

21 September 2018

**SIG plc: Results for the six months ended 30 June 2018**

**Transformational plans well underway**

SIG plc ("SIG" or "the Group"), a leading European supplier of specialist building products with strong positions in its core markets of insulation and interiors, roofing and exteriors, and air handling, today issues its results for the six months ended 30 June 2018 ("H1 2018").

**Highlights**

- Transformational plans well underway
- Further progress on strengthening balance sheet and portfolio refocus
- Operating costs under control and working capital beginning to fall
- Senior leadership in place, management capability and data improving
- Underlying revenue +1.0% and LFL<sup>1</sup> sales +0.4% (H1 2017: +2.9%), reflecting challenges in UK market
- Underlying PBT (excluding one-off property profits) of £26.6m (H1 2017: £28.6m)
- Net debt down 18.8% to £176.1m, with continued progress towards leverage targets
- Interim dividend of 1.25p per share in line with 2-3x cover policy (2017: 1.25p)
- Increased visibility over delivery of significant profit improvement during H2

Underlying operations <sup>1</sup>	H1 2018	H1 2017 Restated	Change
Revenue	<b>£1,360.7m</b>	£1,347.1m	1.0%
LFL <sup>2</sup> sales	<b>0.4%</b>	2.9%	(250)bps
Underlying <sup>3</sup> operating profit	<b>£34.8m</b>	£42.3m	(17.7)%
Underlying <sup>3</sup> profit before tax	<b>£26.9m</b>	£34.4m	(21.8)%
Underlying <sup>3</sup> profit before tax excl. property profits	<b>£26.6m</b>	£28.6m	(7.0)%
Return on sales (excl. property profits)	<b>2.5%</b>	2.7%	(20)bps
Return on capital employed (post-tax)	<b>9.2%</b>	7.8%	140bps
Net debt	<b>£176.1m</b>	£217.0m	18.8%
Headline financial leverage (net debt/EBITDA)	<b>1.8x</b>	2.3x	0.5x

Statutory results	H1 2018	H1 2017 Restated
Revenue	<b>£1,381.7m</b>	£1,439.2m
Operating profit/(loss)	<b>£28.2m</b>	£(6.8)m
Profit/(loss) before tax	<b>£19.9m</b>	£(15.8)m
Basic earnings/(loss) per share	<b>2.5p</b>	(3.5)p
Dividend per share	<b>1.25p</b>	1.25p

**Commenting, Meinie Oldersma, Chief Executive Officer, said:**

*"Ten months into our transformation of SIG, progress is well underway and we are starting to see evidence of delivery.*

*Leverage has reduced, return on capital employed has increased and the refocus of our portfolio of businesses through exit or divestment is largely complete. Gross margins are improving in key businesses, operating costs are under control and working capital is beginning to fall. Our senior leadership team is in place, our management capability is improving and better data is beginning to make a difference to the quality of our decision-making.*

*The first half did not provide the trading backdrop we wanted, with significant challenges in the UK market as a result of the poor weather in the early months of the year and continuing macro uncertainty. This has impacted both our UK revenues and operating profit in the year to date, which are behind where we had hoped they would be at the start of the year. In contrast, the trading environment across Mainland Europe and Ireland has been positive, which is reflected in the improved first half results from our non-UK businesses.*

*Given the continuing challenging trading conditions in the UK, we have accelerated certain transformational workstreams and we now have increased visibility over delivery of significant profit improvement during the second half of 2018 and beyond. As a result, we remain optimistic of delivering a full year result in line with our expectations absent any further deterioration in trading conditions, notably in the UK. Whilst there remains considerable work to be done, we remain confident in our ability to deliver our transformational plans.”*

### **Analyst presentation (9am today)**

A briefing to analysts will take place today at 9am at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. A live webcast of the presentation will be on [www.sigplc.com](http://www.sigplc.com), a recording of which will also be available later in the day.

1. Like-for-like (LFL) is defined as sales per working day in constant currency excluding acquisitions and disposals. Sales are not adjusted for branch openings or closures. LFL sales differ from the July trading statement primarily as a result of the application of IFRS15 in these interim results.

2. Underlying operations excludes businesses sold or closed before 21 September 2018.

3. Underlying results are stated before the amortisation of acquired intangibles, impairment charges, profits 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, other specific 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.

4. Alternative performance measures are referred to as “like-for-like” and “underlying”. These are applied consistently throughout this document and the calculations to these are found in Note 17 and below. Details of prior period restatements are described in Note 1 and the effect on each financial line item affected is shown in Note 18.

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## Overall performance

The Group has made good progress with its transformational plans during the first half of this year. Net debt and headline financial leverage have reduced, return on capital employed has increased, and the refocus of our portfolio of businesses through exit or divestment is largely complete. Gross margins are improving in key businesses, operating costs are under control and working capital is beginning to fall.

This first half performance was delivered against a backdrop of significant challenges in the UK market as a result of the poor weather in the early months of the year and continuing macro uncertainty. This has impacted both UK revenues and operating profit in the year to date and, as a result, Group underlying profit before tax (excluding one-off property profits) fell 7.0% to £26.6m in the first half (H1 2017: £28.6m) and the return on sales reduced to 2.5% (H1 2017: 2.7%).

Despite this backdrop, further reductions in net debt helped deliver good progress in headline financial leverage, which fell to 1.8x (H1 2017: 2.3x), and supported an improvement in return on capital employed ("ROCE") to 9.2% (H1 2017: 7.8%). The Group remains on course to achieve its target of 1.0-1.5x for the year end.

Medium term targets	Target	H1 2018	H1 2017 Restated
LFL sales growth	Market growth Maintain market share	<b>0.4%</b>	2.9%
Return on sales (excl. property profits)	c.5%	<b>2.5%</b>	2.7%
Return on capital employed	c.15%	<b>9.2%</b>	7.8%
Headline financial leverage	Under 1.0x	<b>1.8x</b>	2.3x

On a statutory basis, the Group made a profit before tax of £19.9m in the first half of this year (H1 2017: £15.8m loss), with a significantly reduced level of Other items (£7.0m) in the period (H1 2017: £50.2m).

## Subdued UK trading

Sales in the UK & Ireland declined by 2.3% on a like-for-like basis, reflecting continuing macro uncertainty in the UK and the impact of colder than usual weather in February and March. As a result, underlying operating profit in the first half of £14.2m was behind expectations and significantly behind prior year, although the 2017 comparative includes the material one-off benefit of £5.3m of property profits in that period.

The UK market has not provided a helpful backdrop so far this year. While new housing starts continue to grow, the commercial new build market has slowed significantly in the past twelve months and demand in the residential repair, maintenance and improvement market ("RMI") remains weak, reflecting subdued levels of secondary housing market transactions. This was reflected in the period in the weaker profit performance of SIG Exteriors (operating profit of £5.7m, down 69%) and a slower profit recovery than anticipated in SIG Distribution (operating profit of £5.5m, up 90%). In response, we have accelerated certain workstreams within our transformational plans in these businesses and, as a result, are expecting significant profit improvement in the second half of 2018 and beyond.

Performance in Ireland was stronger, with LFL sales up 9.7% and operating profit up 25.0% to £3.0m, benefiting from favourable conditions in the Irish construction market.

## **Improved European performance**

The Group's Mainland Europe businesses continued to perform well, with LFL revenues increasing by 2.8% for the period. Underlying revenues increased by 3.8% to £736.1m (H1 2017: £709.3m), with margins increasing by 10bps to 27.6% and, as a result, underlying operating profit increased by 10.7% to £27.0m (H1 2017: £24.4m).

The Group's businesses in Air Handling and Poland performed particularly strongly, generating increases in operating profit to £7.7m (up 31%) and £0.3m (up 200%) respectively. The Polish construction market is exhibiting strong growth and the air handling market continues to outperform the wider construction sector due to continuing strong demand drivers, including higher energy efficiency and air quality standards.

SIG Germany and SIG France delivered solid performances, with operating profit of £3.3m (up 3%) and £13.1m (up 6%) respectively. Pleasingly, both businesses showed improvement at a gross margin level as initiatives introduced to optimise pricing began to have an impact. SIG Benelux showed good growth in like-for-like sales, but at the expense of product mix and margin, resulting in operating profit down 19% to £2.6m. Across the Group's Mainland European businesses, our planned operational improvements are on track.

As we move into the second half, we have continued to see trading confidence across our European markets, although there are some early indicators that conditions in the French construction market may be softening. We will continue to monitor developing trends closely and take appropriate actions as necessary.

## **Delivering the transformation**

Ten months ago, the Group set out the conclusions of its strategic review which identified the considerable opportunity for significant improvement in the operational and financial performance of each major operating company and across the Group as a whole. The Group has made good progress with the execution of these transformational plans during the first half of 2018.

The strategic review identified that improvement would come from focused delivery of three strategic levers around customer service, customer value and operational efficiency. The Group set out key indicators that would provide early evidence of progress, including improving gross margins, reduced operating costs, lower working capital, reduced debt and leverage and ongoing portfolio management. Despite a challenging market backdrop in the UK, 2018 has seen encouraging progress in each of these areas.

There is some early evidence that the Group is able to improve its gross margin through smarter management of pricing. Gross margins have increased in the Mainland European businesses during the period, helped by the favourable market conditions, but also through specific initiatives most notably in the French roofing business, Larivière, leading to gross margins in France being some 50bps ahead of H1 2017. Gross margins have been under more pressure in the UK, reflecting subdued market conditions, but selective price rises applied in SIG Distribution towards the end of the period are translating into higher gross margins in the early part of the second half and this will help support a significantly higher profit level in the UK business in H2.

Operating costs have increased as a percentage of sales in the period largely as a result of the low sales growth associated with the weak UK market conditions. However, following a rapid rise in costs in 2016 and early 2017, operating costs have begun to fall in recent months. Group functions have been significantly scaled back, management layers have been removed, including the UK & Ireland executive management team, and back office costs have been reduced in the UK and

German businesses. As a result of these savings and disposals of businesses, headcount has fallen from 10,383 at the beginning of 2017 to 8,892 at 30 June 2018. The business is already implementing further actions in the UK to reduce costs and enhance customer service, including a review of sales force effectiveness in SIG Distribution and optimisation of the fleet and branch network in SIG Exteriors. These actions and others already underway are expected to reduce headcount by a further 533 by the end of the year, supporting a significantly improved profit performance in the second half of 2018 and beyond.

Working capital is beginning to respond to actions to reduce the level of stock, which fell in the first half of the year to £228.2m (H1 2017: £258.7m), as management implemented tighter controls around the purchase of stock and re-oriented performance management mechanisms to incentivise lower levels of working capital.

The Group has made good progress in relation to the key enablers necessary for delivery of its transformational plans around data, IT and capability. In relation to data, the Group now has visibility of sales and gross margin at a Group and branch level on a daily basis and this is starting to influence decision-making, particularly in relation to pricing. The next steps are to extend daily reporting to include branch stock levels, which the Group hopes to achieve over the remainder of this year, and to embed and leverage this improved data as a basis for performance management into 2019.

From a capability perspective, the Group has now largely completed the necessary changes at leadership level in the organisation and the senior leadership team is in place. The challenge now is to leverage this improved capability to drive and deliver structural and cultural change across the organisation, in support of improved operational and financial performance.

History highlights the significant challenge in achieving lasting change across the Group and there remains considerable work to be done to deliver the planned transformation. Nevertheless, early evidence suggests that the Group is on the right track and we remain confident in our ability to deliver our transformational plans.

### **Portfolio refocus largely complete**

The Group has made further progress with the rationalisation of its breadth of activities during the period. In particular, the Group has completed the disposal of Building Systems Limited ("Building Systems"), GRM Insulation Solutions ("GRM"), IBSL and VJ Technology generating cash proceeds of £29.8m and an overall profit on disposal in the half year of £5.9m, as well as closing SIG Cut Solutions, the Group's German insulation conversion business. The total number of businesses divested or exited since 2016 now represents 10% of the statutory revenues reported in the Group's 2016 results.

A reconciliation of underlying revenue to statutory revenue for H1 2018 as a result of these portfolio changes is set out below, with the impact on the 2017 comparatives detailed later in this statement.

<b>£m</b>	<b>H1 2018 Revenue</b>
<b>Underlying</b>	<b>1,360.7</b>
Middle East	2.1
Building Systems	1.4
GRM	0.3
IBSL	0.2
VJ Technology	17.0
<b>Attributable to businesses classified as non-core</b>	<b>21.0</b>
<b>Statutory</b>	<b>1,381.7</b>

*Note: Review of Middle East operations leading to closure announced in July 2017*

## Further progress delivered on leverage

Following the year ended 31 December 2016, management made leverage reduction a key priority and initiated actions in 2017 to strengthen the balance sheet and reduce headline financial leverage, including asset disposals, debt factoring and a tighter control over cash, coupled with some short term working capital improvements and temporary constraints over capital expenditure. This delivered some reduction in net debt during that year.

Management has continued to pursue debt reduction during H1 2018, including an increase in the level of debt factoring to £60.3m and notably the disposal of VJ Technology for consideration of £29.7m, which completed on 29 June 2018. In addition, some of the actions targeting longer term structural reductions in working capital in the business have begun to deliver, with levels of stock reducing and a proportion of supplier rebate schemes renegotiated from annual to shorter periods or netting arrangements.

In the first half of the year, this enabled the Group to reduce net debt to £176.1m and headline financial leverage to 1.8x. As a result, the Group remains on course to deliver headline financial leverage of 1.0–1.5x during 2018 and continues to target leverage below 1.0x over the medium term.

£m	H1 2018	H2 2017 Restated	H1 2017 Restated
<b>Opening net debt</b>	<b>(258.7)</b>	(217.0)	(299.2)
<b>Cash inflow from trading*</b>	<b>40.7</b>	24.5	39.2
Decrease / (Increase) in working capital	44.6	(23.5)	4.5
Interest and tax	(11.1)	(17.7)	(13.7)
Capital expenditure	(10.8)	(9.3)	(13.5)
<b>Free cash flow</b>	<b>63.4</b>	(26.0)	16.5
Dividends	(14.7)	(18.2)	-
Debt factoring	11.6	6.2	42.5
Sale of property and assets	0.6	5.9	28.7
Net debt movement arising on sale of businesses	25.2	16.4	1.2
Acquisitions/contingent consideration	(3.3)	(14.4)	(6.8)
Exchange, fair value and other	(0.2)	(11.6)	0.1
<b>Decrease/(increase) in borrowings</b>	<b>82.6</b>	(41.7)	82.2
<b>Closing net debt</b>	<b>(176.1)</b>	(258.7)	(217.0)
<b>Headline financial leverage</b>	<b>1.8x</b>	2.3x	2.3x

\* Cash inflow from trading before the impact of Other items for the half year ended 30 June 2018 was £45.8m (2017: £48.9m).

## Dividend

SIG is declaring an interim dividend for 2018 of 1.25p (H1 2017: 1.25p). The interim dividend will be paid on 9 November 2018 to shareholders on the register at close of business on 5 October 2018. The ex-dividend date is 4 October 2018.

## Current trading and outlook

The first half did not provide the trading backdrop we wanted, with significant challenges in the UK market as a result of the poor weather in the early months of the year and continuing macro uncertainty. This has impacted both our UK revenues and operating profit in the year to date, which are behind where we had hoped they would be at the start of the year. In contrast, the trading environment across Mainland Europe and Ireland has been positive, which is reflected in the improved first half results from our non-UK businesses.

Given the continuing challenging trading conditions in the UK, we have accelerated certain transformational workstreams and we now have increased visibility over the delivery of significant profit improvement during the second half of 2018 and beyond. As a result, we remain optimistic of delivering a full year result in line with our expectations absent any further deterioration in trading conditions, notably in the UK. Whilst there remains considerable work to be done, we remain confident in our ability to deliver our transformational plans.

## Financial performance

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### Revenue and gross margin

Group revenue from underlying operations increased 1.0% to £1,360.7m (H1 2017: £1,347.1m), benefiting from foreign exchange translation (+1.4%) offset by fewer working days (-0.8%). As a result, LFL sales for the first half of the year were slightly ahead by 0.4%. On a statutory basis, Group revenue was down 4.0% to £1,381.7m (H1 2017: £1,439.2m).

In the UK & Ireland, revenue from underlying operations fell by 2.1% to £624.6m (H1 2017: £637.8m) with growth in Ireland offset by declines in the UK. LFL sales decreased 2.3%. In Mainland Europe, revenue increased 3.8% to £736.1m (H1 2017: £709.3m), benefiting from foreign exchange translation (+2.5%) offset by fewer working days (-1.5%). LFL sales increased 2.8%.

