

12 August 2014

Half year results for the six months ended 30 June 2014

SIG plc ("SIG") is a leading distributor of specialist building products in Europe, with strong positions in its core markets of insulation & energy management, interior fit out and roofing.

Continuing operations*	H1 2014	H1 2013	Change
Revenue	£1,286.9m	£1,208.3m	+6.5%
Underlying** operating profit	£47.8m	£39.6m	+20.7%
Underlying profit before tax	£41.5m	£33.6m	+23.5%
Underlying basic earnings per share	5.1p	3.9p	+30.8%
Interim dividend per share	1.42p	1.15p	+23.5%
Return on capital employed (post-tax)	10.0%	8.3%	+170bps
Net debt (as at 30 June)	£131.5m	£141.7m	(7.2%)

Highlights

- Sales increased 6.5% and 7.1% on a like-for-like basis
- Strategic initiatives ahead of target
 - Delivered £3m net benefit in H1 2014
 - FY 2014 target increased to c.£7m
- Procurement gains drive 40bps improvement in gross margin
- Underlying operating margin increased 40bps to 3.7%
- Underlying EPS up 30.8%
- Post-tax return on capital employed up 170bps to 10.0%
- Statutory profit after tax of £17.6m
- Culture change and reinvestment programme underway
- Interim dividend increased 23.5% to 1.42p per share

* Continuing operations exclude the results of German roofing and Miller Pattison, which were divested in 2014.

** Underlying is before the amortisation of acquired intangibles, restructuring costs, other one-off items, profits and losses arising on the sale of businesses, trading losses associated with disposed businesses, goodwill impairment charges and fair value gains and losses on derivative financial instruments.

Statutory

Total operations	H1 2014	H1 2013
Revenue	£1,308.5m	£1,277.4m
Operating profit	£19.1m	£20.2m
Profit before tax	£11.8m	£13.1m
Profit after tax	£17.6m	£10.3m
Earnings per share	3.1p	1.7p

Commenting, Stuart Mitchell, Chief Executive, said:

"The Group delivered a good first half performance having benefited from procurement savings, improving UK market conditions and the mild winter. This has been achieved while reinvesting in the business and commencing a culture change programme.

"We are pleased with progress on our strategic initiatives, which are ahead of our initial 2014 target. In particular we have exceeded our expectations for procurement and this has driven a 40bps improvement in gross margin in the first half. For the full year we now expect to deliver a net benefit of around £7m, above the upper end of our previously stated £1-5m range.

"Trading conditions in the UK have continued to gather momentum, led by the revival in the housing market. As anticipated, conditions in Mainland Europe remain variable, with the French construction market expected to weaken further in the second half.

"Although SIG is exposed to ongoing currency headwinds and a challenging market backdrop in France, the Group's first half performance and progress on its strategic initiatives provide a strong base on which to achieve its full year expectations."

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Analyst presentation

A briefing to analysts will take place at 9.00am on Tuesday 12 August 2014 at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. A live webcast will be available on the investor relations section of www.sigplc.com which will also be available on replay later in the day.

Summary

The Group delivered a good first half performance with revenues from continuing operations increasing 6.5% to £1,286.9m (H1 2013: £1,208.3m), despite being adversely affected by movements in foreign exchange rates. Continuing Group sales in constant currency were up 8.9%.

On a like-for-like (“LFL”) basis, which is defined as sales per day in constant currency excluding acquisitions and disposals, revenues increased 7.1%, with the Group experiencing slight product price inflation of 0.4% and a volume increase of 6.7%. Given SIG estimates that the overall market, weighted according to the sectors in which it operates, increased 4.9% in the first half, this equates to an outperformance of 2.2%, within its 2-3% target range.

Following a strong start to the year, which benefited significantly from the mild winter weather and weak comparatives, SIG’s trading performance moderated in the second quarter as anticipated, with LFL sales increasing 4.5% compared to a Q1 growth rate of 10.2%.

In the UK and Ireland first half revenues increased 13.9% to £650.4m (H1 2013: £570.9m), and were up 11.6% on a LFL basis, in particular driven by strong demand from the UK new build residential sector.

Although construction markets in Mainland Europe remain variable, with France continuing to weaken, LFL sales were up 3.3% in the first half. However, due to exchange rate movements sales in Sterling fell marginally, by 0.1% to £636.5m (H1 2013: £637.4m).

The Group’s underlying gross margin increased 40bps to 26.8% (H1 2013: 26.4%), driven by savings derived from its procurement strategic initiative.

Underlying operating profit increased 20.7% to £47.8m (H1 2013: £39.6m). Underlying net finance costs increased slightly to £6.3m (H1 2013: £5.9m), which resulted in underlying profit before tax of £41.5m (H1 2013: £33.6m). Underlying basic earnings per share from continuing operations increased 30.8% to 5.1p (H1 2013: 3.9p).

Non-underlying items before taxation during the period totalled £29.7m (H1 2013: £20.5m) and included amortisation of acquired intangibles of £9.4m (H1 2013: £10.2m), net fair value losses on derivative financial instruments of £1.0m (H1 2013: £1.1m), net loss on the disposal of businesses of £5.0m (H1 2013: £nil), trading losses attributable to businesses divested in 2014 of £4.2m (H1 2013: £3.4m), goodwill impairment charge of £3.3m (H1 2013: £nil) and restructuring costs and other one-off items of £6.8m (H1 2013: £5.8m).

On a statutory basis profit before tax was £11.8m (H1 2013: £13.1m) and basic earnings per share were up 82.4% to 3.1p (H1 2013: 1.7p).

Net debt at 30 June 2014 was £131.5m, a decrease of £10.2m compared to a year ago. As anticipated, net capital expenditure (excluding property disposals) increased 21.7% to £15.7m (H1 2013: £12.9m), and was 34% higher than depreciation of £11.7m (H1 2013: £11.8m). The Group spent £5.2m on acquisitions in the first half of the year.

Return on Capital Employed

Post-tax Return on Capital Employed (“ROCE”) is a key financial metric for the Group and is calculated on a rolling 12 month basis as underlying operating profit less tax, divided by average net assets plus average net debt. As at 30 June 2014 the Group’s ROCE had increased by 170bps to 10.0% (H1 2013: 8.3%).

SIG’s medium-term target remains for the Group’s ROCE to exceed its WACC by 300bps by 2015. While this target originally assumed a flat construction market compared to 2011, given the benefit from its strategic initiatives SIG believes it may be able to achieve this milestone without the market having fully recovered to this level.

Strategic initiatives

In H1 2014 the Group delivered a net benefit after incremental costs of £3m from its strategic initiatives to improve business performance, ahead of target. This was derived from gross savings of £6m, mostly achieved from procurement, net of additional investment of £3m.

For the full year 2014 SIG is now targeting a net benefit of c.£7m, above the upper end of its previously stated £1-5m target range. The Group's performance to date also gives it further confidence in the delivery of future targets, which remain unchanged and are to deliver a cumulative net benefit in the range of £15-20m in 2015 and c.£30m in 2016.

The delivery of the Group's strategic initiatives is underpinned by a significant culture change programme, which is well underway. In the past SIG has acted more like a loose federation of businesses rather than as a Group. It is now working more closely together to ensure the whole of SIG is greater than the sum of its parts.

