

8 August 2017

SIG plc: Half Year results for the six months ended 30 June 2017

Business stabilised; leverage down

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 ¹	H1 2017	H1 2016	Change	Constant currency change
Revenue	£1,375.4m	£1,266.4m	8.6%	3.2%
Underlying ² operating profit	£45.7m	£54.5m	(16.1)%	(20.4)%
Underlying ² profit before tax	£38.3m	£47.9m	(20.0)%	(24.3)%
Underlying ² profit before tax excl. property profits	£30.1m	£45.4m	(33.7)%	(38.1)%
Underlying ² basic earnings per share	4.7p	6.1p	(23.0)%	-
Cash inflow from trading	£41.3m	£59.9m	(31.1)%	-
ROCE (post-tax)	8.4%	12.9%	(450)bps	-
Dividend per share	1.25p	1.83p	(31.7)%	-
	30 Jun 2017	31 Dec 2016	Change	
Net debt	£166.5m	£259.9m	(35.9)%	-
Leverage (net debt / EBITDA)	1.6x	2.1x	(0.5)x	-

Alternative performance measures are used as a guide to underlying performance, with calculations found in the notes.

1 Continuing operations excludes businesses sold or closed in 2017 or currently under review. Revenue and LFLs differ from the July trading statement due to the exclusion of Building Plastics and Middle East.

2 Underlying results are stated before the amortisation of acquired intangibles, impairment charges, losses on agreed sale or closure of non-core businesses and associated impairment charges, net operating losses attributable to businesses identified as non-core, net restructuring costs, acquisition expenses and contingent consideration, the defined benefit pension scheme curtailment loss, other one-off items, unwinding of provision discounting, fair value gains and losses on derivative financial instruments, the taxation effect of Other items and the effect of changes in taxation rates.

3 Like-for-like (LFL) is defined as sales per day in constant currency excluding acquisitions and disposals.

Highlights

- Revenue¹ +8.6% and LFL³ sales +2.8%; Mainland Europe +4.3% and UK & Ireland +1.3%
- Underlying PBT, excluding property profits, of £30.1m, in line with guidance
- Underlying PBT of £38.3m including underlying property profits
- Statutory loss before tax of £10.7m after £49.0m of non-underlying items
- Strong focus on cash resulted in a £93.4m reduction in net debt and leverage down to 1.6x
- Disposed of UK Building Plastics business since period end for up to £20.3m
- Review of Group strategy underway; intend to report progress in Q4 2017
- Interim dividend of 1.25p per share in line with rebased cover ratio
- Expectations unchanged for the full year

Statutory results	H1 2017	H1 2016
Revenue	£1,439.2m	£1,375.2m
Operating (loss) / profit	£(2.2)m	£46.0m
(Loss) / profit before tax	£(10.7)m	£38.4m
Basic (loss) / earnings per share	(2.7)p	4.8p

Commenting, Meinie Oldersma, Chief Executive, said:

"In the first half of 2017 the business delivered underlying PBT in line with guidance. Although lower than the first half of last year, as previously indicated, it represents an increase on H2 2016, providing some evidence that business performance has stabilised. However, there remains considerable work to be done to improve returns over the medium term.

"Following management actions taken in the first half to strengthen the Group's balance sheet we have made good initial progress on our key short-term priority to reduce leverage, which has decreased to 1.6x (net debt to EBITDA). We will continue to focus on leverage reduction in order to deliver our targeted range of 1.0 – 1.5x during 2018.

"Following my appointment as CEO, I commissioned a comprehensive review of the Group's strategy, use of capital and cost base. The initial phase confirms that the business has real opportunity to improve profits and returns over the medium term, but also highlights the execution challenges in delivering these upsides. We intend to report progress from this review in Q4 2017.

"In terms of outlook the key risk is the challenging environment created by macro uncertainty in the UK, although this may partly be mitigated by continuing improvement in confidence in Mainland European markets. However, we continue to expect the business to show a stronger second half (excluding H1 property profits) and our expectations for the full year are unchanged."

Analyst presentation (8.30am today)

A briefing to analysts will take place today at 8.30am at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. A live webcast of the presentation will be on www.sigplc.com, a replay of which will also be available later in the day.

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Business performance stabilised

The Group delivered an underlying PBT, excluding property profits, of £30.1m in H1 2017 (H1 2016: £45.4m), an increase of 19.0% compared to H2 2016 (£25.3m), demonstrating that the renewed focus on the customer, together with a reduction in the scale of change initiatives and improving market conditions in Mainland Europe, have started to deliver an improved operational performance. The second half of this year is expected to see a step up in profitability, excluding first half property profits.

On a statutory basis the Group made a loss before tax of £10.7m in H1 2017 (H1 2016: profit of £38.4m) after £49.0m of non-underlying items.

Property profits

As part of its measures to reduce leverage, the Group sold and leased back three properties in the first half of 2017 for a total net cash consideration of £24.0m on which it realised an underlying profit of £8.2m and a non-underlying profit of £5.5m. Including these underlying property profits, SIG's H1 2017 underlying PBT was £38.3m (H1 2016: £47.9m).

SIGD returns to profitability

While still remaining competitive, pressures in the UK specialist insulation and interiors sector moderated somewhat during H1 2017 as the market continued to adapt to an environment of ongoing higher supplier price inflation.

This improvement in market conditions, along with the actions taken by the SIG management team to refocus on its customers and improve its service proposition, meant SIGD LFL revenues grew by 1.6% in the first half, and by 4.6% in the second quarter as the Group sought to recover or otherwise mitigate cost price inflation. Gross margin improved by 160bps from the second half of last year to 24.5% in H1 2017.

As a result, and from being in a position where SIGD made a small loss of £0.5m in the second half of last year, the business returned to profitability in H1 2017 with a continuing operating profit of £6.3m in H1 2017 (H1 2016: £17.4m) on revenue of £399.6m (H1 2016: £389.7m). The business is projecting continued profitability in the second half, subject to any impact from macro uncertainty in the UK and ongoing supplier price inflation.

Continuing challenges in Offsite Construction

Following the closure of Metetechno, the Group's Offsite Construction business now consists of RoofSpace, which makes room-in-roofs for residential buildings, and Building Systems, which produces modular housing units.

RoofSpace continues to perform well and reported an underlying profitable first half performance. Although Building Systems made progress in terms of production levels, significant operational challenges remain and SIG is keeping the performance of this business under review.

On a continuing operations basis (i.e. excluding Metetechno) revenue in Offsite Construction decreased by 2.9% to £13.2m in H1 2017 (H1 2016: £13.6m) and the business made an operating loss of £2.0m (H1 2016: £1.8m).

Leverage down

Following an increase in leverage to 2.1x as at 31 December 2016, based on net debt of £259.9m, management made leverage reduction a key short-term priority for the Group and took a number of actions to strengthen the balance sheet including asset disposals, debt factoring and a tighter control over cash, short-term working capital management and capex.

The Group's balance sheet has responded quickly to these actions, which, together with a £41.3m cash inflow from operations, resulted in a £93.4m reduction in net debt to £166.5m as at 30 June 2017, as detailed in the table below.

£m	H1 2017	H2 2016	H1 2016
Opening net debt	(259.9)	(232.8)	(235.9)
Cash inflow from trading	41.3	39.0	59.9
Decrease / (increase) in working capital	12.5	(23.4)	0.3
Interest and tax	(13.7)	(12.6)	(9.5)
Net maintenance capex	(8.7)	(11.0)	(12.6)
Free cash flow	31.4	(8.0)	38.1
Investment capex	(0.1)	(5.2)	(5.2)
Dividends*	-	(10.8)	(17.2)
Debt factoring	42.5	-	-
Sale of property and assets	24.0	10.7	22.9
Acquisitions including contingent consideration	(6.8)	(3.8)	(25.8)
Exchange, fair value and other	2.4	(10.0)	(9.7)
Decrease / (increase) in borrowings	93.4	(27.1)	3.1
Closing net debt	(166.5)	(259.9)	(232.8)
Leverage	1.6x	2.1x	1.6x

* 2015 final dividend was paid in May 2016 and the 2016 final dividend was paid in July 2017.

This improved net debt position, which reflected more substantial and earlier one-off actions than initially expected, enabled leverage to decline from 2.1x at 31 December 2016 to 1.6x as at 30 June 2017 (30 June 2016: 1.6x). SIG anticipates that leverage will remain broadly unchanged at the 2017 year end and continues to target a further reduction in leverage next year as it aims to return to a 1.0 – 1.5x range during 2018.

Ongoing review of strategy

SIG is currently conducting a comprehensive review of its strategy, use of capital and cost base. The aim of the review is to assess the potential profits and returns achievable by the Group over the medium term and to identify the key strategic levers that will drive a step change in performance.

The Group intends to report on progress from this review in Q4 2017. In the meantime SIG is targeting shorter term quick wins to benefit profitability in 2018, including some portfolio reshaping and ongoing reductions in headcount.

Changes to portfolio

As previously announced, during the period to 30 June 2017 SIG disposed of Carpet & Flooring, Drywall Qatar, WeGo Austria and closed Metecho. All of these businesses were exited for strategic reasons as they were either unprofitable or sub-scale in their respective markets, or a combination of both.

Since 30 June 2017, and subsequent to the Group's July trading update, SIG has agreed to sell its UK Building Plastics business, which is part of SIG Exteriors, to GAP Plastics Ltd, for up to £20.3m, comprising an initial cash payment of £18.0m plus up to £2.3m contingent consideration payable in July 2019. SIG believes that there were limited opportunities for it to grow this business profitably in a market dominated by vertically integrated players.

