9 August 2016

***SIG plc***

***Half Year results for the six months ended 30 June 2016***

***Solid first half performance***

| | **H1 2016** | H1 2015 | *Change* |
|---|---|---|---|
| Revenue | **£1,375.2m** | £1,243.6m | *11%* |
| Underlying* operating profit | **£54.3m** | £45.3m | *20%* |
| Underlying* profit before tax | **£47.7m** | £39.8m | *20%* |
| Underlying* basic earnings per share | **6.1p** | 4.9p | *24%* |
| Dividend per share | **1.83p** | 1.69p | *8%* |
| | **30 Jun 2016** | 31 Dec 2015 | *Change* |
| Net debt | **£232.8m** | £235.9m | *(1)%* |
| Leverage (net debt / EBITDA) | **1.6x** | 1.8x | *(11)%* |

** Underlying is before the amortisation of acquired intangibles, restructuring costs, acquisition expenses and contingent consideration, other one-off items, the defined benefit pension scheme curtailment loss, unwinding of provision discounting and fair value gains and losses on derivative financial instruments.*
*** Like-for-like ("LFL") is constant currency sales per working day excluding acquisitions and disposals.*

**Highlights**

- Group sales up 11% benefiting from acquisitions and foreign exchange
- LFL** sales increased 0.7%; UK & Ireland up 2.3% and Mainland Europe down 1.2%
- Underlying PBT excluding property disposals up 14% to £45.2m
- Air Handling sales ahead by 36% to €128m
- Positive early signs from new Regional Distribution Centre opened in Dublin
- £6m incremental benefit from the Strategic Initiatives
- Successfully refinanced £130m private placement notes with existing debt providers
- Reduced net debt and leverage despite seasonal working capital peak
- Statutory profit before tax increased by 43% to £38.4m

| Statutory results | **H1 2016** | H1 2015 | *Change* |
|---|---|---|---|
| Revenue | **£1,375.2m** | £1,243.6m | *11%* |
| Operating profit | **£46.0m** | £33.6m | *37%* |
| Profit before tax | **£38.4m** | £26.8m | *43%* |
| Basic earnings per share | **4.8p** | 3.1p | *55%* |

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

*"The Group delivered a solid first half performance with good progress on its Strategic Initiatives offsetting the twin pressures of variable trading conditions, particularly in Mainland Europe, and a competitive market environment.*

*"The reshaping of our supply chain has started well and we are encouraged by the initial performance of our new Regional Distribution Centre in Dublin, which marks the first time products from all of SIG's businesses have been available on a single site.*

*"With regard to the EU referendum, we observed a slowing of UK construction market activity immediately prior to and following the vote. As a result our like-for-like sales in the UK were flat in June and July, although there was some improvement in trading as July progressed. It should also be noted that SIG is not materially exposed to cross-border transactional risk as we buy and sell the vast majority of our products within country.*

*"Clearly the uncertainties caused by the referendum have made it more difficult for us to assess the trading outlook, particularly in the near-term, and we are therefore closely monitoring market developments in order to address any variances that arise. That being said, based on our current experience, we continue to expect to make progress this year as the Group benefits from the Strategic Initiatives, acquisitions and value added sales, together with foreign exchange translation on its earnings in Mainland Europe."*

## Enquiries


**SIG plc**

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**FTI Consulting**

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**Analyst presentation**

A briefing to analysts will take place today at 9.00am 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.

## Overview

Group revenues increased 10.6% to £1,375.2m (H1 2015: £1,243.6m), with acquisitions contributing 4.6% to growth, foreign exchange 4.0% and working days 1.3%. As a result, Group like-for-like ("LFL") sales were ahead by 0.7%.

SIG experienced product price inflation of 0.2% and volume growth of 0.5% in H1 2016. The Group estimates that its overall market, weighted according to the sectors in which it operates, declined by 0.7% in the period, corresponding to an outperformance of 1.4%.

In the UK & Ireland revenues from continuing operations increased 8.8% to £738.9m (H1 2015: £679.2m), having benefited from acquisitions, and were up 2.3% on a LFL basis. In Mainland Europe sales increased 12.7% to £636.3m (H1 2015: £564.4m), benefiting from foreign exchange and acquisitions. In what continue to be variable trading conditions, the Group's LFL sales in Mainland Europe decreased by 1.2% during the period.

The Group continues to make good progress on its Strategic Initiatives to improve business performance. These have delivered an incremental net benefit after costs of £5.7m in the first half, mainly sourced from procurement. SIG continues to have a high degree of confidence in achieving its target of an incremental net benefit of at least £10m this year. In addition the Group also delivered £0.9m savings from the reshaping of its supply chain in H1 2016.

Although the Strategic Initiatives added 40bps to SIG's gross margin in the first half, a competitive market environment, weak trading conditions in Mainland Europe and changes to product mix offset this improvement, resulting in the Group's gross margin being broadly flat at 27.0% (H1 2015: 27.1%).

In H1 2016 SIG's underlying operating cost base increased by £26.0m to £317.1m (H1 2015: £291.1m) mainly due to a currency impact of £11.7m, additional costs from acquisitions of £14.8m, and cost inflation of £2.0m, offset by £2.5m of property profits.

Underlying operating profit increased 19.9% to £54.3m (H1 2015: £45.3m), with the Group's underlying operating margin up by 30bps to 3.9% (H1 2015: 3.6%). In the first half SIG made a number of property disposals relating to its branch network, on which it realised £2.5m of additional profit. Excluding these disposals, the Group's underlying operating profit increased 14.3% to £51.8m and underlying operating margin was up 20bps to 3.8%.

Despite underlying net finance costs increasing to £6.6m (H1 2015: £5.5m), mainly due to higher borrowings, underlying profit before tax increased 19.8% to £47.7m (H1 2015: £39.8m). Excluding property disposals, underlying profit before tax was up 13.6% to £45.2m. Underlying basic earnings per share increased 24.5% to 6.1p (H1 2015: 4.9p).

On a statutory basis profit before tax increased 43.3% to £38.4m (H1 2015: £26.8m) and basic earnings per share increased 54.8% to 4.8p (H1 2015: 3.1p).

## Return on Capital Employed

Post-tax Return on Capital Employed ("ROCE") is the key 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 2016 SIG's ROCE was 9.8% (H1 2015: 10.0%).

Going forward SIG remains committed to increasing ROCE. As well as taking a disciplined approach to its capital management, SIG seeks to achieve this through further improvements in its gross and operating margins.

## Refinancing and debt

During the period the Group successfully refinanced £130m of private placement notes, which are due to mature in November 2016, on attractive terms with existing debt providers. This refinancing was achieved through the issuance of £89m of new private placement notes (at current exchange rates) on a bilateral basis, with a ten year maturity, and by increasing the Group's existing revolving credit facility by £100m to £350m, with a five year term.

As a result the Group's total debt facilities are expected to increase by £59m to £542m (at current exchange rates after the £130m private placement notes are repaid), with key terms and covenants unchanged.

Net debt at 30 June 2016 decreased £3.1m to £232.8m compared to 31 December 2015, when it was £235.9m, despite working capital typically being at a seasonal high during the summer months. As anticipated, net capital expenditure (excluding one-off fixed asset disposals) decreased to £17.8m (H1 2015: £23.4m). This represents 1.2x depreciation of £14.8m (H1 2015: £12.5m).

The Group's leverage (net debt to EBITDA) fell to 1.6x as at 30 June 2016 compared to 1.8x as at 31 December 2015 after benefiting from lower acquisition and capital expenditure, together with good operational cash management, with SIG generating £40.6m of free cash flow (H1 2015: cash outflow of £8.5m). Going forward SIG continues to target leverage of c.1.5x in the medium-term.

**Acquisitions**

As previously guided the Group has slowed the pace of its acquisition programme, spending £14.6m in the first half of the year (H1 2015: £34.0m). Subsequently, in July, the Group made one further acquisition in the air handling sector, providing it with an entry point into the strategically important German market. This takes total acquisition expenditure for the year to c.£21m.

Despite the near-term slowing of this programme, infill acquisitions remain an important element of SIG's medium-term growth strategy, with those businesses acquired by the Group in recent years continuing to perform strongly.