Procurement

The Group is professionalising its procurement function by investing in additional resources and training new and existing employees. SIG met its first milestone to recruit 24 procurement specialists, who have joined from the construction industry as well as other sectors, in the first half of the year. In addition, 65 out of a planned 80 SIG employees have attended a leading negotiation training programme.

Although 2014 is mainly about investment and change, SIG has started to derive savings from this initiative, securing a gross benefit of £5m in the first half of the year, exceeding original expectations. This has driven a 40bps improvement in the Group's gross margin. The savings, which so far are broadly split evenly between UK & Ireland and Mainland Europe, have been derived from across all of SIG's six international category forums. These cover roofing, ceilings, technical insulation, structural insulation, air handling and drylining.

The Group remains on track to meet its two other key milestones, those being to reduce supplier numbers by a third by 2015 and grow own label products by 50% by 2016.

Branch network

SIG has adopted a two-phase approach to improve the efficiency of its network. Phase one, which considered how SIG could further optimise its existing network, has been completed. As a result the Group has identified a number of opportunities for further site consolidation.

Phase two, which is about more fundamental network change, is underway. The first stage, which focused on the Group's UK insulation and interiors business, SIGD, is now complete. This has taken into account the performance of its new supersite in the North East of England, which opened in December 2013. While early indications of performance are positive, SIG will continue to evaluate the supersite given that it has only been operational for six months.

SIG believes that there are further opportunities to rationalise its existing SIGD network and create more regional supersites. In addition, to ensure that it is positioned for future growth the Group will also open new local sites in areas where it is currently under represented due to changing demographics or regional growth profiles.

The Group has begun to enact its SIGD network change plan. The next stage is to review the structure of the remainder of its network, both in the UK and Mainland Europe.

Commercial vehicles and eCommerce

The Group is improving the utilisation and procurement of its commercial vehicles. SIG has already implemented telematics across its UK fleet and is in the process of rolling out this technology in Mainland Europe. It also signed a Group-wide purchasing agreement for fork

lift trucks last year and is currently negotiating a similar deal for its fleet, which is expected to conclude in the next few months.

The design phase of the Group's new UK eCommerce platform was completed on schedule in the first half of 2014. The website is now in its development phase, with SIG targeting launch in 2015.

Acquisitions

In the first half of the year SIG acquired three businesses in the UK for a combined consideration of £5.2m. This included a controlling interest in Coxbench IP Limited, with whom the Group has been developing Insulshell, a patented off-site super insulated timber building system for use in the residential, commercial and retail sectors. This will enable the Group to advance the development of Insulshell and capitalise further on its significant growth potential.

After the period end, the Group made three further acquisitions in July, in the UK roofing, French roofing and Dutch air handling markets, taking its total acquisition expenditure to £14.6m for the year to July.

The Group's acquisition pipeline remains strong and it expects to complete a number of further deals in the second half of the year. SIG continues to target total cash expenditure of between £30m and £50m in 2014 as previously guided, although the total amount is more likely to be towards the lower end of this range.

Since restarting its acquisition programme in 2012, newly acquired infill businesses are performing well and meeting their targets. On an individual basis they are all delivering returns ahead of Group WACC and collectively are higher than the Group's ROCE.

Dividend

SIG is declaring an interim dividend of 1.42p per ordinary share, an increase of 23.5% compared to last year's interim dividend of 1.15p per ordinary share. This increase reflects the Board's commitment to a progressive dividend policy, while maintaining a dividend cover of 2-3x on an underlying basis over the medium term.

The interim dividend will be paid on 7 November 2014 to shareholders on the register at close of business on 10 October 2014. The ex-dividend date is 9 October 2014.

UK & Ireland trading review

- Sales from continuing operations increased 13.9% to £650.4m (H1 2013: £570.9m)
- Underlying operating profit up 22.7% to £24.3m (H1 2013: £19.8m)
- Underlying operating margin up 20bps to 3.7% (H1 2013: 3.5%)
- 310 branches as at 30 June 2014 (30 June 2013: 331)
- Statutory operating loss of £3.5m (H1 2013: profit of £11.5m)

Continuing operations	H1 2014 Sales	Change	LFL change	Change in gross margin
United Kingdom	£616.1m	+14.1%	+11.3%	+20bps
Ireland	£34.3m	+10.6%	+15.6%	+20bps
UK & Ireland	£650.4m	+13.9%	+11.6%	+20bps

United Kingdom

Sales in the UK increased 14.1%, and were up 11.3% on a LFL basis. Gross margin increased 20bps due to a much improved performance in the UK's roofing business compared to prior year, when margin was significantly affected by market pricing and volume pressures, together with gains from the Group's procurement strategic initiative.

The improvement in trading conditions experienced in the second half of last year continued to gather momentum in 2014, principally due to the revival of the UK housing market. This has been driven by an improved general economic outlook, increased consumer confidence and more accessible mortgage finance.

Although the strength of the upturn in mortgage lending and housing market activity has prompted the Bank of England to introduce new stricter lending criteria, the Group continues to believe that the residential sector will remain an important engine for growth in the second half of the year.

While there are early signs of some improving conditions in non-residential construction activity, particularly in the commercial sector, SIG is unlikely to benefit from any upturn this year given its later cycle exposure. Activity in the public sector remains subdued.

During the period SIG disposed of Miller Pattison Limited, formerly known as SIG Energy Management Limited, to Help-Link UK Limited, a boiler and home heating systems specialist. This divestment followed a significant downturn in market volumes due to the end of the Carbon Emissions Reduction Target scheme.

As previously indicated, following the successful rebranding of the Group's UK insulation and interiors business last year, SIG is now in the process of rebranding its market-leading roofing business, which previously traded under 40 different brands.

Ireland

Sales in Ireland increased 10.6%, and were up 15.6% on a LFL basis, with gross margin ahead 20bps. The Group has started to benefit from a recovery in construction activity in Ireland, albeit from a very low base and still at an early stage, which has been led by a recovery in the wider economy and stronger demand in the residential sector of the market.

Mainland Europe trading review

- Sales from continuing operations decreased 0.1% to £636.5m (H1 2013: £637.4m)
- Underlying operating profit up 20.1% to £27.5m (H1 2013: £22.9m)
- Underlying operating margin up 70bps to 4.3% (H1 2013: 3.6%)
- 351 branches as at 30 June 2014 (30 June 2013: 368)
- Statutory operating profit of £26.6m (H1 2013: £11.8m)

Continuing operations	H1 2014 Sales	Change	LFL change	Change in gross margin
France	£300.8m	(0.5%)	+2.1%	+90bps
Germany & Austria	£205.1m	+0.7%	+5.1%	(90bps)
Benelux (includes ATC)	£77.3m	+0.7%	+4.6%	+140bps
Poland	£53.3m	(2.7%)	+0.5%	+210bps
Mainland Europe	£636.5m	(0.1%)	+3.3%	+50bps

France

Sales in France increased 2.1% on a LFL basis, but decreased 0.5% in Sterling due to movements in foreign exchange. This performance benefited significantly from the mild winter weather and weak comparators in Q1, when LFLs increased 6.1% compared to a 1.4% decrease in Q2. Gross margin increased 90bps having benefited from the Group's strategic procurement initiative.

The underlying condition of the French construction market remains weak, with the residential sector in particular performing more poorly than anticipated. Rolling quarterly housing starts to the end of June were down 19% compared to the prior year.