In addition SIG has also decided to review its operations in the Middle East, potentially including a divestment, as it assesses the scale of ongoing growth opportunities in what is a relatively volatile market. The revenues and profit of this business have therefore been treated as non-underlying.

A reconciliation of H1 2017 underlying to statutory revenue as a result of these portfolio changes is set out below, with the impact on 2016 comparatives also detailed later in this statement.

£m	H1 2017 Revenue
Underlying	1,375.4
Building Plastics	29.0
Middle East	13.2
Carpet & Flooring	11.6
WeGo Austria	7.5
Metecho	1.3
Drywall Qatar	1.2
Statutory	1,439.2

Non-underlying items

Non-underlying items during the period, on a pre-tax basis, amounted to £49.0m (H1 2016: £9.5m) and were:

- Losses on sale, closure or review of businesses and associated impairment charges of £30.4m (H1 2016: nil) and H1 2017 operating losses of £5.2m (H1 2016: £0.2m) relating to Carpet & Flooring, Drywall Qatar, WeGo Austria, Metecho, Building Plastics and Middle East;
- Amortisation of acquired intangibles and contingent payments of £5.2m (H1 2016: £8.5m);
- Impairment of £6.8m of the carrying value of the UK ERP system, Kerridge K8 (H1 2016: nil);
- Net restructuring charges of £3.4m (H1 2016: £2.4m), an impairment of £2.3m (H1 2016: nil) on the fixed assets in Building Systems, and other one-off items of £1.2m (H1 2016: £1.2m); offset by
- Non-underlying profit on the disposal of property of £5.5m (H1 2016: £2.8m).

Outlook

The Group's outlook is unchanged from that stated in its July post-close trading update. The Board continues to expect the business to show a stronger second half this year (excluding first half property profits), with expectations for the full year unchanged. The key risk remains the challenging environment created by macro uncertainty in the UK, although this may partially be mitigated by continuing improvement in confidence in Mainland European markets.

The Group intends to report progress on its review of Group strategy in Q4 2017, along with a further update on second half trading.

Dividend

In 2016 the Group rebased its dividend, paying 3.66p per share in total for the year. At that time SIG stated its policy was to pay dividends in line with 2 – 3x earnings cover, with a third of the total dividend paid at the interim stage.

Consistent with this policy, SIG is declaring an interim dividend for 2017 of 1.25p (H1 2016: 1.83p). The interim dividend will be paid on 3 November 2017 to shareholders on the register at close of business on 6 October 2017. The ex-dividend date is 5 October 2017.

Financial performance

Revenue and gross margin

On a statutory basis Group revenue was up 4.7% to £1,439.2m (H1 2016: £1,375.2m), with revenue in the UK & Ireland of £715.5m (H1 2016: £738.9m) and £723.7m in Mainland Europe (H1 2016: £636.3m).

On a continuing operations basis, Group revenue increased 8.6% to £1,375.4m (H1 2016: £1,266.4m), benefiting from foreign exchange translation (+5.4%), acquisitions (+0.5%) offset by working days (-0.1%). As a result LFL sales were ahead by 2.8%, which is different from the figure reported in SIG's July trading update as it excludes the results from UK Building Plastics and the Middle East.

In the UK & Ireland, revenue from continuing operations increased 2.5% to £659.2m (H1 2016: £642.9m), benefiting from acquisitions (+0.6%) and currency (+0.6%). LFL sales increased 1.3%. In Mainland Europe revenue from continuing operations increased 14.9% to £716.2m (H1 2016: £623.5m), benefiting from foreign exchange translation (+10.3%), acquisitions (+0.4%) and offset by working days (-0.1%). Sales on a LFL basis were up 4.3%.

Although the Group's underlying gross margin declined by 40bps to 26.8% compared to a strong performance in H1 2016 (27.2%), it increased by 60bps compared to H2 2016 (26.2%). In the UK & Ireland underlying gross margin declined by 100bps to 26.0% (H1 2016: 27.0%), and Mainland Europe was flat at 27.5% (H1 2016: 27.5%). On a statutory basis the Group's gross margin was 26.4% (H1 2016: 27.0%).

Operating costs and profit

On a continuing operations basis SIG's operating cost base increased by £32.2m to £322.5m in H1 2017 (H1 2016: £290.3m) due to a currency impact of £16.1m, additional costs from acquisitions of £2.7m, and other net cost increases of £13.4m.

The combination of lower gross margin and higher operating costs meant that the Group's underlying operating profit declined 16.1% to £45.7m (H1 2016: £54.5m) with underlying operating margin declining 100bps to 3.3% (H1 2016: 4.3%).

In the UK & Ireland, underlying operating profit fell 21.7% to £27.5m (H1 2016: £35.1m) and underlying operating margin declined by 130bps to 4.2% (H1 2016: 5.5%). In Mainland Europe, underlying operating profit increased slightly, by 2.1% to £24.0m (H1 2016: £23.5m), with underlying operating margin decreasing 40bps to 3.4% (H1 2016: 3.8%).

SIG's underlying net finance costs increased by £0.8m to £7.4m (H1 2016: £6.6m), mainly due to higher borrowings which, together with the decline in operating profit, resulted in underlying profit before tax decreasing 20.0% to £38.3m (H1 2016: £47.9m). Excluding underlying property profits the decline was 33.7% to £30.1m (H1 2016: £45.4m). On a statutory basis the Group made a loss before tax of £10.7m (H1 2016: profit of £38.4m) after non-underlying items of £49.0m (H1 2016: £9.5m).

Underlying basic earnings per share from continuing operations declined 23.0% to 4.7p (H1 2016: 6.1p). On a statutory basis the Group made a basic loss per share of 2.7p (H1 2016: earnings per share of 4.8p).

Return on Capital Employed

Post-tax Return on Capital Employed ("ROCE") is one of the Group's primary performance metrics 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 2017 SIG's ROCE was 8.4% (30 June 2016: 12.9%).

UK & Ireland

Continuing operations	Revenue (£m)	Change	LFL change	Gross margin	Change
SIG Distribution	399.6	2.5%	1.6%	24.5%	(180)bps
SIG Exteriors	200.4	0.4%	0.3%	29.3%	(20)bps
Ireland	46.0	15.3%	4.6%	25.8%	(10)bps
Offsite Construction	13.2	(2.9)%	(2.9)%	22.0%	890bps
UK & Ireland*	659.2	2.5%	1.3%	26.0%	(100)bps

**The 'other' segment has been removed as it principally related to SIG's activities in the Middle East, which are now under review. SIG Spain, which was also part of 'other' and had revenue of £0.9m in H1 2017 (H1 2016: £0.7m), is now reported in SIG Distribution.*

Revenue in SIG Distribution ("SIGD"), the Group's market leading specialist UK insulation and interiors distribution business, was up 2.5% to £399.6m (H1 2016: £389.7m) and by 1.6% on a LFL basis, as the highly competitive market conditions experienced in the second half of last year eased somewhat and the business improved its customer focus.

Although underlying market demand for insulation and interior products in the UK remains relatively soft, the Group has so far been able either to mitigate or recover cost price inflation, with gross margin improving by 160bps from the second half of last year to 24.5%. This was identified as a key risk to the business at the beginning of the year.

Revenue in SIG Exteriors ("SIGE"), the market leading and only national specialist UK roofing business, was marginally up, by 0.4%, at £200.4m (H1 2016: £199.7m) and by 0.3% on a LFL basis. Trading conditions in the UK Repairs, Maintenance and Improvement ("RMI") sector, to which the business has a relatively high degree of exposure, remain weak, and were not helped by the recent UK General Election, which injected a further degree of uncertainty into the marketplace. The challenging conditions in the UK RMI market are expected to continue into the second half of the year.

In Ireland SIG grew revenue by 15.3%, benefiting from foreign exchange movements, and by 4.6% on a LFL basis as the business benefited from favourable market conditions. These conditions are anticipated to continue in the second half and in addition the Group is expected to benefit from a number of larger projects to supply interior products.

Continuing revenue in Offsite Construction decreased slightly by 2.9% to £13.2m with an operating loss of £2.0m due to continuing production issues in its modular housing business. The Group is keeping the performance of this business under review.

Mainland Europe

Continuing operations	Revenue (£m)	Change	LFL change	Gross margin	Change
France	324.3	13.8%	5.0%	27.6%	(30)bps
Germany	201.4	11.5%	1.8%	26.6%	10bps
Poland	63.6	23.0%	9.6%	20.0%	(30)bps
Benelux	51.4	5.1%	(4.8)%	25.8%	60bps
Air Handling	75.5	31.8%	12.0%	36.8%	-
Mainland Europe	716.2	14.9%	4.3%	27.5%	-

Continuing revenue in Mainland Europe increased by 14.9% to £716.2m (H1 2016: £623.5m), having significantly benefited from foreign exchange translation.

LFL revenues benefited from improving market conditions as the first half of 2017 progressed, increasing by 7.5% in Q2 2017 compared to an increase of 1.3% in the first quarter.

Revenue in France, where SIG operates three businesses (Larivière, its market leading specialist roofing business; LiTT, its leading structural insulation and interior business; and Ouest Isol / Ouest Ventil, which is a leading supplier of technical insulation and air handling products), increased by 13.8% to £324.3m (H1 2016: £285.0m), having benefited from foreign exchange. On a LFL basis sales were up by 5.0% and gross margin declined slightly, by 30bps to 27.6%.

