12 March 2015

Full year results for the period ended 31 December 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*	2014	2013	*% change*	*% change constant currency*
Revenue	£2,602.9m	£2,539.7m	*+2.5%*	*+5.6%*
Underlying** operating profit	£110.2m	£101.3m	*+8.8%*	*+12.0%*
Underlying** profit before tax	£98.1m	£90.0m	*+9.0%*	*+12.4%*
Underlying** basic earnings per share	11.9p	10.7p	*+11.2%*	
Dividend per share	4.40p	3.55p	*+23.9%*	
Post-tax return on capital employed	10.3%	9.4%	*+90bps*	

** Continuing operations excludes divested businesses (German Roofing, Miller Pattison and Ice Energy).*
*** Underlying is before the amortisation of acquired intangibles, restructuring costs, other one-off items, profits and losses arising on the sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, goodwill impairment charges, unwinding of provision discounting and fair value gains and losses on derivative financial instruments.*
**** Like-for-like is defined as sales per day in constant currency excluding acquisitions and disposals.*

Highlights

- Like-for-like*** sales increased by 3.8%; market outperformance of 2.8%
- Return on capital employed up 90bps to 10.3%
- Strong progress and overdelivery on strategic initiatives
    - £10.1m net benefit in 2014, well ahead of original target
    - Procurement gains drive 50bps improvement in gross margin
- Underlying operating margin increased 20bps to 4.2%
- Underlying EPS up 11.2% to 11.9p
- Statutory profit before tax of £39.0m
- 12 infill acquisitions for £20.9m and related earn-out
- Three underperforming businesses divested
- Net debt of £126.9m; leverage remains at 1.0x
- Final dividend increased by 24.2%; total dividend up 23.9% to 4.40p per share

Statutory

Total operations	2014	2013
Revenue	£2,633.9m	£2,719.8m
Operating profit	£53.2m	£15.4m
Profit before tax	£39.0m	£2.1m
Basic earnings / (loss) per share	5.6p	(2.5p)

Commenting on the results and outlook, Stuart Mitchell, Chief Executive, said:

"In 2014 SIG delivered good like-for-like sales growth of nearly 4% and improved its return on capital employed by 90bps, driven by a strong performance in the UK & Ireland. Following a robust first half, which benefited from the mild weather, trading moderated as Mainland European markets deteriorated.

"The Group made good progress on self-help measures, both in terms of market outperformance and strategic initiatives, where it overdelivered against its targets and achieved a net benefit of £10m last year, mainly from procurement. This gives a high degree of confidence in delivery of the remainder of the programme, which targets a cumulative net benefit of c.£20m in 2015 and c.£30m in 2016.

"We anticipate that trading conditions will remain variable across the Group's countries of operation in 2015, with continued good growth in the UK & Ireland and uncertainty persisting in Mainland Europe. While the Group also notes the continuing weakening of the Euro and potential adverse translational effect on profit, it expects this headwind to be partially offset by lower fuel costs.

"Although weighted towards the second half, due to strong H1 comparators, our continued scope for self-help through market outperformance and the strategic initiatives give SIG confidence in achieving further progress this year."

Enquiries

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Analyst presentation

A briefing to analysts will take place at 9.00am on Thursday 12 March 2015 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

SIG began the year strongly, benefiting from the mild weather and weak comparatives, increasing like-for-like ("LFL") sales by 7.1% in the first half, with good growth in both the UK & Ireland and Mainland Europe. The Group's trading performance then moderated in the second half, with LFL sales increasing marginally, by 0.8%. While for the UK & Ireland this moderation was in line with SIG's expectations, and mainly due to stronger comparatives, Mainland Europe was weaker than anticipated due to a downturn in the macroeconomic environment.

For the year as a whole SIG delivered good LFL sales growth of 3.8%, with the Group experiencing marginal product price inflation of 0.1% and a volume increase of 3.7%. Given SIG estimates that the overall market, weighted according to the sectors in which it operates, was up by 1.0%, this equates to an outperformance of 2.8%.

Group sales from continuing operations, which exclude the disposals of Miller Pattison, German Roofing and Ice Energy, were up 2.5% to £2,602.9m (2013: £2,539.7m), despite the adverse effects of foreign exchange translation, which reduced sales by 3.1%.

In the UK & Ireland revenues from continuing operations increased 11.3% to £1,336.2m (2013: £1,200.3m), and were up 9.2% on a LFL basis, having been driven primarily by strong demand in the UK and Irish residential sectors. In the UK LFL sales increased by 8.9% and in Ireland were up by 14.7%.

Sales in Mainland Europe from continuing operations decreased by 5.4% to £1,266.7m (2013: £1,339.4m), due in part to the adverse effect of movements in foreign exchange rates. On a LFL basis sales in Mainland Europe declined by 1.0%.

The Group made strong progress on its strategic initiatives to improve business performance, delivering a net benefit after incremental costs of £10.1m, mainly sourced from procurement, well ahead of its original target. As a result SIG's underlying gross margin increased 50bps to 26.9% (2013: 26.4%).

Underlying operating profit increased 8.8% to £110.2m (2013: £101.3m) and underlying operating margin was up by 20bps to 4.2% (2013: 4.0%). Underlying net finance costs increased slightly to £12.1m (2013: £11.3m), which resulted in underlying profit before tax increasing by 9.0% to £98.1m (2013: £90.0m). Underlying basic earnings per share from continuing operations increased 11.2% to 11.9p (2013: 10.7p).

On a statutory basis profit before tax was £39.0m (2013: £2.1m) and basic earnings per share were 5.6p (2013: loss of 2.5p).

Net debt at 31 December 2014 was £126.9m, an increase of £5.7m compared to the prior year (2013: £121.2m). Net capital expenditure (excluding property disposals) was £36.6m (2013: £38.1m), 53% higher than depreciation of £24.0m (2013: £23.7m) and in line with guidance.

Return on Capital Employed

Post-tax Return on Capital Employed ("ROCE") is the key metric for the Group and is calculated as underlying operating profit less tax, divided by average net assets plus average net debt.

In 2014 SIG's ROCE increased by 90bps to 10.3% (2013: 9.4%), 310bps higher than Group WACC of 7.2% (2013: 8.3%). The Group has therefore achieved its target of ROCE exceeding WACC by 300bps a year early, although in doing so it recognises that it has benefited from a lower WACC.

For 2015 SIG remains committed to its medium-term objective of achieving ROCE in excess of 11.0%. As well as taking a disciplined approach to its capital management, SIG seeks to achieve this target through further improvements in its gross and operating margins.

Strategic Initiatives

The Group has made strong progress on its strategic initiatives to improve business performance, delivering a net profit benefit after incremental costs of £10.1m, well ahead of its original £1-5m target, in what was only the first full year of the programme. This was derived from gross savings of £16.9m, which represented a significant overdelivery on SIG's initial expectations, net of additional investment of £6.8m, which was in line with the Group's original cost estimate.

Going forward SIG continues to target a cumulative net benefit of c.£20m in 2015 and c.£30m in 2016 from its strategic initiatives. Given its strong start in 2014 the Group has a high degree of confidence in achieving these targets.

The delivery of the Group's strategic initiatives is underpinned by a significant culture change programme. Its operating businesses are now working more closely together to ensure the whole is greater than the sum of its parts.

Procurement

During 2014 SIG made gross savings of £14.7m from its procurement initiative, significantly exceeding its expectations. These savings, of which £7.9m were in the UK & Ireland and £6.8m were in Mainland Europe, have resulted in a 50bps improvement in the Group's gross margin.