However, SIG continued to strongly outperform the market, which it estimates fell by 1.4% in the first half. This is due to the increasing maturity of new branches, infill acquisitions, a shift in the market towards specialists and the strength of SIG's local management team.

The Group remains cautious about market conditions in France, and expects construction output to decline further in the second half of this year.

Germany & Austria

Sales in Germany & Austria increased 0.7%, and were up 5.1% on a LFL basis. Similar to the rest of the Group, SIG's trading performance in Q1 benefited from the mild weather and weak comparators at the beginning of the year. Unlike France however, LFLs remained positive in Q2, increasing 2.8%.

Although the new build residential market continues to perform reasonably well, this segment accounts for less than 15% of SIG's sales in the region. Other parts of the market, such as the non-residential sector, are more subdued.

Demand for industrial insulation continues to be impacted by the ongoing hiatus in the refurbishment of coal burning power stations. This, along with other changes in product mix, adversely affected the Group's gross margin in H1. However, the longer term trend has been positive with gross margin improving by 180bps in the last three years.

Benelux and Poland

Sales in Benelux (including ATC) were up 0.7% and 4.6% on a LFL basis. As anticipated, although Belgium continues to perform well, the construction market in The Netherlands has remained weak, impacting the Group's trading performance.

In Poland sales decreased 2.7% but were up 0.5% on a LFL basis. Sales were partly impacted by the closure of two loss making branches in H2 2013. However, gross margin improved significantly and was up 210bps compared to H1 2013.

Gross margin in both regions benefited from the Group's savings from its procurement initiative. In Poland gross margin was also helped by increased sales of higher margin own label products.

Group outlook

Trading conditions in the UK have continued to gather momentum, led by the revival in the housing market. As anticipated, conditions in Mainland Europe remain variable, with the French construction market expected to weaken further in the second half.

Although SIG is exposed to ongoing currency headwinds and a challenging market backdrop in France, the Group's first half performance and progress on its strategic initiatives provide a strong base on which to achieve its full year expectations.

Cautionary Statement

This Interim Report has been prepared in accordance with the requirements of English Company Law and the liabilities of the Directors in connection with this Interim Report shall be subject to the limitations and restrictions provided by such law.

This Interim Report is prepared for and addressed only to the Company's shareholders as a whole and to no other person. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this Interim Report is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

Certain information included in this Interim Report is forward looking and involves risk and uncertainties that could cause the actual results to differ materially from those expressed or implied by forward looking statements. It is believed that the expectations set out in these forward looking statements are reasonable but they may be affected by a wide range of variables which could cause future outcomes to differ from those foreseen in forward looking statements, including but not limited to, the level of market demand in SIG's operating markets, competitors and margin management, commercial relationships, government legislation, debt, working capital/credit management, IT infrastructure and resilience and availability of key resources. All statements in this Interim Report are based upon information known to the Company at the date of this report. The Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

Responsibility Statement

We confirm to the best of our knowledge that:

- (a) the condensed interim set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union;
- (b) the Interim Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the Interim Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Stuart Mitchell
Director
11 August 2014

Doug Robertson
Director
11 August 2014

Condensed Consolidated Income Statement

for the six months ended 30 June 2014

	Note	Unaudited six months ended 30 June 2014			Unaudited six months ended 30 June 2013			Audited year ended 31 December 2013		
		Before other items*	Other items*	Total	Before other items*	Other items*	Total	Before other items*	Other items*	Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	2	1,286.9	21.6	1,308.5	1,208.3	69.1	1,277.4	2,557.2	162.6	2,719.8
Cost of sales		(942.6)	(18.6)	(961.2)	(888.8)	(54.4)	(943.2)	(1,881.7)	(128.9)	(2,010.6)
Gross profit		344.3	3.0	347.3	319.5	14.7	334.2	675.5	33.7	709.2
Other operating expenses		(296.5)	(31.7)	(328.2)	(279.9)	(34.1)	(314.0)	(572.9)	(120.9)	(693.8)
Operating profit	2	47.8	(28.7)	19.1	39.6	(19.4)	20.2	102.6	(87.2)	15.4
Finance income		0.5	0.1	0.6	0.8	-	0.8	1.4	0.2	1.6
Finance costs		(6.8)	(1.1)	(7.9)	(6.7)	(1.1)	(7.8)	(12.7)	(2.1)	(14.8)
Profit before tax and share of loss of associate		41.5	(29.7)	11.8	33.7	(20.5)	13.2	91.3	(89.1)	2.2
Share of loss of associate		-	-	-	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Profit before tax		41.5	(29.7)	11.8	33.6	(20.5)	13.1	91.2	(89.1)	2.1
Income tax credit/(expense)	4	(11.9)	17.7	5.8	(10.1)	7.3	(2.8)	(27.0)	10.6	(16.4)
Profit/(loss) after tax		29.6	(12.0)	17.6	23.5	(13.2)	10.3	64.2	(78.5)	(14.3)
Attributable to:										
Equity holders of the Company		30.3	(12.0)	18.3	23.1	(13.2)	9.9	63.5	(78.5)	(15.0)
Non-controlling interests		(0.7)	-	(0.7)	0.4	-	0.4	0.7	-	0.7
Earnings per share										
Basic earnings per share	5	5.1p	(2.0p)	3.1p	3.9p	(2.2p)	1.7p	10.7p	(13.2p)	(2.5p)
Diluted earnings per share	5	5.1p	(2.0p)	3.1p	3.9p	(2.2p)	1.7p	10.7p	(13.2p)	(2.5p)

* "Other items" relate to the amortisation of acquired intangibles, restructuring costs, other one-off items, profits and losses arising on the sale of businesses, trading losses associated with disposed businesses, goodwill impairment charges, fair value gains and losses on derivative financial instruments, the taxation effect of "Other items", the one-off recognition of deferred tax assets and the effect of changes in taxation rates. "Other items" have been disclosed separately in order to give an indication of the underlying earnings of the Group. Further details can be found in Note 3.

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2014

	Unaudited six months ended 30 June 2014 £m	Unaudited six months ended 30 June 2013 £m	Audited year ended 31 December 2013 £m
Profit/(loss) after tax	17.6	10.3	(14.3)
Items that will not subsequently be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit pension liability	(5.0)	6.7	8.3
Deferred tax movement associated with remeasurement of defined benefit pension liability	1.0	(1.6)	(2.0)
Effect of change in rate on deferred tax	-	-	(0.9)
	(4.0)	5.1	5.4
Items that may subsequently be reclassified to the Consolidated Income Statement:			
Exchange difference on retranslation of foreign currency goodwill and intangibles	(8.1)	13.1	6.6
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	(11.0)	12.7	4.7
Exchange differences reclassified to the Consolidated Income Statement in respect of the disposal of foreign operations	(6.7)	-	-
Exchange and fair value movements associated with borrowings and derivative financial instruments	5.3	(6.0)	(1.9)
Tax (charge)/credit on exchange difference arising on borrowings and derivative financial instruments	(1.2)	1.4	0.4
Gains and losses on cash flow hedges	(2.3)	0.3	(0.4)
Transfer to profit and loss on cash flow hedges	1.1	1.1	2.1
	(22.9)	22.6	11.5
Other comprehensive (expense)/income	(26.9)	27.7	16.9
Total comprehensive (expense)/income	(9.3)	38.0	2.6
Attributable to:			
Equity holders of the Company	(8.6)	37.6	1.9
Non-controlling interests	(0.7)	0.4	0.7
	(9.3)	38.0	2.6