Underlying operations exclude the results from the businesses divested in order to provide a better understanding of the underlying earnings of the Group. These divested businesses reported a combined operating profit of £1.0m in the period (H1 2017: £6.4m loss) on sales of £21.0m (H1 2017: £92.1m).

The Group's underlying gross margin remained consistent at 26.4% (H1 2017: 26.5%), with a 50bps decrease in UK & Ireland to 25.0% (H1 2017: 25.5%) and a 10bps increase in Mainland Europe to 27.6% (H1 2017: 27.5%). On a statutory basis, the Group's gross margin increased by 30bps to 26.5% (H1 2017: 26.2%). The decrease in gross margin in UK & Ireland is attributable to the significant challenges in the UK market, together with the adverse impact from poor weather in the early months of the year.

### Operating costs and profit

Following rapid increases in the cost base in early 2017, the Group has brought operating costs under control. SIG's underlying operating costs, excluding the benefits of property profits, stabilised at £324.9m in H1 2018 (H2 2017: £325.3m), despite an adverse foreign exchange translation cost of £6.0m. The UK market weakness and its impact on sales in SIG Distribution and SIG Exteriors means that this has not yet translated into an equivalent improvement in operating costs as a percentage of sales, which rose from 23.2% in H2 2017 to 23.9% in H1 2018, but which is expected to fall sharply in the second half of the year as a result of actions already taken.

In UK & Ireland, underlying operating profit fell 40.1% to £14.2m (H1 2017: £23.7m) and the underlying operating margin declined 140bps to 2.3% (H1 2017: 3.7%). In Mainland Europe, underlying operating profit increased by 10.7% to £27.0m (H1 2017: £24.4m), including a £0.7m foreign exchange translation benefit, with the underlying operating margin increasing by 30bps to 3.7% (H1 2017: 3.4%). The Group made a statutory operating profit of £28.2m for the first half of 2018 (H1 2017: £6.8m loss).

SIG's underlying net finance costs remained consistent at £7.9m (H1 2017: £7.9m), resulting in underlying profit before tax decreasing 21.8% to £26.9m (H1 2017: £34.4m). Excluding underlying property profits, underlying profit before tax declined 7.0% to £26.6m (H1 2017: £28.6m). On a statutory basis, the Group made a profit before tax of £19.9m (H1 2017: £15.8m loss) after non-underlying items of £7.0m (H1 2017: £50.2m).

The Group's underlying tax charge for the year was £7.4m (H1 2017: £9.3m), representing an underlying effective tax rate of 27.5% (H1 2017: 27.0%). After Other items, the total tax charge decreased by £0.1m to £4.5m (H1 2017: £4.6m).



Underlying basic earnings per share from operations decreased by 1.0p to 3.2p (H1 2017: 4.2p). On a statutory basis, the Group reported basic earnings per share of 2.5p (H1 2017: 3.5p loss per share).

## 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 2018, Group ROCE had improved to 9.2% (H1 2017: 7.8%).

This improvement primarily reflects reduced levels of working capital and net debt, with working capital falling from 7.6% of sales in H1 2017 to 7.1% of sales at 30 June 2018, and net debt falling from £217.0m to £176.1m.

## UK & Ireland

	Revenue (£m)	Change	LFL change	Gross margin	Change	Underlying operating profit (£m)	Underlying operating margin	Change	Reported operating profit (£m) <sup>2</sup>
SIG Distribution <sup>1</sup>	386.3	(1.3)%	(1.3)%	23.6%	10bps	5.5	1.4%	70bps	8.2
SIG Exteriors <sup>1</sup>	186.7	(6.8)%	(6.9)%	28.0%	(130)bps	5.7	3.1%	(610)bps <sup>3</sup>	1.4
Ireland & Other <sup>1</sup>	51.6	12.2%	+9.7%	25.0%	(90)bps	3.0	5.8%	60bps	2.2
<b>UK &amp; Ireland before non-core</b>	<b>624.6</b>	<b>(2.1)%</b>	<b>(2.3)%</b>	<b>25.0%</b>	<b>(50)bps</b>	<b>14.2</b>	<b>2.3%</b>	<b>(140)bps</b>	<b>11.8</b>
Non-core businesses	21.0	(73.0)%	n/a	34.3%	1,290bps	1.0	4.8%	1,230bps	n/a
<b>UK &amp; Ireland</b>	<b>645.6</b>	<b>(9.8)%</b>	<b>n/a</b>	<b>25.3%</b>	<b>30bps</b>	<b>15.2</b>	<b>2.4%</b>	<b>(10)bps</b>	<b>11.8</b>

<sup>1</sup> Before results attributable to businesses identified as non-core.

<sup>2</sup> Reported operating profit is shown on a segmental basis, including the operating result of the non-core businesses.

<sup>3</sup> H1 2017 underlying operating margin included the benefit of £5.3m of property profits. Excluding property profits, SIG Exteriors generated an underlying operating margin of 6.5%, a year-on-year reduction of (340)bps

Underlying revenue in SIG Distribution, the Group's market leading specialist UK insulation and interiors distribution business, was down 1.3% to £386.3m (H1 2017: £391.4m) and 1.3% on a LFL basis. The underlying operating margin for the half year of 1.4% represents an increase on 2017 of 70bps. As a result, underlying operating profit for the half year of £5.5m reflects an increase of 89.7% on 2017 (£2.9m). On a statutory basis, after taking into account Other items, SIG Distribution reported an operating profit of £8.2m (H1 2017: operating loss £0.2m).

SIG Exteriors, the market leading and only national specialist UK roofing business, saw underlying revenues fall by 6.8% to £186.7m (H1 2017: £200.4m), and by 6.9% on a LFL basis. As a result, the business saw underlying operating profit fall by £12.7m to £5.7m (H1 2017: £18.4m). Excluding property profits recognised by the division in H1 2017 of £5.3m (restated), underlying profit for H1 2017 was £13.1m on a comparable basis.

In Ireland & Other, SIG grew underlying revenue by 12.2%, benefiting from foreign exchange translations, and by 9.7% on a LFL basis as the business continues to benefit from favourable market conditions in Ireland. This helped the business grow underlying operating profit by £0.6m to £3.0m. On a statutory basis, after taking into account Other items, Ireland & Other reported an operating profit of £2.2m (H1 2017: £17.4m loss).

## Mainland Europe

	Revenue (£m)	Change	LFL change	Gross margin	Change	Underlying operating profit (£m)	Underlying operating margin	Change	Reported operating profit (£m) <sup>2</sup>
France	329.2	1.5%	1.1%	28.1%	50bps	13.1	4.0%	20bps	12.7
Germany <sup>1</sup>	208.4	3.5%	2.7%	26.8%	20bps	3.3	1.6%	-	0.5
Poland <sup>1</sup>	72.2	13.5%	10.7%	19.4%	(60)bps	0.3	0.4%	90bps	0.3
Air Handling <sup>1</sup>	70.9	3.4%	1.9%	38.6%	70bps	7.7	10.9%	230bps	6.8
Benelux	55.4	7.8%	6.0%	24.0%	(170)bps	2.6	4.7%	(150)bps	2.5
<b>Mainland Europe before non-core</b>	<b>736.1</b>	<b>3.8%</b>	<b>2.8%</b>	<b>27.6%</b>	<b>10bps</b>	<b>27.0</b>	<b>3.7%</b>	<b>30bps</b>	<b>22.8</b>
Non-core businesses	-	n/a	n/a	n/a	n/a	-	n/a	n/a	n/a
<b>Mainland Europe</b>	<b>736.1</b>	<b>1.7%</b>	<b>n/a</b>	<b>27.6%</b>	<b>20bps</b>	<b>27.0</b>	<b>3.7%</b>	<b>40bps</b>	<b>22.8</b>

1 Before results attributable to businesses identified as non-core.

2 Reported operating profit is shown on a segmental basis, including the operating result of the non-core businesses.

Revenue in France, where SIG operates three businesses (Larivière, the market leading specialist roofing business; LiTT, the leading structural insulation and interior business; and Ouest Isol/Ouest Ventil, a leading supplier of technical insulation and air handling products), increased by 1.5% to £329.2m (H1 2017: £324.3m), reflecting foreign exchange translation offset by fewer working days. On a LFL basis, sales were up by 1.1%.

The Group has continued to benefit from actions taken at LiTT to drive improved operational efficiency, which are now also being applied to the Larivière business, and as a result SIG France delivered underlying operating profit of £13.1m, up £0.7m on H1 2017, and a 20bps increase in underlying operating margin.

Underlying revenue in Germany grew by 3.5% to £208.4m (H1 2017: £201.4m) as it benefited from foreign exchange translation offset by fewer working days. LFL sales grew by 2.7%, as the Group sought to improve its performance and to reposition the business towards the higher growth segments of the German market, such as the residential sector. Underlying operating profit increased by £0.1m to £3.3m (H1 2017: £3.2m). Excluding property profits, underlying operating profit increased by 22.2% to £3.3m (H1 2017: £2.7m).

In Poland, SIG grew revenues by 13.5% to £72.2m, benefiting from strong sales performance and foreign exchange translation. LFL sales grew by 10.7%. The business delivered an underlying operating profit of £0.3m (H1 2017: £0.3m loss).

Air Handling, the largest pure-play specialist air handling distributor in Europe, grew underlying revenue by 3.4% as it delivered a LFL sales growth of 1.9%. As a result, Air Handling delivered an improved underlying operating profit performance, up £1.8m to £7.7m.

Underlying revenue in the Benelux grew by 7.8%, benefiting from foreign exchange translation offset by fewer working days, together with a strong underlying performance. LFL sales increased by 6.0%. However, adverse product mix and margin has resulted in a £0.6m decline in underlying operating profit to £2.6m (H1 2017: £3.2m).

## **Non-underlying items**

Non-underlying items during the year amounted to £7.0m (H1 2017: £50.2m), on a pre-tax basis, and comprised:

- Amortisation of acquired intangibles of £4.4m (H1 2017: £4.7m);
- Impairment charges of £3.2m relating to the write down of software no longer utilised and impairment of Signet House as no longer occupied (H1 2017: £6.8m impairment of the UK ERP system);
- Profits on the sale or closure of non-core businesses and associated impairment charges of £5.0m (H1 2017: £32.7m loss), together with net operating profits from those businesses in H1 2018 of £1.0m (H1 2017: £6.4m loss);
- Net restructuring costs of £6.4m comprising property closure costs of £2.8m (H1 2017: £0.4m), redundancy costs of £2.1m (H1 2017: £1.3m) and restructuring consultancy costs of £1.1m (H1 2017: £nil) primarily in relation to restructuring projects in SIG Exteriors and Germany, together with supply chain review costs of £0.4m (H1 2017: £1.7m);
- Fair value gains and losses and other finance charges of £0.4m (H1 2017: £1.1m); and
- Other specific items of £1.4m (H1 2017: £5.4m) relating to the non-underlying profit of £1.2m on the disposal of property of in connection with the acquisition of the non-controlling interest of the Bulgaria Air Handling business and the movement in onerous lease provisions.

## **Prior period restatements**

As previously reported, the Group identified a historical overstatement of profit in relation to rebates receivable from suppliers and, during the 2017 year end close procedures, the Group also identified a historical overstatement of cash and trade payables in relation to cash cut-off procedures associated with cheques issued around previous period ends. Both of these matters were included in the 2017 Annual Report and Accounts. The figures for 30 June 2017 have been restated to reflect these adjustments.

As announced in July 2018, Ernst & Young LLP was appointed as the Group's new statutory auditor. As part of the transition to the new auditors, we have reviewed certain accounting policies and judgements, resulting in a number of errors being corrected by prior year restatements to previously reported numbers. Amongst other impacts, there has been a restatement of net debt at 31 December 2017 from £223.8m to £258.7m and a resulting restatement of headline financial leverage at that date from 1.9x to 2.3x.

Full details of these prior period restatements are described in Note 1 and the effect on each financial line item affected is shown in Note 18.

## **Impact of non-core businesses and restatements**

The revenue and profits of businesses that have been divested, closed or were under review at the period end, and which are therefore now being treated as non-underlying, are set out in the table below. The table also highlights the impact on profit and net debt of the prior year restatements, in order to derive comparatives for the underlying business.

£m	H1 2017			FY 2017		
	Underlying PBT	Underlying revenue	Net debt	Underlying PBT	Underlying revenue	Net debt
<b>Underlying Group included at H1 2017</b>	<b>38.3</b>	<b>1,375.4</b>	<b>166.5</b>	<b>70.4</b>	<b>2,802.9</b>	<b>223.8</b>
ATC Turkey	0.3	(6.9)	-	0.4	(12.0)	-
Building Systems	3.3	(4.2)	-	7.6	(8.0)	-
GRM	0.3	(1.3)	-	0.8	(2.6)	-
IBSL	(0.1)	(1.0)	-	-	(1.8)	-
Restatements <sup>1</sup>	(2.4)	-	26.3	-	-	-
<b>Underlying Group as reported at 2017 FY results</b>	<b>39.7</b>	<b>1,362.0</b>	<b>192.8</b>	<b>79.2</b>	<b>2,778.5</b>	<b>223.8</b>
VJ Technology	(2.6)	(14.9)		(5.0)	(30.6)	
<b>Prior period restatements<sup>2</sup></b>	<b>(2.7)</b>		<b>24.2</b>	<b>(3.0)</b>		<b>34.9</b>
<b>Restated at H1 2018 results</b>	<b>34.4</b>	<b>1,347.1</b>	<b>217.0</b>	<b>71.2</b>	<b>2,747.9</b>	<b>258.7</b>

1. Comprises the historical overstatement of profit in relation to rebates recoverable from suppliers and the historical overstatement of cash and trade payables as previously included in the 2017 Annual Report and Accounts

2. Comprises the prior period restatements identified as part of the review of the accounting treatment of certain opening balances following the appointment of the Group's new statutory auditor as set out in this Interim Report.

## **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  
20 September 2018

**Nick Maddock**  
Director  
20 September 2018

## **Cautionary Statement**

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 such responsibility or liability is expressly disclaimed.

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

It is believed that the expectations set out in these forward-looking statements are reasonable but they may be affected by a wide range of variables which could cause actual results or trends to differ materially, including but not limited to, market conditions, competitors and margin management, commercial relationships, fluctuations in product pricing, changes in foreign exchange and interest rates, government legislation, availability of funding, working capital and cash management, IT infrastructure and cybersecurity and availability and quality of key resources.

The Company's Shareholders are cautioned not to place undue reliance on the forward-looking statements. This Interim Report has not been audited or otherwise independently verified. The information contained in this Interim Report has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this Interim Report during the financial year ahead.

## Condensed Consolidated Income Statement

for the six months ended 30 June 2018 (unaudited)

	Note	<u>Six months ended 30 June 2018</u>			<u>Six months ended 30 June 2017^</u>			<u>Year ended 31 December 2017^</u>		
		Underlying*	Other items**	Total	Underlying*	Other items**	Total	Underlying*	Other items**	Total
		£m	£m	£m	Restated £m	Restated £m	Restated £m	Restated £m	Restated £m	Restated £m
<b>Revenue</b>	2	<b>1,360.7</b>	<b>21.0</b>	<b>1,381.7</b>	1,347.1	92.1	1,439.2	2,747.9	130.5	2,878.4
Cost of sales		<b>(1,001.3)</b>	<b>(13.8)</b>	<b>(1,015.1)</b>	(989.7)	(72.2)	(1,061.9)	(2,025.6)	(100.3)	(2,125.9)
<b>Gross profit</b>		<b>359.4</b>	<b>7.2</b>	<b>366.6</b>	357.4	19.9	377.3	722.3	30.2	752.5
Other operating expenses		<b>(324.6)</b>	<b>(13.8)</b>	<b>(338.4)</b>	(315.1)	(69.0)	(384.1)	(634.9)	(153.4)	(788.3)
<b>Operating profit/(loss)</b>	3	<b>34.8</b>	<b>(6.6)</b>	<b>28.2</b>	42.3	(49.1)	(6.8)	87.4	(123.2)	(35.8)
Finance income		<b>0.3</b>	<b>-</b>	<b>0.3</b>	0.2	0.1	0.3	0.5	0.1	0.6
Finance costs		<b>(8.2)</b>	<b>(0.4)</b>	<b>(8.6)</b>	(8.1)	(1.2)	(9.3)	(16.7)	(2.3)	(19.0)
<b>Profit/(loss) before tax</b>		<b>26.9</b>	<b>(7.0)</b>	<b>19.9</b>	34.4	(50.2)	(15.8)	71.2	(125.4)	(54.2)
Income tax (expense)/credit	5	<b>(7.4)</b>	<b>2.9</b>	<b>(4.5)</b>	(9.3)	4.7	(4.6)	(17.7)	13.2	(4.5)
<b>Profit/(loss) after tax</b>		<b>19.5</b>	<b>(4.1)</b>	<b>15.4</b>	25.1	(45.5)	(20.4)	53.5	(112.2)	(58.7)
<b>Attributable to:</b>										
Equity holders of the Company		<b>19.1</b>	<b>(4.1)</b>	<b>15.0</b>	24.7	(45.5)	(20.8)	52.5	(112.2)	(59.7)
Non-controlling interests		<b>0.4</b>	<b>-</b>	<b>0.4</b>	0.4	-	0.4	1.0	-	1.0
<b>Earnings/(loss) per share</b>										
Basic and diluted earnings/(loss) per share	6			<b>2.5p</b>			(3.5)p			(10.1)p

^ The Group has initially applied IFRS 15 "Revenue from contracts with customers" using the modified retrospective method. Under this method, the comparative information is not restated. The Group has also applied IFRS 9 "Financial instruments" retrospectively but without restating comparative information. See Note 1.