Procurement efficiencies have been obtained from all of SIG's six international category forums covering roofing, ceilings, technical insulation, structural insulation, air handling and drylining, and are broadly proportionate to the Group's expenditure in each of these areas.

In addition to delivering these savings, the Group set out three milestones to help investors to track its progress on this initiative.

The first, which was to fully recruit its procurement team, was completed in H1 2014. SIG has recruited 27 procurement specialists, who have joined from the construction industry as well as other sectors, such as retail, and 81 employees have attended a leading negotiation training programme.

Having cut supplier numbers by 22%, from 9,678 in 2012 to 7,573 in 2014, the Group is well on track to achieve its second milestone, which is to reduce its suppliers by a third by the end of 2015.

Finally SIG remains on track to grow its own label products by 50% by 2016, from c.10% to c.15% of Group sales, and has plans in progress to achieve this target.

Branch network

The Group has made substantial progress consolidating its network over recent years, significantly reducing the number of branches in SIGD, its UK insulation and interiors business. This rationalisation included the opening of a new supersite in the North East of England in December 2013, which combined four branches into one. The supersite continues to perform well and was ahead of its budget in 2014. In addition the Group consolidated a further six SIGD branches during 2014.

The Group also scoped its ideal UK and German networks during 2014, concluding that there are further opportunities to rationalise its insulation and interiors businesses, and that there is potential to grow its UK exteriors business either organically or through acquisitions. These plans are currently being implemented.

Concurrently, SIG is undertaking a comprehensive supply chain review. This review, which is due to report in Q3 2015, is considering how the Group can most efficiently and best serve its customers from receipt of order to fulfilment.

Commercial vehicles

SIG is improving the utilisation of its commercial vehicles through the more effective use of technology. Telematics has been implemented in the Group's UK and French fleets, with the next roll-outs expected in Germany and Poland later this year.

The Group is also improving the way it procures commercial vehicles, which were previously purchased by individual businesses on an ad hoc basis. SIG has signed Group-wide purchasing agreements for its fork lift trucks with Linde, and with Mercedes and DAF for its fleet, where it has adopted a dual sourcing strategy.

eCommerce

The design phase of the Group's new UK eCommerce platform was completed on schedule in 2014. Further development is now planned for 2015. SIG is committed in the first half of 2016 to launching a market-leading online proposition that meets its customers' needs.

In Mainland Europe SIG is already successfully operating eCommerce sites and the Group will continue to progress these local solutions. The Air Trade Centre eCommerce proposition in Belgium is well established, while strong progress is being made in developing the platforms in both Germany and Poland.

Acquisitions

In 2014 SIG acquired 12 businesses for £20.9m together with a contingent consideration of up to £29.8m depending on future performance. Seven of the acquisitions were in the UK, three in France and one each in Germany and The Netherlands.

Since restarting its acquisition programme in 2012, newly acquired infill businesses are performing well and meeting their internal targets, with returns in aggregate higher than the Group's ROCE.

Given the Group's good cash conversion rates and strong financial position, going forward SIG is seeking to increase the pace at which it makes its acquisitions and is targeting larger infill businesses. It therefore is targeting to spend around £200m on infill acquisitions over the next three years, while maintaining its strict financial criteria and hurdle rates.

Disposals

During the year SIG divested three businesses whose returns were below the Group's WACC and whose prospects of significantly improving performance over the medium-term were considered unlikely. These disposals were:

- the Group's German Roofing business, which was acquired by The Gores Group, a US private equity firm in February 2014;
- Miller Pattison Limited, a residential insulation installation and contracting business, which was sold to Help-Link UK in April 2014; and
- a 50.6% stake in Ice Energy Technologies Limited, a renewable energy solutions provider of air and ground source heat pumps, which was sold to the existing Ice Energy management team in October 2014.

In 2013, the last full year of SIG ownership, these three businesses reported combined sales of £180.1m and made an underlying operating loss of £1.8m.

Operating costs and non-underlying items

SIG's operating cost base increased by £21.1m to £590.4m (2013: £569.3m) due to £14.9m on acquisitions and new branches, of which nine were opened in the year, a £5.7m increase in incentive payments and £5.4m net investment in its strategic initiatives. There were also additional volume related costs of £7.0m and other costs increases of £9.2m. These were offset by an £18.2m beneficial currency impact and £4.5m of cost savings.

Non-underlying items before taxation during the period totalled £59.1m (2013: £87.9m) and included amortisation of acquired intangibles of £19.6m (2013: £20.6m), profits and losses on sale of businesses and associated impairment charges of £14.0m (2013: £42.8m), net operating losses attributable to businesses divested in 2014 of £6.7m (2013: £1.8m), net restructuring costs of £9.2m (2013: £18.0m), net fair value losses on derivative financial instruments and unwinding of provision discounting of £2.1m (2013: £1.9m) and other one-off items of £7.5m (2013: £0.7m). The prior year comparative also included a goodwill impairment charge of £2.0m and the share of loss of associate of £0.1m.

Dividend

The Board has proposed a final dividend of 2.98p per ordinary share, an increase of 24.2% on prior year. Taken together with the interim dividend of 1.42p per ordinary share, this provides a total dividend of 4.40p per ordinary share for the year (2013: 3.55p), an increase of 23.9% on prior year. The final dividend is expected to be paid on 29 May 2015 to shareholders on the register at close of business on 1 May 2015. The ex-dividend date is 30 April 2015.

Going forward the Board remains committed to a progressive dividend policy while maintaining a dividend cover of 2-3x on an underlying basis over the medium-term.

UK & Ireland trading review

- Sales from continuing operations increased 11.3% to £1,336.2m (2013: £1,200.3m)
- Gross margin from continuing operations up 50bps to 26.7% (2013: 26.2%)
- Underlying operating profit up 31.0% to £65.9m (2013: £50.3m)
- Underlying operating margin up 70bps to 4.9% (2013: 4.2%)
- Statutory operating profit of £18.8m (2013: £24.1m)

Continuing operations	2014 Sales	Change	LFL change	Change in gross margin
United Kingdom	£1,265.2m	11.5%	8.9%	50bps
Ireland	£71.0m	8.4%	14.7%	(30)bps
UK & Ireland	**£1,336.2m**	**11.3%**	**9.2%**	**50bps**

United Kingdom

Sales in the UK from continuing operations increased 11.5%, and by 8.9% on a LFL basis. Gross margin was up by 50bps principally due to savings from the Group's strategic procurement initiative, together with an improved performance in its roofing business compared to 2013, when margin was affected by market pricing and volume pressures.

The residential market experienced good growth in 2014, with the Construction Product Association reporting that the value of the private new build UK housing market grew by 18.0%. SIG expects continued robust growth in the sector in 2015, although the rate of expansion may slow somewhat compared to prior year.

While trading conditions in the non-residential sector are improving, SIG has not yet benefited from this growth mainly due to its later cycle exposure. However, assuming this upturn continues, the Group anticipates that this should start to feed through into its sales performance during 2015.

Although the Group's overall outlook for the UK construction market this year is positive, it recognises that there are risks principally relating to the General Election and ongoing uncertainty in the Eurozone.

The roll out of the UK's new ERP system, Kerridge K8, continues to progress well and has now been completed across the back offices. The branch roll out is also well underway and is expected to be completed in 2016.