**Supply Chain**

The Group is adopting a two-step approach to reshaping its supply chain in order to maximise returns whilst minimising risk to the business.

The first step, from which SIG is targeting £20m annual savings by 2018, and at least £3m in 2016, is centred around utilising SIG's existing network and moving to a hub and spoke model. This is progressing well, with the Group delivering £0.9m savings in the first half of the year.

In the UK, the Group's Exteriors business now has nine hubs which are fully operational, with the remaining nine targeted for completion by the end of the year. In Poland the first of six hubs is also up and running with positive early results, including reduced stock and improved buying terms as full loads are delivered to one location.

SIG Distribution, in conjunction with Unipart, the logistics specialist, launched 'The SIG Way' in February. This significant change programme is focused on further improving the efficiency of stock, warehouse and delivery management as well as delivering an even better service to customers. Having been successfully launched in the Group's Leeds branch, this programme is now being rolled out across the rest of the network.

The second step involves trialling Regional Distribution Centres ("RDCs"), potentially working with third-party logistics providers. If successful, the Group believes that a move to RDCs could secure an additional £30m in savings.

SIG's first new RDC opened on schedule in Dublin in April 2016. Although still early days, the initial performance has been positive. In particular, the use of third party transport providers for customer deliveries has significantly increased the flexibility of its cost base, reducing transportation costs. The second RDC is on track to be opened in the North West of England towards the end of this year.

**Strategic Initiatives**

SIG continues to make good progress on its Strategic Initiatives to improve business performance, delivering incremental savings of £5.7m in H1 2016, almost all sourced from its procurement initiative, of which £1.7m was in UK & Ireland and £4.0m was in Mainland Europe.

Category management is now fully embedded in the Group and is business as usual. Purchasing is now the responsibility of procurement specialists and is conducted through six international category forums covering roofing, ceilings, technical insulation, structural insulation, air handling and dry lining. This has enabled SIG to consolidate volumes and better leverage its size.

SIG has a high degree of confidence in achieving its 2016 incremental net benefit targets of at least £10m net savings, with further efficiencies thereafter.

**Air Handling**

SIG Air Handling has continued to grow rapidly, increasing revenues in H1 2016 by 36% to €127.8m, having benefited from acquisitions. On a like-for-like basis sales were up 10%.

In addition SIG has made two acquisitions in the sector this year, providing a platform to enter the strategically important German and Austrian air handling markets. These acquisitions also further enhance the Group's project offering, where it designs and delivers complete system solutions to customers.

SIG is on track to meet its target of growing sales to at least €400m by 2018, mainly from organic growth, with an operating margin in the range of 7-8%.

**Offsite Construction**

The Group has three businesses, Insulshell, RoofSpace and Metechno, which together provide a single offsite construction proposition. During the first half SIG increased its offsite construction sales by 42% to £14.3m. The business has a strong order book and is benefiting from high levels of customer demand as traditional construction methods are displaced.

The Group is on track to increase sales to at least £150m by 2018, with a double-digit operating margin.

**Dividend**

SIG is declaring an interim dividend of 1.83p per ordinary share, an increase of 8.3% compared to last year's interim dividend of 1.69p 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 4 November 2016 to shareholders on the register at close of business on 7 October 2016. The ex-dividend date is 6 October 2016.

**Non-underlying items**

Non-underlying items before taxation during the period totalled £9.3m (H1 2015: £13.0m) and included amortisation of acquired intangibles of £5.1m (H1 2015: £4.5m), restructuring costs and other one-off items of £(1.1)m (H1 2015: £4.1m), defined benefit pension scheme curtailment loss of £0.9m (H1 2015: £nil), acquisition expenses and contingent consideration of £3.4m (H1 2015: £3.1m), and net fair value losses on derivative financial instruments and unwinding of provision discounts of £1.0m (H1 2015: £1.3m).

**UK & Ireland**

- Sales increased 8.8% to £738.9m (H1 2015: £679.2m)
- Underlying operating profit ahead 20.9% to £34.7m (H1 2015: £28.7m)
- Statutory operating profit up 46.5% to £29.0m (H1 2015: £19.8m)

| H1 2016 | Sales | Change | LFL change | Change in gross margin |
|---|---|---|---|---|
| United Kingdom | £699.0m | 8.5% | 2.2% | (30)bps |
| Ireland | £39.9m | 14.0% | 4.7% | 30bps |
| **UK & Ireland** | **£738.9m** | **8.8%** | **2.3%** | **(20)bps** |

LFL sales for SIG Distribution, the Group's UK Insulation and Interiors business, increased by 2.2% as the business continued to benefit from the sales and operational restructuring undertaken last year. However, trading conditions in the first half remained competitive, particularly in more commoditised product areas.

Following a challenging 2015, with LFL sales declining by 4.3% in the second half, LFL sales in SIG's UK Exteriors business were down 1.0% in H1 2016, suggesting that at least prior to the EU referendum that there were signs that the UK Repairs, Maintenance and Improvement market was stabilising.

SIG delivered good growth in Ireland as the recovery in the construction market continued. Having begun in the residential sector, this recovery has now spread to the commercial market. The Group's Irish business is also benefiting from efficiencies gained from the opening of the new RDC in Dublin.

**Mainland Europe**

- Sales increased 12.7% to £636.3m (H1 2015: £564.4m)
- Underlying operating profit ahead 10.7% to £23.7m (H1 2015: £21.4m)
- Statutory operating profit up 13.4% to of £21.1m (H1 2015: £18.6m)

| H1 2016 | Sales | Change | LFL change | Change in gross margin |
|---|---|---|---|---|
| France | £285.0m | 8.9% | (3.6)% | 20bps |
| Germany | £193.4m | 8.2% | (1.9)% | (100)bps |
| Benelux* | £106.2m | 39.7% | 5.3% | 200bps |
| Poland | £51.7m | 7.7% | 4.4% | (60)bps |
| **Mainland Europe** | **£636.3m** | **12.7%** | **(1.2)%** | **20bps** |

** Includes Air Trade Centre*

***France***

The French construction market remained challenging during the first half, with the Group recording a LFL sales decrease of 3.6% in the period. SIG's second quarter performance deteriorated compared to the first quarter, in part, the Group believes, due to widespread industrial action and exceptionally wet weather, which resulted in significant flooding across the country.

SIG is taking a number of actions to improve its performance in France, closing three Larivière branches as part of its supply chain review and increasing its focus on pricing and gross margin as well as keeping a tight control on its cost base.

Furthermore the Group anticipates that the improving residential indicators in France should benefit SIG towards the end of this year and then into 2017, particularly as SIG provides products that are used later in the building cycle.

***Germany & Austria***

Following a disappointing recent performance, SIG has taken a number of actions to improve the profitability of its business in Germany & Austria.

This includes the appointment of a new management team (Managing Director and Finance Director), additional sales resources, and repositioning its technical insulation business towards higher growth markets. The new MD, Mark Hamori, joined SIG in March 2016 from the Würth Group, a market leader for the distribution of fasteners and tools.

The long-term dynamics of the German construction market remain positive and as market leader in the German specialist insulation and interiors sector SIG believes that it is well positioned to benefit from this growth, particularly under its new leadership team.

***Benelux***

The Group delivered good growth in the first half in Benelux with sales increasing by 39.7% (including Air Trade Centre), benefiting significantly from air handling acquisitions, and 5.3% on a LFL basis. While the construction market in The Netherlands has continued to recover, led by the residential sector, the non-residential sector has also improved compared to prior year. There are also some initial signs that market conditions in Belgium are starting to stabilise, both in the residential and non-residential sectors.

***Poland***

Although the residential market in Poland remained robust, the non-residential and industrial sectors, to which SIG is 75% exposed, were very weak in the first half of the year. In this context SIG delivered strong like-for-like sales growth of 4.4% and significantly outperformed the market.

**Group outlook**

With regard to the EU referendum, SIG observed a slowing of UK construction market activity immediately prior to and following the vote. As a result its like-for-like sales in the UK were flat in June and July, although there was some improvement in trading as July progressed. It should also be noted that SIG is not materially exposed to cross-border transactional risk as it buys and sells the vast majority of its products within country.

