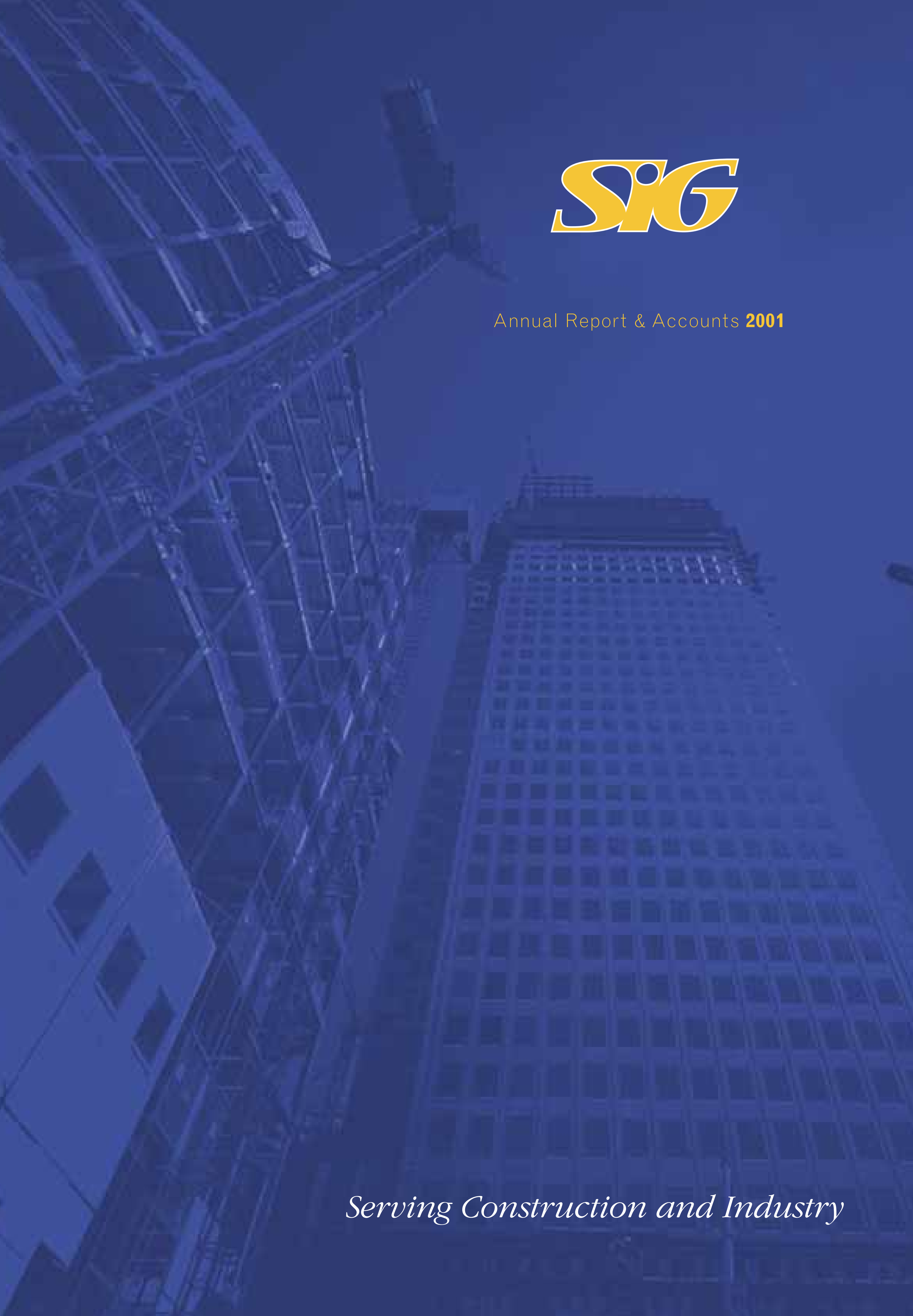


SIG

Annual Report & Accounts **2001**

Serving Construction and Industry

SIG is an **international market leader** in each of its three core businesses – **insulation, commercial interiors** and **roofing**. We operate in the UK, Eire, France, The Netherlands, Germany, Poland and the USA – servicing a wide range of markets across the building, construction, industrial, petro-chemical and process sectors. We are **passionate** about our business and with the energy and ability of our staff we look to the future with **enthusiasm**.