Ireland

Sales in Ireland increased by 8.4%, and were up 14.7% on a LFL basis. Gross margin fell by 30bps due to pricing pressures in the market. SIG benefited from a strong recovery in the Irish residential market, which according to Euroconstruct was up by 17.5% compared to 2013. SIG anticipates that the market will remain robust in 2015, although growth is likely to slow from its 2014 level.

Mainland Europe trading review

- Sales from continuing operations decreased 5.4% to £1,266.7m (2013: £1,339.4m)
- Gross margin from continuing operations increased 50bps to 27.1% (2013: 26.6%)
- Underlying operating profit declined 8.1% to £54.2m (2013: £59.0m)
- Underlying operating margin down 10bps to 4.3% (2013: 4.4%)
- Statutory operating profit of £44.3m (2013: loss of £0.7m)

Continuing operations	2014 Sales	Change	LFL change	Change in gross margin
France	£586.1m	(5.8)%	(2.1)%	80bps
Germany & Austria	£412.2m	(5.8)%	(0.3)%	(40)bps
Benelux*	£156.4m	1.0%	5.1%	100bps
Poland	£112.0m	(10.2)%	(5.7)%	160bps
Mainland Europe	**£1,266.7m**	**(5.4)%**	**(1.0)%**	**50bps**

** includes Air Trade Centre*

France

Sales in France decreased by 2.1% on a LFL basis, and were down by 5.8% in Sterling due to movements in foreign exchange. However, gross margin increased 80bps having benefited significantly from the Group's procurement initiative.

The French construction market remained challenging during 2014, declining by 5.1%. The residential sector in particular performed poorly, with new housing starts down by 10%, falling back to around 300,000, a level not seen in France since 1998. Activity in the non-residential sector also continued to decline, although not to the same degree as the housing market.

However, SIG outperformed the French market in 2014, by 3.0%. The Group believes this is due to a number of factors including a continuing shift in the market away from generalists towards specialists, the strength of SIG's local management team and the increasing maturity of the Group's new branches.

SIG operates a lean business in France and despite market conditions continues to make good returns in this market. Although stable, the Group expects market conditions to remain weak in France during 2015.

Germany & Austria

Sales in Germany & Austria decreased marginally on a LFL basis, by 0.3%, broadly in line with the market, and were down by 5.8% in Sterling. Gross margin was down by 40bps, as savings from the Group's procurement initiative were offset by the downward impact of changes in product mix, particularly lower demand for industrial insulation. However, the longer-term trend has been positive with gross margin improving by 110bps over the last three years.

Following a good first half performance, when SIG reported LFL sales growth of 5.1%, the German construction market took an unexpected downturn in the third quarter, which was not helped by the crisis in Ukraine. As a result the Group's LFL sales in Germany were down by 5.0% in the second half.

Although the market has stabilised, there are no signs yet of any improvement in trading conditions in SIG's markets in Germany.

Benelux and Poland

Sales in Benelux (which includes Air Trade Centre) were up 1.0% and by 5.1% on a LFL basis. While Belgium performed well in the first half of the year, and the construction market in The Netherlands was weak, in the second half the recovery in The Netherlands began, whereas Belgium weakened.

In Poland, sales decreased by 10.2%, and 5.7% on a LFL basis, outperforming the market by 1.1%. Sales were partly impacted by the closure of two loss-making branches towards the end of 2013, and deteriorating macroeconomic conditions as the year progressed, with business confidence being affected by the ongoing crisis in Ukraine.

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

Group outlook

SIG anticipates that trading conditions will remain variable across the Group's countries of operation in 2015, with continued good growth in the UK & Ireland and uncertainty persisting in Mainland Europe. While the Group also notes the continuing weakening of the Euro and potential adverse translational effect on profit, it expects this headwind to be partially offset by lower fuel costs.

With continued scope for self-help through market outperformance and the strategic initiatives, SIG is confident of achieving further progress this year, although strong H1 comparators mean that this will be weighted towards the second half.

Directors' Responsibility Statement on the Annual Report

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2014. Certain parts thereof are not included within this announcement.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The responsibility statement was approved by the Board of Directors and signed on its behalf by:

Stuart Mitchell
Director
11 March 2015

Doug Robertson
Director
11 March 2015

Consolidated Income Statement

for the year ended 31 December 2014

	Note	**Before other items* 2014 £m**	**Other items* 2014 £m**	**Total 2014 £m**	Before other items* 2013 £m	Other items* 2013 £m	Total 2013 £m
Revenue	2	**2,602.9**	**31.0**	**2,633.9**	2,539.7	180.1	2,719.8
Cost of sales		**(1,902.3)**	**(27.5)**	**(1,929.8)**	(1,869.1)	(141.5)	(2,010.6)
Gross profit		**700.6**	**3.5**	**704.1**	670.6	38.6	709.2
Other operating expenses		**(590.4)**	**(60.5)**	**(650.9)**	(569.3)	(124.5)	(693.8)
Operating profit		**110.2**	**(57.0)**	**53.2**	101.3	(85.9)	15.4
Finance income		**0.9**	**0.1**	**1.0**	1.4	0.2	1.6
Finance costs		**(13.0)**	**(2.2)**	**(15.2)**	(12.7)	(2.1)	(14.8)
Profit before tax and share of loss of associate		**98.1**	**(59.1)**	**39.0**	90.0	(87.8)	2.2
Share of loss of associate		**-**	**-**	**-**	-	(0.1)	(0.1)
Profit before tax		**98.1**	**(59.1)**	**39.0**	90.0	(87.9)	2.1
Income tax expense	3	**(27.6)**	**23.1**	**(4.5)**	(26.6)	10.2	(16.4)
Profit/(loss) after tax		**70.5**	**(36.0)**	**34.5**	63.4	(77.7)	(14.3)
Attributable to:							
Equity holders of the Company		**70.1**	**(37.1)**	**33.0**	63.1	(78.1)	(15.0)
Non-controlling interests		**0.4**	**1.1**	**1.5**	0.3	0.4	0.7
Earnings per share							
Basic earnings/(loss) per share	4	**11.9p**	**(6.3p)**	**5.6p**	10.7p	(13.2p)	(2.5p)
Diluted earnings/(loss) per share	4	**11.9p**	**(6.3p)**	**5.6p**	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 and associated impairment charges, trading profits and losses associated with disposed businesses, goodwill impairment charges, unwinding of provision discounting, fair value gains and losses on derivative financial instruments, one-off recognition of deferred tax assets, the taxation effect of "Other items" 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 (see Note 4).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	2014 £m	2013 £m
Profit/(loss) after tax	**34.5**	(14.3)
Items that will not subsequently be reclassified to the Consolidated Income Statement:		
Remeasurement of defined benefit pension liability	**(7.7)**	8.3
Deferred tax movement associated with remeasurement of defined benefit pension liability	**1.7**	(2.0)
Effect of change in rate on deferred tax	**(0.1)**	(0.9)
	(6.1)	5.4
Items that may subsequently be reclassified to the Consolidated Income Statement:		
Exchange difference on retranslation of foreign currency goodwill and intangibles	**(14.3)**	6.6
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	**(18.9)**	4.7
Exchange and fair value movements associated with borrowings and derivative financial instruments	**8.9**	(1.9)
Tax (charge)/credit on exchange and fair value movements arising on borrowings and derivative financial instruments	**(1.9)**	0.4
Exchange difference reclassified to the Consolidated Income Statement in respect of the disposal of foreign operations	**(6.7)**	-
Gains and losses on cash flow hedges	**(3.7)**	(0.4)
Transfer to profit and loss on cash flow hedges	**2.3**	2.1
	(34.3)	11.5
Other comprehensive (expense)/income	**(40.4)**	16.9
Total comprehensive (expense)/income	**(5.9)**	2.6
Attributable to:		
Equity holders of the Company	**(7.4)**	1.9
Non-controlling interests	**1.5**	0.7
	(5.9)	2.6