\* Underlying represents the results before Other items.

\*\* Other items relate to the amortisation of acquired intangibles, impairment charges, profits and losses on sale or closure of non-core businesses and associated impairment charges, net operating profits and losses attributable to businesses identified as non-core, net restructuring costs, acquisition expenses and contingent consideration, other specific 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 4.

All results are from continuing operations. See Note 1.

The results for the six months ended 30 June 2017 and year ended 31 December 2017 have been restated as set out in Note 1 and Note 18.

## Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2018 (unaudited)

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 <sup>^</sup> Restated £m	Year ended 31 December 2017 <sup>^</sup> Restated £m
<b>Profit/(loss) after tax</b>	<b>15.4</b>	<b>(20.4)</b>	<b>(58.7)</b>
<b>Items that will not subsequently be reclassified to the Consolidated Income Statement:</b>			
Remeasurement of defined benefit pension liability	8.6	2.4	5.5
Deferred tax movement associated with remeasurement of defined benefit pension liability	(1.5)	(0.4)	(0.9)
Effect of change in rate on deferred tax	-	(0.4)	(0.2)
	7.1	1.6	4.4
<b>Items that may subsequently be reclassified to the Consolidated Income Statement:</b>			
Exchange difference on retranslation of foreign currency goodwill and intangibles	(0.6)	3.7	5.4
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	(0.9)	8.0	13.6
Exchange and fair value movements associated with borrowings and derivative financial instruments	(0.8)	(6.7)	(9.2)
Tax credit on exchange and fair value movements arising on borrowings and derivative financial instruments	0.1	1.8	1.8
Exchange differences reclassified to the Consolidated Income Statement in respect of the disposal of foreign operations	-	-	0.1
Gains and losses on cash flow hedges	0.2	0.8	0.4
Transfer to profit and loss on cash flow hedges	0.6	1.1	2.1
	(1.4)	8.7	14.2
<b>Other comprehensive income</b>	<b>5.7</b>	<b>10.3</b>	<b>18.6</b>
<b>Total comprehensive income/(expense)</b>	<b>21.1</b>	<b>(10.1)</b>	<b>(40.1)</b>
<b>Attributable to:</b>			
Equity holders of the Company	20.7	(10.5)	(41.1)
Non-controlling interests	0.4	0.4	1.0
	21.1	(10.1)	(40.1)

<sup>^</sup> The Group has initially applied IFRS 15 "Revenue from contracts with customers" using the modified retrospective method. Under this method, the comparative information is not restated. The Group has also applied IFRS 9 "Financial instruments" retrospectively but without restating comparative information. See Note 1.

The results for the six months ended 30 June 2017 and twelve months ended 31 December 2017 have been restated as set out in Note 1 and Note 18.



**Condensed Consolidated Balance Sheet**

as at 30 June 2018 (unaudited)

		30 June 2018	30 June 2017 <sup>^</sup>	31 December 2017 <sup>^</sup>
	Note	£m	Restated £m	Restated £m
<b>Non-current assets</b>				
Property, plant and equipment		110.0	123.5	115.5
Goodwill		305.4	321.9	312.2
Intangible assets		51.6	65.8	57.0
Deferred tax assets		25.7	16.1	25.7
Derivative financial instruments	10	0.5	1.2	0.1
Deferred consideration	10	1.1	-	1.4
		494.3	528.5	511.9
<b>Current assets</b>				
Inventories		228.2	258.7	243.5
Trade and other receivables		513.6	551.5	480.4
Contract assets		3.0	-	-
Current tax assets		7.1	5.3	5.2
Derivative financial instruments	10	0.6	0.2	1.2
Deferred consideration	10	0.2	-	0.1
Other financial assets	10	0.9	1.6	-
Cash and cash equivalents		148.8	140.1	108.2
Assets classified as held for sale		-	18.9	0.3
		902.4	976.3	838.9
<b>Total assets</b>		1,396.7	1,504.8	1,350.8
<b>Current liabilities</b>				
Trade and other payables		515.9	536.5	421.5
Contract liabilities		2.0	-	-
Obligations under finance lease contracts		3.1	3.3	3.2
Bank overdrafts		4.2	6.0	29.6
Bank loans		93.8	123.9	84.2
Private placement notes		20.6	-	21.1
Loan notes and deferred consideration	10	-	-	17.0
Other financial liabilities	10	-	-	8.0
Derivative financial instruments	10	0.1	-	0.2
Current tax liabilities		9.2	7.5	7.2
Provisions		9.7	14.3	12.0
Liabilities directly associated with assets classified as held for sale		-	-	0.1
		658.6	691.5	604.1
<b>Non-current liabilities</b>				
Obligations under finance lease contracts		20.1	21.1	20.0
Bank loans		-	0.6	-
Private placement notes		182.9	203.5	183.1
Derivative financial instruments	10	3.4	1.7	3.3
Deferred tax liabilities		14.5	14.3	13.4
Other payables		6.4	7.1	6.9
Retirement benefit obligations	12	19.2	32.9	30.4
Provisions		16.3	18.4	13.8
		262.8	299.6	270.9
<b>Total liabilities</b>		921.4	991.1	875.0
<b>Net assets</b>		475.3	513.7	475.8
<b>Capital and reserves</b>				
Called up share capital	11	59.2	59.1	59.2
Share premium account		447.3	447.3	447.3
Capital redemption reserve		0.3	0.3	0.3
Share option reserve		1.6	1.1	1.3
Hedging and translation reserve		17.4	14.7	19.6
Retained profits		(50.5)	(10.0)	(52.8)
<b>Attributable to equity holders of the Company</b>		475.3	512.5	474.9
<b>Non-controlling interests</b>		-	1.2	0.9
<b>Total equity</b>		475.3	513.7	475.8

<sup>^</sup> The Group has initially applied IFRS 15 "Revenue from contracts with customers" using the modified retrospective method. Under this method, the comparative information is not restated. The Group has also applied IFRS 9 "Financial instruments" retrospectively but without restating comparative information. See Note 1.

The Condensed Consolidated Balance Sheet at 30 June 2017 and 31 December 2017 has been restated as set out in Note 1 and Note 18.

**Condensed Consolidated Cash Flow Statement**  
for the six months ended 30 June 2018 (unaudited)

		<b>Six months ended 30 June 2018</b>	Six months ended 30 June 2017 <sup>^</sup> Restated	Year ended 31 December 2017 <sup>^</sup> Restated
	Note	£m	£m	£m
<b>Net cash flow from operating activities</b>				
Cash generated from operating activities	8	<b>88.9</b>	94.2	101.4
Income tax paid		<b>(4.5)</b>	(7.3)	(18.8)
<b>Net cash generated from operating activities</b>		<b>84.4</b>	86.9	82.6
<b>Cash flows from investing activities</b>				
Finance income received		<b>0.3</b>	0.2	0.5
Purchase of property, plant and equipment and computer software		<b>(9.7)</b>	(12.3)	(19.9)
Proceeds from sale of property, plant and equipment		<b>0.6</b>	28.7	34.6
Settlement of amounts payable for purchase of businesses within this period		<b>(2.4)</b>	-	-
Settlement of amounts payable for previous purchases of businesses		<b>(17.1)</b>	(6.8)	(6.9)
Net cash flow arising on the sale of businesses	7	<b>25.2</b>	1.2	17.6
<b>Net cash (used in)/generated from investing activities</b>		<b>(3.1)</b>	11.0	25.9
<b>Cash flows from financing activities</b>				
Finance costs paid		<b>(6.9)</b>	(6.6)	(13.1)
Capital element of finance lease rental payments		<b>(1.2)</b>	(1.7)	(3.5)
Repayment of loans/settlement of derivative financial instruments		<b>(6.2)</b>	(48.5)	(87.9)
New loans		<b>15.3</b>	0.7	0.2
Dividends paid to equity holders of the Company	13	<b>(14.7)</b>	-	(18.2)
Dividends paid to non-controlling interest		<b>(0.3)</b>	-	(0.9)
<b>Net cash used in financing activities</b>		<b>(14.0)</b>	(56.1)	(123.4)
<b>Increase/(decrease) in cash and cash equivalents in the period</b>	9	<b>67.3</b>	41.8	(14.9)
Cash and cash equivalents at beginning of the period		<b>78.6</b>	89.0	89.0
Effect of foreign exchange rate changes		<b>(1.3)</b>	3.3	4.5
<b>Cash and cash equivalents at end of the period</b>		<b>144.6</b>	134.1	78.6

<sup>^</sup> The Group has initially applied IFRS 15 "Revenue from contracts with customers" using the modified retrospective method. Under this method, the comparative information is not restated. The Group has also applied IFRS 9 "Financial instruments" retrospectively but without restating comparative information. See Note 1.

The results for the six months ended 30 June 2017 and the year ended 31 December 2017 have been restated as set out in Note 1 and Note 18.

**Condensed Consolidated Statement of Changes in Equity**  
for the six months ended 30 June 2018 (unaudited)

Six months ended 30 June 2018	Called up share capital	Share premium account	Capital redemption reserve	Share option reserve	Hedging and translation reserve	Retained (losses) / profits	Total	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2018 (restated)</b>	<b>59.2</b>	<b>447.3</b>	<b>0.3</b>	<b>1.3</b>	<b>19.6</b>	<b>(52.8)</b>	<b>474.9</b>	<b>0.9</b>	<b>475.8</b>
Impact of adoption of IFRS 15	-	-	-	-	-	(0.7)	(0.7)	-	(0.7)
<b>Adjusted balance at 1 January 2018</b>	<b>59.2</b>	<b>447.3</b>	<b>0.3</b>	<b>1.3</b>	<b>19.6</b>	<b>(53.5)</b>	<b>474.2</b>	<b>0.9</b>	<b>475.1</b>
Profit after tax	-	-	-	-	-	15.0	15.0	0.4	15.4
Other comprehensive (expense)/income	-	-	-	-	(2.2)	7.9	5.7	-	5.7
Total comprehensive (expense)/income	-	-	-	-	(2.2)	22.9	20.7	0.4	21.1
Share capital issued in the period	-	-	-	-	-	-	-	-	-
Credit to share option reserve	-	-	-	0.3	-	-	0.3	-	0.3
Current and deferred tax on share options	-	-	-	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	(1.6)	(1.6)	1.6	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	(0.3)	(0.3)
Transaction between equity holders	-	-	-	-	-	(3.6)	(3.6)	(2.6)	(6.2)
Dividends paid to equity holders of the Company (Note 13)	-	-	-	-	-	(14.7)	(14.7)	-	(14.7)
<b>At 30 June 2018</b>	<b>59.2</b>	<b>447.3</b>	<b>0.3</b>	<b>1.6</b>	<b>17.4</b>	<b>(50.5)</b>	<b>475.3</b>	<b>-</b>	<b>475.3</b>
Six months ended 30 June 2017 <sup>^</sup>	Called up share capital	Share premium account	Capital redemption reserve	Share option reserve	Hedging and translation reserve	Retained (losses) / profits	Total	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2017 (restated)	59.1	447.3	0.3	1.1	7.9	18.0	533.7	0.8	534.5
(Loss)/profit after tax (restated)	-	-	-	-	-	(20.8)	(20.8)	0.4	(20.4)
Other comprehensive income	-	-	-	-	6.8	3.5	10.3	-	10.3
Total comprehensive income/(expense)	-	-	-	-	6.8	(17.3)	(10.5)	0.4	(10.1)
Share capital issued in the period	-	-	-	-	-	-	-	-	-
Credit to share option reserve	-	-	-	-	-	-	-	-	-
Current and deferred tax on share options	-	-	-	-	-	0.1	0.1	-	0.1
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-
Dividends paid to equity holders of the Company	-	-	-	-	-	(10.8)	(10.8)	-	(10.8)
<b>At 30 June 2017</b>	<b>59.1</b>	<b>447.3</b>	<b>0.3</b>	<b>1.1</b>	<b>14.7</b>	<b>(10.0)</b>	<b>512.5</b>	<b>1.2</b>	<b>513.7</b>
Year ended 31 December 2017 <sup>^</sup>	Called up share capital	Share premium account	Capital redemption reserve	Share option reserve	Hedging and translation reserve	Retained (losses) / profits	Total	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2017 (restated)	59.1	447.3	0.3	1.1	7.9	18.0	533.7	0.8	534.5
(Loss)/profit after tax (restated)	-	-	-	-	-	(59.7)	(59.7)	1.0	(58.7)
Other comprehensive income	-	-	-	-	11.7	6.9	18.6	-	18.6
Total comprehensive income/(expense)	-	-	-	-	11.7	(52.8)	(41.1)	1.0	(40.1)
Share capital issued in the year	0.1	-	-	-	-	-	0.1	-	0.1
Credit to share option reserve	-	-	-	0.2	-	-	0.2	-	0.2
Current and deferred tax on share options	-	-	-	-	-	0.2	0.2	-	0.2
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(0.9)	(0.9)
Dividends paid to equity holders of the Company	-	-	-	-	-	(18.2)	(18.2)	-	(18.2)
<b>At 31 December 2017</b>	<b>59.2</b>	<b>447.3</b>	<b>0.3</b>	<b>1.3</b>	<b>19.6</b>	<b>(52.8)</b>	<b>474.9</b>	<b>0.9</b>	<b>475.8</b>

<sup>^</sup> The Group has initially applied IFRS 15 "Revenue from contracts with customers" using the modified retrospective method. Under this method, the comparative information is not restated. The Group has also applied IFRS 9 "Financial instruments" retrospectively but without restating comparative information. See Note 1.

Total equity at 1 January 2017, 31 December 2017 and 30 June 2017 has been restated as set out in Note 1 and Note 18.

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 "Share-based payment" 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 20 September 2018.

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 2018 and 30 June 2017 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 2017 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 2017, which have been applied consistently throughout the current and preceding periods with the exception of new standards adopted in the current period (see below).

The areas of critical accounting judgements and key sources of estimation uncertainty set out on page 112 to 113 of the 2017 Annual Report and Accounts are considered to continue and be consistently applied.

All results are from continuing operations under International Accounting Standards as the businesses classified as non-core in 2018 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 ended 30 June 2017 have been re-analysed to present net operating losses of £1.2m attributable to businesses classified as non-core in the second half of 2017 or the first half of 2018 within Other items. The comparatives for the year end 31 December 2017 have also been re-analysed to present net operating profits of £5.0m attributable to businesses identified as non-core in the first half of 2018 within Other items.

#### Prior year adjustments announced in 2017 Annual Report and Accounts

Within SIG Distribution, the core insulation and interiors business in the UK, the Group identified a historical restatement of profit due to overstatement of balances recognised in relation to rebates receivable from suppliers as announced in January 2018 and included in the 2017 Annual Report and Accounts. During the 2017 year end close procedures the Group also identified a historical overstatement of cash and trade payables in relation to cash cut-off procedures associated with cheques issued around previous period ends.

The years ended 31 December 2016 and 31 December 2015 were restated in the 2017 Annual Report and Accounts. Further details are set out on Pages 73 and 105 of the Group Annual Report and Accounts.

The Consolidated Income Statement for the period ended 30 June 2017, and the Consolidated Balance Sheet at that date, has been restated within Interim Financial Statements. Full details of this restatement and the effect on each financial line item affected are shown in Note 18.