As anticipated, the improving market conditions in France, which have been present in the construction market since the end of 2016, particularly in the residential sector, have begun to benefit SIG this year as many of the products the Group distributes are used in the later stages of the building cycle. This improving sales trend was particularly prevalent in the second quarter, when the Group recorded LFL sales growth of 8.5%, following 1.5% growth in Q1 2017.

SIG operates two businesses in Germany: WeGo, a leading insulation and interiors business; and vti, which is the largest supplier of technical insulation in the country.

Continuing revenue in Germany grew by 11.5% to £201.4m (H1 2016: £180.6m) as it benefited from movements in foreign exchange. LFL sales in the first half also recorded their first increase, by 1.8% as the Group sought to improve its performance and reposition the business towards the higher growth segments of the German market, such as the residential market. Similar to France, LFL sales growth accelerated in the second quarter in Germany, with an increase of 5.9% compared to a decline of 1.9% in Q1 2017.

In Poland SIG grew revenues by 23.0% to £63.6m and LFL sales by 9.6%. Following a subdued performance last year due to political and economic uncertainty, construction markets stabilised in the first quarter of 2017 and then improved significantly in Q2, leading to a 15.9% increase in SIG's LFL sales growth for April to June.

In the Benelux while revenue was up 5.1%, this growth was foreign exchange related and LFL sales decreased by 4.8%. Following a recovery in construction markets during 2016 the market became tougher in 2017, with increased price competition for interior products and the demand for technical insulation particularly weak. Gross margin improved however, by 60bps to 25.8%

Revenue in Air Handling, which is the largest pure-play specialist air handling distributor in Europe, grew by 31.8% as it benefited from good LFL growth of 12.0%, acquisitions and foreign exchange movements. The air handling market continues to grow at a faster rate than the wider construction sector due to strong demand drivers including higher energy efficiency and air quality standards.

Restatement of 2016 comparatives

The 2016 revenue and profits of businesses that have been divested, closed or are under review, and which are therefore now being treated as non-underlying, are set out in the table below in order to derive comparatives for the continuing business:

£m	H1 2016		H2 2016		FY 2016	
	Underlying PBT	Continuing revenue	Underlying PBT	Continuing revenue	Underlying PBT	Continuing revenue
Group as reported at 2016 HY results	47.7	1,375.2	Not applicable			
Drywall Qatar*	0.7	(4.1)	2.1	(3.8)	2.8	(7.9)
Carpet & Flooring*	1.2	(46.4)	1.8	(51.1)	3.0	(97.5)
Group as reported at 2016 FY results	49.6	1,324.7	27.9	1,415.1	77.5	2,739.8
Metecho**	0.1	(0.7)	-	(2.6)	0.1	(3.3)
WeGo Austria**	(0.2)	(12.8)	(0.4)	(14.8)	(0.6)	(27.6)
Building Plastics***	(1.1)	(30.4)	(1.8)	(32.6)	(2.9)	(63.0)
Middle East***	(0.5)	(14.4)	(0.4)	(16.0)	(0.9)	(30.4)
Restated at 2017 HY results	47.9	1,266.4	25.3	1,349.1	73.2	2,615.5

* First announced at SIG's 2016 Full Year results on 14 March 2017.

** First announced in SIG's AGM trading update on 11 May 2017.

*** First announced in this statement.

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

Meinie Oldersma
Director
7 August 2017

Nick Maddock
Director
7 August 2017

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, market conditions, competitors and margin management, commercial relationships, government legislation, availability of funding, 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 2017

	Note	<u>Unaudited six months ended 30 June 2017</u>			<u>Unaudited six months ended 30 June 2016</u>			<u>Audited year ended 31 December 2016</u>		
		Before Other items*	Other items*	Total	Before Other items*	Other items*	Total	Before Other items*	Other items*	Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	2	1,375.4	63.8	1,439.2	1,266.4	108.8	1,375.2	2,615.5	229.7	2,845.2
Cost of sales		(1,007.2)	(52.3)	(1,059.5)	(921.6)	(82.2)	(1,003.8)	(1,917.5)	(176.1)	(2,093.6)
Gross profit		368.2	11.5	379.7	344.8	26.6	371.4	698.0	53.6	751.6
Other operating expenses		(322.5)	(59.4)	(381.9)	(290.3)	(35.1)	(325.4)	(611.0)	(231.6)	(842.6)
Operating profit/(loss)	2	45.7	(47.9)	(2.2)	54.5	(8.5)	46.0	87.0	(178.0)	(91.0)
Finance income		0.2	0.1	0.3	0.7	-	0.7	1.2	0.5	1.7
Finance costs		(7.6)	(1.2)	(8.8)	(7.3)	(1.0)	(8.3)	(15.0)	(2.0)	(17.0)
Profit/(loss) before tax		38.3	(49.0)	(10.7)	47.9	(9.5)	38.4	73.2	(179.5)	(106.3)
Income tax expense	4	(10.3)	5.2	(5.1)	(11.4)	1.4	(10.0)	(18.8)	6.5	(12.3)
Profit/(loss) after tax		28.0	(43.8)	(15.8)	36.5	(8.1)	28.4	54.4	(173.0)	(118.6)
Attributable to:										
Equity holders of the Company		27.6	(43.8)	(16.2)	36.3	(8.1)	28.2	53.9	(173.0)	(119.1)
Non-controlling interests		0.4	-	0.4	0.2	-	0.2	0.5	-	0.5
Earnings per share										
Basic and diluted earnings/(loss) per share	5	4.7p	(7.4)p	(2.7)p	6.1p	(1.3)p	4.8p	9.1p	(29.2)p	(20.1)p

* Other items relate to the amortisation of acquired intangibles, impairment charges, profits and losses on agreed sale or closure of non-core businesses and associated impairment charges, net operating losses attributable to businesses identified as non-core, net restructuring costs, acquisition expenses and contingent consideration, the defined benefit pension scheme curtailment loss, other one-off items, unwinding of provision discounting, fair value gains and losses on derivative financial instruments, 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 2017

	Unaudited six months ended 30 June 2017 £m	Unaudited six months ended 30 June 2016 £m	Audited year ended 31 December 2016 £m
(Loss)/profit after tax	(15.8)	28.4	(118.6)
Items that will not subsequently be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit pension liability	2.4	(22.6)	(12.5)
Deferred tax movement associated with remeasurement of defined benefit pension liability	(0.4)	4.1	2.3
Effect of change in rate on deferred tax	(0.4)	-	(0.5)
	1.6	(18.5)	(10.7)
Items that may subsequently be reclassified to the Consolidated Income Statement:			
Exchange difference on retranslation of foreign currency goodwill and intangibles	3.7	27.0	33.6
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	8.0	28.1	35.7
Exchange and fair value movements associated with borrowings and derivative financial instruments	(6.7)	(15.8)	(25.3)
Tax credit on exchange and fair value movements arising on borrowings and derivative financial instruments	1.8	3.1	6.3
Gains and losses on cash flow hedges	0.8	(1.1)	(3.8)
Transfer to profit and loss on cash flow hedges	1.1	1.2	2.3
	8.7	42.5	48.8
Other comprehensive income	10.3	24.0	38.1
Total comprehensive (expense)/income	(5.5)	52.4	(80.5)
Attributable to:			
Equity holders of the Company	(5.9)	52.2	(81.0)
Non-controlling interests	0.4	0.2	0.5
	(5.5)	52.4	(80.5)

Condensed Consolidated Balance Sheet

as at 30 June 2017

		Unaudited 30 June 2017	Unaudited 30 June 2016 restated	Audited 31 December 2016
	Note	£m	£m	£m
Non-current assets				
Property, plant and equipment		110.2	136.9	127.3
Goodwill		321.9	468.7	352.7
Intangible assets		65.8	91.7	76.9
Deferred tax assets		14.6	22.7	16.4
Derivative financial instruments	9	1.2	2.5	4.4
		513.7	722.5	577.7
Current assets				
Inventories		258.7	263.3	250.6
Trade and other receivables		548.3	573.4	516.1
Current tax assets		5.3	2.4	3.2
Derivative financial instruments	9	0.2	48.6	0.1
Deferred consideration	9	-	1.5	0.7
Other financial assets	9	1.6	-	1.1
Cash and cash equivalents		177.3	210.2	127.6
Assets classified as held for sale	6	18.9	-	15.6
		1,010.3	1,099.4	915.0
Total assets		1,524.0	1,821.9	1,492.7
Current liabilities				
Trade and other payables		562.5	517.1	440.6
Obligations under finance lease contracts		3.2	2.4	3.1
Bank overdrafts		6.0	62.4	3.5
Bank loans		123.9	132.8	171.6
Private placement notes		-	173.9	-
Loan notes and deferred consideration	9	-	6.8	2.7
Derivative financial instruments	9	-	1.4	0.2
Current tax liabilities		7.5	11.6	8.4
Provisions		14.3	12.5	14.5
Liabilities directly associated with assets classified as held for sale		-	-	15.6
		717.4	920.9	660.2
Non-current liabilities				
Obligations under finance lease contracts		7.9	7.7	8.1
Bank loans		0.6	0.3	0.3
Private placement notes		203.5	105.6	200.7
Derivative financial instruments	9	1.7	2.3	3.6
Deferred tax liabilities		14.3	19.1	15.2
Other payables		3.9	5.1	5.5
Retirement benefit obligations	11	32.9	46.6	37.1
Provisions		18.4	29.8	22.4
		283.2	216.5	292.9
Total liabilities		1,000.6	1,137.4	953.1
Net assets		523.4	684.5	539.6
Capital and reserves				
Called up share capital	10	59.1	59.1	59.1
Share premium account		447.3	447.3	447.3
Capital redemption reserve		0.3	0.3	0.3
Share option reserve		1.1	1.6	1.1
Hedging and translation reserve		14.7	-	7.9
(Accumulated losses) / retained profits		(0.3)	175.4	23.1
Attributable to equity holders of the Company		522.2	683.7	538.8
Non-controlling interests		1.2	0.8	0.8
Total equity		523.4	684.5	539.6