Condensed Consolidated Balance Sheet

as at 30 June 2014

	Note	Unaudited 30 June 2014 £m	Unaudited 30 June 2013 £m	Audited 31 December 2013 £m
Non-current assets				
Property, plant and equipment		122.0	141.6	135.6
Goodwill		408.4	446.0	417.6
Intangible assets		46.2	50.1	49.3
Deferred tax assets		33.6	27.8	22.2
Deferred consideration		1.5	-	-
Derivative financial instruments	10	23.1	43.8	29.7
		634.8	709.3	654.4
Current assets				
Inventories		232.2	245.7	220.4
Trade and other receivables		446.9	464.8	391.9
Assets held for sale		-	-	9.1
Derivative financial instruments		-	7.6	-
Associate loan		-	0.3	-
Cash and cash equivalents		103.4	99.1	118.7
		782.5	817.5	740.1
Total assets		1,417.3	1,526.8	1,394.5
Current liabilities				
Trade and other payables		406.1	410.3	346.3
Liabilities held for sale		-	-	1.9
Obligations under finance lease contracts		2.4	2.4	2.7
Bank overdrafts		2.9	6.3	4.9
Bank loans		0.4	0.8	0.3
Private placement notes		-	85.7	-
Derivative financial instruments	10	0.1	7.4	0.1
Current tax liabilities		4.2	2.0	5.3
Provisions		8.1	7.8	9.5
		424.2	522.7	371.0
Non-current liabilities				
Obligations under finance lease contracts		7.9	4.8	7.1
Bank loans		0.7	0.1	-
Private placement notes		244.7	181.8	252.5
Derivative financial instruments	10	0.4	3.2	2.0
Deferred tax liabilities		13.6	17.1	14.7
Other payables		3.5	10.4	4.3
Retirement benefit obligations	12	26.3	26.4	25.5
Provisions		25.9	26.1	24.3
		323.0	269.9	330.4
Total liabilities		747.2	792.6	701.4
Net assets		670.1	734.2	693.1
Capital and reserves				
Called up share capital	11	59.1	59.1	59.1
Share premium account		447.2	447.0	447.2
Capital redemption reserve		0.3	0.3	0.3
Share option reserve		1.5	1.1	1.1
Hedging and translation reserve		(9.1)	24.0	12.6
Retained profits		171.2	202.3	172.2
Attributable to equity holders of the Company		670.2	733.8	692.5
Non-controlling interests		(0.1)	0.4	0.6
Total equity		670.1	734.2	693.1

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2014

	Note	Unaudited six months ended 30 June 2014 £m	Unaudited six months ended 30 June 2013 £m	Audited year ended 31 December 2013 £m
Net cash flow from operating activities				
Cash generated from operating activities	8	24.5	15.2	86.2
Finance costs paid		(6.4)	(5.6)	(12.0)
Finance income received		0.5	0.7	1.4
Income tax paid		(7.6)	(6.7)	(15.7)
Net cash generated from operating activities		11.0	3.6	59.9
Cash flows from investing activities				
Purchase of property, plant and equipment and computer software		(16.4)	(14.3)	(37.9)
Proceeds from sale of property, plant and equipment		14.7	1.6	4.8
Net proceeds from sale of businesses	7	0.3	-	(0.1)
Settlement of amounts payable for purchase of businesses	6	(5.2)	(9.4)	(14.9)
Net cash used in investing activities		(6.6)	(22.1)	(48.1)
Cash flows from financing activities				
Capital element of finance lease rental payments		(1.5)	(1.1)	(3.3)
Issue of share capital		-	-	0.2
Repayment of loans/settlement of derivative financial instruments		-	(2.8)	(87.3)
New loans		0.9	-	85.6
Dividends paid to equity holders of the Company	13	(14.2)	(11.8)	(18.6)
Dividends paid to non-controlling interest		-	(0.2)	(0.3)
Net cash used in financing activities		(14.8)	(15.9)	(23.7)
Decrease in cash and cash equivalents in the period	9	(10.4)	(34.4)	(11.9)
Cash and cash equivalents at beginning of the period		113.8	124.0	124.0
Effect of foreign exchange rate changes		(2.9)	3.2	1.7
Cash and cash equivalents at end of the period		100.5	92.8	113.8

Condensed Consolidated Statement of Changes in Equity

For the unaudited six months ended 30 June 2014	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserve £m	Retained profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 31 December 2013	59.1	447.2	0.3	1.1	12.6	172.2	692.5	0.6	693.1
Profit after tax	-	-	-	-	-	18.3	18.3	(0.7)	17.6
Other comprehensive income/(expense)	-	-	-	-	(21.7)	(5.2)	(26.9)	-	(26.9)
Total comprehensive income/(expense)	-	-	-	-	(21.7)	13.1	(8.6)	(0.7)	(9.3)
Credit to share option reserve	-	-	-	0.4	-	-	0.4	-	0.4
Current and deferred tax on share options	-	-	-	-	-	0.1	0.1	-	0.1
Dividends paid to equity holders of the Company	-	-	-	-	-	(14.2)	(14.2)	-	(14.2)
At 30 June 2014	59.1	447.2	0.3	1.5	(9.1)	171.2	670.2	(0.1)	670.1

For the unaudited six months ended 30 June 2013	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserve £m	Retained profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 31 December 2012	59.1	447.0	0.3	0.9	2.8	197.7	707.8	1.0	708.8
Profit after tax	-	-	-	-	-	9.9	9.9	0.4	10.3
Other comprehensive income/(expense)	-	-	-	-	21.2	6.5	27.7	-	27.7
Total comprehensive income/(expense)	-	-	-	-	21.2	16.4	37.6	0.4	38.0
Credit to share option reserve	-	-	-	0.2	-	-	0.2	-	0.2
Recognition of non-controlling interest	-	-	-	-	-	-	-	(0.8)	(0.8)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(0.2)	(0.2)
Dividends paid to equity holders of the Company	-	-	-	-	-	(11.8)	(11.8)	-	(11.8)
At 30 June 2013	59.1	447.0	0.3	1.1	24.0	202.3	733.8	0.4	734.2

For the audited year ended 31 December 2013	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserve £m	Retained profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 31 December 2012	59.1	447.0	0.3	0.9	2.8	197.7	707.8	1.0	708.8
Loss after tax	-	-	-	-	-	(15.0)	(15.0)	0.7	(14.3)
Other comprehensive income/(expense)	-	-	-	-	9.8	7.1	16.9	-	16.9
Total comprehensive income/(expense)	-	-	-	-	9.8	(7.9)	1.9	0.7	2.6
Share capital issued in the year	-	0.2	-	-	-	-	0.2	-	0.2
Credit to share option reserve	-	-	-	0.3	-	-	0.3	-	0.3
Exercise of share options	-	-	-	(0.1)	-	0.1	-	-	-
Current and deferred tax on share options	-	-	-	-	-	0.1	0.1	-	0.1
Adjustments arising from changes in non-controlling interest	-	-	-	-	-	0.8	0.8	(0.8)	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(0.3)	(0.3)
Dividends paid to equity holders of the Company	-	-	-	-	-	(18.6)	(18.6)	-	(18.6)
At 31 December 2013	59.1	447.2	0.3	1.1	12.6	172.2	692.5	0.6	693.1

The share option reserve represents the cumulative share option charge under IFRS 2 less the value of any share options that have been exercised.