Clearly the uncertainties caused by the referendum have made it more difficult for SIG to assess the trading outlook, particularly in the near-term, and therefore the Group is closely monitoring market developments in order to address any variances that arise. That being said, based on its current experience, SIG continues to expect to make progress this year as it benefits from the Strategic Initiatives, acquisitions and value added sales, together with foreign exchange translation on its earnings in Mainland Europe.

**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** | **Doug Robertson** |
| Director | Director |
| 8 August 2016 | 8 August 2016 |

**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 and cash management, IT infrastructure and cybersecurity and availability and quality 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.

**Condensed Consolidated Income Statement**

for the six months ended 30 June 2016

| | | **Unaudited six months ended 30 June 2016** | | | Unaudited six months ended 30 June 2015 | | | Audited year ended 31 December 2015 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Before Other items*** | **Other items*** | **Total** | Before Other items* | Other items* | Total | Before Other items* | Other items* | Total |
| | Note | **£m** | **£m** | **£m** | £m | £m | £m | £m | £m | £m |
| **Revenue** | 2 | **1,375.2** | **-** | **1,375.2** | 1,243.6 | - | 1,243.6 | 2,566.4 | - | 2,566.4 |
| Cost of sales | | **(1,003.8)** | **-** | **(1,003.8)** | (907.2) | - | (907.2) | (1,878.0) | - | (1,878.0) |
| **Gross profit** | | **371.4** | **-** | **371.4** | 336.4 | - | 336.4 | 688.4 | - | 688.4 |
| Other operating expenses | | **(317.1)** | **(8.3)** | **(325.4)** | (291.1) | (11.7) | (302.8) | (589.7) | (32.8) | (622.5) |
| **Operating profit** | 2 | **54.3** | **(8.3)** | **46.0** | 45.3 | (11.7) | 33.6 | 98.7 | (32.8) | 65.9 |
| Finance income | | **0.7** | **-** | **0.7** | 0.5 | - | 0.5 | 1.0 | - | 1.0 |
| Finance costs | | **(7.3)** | **(1.0)** | **(8.3)** | (6.0) | (1.3) | (7.3) | (12.3) | (3.3) | (15.6) |
| **Profit before tax** | | **47.7** | **(9.3)** | **38.4** | 39.8 | (13.0) | 26.8 | 87.4 | (36.1) | 51.3 |
| Income tax expense | 4 | **(11.4)** | **1.4** | **(10.0)** | (10.5) | 2.1 | (8.4) | (21.0) | 6.0 | (15.0) |
| **Profit after tax** | | **36.3** | **(7.9)** | **28.4** | 29.3 | (10.9) | 18.4 | 66.4 | (30.1) | 36.3 |
| | | | | | | | | | | |
| **Attributable to:** | | | | | | | | | | |
| Equity holders of the Company | | **36.1** | **(7.9)** | **28.2** | 29.2 | (10.9) | 18.3 | 66.1 | (30.1) | 36.0 |
| Non-controlling interests | | **0.2** | **-** | **0.2** | 0.1 | - | 0.1 | 0.3 | - | 0.3 |
| | | | | | | | | | | |
| **Earnings per share** | | | | | | | | | | |
| Basic earnings per share | 5 | **6.1p** | **(1.3)p** | **4.8p** | 4.9p | (1.8)p | 3.1p | 11.2p | (5.1)p | 6.1p |
| Diluted earnings per share | 5 | **6.1p** | **(1.3)p** | **4.8p** | 4.9p | (1.8)p | 3.1p | 11.2p | (5.1)p | 6.1p |

* Other items relate to the amortisation of acquired intangibles, restructuring costs, acquisition expenses and contingent consideration, other one-off items, the defined benefit pension scheme curtailment loss, 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. Further details can be found in Note 3.

**Condensed Consolidated Statement of Comprehensive Income**

for the six months ended 30 June 2016

| | **Unaudited six months ended 30 June 2016 £m** | Unaudited six months ended 30 June 2015 £m | Audited year ended 31 December 2015 £m |
|---|---|---|---|
| **Profit after tax** | **28.4** | 18.4 | 36.3 |
| **Items that will not subsequently be reclassified to the Consolidated Income Statement:** | | | |
| Remeasurement of defined benefit pension liability | **(22.6)** | (3.2) | 1.9 |
| Deferred tax movement associated with remeasurement of defined benefit pension liability | **4.1** | 0.5 | (0.2) |
| Effect of change in rate on deferred tax | **-** | - | (0.7) |
| | **(18.5)** | (2.7) | 1.0 |
| **Items that may subsequently be reclassified to the Consolidated Income Statement:** | | | |
| Exchange difference on retranslation of foreign currency goodwill and intangibles | **27.0** | (18.2) | (11.7) |
| Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles) | **28.1** | (24.4) | (16.2) |
| Exchange and fair value movements associated with borrowings and derivative financial instruments | **(15.8)** | 11.5 | 7.3 |
| Tax charge on exchange and fair value movements arising on borrowings and derivative financial instruments | **3.1** | (2.5) | (1.5) |
| Gains and losses on cash flow hedges | **(1.1)** | (1.8) | (4.2) |
| Transfer to profit and loss on cash flow hedges | **1.2** | 1.2 | 2.3 |
| | **42.5** | (34.2) | (24.0) |
| **Other comprehensive income/(expense)** | **24.0** | (36.9) | (23.0) |
| **Total comprehensive income/(expense)** | **52.4** | (18.5) | 13.3 |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the Company | **52.2** | (18.6) | 13.0 |
| Non-controlling interests | **0.2** | 0.1 | 0.3 |
| | **52.4** | (18.5) | 13.3 |

**Condensed Consolidated Balance Sheet**

as at 30 June 2016

| | Note | **Unaudited 30 June 2016 £m** | Unaudited 30 June 2015 £m | Audited 31 December 2015 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | | **136.9** | 132.2 | 142.7 |
| Goodwill | | **468.7** | 409.7 | 437.5 |
| Intangible assets | | **91.7** | 69.9 | 88.2 |
| Deferred tax assets | | **22.7** | 27.0 | 21.0 |
| Derivative financial instruments | 9 | **2.5** | 30.4 | 2.4 |
| Deferred consideration | 9 | **-** | 1.5 | - |
| | | **722.5** | 670.7 | 691.8 |
| **Current assets** | | | | |
| Inventories | | **263.3** | 229.6 | 242.9 |
| Trade and other receivables | | **528.8** | 448.4 | 414.9 |
| Current tax assets | | **2.4** | 3.9 | 4.3 |
| Derivative financial instruments | 9 | **48.6** | - | 34.4 |
| Deferred consideration | 9 | **1.5** | - | 1.5 |
| Other financial assets | 9 | **-** | 1.9 | 1.3 |
| Cash and cash equivalents | | **153.0** | 99.5 | 89.0 |
| | | **997.6** | 783.3 | 788.3 |
| **Total assets** | | **1,720.1** | 1,454.0 | 1,480.1 |
| **Current liabilities** | | | | |
| Trade and other payables | | **472.5** | 390.7 | 364.5 |
| Obligations under finance lease contracts | | **2.4** | 2.3 | 2.5 |
| Bank overdrafts | | **5.2** | 2.3 | 2.3 |
| Bank loans | | **132.8** | 67.5 | 90.9 |
| Private placement notes | | **173.9** | - | 160.1 |
| Loan notes and deferred consideration | 9 | **6.8** | 1.9 | 3.0 |
| Derivative financial instruments | 9 | **1.4** | 0.5 | 1.3 |
| Current tax liabilities | | **11.6** | 8.5 | 8.4 |
| Provisions | | **12.5** | 17.6 | 9.7 |
| | | **819.1** | 491.3 | 642.7 |
| **Non-current liabilities** | | | | |
| Obligations under finance lease contracts | | **7.7** | 8.0 | 7.5 |
| Bank loans | | **0.3** | 0.5 | 0.4 |
| Private placement notes | | **105.6** | 245.2 | 95.8 |
| Derivative financial instruments | 9 | **2.3** | 0.5 | 0.7 |
| Deferred tax liabilities | | **19.1** | 16.4 | 18.2 |
| Other payables | | **5.1** | 4.3 | 3.8 |
| Retirement benefit obligations | 11 | **46.6** | 29.7 | 23.8 |
| Provisions | | **29.8** | 29.9 | 37.6 |
| | | **216.5** | 334.5 | 187.8 |
| **Total liabilities** | | **1,035.6** | 825.8 | 830.5 |
| **Net assets** | | **684.5** | 628.2 | 649.6 |
| **Capital and reserves** | | | | |
| Called up share capital | 10 | **59.1** | 59.1 | 59.1 |
| Share premium account | | **447.3** | 447.2 | 447.3 |
| Capital redemption reserve | | **0.3** | 0.3 | 0.3 |
| Share option reserve | | **1.6** | 1.7 | 1.4 |
| Hedging and translation reserve | | **-** | (53.9) | (42.4) |
| Retained profits | | **175.4** | 173.1 | 183.0 |
| **Attributable to equity holders of the Company** | | **683.7** | 627.5 | 648.7 |
| **Non-controlling interests** | | **0.8** | 0.7 | 0.9 |
| **Total equity** | | **684.5** | 628.2 | 649.6 |

