
Retirement benefit obligations	27,676	24,707	26,987
Provisions	12,301	8,233	13,695
	150,004	158,579	155,823
Total liabilities	587,925	501,450	509,785
Net assets	309,625	263,846	290,339
Capital and reserves			
Called up share capital	12,226	12,148	12,189
Share premium account	18,269	16,980	17,883
Capital redemption reserve	347	347	347
Special reserve	22,113	22,113	22,113
Share option reserve	1,825	966	1,375
Hedging and translation reserve	(3,375)	(3,502)	(2,282)
Retained profits	257,377	214,196	237,515
Attributable to equity holders of the Company	308,782	263,248	289,140
Minority interests	843	598	1,199
Total equity	309,625	263,846	290,339

Consolidated Cash Flow Statement

for the six months ended 30 June 2006

	Note	Unaudited 30 June 2006 £000's	Unaudited 30 June 2005 £000's	Audited 31 December 2005 £000's
Net cash flow from operating activities				
Cash inflow from operating activities	6	43,617	47,190	113,581
Borrowing costs paid		(7,287)	(4,768)	(11,511)
Interest received		1,084	1,803	3,518
Income tax paid		(18,049)	(7,454)	(21,850)
Net cash inflow from operating activities		19,365	36,771	83,738
Cash flows from investing activities				
Purchase of property, plant and equipment		(16,312)	(14,236)	(33,576)
Proceeds from sale of property, plant and equipment		802	1,033	2,098
Purchase of businesses		(14,937)	(46,476)	(83,482)
Net cash used in investing activities		(30,447)	(59,679)	(114,960)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		423	196	1,140
Capital element of finance lease rental payments		(414)	(702)	(1,306)
Repayment of loans		(2,268)	(15,446)	(22,020)
New loans		37,162	53,641	84,511
Dividends paid to equity holders of the Company		(14,051)	(11,412)	(17,861)
Payments to minority shareholder		(726)	(572)	(572)
Net cash generated from financing activities		20,126	25,705	43,892
Increase in cash and cash equivalents in the period	7	9,044	2,797	12,670
Cash and cash equivalents at beginning of period		28,909	16,501	16,501
Effect of foreign exchange rate changes		110	(491)	(262)
Cash and cash equivalents at end of period		38,063	18,807	28,909

Notes to the Interim Financial Information

1 Basis of preparation of interim financial information

The interim financial information was approved by the Board of Directors on 12 September 2006. The financial information set out in the Interim Report is unaudited.

The Group's interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and in accordance with the accounting policies included in the Annual Report for the year ended 31 December 2005, which have been applied consistently throughout the current and preceding periods.

The interim financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The interim results to 30 June 2006 and 2005 are neither audited nor reviewed. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2005. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies. The auditors' report contained no statement under Section 237(2) or 237(3) of the Companies Act 1985.

2 Segmental information

The Group is managed and organised in three geographies: UK & Ireland, Mainland Europe and the USA. These geographies are the basis on which the Group reports its primary segment information. Segment information about these geographies is presented below:

	Unaudited six months ended 30 June 2006				Unaudited six months ended 30 June 2005				Audited year ended 31 December 2005			
	UK & Ireland £000's	Mainland Europe £000's	USA £000's	Total £000's	UK & Ireland Restated £000's	Mainland Europe Restated £000's	USA Restated £000's	Total Restated £000's	UK & Ireland £000's	Mainland Europe £000's	USA £000's	Total £000's
Revenue	605,133	245,454	38,400	888,987	516,705	221,075	31,294	769,074	1,098,055	473,393	67,884	1,639,332
Result												
Segment result before amortisation of acquired intangibles and goodwill impairment loss	48,041	8,521	2,295	58,857	37,700	7,141	1,374	46,215	84,359	19,612	3,008	106,979
Amortisation of acquired intangibles	(2,891)	(78)	–	(2,969)	(1,331)	(28)	–	(1,359)	(3,630)	(58)	–	(3,688)
Goodwill impairment loss	–	–	–	–	–	–	–	–	(5,654)	–	–	(5,654)
Segment result	45,150	8,443	2,295	55,888	36,369	7,113	1,374	44,856	75,075	19,554	3,008	97,637
Parent Company costs				(2,965)				(2,467)				(4,876)
Operating profit				52,923				42,389				92,761
Net finance costs				(5,064)				(3,022)				(5,950)
Profit before tax				47,859				39,367				86,811
Income tax expense				(14,834)				(12,712)				(28,669)
Minority interests				(370)				(368)				(956)
Retained profit				32,655				26,287				57,186
Balance sheet												
Assets												
Segment assets	670,118	191,563	31,186	892,867	537,637	190,145	28,021	755,803	587,710	179,100	31,535	798,345
Unallocated assets				4,683				9,493				1,779
Consolidated total assets				897,550				765,296				800,124
Liabilities												
Segment liabilities	280,099	68,800	6,128	355,027	247,741	78,439	5,352	331,532	238,255	54,200	6,327	298,782
Unallocated liabilities				232,898				169,918				211,003
Consolidated total liabilities				587,925				501,450				509,785
Other segment information												
Capital expenditure on:												
Property, plant and equipment	12,825	3,239	248	16,312	11,124	2,892	220	14,236	24,802	8,448	326	33,576
Intangible assets	4,727	548	–	5,275	24,821	179	–	25,000	37,543	689	–	38,232
Goodwill	9,541	239	–	9,780	25,899	175	–	26,074	56,107	1,474	–	57,581
Non-cash expenditure:												
Depreciation	8,044	2,447	195	10,686	6,688	2,342	257	9,287	16,537	4,781	501	21,819
Amortisation of acquired intangibles	2,891	78	–	2,969	1,331	28	–	1,359	3,630	58	–	3,688
Goodwill impairment loss	–	–	–	–	–	–	–	–	5,654	–	–	5,654