The hedging and translation reserve represents movements in the Condensed Consolidated Balance Sheet as a result of movements in exchange rates which are taken directly to reserves.

Notes to the Condensed Interim Financial Statements

1. Basis of preparation of Condensed Interim Financial Statements

The Condensed Interim Financial Statements were approved by the Board of Directors on 11 August 2014.

The Condensed Interim Financial Statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The interim results to 30 June 2014 and 30 June 2013 have been subject to an Interim Review in accordance with ISRE 2410 by the Company's Auditor. The financial information for the full preceding year is based on the audited statutory accounts for the financial year ended 31 December 2013 prepared in accordance with IFRS as adopted by the European Union. Those accounts, upon which the Auditor issued an unqualified opinion, have been delivered to the Registrar of Companies. The Auditor's Report did not draw attention to any matters by way of emphasis and contained no statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

The Group's Condensed Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and the accounting policies included in the Annual Report and Accounts for the year ended 31 December 2013, which have been applied consistently throughout the current and preceding periods with the exception of new standards adopted in the current period (see below).

The areas of critical accounting judgement and key sources of estimation uncertainty set out on page 93 of the 2013 Annual Report and Accounts are considered to continue and be consistently applied.

All results are from continuing operations under International Accounting Standards as the businesses disposed of in 2014 did not meet the disclosure criteria of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as they did not represent a separate major line of business or geographical area of operation. In order to give an indication of the underlying earnings of the Group the results of these businesses have been included in the middle column of the Condensed Consolidated Income Statement entitled "Other items". The prior period comparatives have been re-analysed to present the results of the businesses divested in 2014 within "Other items".

Going Concern

The Directors have considered the Group's forecasts which support the view that the Group should be able to continue to operate within its banking facilities and comply with its banking covenants. Through its various business activities the Group is exposed to a number of risks and uncertainties (see Note 15), which could affect the Group's ability to meet these forecasts and hence its ability to meet its banking covenants. The Directors have considered the challenging trading conditions, the current competitive environment and markets in which the Group's businesses operate and associated credit risks, together with the available ongoing committed finance facilities or the reasonable expectation of the renewal of facilities and the potential actions that can be taken, should revenues be worse than expected, to protect operating profits and cash flows. After making enquiries, the Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing this Interim Report.

Changes in accounting policy

Adoption of new and revised accounting standards

Since the 2013 Annual Report and Accounts was published, IFRS 15 "Revenue From Contracts With Customers" and IFRS 9 "Financial Instruments" were issued. No other significant new standards and interpretations have been issued. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The following new and revised standards became effective during 2014:

- IAS 27 (amended) "Separate Financial Statements";
- IAS 36 (amended) "Impairment of Assets";
- IAS 39 (amended) "Financial Instruments – Recognition and Measurement"; and
- IFRIC Interpretation 21 "Leases".

The adoption of these standards has not had a material impact on the financial statements of the Group.

Notes to the Condensed Interim Financial Statements (Continued)

2. Segmental information

(a) Segmental results

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance. The Group has deemed it appropriate to aggregate its operating segments into two reported segments: UK and Ireland, and Mainland Europe. The constituent operating segments have been aggregated as they have similar products and services; production processes; types of customer; methods of distribution; regulatory environments; and economic characteristics. There has been no change in the basis of measurement of segment profit or loss in the period.

	<u>Unaudited six months ended 30 June 2014</u>				<u>Unaudited six months ended 30 June 2013</u>				<u>Audited year ended 31 December 2013</u>			
	UK and Ireland	Mainland Europe	Eliminations	Total	UK and Ireland	Mainland Europe	Eliminations	Total	UK and Ireland	Mainland Europe	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue												
Continuing sales	650.4	636.5	-	1,286.9	570.9	637.4	-	1,208.3	1,217.8	1,339.4	-	2,557.2
Sales attributable to businesses divested in 2014	8.7	12.9	-	21.6	14.3	54.8	-	69.1	25.2	137.4	-	162.6
Inter-segment sales*	1.0	5.7	(6.7)	-	0.8	4.5	(5.3)	-	1.6	9.6	(11.2)	-
Total revenue	660.1	655.1	(6.7)	1,308.5	586.0	696.7	(5.3)	1,277.4	1,244.6	1,486.4	(11.2)	2,719.8
Result												
Segment result before Other items	24.3	27.5	-	51.8	19.8	22.9	-	42.7	51.6	59.0	-	110.6
Amortisation of acquired intangibles	(4.3)	(5.1)	-	(9.4)	(5.0)	(5.2)	-	(10.2)	(9.9)	(10.7)	-	(20.6)
Restructuring costs	(1.4)	-	-	(1.4)	(1.9)	(3.7)	-	(5.6)	(12.0)	(6.0)	-	(18.0)
Other one-off items	(5.4)	-	-	(5.4)	(0.2)	-	-	(0.2)	(0.5)	(0.2)	-	(0.7)
Profits and losses on sale of businesses and associated impairment charges	(11.2)	6.2	-	(5.0)	-	-	-	-	-	(42.8)	-	(42.8)
Operating losses attributable to businesses divested in 2014	(2.2)	(2.0)	-	(4.2)	(1.2)	(2.2)	-	(3.4)	(3.1)	-	-	(3.1)
Goodwill impairment charge	(3.3)	-	-	(3.3)	-	-	-	-	(2.0)	-	-	(2.0)
Segment operating profit/(loss)	(3.5)	26.6	-	23.1	11.5	11.8	-	23.3	24.1	(0.7)	-	23.4
Parent Company costs				(4.0)				(3.1)				(8.0)
Operating profit				19.1				20.2				15.4
Net finance costs				(6.3)				(5.9)				(11.3)
Net fair value losses on derivative financial instruments				(1.0)				(1.1)				(1.9)
Share of loss of associate				-				(0.1)				(0.1)
Profit before tax				11.8				13.1				2.1
Income tax credit/(expense)				5.8				(2.8)				(16.4)
Non-controlling interests				0.7				(0.4)				(0.7)
Profit/(loss) for the period				18.3				9.9				(15.0)

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

Notes to the Condensed Interim Financial Statements (Continued)

2. Segmental information (Continued)

(a) Segmental results (Continued)

Balance Sheet

	Unaudited six months ended 30 June 2014				Unaudited six months ended 30 June 2013				Audited year ended 31 December 2013			
	UK and Ireland	Mainland Europe	Eliminations	Total	UK and Ireland	Mainland Europe	Eliminations	Total	UK and Ireland	Mainland Europe	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets												
Segment assets	679.3	703.4	-	1,382.7	663.0	798.2	-	1,461.2	639.6	691.0	-	1,330.6
<i>Unallocated assets:</i>												
Derivative financial instruments				23.1				51.4				29.7
Cash and cash equivalents				10.2				11.2				33.3
Other assets				1.3				3.0				0.9
Consolidated total assets				1,417.3				1,526.8				1,394.5
Liabilities												
Segment liabilities	295.3	194.6	-	489.9	283.0	217.4	-	500.4	262.8	174.7	-	437.5
<i>Unallocated liabilities:</i>												
Private placement notes				244.7				267.5				252.5
Derivative financial instruments				0.5				10.6				2.1
Other liabilities				12.1				14.1				9.3
Consolidated total liabilities				747.2				792.6				701.4
Other segment information												
<i>Capital expenditure on:</i>												
Property, plant and equipment	6.5	7.5	-	14.0	9.5	4.2	-	13.7	19.5	13.4	-	32.9
Computer software	4.5	0.3	-	4.8	0.4	0.4	-	0.8	9.6	0.4	-	10.0
Goodwill and intangible assets (excluding computer software)	4.7	-	-	4.7	10.0	-	-	10.0	14.5	-	-	14.5
<i>Non-cash expenditure:</i>												
Depreciation	5.5	4.9	-	10.4	5.2	5.7	-	10.9	8.5	13.3	-	21.8
Impairment of property, plant and equipment and computer software	6.1	-	-	6.1	-	-	-	-	0.2	11.5	-	11.7
Amortisation of acquired intangibles and computer software	5.1	5.6	-	10.7	5.1	6.0	-	11.1	10.2	12.3	-	22.5
Impairment of goodwill and intangibles (excluding computer software)	3.3	-	-	3.3	-	-	-	-	2.0	21.5	-	23.5