**Condensed Consolidated Cash Flow Statement**

for the six months ended 30 June 2016

| | Note | **Unaudited six months ended 30 June 2016 £m** | Unaudited six months ended 30 June 2015 £m | Audited year ended 31 December 2015 £m |
|---|---|---|---|---|
| **Net cash flow from operating activities** | | | | |
| Cash generated from operating activities | 7 | **60.2** | 11.5 | 61.6 |
| Income tax paid | | **(3.3)** | (5.5) | (11.1) |
| Net cash generated from operating activities | | **56.9** | 6.0 | 50.5 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Finance income received | | **0.6** | 0.5 | 1.2 |
| Purchase of property, plant and equipment and computer software | | **(19.6)** | (23.6) | (49.0) |
| Proceeds from sale of property, plant and equipment | | **25.1** | 0.6 | 4.9 |
| Settlement of amounts payable for purchase of businesses | 6 | **(18.2)** | (29.7) | (70.1) |
| Net cash used in investing activities | | **(12.1)** | (52.2) | (113.0) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Finance costs paid | | **(6.8)** | (5.6) | (10.7) |
| Capital element of finance lease rental payments | | **(1.5)** | (1.4) | (2.4) |
| Issue of share capital | | **-** | - | 0.1 |
| Repayment of loans/settlement of derivative financial instruments | | **(0.2)** | (0.6) | (2.5) |
| New loans/settlement of derivative financial instruments | | **32.7** | 70.6 | 91.5 |
| Dividends paid to equity holders of the Company | 12 | **(17.2)** | (17.6) | (27.6) |
| Dividend paid to non-controlling interest | | **(0.3)** | - | - |
| Net cash generated from financing activities | | **6.7** | 45.4 | 48.4 |
| **Increase/(decrease) in cash and cash equivalents in the period** | 8 | **51.5** | (0.8) | (14.1) |
| | | | | |
| Cash and cash equivalents at beginning of the period | | **86.7** | 105.9 | 105.9 |
| Effect of foreign exchange rate changes | | **9.6** | (7.9) | (5.1) |
| **Cash and cash equivalents at end of the period** | | **147.8** | 97.2 | 86.7 |

**Condensed Consolidated Statement of Changes in Equity**

| For the unaudited six months ended 30 June 2016 | Called up share capital | Share premium account | Capital redemption reserve | Share option reserve | Hedging and translation reserve | Retained profits | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 31 December 2015** | **59.1** | **447.3** | **0.3** | **1.4** | **(42.4)** | **183.0** | **648.7** | **0.9** | **649.6** |
| Profit after tax | **-** | **-** | **-** | **-** | **-** | **28.2** | **28.2** | **0.2** | **28.4** |
| Other comprehensive income/(expense) | **-** | **-** | **-** | **-** | **42.4** | **(18.4)** | **24.0** | **-** | **24.0** |
| Total comprehensive income/(expense) | **-** | **-** | **-** | **-** | **42.4** | **9.8** | **52.2** | **0.2** | **52.4** |
| Credit to share option reserve | **-** | **-** | **-** | **0.2** | **-** | **-** | **0.2** | **-** | **0.2** |
| Exercise of share options | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Current and deferred tax on share options | **-** | **-** | **-** | **-** | **-** | **(0.2)** | **(0.2)** | **-** | **(0.2)** |
| Dividend paid to non-controlling interest | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(0.3)** | **(0.3)** |
| Dividends paid to equity holders of the Company | **-** | **-** | **-** | **-** | **-** | **(17.2)** | **(17.2)** | **-** | **(17.2)** |
| **At 30 June 2016** | **59.1** | **447.3** | **0.3** | **1.6** | **-** | **175.4** | **683.7** | **0.8** | **684.5** |

| For the unaudited six months ended 30 June 2015 | Called up share capital | Share premium account | Capital redemption reserve | Share option reserve | Hedging and translation reserve | Retained profits | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| At 31 December 2014 | 59.1 | 447.2 | 0.3 | 1.8 | (20.3) | 175.6 | 663.7 | 0.6 | 664.3 |
| Profit after tax | - | - | - | - | - | 18.3 | 18.3 | 0.1 | 18.4 |
| Other comprehensive income/(expense) | - | - | - | - | (33.6) | (3.3) | (36.9) | - | (36.9) |
| Total comprehensive income/(expense) | - | - | - | - | (33.6) | 15.0 | (18.6) | 0.1 | (18.5) |
| Credit to share option reserve | - | - | - | 0.6 | - | - | 0.6 | - | 0.6 |
| Exercise of share options | - | - | - | - | - | - | - | - | - |
| Reclassification of share option liability to other payables | - | - | - | (0.7) | - | - | (0.7) | - | (0.7) |
| Current and deferred tax on share options | - | - | - | - | - | 0.1 | 0.1 | - | 0.1 |
| Dividends paid to equity holders of the Company | - | - | - | - | - | (17.6) | (17.6) | - | (17.6) |
| At 30 June 2015 | 59.1 | 447.2 | 0.3 | 1.7 | (53.9) | 173.1 | 627.5 | 0.7 | 628.2 |

| For the audited year ended 31 December 2015 | Called up share capital | Share premium account | Capital redemption reserve | Share option reserve | Hedging and translation reserve | Retained profits | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| At 31 December 2014 | 59.1 | 447.2 | 0.3 | 1.8 | (20.3) | 175.6 | 663.7 | 0.6 | 664.3 |
| Profit after tax | - | - | - | - | - | 36.0 | 36.0 | 0.3 | 36.3 |
| Other comprehensive income/(expense) | - | - | - | - | (22.1) | (0.9) | (23.0) | - | (23.0) |
| Total comprehensive income/(expense) | - | - | - | - | (22.1) | 35.1 | 13.0 | 0.3 | 13.3 |
| Share capital issued in the year | - | 0.1 | - | - | - | - | 0.1 | - | 0.1 |
| Debit to share option reserve | - | - | - | (0.3) | - | - | (0.3) | - | (0.3) |
| Exercise of share options | - | - | - | (0.1) | - | - | (0.1) | - | (0.1) |
| Deferred tax on share options | - | - | - | - | - | (0.1) | (0.1) | - | (0.1) |
| Dividends paid to equity holders of the Company | - | - | - | - | - | (27.6) | (27.6) | - | (27.6) |
| At 31 December 2015 | 59.1 | 447.3 | 0.3 | 1.4 | (42.4) | 183.0 | 648.7 | 0.9 | 649.6 |

The share option reserve represents the cumulative equity-settled 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 8 August 2016.

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 2016 and 30 June 2015 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 2015 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 2015, 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 judgments and key sources of estimation uncertainty set out on page 114 of the 2015 Annual Report and Accounts are considered to continue and be consistently applied.

As at 30 June 2016, the Group has tested goodwill and the related intangible assets and property, plant and equipment associated with the Larivière CGU, noting a reduction in headroom. The current forecasts provide headroom of c.€2m (30 June 2015: c.€82m; 31 December 2015: c.€49m). The Board has actively reviewed the forecast associated with Larivière, considering the assumptions used and, in a challenging economic environment, its continued outperformance of the markets in which it operates, and is satisfied that no impairment is necessary. If a 5% reduction in revenue were to arise from the forecast used in the impairment review of Larivière, with no mitigating actions undertaken, there would be an impairment of c.£37m.