Consolidated Balance Sheet
as at 31 December 2014

	2014 £m	2013 £m
Non-current assets		
Property, plant and equipment	**127.2**	135.6
Goodwill	**419.2**	417.6
Intangible assets	**49.6**	49.3
Deferred tax assets	**29.0**	22.2
Deferred consideration	**1.5**	-
Derivative financial instruments	**33.9**	29.7
	660.4	654.4
Current assets		
Inventories	**225.4**	220.4
Trade and other receivables	**381.7**	391.9
Assets held for sale	**-**	9.1
Current tax assets	**5.6**	4.3
Other financial assets	**0.9**	-
Cash and cash equivalents	**110.3**	118.7
	723.9	744.4
Total assets	**1,384.3**	1,398.8
Current liabilities		
Trade and other payables	**349.2**	346.3
Liabilities held for sale	**-**	1.9
Obligations under finance lease contracts	**2.5**	2.7
Bank overdrafts	**4.4**	4.9
Bank loans	**0.7**	0.3
Loan notes	**1.9**	-
Derivative financial instruments	**0.5**	0.1
Current tax liabilities	**8.3**	9.6
Provisions	**14.6**	9.5
	382.1	375.3
Non-current liabilities		
Obligations under finance lease contracts	**8.0**	7.1
Bank loans	**0.6**	-
Private placement notes	**254.3**	252.5
Derivative financial instruments	**0.6**	2.0
Deferred tax liabilities	**12.1**	14.7
Other payables	**4.3**	4.3
Retirement benefit obligations	**28.7**	25.5
Provisions	**29.3**	24.3
	337.9	330.4
Total liabilities	**720.0**	705.7
Net assets	**664.3**	693.1
Capital and reserves		
Called up share capital	**59.1**	59.1
Share premium account	**447.2**	447.2
Capital redemption reserve	**0.3**	0.3
Share option reserve	**1.8**	1.1
Hedging and translation reserve	**(20.3)**	12.6
Retained profits	**175.6**	172.2
Attributable to equity holders of the Company	**663.7**	692.5
Non-controlling interests	**0.6**	0.6
Total equity	**664.3**	693.1

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Note	**2014** **£m**	2013 £m
Net cash flow from operating activities			
Cash generated from operating activities	5	**95.6**	86.2
Income tax paid		**(16.9)**	(15.7)
Net cash generated from operating activities		**78.7**	70.5
Cash flows from investing activities			
Finance costs paid		**(12.5)**	(12.0)
Finance income received		**0.9**	1.4
Purchase of property, plant and equipment and computer software		**(38.1)**	(37.9)
Proceeds from sale of property, plant and equipment		**13.2**	4.8
Net cash flow arising on sale of businesses	8	**(2.6)**	(0.1)
Settlement of amounts payable for purchase of businesses	9	**(19.0)**	(14.9)
Net cash used in investing activities		**(58.1)**	(58.7)
Cash flows from financing activities			
Capital element of finance lease rental payments		**(2.3)**	(3.3)
Issue of share capital		**-**	0.2
Repayment of loans/settlement of derivative financial instruments		**(2.7)**	(87.3)
New loans		**4.3**	85.6
Dividends paid to equity holders of the Company	7	**(22.6)**	(18.6)
Dividends paid to non-controlling interest		**-**	(0.3)
Net cash used in financing activities		**(23.3)**	(23.7)
Decrease in cash and cash equivalents in the year		**(2.7)**	(11.9)
Cash and cash equivalents at beginning of the year		**113.8**	124.0
Effect of foreign exchange rate changes		**(5.2)**	1.7
Cash and cash equivalents at end of the year		**105.9**	113.8

Consolidated Statement of Changes in Equity
for the year ended 31 December 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 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	-	-	-
Deferred tax on share options	-	-	-	-	-	0.1	0.1	-	0.1
Adjustments arising from changes in non-controlling interests	-	-	-	-	-	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
Profit after tax	-	-	-	-	-	33.0	33.0	1.5	34.5
Other comprehensive income/(expense)	-	-	-	-	(32.9)	(7.5)	(40.4)	-	(40.4)
Total comprehensive income/(expense)	-	-	-	-	(32.9)	25.5	(7.4)	1.5	(5.9)
Derecognition of non-controlling interest	-	-	-	-	-	-	-	(1.5)	(1.5)
Share capital issued in the year	-	-	-	-	-	-	-	-	-
Credit to share option reserve	-	-	-	0.7	-	-	0.7	-	0.7
Exercise of share options	-	-	-	-	-	-	-	-	-
Deferred tax on share options	-	-	-	-	-	0.5	0.5	-	0.5
Dividends paid to equity holders of the Company	-	-	-	-	-	(22.6)	(22.6)	-	(22.6)
At 31 December 2014	**59.1**	**447.2**	**0.3**	**1.8**	**(20.3)**	**175.6**	**663.7**	**0.6**	**664.3**

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

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

1. Basis of preparation

The Group's financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and on a basis consistent with that adopted in the previous year.

The financial information has been prepared under the historical cost convention except for derivative financial instruments which are stated at their fair value.

Whilst the financial information included in this Preliminary Results Announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The Preliminary Results Announcement does not constitute the Company's statutory accounts for the years ended 31 December 2014 and 31 December 2013 within the meaning of Section 435 of the Companies Act 2006 but is derived from those statutory accounts.

The Group's statutory accounts for the year ended 31 December 2013 have been filed with the Registrar of Companies, and those for 2014 will be delivered following the Company's Annual General Meeting. The Auditor has reported on the statutory accounts for 2014 and 2013, and their reports, which included no matters to which the Auditor drew attention by way of emphasis, were unqualified and did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the financial statements.

All results are from continuing operations under IFRS as the businesses disposed of in 2014 and 2013 did not meet the disclosure criteria of IFRS 5 "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 column of the Consolidated Income Statement entitled "Other items".

Changes in accounting policy

The following standards became effective or were amended in the current period:

- IAS 27 (amended) "Separate Financial Statements";
- IAS 32 (amended) "Offsetting Financial Assets and Liabilities";
- IAS 36 (amended) "Impairment of Assets";
- IAS 39 (amended) "Financial Instruments: Recognition and Measurement";
- IFRS 10 (amended) "Consolidated Financial Statements";
- IFRS 12 (amended) "Disclosure of Interests in Other Entities"; and
- IFRIC Interpretation 21 "Levies".

Adoption of the above standards has not had a material impact on the financial information of the Group.

At the date of authorisation of this financial information, there are a number of new standards and interpretations issued but not yet effective (some of which are pending endorsement by the EU), which the Group has not applied in this financial information. These are detailed in the Group's Annual Report and Accounts for the year ended 31 December 2014.

2. Revenue and segmental information

(a) *Segmental results*

Following the adoption of 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.