Notes to the Condensed Interim Financial Statements (Continued)

2. Segmental information (Continued)

(b) Revenue by product group

The Group focuses its activities into three product sectors: Insulation and Energy Management; Exteriors; and Interiors.

The following table provides an analysis of Group sales by type of product:

	Unaudited six months ended 30 June 2014	Unaudited six months ended 30 June 2013	Audited year ended 31 December 2013
	£m	£m	£m
Insulation and Energy Management	595.1	570.6	1,198.6
Exteriors	381.8	341.7	754.9
Interiors	310.0	296.0	603.7
Total continuing	1,286.9	1,208.3	2,557.2
Attributable to businesses divested in 2014	21.6	69.1	162.6
Total	1,308.5	1,277.4	2,719.8

(c) Geographic information

The Group's revenue from external customers and its non-current assets (including property, plant and equipment, goodwill and intangible assets but excluding deferred tax and derivative financial instruments) by geographical location are as follows:

	Unaudited six months ended 30 June 2014		Unaudited six months ended 30 June 2013		Audited year ended 31 December 2013	
	Revenue	Non-current assets	Revenue	Non-current assets	Revenue	Non-current assets
Country	£m	£m	£m	£m	£m	£m
United Kingdom	616.1	300.2	539.9	284.6	1,152.3	311.8
Ireland	34.3	0.8	31.0	0.9	65.5	0.9
France	300.8	212.2	302.2	235.9	622.4	223.9
Germany and Austria	205.1	16.3	203.6	23.5	437.5	16.5
Poland	53.3	17.2	54.8	15.3	124.7	18.4
Benelux*	77.3	29.9	76.8	43.2	154.8	30.5
Total continuing	1,286.9	576.6	1,208.3	603.4	2,557.2	602.0
Attributable to UK business divested in 2014	8.7	-	14.3	34.3	25.2	0.5
Attributable to German business divested in 2014	12.9	-	54.8	-	137.4	-
Total	1,308.5	576.6	1,277.4	637.7	2,719.8	602.5

* Includes international air handling business (headquartered in The Netherlands).

There is no material difference between the basis of preparation of the information reported above and the Accounting Policies adopted by the Group (Note 1).

3. Other items

"Other items" have been disclosed in a separate column within the Condensed Consolidated Income Statement in order to provide a better indication of the underlying earnings of the Group. Included within "Other items" are the following:

	Unaudited six months ended 30 June 2014	Unaudited six months ended 30 June 2013	Audited year ended 31 December 2013
	£m	£m	£m
Amortisation of acquired intangibles	(9.4)	(10.2)	(20.6)
Profits and losses on sale of businesses and associated impairment charges (Note 7)	(5.0)	-	(42.8)
Operating losses attributable to businesses divested in 2014	(4.2)	(3.4)	(3.1)
Restructuring costs [^]	(1.4)	(5.6)	(18.0)
Other one-off items*	(5.4)	(0.2)	(0.7)
Goodwill impairment charge	(3.3)	-	(2.0)
Impact on operating profit	(28.7)	(19.4)	(87.2)
Net fair value losses on derivative financial instruments	(1.0)	(1.1)	(1.9)
Impact on profit before tax	(29.7)	(20.5)	(89.1)
Income tax credit on Other items	3.1	7.3	10.6
One-off recognition of deferred tax assets (Note 4)	14.6	-	-
Impact on profit after tax	(12.0)	(13.2)	(78.5)

[^] Included within restructuring costs are redundancy costs of £0.7m (30 June 2013: £0.8m; 31 December 2013: £7.6m), property closure costs of £ nil (30 June 2013: £1.4m; 31 December 2013: £5.8m), rebranding costs of £0.6m (30 June 2013: £0.6m; 31 December 2013: £3.7m), asset write down costs of £ nil (30 June 2013: £ nil; 31 December 2013: £0.2m) and other restructuring costs of £0.1m (30 June 2013: £2.8m; 31 December 2013: £0.7m).

* Other one-off items include acquisition expenses (see Note 6), the impairment of a freehold property of £6.1m (following the sale of part of the property in the period) and profit on sale of properties of £0.5m.

Notes to the Condensed Interim Financial Statements (Continued)

4. Income tax

The income tax (credit)/expense comprises:

	Unaudited six months ended 30 June 2014 £m	Unaudited six months ended 30 June 2013 £m	Audited year ended 31 December 2013 £m
UK taxation	(12.4)	(0.4)	2.9
Overseas taxation	6.6	3.2	13.5
Total income tax (credit)/expense for the period	(5.8)	2.8	16.4

Tax for the six month period ended 30 June 2014 on underlying profits (i.e. before "Other items") is charged at 28.7% (30 June 2013: 30.1%; 31 December 2013: 29.6%), representing the best estimate of the average annual effective tax rate expected for the full year being applied to the underlying pre-tax income of the six month period to 30 June 2014.

On 2 July 2013 the Finance Act 2013 passed through the House of Commons and hence became substantively enacted, which confirmed the proposed reductions in the UK corporation tax rate by 2% to 21% with effect from 1 April 2014 and by a further 1% to 20% with effect from 1 April 2015. These rate reductions have been reflected in the calculation of the Group's deferred tax.

During the period the Group has recognised deferred tax assets of £14.6m (net) relating to c.£69m (gross) of previously unrecognised excess non-trading losses incurred in 2008 associated with the derivative financial instruments and included within "Other items" in the Condensed Consolidated Income Statement. In prior periods these non-trading losses were not recognised on the grounds of uncertainty, reflecting their nature. Following utilisation in the current and prior periods the Directors now feel that the remaining amount is recoverable and therefore the asset has been recognised in full in the period.