#### Prior year adjustments announced in this Interim Report

As part of the transition to new auditors, the Group has reviewed certain accounting policies and judgements, resulting in a number of errors being corrected by prior year restatements to previously reported numbers. A summary of the changes made is provided below. These have been restated in this Interim Report and full details of the effect on each financial line item affected are shown in Note 18.

##### *j) Definition of net debt*

The Group's definition of net debt as included in the 2017 Annual Report and Accounts includes the following: Derivative financial instruments (assets and liabilities), deferred consideration assets, other financial assets, cash and cash equivalents, obligations under finance lease contracts, bank overdrafts, bank loans, private placement notes, loan notes and deferred consideration liabilities.

At 31 December 2017, £8.0m of supplier balances in SIG France had been settled via a credit card working capital facility. As our previous definition of net debt did not refer to such facilities, this balance was included in trade payables at 31 December 2017.

It has been determined it would be more appropriate to treat such solutions as other financial liabilities and include within net debt. The Consolidated Balance Sheet at 31 December 2017 has therefore been restated to reclassify these balances from trade payables to other financial liabilities and to increase net debt by £8.0m with no overall impact to net assets.

This has no impact on the Consolidated Income Statement or Consolidated Cash Flow Statement for the year ended 31 December 2017, and no impact on other previously reported periods as there were no such arrangements in place at previous period ends. There are no such arrangements in place at 30 June 2018 and we have updated our definition of net debt to incorporate other financial liabilities, including these sorts of working capital facilities.

##### *ii) Cash in transit*

The Group has reconsidered the appropriateness of its cash policy in relation to the treatment of cash in transit by reference to current guidance, acknowledging there may be mixed custom and practice in this area. It has been determined that in some cases cash in transit was being included in cash in advance of obtaining control of funds or cheques.

The Group no longer considers this to be appropriate and has determined that cash should only include electronic receipts that are cleared funds and cheques that are physically received by the period end date. Prior year figures have been restated accordingly. This has resulted in a reduction in cash and an increase in trade receivables of £15.3m at 1 January 2017, £10.9m at 31 June 2017 and £13.6m at 31 December 2017. There is no impact on the Consolidated Income Statement or net assets. The Consolidated Cash Flow Statement has also been restated, with cash and cash equivalents reducing by £10.9m at 30 June 2017 and £13.6m at 31 December 2017, resulting in an increase in net cash from operating activities of £4.4m for the six months ended 30 June 2017 and £1.7m for the year ended 31 December 2017.

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

### 1. Basis of preparation of Condensed Interim Financial Statements (continued)

#### iii) Classification of lease arrangements

The accounting for sale and leaseback transactions, in particular relating to property, has been reassessed. Two transactions, in June 2017 and December 2016, are now considered to meet the criteria for recognition as a finance lease rather than an operating lease at the date of inception of the leaseback. The Consolidated Income Statement for the six months to 30 June 2017 and the year to 31 December 2017, and the Consolidated Balance Sheet at those dates, have been restated for this reclassification.

The restatement results in an increase in tangible fixed assets and finance lease liabilities of £13.3m at 30 June 2017 and £13.1m at 31 December 2017.

The impact on the Consolidated Income Statement for the six months ended 30 June 2017 is a reduction in underlying operating profit of £2.2m and an increase in finance costs of £0.3m, due to the add back of operating lease rentals replaced by charges for depreciation and interest, together with a change in the recognition of the profit on the sale which is now spread over the life of the finance lease instead of being recorded in full in the period of the transaction.

The impact on the Consolidated Income Statement for the year ended 31 December 2017 is a reduction in underlying operating profit of £1.9m and an increase in finance costs of £0.7m.

#### iv) Provision for uncertain tax position

At 31 December 2017 there was a reported deferred tax asset of £9.2m. The Group has reassessed its deferred tax asset position and as a result believes that an increased deferred tax asset should have been recognised in relation to losses and fixed asset timing differences.

The impact of recognising this is to increase the deferred tax asset at 31 December 2017 to £12.0m, and to increase profit after tax for the year ended 31 December 2017 by £2.8m.

#### v) Recognition of early settlement discounts

The Group previously accounted for early settlement discounts when paid. Under IAS 18 "Revenue" revenue should have been recognised taking into account expected discounts allowed. This has no impact on the Consolidated Income Statement or Consolidated Cash Flow Statement for the six months ended 30 June 2017 or the year ended 31 December 2017. The Consolidated Balance Sheet has been restated at 1 January 2017, 30 June 2017 and 31 December 2017, resulting in an increase in retained losses of £1.0m at each reporting date.

#### vi) Review of operating segments

The operating segments disclosure has been expanded in a manner consistent with the Group's internal reporting. Other Mainland Europe has been separated into Air Handling, Benelux and Poland, and the comparatives for previous periods have been reclassified to reflect this.

The above restatements impacted net debt and EBITDA which had an impact on headline financial leverage and interest cover covenant calculations, but the Group remained within covenant requirements for all relevant periods. The overall impact on the restatements was to increase net debt by £24.2m to £217.0m at 30 June 2017 and by £34.9m to £258.7m at 31 December 2017. Additional interest payable as a result of the restatements has been accrued for in the relevant periods in this Interim Report (£0.2m for the six months ended 30 June 2017 and £0.4m for the year ended 31 December 2017).

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

### New standards, interpretations and amendments adopted by the Group

The Group applies for the first time the following two new standards which became effective as of 1 January 2018:

- IFRS 15 "Revenue from contracts with customers"
- IFRS 9 "Financial instruments"

The nature and effect of these standards are disclosed below.

#### IFRS 15 "Revenue from contracts with customers"

The Group has adopted IFRS 15 using the modified retrospective method approach and therefore the 2017 comparative information has not been restated and the opening equity at 1 January 2018 is adjusted for the cumulative effect of applying IFRS 15 at that date. The comparative information continues to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below.

IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Revenue is measured based

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

### 1. Basis of preparation of Condensed Interim Financial Statements (continued)

on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable for goods or services, net of discounts and customer rebates, VAT and other sales-related taxes. Revenue from the sale of goods was recognised on receipt of goods by the customer. Customer rebates were accounted for as a separate component of the sales transaction, with a portion of the fair value of the consideration allocated to customer rebates and recognised in the period as earned. Revenue generated from a contract to provide services was recognised by reference to the stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from construction contracts was recognised by reference to the stage of completion of the contract activity at the reporting date. Stage of completion was normally measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs, except where this would not be representative of the stage of completion.

The cumulative catch-up adjustment to the opening balance of retained losses as at 1 January 2018 is shown in the Statement of Changes in Equity for the six months ended 30 June 2018 and resulted in an increase in opening retained losses at 1 January 2018 of £0.7m. The Group elected to apply the cumulative catch-up method only to contracts that were not completed at 1 January 2018.

The details of the significant changes and quantitative impact of the changes are set out below.

*a) Sale of goods*

The majority of the Group's revenue arises from contracts with customers for the sale of goods, with one performance obligation. Revenue is recognised at the point in time that control of the goods passes to the customer, usually on delivery to the customer. The adoption of IFRS 15 did not have an impact on the timing of revenue recognition in relation to the sale of goods, although the amount of revenue recognised is impacted by variable consideration as follows:

*Volume rebates*

The Group provides retrospective volume rebates to certain customers. Under IFRS 15, retrospective volume rebates give rise to variable consideration.

Prior to the adoption of IFRS 15, the Group estimated the expected volume rebates using an expected value approach and included a provision for rebates as a reduction to trade receivables. This continues to be appropriate under IFRS 15.

*Early settlement discounts*

Under IFRS 15, early settlement discounts are estimated using the expected value approach and recognised at the time of recognising the revenue, subject to the constraint regarding variable consideration that it is highly probable that a change in estimate would not result in a significant reversal of the cumulative revenue recognised. As part of our review of the application of IFRS 15 it was considered that the previous treatment of early settlement discounts under IAS 18 was inappropriate and this has been amended accordingly by a restatement of the prior periods.

*b) Construction contracts*

The Group has the following revenue streams which fall under the category of "construction contracts":

*i) Manufacture and installation of roofing systems*

Prior to the adoption of IFRS 15, revenue was recognised in two stages - on completion of manufacture and on installation. Under IFRS 15, the Group has assessed that there is one performance obligation, being the installation of the roofing system, and that revenue can continue to be recognised over time on a milestone basis, provided appropriate terms are included in the contract to confirm entitlement to payment for performance to date. Contract terms have been amended from 1 January 2018, but an adjustment is recorded on transition in relation to contracts in progress under previous contract terms, increasing retained losses at 1 January 2017 by £0.7m.

*ii) Air Handling projects*

The goods and services supplied as part of an air handling contract are significantly integrated and considered to be one performance obligation. The criteria for recognition over time are considered to apply as the entity's performance creates and/or enhances an asset controlled by the customer, the assets created do not have an alternative use as the installations are on the customers' premises, and the entity has an enforceable right to payment for performance completed to date. Progress towards completion is measured on the basis of costs incurred. The adoption of IFRS 15 does therefore not have an impact on the timing of revenue recognition for these contracts.

*iii) Manufacture and supply of modular housing*

Under IFRS 15 the Group has assessed that there is one performance obligation, and that revenue is recognised over time as control passes on a milestone basis as each housing module is supplied. Progress towards completion is measured based on the percentage of total costs incurred. The adoption of IFRS 15 does not have an impact on the timing or measurement of revenue recognition for these contracts. The business carrying out these contracts was sold in February 2018 and this revenue stream is therefore not relevant going forward.

*iv) Contracts for provision of industrial services*

The Group's Ireland & Other segment provides industrial painting, coating and repair services. Under IFRS 15, the Group concluded that revenue from these contracts will continue to be recognised over time, as the entity's performance enhances a customer-controlled asset, using an output method to measure progress towards completion depending on individual contract terms.

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

**1. Basis of preparation of Condensed Interim Financial Statements (continued)**

Under IFRS 15, any earned consideration that is conditional is recorded as a contract asset. A contract asset becomes a receivable when receipt is conditional only on the passage of time. Therefore, upon adoption of IFRS 15, revenue recognised from construction contracts described above which has not yet been invoiced is recognised as a contract asset, which is shown as a separate line item on the Consolidated Balance Sheet rather than as part of trade and other receivables.

c) *Presentation and disclosure requirements*

As required for the Condensed Interim Financial Statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 2 for the disclosure on disaggregated revenue.

The following tables summarise the impacts of adopting IFRS 15 on the Consolidated Financial Statements for the six months ended 30 June 2018.

*Consolidated Balance Sheet*

At 30 June 2018	Impact of changes in accounting policies		
	As reported	Adjustments	Balances without adoption of IFRS 15
	£m	£m	£m
Trade and other receivables	513.6	3.4	517.0
Contract assets	3.0	(3.0)	-
Other assets	880.1	-	880.1
<b>Total assets</b>	<b>1,396.7</b>	<b>0.4</b>	<b>1,397.1</b>
Trade and other payables	515.9	2.2	518.1
Contract liabilities	2.0	(2.0)	-
Other liabilities	403.5	-	403.5
<b>Total liabilities</b>	<b>921.4</b>	<b>0.2</b>	<b>921.6</b>
<b>Net assets</b>	<b>475.3</b>	<b>0.2</b>	<b>475.5</b>
Retained losses	(50.5)	0.2	(50.3)
Other capital and reserves	525.8	-	525.8
<b>Total equity</b>	<b>475.3</b>	<b>0.2</b>	<b>475.5</b>

*Consolidated Income Statement and OCI*

For the period ended 30 June 2018	Impact of changes in accounting policies		
	As reported	Adjustments	Balances without adoption of IFRS 15
	£m	£m	£m
Revenue	1,381.7	(2.1)	1,379.6
Cost of sales	(1,015.1)	1.5	(1,013.6)
Operating expenses	(332.6)	-	(332.6)
Income tax (expense)/credit	(4.5)	0.1	(4.4)
Other expense	(14.1)	-	(14.1)
<b>Profit/(loss) for the period</b>	<b>15.4</b>	<b>(0.5)</b>	<b>14.9</b>
<b>Total comprehensive income/(expense)</b>	<b>21.1</b>	<b>(0.5)</b>	<b>20.6</b>

*Consolidated Statement of Changes in Equity*

For the period ended 30 June 2018	Impact of changes in accounting policies		
	As reported	Adjustments	Balances without adoption of IFRS 15
	£m	£m	£m
Retained losses at 1 January 2018	(53.5)	0.7	(52.8)
Profit/(loss) for the period	15.4	(0.5)	14.9
Other movements in equity	513.4	-	513.4
<b>Total equity at 30 June 2018</b>	<b>475.3</b>	<b>0.2</b>	<b>475.5</b>

IFRS 9 "Financial instruments"

The Group has adopted IFRS 9 "Financial Instruments" with a date of initial application of 1 January 2018. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement", bringing together all three aspects of the accounting for financial instruments: classification and measurement; hedge accounting; and impairment.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018, but has chosen not to restate comparative information.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

a) *Classification and measurement*

Under IFRS 9, all financial assets are initially recognised at fair value, plus or minus (in the case of a financial asset not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition of the financial instrument. Debt financial assets are subsequently measured at amortised cost, fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets and whether the

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

**1. Basis of preparation of Condensed Interim Financial Statements (continued)**

contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion"). This replaces the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The classification of the Group's financial assets under IFRS 9 is as follows:

- Amortised cost: trade and other receivables and deferred consideration
- Fair value through profit and loss: derivative financial instruments

The above classification is not considered to have any impact on the presentation on the Consolidated Balance Sheet or on the carrying value of the assets.

The accounting for financial liabilities remains the same as it was under IAS 39 and therefore this has not had an impact on the Group's accounting policies or Financial Statements.

*b) Hedge accounting*

The Group has chosen to apply the hedge accounting requirements of IFRS 9 and has applied this prospectively. The new hedge accounting rules require the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

At the date of initial application, 1 January 2018, all existing hedging relationships are eligible to be treated as continuing hedging relationships under IFRS 9. The adoption of the hedge accounting requirements of IFRS 9 has not had a significant impact on the Group's Financial Statements.

Under IAS 39 all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets (for example a fixed asset or inventory) need to be incorporated into the initial carrying amounts of the non-financial assets. Therefore, upon adoption of IFRS 9, the "Gains and losses on cash flow hedges" is presented under "Items that will not subsequently be reclassified to the Consolidated Income Statement". This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

*c) Impairment*

As a result of the adoption of IFRS 9, the Group adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income. Previously, the Group's approach was to include the impairment of trade receivables in other operating expenses.

IFRS 9 replaces the 'incurred losses' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For contract assets and trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

The adoption of the ECL requirements of IFRS 9 has not resulted in any change to the impairment allowances for trade receivables and contract assets.

Other amendments and interpretations

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Interim Condensed Financial Statements of the Group:

- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Considerations"
- Amendments to IAS 40 "Transfers of Investment Property"
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice"
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters"

IFRS 16 "Leases"

IFRS 16 "Leases" is effective from 1 January 2019. The standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value.

The Group has completed an initial assessment of the potential impact on its Consolidated Financial Statements and is in the process of selecting a software solution to manage the accounting for leases under IFRS 16 across the Group. The actual impact of applying IFRS 16 on the Financial Statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Further detail on the impact of adopting the new standard will be provided in the 2018 Annual Report and Accounts.