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2017

	Note	Unaudited six months ended 30 June 2017 £m	Unaudited six months ended 30 June 2016 £m	Audited year ended 31 December 2016 £m
Net cash flow from operating activities				
Cash generated from operating activities	7	96.3	60.2	75.8
Income tax paid		(7.3)	(3.3)	(9.6)
Net cash generated from operating activities		89.0	56.9	66.2
Cash flows from investing activities				
Finance income received		0.2	0.6	1.2
Purchase of property, plant and equipment and computer software		(12.3)	(19.6)	(37.5)
Proceeds from sale of property, plant and equipment		28.7	25.1	39.5
Settlement of amounts payable for purchase of businesses		(6.8)	(18.2)	(25.3)
Net cash flow arising on the sale of businesses	6	1.2	-	-
Net cash generated from/(used in) investing activities		11.0	(12.1)	(22.1)
Cash flows from financing activities				
Finance costs paid		(6.6)	(6.8)	(13.7)
Capital element of finance lease rental payments		(1.7)	(1.5)	(2.6)
Issue of share capital	10	-	-	-
Repayment of loans/settlement of derivative financial instruments		(48.5)	(0.2)	(139.5)
New loans/settlement of derivative financial instruments		0.7	32.7	166.1
Dividends paid to equity holders of the Company	12	-	(17.2)	(28.0)
Dividends paid to non-controlling interest		-	(0.3)	(0.6)
Net cash (used in)/generated from financing activities		(56.1)	6.7	(18.3)
Increase in cash and cash equivalents in the period	8	43.9	51.5	25.8
Cash and cash equivalents at beginning of the period		124.1	86.7	86.7
Effect of foreign exchange rate changes		3.3	9.6	11.6
Cash and cash equivalents at end of the period		171.3	147.8	124.1

Condensed Consolidated Statement of Changes in Equity

For the unaudited six months ended 30 June 2017	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserve £m	(Accumulated losses) / retained profits £m	Total £m	Non- controlling interests £m	Total equity £m
At 31 December 2016	59.1	447.3	0.3	1.1	7.9	23.1	538.8	0.8	539.6
(Loss)/profit after tax	-	-	-	-	-	(16.2)	(16.2)	0.4	(15.8)
Other comprehensive income	-	-	-	-	6.8	3.5	10.3	-	10.3
Total comprehensive income/(expense)	-	-	-	-	6.8	(12.7)	(5.9)	0.4	(5.5)
Credit to share option reserve	-	-	-	-	-	-	-	-	-
Exercise of share options	-	-	-	-	-	-	-	-	-
Current and deferred tax on share options	-	-	-	-	-	0.1	0.1	-	0.1
Dividends recognised as distributions to equity holders of the Company (Note 12)	-	-	-	-	-	(10.8)	(10.8)	-	(10.8)
At 30 June 2017	59.1	447.3	0.3	1.1	14.7	(0.3)	522.2	1.2	523.4

For the unaudited six months ended 30 June 2016	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserve £m	(Accumulated losses) / retained profits £m	Total £m	Non- controlling interests £m	Total equity £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 audited year ended 31 December 2016	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserve £m	(Accumulated losses) / retained profits £m	Total £m	Non- controlling interests £m	Total equity £m
At 31 December 2015	59.1	447.3	0.3	1.4	(42.4)	183.0	648.7	0.9	649.6
(Loss)/profit after tax	-	-	-	-	-	(119.1)	(119.1)	0.5	(118.6)
Other comprehensive income/(expense)	-	-	-	-	50.3	(12.2)	38.1	-	38.1
Total comprehensive income/(expense)	-	-	-	-	50.3	(131.3)	(81.0)	0.5	(80.5)
Share capital issued in the year	-	-	-	-	-	-	-	-	-
Debit to share option reserve	-	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Exercise of share options	-	-	-	-	-	-	-	-	-
Deferred tax on share options	-	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	(0.6)	(0.6)
Dividends paid to equity holders of the Company	-	-	-	-	-	(28.0)	(28.0)	-	(28.0)
At 31 December 2016	59.1	447.3	0.3	1.1	7.9	23.1	538.8	0.8	539.6

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 "Share-Based Payments" 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 7 August 2017.

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 2017 and 30 June 2016 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 2016 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 2016, which have been applied consistently throughout the current and preceding periods with the exception of new standards adopted in the current period (see below) and the following additional policy with regard to trade receivables, adopted following the Group's decision to enter into certain factoring arrangements during the period to 30 June 2017:

- Trade receivables that are factored out to banks and other financial institutions without recourse to the Group are derecognised at the point of factoring as the risks and rewards of the receivables have been fully transferred. In assessing whether the receivables qualify for derecognition the Group has considered the receivables and receivable insurance contracts as two separate units of account. Therefore the insurance is not included as part of the derecognition assessment on the basis that the insurance is not similar to the receivables; and
- The Group has elected to recognise cash inflows from the sale of factored receivables as an operating cashflow.

The areas of critical accounting judgments and key sources of estimation uncertainty set out on page 99 of the 2016 Annual Report and Accounts are considered to continue and be consistently applied.

Increased market and macroeconomic uncertainty and challenging market conditions during the year ended 31 December 2016 led to the lowering of expectations in the future profitability of the Larivière CGU. This resulted in a goodwill impairment charge of £100.4m being recognised, reducing the carrying value of the CGU after the impairment charge to £97.5m as at 31 December 2016. As at 30 June 2017, the Group has tested goodwill and the related intangible assets and property, plant and equipment associated with the Larivière CGU, noting the low level of headroom. The current forecasts provide headroom of c.£3m (30 June 2016: c.£2m; 31 December 2016: €nil). The carrying value of the CGU at 30 June 2017 is c.£97m. 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.£36m.

All results are from continuing operations under International Accounting Standards as the businesses identified as non-core in 2016 and 2017 did not meet the disclosure criteria of being discontinued operations as they did not individually or in aggregate 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 2016 have been re-analysed to present net operating losses of £0.2m attributable to businesses identified as non-core in the second half of 2016 or the first half of 2017 within Other items. The comparatives for the year ended 31 December 2016 have also been re-analysed to present net operating profits of £4.3m attributable to businesses identified as non-core in the first half of 2017 within Other items.

In March 2016, the IFRS Interpretations Committee issued an agenda decision which clarified the circumstances in which certain Balance Sheet items can be offset in accordance with IAS 32 "Financial Instruments: Presentation". It was determined that where a Group does not expect to settle subsidiaries' bank balances on a net basis, these balances cannot be offset. In response to this, the Group has reviewed its cash pooling arrangements which has resulted in changes to the amounts that can be offset. Comparative information for the period ended 30 June 2016 has been restated. The impact of this change as at 30 June 2016 is to increase both cash and cash equivalents and bank overdrafts in the Consolidated Balance Sheet by £57.2m. In addition, the Group has also reviewed the presentation of its supplier rebates receivable, in particular supplier rebates where there is no right to offset against trade payable balances. As a result comparative information for the period ended 30 June 2016 has been restated. The impact of this change is an increase in respect of both prepayments and accrued income and trade payables of £44.6m. There was no overall impact on net debt or net assets from either restatement.

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.

Notes to the Condensed Interim Financial Statements (Continued)

1. Basis of preparation of Condensed Interim Financial Statements (Continued)

Changes in accounting policy

Adoption of new and revised accounting standards

Since the 2016 Annual Report and Accounts were published no significant new standards and interpretations have been issued. The Group will perform its analysis to assess the impact on operations and results of transition to IFRS 15 "Revenue for Contracts with Customers" and IFRS 16 "Leases" in the second half of 2017.