	2014 UK and Ireland £m	**2014 Mainland Europe £m**	**2014 Eliminations £m**	**2014 Total £m**	2013 UK and Ireland £m	2013 Mainland Europe £m	2013 Eliminations £m	2013 Total £m
Revenue								
Continuing sales	**1,336.2**	**1,266.7**	**-**	**2,602.9**	1,200.3	1,339.4	-	2,539.7
Sales attributable to businesses divested in 2014	**18.6**	**12.4**	**-**	**31.0**	42.7	137.4	-	180.1
Inter-segment sales*	**2.4**	**11.2**	**(13.6)**	**-**	1.6	9.6	(11.2)	-
Total revenue	**1,357.2**	**1,290.3**	**(13.6)**	**2,633.9**	1,244.6	1,486.4	(11.2)	2,719.8
Result								
Segment result before Other items	**65.9**	**54.2**	**-**	**120.1**	50.3	59.0	-	109.3
Amortisation of acquired intangibles	**(8.9)**	**(10.7)**	**-**	**(19.6)**	(9.9)	(10.7)	-	(20.6)
Restructuring costs	**(7.1)**	**(2.1)**	**-**	**(9.2)**	(12.0)	(6.0)	-	(18.0)
Other one-off items	**(7.4)**	**(0.1)**	**-**	**(7.5)**	(0.5)	(0.2)	-	(0.7)
Profits and losses on sale of businesses and associated impairment charges (Note 8)	**(19.0)**	**5.0**	**-**	**(14.0)**	-	(42.8)	-	(42.8)
Net operating losses attributable to businesses divested in 2014	**(4.7)**	**(2.0)**	**-**	**(6.7)**	(1.8)	-	-	(1.8)
Goodwill impairment charge	**-**	**-**	**-**	**-**	(2.0)	-	-	(2.0)
Segment operating profit/(loss)	**18.8**	**44.3**	**-**	**63.1**	24.1	(0.7)	-	23.4
Parent Company costs				**(9.9)**				(8.0)
Operating profit				**53.2**				15.4
Net finance costs before Other items				**(12.1)**				(11.3)
Net fair value losses on derivative financial instruments				**(1.9)**				(1.9)
Unwinding of provision discounting				**(0.2)**				-
Share of loss of associate				**-**				(0.1)
Profit before tax				**39.0**				2.1
Income tax expense				**(4.5)**				(16.4)
Non-controlling interests				**(1.5)**				(0.7)
Profit/(loss) for the year				**33.0**				(15.0)

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

2. Revenue and segmental information (continued)

(a) *Segmental results (continued)*

Balance sheet

	2014 UK and Ireland £m	**2014 Mainland Europe £m**	**2014 Total £m**	2013 UK and Ireland £m	2013 Mainland Europe £m	2013 Total £m
Assets						
Segment assets	**666.4**	**645.6**	**1,312.0**	638.3	694.7	1,333.0
Unallocated assets:						
Derivative financial instruments			**33.9**			29.7
Deferred consideration			**1.5**			-
Cash and cash equivalents			**25.8**			33.3
Deferred tax assets			**9.6**			0.8
Other assets			**1.5**			2.0
Consolidated total assets			**1,384.3**			1,398.8
Liabilities						
Segment liabilities	**283.9**	**165.4**	**449.3**	260.8	180.2	441.0
Unallocated liabilities:						
Private placement notes			**254.3**			252.5
Derivative financial instruments			**1.1**			2.1
Other liabilities			**15.3**			10.1
Consolidated total liabilities			**720.0**			705.7
Other segment information						
Capital expenditure on:						
Property, plant and equipment	**16.5**	**14.8**	**31.3**	19.5	13.4	32.9
Computer software	**10.1**	**0.3**	**10.4**	9.6	0.4	10.0
Goodwill and intangible assets (excluding computer software)	**23.1**	**8.5**	**31.6**	14.5	-	14.5
Non-cash expenditure:						
Depreciation	**11.4**	**9.8**	**21.2**	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	**10.8**	**11.6**	**22.4**	10.2	12.3	22.5
Impairment of goodwill and intangibles (excluding computer software)	**3.3**	**-**	**3.3**	2.0	21.5	23.5

2. Revenue and 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:

	2014 £m	2013 £m
Insulation and Energy Management	**1,195.0**	1,181.1
Exteriors	**807.6**	754.9
Interiors	**600.3**	603.7
Total continuing	**2,602.9**	2,539.7
Sales attributable to businesses divested in 2014	**31.0**	180.1
Total	**2,633.9**	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, deferred consideration and derivative financial instruments) by geographical location are as follows:

	2014		2013	
Country	**Revenue £m**	**Non-current assets £m**	Revenue £m	Non-current assets £m
United Kingdom	**1,265.2**	**323.2**	1,134.8	308.4
Ireland	**71.0**	**0.8**	65.5	0.9
France	**586.1**	**205.7**	622.4	223.9
Germany and Austria	**412.2**	**17.8**	437.5	16.5
Poland	**112.0**	**16.8**	124.7	18.4
Benelux*	**156.4**	**31.7**	154.8	30.5
Total continuing	**2,602.9**	**596.0**	2,539.7	598.6
Attributable to businesses divested in 2014	**31.0**	**-**	180.1	3.9
Total	**2,633.9**	**596.0**	2,719.8	602.5

*Includes Air Trade Centre.

There is no material difference between the basis of preparation of the information reported above and the accounting policies adopted by the Group.

3. Income tax

The income tax expense comprises:		**2014 £m**	2013 £m
Current tax			
UK corporation tax:	- on profits/(losses) for the year	**-**	-
	- adjustments in respect of previous years	**-**	0.3
		-	0.3
Overseas tax:	- on profits/(losses) for the year	**14.7**	15.7
	- adjustments in respect of previous years	**0.9**	0.2
Total current tax		**15.6**	16.2
Deferred tax			
Current year		**3.4**	(0.9)
Adjustments in respect of previous years		**(15.1)**	0.2
Deferred tax charge in respect of pension schemes*		**0.7**	0.2
Effect of change in rate		**(0.1)**	0.7
Total deferred tax		**(11.1)**	0.2
Total income tax expense		**4.5**	16.4

* Includes a credit of £0.1m in respect of the change in rate.

3. Income tax (continued)

The total tax charge for the year differs from that resulting from applying the standard rate of corporate tax in the UK at 31 December 2014 of 21.0% (31 December 2013: 23.0%). The differences are explained in the following reconciliation:

	2014		2013	
	£m	**%**	£m	%
Profit on ordinary activities before tax	**39.0**		2.1	
Tax at 21.0% (2013: 23.0%) thereon	**8.2**	**21.0**	0.5	23.0
Factors affecting the income tax expense for the year:				
– non-deductible and non-taxable items	**6.2**	**15.9**	1.6	76.2
– impairment charges not deductible for tax	**-**	**-**	9.5	452.4
– losses not recognised	**0.4**	**1.0**	0.1	4.8
– losses utilised not previously recognised	**(0.1)**	**(0.3)**	(1.7)	(81.0)
– other adjustments in respect of previous years	**(14.2)**	**(36.4)**	0.7	33.3
– effect of overseas tax rates	**4.2**	**10.8**	5.0	239.0
– effect of change in rate on deferred tax	**(0.2)**	**(0.5)**	0.7	33.3
Total income tax expense	**4.5**	**11.5**	16.4	781.0

The effective tax rate for the Group on the total profit before tax of £39.0m is 11.5% (2013: 781.0%).

The effective tax charge for the Group on profit before tax before amortisation of acquired intangibles, goodwill impairment charges, restructuring costs, other one-off items, profits and losses arising on the sale of businesses and associated impairment charges, trading profits and losses associated with disposed businesses, unwinding of provision discounting and net losses on derivative financial instruments of £98.1m is 28.1% (2013: 29.6%), which comprises a tax charge of 27.3% (2013: 29.1%) in respect of current year profits and a tax charge of 0.8% (2013: 0.5%) in respect of prior years.