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

### 2. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers as newly required by IFRS 15:

	UK & Ireland				Mainland Europe						Eliminations £m	Total £m
	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	Total £m	France £m	Germany £m	Poland £m	Benelux £m	Air Handling* £m	Total £m		
<b>Six months ended 30 June 2018</b>												
<b>Type of product</b>												
Insulation and interiors	380.0	-	35.1	415.1	121.1	208.4	69.8	55.4	-	454.7	-	869.8
Roofing and exteriors	12.3	186.7	20.0	219.0	172.0	-	-	-	-	172.0	-	391.0
Air handling	11.5	-	-	11.5	36.1	-	2.4	-	70.9	109.4	-	120.9
Inter-segment revenue^	6.6	1.9	0.7	9.2	4.9	0.1	-	0.1	0.1	5.2	(14.4)	-
	<b>410.4</b>	<b>188.6</b>	<b>55.8</b>	<b>654.8</b>	<b>334.1</b>	<b>208.5</b>	<b>72.2</b>	<b>55.5</b>	<b>71.0</b>	<b>741.3</b>	<b>(14.4)</b>	<b>1,381.7</b>
<b>Nature of revenue</b>												
Goods for resale	398.1	188.6	51.6	638.3	334.1	208.5	72.2	55.5	59.2	729.5	(14.4)	1,353.4
Construction contracts	12.3	-	4.2	16.5	-	-	-	-	11.8	11.8	-	28.3
	<b>410.4</b>	<b>188.6</b>	<b>55.8</b>	<b>654.8</b>	<b>334.1</b>	<b>208.5</b>	<b>72.2</b>	<b>55.5</b>	<b>71.0</b>	<b>741.3</b>	<b>(14.4)</b>	<b>1,381.7</b>
<b>Timing of revenue recognition</b>												
Goods transferred at a point in time	398.1	188.6	51.6	638.3	334.1	208.5	72.2	55.5	59.2	729.5	(14.4)	1,353.4
Goods and services transferred over time	12.3	-	4.2	16.5	-	-	-	-	11.8	11.8	-	28.3
	<b>410.4</b>	<b>188.6</b>	<b>55.8</b>	<b>654.8</b>	<b>334.1</b>	<b>208.5</b>	<b>72.2</b>	<b>55.5</b>	<b>71.0</b>	<b>741.3</b>	<b>(14.4)</b>	<b>1,381.7</b>

^ Inter-segment revenue is charged at the prevailing market rates.

\* Represents the business managed from The Netherlands. Further air handling product category trading results are incorporated within the other operating segments.

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

### 3. Segmental information

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. Operating segments have been reviewed during the period to 30 June 2018 following ongoing changes to management and reporting structures and the Group has concluded that the appropriate reporting operating segments are SIG Distribution, SIG Exteriors, Ireland & Other, France, Germany, Poland, Benelux and Air Handling. The comparatives for previous periods have been reclassified to present on a consistent basis with 2018.

	UK & Ireland				Mainland Europe							Total £m
	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	Total £m	France £m	Germany £m	Poland £m	Benelux £m	Air Handling* £m	Total £m	Eliminations £m	
<b>Six months ended 30 June 2018</b>												
<b>Revenue</b>												
Underlying revenue	386.3	186.7	51.6	<b>624.6</b>	329.2	208.4	72.2	55.4	70.9	<b>736.1</b>	-	<b>1,360.7</b>
Revenue attributable to businesses identified as non-core	17.5	-	3.5	<b>21.0</b>	-	-	-	-	-	-	-	<b>21.0</b>
Inter-segment revenue <sup>^</sup>	6.6	1.9	0.7	<b>9.2</b>	4.9	0.1	-	0.1	0.1	<b>5.2</b>	(14.4)	-
<b>Total revenue</b>	<b>410.4</b>	<b>188.6</b>	<b>55.8</b>	<b>654.8</b>	<b>334.1</b>	<b>208.5</b>	<b>72.2</b>	<b>55.5</b>	<b>71.0</b>	<b>741.3</b>	<b>(14.4)</b>	<b>1,381.7</b>
<b>Result</b>												
<b>Segment result before Other items</b>	<b>5.5</b>	<b>5.7</b>	<b>3.0</b>	<b>14.2</b>	<b>13.1</b>	<b>3.3</b>	<b>0.3</b>	<b>2.6</b>	<b>7.7</b>	<b>27.0</b>	-	<b>41.2</b>
Amortisation of acquired intangibles	(0.9)	(2.4)	-	<b>(3.3)</b>	(0.4)	-	-	(0.1)	(0.6)	<b>(1.1)</b>	-	<b>(4.4)</b>
Impairment charges	(3.2)	-	-	<b>(3.2)</b>	-	-	-	-	-	-	-	<b>(3.2)</b>
Profits and losses on sale or closure of non-core businesses and associated impairment charges (Note 7)	5.9	(0.1)	(0.5)	<b>5.3</b>	-	-	-	-	(0.3)	<b>(0.3)</b>	-	<b>5.0</b>
Net operating losses attributable to businesses identified as non-core (Note 7)	2.7	-	(1.7)	<b>1.0</b>	-	-	-	-	-	-	-	<b>1.0</b>
Net restructuring costs	(1.8)	(1.8)	-	<b>(3.6)</b>	-	(2.8)	-	-	-	<b>(2.8)</b>	-	<b>(6.4)</b>
Acquisition expenses and contingent consideration	-	-	-	-	-	-	-	-	-	-	-	-
Other specific items	-	-	1.4	<b>1.4</b>	-	-	-	-	-	-	-	<b>1.4</b>
<b>Segment operating profit</b>	<b>8.2</b>	<b>1.4</b>	<b>2.2</b>	<b>11.8</b>	<b>12.7</b>	<b>0.5</b>	<b>0.3</b>	<b>2.5</b>	<b>6.8</b>	<b>22.8</b>	-	<b>34.6</b>
Parent company costs												<b>(6.4)</b>
<b>Operating profit</b>												<b>28.2</b>
Net finance costs before Other items												<b>(7.9)</b>
Net fair value losses on derivative financial instruments												<b>(0.3)</b>
Unwinding of provision discounting												<b>(0.1)</b>
<b>Profit before tax</b>												<b>19.9</b>
Income tax expense												<b>(4.5)</b>
Non-controlling interests												<b>(0.4)</b>
<b>Profit for the period</b>												<b>15.0</b>

<sup>^</sup> Inter-segment revenue is charged at the prevailing market rates.

\* Represents the business managed from The Netherlands. Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements (continued)

3. Segmental information (continued)

	UK & Ireland				Mainland Europe							
	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	Total £m	France £m	Germany £m	Poland £m	Benelux £m	Air Handling* £m	Total £m	Eliminations £m	Total £m
<b>Six months ended 30 June 2017</b>												
<b>Revenue</b>												
Underlying revenue	391.4	200.4	46.0	<b>637.8</b>	324.3	201.4	63.6	51.4	68.6	<b>709.3</b>	-	<b>1,347.1</b>
Revenue attributable to businesses identified as non-core	17.2	29.0	31.5	<b>77.7</b>	-	7.5	-	-	6.9	<b>14.4</b>	-	<b>92.1</b>
Inter-segment revenue^	3.4	1.1	0.2	<b>4.7</b>	6.1	0.1	0.5	0.2	0.2	<b>7.1</b>	<b>(11.8)</b>	-
<b>Total revenue</b>	<b>412.0</b>	<b>230.5</b>	<b>77.7</b>	<b>720.2</b>	<b>330.4</b>	<b>209.0</b>	<b>64.1</b>	<b>51.6</b>	<b>75.7</b>	<b>730.8</b>	<b>(11.8)</b>	<b>1,439.2</b>
<b>Result (restated)**</b>												
<b>Segment result before Other items</b>	<b>2.9</b>	<b>18.4</b>	<b>2.4</b>	<b>23.7</b>	<b>12.4</b>	<b>3.2</b>	<b>(0.3)</b>	<b>3.2</b>	<b>5.9</b>	<b>24.4</b>	-	<b>48.1</b>
Amortisation of acquired intangibles	(1.0)	(2.5)	(0.2)	<b>(3.7)</b>	(0.4)	-	-	-	(0.6)	<b>(1.0)</b>	-	<b>(4.7)</b>
Impairment charges	(6.8)	-	-	<b>(6.8)</b>	-	-	-	-	-	-	-	<b>(6.8)</b>
Profits and losses on sale or closure of non-core businesses and associated impairment charges (Note 7)	-	(20.5)	(11.3)	<b>(31.8)</b>	-	(0.9)	-	-	-	<b>(0.9)</b>	-	<b>(32.7)</b>
Net operating losses attributable to businesses identified as non-core (Note 7)	2.4	1.0	(9.2)	<b>(5.8)</b>	-	(0.3)	-	-	(0.3)	<b>(0.6)</b>	-	<b>(6.4)</b>
Net restructuring costs	(1.8)	-	(1.0)	<b>(2.8)</b>	(0.2)	(0.4)	-	-	-	<b>(0.6)</b>	-	<b>(3.4)</b>
Acquisition expenses and contingent consideration	(1.3)	(1.1)	1.9	<b>(0.5)</b>	-	-	-	-	-	-	-	<b>(0.5)</b>
Other specific items	5.4	-	-	<b>5.4</b>	-	-	-	-	-	-	-	<b>5.4</b>
<b>Segment operating (loss)/profit</b>	<b>(0.2)</b>	<b>(4.7)</b>	<b>(17.4)</b>	<b>(22.3)</b>	<b>11.8</b>	<b>1.6</b>	<b>(0.3)</b>	<b>3.2</b>	<b>5.0</b>	<b>21.3</b>	-	<b>(1.0)</b>
Parent company costs												<b>(5.8)</b>
<b>Operating loss</b>												<b>(6.8)</b>
Net finance costs before Other items												<b>(7.9)</b>
Net fair value losses on derivative financial instruments												<b>(0.8)</b>
Unwinding of provision discounting												<b>(0.3)</b>
<b>Loss before tax</b>												<b>(15.8)</b>
Income tax expense												<b>(4.6)</b>
Non-controlling interests												<b>(0.4)</b>
<b>Loss for the period</b>												<b>(20.8)</b>

^ Inter-segment revenue is charged at the prevailing market rates.

\* Represents the business managed from The Netherlands. Further air handling product category trading results are incorporated within the other operating segments.

\*\* 2017 has been restated as set out in Note 1 and Note 18.

Notes to the Condensed Interim Financial Statements (continued)

3. Segmental information (continued)

	UK & Ireland				Mainland Europe						Eliminations £m	Total £m
	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	Total £m	France £m	Germany £m	Poland £m	Benelux £m	Air Handling* £m	Total £m		
<b>Year ended 31 December 2017</b>												
<b>Revenue</b>												
Underlying revenue	766.9	409.5	98.3	1,274.7	660.7	425.9	142.8	101.7	142.1	1,473.2	-	2,747.9
Revenue attributable to businesses identified as non-core	35.0	34.5	41.4	110.9	-	7.6	-	-	12.0	19.6	-	130.5
Inter-segment revenue^	15.3	5.2	-	20.5	12.5	0.2	0.6	0.1	0.3	13.7	(34.2)	-
<b>Total revenue</b>	<b>817.2</b>	<b>449.2</b>	<b>139.7</b>	<b>1,406.1</b>	<b>673.2</b>	<b>433.7</b>	<b>143.4</b>	<b>101.8</b>	<b>154.4</b>	<b>1,506.5</b>	<b>(34.2)</b>	<b>2,878.4</b>
<b>Result (restated)**</b>												
<b>Segment result before Other items</b>	<b>5.1</b>	<b>30.8</b>	<b>4.8</b>	<b>40.7</b>	<b>26.2</b>	<b>11.5</b>	<b>1.0</b>	<b>6.3</b>	<b>14.4</b>	<b>59.4</b>	-	<b>100.1</b>
Amortisation of acquired intangibles	(2.0)	(4.9)	(0.1)	(7.0)	(0.8)	-	-	(0.2)	(1.3)	(2.3)	-	(9.3)
Impairment charges	(6.8)	-	-	(6.8)	-	-	-	-	-	-	-	(6.8)
Profits and losses on sale or closure of non-core businesses and associated impairment charges (Note 7)	(7.6)	(28.6)	(31.9)	(68.1)	-	(1.2)	-	-	(3.1)	(4.3)	-	(72.4)
Net operating losses attributable to businesses identified as non-core (Note 7)	4.2	0.9	(13.8)	(8.7)	-	(0.2)	-	-	(0.4)	(0.6)	-	(9.3)
Net restructuring costs	(16.8)	(1.3)	(0.8)	(18.9)	(0.2)	(1.0)	(0.9)	-	(0.1)	(2.2)	-	(21.1)
Acquisition expenses and contingent consideration	(1.1)	(1.6)	1.9	(0.8)	-	-	-	-	(9.0)	(9.0)	-	(9.8)
Other specific items	0.1	5.4	-	5.5	-	-	-	-	-	-	-	5.5
<b>Segment operating (loss)/profit</b>	<b>(24.9)</b>	<b>0.7</b>	<b>(39.9)</b>	<b>(64.1)</b>	<b>25.2</b>	<b>9.1</b>	<b>0.1</b>	<b>6.1</b>	<b>0.5</b>	<b>41.0</b>	-	<b>(23.1)</b>
Parent company costs												(12.7)
<b>Operating loss</b>												<b>(35.8)</b>
Net finance costs before Other items												(16.2)
Net fair value losses on derivative financial instruments												(1.7)
Unwinding of provision discounting												(0.5)
<b>Loss before tax</b>												<b>(54.2)</b>
Income tax expense												(4.5)
Non-controlling interests												(1.0)
<b>Loss for the year</b>												<b>(59.7)</b>

^ Inter-segment revenue is charged at the prevailing market rates.

\* Represents the business managed from The Netherlands. Further air handling product category trading results are incorporated within the other operating segments.

\*\* 2017 has been restated as set out in Note 1 and Note 18.

Notes to the Condensed Interim Financial Statements (continued)

3. Segmental information (continued)

	UK & Ireland				Mainland Europe						
At 30 June 2018	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	Total £m	France £m	Germany £m	Poland £m	Benelux £m	Air Handling* £m	Total £m	Total £m
<b>Balance sheet</b>											
<b>Assets</b>											
Segment assets	362.0	231.5	41.9	<b>635.4</b>	374.1	124.2	58.7	46.5	107.5	<b>711.0</b>	<b>1,346.4</b>
<i>Unallocated assets:</i>											
Property, plant and equipment											<b>0.8</b>
Derivative financial instruments											<b>1.1</b>
Deferred consideration											-
Other financial assets											-
Cash and cash equivalents											<b>9.4</b>
Deferred tax assets											<b>25.7</b>
Other assets											<b>13.3</b>
Consolidated total assets											<b>1,396.7</b>
<b>Liabilities</b>											
Segment liabilities	167.2	84.0	30.2	<b>281.4</b>	160.3	45.4	28.6	14.7	28.0	<b>277.0</b>	<b>558.4</b>
<i>Unallocated liabilities:</i>											
Private placement notes											<b>203.5</b>
Bank loans											<b>91.4</b>
Derivative financial instruments											<b>3.5</b>
Other liabilities											<b>64.6</b>
Consolidated total liabilities											<b>921.4</b>
<b>Other segment information</b>											
<i>Capital expenditure on:</i>											
Property, plant and equipment	2.8	1.9	0.5	<b>5.2</b>	2.1	0.4	0.4	0.5	0.4	<b>3.8</b>	<b>9.0</b>
Computer software	0.6	-	-	<b>0.6</b>	-	-	-	-	0.1	<b>0.1</b>	<b>0.7</b>
<i>Non-cash expenditure:</i>											
Depreciation	2.6	1.1	0.4	<b>4.1</b>	2.7	1.3	0.6	0.3	0.5	<b>5.4</b>	<b>9.5</b>
Impairment of property, plant and equipment and computer software	3.2	-	-	<b>3.2</b>	-	-	-	-	-	-	<b>3.2</b>
Amortisation of acquired intangibles and computer software	1.9	2.4	-	<b>4.3</b>	0.7	0.2	-	0.1	0.7	<b>1.7</b>	<b>6.0</b>

\* Represents the business managed from The Netherlands. Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements (continued)

3. Segmental information (continued)

	UK & Ireland				Mainland Europe						
	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	Total £m	France £m	Germany £m	Poland £m	Benelux £m	Air Handling* £m	Total £m	Total £m
<b>At ended 30 June 2017</b>											
<b>Balance sheet</b>											
<b>Assets (restated)**</b>											
Segment assets	402.2	263.2	68.1	<b>733.5</b>	375.3	138.7	58.7	46.2	115.8	<b>734.7</b>	<b>1,468.2</b>
<i>Unallocated assets:</i>											
Property, plant and equipment											<b>0.8</b>
Derivative financial instruments											<b>1.4</b>
Deferred consideration											-
Other financial assets											-
Cash and cash equivalents											<b>14.2</b>
Deferred tax assets											<b>16.1</b>
Other assets											<b>4.1</b>
Consolidated total assets											<b>1,504.8</b>
<b>Liabilities (restated)**</b>											
Segment liabilities	200.9	98.4	42.3	<b>341.6</b>	172.8	36.3	30.0	11.1	30.6	<b>280.8</b>	<b>622.4</b>
<i>Unallocated liabilities:</i>											
Private placement notes											<b>203.5</b>
Bank loans											<b>115.2</b>
Derivative financial instruments											<b>1.7</b>
Other liabilities											<b>48.3</b>
Consolidated total liabilities											<b>991.1</b>
<b>Other segment information</b>											
<i>Capital expenditure on:</i>											
Property, plant and equipment	4.4	1.2	0.6	<b>6.2</b>	2.5	1.3	0.4	0.2	0.5	<b>4.9</b>	<b>11.1</b>
Computer software	1.6	-	-	<b>1.6</b>	0.4	0.1	-	-	0.3	<b>0.8</b>	<b>2.4</b>
<i>Non-cash expenditure:</i>											
Depreciation	3.8	1.0	0.8	<b>5.6</b>	2.7	1.5	0.6	0.4	0.6	<b>5.8</b>	<b>11.4</b>
Impairment of property, plant and equipment and computer software	6.8	-	-	<b>6.8</b>	-	-	-	-	-	-	<b>6.8</b>
Amortisation of acquired intangibles and computer software	2.5	2.5	0.2	<b>5.2</b>	0.7	0.2	-	0.1	0.6	<b>1.6</b>	<b>6.8</b>
Impairment of goodwill and intangibles (excluding computer software)	-	21.4	-	<b>21.4</b>	-	-	-	-	-	-	<b>21.4</b>

\* Represents the business managed from The Netherlands. Further air handling product category trading results are incorporated within the other operating segments.