All results are from continuing operations under International Accounting Standards as the operations closed in 2015 did not meet the disclosure criteria of IFRS 5 "Discontinued Operations" since 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 within Other items in the Condensed Consolidated Income Statement. The comparatives for the period ending 30 June 2015 have been re-analysed to present operating losses and business closure costs of £0.7m associated with the Group's operations in the Kingdom of Saudi Arabia, which were closed in the second half of 2015, within Other items.

**Going Concern**

The Directors have considered the Group's forecasts which support the view that the Group will 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 14), 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 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 judgment 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 2015 Annual Report and Accounts were published no significant new standards and interpretations have been issued.

The following new and revised standards became effective during 2016:

- IAS 1 “Disclosure Initiative” – effective for accounting periods beginning on or after 1 January 2016;
- IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation” – effective for accounting periods beginning on or after 1 January 2016;
- IAS 27 “Equity Method in Separate Financial Statements” (amendments) – effective for accounting periods beginning on or after 1 January 2016; and
- IFRS 11 “Joint Arrangements” (amended) – effective for accounting periods beginning on or after 1 January 2016.

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 & 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.

| | **Unaudited six months ended 30 June 2016** | | | | Unaudited six months ended 30 June 2015 | | | | Audited year ended 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **UK & Ireland** | **Mainland Europe** | **Eliminations** | **Total** | UK & Ireland | Mainland Europe | Eliminations | Total | UK & Ireland | Mainland Europe | Eliminations | Total |
| | **£m** | **£m** | **£m** | **£m** | £m | £m | £m | £m | £m | £m | £m | £m |
| **Revenue** | | | | | | | | | | | | |
| Continuing sales | **738.9** | **636.3** | **-** | **1,375.2** | 679.2 | 564.4 | - | 1,243.6 | 1,412.9 | 1,153.5 | - | 2,566.4 |
| Inter-segment sales* | **1.6** | **7.3** | **(8.9)** | **-** | 1.3 | 5.6 | (6.9) | - | 2.3 | 11.4 | (13.7) | - |
| Total revenue | **740.5** | **643.6** | **(8.9)** | **1,375.2** | 680.5 | 570.0 | (6.9) | 1,243.6 | 1,415.2 | 1,164.9 | (13.7) | 2,566.4 |
| **Result** | | | | | | | | | | | | |
| **Segment result before Other items** | **34.7** | **23.7** | - | **58.4** | 28.7 | 21.4 | - | 50.1 | 61.0 | 45.1 | - | 106.1 |
| Amortisation of acquired intangibles | **(4.0)** | **(1.1)** | - | **(5.1)** | (3.6) | (0.9) | - | (4.5) | (8.3) | (2.0) | - | (10.3) |
| Restructuring costs | **(0.8)** | **(1.6)** | - | **(2.4)** | (1.7) | (1.7) | - | (3.4) | (5.2) | (3.1) | - | (8.3) |
| Acquisition expenses and contingent consideration | **(3.5)** | **0.1** | - | **(3.4)** | (2.9) | (0.2) | - | (3.1) | (8.6) | (5.7) | - | (14.3) |
| Other one-off items (Note 3) | **3.5** | **-** | - | **3.5** | (0.7) | - | - | (0.7) | (0.3) | 0.4 | - | 0.1 |
| Defined benefit pension scheme curtailment loss | **(0.9)** | **-** | - | **(0.9)** | - | - | - | - | - | - | - | - |
| **Segment operating profit** | **29.0** | **21.1** | - | **50.1** | 19.8 | 18.6 | - | 38.4 | 38.6 | 34.7 | - | 73.3 |
| Parent Company costs | | | | **(4.1)** | | | | (4.8) | | | | (7.4) |
| **Operating profit** | | | | **46.0** | | | | 33.6 | | | | 65.9 |
| Net finance costs before Other items | | | | **(6.6)** | | | | (5.5) | | | | (11.3) |
| Net fair value losses on derivative financial instruments | | | | **(0.9)** | | | | (0.9) | | | | (1.9) |
| Unwinding of provision discounting | | | | **(0.1)** | | | | (0.4) | | | | (1.4) |
| **Profit before tax** | | | | **38.4** | | | | 26.8 | | | | 51.3 |
| Income tax expense | | | | **(10.0)** | | | | (8.4) | | | | (15.0) |
| Non-controlling interests | | | | **(0.2)** | | | | (0.1) | | | | (0.3) |
| **Profit for the period** | | | | **28.2** | | | | 18.3 | | | | 36.0 |

* 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 2016** | | | Unaudited six months ended 30 June 2015 | | | Audited year ended 31 December 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **UK & Ireland** | **Mainland Europe** | **Total** | UK & Ireland | Mainland Europe | Total | UK & Ireland | Mainland Europe | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m | £m | £m | £m |
| **Assets** | | | | | | | | | |
| Segment assets | **800.4** | **811.6** | **1,612.0** | 766.6 | 632.2 | 1,398.8 | 771.5 | 649.0 | 1,420.5 |
| *Unallocated assets:* | | | | | | | | | |
| Property, plant and equipment | | | **1.1** | | | 1.0 | | | 1.0 |
| Derivative financial instruments | | | **51.1** | | | 30.4 | | | 36.8 |
| Deferred consideration | | | **1.5** | | | 1.5 | | | 1.5 |
| Other financial assets | | | **-** | | | 1.0 | | | 0.3 |
| Cash and cash equivalents | | | **48.3** | | | 11.1 | | | 12.8 |
| Deferred tax assets | | | **2.1** | | | 7.6 | | | 4.0 |
| Other assets | | | **4.0** | | | 2.6 | | | 3.2 |
| **Consolidated total assets** | | | **1,720.1** | | | 1,454.0 | | | 1,480.1 |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | **369.1** | **252.3** | **621.4** | 316.4 | 182.7 | 499.1 | 305.4 | 164.8 | 470.2 |
| *Unallocated liabilities:* | | | | | | | | | |
| Private placement notes | | | **279.5** | | | 245.2 | | | 255.9 |
| Bank loans | | | **122.1** | | | 67.1 | | | 88.1 |
| Derivative financial instruments | | | **3.7** | | | 1.0 | | | 2.0 |
| Other liabilities | | | **8.9** | | | 13.4 | | | 14.3 |
| **Consolidated total liabilities** | | | **1,035.6** | | | 825.8 | | | 830.5 |
| **Other segment information** | | | | | | | | | |
| *Capital expenditure on:* | | | | | | | | | |
| Property, plant and equipment | **11.4** | **5.9** | **17.3** | 15.9 | 4.5 | 20.4 | 30.6 | 10.3 | 40.9 |
| Computer software | **2.1** | **0.6** | **2.7** | 3.2 | 0.4 | 3.6 | 8.4 | 0.8 | 9.2 |
| Goodwill and intangible assets (excluding computer software) | **9.6** | **2.7** | **12.3** | 29.1 | 2.3 | 31.4 | 60.0 | 12.7 | 72.7 |
| *Non-cash expenditure:* | | | | | | | | | |
| Depreciation | **7.7** | **5.4** | **13.1** | 6.4 | 4.7 | 11.1 | 13.5 | 9.5 | 23.0 |
| Amortisation of acquired intangibles and computer software | **5.4** | **1.4** | **6.8** | 4.8 | 1.1 | 5.9 | 10.8 | 2.5 | 13.3 |

**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 2016 £m** | Unaudited six months ended 30 June 2015 £m | Audited year ended 31 December 2015 £m |
|---|---|---|---|
| Insulation and Energy Management | **607.2** | 554.7 | 1,141.4 |
| Exteriors | **422.6** | 381.2 | 792.7 |
| Interiors | **345.4** | 307.7 | 632.3 |
| **Total** | **1,375.2** | 1,243.6 | 2,566.4 |