Insulation – Europe's largest supplier of thermal, noise and fire insulation products.

Roofing – Largest supplier in the UK and Eire of specialist roofing materials.

Commercial Interiors – Leading supplier to the commercial interiors market in the UK, Eire and Europe.

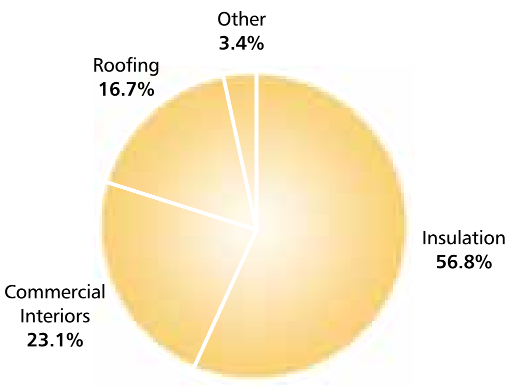
Contents

The Group has produced another excellent performance and sales exceeded £1 billion for the first time. The progress in sales and profits is a tribute to the strength and resilience of the business and the drive and commitment of our people. These results reinforce our position as leader in our key markets.

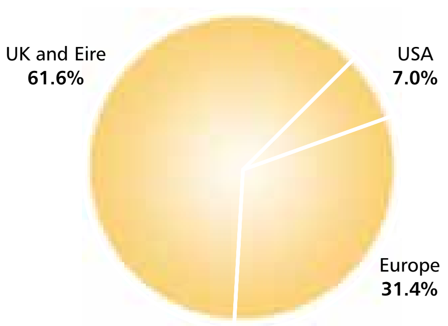
- **Sales revenue up 11.3% to £1,037.3m**
- Operating **profit before amortisation of goodwill up 13% to £59.1m**
- **Earnings** per share **increased 6.5% to 29.5p**
- **Pre tax profits up 6.4% at £51.3m**

2001 Annual Sales

By Market



By Geography



building on experience

Our ability to react to market opportunities and focus resources precisely where they are most needed has led to significant growth.

The Group has produced another excellent performance in 2001. It is especially pleasing that sales exceeded £1 billion for the first time – a goal that was met even without the contribution from acquisitions made during the year. This endorses our position as the leading specialist supplier in our key markets.

The progress in sales and profits in 2001 is a tribute to the strength and resilience of the business and to the commitment and drive of all our people. Underlining the continued development of our core businesses, almost 70% of the sales growth and over 75% of the growth in operating profits was organic. Acquisitions made during the year all performed in line with our expectations and provide the opportunity to strengthen our operations going forward.

Results

Sales

Sales increased by £105.3m (11.3%) to £1,037.3m (2000 - £931.9m). £70.6m of the increase was organic whilst £34.7m derived from acquisitions made during the year. Sales were up in all three geographic areas in which we operate: UK and Eire by 14.1%, Europe by 8.2% and USA by 2.4%. Within mainland Europe, sales increased in every country except Poland.

Profits

The main highlights in relation to the profit performance of the Group were as follows:

- Operating profit before goodwill amortisation up 13.0% to £59.1m (2000 - £52.3m)
- Profit before tax and goodwill amortisation up 9% to £54.1m (2000 - £49.6m)
- Profit before tax up 6.4% to £51.3m (2000 - £48.2m)

Margins

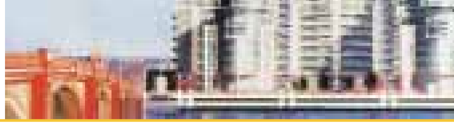
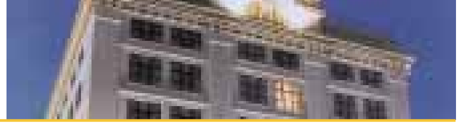
The Group operating margin has been maintained at 5.4% during the year. In the UK and Eire, margin improved to 7.7% (2000 - 7.3%). In Europe it reduced from 4.1% in 2000 to 3.2% in 2001, due mainly to the decline in Germany and a loss arising in Poland. In the USA the operating margin was held at 2.9%.

Earnings and Dividends

Earnings per share increased by 6.5% to 29.5p (2000 - 27.7p) and the Board is proposing a final dividend of 7.3p. Subject to shareholders' approval, this would make the total dividend 11.0p for 2001, up 7.8% from 10.2p in 2000, and represents the eighth successive year of increased dividend. If approved, the final dividend will be payable on 16 May 2002 to shareholders on the register at 19 April 2002.