\*\* 2017 has been restated as set out in Note 1 and Note 18.

Notes to the Condensed Interim Financial Statements (continued)

3. Segmental information (continued)

	UK & Ireland				Mainland Europe						
	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	Total £m	France £m	Germany £m	Poland £m	Benelux £m	Air Handling* £m	Total £m	Total £m
<b>At 31 December 2017</b>											
<b>Balance sheet</b>											
<b>Assets (restated)**</b>											
Segment assets	363.6	230.0	59.6	<b>653.2</b>	343.4	123.9	55.4	38.6	110.1	<b>671.4</b>	<b>1,324.6</b>
<i>Unallocated assets:</i>											
Property, plant and equipment											<b>0.1</b>
Derivative financial instruments											<b>1.3</b>
Deferred consideration											-
Other financial assets											-
Cash and cash equivalents											<b>10.2</b>
Deferred tax assets											<b>3.1</b>
Other assets											<b>11.5</b>
Consolidated total assets											<b>1,350.8</b>
<b>Liabilities (restated)**</b>											
Segment liabilities	195.4	70.6	45.0	<b>311.0</b>	149.2	36.0	24.2	8.4	28.8	<b>246.6</b>	<b>557.6</b>
<i>Unallocated liabilities:</i>											
Private placement notes											<b>204.2</b>
Bank loans											<b>75.7</b>
Derivative financial instruments											<b>3.5</b>
Other liabilities											<b>34.0</b>
Consolidated total liabilities											<b>875.0</b>
<b>Other segment information</b>											
<i>Capital expenditure on:</i>											
Property, plant and equipment	6.5	2.3	1.1	<b>9.9</b>	5.4	2.1	0.7	0.4	0.9	<b>9.5</b>	<b>19.4</b>
Computer software	2.3	-	-	<b>2.3</b>	0.2	0.1	-	-	0.6	<b>0.9</b>	<b>3.2</b>
Goodwill and intangible assets (excluding computer software)	-	-	-	-	-	0.1	-	-	-	<b>0.1</b>	<b>0.1</b>
<i>Non-cash expenditure:</i>											
Depreciation	7.9	2.1	1.2	<b>11.2</b>	6.0	3.0	1.3	0.7	1.1	<b>12.1</b>	<b>23.3</b>
Impairment of property, plant and equipment and computer software	7.6	-	2.7	<b>10.3</b>	-	-	-	-	0.3	<b>0.3</b>	<b>10.6</b>
Amortisation of acquired intangibles and computer software	4.1	4.9	0.6	<b>9.6</b>	1.4	0.4	-	0.2	1.4	<b>3.4</b>	<b>13.0</b>
Impairment of goodwill and intangibles (excluding computer software)	5.6	-	1.0	<b>6.6</b>	-	-	-	-	-	-	<b>6.6</b>

\* Represents the business managed from The Netherlands. Further air handling product category trading results are incorporated within the other operating segments.

\*\* 2017 has been restated as set out in Note 1 and Note 18.

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

### 4. Other items

Profit/(loss) 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:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Amortisation of acquired intangibles	(4.4)	(4.7)	(9.3)
Impairment charges	(3.2)	(6.8)	(6.8)
Profits and losses on sale or closure of non-core businesses and associated impairment charges	5.0	(32.7)	(72.4)
Net operating profits/(losses) attributable to businesses identified as non-core	1.0	(6.4)	(9.3)
Net restructuring costs^	(6.4)	(3.4)	(21.1)
Acquisition expenses and contingent consideration	-	(0.5)	(9.8)
Other specific items*	1.4	5.4	5.5
<b>Impact on operating loss</b>	<b>(6.6)</b>	<b>(49.1)</b>	<b>(123.2)</b>
Net fair value losses on derivative financial instruments	(0.3)	(0.8)	(1.7)
Unwinding of provision discounting	(0.1)	(0.3)	(0.5)
<b>Impact on loss before tax</b>	<b>(7.0)</b>	<b>(50.2)</b>	<b>(125.4)</b>
Income tax credit on Other items	2.9	4.7	10.0
Effect of change in rate on deferred tax	-	-	(1.0)
Other tax adjustments in respect of previous years	-	-	4.2
<b>Impact on loss after tax</b>	<b>(4.1)</b>	<b>(45.5)</b>	<b>(112.2)</b>

^ Included within net restructuring costs are costs associated with supply chain review of £0.4m (30 June 2017: £1.7m; 31 December 2017: £11.7m), property closure costs of £2.8m (30 June 2017: £0.4m; 31 December 2017: £2.8m), redundancy costs of £2.1m (30 June 2017: £1.3m; 31 December 2017: £3.9m) and £1.1m (30 June 2017: £nil; 31 December 2017: £2.7m) in relation to restructuring consultancy costs.

\*Other specific items comprises the following:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Profit on sale of property	1.2	5.5	5.8
Release of exceptional property provisions	0.3	-	-
Other specific expenses	(0.1)	(0.1)	-
Impairment charge and other costs following the cessation of the UK eCommerce project	-	-	(0.3)
<b>Total Other specific items</b>	<b>1.4</b>	<b>5.4</b>	<b>5.5</b>



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

### 5. Income tax

The income tax expense comprises:

	Six months ended 30 June 2018	Six months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	£m	£m	£m
UK taxation	1.5	1.3	8.8
Overseas taxation	(6.0)	(5.9)	(13.3)
<b>Total income tax expense for the period</b>	<b>(4.5)</b>	<b>(4.6)</b>	<b>(4.5)</b>

Tax for the six month period ended 30 June 2018 on underlying profits (i.e. before Other items) is charged at 27.5% (30 June 2017: 27.0%; 31 December 2017: 24.9%), 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 2018.

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 have been taken into account when calculating the deferred tax provision for the relevant period.

### 6. Earnings/(loss) per share

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

	<b>Basic and diluted</b>		
	Six months ended 30 June 2018	Six months ended 30 June 2017 Restated	Year ended 31 December 2017^ Restated
	£m	£m	£m
Profit/(loss) after tax	15.4	(20.4)	(58.7)
Non-controlling interests	(0.4)	(0.4)	(1.0)
	15.0	(20.8)	(59.7)

	<b>Basic and diluted before Other items</b>		
	Six months ended 30 June 2018	Six months ended 30 June 2017 Restated	Year ended 31 December 2017^ Restated
	£m	£m	£m
Profit/(loss) after tax	15.4	(20.4)	(58.7)
Non-controlling interests	(0.4)	(0.4)	(1.0)
Add back:			
Other items (see Note 4)	4.1	45.5	112.2
	19.1	24.7	52.5

	<b>Weighted average number of shares</b>		
	Six months ended 30 June 2018 Number	Six months ended 30 June 2017 Number	Year ended 31 December 2017^ Number
For basic and diluted earnings/(loss) per share	591,548,235	591,466,749	591,489,053

	<b>Earnings/(loss) per share</b>		
	Six months ended 30 June 2018	Six months ended 30 June 2017 Restated	Year ended 31 December 2017^ Restated
Basic and diluted earnings/(loss) per share	2.5p	(3.5)p	(10.1)p

	<b>Earnings per share before Other items^</b>		
	Six months ended 30 June 2018	Six months ended 30 June 2017 Restated	Year ended 31 December 2017^ Restated
Basic and diluted earnings per share	3.2p	4.2p	8.9p

^ Earnings per share before Other items (also referred to as underlying earnings per share) has been disclosed in order to present the underlying performance of the Group.

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

### 7. Divestments and exit of non-core businesses

The Group has recognised a total profit of £5.0m (30 June 2017: charge of £32.7m, 31 December 2017: charge of £72.4m) in respect of profits and losses on sale or closure of non-core businesses and associated impairment charges within Other items of the Consolidated Income Statement.

#### Divested businesses

The Group has divested the following businesses during the period to 30 June 2018:

##### GRM

As disclosed in the 2017 Annual Report and Accounts, on 2 February 2018 the Group completed the disposal of GRM Insulation Solutions ('GRM'). In 2017 the goodwill, fixed assets and inventories were impaired to reflect the recoverable amount indicated by the sale proceeds and the expected costs of the sale were accrued. During the period to 30 June 2018 inventory previously impaired has been sold and, therefore, £0.2m of this provision has been released as a credit to Other items in 2018.

##### IBSL

As disclosed in the 2017 Annual Report and Accounts, on 2 March 2018 the Group completed the disposal of IBSL. In 2017 the assets of the business were impaired to reflect the recoverable amount indicated by the sale proceeds less costs to sell. During the period to 30 June 2018, a further profit of £0.1m has been recognised.

##### VJ Technology

On 29 June 2018 the Group completed the disposal of the trade and assets of VJ Technology, a division of SIG Trading Limited UK and part of the UK Distribution CGU. Consideration for the sale less costs to sell was £29.3m resulting in a profit on disposal of £5.6m which is included within Other items in the Consolidated Income Statement.

##### Building Systems

On 2 March 2018 the Group completed the disposal of the trade and assets of SIG Building Systems Limited ('Building Systems'). In 2017 the assets of the business were impaired to reflect the recoverable amount indicated by the sale proceeds less costs to sell.

The net assets of the four businesses disposed were as follows:

	At date of disposal £m	At 30 June 2017 £m	At 31 December 2017 £m
Attributable goodwill	6.2	6.2	6.2
Property, plant and equipment	0.5	2.8	0.6
Cash	4.5	1.4	1.7
Inventories	5.3	7.4	5.4
Trade and other receivables	8.1	7.5	8.4
Trade and other payables	(0.8)	(2.0)	(1.5)
Net assets	23.8	23.3	20.8
Other costs	0.1		
Profit on disposal	5.9		
<b>Sale proceeds</b>	<b>29.8</b>		

#### Other non-core businesses

The Group has also commenced the exit of the following businesses

The Group has commenced the closure of its business in the Middle East. The assets of the business were impaired at 31 December 2017 to reflect the recoverable amount indicated by the period end impairment review process, resulting in a total loss on wind down of £17.1m for the year end 31 December 2017. During the period to 30 June 2018 a net expense of £0.4m has been recognised in Other items, comprising additional costs associated with the closure, offset with the release of a bad debt provision where amounts have been collected.

On 21 December 2017 the Group disposed of its shareholding in Air Trade Centre East BV and A.T.C. Air Trade Centre Havealandirma Sistemleri Ticaret Limited Sirketi (together, 'Air Handling Turkey'). The disposal led to a loss on disposal of £3.1m being included within Other items in the Consolidated Income Statement for the year ended 31 December 2017. During the period to 30 June 2018 an additional expense of £0.3m has been incurred due to the retranslation of the vendor loan repayable over 48 months from October 2018.

Additional expenses of £0.2m have been recognised and included within Other items in relation to the disposals of the Building Plastics and Carpet & Flooring businesses in the prior year.

Subsequent to 30 June 2018, the Group has closed SIG Cut Solutions, the Group's German Insulation Conversion business.

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

### 7. Divestments and exit of non-core businesses (continued)

#### Contribution to revenue and operating loss

The results of the non-core businesses for the current and prior periods have been disclosed within Other items in the Consolidated Income Statement in order to provide an indication of the underlying earnings of the Group. The revenue and net operating profit/(loss) of the non-core businesses for the periods ended 30 June 2017, 31 December 2017 and 30 June 2018 are as follows:

	Six months ended 30 June 2018		Six months ended 30 June 2017		Year ended 31 December 2017	
	Revenue	Net operating profit/(loss)	Revenue	Net operating profit/(loss)	Revenue	Net operating profit/(loss)
	£m	£m	£m	£m	£m	£m
Carpet & Flooring	-	-	11.6	(0.7)	11.4	(0.7)
Drywall Qatar	-	-	1.2	(1.4)	1.2	(1.4)
Building Plastics	-	-	29.0	1.0	34.5	0.9
WeGo Austria	-	-	7.5	(0.3)	7.6	(0.2)
ATC Turkey	-	-	6.9	(0.3)	12.0	(0.4)
Building Systems	1.4	(1.2)	4.2	(3.3)	8.0	(7.6)
GRM	0.3	(0.2)	1.3	(0.3)	2.6	(0.8)
Metecho	-	-	1.3	(3.4)	1.3	(3.4)
Middle East	2.1	(0.5)	13.2	(0.4)	19.5	(0.7)
IBSL	0.2	(0.2)	1.0	0.1	1.8	-
Businesses identified as non-core in 2017	4.0	(2.1)	77.2	(9.0)	99.9	(14.3)
VJ Technology	17.0	3.1	14.9	2.6	30.6	5.0
Businesses identified as non-core in 2018	17.0	3.1	14.9	2.6	30.6	5.0
<b>Total attributable to non-core businesses</b>	<b>21.0</b>	<b>1.0</b>	<b>92.1</b>	<b>(6.4)</b>	<b>130.5</b>	<b>(9.3)</b>

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

The net cash inflow in the six month period ended 30 June 2018 in respect of divestments and the exit of non-core businesses is as follows:

	£m
Cash consideration received for divestments (net of costs to sell)	29.8
Cash at date of disposal	(4.5)
Disposal costs paid	(0.1)
<b>Net cash inflow</b>	<b>25.2</b>

The profits and losses arising on the 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.

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

	Six months ended 30 June 2018	Six months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	£m	£m	£m
<b>Operating profit/(loss)</b>	<b>28.2</b>	<b>(6.8)</b>	<b>(35.8)</b>
Depreciation	9.5	11.4	23.3
Amortisation of computer software	1.6	2.1	3.7
Amortisation of acquired intangibles	4.4	4.7	9.3
Impairment of computer software	0.7	6.8	6.8
Impairment of property, plant and equipment	2.5	-	3.8
Goodwill and intangible impairment charges (excluding computer software)	-	-	6.6
Profits and losses on sale or closure of non-core businesses and associated impairment charges	(5.0)	32.7	63.6
Profit on sale of property, plant and equipment	(1.5)	(11.7)	(17.8)
Share-based payments	0.3	-	0.2
Working capital movements	48.2	55.0	37.7
<b>Cash generated from operating activities</b>	<b>88.9</b>	<b>94.2</b>	<b>101.4</b>

Included in cash generated from operating activities is a special contribution to the defined benefit pension scheme of £3.1m (30 June 2017: £2.5m; 31 December 2017: £2.5m).

Of the total profit on sale of property, plant and equipment, £1.2m (30 June 2017: £5.5m; 31 December 2017: £5.8m) has been included within Other items of the Condensed Consolidated Income Statement (see Note 4).

Included within working capital movements are payments of £nil (30 June 2017: £0.7m; 31 December 2017: £2.7m) in settlement of contingent consideration dependent upon the vendors remaining with the business.