The following factors will affect the Group's future total tax charge as a percentage of underlying profits:

- the mix of profits between the UK and overseas; in particular, France/Germany/Belgium/Netherlands (corporate tax rates greater than 20%) and Ireland/Poland (corporate tax rates less than 20%). If the proportion of profits from these jurisdictions changes, this could result in a higher or lower Group tax charge;
- the impact of non-deductible expenditure and non-taxable income;
- the agreement of open tax computations with the respective tax authorities; and
- the recognition or utilisation (with a corresponding reduction in cash tax payments) of unrecognised deferred tax assets.

A deferred tax asset of £14.9m was recognised in the year in respect of previously unrecognised UK excess non-trading losses incurred in 2008.

In addition to the amounts charged to the Consolidated Income Statement, the following amounts in relation to taxes have been recognised in the Consolidated Statement of Comprehensive Income with the exception of deferred tax on share options which has been recognised in the Consolidated Statement of Changes in Equity.

	2014	2013
	£m	£m
Deferred tax movement associated with remeasurement of defined benefit liabilities*	**1.7**	(2.0)
Deferred tax on share options	**0.5**	0.1
Tax (charge)/credit on exchange and fair value movements arising on borrowings and derivative financial instruments	**(1.9)**	0.4
Effect of change in rate on deferred tax*	**(0.1)**	(0.9)
Total	**0.2**	(2.4)

*These items will not subsequently be reclassified to the Consolidated Income Statement.

4. Earnings per share

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

	Basic and diluted	
	2014	2013
	£m	£m
Profit/(loss) after tax	**34.5**	(14.3)
Non-controlling interests	**(1.5)**	(0.7)
	33.0	(15.0)

	Basic and diluted before Other items	
	2014	2013
	£m	£m
Profit/(loss) after tax	**34.5**	(14.3)
Non-controlling interests	**(1.5)**	(0.7)
Other items:		
Amortisation of acquired intangibles	**19.6**	20.6
Profits and losses arising on the sale of businesses and associated impairment charges (Note 8)	**14.0**	42.8
Net operating losses attributable to businesses divested in 2014	**6.7**	1.8
Restructuring costs	**9.2**	18.0
Other one-off items	**7.5**	0.7
Goodwill impairment charge	**-**	2.0
Net fair value losses on derivative financial instruments	**1.9**	1.9
Unwinding of provision discounting	**0.2**	-
Share of loss of associate	**-**	0.1
One-off recognition of deferred tax assets	**(14.9)**	-
Tax credit relating to Other items	**(8.2)**	(10.2)
Other items attributable to non-controlling interests	**1.1**	0.4
	70.1	63.1

Weighted average number of shares

	2014	2013
	Number	Number
For basic earnings per share	**591,112,524**	590,881,190
Exercise of share options	**99,237**	154,065
For diluted earnings per share	**591,211,761**	591,035,255

	2014	2013
Earnings per share		
Basic earnings/(loss) per share	**5.6p**	(2.5p)
Diluted earnings/(loss) per share	**5.6p**	(2.5p)
Earnings per share before Other items^		
Basic earnings per share	**11.9p**	10.7p
Diluted earnings per share	**11.9p**	10.7p

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

The impact of Other items on the Consolidated Income Statement, along with their associated tax impact, is disclosed in the table below:

	2014			2013		
	Other items £m	**Tax impact £m**	**Tax impact %**	Other items £m	Tax impact £m	Tax impact %
Amortisation of acquired intangibles	**19.6**	**5.3**	**27.0**	20.6	3.3	16.0
Profits and losses arising on the sale of businesses and associated impairment charges (Note 8)	**14.0**	**-**	**-**	42.8	1.3	3.0
Net operating losses attributable to businesses divested in 2014	**6.7**	**0.4**	**6.0**	1.8	0.5	27.8
Restructuring costs	**9.2**	**1.5**	**16.3**	18.0	4.0	22.2
Other one-off items	**7.5**	**0.3**	**4.0**	0.7	-	-
Goodwill impairment charge	**-**	**-**	**-**	2.0	-	-
Impact on operating profit	**57.0**	**7.5**	**13.2**	85.9	9.1	10.6
Net fair value losses on derivative financial instruments	**1.9**	**0.4**	**21.1**	1.9	0.4	21.1
Unwinding of provision discounting	**0.2**	**-**	**-**	-	-	-
Share of loss of associate	**-**	**-**	**-**	0.1	-	-
Impact on profit before tax	**59.1**	**7.9**	**13.4**	87.9	9.5	10.8
One-off recognition of deferred tax assets	**-**	**14.9**	**-**	-	-	-
Utilisation of losses not previously recognised	**-**	**0.1**	**-**	-	1.4	-
Effect of change in rate on deferred tax	**-**	**0.2**	**-**	-	(0.7)	-
Impact on profit after tax	**59.1**	**23.1**	**39.1**	87.9	10.2	11.6
Other items attributable to non-controlling interests	**1.1**	**-**	**-**	0.6	0.2	23.2
Impact on profit attributable to equity holders of the Company	**60.2**	**23.1**	**38.4**	88.5	10.4	11.8

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

	2014 £m	2013 £m
Operating profit	**53.2**	15.4
Depreciation	**21.2**	21.8
Amortisation of computer software	**2.8**	1.9
Impairment of property, plant and equipment	**6.1**	0.2
Profits and losses arising on sale of businesses and associated impairment charges (Note 8)	**14.0**	42.8
Amortisation of acquired intangibles	**19.6**	20.6
Goodwill impairment charge	**-**	2.0
Profit on sale of property, plant and equipment	**(2.2)**	(1.2)
Share-based payments	**0.7**	0.4
Working capital movements:		
Increase in inventories	**(9.0)**	-
Increase in receivables	**(0.4)**	(12.0)
Decrease in payables	**(10.4)**	(5.7)
Cash generated from operating activities	**95.6**	86.2

Included within the cash generated from operating activities is cash paid in respect of current year and prior year restructuring costs of £10.8m (2013: £13.3m).

Also included within the cash generated from operating activities is a defined benefit pension scheme employer's special contribution of £2.5m (2013: £3.0m).

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

	2014 £m	2013 £m
Decrease in cash and cash equivalents in the year	**(2.7)**	(11.9)
Cash flow from decrease in debt	**0.7**	4.0
Increase in net debt resulting from cash flows	**(2.0)**	(7.9)
Debt added on acquisition	**(0.1)**	(0.3)
Non-cash items^	**(3.8)**	(6.7)
Exchange differences	**0.2**	(1.0)
Increase in net debt in the year	**(5.7)**	(15.9)
Net debt at 1 January	**(121.2)**	(105.3)
Net debt at 31 December	**(126.9)**	(121.2)

^ Non-cash items relate to the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow, and also includes £1.5m of deferred consideration agreed on the divestment of Miller Pattison Limited (Note 8).

Net debt is defined as the net of cash and cash equivalents, deferred consideration, other financial assets, bank overdrafts, derivative financial instruments, loan notes, private placement notes, bank loans and obligations under finance lease contracts.

7. Dividends

An interim dividend of 1.42p per ordinary share was paid on 7 November 2014 (2013: 1.15p). The Directors have proposed a final dividend for the year ended 31 December 2014 of 2.98p per ordinary share (2013: 2.40p). The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. No dividends have been paid between 31 December 2014 and the date of signing the Accounts.