The following new and revised standards became effective during 2017:

- Disclosure Initiative (Amendments to IAS 7 "Statement of Cash Flows") – effective for accounting periods beginning on or after 1 January 2017
- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses - effective for accounting periods beginning on or after 1 January 2017
- Annual Improvements – 2014 to 2016 cycle - effective for accounting periods beginning on or after 1 January 2017

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 2017				Unaudited six months ended 30 June 2016				Audited year ended 31 December 2016			
	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	659.2	716.2	-	1,375.4	642.9	623.5	-	1,266.4	1,295.4	1,320.1	-	2,615.5
Sales attributable to businesses identified as non-core	56.3	7.5	-	63.8	96.0	12.8	-	108.8	202.1	27.6	-	229.7
Inter-segment sales*	1.6	6.3	(7.9)	-	1.6	7.3	(8.9)	-	3.3	13.9	(17.2)	-
Total revenue	717.1	730.0	(7.9)	1,439.2	740.5	643.6	(8.9)	1,375.2	1,500.8	1,361.6	(17.2)	2,845.2
Result												
Segment result before Other items	27.5	24.0	-	51.5	35.1	23.5	-	58.6	49.5	48.3	-	97.8
Amortisation of acquired intangibles	(3.6)	(1.1)	-	(4.7)	(4.0)	(1.1)	-	(5.1)	(8.0)	(2.3)	-	(10.3)
Impairment charges	(9.1)	-	-	(9.1)	-	-	-	-	-	(110.6)	-	(110.6)
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	(29.5)	(0.9)	-	(30.4)	-	-	-	-	(40.1)	-	-	(40.1)
Net operating losses attributable to businesses identified as non-core	(5.0)	(0.2)	-	(5.2)	(0.4)	0.2	-	(0.2)	(2.1)	0.6	-	(1.5)
Net restructuring costs	(2.8)	(0.6)	-	(3.4)	(0.8)	(1.6)	-	(2.4)	(10.6)	(2.7)	-	(13.3)
Acquisition expenses and contingent consideration	(0.5)	-	-	(0.5)	(3.5)	0.1	-	(3.4)	4.7	(0.1)	-	4.6
Defined benefit pension scheme curtailment loss	-	-	-	-	(0.9)	-	-	(0.9)	(0.9)	-	-	(0.9)
Other one-off items (Note 3)	5.4	-	-	5.4	3.5	-	-	3.5	(6.0)	0.1	-	(5.9)
Segment operating (loss)/profit	(17.6)	21.2	-	3.6	29.0	21.1	-	50.1	(13.5)	(66.7)	-	(80.2)
Parent Company costs				(5.8)				(4.1)				(10.8)
Operating (loss)/profit				(2.2)				46.0				(91.0)
Net finance costs before Other items				(7.4)				(6.6)				(13.8)
Net fair value losses on derivative financial instruments				(0.8)				(0.9)				(1.9)
Unwinding of provision discounting				(0.3)				(0.1)				0.4
(Loss)/profit before tax				(10.7)				38.4				(106.3)
Income tax expense				(5.1)				(10.0)				(12.3)
Non-controlling interests				(0.4)				(0.2)				(0.5)
(Loss)/profit for the period				(16.2)				28.2				(119.1)

* 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 2017			Unaudited six months ended 30 June 2016			Audited year ended 31 December 2016		
	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 (restated)	753.5	743.0	1,496.5	801.1	856.2	1,657.3	783.9	682.4	1,466.3
<i>Unallocated assets:</i>									
Property, plant and equipment			0.8			1.1			0.9
Derivative financial instruments			1.4			51.1			4.5
Deferred consideration			-			1.5			0.7
Cash and cash equivalents			14.2			104.8			14.5
Deferred tax assets			6.8			2.1			2.3
Other assets			4.3			4.0			3.5
Consolidated total assets			1,524.0			1,821.9			1,492.7
Liabilities									
Segment liabilities (restated)	359.1	286.7	645.8	426.3	296.9	723.2	342.8	231.7	574.5
<i>Unallocated liabilities:</i>									
Private placement notes			-			279.5			200.7
Bank loans			318.7			122.1			158.8
Derivative financial instruments			1.7			3.7			3.8
Other liabilities			34.4			8.9			15.3
Consolidated total liabilities			1,000.6			1,137.4			953.1
Other segment information									
<i>Capital expenditure on:</i>									
Property, plant and equipment	6.2	4.9	11.1	11.4	5.9	17.3	21.7	12.0	33.7
Computer software	1.6	0.8	2.4	2.1	0.6	2.7	4.8	1.4	6.2
Goodwill and intangible assets (excluding computer software)	-	-	-	9.6	2.7	12.3	11.2	7.3	18.5
<i>Non-cash expenditure:</i>									
Depreciation	5.5	5.8	11.3	7.7	5.4	13.1	14.4	11.6	26.0
Impairment of property, plant and equipment and computer software	9.1	-	9.1	-	-	-	12.0	-	12.0
Amortisation of acquired intangibles and computer software	5.1	1.7	6.8	5.4	1.4	6.8	10.9	2.9	13.8
Impairment of goodwill and intangibles (excluding computer software)	21.4	-	21.4	-	-	-	22.0	110.6	132.6

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 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
	£m	£m	£m
Insulation and Energy Management	518.4	496.8	978.8
Exteriors	438.5	387.1	813.7
Interiors	418.5	382.5	823.0
Total continuing	1,375.4	1,266.4	2,615.5
Attributable to businesses identified as non-core	63.8	108.8	229.7
Total	1,439.2	1,375.2	2,845.2

(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 2017		Unaudited six months ended 30 June 2016		Audited year ended 31 December 2016	
	Revenue	Non-current assets	Revenue	Non-current assets	Revenue	Non-current assets
Country	£m	£m	£m	£m	£m	£m
United Kingdom	613.2	259.0	603.0	326.9	1,209.9	310.2
Ireland	46.0	2.7	39.9	2.4	85.5	2.7
France	324.3	127.6	285.0	220.0	589.2	124.6
Germany	201.4	21.1	180.6	21.6	385.6	21.7
Poland	63.6	7.0	51.7	16.3	115.1	6.9
Benelux*	126.9	46.1	106.2	47.3	230.2	53.4
Total continuing	1,375.4	463.5	1,266.4	634.5	2,615.5	519.5
Attributable to businesses identified as non-core	63.8	34.4	108.8	62.8	229.7	37.4
Total	1,439.2	497.9	1,375.2	697.3	2,845.2	556.9

* Includes SIG Air Handling

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

(Loss)/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 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
	£m	£m	£m
Amortisation of acquired intangibles	(4.7)	(5.1)	(10.3)
Impairment charges	(9.1)	-	(110.6)
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	(30.4)	-	(40.1)
Net operating losses attributable to businesses identified as non-core	(5.2)	(0.2)	(1.5)
Net restructuring costs [^]	(3.4)	(2.4)	(13.3)
Acquisition expenses and contingent consideration	(0.5)	(3.4)	4.6
Defined benefit pension scheme curtailment loss	-	(0.9)	(0.9)
Other one-off items*	5.4	3.5	(5.9)
Impact on operating (loss)/profit	(47.9)	(8.5)	(178.0)
Net fair value losses on derivative financial instruments	(0.8)	(0.9)	(1.9)
Unwinding of provision discounting	(0.3)	(0.1)	0.4
Impact on (loss)/profit before tax	(49.0)	(9.5)	(179.5)
Income tax credit on Other items	5.2	1.4	5.9
Effect of change in rate on deferred tax	-	-	0.2
Other tax adjustments in respect of previous years	-	-	0.4
Impact on (loss)/profit after tax	(43.8)	(8.1)	(173.0)

[^] Included within net restructuring costs are consultancy costs of £1.7m (30 June 2016: £0.7m; 31 December 2016: £6.7m), property closure costs of £0.4m (30 June 2016: £1.2m; 31 December 2016: £4.4m) and redundancy costs of £1.3m (30 June 2016: £0.3m; 31 December 2016: £1.7m). There were no rebranding costs in the current period (30 June 2016: £0.2m; 31 December 2016: £0.5m).

Notes to the Condensed Interim Financial Statements (Continued)

3. Other items (Continued)

*Other one-off items are split as follows:

	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
	£m	£m	£m
Profit on sale of property	5.5	2.8	2.8
Other one-off (debits)/credits	(0.1)	-	0.4
Impairment charge and other costs following the cessation of the UK eCommerce project	-	-	(9.7)
Net charge arising as a result of movements in provisions associated with businesses disposed of in previous years	-	0.4	(0.5)
Fair value gains on fuel hedging contracts	-	0.3	0.4
Reassessment of the provision associated with the closure in 2015 of the Group's operations in the Kingdom of Saudi Arabia	-	-	0.7
Total Other one-off items	5.4	3.5	(5.9)

4. Income tax

The income tax expense comprises:

	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
	£m	£m	£m
UK taxation	(0.8)	4.8	1.7
Overseas taxation	5.9	5.2	10.6
Total income tax expense for the period	5.1	10.0	12.3

Tax for the six month period ended 30 June 2017 on underlying profits (i.e. before Other items) is charged at 26.9% (30 June 2016: 23.8%; 31 December 2016: 25.7%), 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 2017.

The UK's main rate of corporation tax reduced to 19% from 1 April 2017 and will be further reduced to 17% from 1 April 2020. These rate changes were taken into account when calculating the deferred tax provision for the year ended 31 December 2016.

Notes to the Condensed Interim Financial Statements (Continued)

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 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
	£m	£m	£m
(Loss)/profit after tax	(15.8)	28.4	(118.6)
Non-controlling interests	(0.4)	(0.2)	(0.5)
	(16.2)	28.2	(119.1)

	Basic and diluted before Other items		
	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
	£m	£m	£m
(Loss)/profit after tax	(15.8)	28.4	(118.6)
Non-controlling interests	(0.4)	(0.2)	(0.5)
<i>Other items:</i>			
Amortisation of acquired intangibles	4.7	5.1	10.3
Impairment charges	9.1	-	110.6
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	30.4	-	40.1
Net operating losses attributable to businesses identified as non-core	5.2	0.2	1.5
Net restructuring costs	3.4	2.4	13.3
Acquisition expenses and contingent consideration	0.5	3.4	(4.6)
Defined benefit pension scheme curtailment loss	-	0.9	0.9
Other one-off items (Note 3)	(5.4)	(3.5)	5.9
Net fair value losses on derivative financial instruments	0.8	0.9	1.9
Unwinding of provision discounting	0.3	0.1	(0.4)
Income tax credit relating to Other items	(5.2)	(1.4)	(5.9)
Effect of change in rate on deferred tax	-	-	(0.2)
Other tax adjustments in respect of previous years	-	-	(0.4)
	27.6	36.3	53.9

	Weighted average number of shares		
	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
	Number	Number	Number
For basic and diluted (loss)/earnings per share	591,466,749	591,349,505	591,365,906

	Earnings per share		
	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
Basic and diluted (loss)/earnings per share	(2.7)p	4.8p	(20.1)p

	Earnings per share before Other items[^]		
	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
Basic and diluted earnings per share	4.7p	6.1p	9.1p

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

Notes to the Condensed Interim Financial Statements (Continued)

6. Divestments and exit of non-core businesses

Divested businesses

The Group has divested of the following businesses during the period to 30 June 2017:

Carpet & Flooring

As disclosed in the 2016 Annual Report and Accounts, at 31 December 2016 the Group Board had resolved to dispose of its UK specialist flooring distribution operation, Carpet & Flooring, and because a loss was anticipated the net assets of the business were impaired to reflect the estimated net proceeds of £6.9m. The disposal was completed on 28 February 2017. The Group has recognised a further £10.4m of costs relating to the sale in the period ended 30 June 2017, resulting in a loss on disposal within Other items in the Condensed Consolidated Income Statement of £3.5m.