5. Earnings per share

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

	Profit/(loss) after tax		
	Unaudited six months ended 30 June 2014 £m	Unaudited six months ended 30 June 2013 £m	Audited year ended 31 December 2013 £m
Profit/(loss) after tax	17.6	10.3	(14.3)
Non-controlling interests	0.7	(0.4)	(0.7)
	18.3	9.9	(15.0)

	Profit/(loss) after tax before Other items		
	Unaudited six months ended 30 June 2014 £m	Unaudited six months ended 30 June 2013 £m	Audited year ended 31 December 2013 £m
Profit/(loss) after tax	17.6	10.3	(14.3)
Non-controlling interests	0.7	(0.4)	(0.7)
Other items:			
Amortisation of acquired intangibles	9.4	10.2	20.6
Profits and losses on sale of businesses and associated impairment charges (Note 7)	5.0	-	42.8
Operating losses attributable to businesses divested in 2014	4.2	3.4	3.1
Restructuring costs	1.4	5.6	18.0
Other one-off items	5.4	0.2	0.7
Goodwill impairment charge	3.3	-	2.0
Net fair value losses on derivative financial instruments	1.0	1.1	1.9
One-off recognition of deferred tax assets (Note 4)	(14.6)	-	-
Tax relating to Other items	(3.1)	(7.3)	(10.6)
	30.3	23.1	63.5

	Weighted average number of shares		
	Unaudited six months ended 30 June 2014 Number	Unaudited six months ended 30 June 2013 Number	Audited year ended 31 December 2013 Number*
For basic earnings per share	591,100,447	590,860,343	590,881,190
Exercise of share options	154,065	276,532	154,065
For diluted earnings per share	591,254,512	591,136,875	591,035,255

* For earnings per share after Other items for the year ended 31 December 2013, due to the fact that the Group recorded a loss after tax any share options would be anti-dilutive. Therefore the impact of the exercise of share options has been removed from the weighted average number of shares when calculating earnings per share after Other items for the year ended 31 December 2013.

Notes to the Condensed Interim Financial Statements (Continued)

5. Earnings per share (Continued)

	Earnings per share		
	Unaudited six months ended 30 June 2014	Unaudited six months ended 30 June 2013	Audited year ended 31 December 2013
Total basic earnings/(loss) per share	3.1p	1.7p	(2.5p)
Total diluted earnings/(loss) per share	3.1p	1.7p	(2.5p)

	Earnings per share before Other items [^]		
Total basic earnings per share	5.1p	3.9p	10.7p
Total diluted earnings per share	5.1p	3.9p	10.7p

[^] Earnings per share before Other items has been disclosed in order to present the underlying performance of the Group.

6. Acquisitions

During the period SIG acquired the following companies:

Acquisition name	% of share capital held	Acquisition date	Country of incorporation	Principal activities
Trimform Products Limited	100%	20 January 2014	United Kingdom	Manufacturer and distributor of roofing materials and associated products
IBSL Group Limited	100%	13 March 2014	United Kingdom	Fabricator and distributor of technical insulation products
Coxbench IP Limited	100%	30 May 2014	United Kingdom	Manufacturer and distributor of insulation materials

The fair value of the net assets of these businesses at acquisition (in aggregation) were as follows:

	£m
Property, plant and equipment	0.6
Inventories	0.8
Trade and other receivables	1.1
Cash (less debt)	1.3
Trade and other payables	(1.2)
Corporation tax	(0.2)
Finance leases	(0.1)
Net assets acquired	2.3
Intangible assets – customer relationships	2.6
Intangible assets – non-compete clauses	0.1
Deferred tax liability on acquired intangible assets	(0.5)
Goodwill	2.0
Total consideration (represented by cash)	6.5
Total consideration including assumed cash:	
Cash (per above)	6.5
Cash acquired	(1.3)
Settlement of amounts payable for purchase of businesses	5.2

It is currently expected that, dependent upon future profits, £2.5m of contingent consideration will be paid to the vendors of recent acquisitions who are employed by the Group. As required by IFRS 3 (2008), this will be treated as remuneration and will be charged to the Income Statement in accordance with IAS 19 "Employee Benefits". The related accrual of potential consideration in the period to 30 June 2014 is £0.2m (30 June 2013: £0.2m; 31 December 2013: £0.6m).

In addition to the contingent consideration noted above, further consideration may be payable in 2017 and 2019 in regard to the acquisition of Coxbench IP Limited, dependent upon both future profitability and the vendor continuing to offer themselves for employment within the business. The Group's current estimate of the future amount payable is £13.6m. In accordance with IAS 19 this will also be treated as remuneration, with the charge in the period to 30 June 2014 being £0.2m. The only other impact on the Income Statement is the unwinding of the discounting of the amount expected to be paid through interest expense, which at 30 June 2014 was less than £0.1m. Added to the £0.2m acquisition expenses and contingent consideration this has led to a charge within "Other items" in the Condensed Consolidated Income Statement of £0.6m in respect of acquisitions.

The Directors have made a provisional assessment of the fair value of the net assets acquired. Any further adjustments arising will be accounted for within the hindsight period. These fair value adjustments relate primarily to:

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

Notes to the Condensed Interim Financial Statements (Continued)

6. Acquisitions (Continued)

Included within goodwill is the benefit of staff acquired as part of the business and strategic acquisition synergies which are specifically excluded in the identification of intangible assets on acquisition in accordance with the relevant accounting standards. Goodwill arising is not deductible for tax purposes.

Post-acquisition revenue and operating profit for the period ended 30 June 2014 for all 2014 acquisitions amounted to £2.4m and £0.3m respectively.

The Directors estimate that the combined pre-acquisition revenue and operating profit of the 2014 acquisitions for the period from 1 January 2014 to the respective acquisition dates was £0.4m and £0.1m respectively.

Post Balance Sheet Events

On 2 July 2014, the Group acquired 100% of the issued share capital of Technische Handelmaatschappij "Inatherm" B.V., a specialist distributor of air handling products based in The Netherlands for an initial consideration of €4.4m (plus deferred consideration of €0.7m) with net liabilities acquired of €0.1m.

On 15 July 2014, the Group acquired 100% of the issued share capital of RoofSpace Solutions Limited, a designer, supplier and installer of panelised roofing systems in the United Kingdom for an initial consideration of £1.9m with net assets acquired of £1.

On 17 July 2014, the Group acquired 100% of the issued share capital of Société Distribution Matériaux SARL, a distributor of flat roofing materials in France for an initial consideration of €5.0m with net assets acquired of €0.5m.

Due to the proximity to the period end, further financial information has not been provided. This will be included in the Group's Annual Report and Accounts for the year ending 31 December 2014.

7. Divestments

German Roofing

As disclosed in the 2013 Annual Report and Accounts, at 31 December 2013 the Board had resolved to dispose of the Group's German Roofing operations, and because a loss was anticipated the net assets of the business were impaired to reflect the estimated net proceeds of £7.2m. The disposal was completed on 28 February 2014 and in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" the cumulative exchange differences on the retranslation of the net assets and goodwill and intangibles of the business (a credit of £6.7m) were reclassified to the Condensed Consolidated Income Statement. The Group has recognised a further £0.5m of costs relating to the sale in the period ended 30 June 2014, resulting in a profit on disposal within "Other items" in the Condensed Consolidated Income Statement of £6.2m.

Miller Pattison Limited

On 24 April 2014 the Group sold Miller Pattison Limited, formerly known as SIG Energy Management Limited, for a consideration of £1.5m, resulting in a loss on disposal of £11.2m. Following the payment of a dividend of £4.7m prior to divestment, the net assets of the business were as follows:

	At date of disposal	At 30 June 2013	At 31 December 2013
	£m	£m	£m
Goodwill	-	2.0	-
Property, plant and equipment	0.6	0.1	0.5
Cash	6.7	2.2	2.7
Inventories	0.3	0.3	0.4
Trade and other receivables	6.4	28.5	25.5
Trade and other payables	(4.5)	(13.3)	(12.7)
Net assets	9.5	19.8	16.4
Provisions recognised on disposal	3.0		
Costs to sell	0.2		
Loss on disposal	(11.2)		
Sale proceeds (deferred consideration)	1.5		

Reconciliation of cash flows on divestment of businesses

German Roofing

Sale proceeds less costs to sell	8.8
Cash at date of disposal	(1.6)
Net cash flow on divestment	7.2

Miller Pattison Limited

Sale proceeds less costs to sell	1.3
Deferred consideration	(1.5)
Cash at date of disposal	(6.7)
Net cash flow on divestment	(6.9)

Net proceeds from sale of businesses

	0.3
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The profit arising on the sale of the Group's German Roofing operations and the loss on sale of Miller Pattison Limited, along with the results for their current and prior periods have been disclosed within "Other items" in the Condensed Consolidated Income Statement in order to present the underlying earnings of the Group.