8. Divestments

The Group has divested of three businesses in the year which in combination reported sales in 2014 of £31.0m (2013: £180.1m) and made an operating loss of £6.7m (2013: £1.8m).

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. 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 Consolidated Income Statement. The Group has incurred a further £1.7m of costs relating to the sale in the year ended 31 December 2014, resulting in a profit on disposal within "Other items" in the Consolidated Income Statement of £5.0m.

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 deferred until 31 December 2016, resulting in a loss on disposal of £12.9m. Following the payment of a dividend of £4.7m prior to divestment, the net assets of the business at the date of disposal were as follows:

	At date of disposal £m	At 31 December 2013 £m
Property, plant and equipment	**0.6**	0.5
Cash	**7.6**	2.7
Inventories	**0.3**	0.4
Trade and other receivables	**6.9**	25.5
Trade and other payables	**(5.9)**	(12.7)
Net assets	**9.5**	16.4
Provisions recognised on disposal	**4.9**	
Loss on disposal	**(12.9)**	
Sale proceeds (deferred consideration)	**1.5**	

Ice Energy Technologies Limited

The Group disposed of its 50.6% shareholding in Ice Energy Technologies Limited on 13 October 2014. At the date of disposal, the net assets of the business were as follows:

	At date of disposal £m	At 31 December 2013 £m
Property, plant and equipment	**0.1**	0.1
Cash (less debt)	**1.0**	1.0
Inventories	**0.4**	0.5
Trade and other receivables	**3.6**	3.1
Trade and other payables	**(4.2)**	(2.6)
Deferred tax asset	**0.4**	0.4
Net assets	**1.3**	2.5
Impairment of goodwill	**3.3**	
Impairment of loan receivable	**3.0**	
Reclassification of non-controlling interest reserve to the Consolidated Income Statement	**(1.5)**	
Loss on disposal and associated impairment charges	**(6.1)**	
Sale proceeds	**-**	

Reconciliation of cash flows on divestment of businesses

	German Roofing £m	**Miller Pattison £m**	**Ice Energy £m**	**Total £m**
Sales proceeds^	7.6	-	-	7.6
Cash at date of disposal	(1.6)	(7.6)	(1.0)	(10.2)
Net cash flow arising on sale of businesses	**6.0**	**(7.6)**	**(1.0)**	**(2.6)**

^ Sale proceeds for Miller Pattison Limited of £1.5m are represented by deferred consideration which is payable on 31 December 2016.

9. Acquisitions

During the period SIG acquired the following:

Acquisition name	% of share capital acquired	Acquisition date	Country of incorporation	Principal activity
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
Technische Handelmaatschappij "Inatherm" B.V.	100%	2 July 2014	The Netherlands	Distributor of air handling products
RoofSpace Solutions Limited	100%	15 July 2014	United Kingdom	Designer, supplier and installer of panelised roofing systems
Société Distribution Matériaux SARL	100%	17 July 2014	France	Distributor of flat roofing materials
Cheshire Roofing Limited	100%	28 August 2014	United Kingdom	Distributor of roofing materials and associated products
Bowller Group Limited	100%	25 September 2014	United Kingdom	Distributor of roofing materials and associated products
Kent Flooring Supplies Limited	100%	13 November 2014	United Kingdom	Distributor of carpet and flooring products

The Group also acquired the trade and certain assets and liabilities of the following businesses:

Acquisition name	Acquisition date	Country of operation	Principal activity
Schwäbische Dämmstoffe GmbH	15 September 2014	Germany	Fabricator and distributor of technical insulation products
Société Régionale d'Isolation et Calorifuge SAS	31 October 2014	France	Distributor of air handling products
Tours Ventilation SARL	14 November 2014	France	Distributor of air handling products

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

	£m
Property, plant and equipment	**1.8**
Inventories	**3.0**
Trade and other receivables	**5.4**
Net cash acquired	**2.5**
Trade and other payables	**(5.2)**
Net corporation tax and deferred tax liability	**(0.4)**
Finance leases and other debt items	**(0.1)**
Net assets acquired	**7.0**
Intangible assets – customer relationships	**12.2**
Intangible assets – non-compete clauses	**0.5**
Deferred tax liability on acquired intangible assets	**(3.1)**
Goodwill	**18.6**
Total consideration	**35.2**
Consideration is represented by:	
Cash	**21.5**
Loan notes	**1.9**
Contingent consideration	**11.8**
Total consideration	**35.2**
Total consideration including assumed cash:	
Cash (per above)	**21.5**
Net cash acquired	**(2.5)**
Settlement of amounts payable for purchase of businesses	**19.0**

In accordance with IFRS 3 "Business Combinations", acquisition expenses of £1.0m in relation to the above acquisitions have been recognised within the Consolidated Income Statement and have been presented within "Other items".

9. Acquisitions (continued)

In addition, it is currently expected that, dependent upon future profits, a further £18.0m will be paid to the vendors of recent acquisitions who are employed by the Group. These payments are contingent upon the vendors remaining within the business, and as required by IFRS 3, this will be treated as remuneration and will be charged to the income statement as earned. The related accrual of potential consideration in the period to 31 December 2014 is £2.9m (31 December 2013: £0.6m). Added to the £1.0m acquisition expenses, this has led to a charge within "Other items" in the Consolidated Income Statement of £3.9m in respect of acquisitions.

Further to this, £11.8m of contingent consideration (not subject to the vendors remaining within the business) has been recognised within goodwill and intangible assets in the year.

The Directors have made a provisional assessment of the fair value of the net assets acquired. Any further adjustments arising will be accounted for in 2015. These fair value adjustments may relate primarily to:

a) the review of the carrying value of all non-current assets to ensure that they accurately reflect their fair value;

b) the alignment of valuation and provisioning methodologies to those adopted by the Group; and

c) an assessment of all provisions and payables to ensure they are accurately reflected in accordance with the Group's policies.

The fair value of financial assets includes trade receivables with a fair value of £5.4m and a gross contractual value of £5.5m. The best estimate at the date of acquisition of the contractual cash flows not to be collected is £0.1m.

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. The goodwill of £18.6m arising from the acquisitions is not expected to be deductible for income tax purposes.

Post-acquisition revenue and operating profit for the year ended 31 December 2014 for all 2014 acquisitions amounted to £20.7m and £1.0m 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 acquisition dates was £25.0m and £1.0m respectively.

Post balance sheet events

On 30 January 2015, the Group acquired 100% of the issued share capital of Advanced Cladding & Insulation Group Limited, a distributor of roofing materials and associated products in the United Kingdom for an initial consideration of £2.5m, with net assets acquired of £1.1m.

On 7 March 2015, the Group acquired 100% of the issued share capital of Gutters & Ladders (1968) Limited, a distributor of roofline materials and associated products in the United Kingdom for an initial consideration of £3.5m, with net assets acquired of £1.7m.

10. 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.

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 £311m in 2014 (2013: £364m). At the balance sheet date trade payables in respect of the co-operative amounted to £9m (2013: £15m).

During the year, 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.

In 2014 SIG incurred expenses of £0.3m (2013: £0.5m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

The Group has provided a loan of £0.1m (2013: £nil) to Passive Fire Protection (PFP) UK Limited, a jointly controlled entity.