*(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:

| | **Unaudited six months ended 30 June 2016** | | Unaudited six months ended 30 June 2015 | | Audited year ended 31 December 2015 | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Non-current assets** | Revenue | Non-current assets | Revenue | Non-current assets |
| **Country** | **£m** | **£m** | £m | £m | £m | £m |
| United Kingdom | **699.0** | **388.3** | 644.2 | 360.9 | 1,340.8 | 397.5 |
| Ireland | **39.9** | **2.4** | 35.0 | 0.9 | 72.1 | 1.1 |
| France | **285.0** | **220.0** | 261.7 | 189.3 | 517.3 | 194.5 |
| Germany and Austria | **193.4** | **23.0** | 178.7 | 16.7 | 368.3 | 19.0 |
| Poland | **51.7** | **16.3** | 48.0 | 15.4 | 103.6 | 15.4 |
| Benelux* | **106.2** | **47.3** | 76.0 | 28.6 | 164.3 | 40.9 |
| **Total** | **1,375.2** | **697.3** | 1,243.6 | 611.8 | 2,566.4 | 668.4 |

* 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. Other items**

Profit after tax includes the following Other items which 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:

| | **Unaudited six months ended 30 June 2016 £m** | Unaudited six months ended 30 June 2015 £m | Audited year ended 31 December 2015 £m |
|---|---|---|---|
| Amortisation of acquired intangibles | **(5.1)** | (4.5) | (10.3) |
| Restructuring costs^ | **(2.4)** | (3.4) | (8.3) |
| Acquisition expenses and contingent consideration (Note 6) | **(3.4)** | (3.1) | (14.3) |
| Other one-off items* | **3.5** | (0.7) | 0.1 |
| Defined benefit pension scheme curtailment loss | **(0.9)** | - | - |
| **Impact on operating profit** | **(8.3)** | (11.7) | (32.8) |
| Net fair value losses on derivative financial instruments | **(0.9)** | (0.9) | (1.9) |
| Unwinding of provision discounting | **(0.1)** | (0.4) | (1.4) |
| **Impact on profit before tax** | **(9.3)** | (13.0) | (36.1) |
| Income tax credit on Other items | **1.4** | 1.9 | 4.2 |
| One-off recognition of deferred tax assets | **-** | - | 0.7 |
| Utilisation of losses not previously recognised | **-** | - | 0.3 |
| Effect of change in rate on deferred tax | **-** | 0.2 | 0.8 |
| **Impact on profit after tax** | **(7.9)** | (10.9) | (30.1) |

^ Included within restructuring costs are redundancy costs of £0.3m (30 June 2015: £0.6m; 31 December 2015: £0.9m), property closure costs of £1.2m (30 June 2015: £2.0m; 31 December 2015: £4.6m), rebranding costs of £0.2m (30 June 2015: £nil; 31 December 2015: £0.2m), and supply chain consultancy costs of £0.7m (30 June 2015: £0.8m; 31 December 2015: £2.6m).

* Other one-off items include credits arising on the reversal of provisions made in prior periods of £0.4m (30 June 2015: £nil; 31 December 2015: £3.0m), fair value gains on fuel hedging contracts of £0.3m (30 June 2015: £nil; 31 December 2015: losses of £0.4m), the profit on sale of property of £2.8m (30 June 2015: £nil; 31 December 2015: £1.1m), and operating losses and closure costs associated with the Group's operations in the Kingdom of Saudi Arabia of £nil (30 June 2015: £0.7m; 31 December 2015: £3.6m).

**Notes to the Condensed Interim Financial Statements (Continued)**

**4. Income tax**

The income tax expense comprises:

| | **Unaudited six months ended 30 June 2016 £m** | Unaudited six months ended 30 June 2015 £m | Audited year ended 31 December 2015 £m |
|---|---|---|---|
| UK taxation | **4.8** | 3.0 | 5.2 |
| Overseas taxation | **5.2** | 5.4 | 9.8 |
| **Total income tax expense for the period** | **10.0** | 8.4 | 15.0 |

Tax for the six month period ended 30 June 2016 on underlying profits (i.e. before Other items) is charged at 24.0% (30 June 2015: 26.4%; 31 December 2015: 24.0%), 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 2016.

Reductions in the rate of UK corporation tax from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020 have been substantively enacted. The rate reduction has been reflected in the calculation of the Group's deferred tax.

**5. Earnings per share**

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

| | **Basic and diluted** | | |
|---|---|---|---|
| | **Unaudited six months ended 30 June 2016 £m** | Unaudited six months ended 30 June 2015 £m | Audited year ended 31 December 2015 £m |
| Profit after tax | **28.4** | 18.4 | 36.3 |
| Non-controlling interests | **(0.2)** | (0.1) | (0.3) |
| | **28.2** | 18.3 | 36.0 |

| | **Basic and diluted before Other items** | | |
|---|---|---|---|
| | **Unaudited six months ended 30 June 2016 £m** | Unaudited six months ended 30 June 2015 £m | Audited year ended 31 December 2015 £m |
| Profit after tax | **28.4** | 18.4 | 36.3 |
| Non-controlling interests | **(0.2)** | (0.1) | (0.3) |
| *Other items:* | | | |
| Amortisation of acquired intangibles | **5.1** | 4.5 | 10.3 |
| Restructuring costs | **2.4** | 3.4 | 8.3 |
| Acquisition expenses and contingent consideration (Note 6) | **3.4** | 3.1 | 14.3 |
| Other one-off items (Note 3) | **(3.5)** | 0.7 | (0.1) |
| Defined benefit pension scheme curtailment loss | **0.9** | - | - |
| Net fair value losses on derivative financial instruments | **0.9** | 0.9 | 1.9 |
| Unwinding of provision discounting | **0.1** | 0.4 | 1.4 |
| Tax credit relating to Other items | **(1.4)** | (1.9) | (4.2) |
| One-off recognition of deferred tax assets | **-** | - | (0.7) |
| Utilisation of losses not previously recognised | **-** | - | (0.3) |
| Effect of change in rate on deferred tax | **-** | (0.2) | (0.8) |
| | **36.1** | 29.2 | 66.1 |

| | **Weighted average number of shares** | | |
|---|---|---|---|
| | **Unaudited six months ended 30 June 2016 Number** | Unaudited six months ended 30 June 2015 Number | Audited year ended 31 December 2015 Number |
| For basic earnings per share | **591,349,505** | 591,141,273 | 591,183,300 |
| Exercise of share options | **-** | 99,237 | - |
| For diluted earnings per share | **591,349,505** | 591,240,510 | 591,183,300 |

**5. Earnings per share (Continued)**

| | Earnings per share | | |
|---|---|---|---|
| | **Unaudited six months ended 30 June 2016** | Unaudited six months ended 30 June 2015 | Audited year ended 31 December 2015 |
| Basic earnings per share | **4.8p** | 3.1p | 6.1p |
| Diluted earnings per share | **4.8p** | 3.1p | 6.1p |

| | Earnings per share before Other items* | | |
|---|---|---|---|
| | **Unaudited six months ended 30 June 2016** | Unaudited six months ended 30 June 2015 | Audited year ended 31 December 2015 |
| Basic earnings per share | **6.1p** | 4.9p | 11.2p |
| Diluted earnings per share | **6.1p** | 4.9p | 11.2p |

* 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 ordinary share capital acquired | Acquisition date | Country of incorporation | Principal activities |
|---|---|---|---|---|
| Metall Architektur Limited* | 100% | 5 January 2016 | United Kingdom | Manufacturer and supplier of facade panel systems |
| Profant Lufttechnik HandelsgmbH | 100% | 11 January 2016 | Austria | Developer and fabricator of specialist air handling systems |
| Maury SAS | 100% | 20 January 2016 | France | Manufacturer and supplier of metal roofing and facades |
| Metechno Limited | 100% | 1 March 2016 | United Kingdom | Designer and manufacturer of offsite products |
| SAS Direct & Partitioning Limited | 100% | 5 March 2016 | United Kingdom | Distributor of partitioning systems and associated products |

* Includes acquisition of the trade and certain assets of KME Yorkshire Limited.