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

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

	Six months ended 30 June 2018	Six months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	£m	£m	£m
Increase/(decrease) in cash and cash equivalents in the period	67.3	41.8	(14.9)
Cash flow from decrease in debt	17.0	52.7	86.0
Decrease in net debt resulting from cash flows	84.3	94.5	71.1
Debt relating to divested businesses	(0.7)	-	3.1
Recognition of loan notes and deferred consideration	-	-	(17.0)
Non-cash items*	(0.5)	(9.3)	(12.5)
Exchange differences	(0.5)	(3.0)	(4.2)
Decrease in net debt in the period	82.6	82.2	40.5
Net debt at beginning of the period	(258.7)	(299.2)	(299.2)
<b>Net debt at end of the period</b>	<b>(176.1)</b>	<b>(217.0)</b>	<b>(258.7)</b>

\* 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:

	30 June 2018	30 June 2017 Restated	31 December 2017 Restated
	£m	£m	£m
<i>Non-current assets:</i>			
Derivative financial instruments	0.5	1.2	0.1
Deferred consideration	1.1	-	1.4
<i>Current assets:</i>			
Derivative financial instruments	0.6	0.2	1.2
Deferred consideration	0.2	-	0.1
Other financial assets	0.9	1.6	-
Cash and cash equivalents	148.8	140.1	108.2
<i>Current liabilities:</i>			
Obligations under finance lease contracts	(3.1)	(3.3)	(3.2)
Bank overdrafts	(4.2)	(6.0)	(29.6)
Bank loans	(93.8)	(123.9)	(84.2)
Private placement notes	(20.6)	-	(21.1)
Loan notes and deferred consideration	-	-	(17.0)
Other financial liabilities	-	-	(8.0)
Derivative financial instruments	(0.1)	-	(0.2)
<i>Non-current liabilities:</i>			
Obligations under finance lease contracts	(20.1)	(21.1)	(20.0)
Bank loans	-	(0.6)	-
Private placement notes	(182.9)	(203.5)	(183.1)
Derivative financial instruments	(3.4)	(1.7)	(3.3)
<b>Net debt</b>	<b>(176.1)</b>	<b>(217.0)</b>	<b>(258.7)</b>

### 10. Financial instruments fair value disclosures

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

	30 June 2018	30 June 2017	31 December 2017
	£m	£m	£m
<b>Financial assets</b>			
Other financial assets	0.9	1.6	-
Deferred consideration	1.3	-	1.5
Derivative financial instruments	1.1	1.4	1.3
	3.3	3.0	2.8
<b>Financial liabilities</b>			
Other financial liabilities	-	-	8.0
Derivative financial instruments	3.5	1.7	3.5
Loan notes and deferred consideration	-	-	17.0
Contingent consideration	0.9	7.3	-
	4.4	9.0	28.5

Other financial liabilities held at 31 December 2017 relate to a credit card working capital facility used to finance the payment of trade payable balances.

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.

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

### 11. Called up share capital

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
<b>Authorised:</b>			
800,000,000 ordinary shares of 10p each (30 June 2017: 800,000,000; 31 December 2017: 800,000,000)	80.0	80.0	80.0
<b>Allotted, called up and fully paid:</b>			
591,548,235 ordinary shares of 10p each (30 June 2017: 591,475,263 ; 31 December 2017: 591,548,235)	59.2	59.1	59.2

The Company has not allotted any shares during the period (30 June 2017: 14,962; 31 December 2017: 87,934).

### 12. Retirement 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 2016.

The IAS 19 valuation conducted as at 31 December 2017 has been updated to reflect current market conditions, and as a result an actuarial gain of £8.6m and an associated deferred tax debit of £1.5m have been recognised within the Condensed Consolidated Statement of Comprehensive Income.

### 13. Interim dividend

An interim dividend of 1.25p per share has been declared for the period (30 June 2017: 1.25p). 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 2017 of 2.5p per share has been recognised as a distribution to equity holders in the period.

### 14. Related party transactions

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

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 £135m in the period to 30 June 2018 (30 June 2017: £138m; 31 December 2017: £319m). At the balance sheet date net trade payables in respect of the co-operative amounted to £20m (30 June 2017: £14m; 31 December 2017: £10m). The contract with this purchasing co-operative was terminated on 31 December 2017.

In the period to 30 June 2018, SIG incurred expenses of £0.1m (30 June 2017: £0.2m; 31 December 2017: £0.2m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

The Group has not identified any other material related party transactions in the six month period to 30 June 2018.

### 15. 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 2018 financial year remain consistent with those set out in the Strategic Report on pages 42 to 45 of the Group's 2017 Annual Report and Accounts. These risks and uncertainties include, but are not limited to:

- (1) delivering the change agenda;
- (2) systems and data quality;
- (3) access to finance;
- (4) working capital and cash management;
- (5) market conditions;
- (6) health and safety; and
- (7) supplier rebate income.

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

### 16. Seasonality

The Group's revenue is not normally affected by significant seasonal variations between the first and second halves of the calendar year. In 2017, the period to 30 June accounted for 50% of the Group's annual revenue (2017: 48%). In terms of outlook the key risk is the challenging environment created by continuing 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 as detailed in the "Current trading and outlook" section of the Trading Review.

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

### 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.

These measures, as shown below, are used to improve the comparability of information between reporting periods and geographical units, to adjust for Other items or to adjust for businesses identified as non-core to provide information on the ongoing activities of the Group. This also reflects how the business is managed and measured on a day-to-day basis. Non-core businesses are those businesses that have been closed or disposed of or where the Board has resolved to close or dispose of the businesses prior to signing the Interim Report.

These measures are used by management for performance analysis, planning, reporting and incentive setting purposes and remain consistent year-on-year.

Information regarding covenant calculations (Notes 17b) is provided to show the financial measures used to calculate financial covenants as defined by the banking agreements.

#### a) Underlying profit before tax - rolling 12 months

A number of the alternative performance measures below use underlying operating profit and/or underlying profit before and after tax on a rolling 12 month basis. This is derived as follows:

		<b>Twelve months ended 30 June 2018</b>	Twelve months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	Note	£m	£m	£m
Operating loss		<b>(0.8)</b>	(148.3)	(35.8)
<i>Add back:</i>				
Amortisation of acquired intangibles	4	<b>9.0</b>	9.9	9.3
Impairment charges	4	<b>3.2</b>	117.4	6.8
Profits and losses on sale or closure of non-core businesses and associated impairment charges	7	<b>34.7</b>	72.8	72.4
Net operating losses attributable to businesses identified as non-core	7	<b>1.9</b>	8.9	9.3
Net restructuring costs	4	<b>24.1</b>	14.3	21.1
Acquisition expenses and contingent consideration	4	<b>9.3</b>	(7.5)	9.8
Other specific items	4	<b>(1.5)</b>	4.0	(5.5)
<b>Underlying operating profit</b>		<b>79.9</b>	71.5	87.4
Net finance costs		<b>(17.7)</b>	(16.7)	(18.4)
<i>Add back:</i>				
Net fair value losses on derivative financial instruments		<b>1.2</b>	1.8	1.7
Unwinding of provision discounting		<b>0.3</b>	(0.2)	0.5
<b>Underlying profit before tax</b>		<b>63.7</b>	56.4	71.2
Income tax expense	5	<b>(4.4)</b>	(6.2)	(4.5)
<i>Add back:</i>				
Tax credit associated with Other items	4	<b>(11.4)</b>	(8.8)	(13.2)
<b>Underlying profit after tax</b>		<b>47.9</b>	41.4	53.5

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

### 17. Non-statutory information (continued)

#### b) Headline financial leverage covenant

The headline financial leverage covenant is one of the primary covenants applicable to the Revolving Credit Facility and the private placement notes. The monitoring of this covenant is therefore an important element of treasury risk management for the Group.

		<b>Twelve months ended 30 June 2018</b>	Twelve months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	Note	£m	£m	£m
Underlying operating profit	17a	<b>79.9</b>	71.5	87.4
<i>Add back:</i>				
Depreciation	8	<b>21.4</b>	24.2	23.3
Amortisation of computer software	8	<b>3.2</b>	3.9	3.7
Reversal of restatement on net operating losses attributable to businesses identified as non-core*	7	-	(2.4)	5.0
Depreciation attributable to businesses identified as non-core*		<b>(0.3)</b>	(0.7)	(0.8)
<b>Covenant EBITDA</b>		<b>104.2</b>	96.5	118.6

\* The 2017 covenant calculations have not been restated to reflect the decision in 2018 to exit the non-core businesses of VJ Technology and the twelve months ended 30 June 2017 have also not been restated to reflect the decision in 2017 to exit the GRM, IBSL, Building Systems and ATC Turkey businesses.

		<b>30 June 2018</b>	30 June 2017 Restated	31 December 2017 Restated
	Note	£m	£m	£m
Reported net debt	9	<b>176.1</b>	217.0	258.7
Other covenant financial indebtedness		<b>10.0</b>	3.8	11.8
Foreign exchange adjustment*		<b>(0.8)</b>	(1.3)	(1.5)
<b>Covenant net debt</b>		<b>185.3</b>	219.5	269.0

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

	<b>30 June 2018</b>	30 June 2017 Restated	31 December 2017 Restated
<b>Headline financial leverage (covenant net debt to covenant EBITDA - maximum 3.0x)</b>	<b>1.8x</b>	2.3x	2.3x

# Notes to the Condensed Interim Financial Statements (continued)

## 17. Non-statutory information (continued)

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

Return on capital employed is the ratio of operating profit less taxation divided by average capital employed (average net assets plus average net debt). The ratio is used to understand the value creation to Shareholders and to understand how effectively the Group is using the capital and resources it has available.

		Twelve months ended 30 June 2018	Twelve months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	Note	£m	£m	£m
Operating loss		(0.8)	(148.3)	(35.8)
Income tax expense	5	(4.4)	(6.2)	(4.5)
<b>Operating loss after tax</b>		<b>(5.2)</b>	<b>(154.5)</b>	<b>(40.3)</b>
		Twelve months ended 30 June 2018	Twelve months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	Note	£m	£m	£m
Underlying operating profit	17a	79.9	71.5	87.4
Income tax expense	5	(4.4)	(6.2)	(4.5)
Tax credit associated with Other items	4	(11.4)	(8.8)	(13.2)
<b>Underlying operating profit after tax</b>		<b>64.1</b>	<b>56.5</b>	<b>69.7</b>
		Twelve months ended 30 June 2018	Twelve months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	Note	£m	£m	£m
Opening reported net assets		513.7	683.5	534.5
Opening reported net debt	9	217.0	263.2	299.2
Opening capital employed		730.7	946.7	833.7
Computer software impairment charges*	8	(0.7)	(15.4)	(7.5)
Goodwill and intangible impairment charges*	4	-	(110.6)	-
Profits and losses on sale or closure of non-core businesses and associated impairment charges*	4	(34.7)	(107.5)	(67.4)
Adjusted opening capital employed		695.3	713.2	758.8
Year end reported net assets		475.8	534.5	n/a
Year end reported net debt	9	258.7	299.2	n/a
Year end capital employed		734.5	833.7	n/a
Computer software impairment charges*	17a	(0.7)	(7.5)	n/a
Goodwill and intangible impairment charges*	17a	-	-	n/a
Profits and losses on sale or closure of non-core businesses and associated impairment charges*	17a	5.0	(67.4)	n/a
Adjusted year end capital employed		738.8	758.8	n/a
Closing reported net assets		475.3	513.7	475.8
Closing reported net debt	9	176.1	217.0	258.7
Closing capital employed		651.4	730.7	734.5
Computer software impairment charges*		-	(0.7)	(0.7)
Goodwill and intangible impairment charges*		-	-	-
Profits and losses on sale or closure of non-core businesses and associated impairment charges*		-	(34.7)	5.0
Adjusted closing capital employed		651.4	695.3	738.8
<b>Average capital employed</b>		<b>705.5</b>	<b>837.0</b>	<b>784.1</b>
<b>Adjusted average capital employed*</b>		<b>695.2</b>	<b>722.4</b>	<b>748.8</b>

\* Capital employed has been adjusted to take into account the normalised impact of the goodwill and intangible impairment charges, the profits and losses on sale or closure of non-core businesses and associated impairment charges and computer software impairment charges.

	Twelve months ended 30 June 2018	Twelve months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
<b>Unadjusted ROCE (operating profit after tax to average capital employed)</b>	<b>(0.7)%</b>	<b>(18.5)%</b>	<b>(5.1)%</b>
<b>ROCE (underlying operating profit after tax to adjusted average capital employed)</b>	<b>9.2%</b>	<b>7.8%</b>	<b>9.3%</b>



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

### 17. Non-statutory information (continued)

#### d) Underlying profit before tax excluding property profits

This is used to enhance understanding of the underlying financial performance of the Group and to provide further comparability between reporting periods.

	Six months ended 30 June 2018	Six months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	£m	£m	£m
Underlying profit before tax	26.9	34.4	71.2
Underlying property profits	(0.3)	(5.8)	(11.3)
<b>Underlying profit before tax excluding property profits</b>	<b>26.6</b>	<b>28.6</b>	<b>59.9</b>

#### e) Effective tax rates

The effective tax rate is a ratio of income tax expense to profit/(loss) before tax and is used to assess SIG's contribution to corporate taxation across the tax jurisdictions in which the Group operates.

		Twelve months ended 30 June 2018	Twelve months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	Note	£m	£m	£m
Loss before tax	17a	(18.5)	(165.0)	(54.2)
Other items	17a	82.2	221.4	125.4
Underlying profit before tax	17a	63.7	56.4	71.2
Income tax expense	17a	(4.4)	(6.2)	(4.5)
Tax credit associated with Other items	17a	(11.4)	(8.8)	(13.2)
Underlying tax charge		(15.8)	(15.0)	(17.7)
Effective tax rate (income tax expense to loss before tax)		24.0%	3.8%	8.3%
Underlying effective tax rate (underlying tax charge to underlying profit before tax)		(24.9)%	(26.6)%	(24.9)%

#### f) Gearing

Gearing is the ratio of net debt to net assets. It is used to understand the funding structure of the Group and is an important part of the treasury risk management of the Group.

		30 June 2018	30 June 2017 Restated	31 December 2017 Restated
	Note	£m	£m	£m
Net assets		475.3	513.7	475.8
Net debt	9	176.1	217.0	258.7
Gearing (net debt to net assets ratio)		37.1%	42.2%	54.4%

#### g) Cash inflow from trading

This is used to understand how the Group is generating cash from trading activities.

		Six months ended 30 June 2018	Six months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
	Note	£m	£m	£m
Cash generated from operating activities	8	88.9	94.2	101.4
Add back:				
Working capital movements	8	(48.2)	(55.0)	(37.7)
Cash inflow from trading		40.7	39.2	63.7

# Notes to the Condensed Interim Financial Statements (continued)

## 17. Non-statutory information (continued)

### h) Life-for-like working capital to sales ratio

Like-for-like working capital to sales ratio is the ratio of closing working capital (including provisions but excluding pension scheme obligations) to annualised revenue (after adjusting for any acquisitions and disposals in the current and prior year) on a constant currency basis. The ratio is used to understand how effectively the Group is using the resources it has available.

	Twelve months ended 30 June 2018 £m	Twelve months ended 30 June 2017 Restated £m	Year ended 31 December 2017 Restated £m
<i>Current:</i>			
Inventories	228.2	258.7	243.5
Trade and other receivables	513.6	551.5	480.4
Contract assets	3.0	-	-
Trade and other payables	(515.9)	(536.5)	(421.5)
Contract liabilities	(2.0)	-	-
Provisions	(9.7)	(14.3)	(12.0)
<i>Non-current:</i>			
Other payables	(6.4)	(7.1)	(6.9)
Provisions	(16.3)	(18.4)	(13.8)
Reported working capital	194.5	233.9	269.7
Working capital for non-core businesses	1.0	(28.8)	(10.1)
Foreign exchange adjustment*	(0.5)	0.4	(1.8)
Adjusted working capital	195.0	205.5	257.8

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

	Note	Twelve months ended 30 June 2018 £m	Twelve months ended 30 June 2017 Restated £m	Year ended 31 December 2017 Restated £m
Reported revenue	2	2,820.9	2,909.2	2,878.4
Revenue attributable to businesses identified as non-core		(59.4)	(240.6)	(130.5)
Pre acquisition revenue of acquisitions acquired during the twelve month period		-	4.3	-
Foreign exchange adjustment		(8.4)	41.7	9.7
Adjusted revenue		2,753.1	2,714.6	2,757.6
		Twelve months ended 30 June 2018	Twelve months ended 30 June 2017 Restated	Year ended 31 December 2017 Restated
Reported working capital to reported revenue		6.9%	8.0%	9.4%
Like-for-like working capital to sales ratio (adjusted working capital to adjusted revenue)		7.1%	7.6%	9.3%

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

### 17. Non-statutory information (continued)

#### i) 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. Revenue is not adjusted for branch openings and closures. This measure shows how the Group has developed its revenue for comparable business relative to the prior period. As such it is a key measure of the growth of the Group during the year.