Notes to the Condensed Interim Financial Statements (Continued)

8. Reconciliation of operating profit to cash generated from operating activities

	Unaudited six months ended 30 June 2014	Unaudited six months ended 30 June 2013	Audited year ended 31 December 2013
	£m	£m	£m
Operating profit	19.1	20.2	15.4
Depreciation	10.4	10.9	21.8
Amortisation of computer software	1.3	0.9	1.9
Impairment of property, plant and equipment	6.1	-	0.2
Profits and losses on sale of businesses and associated impairment charges	5.0	-	42.8
Amortisation of acquired intangibles	9.4	10.2	20.6
Goodwill impairment charge	3.3	-	2.0
Profit on sale of property, plant and equipment	(1.2)	(0.6)	(1.2)
Share-based payments	0.4	0.2	0.4
Working capital movements	(29.3)	(26.6)	(17.7)
Cash generated from operating activities	24.5	15.2	86.2

Included in cash generated from operating activities is a special contribution to the defined benefit pension scheme of £2.5m (30 June 2013: £3.0m; 31 December 2013: £3.0m) and cash paid on current and prior period restructuring costs of £4.4m (30 June 2013: £10.5m; 31 December 2013: £13.3m).

9. Reconciliation of net cash flow to movements in net debt

	Unaudited six months ended 30 June 2014	Unaudited six months ended 30 June 2013	Audited year ended 31 December 2013
	£m	£m	£m
Decrease in cash and cash equivalents in the period	(10.4)	(34.4)	(11.9)
Cash flow from decrease in debt	0.6	2.6	4.0
Increase in net debt resulting from cash flows	(9.8)	(31.8)	(7.9)
Debt added on acquisition	(0.1)	-	(0.3)
Non-cash items*	(2.4)	(1.2)	(6.7)
Exchange differences	2.0	(3.4)	(1.0)
Increase in net debt in the period	(10.3)	(36.4)	(15.9)
Net debt at beginning of the period	(121.2)	(105.3)	(105.3)
Net debt at end of the period	(131.5)	(141.7)	(121.2)

* Non-cash items includes the fair value movement of debt recognised in the period which does not give rise to a cash inflow or outflow.

Net debt is defined as the net of cash and cash equivalents, bank overdrafts, financial derivatives, associate loans, deferred consideration, private placement debt, bank loans and obligations under finance lease contracts.

10. Financial instruments fair value disclosures

At the balance sheet date the Group held the following financial instruments at fair value:

	Unaudited six months ended 30 June 2014	Unaudited six months ended 30 June 2013	Audited year ended 31 December 2013
	£m	£m	£m
Financial assets			
Derivative financial instruments	23.1	51.4	29.7
	23.1	51.4	29.7
Financial liabilities			
Derivative financial instruments	0.5	10.6	2.1
Contingent consideration	0.6	-	0.6
	1.1	10.6	2.7

The derivative financial instruments above all have fair values which are calculated by reference to observable inputs (i.e. classified as level 2 in the fair value hierarchy). The fair values of these derivative financial instruments, adjusted for credit risk, are calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

The carrying value of financial assets and liabilities recorded at amortised cost in the accounts are approximately equal to their fair value.

Notes to the Condensed Interim Financial Statements (Continued)

11. Called up share capital

	Unaudited six months ended 30 June 2014 £m	Unaudited six months ended 30 June 2013 £m	Audited year ended 31 December 2013 £m
Authorised:			
800,000,000 ordinary shares of 10p each (30 June 2013: 800,000,000; 31 December 2013: 800,000,000)	80.0	80.0	80.0
Allotted, called up and fully paid:			
591,100,447 ordinary shares of 10p each (30 June 2013: 590,870,448; 31 December 2013: 591,100,447)	59.1	59.1	59.1

The Company allotted no shares during the period (30 June 2013: 33,013; 31 December 2013: 263,012).

12. Retirement benefit schemes

Defined benefit schemes

The Group operates a number of pension schemes, five of which provide defined benefits based upon pensionable salary. One of these schemes has assets held in a separate trustee administered fund, and four are overseas book reserve schemes. The UK defined benefit pension scheme obligation is calculated on a year to date basis, using the latest triennial valuation as at 31 December 2010. The triennial valuation as at 31 December 2013 is currently underway and it is anticipated that this will have been completed by 31 December 2014.

The IAS 19 valuation conducted as at 31 December 2013 has been updated to reflect current market conditions, and as a result an actuarial loss of £5.0m and an associated deferred tax credit of £1.0m has been recognised within the Condensed Consolidated Statement of Comprehensive Income.

13. Interim dividend

An interim dividend of 1.42p per share has been declared for the period (30 June 2013: 1.15p). 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.

The final dividend for the year ended 31 December 2013 of 2.4p per share has been recognised as a distribution to equity holders in the period.

14. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

During the period the Group exercised its option to acquire the remaining 2% non-controlling interest of Air Trade Centre Romania s.r.l. The Group now holds 100% of the ordinary share capital of Air Trade Centre Romania s.r.l.

SIG has a shareholding of less than 0.1% in a German purchasing co-operative. Net purchases from this co-operative (on commercial terms) totalled £131m in the period to 30 June 2014 (30 June 2013: £135m; 31 December 2013: £364m). At the balance sheet date trade payables in respect of the co-operative amounted to £14m (30 June 2013: £16m; 31 December 2013: £15m).

The Group has not identified any other material related party transactions in the six month period to 30 June 2014.

15. Risks and uncertainties

The principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining six months of the 2014 financial year have not changed significantly from those set out on pages 18 to 21 of the Strategic Review included in the Group's 2013 Annual Report and Accounts. These risks and uncertainties include, but are not limited to:

- (1) market conditions;
- (2) competitors and margin management;
- (3) commercial relationships;
- (4) government legislation;
- (5) debt;
- (6) working capital/credit management;
- (7) IT infrastructure and resilience; and
- (8) availability of key resources.

The primary risk affecting the Group for the remaining six months of the year is the level of market demand in the markets in which SIG operates. SIG's diverse market sectors are affected by macroeconomic factors which limit visibility and therefore render the short to medium-term outlook difficult to predict. The "Outlook" section of the Trading Review details the current assessment of the markets in which the Group operates.

16. Seasonality

The Group's operations are not normally affected by significant seasonal variations between the first and second halves of the calendar year, and it is likely that the seasonality experienced in 2014 will be largely consistent with that experienced historically.

Independent review report to SIG plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the Condensed Income Statement, the Condensed Statement of Comprehensive Income, the Condensed Balance Sheet, the Condensed Statement of Changes in Equity, the Condensed Cash Flow Statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
11 August 2014