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

| | **£m** |
|---|---|
| Property, plant and equipment | **1.1** |
| Inventories | **3.1** |
| Trade and other receivables | **4.9** |
| Cash acquired | **0.3** |
| Debt acquired | **(1.1)** |
| Trade and other payables | **(4.7)** |
| Net corporation tax and deferred tax liability | **(0.1)** |
| Net assets acquired | **3.5** |
| | |
| Intangible assets – customer relationships | **5.4** |
| Intangible assets – non-compete clauses | **0.1** |
| Deferred tax liability on acquired intangible assets | **(1.2)** |
| Goodwill | **6.8** |
| **Total consideration** | **14.6** |
| | |
| Consideration is represented by: | |
| Cash | **14.6** |
| **Total consideration** | **14.6** |
| | |
| Cash (per above) | **14.6** |
| Cash acquired | **(0.3)** |
| Settlement of loan notes and contingent consideration in respect of acquisitions | **3.9** |
| **Settlement of amounts payable for purchase of businesses** | **18.2** |

**6. Acquisitions (Continued)**

In accordance with IFRS 3 "Business Combinations", acquisition expenses of £0.3m in relation to the above acquisitions have been recognised within the Condensed Consolidated Income Statement and have been presented within Other items.

It is currently expected that, dependent upon future profits, a further £31.0m will be paid to the vendors of 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 Condensed Consolidated Income Statement as earned. The related accrual of potential consideration in the six month period ended 30 June 2016 is £3.1m (30 June 2015: £2.5m; 31 December 2015: £10.2m). Added to the £0.3m acquisition expenses, this has led to a charge within Other items in the Condensed Consolidated Income Statement of £3.4m in respect of acquisitions.

As a result of updated information, a credit of £1.9m has been recognised to restate deferred and contingent consideration (not subject to the vendors remaining within the business) in relation to prior period acquisitions, with a corresponding reduction in goodwill and intangible assets made in the period.

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) a 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 £4.2m and a gross contractual value of £4.4m. The best estimate at the date of acquisition of the contractual cash flows not able to be collected is £0.2m.

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 income tax purposes.

Post-acquisition revenue and operating profit for the period ended 30 June 2016 for all 2016 acquisitions amounted to £12.3m and £0.6m respectively.

The Directors estimate that the combined pre-acquisition revenue and operating loss of the 2016 acquisitions for the period from 1 January 2016 to the respective acquisition dates was £0.6m and £0.2m respectively.

**Post balance sheet event**

On 4 July 2016 (with formal closing on 2 August 2016), the Group acquired 100% of the issued share capital of BLH - Bauelemente für Lüftungstechnik Hennen GmbH, a fabricator and distributor of specialist air handling products in Germany, for a total consideration of €7.4m, with net assets acquired of €3.3m.

**7. Reconciliation of operating profit to cash generated from operating activities**

| | **Unaudited six months ended 30 June 2016 £m** | Unaudited six months ended 30 June 2015 £m | Audited year ended 31 December 2015 £m |
|---|---|---|---|
| **Operating profit** | **46.0** | 33.6 | 65.9 |
| Depreciation | **13.1** | 11.1 | 23.0 |
| Amortisation of computer software | **1.7** | 1.4 | 3.0 |
| Amortisation of acquired intangibles | **5.1** | 4.5 | 10.3 |
| Profit on sale of property, plant and equipment | **(6.2)** | (0.3) | (2.4) |
| Share-based payments | **0.2** | 0.7 | - |
| Working capital movements | **0.3** | (39.5) | (38.2) |
| **Cash generated from operating activities** | **60.2** | 11.5 | 61.6 |

Included in cash generated from operating activities is a special contribution to the defined benefit pension scheme of £2.5m (30 June 2015: £2.5m; 31 December 2015: £2.5m).

Of the total profit on sale of property, plant and equipment, £2.8m has been included within Other items of the Condensed Consolidated Income Statement (see Note 3).

Included within working capital movements are payments of £0.7m (30 June 2015: £1.1m; 31 December 2015: £2.1m) in settlement of contingent consideration dependent upon the vendors remaining with the business.

## Notes to the Condensed Interim Financial Statements (Continued)

### 8. Reconciliation of net cash flow to movements in net debt

| | **Unaudited six months ended 30 June 2016** | Unaudited six months ended 30 June 2015 | Audited year ended 31 December 2015 |
|---|---|---|---|
| | **£m** | £m | £m |
| Increase/(decrease) in cash and cash equivalents in the period | **51.5** | (0.8) | (14.1) |
| Cash flow from increase in debt | **(31.2)** | (68.6) | (86.6) |
| Decrease/(increase) in net debt resulting from cash flows | **20.3** | (69.4) | (100.7) |
| Debt added on acquisition | **(1.1)** | (0.9) | (2.5) |
| Recognition of loan notes and deferred consideration | **(6.5)** | - | (2.7) |
| Non-cash items* | **4.0** | (4.1) | (3.9) |
| Exchange differences | **(13.6)** | 5.9 | 0.8 |
| Decrease/(increase) in net debt in the period | **3.1** | (68.5) | (109.0) |
| Net debt at beginning of the period | **(235.9)** | (126.9) | (126.9) |
| Net debt at end of the period | **(232.8)** | (195.4) | (235.9) |

* 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 follows:

| | **Unaudited 30 June 2016** | Unaudited 30 June 2015 | Audited 31 December 2015 |
|---|---|---|---|
| | **£m** | £m | £m |
| *Non-current assets:* | | | |
| Derivative financial instruments | **2.5** | 30.4 | 2.4 |
| Deferred consideration | **-** | 1.5 | - |
| *Current assets:* | | | |
| Derivative financial instruments | **48.6** | - | 34.4 |
| Deferred consideration | **1.5** | - | 1.5 |
| Other financial assets | **-** | 1.9 | 1.3 |
| Cash and cash equivalents | **153.0** | 99.5 | 89.0 |
| *Current liabilities:* | | | |
| Obligations under finance lease contracts | **(2.4)** | (2.3) | (2.5) |
| Bank overdrafts | **(5.2)** | (2.3) | (2.3) |
| Bank loans | **(132.8)** | (67.5) | (90.9) |
| Private placement notes | **(173.9)** | - | (160.1) |
| Loan notes and deferred consideration | **(6.8)** | (1.9) | (3.0) |
| Derivative financial instruments | **(1.4)** | (0.5) | (1.3) |
| *Non-current liabilities:* | | | |
| Obligations under finance lease contracts | **(7.7)** | (8.0) | (7.5) |
| Bank loans | **(0.3)** | (0.5) | (0.4) |
| Private placement notes | **(105.6)** | (245.2) | (95.8) |
| Derivative financial instruments | **(2.3)** | (0.5) | (0.7) |
| Net debt | **(232.8)** | (195.4) | (235.9) |

### 9. Financial instruments fair value disclosures

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

| | **Unaudited 30 June 2016 £m** | Unaudited 30 June 2015 £m | Audited 31 December 2015 £m |
|---|---|---|---|
| **Financial assets** | | | |
| Other financial assets | **-** | 1.9 | 1.3 |
| Deferred consideration | **1.5** | 1.5 | 1.5 |
| Derivative financial instruments | **51.1** | 30.4 | 36.8 |
| | **52.6** | 33.8 | 39.6 |
| | | | |
| **Financial liabilities** | | | |
| Derivative financial instruments | **3.7** | 1.0 | 2.0 |
| Loan notes and deferred consideration | **6.8** | 1.9 | 3.0 |
| Contingent consideration | **14.8** | 16.8 | 19.2 |
| | **25.3** | 19.7 | 24.2 |

**9. Financial instruments fair value disclosures (Continued)**

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 contingent consideration is calculated based on management's forecasts for the business over the earn-out period (i.e. classified as level 3 in the fair value hierarchy). The fair value of contingent consideration is 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 that are recorded at amortised cost in the accounts is approximately equal to their fair value.

**10. Called up share capital**

| | **Unaudited 30 June 2016 £m** | Unaudited 30 June 2015 £m | Audited 31 December 2015 £m |
|---|---|---|---|
| **Authorised:** | | | |
| 800,000,000 ordinary shares of 10p each (30 June 2015: 800,000,000; 31 December 2015: 800,000,000) | **80.0** | 80.0 | 80.0 |
| **Allotted, called up and fully paid:** | | | |
| 591,353,014 ordinary shares of 10p each (30 June 2015: 591,155,750; 31 December 2015: 591,347,148) | **59.1** | 59.1 | 59.1 |

The Company allotted 5,866 shares during the period (30 June 2015: 17,947; 31 December 2015: 209,345).