	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	UK & Ireland £m	France £m	Germany £m	Poland £m	Benelux £m	Air Handling* £m	Mainland Europe £m	Group £m
Statutory revenue for the period to 30 June 2018	403.8	186.7	55.1	<b>645.6</b>	329.2	208.4	72.2	55.4	70.9	<b>736.1</b>	<b>1,381.7</b>
Revenue attributable to non-core businesses	(17.5)	-	(3.5)	<b>(21.0)</b>	-	-	-	-	-	-	<b>(21.0)</b>
Underlying revenue for the period to 30 June 2018	386.3	186.7	51.6	<b>624.6</b>	329.2	208.4	72.2	55.4	70.9	<b>736.1</b>	<b>1,360.7</b>
Statutory revenue for the period to 30 June 2017	408.6	229.4	77.5	<b>715.5</b>	324.3	208.9	63.6	51.4	75.5	<b>723.7</b>	<b>1,439.2</b>
Revenue attributable to non-core businesses	(17.2)	(29.0)	(31.5)	<b>(77.7)</b>	-	(7.5)	-	-	(6.9)	<b>(14.4)</b>	<b>(92.1)</b>
Underlying revenue for the period to 30 June 2017	391.4	200.4	46.0	<b>637.8</b>	324.3	201.4	63.6	51.4	68.6	<b>709.3</b>	<b>1,347.1</b>
<i>% change year on year:</i>											
Underlying revenue	(1.3)%	(6.8)%	12.2%	<b>(2.1)%</b>	1.5%	3.5%	13.5%	7.8%	3.4%	<b>3.8%</b>	<b>1.0%</b>
Impact of currency	-	-	(2.5)%	<b>(0.2)%</b>	(2.4)%	(2.4)%	(2.8)%	(2.7)%	(2.3)%	<b>(2.5)%</b>	<b>(1.4)%</b>
Impact of acquisitions	-	-	-	-	-	-	-	-	-	-	-
Impact of working days	-	(0.1)%	-	-	2.0%	1.6%	-	0.9%	0.8%	<b>1.5%</b>	<b>0.8%</b>
Like-for-like sales	(1.3)%	(6.9)%	9.7%	<b>(2.3)%</b>	1.1%	2.7%	10.7%	6.0%	1.9%	<b>2.8%</b>	<b>0.4%</b>

\* Represents the business managed from The Netherlands. Further air handling product category trading results are incorporated within the other operating segments.

#### j) Gross margin

Gross margin is the ratio of gross profit to revenue and is used to understand the value the Group creates from its trading activities.

	SIG Distribution %	SIG Exteriors %	Ireland & Other %	UK & Ireland %	France %	Germany %	Poland %	Benelux %	Air Handling* %	Mainland Europe %	Group %
Statutory gross margin for the period ended 30 June 2018	24.5%	28.0%	22.3%	<b>25.3%</b>	28.1%	26.8%	19.4%	24.0%	38.6%	<b>27.6%</b>	<b>26.5%</b>
Impact of non-core businesses	(0.9)%	-	2.7%	<b>(0.3)%</b>	-	-	-	-	-	-	<b>(0.1)%</b>
Underlying gross margin for the period ended 30 June 2018	23.6%	28.0%	25.0%	<b>25.0%</b>	28.1%	26.8%	19.4%	24.0%	38.6%	<b>27.6%</b>	<b>26.4%</b>
Statutory gross margin for the period ended 30 June 2017 (restated)	24.3%	29.7%	15.0%	<b>25.0%</b>	27.6%	26.4%	20.0%	25.7%	36.8%	<b>27.4%</b>	<b>26.2%</b>
Impact of non-core businesses	(0.8)%	(0.4)%	10.9%	<b>0.4%</b>	-	0.2%	-	-	1.1%	<b>0.1%</b>	<b>0.3%</b>
Underlying gross margin for the period ended 30 June 2017	23.5%	29.3%	25.9%	<b>25.5%</b>	27.6%	26.6%	20.0%	25.7%	37.9%	<b>27.5%</b>	<b>26.5%</b>

\* Represents the business managed from The Netherlands. Further air handling product category trading results are incorporated within the other operating segments.

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

### 17. Non-statutory information (continued)

#### k) Operating profit before property profits

This is used to enhance understanding and comparability of the underlying financial performance of the Group by period and segment, excluding the benefit of property profits which can have a significant effect on results in a particular period.

<b>Six months ended 30 June 2018</b>	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	<b>UK &amp; Ireland £m</b>	France £m	Germany £m	Poland £m	Benelux £m	Air Handling £m	<b>Mainland Europe £m</b>	Parent company £m	<b>Group £m</b>
Underlying revenue (Note 3)	386.3	186.7	51.6	<b>624.6</b>	329.2	208.4	72.2	55.4	70.9	<b>736.1</b>	-	<b>1,360.7</b>
Underlying operating profit (Note 3^)	5.5	5.7	3.0	<b>14.2</b>	13.1	3.3	0.3	2.6	7.7	<b>27.0</b>	(6.4)	<b>34.8</b>
Property profits	(0.1)	-	-	<b>(0.1)</b>	-	-	(0.1)	(0.1)	-	<b>(0.2)</b>	-	<b>(0.3)</b>
Underlying operating profit before property profits	5.4	5.7	3.0	<b>14.1</b>	13.1	3.3	0.2	2.5	7.7	<b>26.8</b>	(6.4)	<b>34.5</b>
^ Underlying operating profit equals segmental result before Other items.												
Return on sales*	1.4%	3.1%	5.8%	<b>2.3%</b>	4.0%	1.6%	0.4%	4.7%	10.9%	<b>3.7%</b>	n/a	<b>2.6%</b>
Return on sales (excluding property profits)*	1.4%	3.1%	5.8%	<b>2.3%</b>	4.0%	1.6%	0.3%	4.5%	10.9%	<b>3.6%</b>	n/a	<b>2.5%</b>

\* Return on sales is also referred to as underlying operating margin.

<b>Six months ended 30 June 2017</b>	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	<b>UK &amp; Ireland £m</b>	France £m	Germany £m	Poland £m	Benelux £m	Air Handling £m	<b>Mainland Europe £m</b>	Parent company £m	<b>Group £m</b>
Underlying revenue (Note 3)	391.4	200.4	46.0	<b>637.8</b>	324.3	201.4	63.6	51.4	68.6	<b>709.3</b>	-	<b>1,347.1</b>
Underlying operating profit (Note 3^)	2.9	18.4	2.4	<b>23.7</b>	12.4	3.2	(0.3)	3.2	5.9	<b>24.4</b>	(5.8)	<b>42.3</b>
Property profits	-	(5.3)	-	<b>(5.3)</b>	-	(0.5)	-	-	-	<b>(0.5)</b>	-	<b>(5.8)</b>
Underlying operating profit before property profits	2.9	13.1	2.4	<b>18.4</b>	12.4	2.7	(0.3)	3.2	5.9	<b>23.9</b>	(5.8)	<b>36.5</b>
^ Underlying operating profit equals segmental result before Other items.												
Return on sales*	0.7%	9.2%	5.2%	<b>3.7%</b>	3.8%	1.6%	-0.5%	6.2%	8.6%	<b>3.4%</b>	n/a	<b>3.1%</b>
Return on sales (excluding property profits)*	0.7%	6.5%	5.2%	<b>2.9%</b>	3.8%	1.3%	-0.5%	6.2%	8.6%	<b>3.4%</b>	n/a	<b>2.7%</b>

\* Return on sales is also referred to as underlying operating margin.

#### l) Other non-statutory measures

In addition to the alternative performance measures noted above, the Group also uses underlying EPS (as set out in Note 6) and underlying net finance costs (as set out on the Condensed Consolidated Income Statement).

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

### 18. Prior period restatements

As disclosed in Note 1, the Group identified a historical overstatement of profit in relation to rebates receivable from suppliers, and during 2017 year end close procedures identified that cash and trade payables had been overstated in relation to cash cut-off procedures. These restatements were announced prior to the 2017 Annual Report. As part of the transition to new auditors, the Group has reviewed certain accounting policies and judgements, resulting in a number of errors being corrected by prior year restatements to previously reported numbers. The following tables summarise the impact on the Group's results and cash flows for the six months ended 30 June 2017 and the twelve months ended 31 December 2017 and the Consolidated Balance Sheet at these dates:

#### a) Consolidated Balance Sheet

30 June 2017	As previously reported	Impact of restatements		As restated
		Adjustments announced in 2017 Annual Report	Adjustments announced in this Interim Report	
	£m	£m	£m	£m
Property, plant and equipment	110.2	-	13.3	123.5
Deferred tax assets	14.6	1.3	0.2	16.1
Trade and other receivables	548.3	(6.5)	9.7	551.5
Cash and cash equivalents	177.3	(26.3)	(10.9)	140.1
Other assets	673.6	-	-	673.6
<b>Total assets</b>	<b>1,524.0</b>	<b>(31.5)</b>	<b>12.3</b>	<b>1,504.8</b>
Obligations under finance lease contracts	11.1	-	13.3	24.4
Non-current other payables	3.9	-	3.2	7.1
Trade and other payables	562.5	(26.3)	0.3	536.5
Other liabilities	423.1	-	-	423.1
<b>Total liabilities</b>	<b>1,000.6</b>	<b>(26.3)</b>	<b>16.8</b>	<b>991.1</b>
<b>Net assets</b>	<b>523.4</b>	<b>(5.2)</b>	<b>(4.5)</b>	<b>513.7</b>
Retained losses	(0.3)	(5.2)	(4.5)	(10.0)
Other capital and reserves	523.7	-	-	523.7
<b>Total equity</b>	<b>523.4</b>	<b>(5.2)</b>	<b>(4.5)</b>	<b>513.7</b>

31 December 2017	As previously reported	Impact of restatements		As restated
		Adjustments announced in 2017 Annual Report	Adjustments announced in this Interim Report	
	£m	£m	£m	£m
Property, plant and equipment	102.4	-	13.1	115.5
Deferred tax assets	22.6	-	3.1	25.7
Trade and other receivables	468.0	-	12.4	480.4
Cash and cash equivalents	121.8	-	(13.6)	108.2
Other assets	621.0	-	-	621.0
<b>Total assets</b>	<b>1,335.8</b>	<b>-</b>	<b>15.0</b>	<b>1,350.8</b>
Obligations under finance lease contracts	9.9	-	13.3	23.2
Non-current other payables	3.8	-	3.1	6.9
Trade and other payables	429.0	-	(7.5)	421.5
Other financial liabilities	-	-	8.0	8.0
Other liabilities	415.4	-	-	415.4
<b>Total liabilities</b>	<b>858.1</b>	<b>-</b>	<b>16.9</b>	<b>875.0</b>
<b>Net assets</b>	<b>477.7</b>	<b>-</b>	<b>(1.9)</b>	<b>475.8</b>
Retained losses	(50.9)	-	(1.9)	(52.8)
Other capital and reserves	528.6	-	-	528.6
<b>Total equity</b>	<b>477.7</b>	<b>-</b>	<b>(1.9)</b>	<b>475.8</b>

#### b) Consolidated Income Statement and Other Comprehensive Income

Six months ended 30 June 2017	As previously reported	Impact of restatements		As restated
		Adjustments announced in 2017 Annual Report	Adjustments announced in this Interim Report	
	£m	£m	£m	£m
Revenue	1,439.2	-	-	1,439.2
Cost of sales	(1,059.5)	(2.4)	-	(1,061.9)
Other operating expenses	(381.9)	-	(2.2)	(384.1)
Net finance costs	(8.5)	-	(0.5)	(9.0)
<b>Loss before tax</b>	<b>(10.7)</b>	<b>(2.4)</b>	<b>(2.7)</b>	<b>(15.8)</b>
Income tax (expense)/credit	(5.1)	0.5	-	(4.6)
<b>Loss after tax</b>	<b>(15.8)</b>	<b>(1.9)</b>	<b>(2.7)</b>	<b>(20.4)</b>
Attributable to non-controlling interests	(0.4)	-	-	(0.4)
<b>Loss after tax attributable to equity holders of the Company</b>	<b>(16.2)</b>	<b>(1.9)</b>	<b>(2.7)</b>	<b>(20.8)</b>
<b>Total comprehensive expense</b>	<b>(5.5)</b>	<b>(1.9)</b>	<b>(2.7)</b>	<b>(10.1)</b>
<b>Loss per share</b>	<b>(2.7)p</b>	<b>(0.3)p</b>	<b>(0.5)p</b>	<b>(3.5)p</b>

Notes to the Condensed Interim Financial Statements (continued)

18. Prior period restatements (continued)

Year ended 31 December 2017	Impact of restatements			As restated
	As previously reported	Adjustments announced in 2017 Annual Report	Adjustments announced in this Interim Report	
	£m	£m	£m	£m
Revenue	2,878.4	-	-	2,878.4
Cost of sales	(2,125.9)	-	-	(2,125.9)
Other operating expenses	(786.4)	-	(1.9)	(788.3)
Net finance costs	(17.3)	-	(1.1)	(18.4)
<b>Loss before tax</b>	<b>(51.2)</b>	<b>-</b>	<b>(3.0)</b>	<b>(54.2)</b>
Income tax (expense)/credit	(7.4)	-	2.9	(4.5)
<b>Loss after tax</b>	<b>(58.6)</b>	<b>-</b>	<b>(0.1)</b>	<b>(58.7)</b>
Attributable to non-controlling interests	(1.0)	-	-	(1.0)
<b>Loss after tax attributable to equity holders of the Company</b>	<b>(59.6)</b>	<b>-</b>	<b>(0.1)</b>	<b>(59.7)</b>
<b>Total comprehensive expense</b>	<b>(40.0)</b>	<b>-</b>	<b>(0.1)</b>	<b>(40.1)</b>
<b>Loss per share</b>	<b>(10.1)p</b>	<b>-</b>	<b>-</b>	<b>(10.1)p</b>

c) Consolidated Cash Flow Statement

Six months ended 30 June 2017	Impact of restatements			As restated
	As previously reported	Adjustments announced in 2017 Annual Report	Adjustments announced in this Interim Report	
	£m	£m	£m	£m
Net cash generated from operating activities	96.3	(6.5)	4.4	94.2
Other cash flows	(52.4)	-	-	(52.4)
Increase in cash and cash equivalents in the year	43.9	(6.5)	4.4	41.8
Cash and cash equivalents at beginning of the year	124.1	(19.8)	(15.3)	89.0
Effect of foreign exchange rate changes	3.3	-	-	3.3
<b>Cash and cash equivalents at end of the period</b>	<b>171.3</b>	<b>(26.3)</b>	<b>(10.9)</b>	<b>134.1</b>

Year ended 31 December 2017	Impact of restatements			As restated
	As previously reported	Adjustments announced in 2017 Annual Report	Adjustments announced in this Interim Report	
	£m	£m	£m	£m
Net cash generated from operating activities	99.7	-	1.7	101.4
Other cash flows	(116.3)	-	-	(116.3)
Decrease in cash and cash equivalents in the year	(16.6)	-	1.7	(14.9)
Cash and cash equivalents at beginning of the year	104.3	-	(15.3)	89.0
Effect of foreign exchange rate changes	4.5	-	-	4.5
<b>Cash and cash equivalents at end of the year</b>	<b>92.2</b>	<b>-</b>	<b>(13.6)</b>	<b>78.6</b>

d) Consolidated Statement of Changes in Equity

Six months ended 30 June 2017	Impact of restatements			As restated
	As previously reported	Adjustments announced in 2017 Annual Report	Adjustments announced in this Interim Report	
	£m	£m	£m	£m
Total equity at 31 December 2016	539.6	(3.3)	(1.8)	534.5
Loss after tax	(15.8)	(1.9)	(2.7)	(20.4)
Other movements in equity	(0.4)	-	-	(0.4)
<b>Total equity at 30 June 2017</b>	<b>523.4</b>	<b>(5.2)</b>	<b>(4.5)</b>	<b>513.7</b>

Year ended 31 December 2017	Impact of restatements			As restated
	As previously reported	Adjustments announced in 2017 Annual Report	Adjustments announced in this Interim Report	
	£m	£m	£m	£m
Total equity at 31 December 2016	536.3	-	(1.8)	534.5
Loss after tax	(58.6)	-	(0.1)	(58.7)
Other movements in equity	-	-	-	-
<b>Total equity at 31 December 2017</b>	<b>477.7</b>	<b>-</b>	<b>(1.9)</b>	<b>475.8</b>

## **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 2018 which comprises of the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and related notes 1 to 18. 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 guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the condensed interim 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 enquiries, 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 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 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Ernst & Young LLP**

London

20 September 2018

### **Notes:**

The maintenance and integrity of the SIG plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.