Drywall Qatar

As disclosed in the 2016 Annual Report and Accounts, at 31 December 2016 the Group Board had resolved to exit the Drywall Qatar business, and because a loss was anticipated the fixed assets of the business were impaired. The disposal was completed on 27 March 2017, 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 £0.8m) were reclassified to the Condensed Consolidated Income Statement. The Group has recognised a further £1.7m of costs relating to the sale in the period ended 30 June 2017, resulting in a net loss on disposal within Other items in the Condensed Consolidated Income Statement of £0.9m.

WeGo Austria

In May and June 2017 the Group sold certain trade and assets of WeGo Systembaustoffe Austria GmbH for consideration of £1.7m, resulting in a loss on disposal within Other items in the Condensed Consolidated Income Statement of £0.9m.

The net assets at the date of disposal of the three businesses were as follows:

	At date of disposal	At 30 June 2016	At 31 December 2016
	£m	£m	£m
Investments and intangible assets	-	2.7	-
Property, plant and equipment	1.1	3.2	1.2
Cash	6.7	9.3	-
Inventories	1.8	20.3	11.1
Trade and other receivables	12.8	21.5	13.2
Trade and other payables	(8.4)	(21.4)	(18.6)
Provisions	-	(0.5)	-
Deferred tax asset	-	0.5	-
Net assets	14.0	35.6	6.9
Other costs	0.7		
Loss on disposal	(6.1)		
Sale proceeds	8.6		

These businesses contributed £2.4m of loss* on £20.3m of revenue to the Group in the six months ended 30 June 2017, £1.7m of loss on £63.3m of revenue in the six months ended 30 June 2016 and £5.2m of loss on £133.0m of revenue for the year ended 31 December 2016, with the results for the current and prior periods now disclosed within Other items in the Condensed Consolidated Income Statement.

* Profit or loss throughout this note refers to operating profit/(loss) before Other items.

Other non-core businesses

The Group has also commenced or resolved to commence the exit of the following businesses during the period to 30 June 2017:

On 27 March 2017 the Directors of Metecho Limited, a subsidiary of the Group, commenced the orderly wind down of Metecho Limited. The assets of the business and associated goodwill have been impaired to reflect the recoverable amount indicated by the period end impairment review process, resulting in a total loss on wind down of £4.5m included in Other items in the Condensed Consolidated Income Statement.

In addition, on 2 August 2017 SIG decided to review its business in the Middle East as it assesses the scale of ongoing growth opportunities in what is a relatively volatile market. Net assets are considered to be at recoverable value and there is no exceptional profit/loss arising that needs to be recognised in the six months to 30 June 2017.

These two non-core businesses contributed £3.8m of loss on £14.5m of revenue to the Group in the six months ended 30 June 2017, £0.4m of profit on £15.1m of revenue in the six months ended 30 June 2016 and £0.8m of profit on £33.7m of revenue for the year ended 31 December 2016, with the results for the current and prior periods now disclosed within Other items in the Condensed Consolidated Income Statement.

Notes to the Condensed Interim Financial Statements (Continued)

6. Divestments and exit of non-core businesses (Continued)

Divestment of SIG Building Plastics (after the balance sheet date)

On 12 July 2017 the Group Board resolved to dispose of its UK building plastics distribution business, part of the UK Exteriors division, and the sale was completed on 3 August 2017. The assets and liabilities sold were as follows:

	At 30 June 2017			At 30 June 2016	At 31 December 2016
	Recoverable value	Impairment and asset write down	Original carrying value		
	£m	£m	£m	£m	£m
Goodwill	12.9	(20.4)	33.3	33.3	33.3
Property, plant and equipment	0.5	-	0.5	1.1	1.0
Inventories	4.7	-	4.7	4.5	4.4
Trade and other receivables	0.8	-	0.8	0.9	0.5
Total assets	18.9	(20.4)	39.3	39.8	39.2
Trade and other payables	-	-	-	-	-
Total liabilities	-	-	-	-	-
Net assets	18.9	(20.4)	39.3	39.8	39.2

The associated goodwill has been impaired by £20.4m to reflect the recoverable amount indicated by the consideration received in respect of the sale, and the assets and liabilities presented as held for sale within the Consolidated Balance Sheet. This business contributed £1.0m of profit on £29.0m of revenue to the Group in the six months ended 30 June 2017, £1.1m of profit on £30.4m of revenue in the six months ended 30 June 2016 and £2.9m of profit on £63.0m of revenue for the year ended 31 December 2016 and the results for the current and prior periods have been disclosed within Other items in the Condensed Consolidated Income Statement.

As part of the disposal of SIG Building Plastics a guarantee has been provided to the landlord of the leasehold properties transferred with the business covering rentals over the remaining term of the leases in the event that the acquiring company enters into administration before the end of the lease term. The maximum liability that could arise from this would be approximately £7.4m. No provision has been made in these financial statements as it is not considered likely that any loss will be incurred in connection with this.

Cash flows associated with divestments and exit of non-core businesses

The net cash inflow in the six months ended 30 June 2017 in respect of divestments and the exit of non-core businesses is as follows:

	£m
Cash consideration received for divestments (net of cost to sell)	8.6
Cash at date of disposal	(6.7)
Disposal costs paid	(0.7)
Net cash inflow	1.2

The losses arising on the agreed sale or closure of non-core businesses and associated impairment charges, along with their results for the current and prior periods have been disclosed within Other items in the Condensed Consolidated Income Statement in order to present the underlying earnings of the Group.

Notes to the Condensed Interim Financial Statements (Continued)

7. Reconciliation of operating (loss)/profit to cash generated from operating activities

	Unaudited six months ended 30 June 2017 £m	Unaudited six months ended 30 June 2016 £m	Audited year ended 31 December 2016 £m
Operating (loss)/profit	(2.2)	46.0	(91.0)
Depreciation	11.3	13.1	26.0
Amortisation of computer software	2.1	1.7	3.5
Amortisation of acquired intangibles	4.7	5.1	10.3
Impairment of computer software	6.8	-	7.9
Impairment of property, plant and equipment	2.3	-	0.3
Goodwill and intangible impairment charges	-	-	110.6
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	30.4	-	40.1
Profit on sale of property, plant and equipment	(14.1)	(6.2)	(8.5)
Share-based payments	-	0.2	(0.3)
Working capital movements	55.0	0.3	(23.1)
Cash generated from operating activities	96.3	60.2	75.8

Included in cash generated from operating activities is a special contribution to the defined benefit pension scheme of £2.5m (30 June 2016: £2.5m; 31 December 2016: £2.5m).

Of the total profit on sale of property, plant and equipment, £5.5m (30 June 2016: £2.8m; 31 December 2016: £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 2016: £0.7m; 31 December 2016: £6.1m) 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 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
	£m	£m	£m
Increase in cash and cash equivalents in the period	43.9	51.5	25.8
Cash flow from decrease/(increase) in debt	52.6	(31.2)	(19.5)
Decrease in net debt resulting from cash flows	96.5	20.3	6.3
Debt added on acquisition	-	(1.1)	(1.6)
Recognition of loan notes and deferred consideration	-	(6.5)	(2.7)
Non-cash items*	(0.1)	4.0	(14.4)
Exchange differences	(3.0)	(13.6)	(11.6)
Decrease/(increase) in net debt in the period	93.4	3.1	(24.0)
Net debt at beginning of the period	(259.9)	(235.9)	(235.9)
Net debt at end of the period	(166.5)	(232.8)	(259.9)

* 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 2017	Unaudited 30 June 2016	Audited 31 December 2016
	£m	£m	£m
<i>Non-current assets:</i>			
Derivative financial instruments	1.2	2.5	4.4
<i>Current assets:</i>			
Derivative financial instruments	0.2	48.6	0.1
Deferred consideration	-	1.5	0.7
Other financial assets	1.6	-	1.1
Cash and cash equivalents (restated)	177.3	210.2	127.6
<i>Current liabilities:</i>			
Obligations under finance lease contracts	(3.2)	(2.4)	(3.1)
Bank overdrafts (restated)	(6.0)	(62.4)	(3.5)
Bank loans	(123.9)	(132.8)	(171.6)
Private placement notes	-	(173.9)	-
Loan notes and deferred consideration	-	(6.8)	(2.7)
Derivative financial instruments	-	(1.4)	(0.2)
<i>Non-current liabilities:</i>			
Obligations under finance lease contracts	(7.9)	(7.7)	(8.1)
Bank loans	(0.6)	(0.3)	(0.3)
Private placement notes	(203.5)	(105.6)	(200.7)
Derivative financial instruments	(1.7)	(2.3)	(3.6)
Net debt	(166.5)	(232.8)	(259.9)