Funding

In August 2001, we successfully completed the Group's first issue in the U.S. Private Placement market raising the sterling equivalent of £85m to provide additional working capital for our continued expansion and to extend the overall maturity of the Group's debt facilities.

Acquisitions

We made seven acquisitions during 2001, of which two were in Roofing and four in Insulation and related markets in the UK. Capco, acquired in September, strengthened our position in Commercial Interiors in the UK and Eire. Capco also represents our first Roofing Products expansion outside the UK.

Since the year end we have acquired Proos Roofing Supplies, the UK's second largest distributor, for a consideration of approximately £12m.

FRS 17

The company has adopted the transitional arrangements of FRS 17 – Retirement Benefits. If this standard had been adopted in full in 2001, the Group's consolidated net assets would have been reduced by £5.1m, with no material effect on reported earnings.

Trading Conditions

Overall, the markets in which we operate in the UK were positive with modest growth in demand, combined with a small element of price inflation in all three of our product sectors.

In Europe, conditions were mixed. France and The Netherlands experienced similar conditions to the UK – modest growth in demand and prices. In Germany, it is estimated that demand in our markets fell by over 8%. In Poland, the fall in prices and reduction in construction sector activity together amounted to a market decline of over 10%.

In the USA, whilst prices were maintained, demand fell in the petro-chem sector in the Southern States giving a slightly reduced market overall.

Against this background, SIG businesses out-performed in all areas of activity.

Board

During the year three new directors joined the Board. Peter Blackburn and Nick Paul became non-executive directors and John Chivers, Managing Director of the Roofing Division, was appointed to the Group Board. David Williams took operational control of the Group in September 2001 and became Chief Executive on 1st January 2002.

Sir Timothy Kitson and Jim Potter retired as non-executive Directors in September and Bill Forrester retired from the Board as Chief Executive in December. I take this opportunity to thank them for the valuable contribution they have made to the development of the Group. Bill had successfully headed the Company for twenty years and the strength of the Group today owes much to his leadership.

This has been a period of considerable change at Board level and I have every confidence that the new team will ensure the continued successful development of the Group.

Prospects

In the UK we expect flat market conditions, particularly in the Industrial and Commercial sectors which account for much of our business, although we hope to see some modest effect from the new Building Regulations (Part L) later in the year.

There have been signs of a very slight weakening in the Commercial Interiors new build sector. However, we have taken action to extend our product range and we remain confident of our prospects in this sector. We expect the Roofing market to remain positive.

In Europe, we believe market conditions in France and The Netherlands will continue to be steady and expect construction in Germany and Poland to remain weak. In the USA, we anticipate that the industrial and petro-chem markets will weaken slightly.

Against the background of these mixed market conditions, we face the future with confidence and look forward to continued progress in the year ahead.

Barrie Cottingham
Chairman

In 2001 SIG made further significant progress, improving sales, operating profits and earnings per share. We continued to invest in our core businesses and supplement organic growth with carefully targeted acquisitions. This strategy continues to strengthen our market position for the longer term.

Highlights

UK and Eire

We achieved an excellent performance in all our core operations in the UK and Eire.

- Sales up 14.1%
- Operating Profit up 19.8%
- Operating Profit Margin improved
- Number of trading locations increased by 35 during the year
- Sales and operating profits were increased in all three core sectors of Insulation, Roofing and Commercial Interiors

In the main **Insulation** business, the organic improvement in operating profit exceeded 10%, based on a modest volume increase, tight cost control and further good progress in price management. Market pricing was generally stronger than in previous years. Sales were increased in all our main markets, including both the industrial and building sectors and further benefits were gained from concentration on higher margin and added-value products. Our ability to meet the demands of our customers was improved and we invested further in the delivery vehicle fleet. We also made good progress in the sales of new products.

During the year we added four trading locations to our UK Insulation business, improving our market coverage and broadening our customer base.

Our **UK Roofing** operations grew very strongly during the year, with sales up more than 15%, chiefly organic.

We benefited from a range of investments, including an increase in sales management and sales resources, improvements to branch facilities, a broader stock range and the relocation of several branches to larger sites.

SIG has firmly established itself as the leading supplier to the roofing industry and we extended our services to all sectors, including flat and pitch roofs, across the whole spectrum from housing refurbishment to industrial and retail buildings.