Remuneration of key management personnel

The total remuneration of key management personnel of the Group, being the Executive Committee members and the Non-Executive Directors, was £4.3m (2013: £4.5m). In addition, the Group recognised a share-based payment charge under IFRS 2 in respect of the Directors of £0.1m (2013: £0.1m).

11. Forward-looking statements

This announcement contains forward-looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates and risk factors associated with the building and construction sectors. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. No assurance can be given that the forward-looking statements in this announcement will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Group's control. Actual results could differ materially from the Group's current expectations.

It is believed that the expectations set out in these forward-looking statements are reasonable but they may be affected by a wide range of variables which could cause actual results or trends to differ materially, including but not limited to, changes in risks associated with the level of market demand, fluctuations in product pricing and changes in exchange and interest rates.

The forward-looking statements should be read in particular in the context of the specific risk factors for the Group identified in Note 13. The Company's Shareholders are cautioned not to place undue reliance on the forward-looking statements. This announcement has not been audited or otherwise independently verified. The information contained in this announcement has been prepared on the basis of the knowledge and information available to the Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this announcement during the financial year ahead.

12. Going concern basis

In determining whether the Group's 2014 financial information can be prepared on a going concern basis, the Directors considered all factors likely to affect the Group's future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities.

The key factors considered by the Directors were as follows:

- the implications of the weak economic environment in Mainland Europe on demand for the products the Group sells;
- projections of working capital requirements;
- the impact of the competitive environment in which the Group's businesses operate;
- the availability and market prices of the goods that the Group sells;
- the credit risk associated with the Group's trade receivable balances;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected; and
- the committed finance facilities available to the Group.

Having considered all the factors above impacting the Group's businesses, including downside sensitivities, the Directors are satisfied that the Group will be able to operate within the terms and conditions of the Group's financing facilities, and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's 2014 financial information.

13. Principal risks and uncertainties

Risk management involves the identification and evaluation of risks and is the responsibility of the Group Board. The Group's ability to manage risk is continually growing through the focus on risk management capability to ensure that it remains robust and that emerging risks are identified, assessed and managed effectively.

The risk management process incorporates both top down and bottom up elements to the identification, evaluation and management of risks, and all risks evaluated are referenced to the achievement of the Group's strategic initiatives. Risks are continually evaluated using consistent measurement criteria. Mitigating controls are identified and opportunities for the enhancement of the Group's control environment are implemented.

13. Principal risks and uncertainties (continued)

Throughout the year the risks that SIG faces have been critically reviewed and evaluated. The assessment of the most significant risks and uncertainties that could impact SIG's long-term performance are outlined below. These risks are not set out in any order or priority and they do not comprise all the risks and the uncertainties that SIG faces. This list is not exhaustive and has the potential to change as some risks assume greater importance than others during the course of the year.

Risk	Key Mitigation Activities Include:
Market conditions The Group is exposed to changes in the level of activity and therefore demand from the building, construction and civil engineering industries. Government policy and expenditure plans, private investor decisions, the general economic climate and both business and (to a lesser extent) consumer confidence are all factors which can influence the level of building activity and therefore the demand for many of the Group's products.	• Maintain a broad spread of markets, products and customers to limit risks within any given territory • The Group Board's portfolio review ensures that the Group's capital is appropriately allocated to the geographies and markets which remain core • Continual review of all available indicators of market activity and regular communication with key suppliers and customers to ensure that any change in market demand is anticipated as early as possible • Ensure the Group remains structured in such a way that enables it to take prompt action in the event of a material change in the trading environment • Ensure the Group maintains a strong balance sheet and financial position
Competitors and margin management Challenging market trading conditions mean that competition pressures from direct specialist competition and the overlap with general suppliers remain high which in turn results in continued margin pressures being faced by the Group.	• Strong trading presence in the majority of the markets in which the Group trades • Initiatives designed to improve the Group's core competencies surrounding customer service, sales support and training • Ongoing pricing and purchasing initiatives, including supplier rebates, designed to improve gross margin • Tight control of operating costs • Significant investment in the branch network, people, IT infrastructure and product offering • Diversified portfolio of products, customers and markets limits the risk from any single competitor
Commercial relationships Failure to negotiate competitive terms of business with suppliers or failure to satisfy the needs of customers could harm the Group's business. Customer or supplier consolidation and/or manufacturers dealing directly with customers.	• Ongoing pricing and purchasing initiatives designed to improve gross margin • The Group has extensive and regular dialogue with all commercial partners to maintain strong relationships • Key supplier/customer harmonisation and national account strategy planning • The Group is not overly reliant on any one supplier and all businesses undergo alternative key supplier scenario planning • Strategically important suppliers are reviewed globally to assess their financial health • Monitoring of customer behaviour and performance

13. Principal risks and uncertainties (continued)

Risk	Key Mitigation Activities Include:
Government legislation SIG operates in a number of countries, each with its own laws and regulations, encompassing environmental, legal, health and safety, employment and tax matters. Changes in these laws and regulations could impact on SIG's ability to conduct its business, or make the conduct of such business more expensive. There is also the reputational and financial cost of being penalised for non-compliance.	• Dedicated resource to monitor compliance with legal and regulatory matters • Active monitoring of relevant laws and regulations to ensure that any changes to the legal framework are identified and effects minimised • Review of policies and procedures with reference to changing legislative requirements and the provision of associated training • Affiliation with regulatory bodies and trade associations • Strong internal control framework, policies and culture supported by strong leadership, accountability and commitment throughout the organisation
Debt Group net debt at 31 December 2014 amounted to £126.9m. The Group has to manage the following risks relating to its net debt: • future availability of funding; • interest rate risk; • foreign currency risk; • compliance with debt covenants; and • counterparty credit risk.	• Comprehensive Treasury Policy • Regular monitoring, including sensitivity analysis, to understand the impact of interest rate and exchange rate movements • Active hedging programme in place • Monitor performance against covenants on the Group's Revolving Credit Facility and private placement notes
Working capital and credit management Failure to manage working capital effectively may lead to a significant increase in the Group's net debt, thereby reducing the Group's funding headroom and liquidity.	• Post-tax Return on Capital Employed is a Key Performance Indicator of the Group • Cash flow targets are agreed with each business unit as part of the annual budget process and reviewed on a monthly basis • Stringent authorisation procedures to control capital expenditure • Proactive credit management systems

13. Principal risks and uncertainties (continued)

Risk	Key Mitigation Activities Include:
IT infrastructure and cyber security SIG uses a range of computer systems across the Group. Outages and interruptions could affect the ability to conduct day-to-day operations which could result in loss of sales and delays to cash flow. Key systems are breached causing financial loss, data loss, disruption or damage. A new ERP system is currently being implemented within the UK distribution businesses.	• Continual review of IT strategies to ensure they remain appropriate • Business continuity framework (robust and effective) • Dedicated internal IT support team together with external support providers • Regular updates to technology, infrastructure, communications and application systems • The Group has advanced hardware and software security in place to ensure protection of commercial and sensitive data • For new IT projects, external consultants are utilised in conjunction with internal project management teams • Collaborative cross functional risk group in place
Availability and quality of key resources Unavailability of key resources (e.g. assets such as property, stock and personnel) will impact on the ability of SIG to operate effectively and efficiently. Failure to attract and retain key individuals, strong management and technical staff in the future could have an adverse effect upon the Group's business.	• Strategic and budget reviews ensure all key resource requirements are identified and managed • Senior management succession planning • Continue to evolve a defined people strategy based on culture and engagement, talent management, training and reward recognition • Provision of channels for employees to raise concerns to promote an environment of honesty and trust