9. Financial instruments fair value disclosures

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

	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
	£m	£m	£m
Financial assets			
Other financial assets	1.6	-	1.1
Deferred consideration	-	1.5	0.7
Derivative financial instruments	1.4	51.1	4.5
	3.0	52.6	6.3
Financial liabilities			
Derivative financial instruments	1.7	3.7	3.8
Loan notes and deferred consideration	-	6.8	2.7
Contingent consideration	7.3	14.8	9.7
	9.0	25.3	16.2

Notes to the Condensed Interim Financial Statements (Continued)

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 2017 £m	Unaudited 30 June 2016 £m	Audited 31 December 2016 £m
Authorised:			
800,000,000 ordinary shares of 10p each (30 June 2016: 800,000,000; 31 December 2016: 800,000,000)	80.0	80.0	80.0
Allotted, called up and fully paid:			
591,475,263 ordinary shares of 10p each (30 June 2016: 591,353,014; 31 December 2016: 591,460,301)	59.1	59.1	59.1

The Company allotted 14,962 shares during the period (30 June 2016: 5,866; 31 December 2016: 113,153).

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.

The IAS 19 valuation conducted as at 31 December 2016 has been updated to reflect current market conditions, and as a result an actuarial gain of £2.4m and an associated deferred tax debit of £0.4m have been recognised within the Condensed Consolidated Statement of Comprehensive Income.

12. Interim dividend

An interim dividend of 1.25p per share has been declared for the period (30 June 2016: 1.83p). 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 2016 of 1.83p per share has been recognised as a distribution to equity holders in the period.

Following the recent impairments and losses associated with the closure of non-core businesses, the Group has accumulated losses as at 30 June 2017 of £0.3m (30 June 2016: retained profits £175.4m; 31 December 2016: retained profits £23.1m). The Company has retained profits of £189.8m (30 June 2016: £195.3m; 31 December 2016: £191.2m) and therefore this has not impacted the Company's ability to distribute dividends.

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 £138m in the period to 30 June 2017 (30 June 2016: £133m; 31 December 2016: £284m). At the balance sheet date net trade payables in respect of the co-operative amounted to £14m (30 June 2016: £17m; 31 December 2016: £12m).

In the period to 30 June 2017, SIG incurred expenses of £0.2m (30 June 2016: £0.2m; 31 December 2016: £0.3m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

The Group has not identified any other related party transactions in the six month period to 30 June 2017.

Notes to the Condensed Interim Financial Statements (Continued)

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 2017 financial year remain consistent with those set out in the Strategic Report on pages 16 to 19 of the Group's 2016 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) availability of funding;
- (6) working capital and cash management;
- (7) IT infrastructure and cybersecurity; and
- (8) availability and quality of key resources (personnel).

The primary risk affecting the Group for the remaining six months of the year continues to be 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. As SIG continues with its strategic change programme there is an increase in focus on the risk of the availability and quality of key resources (personnel). SIG continues to ensure that the strategic and budget review process identifies and manages all key resource requirements, whilst senior management succession planning mitigates the risk of knowledge loss associated with restructuring.

The result of the UK referendum to leave the European Union in June 2016, and the subsequent triggering of Article 50 on 29 March 2017, has created a period of significant uncertainty which may continue to 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 2016, the period to 30 June accounted for 48% of the Group's annual revenue (2015: 48%). In terms of outlook the key risk is the challenging environment created by macro uncertainty in the UK, although this may partly be mitigated by continuing improvement in confidence in Mainland European markets. However, the business continues to expect a stronger second half profit performance (excluding H1 property profits) as detailed in the "Group outlook" section of the Trading Review.

16. Post balance sheet events

On 3 August 2017 the Group completed the sale of its UK Building Plastics business for up to £20.3m. Associated goodwill has been impaired at 30 June 2017 to reflect the recoverable amount and the assets and liabilities are presented as held for sale within the Consolidated Balance Sheet. See Note 6 for further details. The Group is currently conducting a review of its strategy, use of capital and cost base and is undergoing a consultation exercise regarding potential headcount reductions.

17. Non-statutory information

The Group uses a variety of alternative performance measures, which are non-IFRS, to assess the performance of its operations.

The Group considers these performance measures to provide useful historical financial information to help investors evaluate the underlying performance of the business.

a) Leverage covenant - rolling 12 months

	Note	Unaudited twelve months ended 30 June 2017 £m	Unaudited twelve months ended 30 June 2016* £m	Audited year ended 31 December 2016* £m
Operating (loss)/profit		(139.2)	78.3	(91.0)
Depreciation	7	24.2	25.0	26.0
Amortisation of computer software	7	3.9	3.3	3.5
Amortisation of acquired intangibles	7	9.9	10.9	10.3
Impairment charges	3	119.7	-	110.6
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	3	70.5	-	40.1
Net operating losses attributable to businesses identified as non-core	3	6.5	-	5.8
Depreciation attributable to businesses identified as non-core		(0.7)	-	(0.5)
Net restructuring costs	3	14.3	7.3	13.3
Acquisition expenses and contingent consideration	3	(7.5)	14.6	(4.6)
Defined benefit pension scheme curtailment loss	3	-	0.9	0.9
Other one-off items	3	4.0	(4.3)	5.9
Annualised EBITDA impact of acquisitions		-	2.5	0.3
Covenant EBITDA		105.6	138.5	120.6

* The 2016 covenant calculations have not been restated to reflect the decision in 2017 to exit the non-core businesses of Metetechno, WeGo Austria and Building Plastics, along with the review of the Middle East business.

Notes to the Condensed Interim Financial Statements (Continued)

17. Non-statutory information (Continued)

a) Leverage covenant - rolling 12 months (Continued)

	Note	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Reported net debt	8	166.5	232.8	259.9
Other covenant financial indebtedness		3.8	2.9	3.5
Foreign exchange adjustment*		(1.3)	(11.2)	(6.4)
Covenant net debt		169.0	224.5	257.0

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

	30 June 2017	30 June 2016	31 December 2016
Leverage (covenant net debt to covenant EBITDA - maximum 3.0x)	1.6x	1.6x	2.1x

b) Post-tax Return on Capital Employed ("ROCE") - rolling 12 months

	Note	Unaudited twelve months ended 30 June 2017 £m	Unaudited twelve months ended 30 June 2016 £m	Audited year ended 31 December 2016 £m
Operating (loss)/profit		(139.2)	78.3	(91.0)
Income tax expense	4	(7.4)	(16.6)	(12.3)
Operating (loss)/profit after tax		(146.6)	61.7	(103.3)

	Note	Unaudited twelve months ended 30 June 2017 £m	Unaudited twelve months ended 30 June 2016 £m	Audited year ended 31 December 2016 £m
Operating (loss)/profit		(139.2)	78.3	(91.0)
Amortisation of acquired intangibles	7	9.9	10.9	10.3
Impairment charges	7	119.7	-	110.6
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	3	70.5	-	40.1
Net operating losses attributable to businesses identified as non-core	3	6.5	-	1.5
Net restructuring costs	3	14.3	7.3	13.3
Acquisition expenses and contingent consideration	3	(7.5)	14.6	(4.6)
Defined benefit pension scheme curtailment loss	3	-	0.9	0.9
Other one-off items	3	4.0	(4.3)	5.9
Underlying operating profit		78.2	107.7	87.0
Income tax expense		(7.4)	(16.6)	(12.3)
Tax credit associated with Other items		(9.7)	(3.6)	(6.5)
Underlying operating profit after tax		61.1	87.5	68.2

Notes to the Condensed Interim Financial Statements (Continued)

17. Non-statutory information (Continued)

b) Post-tax Return on Capital Employed ("ROCE") - rolling 12 months (Continued)

	Note	Unaudited twelve months ended 30 June 2017 £m	Unaudited twelve months ended 30 June 2016 £m	Audited year ended 31 December 2016 £m
Opening reported net assets		684.5	628.2	649.6
Opening reported net debt	8	232.8	195.4	235.9
Opening capital employed		917.3	823.6	885.5
Computer software impairment charges*		(14.7)	(14.7)	(14.7)
Goodwill and intangible impairment charges*		(110.6)	(110.6)	(110.6)
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges*		(70.5)	(70.5)	(70.5)
Adjusted opening capital employed		721.5	627.8	689.7
Year end reported net assets		539.6	649.6	n/a
Year end reported net debt	8	259.9	235.9	n/a
Year end capital employed		799.5	885.5	n/a
Computer software impairment charges*	7	(6.8)	(14.7)	n/a
Goodwill and intangible impairment charges*	3	-	(110.6)	n/a
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges*	3	(30.4)	(70.5)	n/a
Adjusted year end capital employed		762.3	689.7	n/a
Closing reported net assets		523.4	684.5	539.6
Closing reported net debt	8	166.5	232.8	259.9
Closing capital employed		689.9	917.3	799.5
Computer software impairment charges*		-	(14.7)	(6.8)
Goodwill and intangible impairment charges*		-	(110.6)	-
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges*		-	(70.5)	(30.4)
Adjusted closing capital employed		689.9	721.5	762.3
Average capital employed		802.2	875.5	842.5
Adjusted average capital employed*		724.6	679.7	726.0
* Capital employed has been adjusted to take into account the normalised impact of the goodwill and intangible impairment charges, the profits and losses on agreed sale or closure of non-core businesses and associated impairment charges and computer software impairment charges.				
		Unaudited twelve months ended 30 June 2017	Unaudited twelve months ended 30 June 2016	Audited year ended 31 December 2016
Unadjusted ROCE (operating profit after tax to average capital employed)		(18.3)%	7.0%	(12.3)%
ROCE (underlying operating profit after tax to adjusted average capital employed)		8.4%	12.9%	9.4%