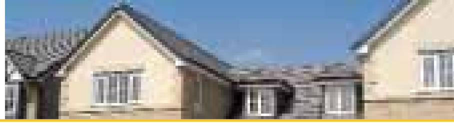
Customer service has been further improved by the investment in additional mechanical off-loading delivery vehicles, which improves the operational efficiency of our fleet. New alliances were formed with several manufacturers during the year and overall market conditions were reasonably positive with a small improvement in the general level of pricing and demand.

In **Commercial Interiors**, organic sales increased by 8%, highlighting a strengthening of our position in a market that is estimated to have seen only modest growth in the year. The commercial interiors market has become more demanding and sophisticated in recent years, and we have responded to this by stepping up our investment in new product development and by strengthening our design and planning services. New initiatives during the year included the successful launch of a new office furniture range, an extension to our specialist steel partitioning products, the introduction of new ceiling tile designs and the creation of a new commercial alliance in the interior architectural glass market. Our sales of mainstream, mid-market ceilings and partitioning products performed well and we relocated several branches to improve our coverage and stockholding capabilities.

Our development business in the **Safety Products and Workwear** sector increased sales. Profits were down on prior year due to costs associated with a major reorganisation of the operations. Investments during the year included new product storage systems and new computer aided order picking and tracking systems.

Europe

Sales overall in Europe increased by 8.2% whilst operating profits fell by



14.6%. This decline was expected and due to two factors: reduced profits in Germany and the loss incurred in Poland.

Sales in **Germany** were up 4.5%, a tremendous achievement against the background of a construction market that fell by an estimated 8% by value. Despite these difficult conditions, which were compounded by price deflation in some areas, our gross margin was held and the gross profit actually increased. However, operating costs increased as a proportion of sales due to investments in branch resources, improved IT facilities and the establishment of new trading locations. We also incurred restructuring costs in the year associated with branch closures and the consolidation of the accounting function onto a single site. These measures were part of the continued process of improving our sales effectiveness and our overall efficiency levels in Germany. We continue to be profitable in Germany, improved our market position considerably and strengthened our operations for the future.

Our small business in **Poland** traded in extremely difficult market conditions. Construction activity is reported to have declined by around 10% and our sales fell in line. This decline, coupled with a rise in operational costs and increased provisions for possible bad debts, resulted in a loss of £1.4m during the year.

Our performance in **France** was excellent. Sales were up over 9%, substantially ahead of the estimated growth in our market sectors. Progress was made in both the Insulation and Commercial Interiors divisions. Insulation benefited from several large industrial maintenance projects and we also grew sales in the air conditioning sector. Growth in our Commercial Interiors operations was very strong. New branches opened in 2000 continued to progress well and we opened a new location in Le Mans in mid 2001.

Our growing operations in **The Netherlands** performed well and sales and operating profits increased significantly. Most of our sales are within the Commercial Interiors market and we have a small, highly specialised insulation fabrication operation that sells to customers in The Netherlands and Germany. Two trading locations were added during the year.

USA

Sales and operating profits in the USA improved. Safety, environmental and fire protection products performed particularly well and our insulated jacketing and trace heating division had excellent growth in sales and profits.

Demand from the petro-chem markets on the Gulf of Mexico continued to be disappointingly sluggish and two branches in Alabama were merged to improve operational efficiencies.

Acquisitions

Our programme of acquisitions continued during the year. Two small businesses were added to improve our market coverage in the Roofing sector and three small additions were made to our UK Insulation operations.

Capco, acquired in September 2001, strengthened our position in all three of our core business streams both in the UK and Eire.

As part of our business development activities, we acquired a specialist supplier of insulation, waterproofing and metal products to the civil engineering and infrastructure sectors. All acquisitions have integrated well and are performing in line with our expectations.

People

The growth and improved performance of the Group is a tribute to the skills, dedication and creativity of all our management and employees. We continued to invest in the training and development of our staff, our most important asset.

Euro

All our operations in Eire and mainland Europe affected by the introduction of the Euro successfully converted their financial and operating systems.

D. Williams

David Williams
Chief Executive

Insulation

Europe's largest supplier of thermal, noise and fire insulation products

building great

Insulation is used for three main purposes: as a thermal barrier to prevent heat loss or gain, as an acoustic barrier to prevent sound transmission and as a barrier against smoke and fire.