Notes to the Interim Financial Information *continued*

3 Income tax expense

The income tax expense comprises:

	Unaudited six months ended 30 June 2006 £000's	Unaudited six months ended 30 June 2005 £000's	Audited year ended 31 December 2005 £000's
UK taxation	10,161	8,224	20,032
Overseas taxation	4,673	4,488	8,637
Total income tax expense for the period	14,834	12,712	28,669

4 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 acquired intangibles, goodwill impairment and hedge ineffectiveness		
	Unaudited six months ended 30 June 2006 £000's	Unaudited six months ended 30 June 2005 £000's	Audited year ended 31 December 2005 £000's	Unaudited six months ended 30 June 2006 £000's	Unaudited six months ended 30 June 2005 £000's	Audited year ended 31 December 2005 £000's
Profit after tax	33,025	26,655	58,142	33,025	26,655	58,142
Minority interests	(370)	(368)	(956)	(370)	(368)	(956)
Amortisation of acquired intangibles	–	–	–	2,969	1,359	3,688
Goodwill impairment loss	–	–	–	–	–	5,654
Hedge ineffectiveness	–	–	–	(1,170)	(250)	(1,880)
Tax relating to the amortisation of acquired intangibles and hedge ineffectiveness	–	–	–	(540)	(333)	(542)
	32,655	26,287	57,186	33,914	27,063	64,106

Weighted average number of shares:

	Unaudited six months ended 30 June 2006 Number	Unaudited six months ended 30 June 2005 Number	Audited year ended 31 December 2005 Number
For basic earnings per share	122,040,935	121,430,203	121,625,474
Exercise of share options	1,926,741	2,207,254	1,970,146
For diluted earnings per share	123,967,676	123,637,457	123,595,620

	Unaudited six months ended 30 June 2006	Unaudited six months ended 30 June 2005	Audited year ended 31 December 2005
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Earnings per share

– Basic earnings per share	26.8p	21.6p	47.0p
– Diluted earnings per share	26.3p	21.3p	46.3p

Earnings per share before amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness

– Basic earnings per share	27.8p	22.3p	52.7p
– Diluted earnings per share	27.4p	21.9p	51.9p

Earnings per share before amortisation of acquired intangibles, goodwill impairment and hedge ineffectiveness is presented in order to give an indication of the underlying performance of the Group.

5 Consolidated statement of changes in equity

	Unaudited six months ended 30 June 2006	Unaudited six months ended 30 June 2005 Restated £000's	Audited year ended 31 December 2005 £000's
	£000's		
Profit for the period	32,655	26,287	57,186
Dividends	(14,051)	(11,412)	(17,861)
New share capital issued	423	196	1,140
Exchange difference on retranslation of foreign currency goodwill and intangibles	10	(1,498)	(725)
Exchange difference on retranslation of overseas net investments (excluding goodwill and intangibles)	320	(4,868)	(1,669)
Exchange difference on foreign currency borrowings	(1,756)	4,871	1,111
Tax credit/(charge) on exchange difference arising on foreign currency borrowings	333	(1,647)	(639)
Deferred tax credit on share options	558	405	596
Fair value movement in interest rate swaps	700	–	–
Credit to share option reserve	450	327	736
Actuarial loss on defined benefit pension schemes	–	–	(1,885)
Deferred tax movement associated with actuarial loss	–	–	563
Transitional adjustment to adopt IAS 32 and IAS 39 at 1 January 2005	–	(6,625)	(6,625)
Recognition of deferred tax assets on certain transitional adjustments at 1 January 2005	–	3,869	3,869
Net addition to shareholders' funds	19,642	9,905	35,797
Opening shareholders' funds	289,140	253,343	253,343
Closing shareholders' funds	308,782	263,248	289,140
Amounts attributable to minority interests	843	598	1,199
Total equity	309,625	263,846	290,339