Notes to the Condensed Interim Financial Statements (Continued)

17. Non-statutory information (Continued)

(c) Underlying profit before tax excluding property profits

	Note	Unaudited six months ended 30 June 2017 £m	Unaudited six months ended 30 June 2016 £m	Audited year ended 31 December 2016 £m
(Loss)/profit before tax		(10.7)	38.4	(106.3)
Amortisation of acquired intangibles	3	4.7	5.1	10.3
Impairment charges	3	9.1	-	110.6
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	3	30.4	-	40.1
Net operating losses attributable to businesses identified as non-core	3	5.2	0.2	1.5
Net restructuring costs	3	3.4	2.4	13.3
Acquisition expenses and contingent consideration	3	0.5	3.4	(4.6)
Defined benefit pension scheme curtailment loss	3	-	0.9	0.9
Other one-off items	3	(5.4)	(3.5)	5.9
Net fair value losses on derivative financial instruments	3	0.8	0.9	1.9
Unwinding of provision discounting	3	0.3	0.1	(0.4)
Underlying profit before tax		38.3	47.9	73.2
Underlying property profits		(8.2)	(2.5)	(2.5)
Underlying profit before tax excluding property profits		30.1	45.4	70.7

(d) Working capital to sales ratio

	Unaudited twelve months ended 30 June 2017 £m	Unaudited twelve months ended 30 June 2016 £m	Audited year ended 31 December 2016 £m
<i>Current:</i>			
Inventories	258.7	263.3	250.6
Trade and other receivables	548.3	573.4	516.1
Trade and other payables	(562.5)	(517.1)	(440.6)
Provisions	(14.3)	(12.5)	(14.5)
<i>Non-current:</i>			
Other payables	(3.9)	(5.1)	(5.5)
Provisions	(18.4)	(29.8)	(22.4)
Reported working capital	207.9	272.2	283.7
Working capital for non-core businesses	(14.0)	(42.3)	(29.0)
Foreign exchange adjustment*	(3.1)	6.2	1.7
Adjusted working capital	190.8	236.1	256.4

* Working capital is translated at average rather than period end rates.

	Note	Unaudited twelve months ended 30 June 2017 £m	Unaudited twelve months ended 30 June 2016 £m	Audited year ended 31 December 2016 £m
Reported revenue	2	2,909.2	2,698.0	2,845.2
Sales attributable to businesses identified as non-core		(184.7)	(222.5)	(229.7)
Pre-acquisition revenue of the current year acquisitions from the beginning of the period to the acquisition dates		-	58.1	4.9
Foreign exchange adjustment		6.1	183.2	70.9
Adjusted revenue		2,730.6	2,716.8	2,691.3
Reported working capital to reported revenue		7.1%	10.1%	10.0%
Like-for-like working capital to sales ratio (adjusted working capital to adjusted revenue)		7.0%	8.7%	9.5%

Notes to the Condensed Interim Financial Statements (Continued)

17. Non-statutory information (Continued)

e) Net capital expenditure

		Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
Net maintenance capital expenditure	Note	£m	£m	£m
Depreciation	7	(11.3)	(13.1)	(26.0)
Amortisation of computer software	7	(2.1)	(1.7)	(3.5)
Proceeds from sale of property, plant and equipment		28.7	25.1	39.5
Less:				
One-off sale of property, plant and equipment		(24.0)	(22.9)	(33.6)
Net maintenance capital expenditure		(8.7)	(12.6)	(23.6)

		Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
Investment capital expenditure		£m	£m	£m
Property, plant and equipment additions		(11.1)	(17.3)	(33.7)
Computer software additions		(2.4)	(2.7)	(6.2)
Proceeds from sale of property, plant and equipment		28.7	25.1	39.5
Less:				
Net maintenance capital expenditure		8.7	12.6	23.6
One-off sale of property, plant and equipment		(24.0)	(22.9)	(33.6)
Investment capital expenditure		(0.1)	(5.2)	(10.4)

Where capital expenditure is equal to or less than depreciation (including amortisation of computer software), all such 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.

f) Cash inflow from trading

		Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited year ended 31 December 2016
	Note	£m	£m	£m
Cash generated from operating activities		96.3	60.2	75.8
Add back:				
Working capital movements	7	(55.0)	(0.3)	23.1
Cash inflow from trading		41.3	59.9	98.9

Notes to the Condensed Interim Financial Statements (Continued)

17. Non-statutory information (Continued)

g) Like-for-like sales

Like-for-like sales is calculated on a constant currency basis, and represents the growth in the Group's sales per day excluding any acquisitions or disposals completed or agreed in the current and prior year. Sales are not adjusted for organic branch openings and closures.

	SIG Distribution £m	SIG Exteriors £m	Offsite Construction £m	Other* £m	UK £m	Ireland £m	UK & Ireland £m	France £m	Germany £m	Poland £m	Benelux £m	SIG Air Handling £m	Mainland Europe £m	Group £m
Total revenue for period to 30 June 2017	399.6	229.4	14.5	26.0	669.5	46.0	715.5	324.3	208.9	63.6	51.4	75.5	723.7	1,439.2
Revenue attributable to non-core businesses	-	(29.0)	(1.3)	(26.0)	(56.3)	-	(56.3)	-	(7.5)	-	-	-	(7.5)	(63.8)
Continuing revenue for period to 30 June 2017	399.6	200.4	13.2	-	613.2	46.0	659.2	324.3	201.4	63.6	51.4	75.5	716.2	1,375.4
Total revenue for period to 30 June 2016	389.7	230.1	14.3	64.9	699.0	39.9	738.9	285.0	193.4	51.7	48.9	57.3	636.3	1,375.2
Revenue attributable to non-core businesses	-	(30.4)	(0.7)	(64.9)	(96.0)	-	(96.0)	-	(12.8)	-	-	-	(12.8)	(108.8)
Continuing revenue for period to 30 June 2016	389.7	199.7	13.6	-	603.0	39.9	642.9	285.0	180.6	51.7	48.9	57.3	623.5	1,266.4
<i>% change year on year:</i>														
Continuing revenue	2.5%	0.4%	(2.9)%	n/a	1.7%	15.3%	2.5%	13.8%	11.5%	23.0%	5.1%	31.8%	14.9%	8.6%
Impact of currency	-	-	-	n/a	-	(10.3)%	(0.6)%	(9.9)%	(9.7)%	(13.4)%	(9.1)%	(11.5)%	(10.3)%	(5.4)%
Impact of acquisitions	(0.9)%	(0.1)%	-	n/a	(0.6)%	(0.4)%	(0.6)%	0.5%	-	-	-	(7.4)%	(0.4)%	(0.5)%
Impact of working days	-	-	-	n/a	-	-	-	0.6%	-	-	(0.8)%	(0.9)%	0.1%	0.1%
Like-for-like sales	1.6%	0.3%	(2.9)%	n/a	1.1%	4.6%	1.3%	5.0%	1.8%	9.6%	(4.8)%	12.0%	4.3%	2.8%

* Other represents revenue from Carpet & Flooring, Middle East and Drywall Qatar (Note 6).

Notes to the Condensed Interim Financial Statements (Continued)

17. Non-statutory information (Continued)

h) Gross margin

Gross margin is the ratio of gross profit to revenue.

	SIG Distribution %	SIG Exteriors %	Offsite Construction %	Other* %	UK %	Ireland %	UK & Ireland %	France %	Germany %	Poland %	Benelux %	SIG Air Handling %	Mainland Europe %	Group %
Statutory gross margin for the period ended 30 June 2017	24.5%	29.7%	1.4%	12.2%	25.3%	25.8%	25.4%	27.6%	26.4%	20.0%	25.8%	36.8%	27.4%	26.4%
Impact of non-core businesses	-	(0.4)%	20.6%	(12.2)%	0.7%	-	0.6%	-	0.2%	-	-	-	0.1%	0.4%
Underlying gross margin for the period ended 30 June 2017	24.5%	29.3%	22.0%	n/a	26.0%	25.8%	26.0%	27.6%	26.6%	20.0%	25.8%	36.8%	27.5%	26.8%
Statutory gross margin for the period ended 30 June 2016	26.3%	29.9%	13.9%	21.0%	26.7%	25.9%	26.7%	27.9%	26.2%	20.3%	25.2%	36.8%	27.4%	27.0%
Impact of non-core businesses	-	(0.4)%	(0.8)%	(21.0)%	0.4%	-	0.3%	-	0.3%	-	-	-	0.1%	0.2%
Underlying gross margin for the period ended 30 June 2016	26.3%	29.5%	13.1%	n/a	27.1%	25.9%	27.0%	27.9%	26.5%	20.3%	25.2%	36.8%	27.5%	27.2%

* Other represents gross margin from Carpet & Flooring, Middle East and Drywall Qatar (Note 6).

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 2017 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 17. 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 2017 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

Statutory Auditor
Leeds, United Kingdom
7 August 2017