**11. Retirement benefit schemes**

*Defined benefit schemes*
The Group operates a number of pension schemes, six of which provide defined benefits based upon pensionable salary. One of these schemes has assets held in a separate trustee administered fund, and five 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 2013.

On 30 June 2016 the UK defined benefit pension scheme was closed to future benefit accrual. The change in assumptions associated with the closure resulted in a curtailment loss of £0.9m which has been charged within Other items in the Condensed Consolidated Income Statement.

The IAS 19 valuation conducted as at 31 December 2015 has been updated to reflect current market conditions and the closure of the UK scheme to future benefit accrual, and as a result an actuarial loss of £22.6m and an associated deferred tax credit of £4.1m have been recognised within the Condensed Consolidated Statement of Comprehensive Income.

**12. Interim dividend**

An interim dividend of 1.83p per share has been declared for the period (30 June 2015: 1.69p). 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 2015 of 2.91p per share has been recognised as a distribution to equity holders in the period.

**13. 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 £133m in the period to 30 June 2016 (30 June 2015: £101m; 31 December 2015: £251m). At the balance sheet date net trade payables in respect of the co-operative amounted to £17m (30 June 2015: £18m; 31 December 2015: £1m).

In the period to 30 June 2016, SIG incurred expenses of £0.2m (30 June 2015: £0.1m; 31 December 2015: £0.3m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

The Group has not identified any other material related party transactions in the six month period to 30 June 2016.

**14. Risks and uncertainties**

The Directors consider that the principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining six months of the 2016 financial year remain consistent with those set out in the Strategic Report on pages 20 to 23 of the Group's 2015 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 and cash management;
(7) IT infrastructure and cybersecurity; and
(8) availability and quality of key resources.

Notes to the Condensed Interim Financial Statements (Continued)

**14. Risks and uncertainties (Continued)**

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 result of the UK referendum to leave the European Union has created a period of significant uncertainty which may affect future market conditions and the competitive landscape, the impact of which could adversely affect financial performance. The Board consider it too early to determine the precise effect that the decision to leave may have, however it acknowledges that the market conditions risk and competitor and margin management risk have increased since the referendum. The Directors will continue to closely monitor market conditions and will react accordingly.

The "Group outlook" section of the Trading Review details the current assessment of the markets in which the Group operates.

**15. Seasonality**

The Group's operations are not normally affected by significant seasonal variations between the first and second halves of the calendar year. In 2015, the period to 30 June accounted for 48% of the Group's annual revenue (2014: 49%).

**16. Non-statutory information**

(a) Covenant EBITDA (rolling 12 month)

| | **Twelve months ended 30 June 2016 £m** | Twelve months ended 30 June 2015 £m | Twelve months ended 31 December 2015 £m |
|---|---|---|---|
| Operating profit | **78.3** | 67.7 | 65.9 |
| Depreciation | **25.0** | 21.9 | 23.0 |
| Amortisation of computer software | **3.3** | 2.9 | 3.0 |
| Amortisation of acquired intangibles | **10.9** | 14.7 | 10.3 |
| Restructuring costs | **7.3** | 11.2 | 8.3 |
| Acquisition expenses and contingent consideration | **14.6** | 6.5 | 14.3 |
| Profit and losses on sale of businesses and associated impairment charges | **-** | 5.7 | - |
| Net operating loss attributable to businesses divested in 2014 | **-** | 1.0 | - |
| Other one-off items | **(4.3)** | (0.1) | (0.1) |
| Defined benefit pension scheme curtailment loss | **0.9** | - | - |
| Annualised EBITDA impact of acquisitions | **2.5** | 6.8 | 8.7 |
| Covenant EBITDA | **138.5** | 138.3 | 133.4 |

(b) Covenant net debt

| | **As at 30 June 2016 £m** | As at 30 June 2015 £m | As at 31 December 2015 £m |
|---|---|---|---|
| Reported net debt | **232.8** | 195.4 | 235.9 |
| Other covenant financial indebtedness | **2.9** | 4.8 | 2.6 |
| Foreign exchange adjustment* | **(11.2)** | 4.3 | (1.6) |
| Covenant net debt | **224.5** | 204.5 | 236.9 |

* For the purpose of covenant calculations, leverage is calculated using net debt translated at average rather than period end rates.

(c) Covenant leverage

| | **30 June 2016** | 30 June 2015 | 31 December 2015 |
|---|---|---|---|
| Leverage (covenant net debt to covenant EBITDA - maximum 3.0x) | **1.6x** | 1.5x | 1.8x |

**Notes to the Condensed Interim Financial Statements (Continued)**

**16. Non-statutory information (Continued)**

(d) Underlying operating profit after tax (rolling 12 months)

| | **Twelve months ended 30 June 2016 £m** | Twelve months ended 30 June 2015 £m | Twelve months ended 31 December 2015 £m |
|---|---|---|---|
| Operating profit | **78.3** | 67.7 | 65.9 |
| Amortisation of acquired intangibles | **10.9** | 14.7 | 10.3 |
| Restructuring costs | **7.3** | 11.2 | 8.3 |
| Acquisition expenses and contingent consideration | **14.6** | 6.5 | 14.3 |
| Profit and losses on sale of businesses and associated impairment charges | **-** | 5.7 | - |
| Net operating loss attributable to businesses divested in 2014 | **-** | 1.0 | - |
| Other one-off items | **(4.3)** | (0.1) | (0.1) |
| Defined benefit pension scheme curtailment loss | **0.9** | - | - |
| Income tax expense | **(16.6)** | (18.7) | (15.0) |
| Tax credit associated with Other items | **(5.3)** | (7.6) | (6.0) |
| Underlying operating profit after tax | **85.8** | 80.4 | 77.7 |

(e) Average capital employed

| | **30 June 2016 £m** | 30 June 2015 £m | 31 December 2015 £m |
|---|---|---|---|
| Opening reported net debt | **195.4** | 131.5 | 126.9 |
| Opening reported net assets | **628.2** | 670.1 | 664.3 |
| Opening capital employed | **823.6** | 801.6 | 791.2 |
| Year end reported net debt | **235.9** | 126.9 | n/a |
| Year end reported net assets | **649.6** | 664.3 | n/a |
| Year end capital employed | **885.5** | 791.2 | n/a |
| Closing reported net debt | **232.8** | 195.4 | 235.9 |
| Closing reported net assets | **684.5** | 628.2 | 649.6 |
| Closing capital employed | **917.3** | 823.6 | 885.5 |
| Average capital employed | **875.5** | 805.5 | 838.4 |

(f) Post-tax Return on Capital Employed ("ROCE")

| | **30 June 2016** | 30 June 2015 | 31 December 2015 |
|---|---|---|---|
| ROCE (rolling 12 month underlying operating profit after tax to average capital employed) | **9.8%** | 10.0% | 9.3% |

(g) Free cash flow

| | **Six months ended 30 June 2016 £m** | Six months ended 30 June 2015 £m | Twelve months ended 31 December 2015 £m |
|---|---|---|---|
| Cash generated from operating activities (Note 7) | **60.2** | 11.5 | 61.6 |
| Defined benefit pension scheme special contribution | **2.5** | 2.5 | 2.5 |
| Maintenance capital expenditure* | **(14.8)** | (12.5) | (26.0) |
| Proceeds from sale of property, plant and equipment | **25.1** | 0.6 | 4.9 |
| Proceeds from one-off sales of fixed assets | **(22.9)** | - | (1.1) |
| Income tax paid | **(3.3)** | (5.5) | (11.1) |
| Finance income received | **0.6** | 0.5 | 1.2 |
| Finance costs paid | **(6.8)** | (5.6) | (10.7) |
| Free cash flow/(outflow) | **40.6** | (8.5) | 21.3 |

* Where net capital expenditure is equal to or less than depreciation (including amortisation of computer software), all such net capital expenditure is assumed to be maintenance capital expenditure. To the extent that net capital expenditure exceeds depreciation, the balance is considered to be investment capital expenditure.

**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 2016 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated 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 2016 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
8 August 2016