6 Reconciliation of operating profit to cash inflow from operating activities

	Unaudited six months ended 30 June 2006	Unaudited six months ended 30 June 2005 £000's	Audited year ended 31 December 2005 £000's
	£000's		
Operating profit	52,923	42,389	92,761
Depreciation charge	10,686	9,287	21,819
Amortisation of acquired intangibles	2,969	1,359	3,688
Goodwill impairment loss	–	–	5,654
Profit on sale of property, plant and equipment	(286)	(362)	(572)
Share-based payments	450	327	736
Increase in working capital	(23,125)	(5,810)	(10,505)
Cash inflow from operating activities	43,617	47,190	113,581

Notes to the Interim Financial Information *continued*

7 Reconciliation of net cash flow to movements in net debt

	Unaudited six months ended 30 June 2006 £000's	Unaudited six months ended 30 June 2005 £000's	Audited year ended 31 December 2005 £000's
Increase in cash and cash equivalents in the period	9,044	2,797	12,670
Cash outflow from movement in debt	(34,480)	(37,493)	(61,185)
Increase in net debt resulting from cash flows	(25,436)	(34,696)	(48,515)
Debt acquired with acquisitions	(263)	(14,953)	(21,270)
Non-cash items	1,223	427	(1,242)
IFRS transitional adjustment	–	(6,625)	(6,625)
Exchange differences	(421)	2,400	1,247
Increase in net debt in the period	(24,897)	(53,447)	(76,405)
Net debt at beginning of period	(174,723)	(98,318)	(98,318)
Net debt at end of period	(199,620)	(151,765)	(174,723)

8 Interim dividend

An interim dividend of 6.2p per share (2005: 5.3p) has been declared.

In accordance with IAS 10 "Events after the balance sheet date", dividends declared after the balance sheet date are not recognised as a liability in the financial statements.

9 IFRS adjustment

On 9 March 2006, SIG plc published its "Final Restatement of 2004 Financial Information" document, which can be found on SIG's website: www.sigplc.co.uk. Two additional transitional adjustments were made in this restatement document from those made in the "Preliminary Restatement of 2004 Financial Information" document issued on 14 September 2005. Although these additional adjustments were reflected in the numbers reported for the year ended 31 December 2005, they were not included in those reported for the period ended 30 June 2005.

The additional adjustments were as follows:

- a) a deferred tax asset of £3.869m was booked as at 1 January 2005 and 30 June 2005 in relation to tax on certain transitional adjustments made on derivative financial instruments and foreign currency exchange differences; and
- b) inventory was reduced by £2.800m as at 1 January 2004, 31 December 2004 and 30 June 2005 to take into account early settlement discounts in the valuation of inventory.

The combined impact of the above adjustments is to increase net assets at 30 June 2005 by £1.069m. As a result, the Consolidated Balance Sheet, Consolidated Statement of Recognised Income and Expense and the related notes have been restated as at 30 June 2005 to reflect these adjustments. Neither of the additional adjustments had any impact on the Consolidated Income Statement.

The impact of the adjustments at 30 June 2005 is as follows:

	30 June 2005 as previously reported £000's	IFRS adjustment £000's	30 June 2005 as restated £000's
Deferred tax assets	21,860	3,869	25,729
Inventories	120,821	(2,800)	118,021
Net assets	262,777	1,069	263,846

Company Information

President

Sir Norman Adsetts, OBE, MA

Directors

Les Tench, BSc
(Non-Executive Chairman)

David Williams
(Chief Executive)

Gareth Davies, BA, ACA
(Finance Director)

John Chivers
(Executive Director)

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

Michael Borlenghi, BSc, FRSA
(Non-Executive Director)

David Haxby, LL.B, FCA
(Non-Executive Director)

Secretary

Richard Monro, FCIS

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Market – UK Listed
Reference – SHI.L
Index – FTSE 250
Sector – Support Services

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

Financial Calendar

Interim dividend 2006	– Payable 27 November 2006
Full year trading update 2006	– Announcement January 2007
Full year results 2006	– Announcement March 2007
Report and Accounts 2006	– Posted to Shareholders April 2007
Final dividend 2006	– Payable May 2007



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