SIG is a leader in all three areas. Specialist contractors, and other customers, know that it is essential to have sound technical knowledge of these specific applications to ensure that legal and safety standards are met in buildings and industry, and that the products supplied match the exacting requirements in each case.

The use of insulation products in each of these three specific requirements is extremely diverse, ranging from housing to offices, shops and all other classes of buildings through to power stations, petrochemical and refining plants, the food

and drinks industries, pharmaceuticals manufacture, shipbuilding and oil and gas exploration.

SIG is the largest supplier of insulation materials in Europe and the leading supplier to industry in those specific States of North America where it has trading operations. In addition to the vast range of individual types of insulation materials, SIG supplies the widest choice of associated products available in the industry.

Technical advice, including thermal (heat loss) calculations and application choices are an important part of the service to many customers.

Growth Drivers

- the tightening of regulations
- new European product standards
- rising energy costs
- environmental pressures
- potential for increased geographic coverage

partnerships

Roofing

Largest supplier in the UK and Eire of specialist roofing materials

experience

SIG

The roof of any building is the most critical part – it protects the whole of the building and its contents from the elements and is subject to the full forces of rain, wind, snow, ice and sun.

Consequently, most roofs need maintenance and repair many times during their lifespan and, indeed, complete renewal of the roof of a building is commonplace. These factors mean that the repair and maintenance of roofs is a major industry, in addition to the new build market, and extremely short time-scales for contractors create a demand for instant availability across an extremely diverse range of materials. Meeting such demands is the classic role of a specialist supplier.

Growth Drivers

- Resilient 'essential maintenance' demand
- Growth of specialist distribution as the main supply route
- Geographic expansion opportunities – UK and Europe

SIG is the largest supplier of roofing products in the UK and is one of the leading specialists in Eire. The Company supplies into every sector of the roofing industry, from conventional pitch roofs in housing, which may be made from concrete clay or slate, through to flat or low-pitch roofs on commercial and industrial buildings, where metal, lead, copper and bituminous products are more commonplace.

A full range of accessories and complementary products are sold as part of the 'single source' supply concept.

counts

Commercial Interiors

Leading supplier to the Commercial Interiors market in the UK, Eire and Europe

wider

The market for Commercial Interiors has become more demanding and more sophisticated in recent years. The emphasis is very much on achieving the optimum balance between efficient utilisation of space and the quality and comfort provided for people who use that space as a working environment every day. The added requirement of flexibility and the ability to change the space configuration as work patterns change is increasingly important.

SIG provide a range of products and services into this market according to the requirements of the client. The building may be an office complex, a PFI project, a factory or a retail outlet. Refurbishment projects are equally as important as new construction. The Company provides an integrated package beginning with a design and space utilisation service, based on intended occupancy levels, through

to the manufacture of specific 'tailor made' products and the eventual supply on a 'critical time' basis.

Growth Drivers

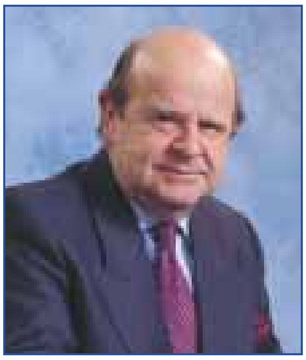
- Upgrading and improvements
- Increased demand for integrated solutions
- Geographic expansion opportunities

In common with the Roofing and Insulation businesses, legislation and design performance requirements concerning acoustics and fire are vital elements in the Commercial Interiors sector.

The product range is very extensive, covering the spectrum of requirements from budget systems to top quality boardroom interiors. Ceilings and wall systems, partitions, office screens, furniture, lighting and wall storage systems, together with a wide range of essential associated products, are all supplied.

The Group is the leading supplier in the UK and Eire and has a substantial position in mainland Europe.

opportunities



The debt profile of the Group was improved by the raising of US$120m of unsecured fixed rate loan notes

Results

Turnover for the year amounted to £1,037.3m (2000 - £931.9m), up 11.3%. Operating profits improved by 10.6% from £50.9m to £56.3m, despite a 100% increase in goodwill amortisation from £1.4m to £2.8m.

Interest

The interest charge for the year was £5.0m (2000 - £2.7m) and was covered 11 times (2000 - 19 times).

Taxation

The taxation charge for the year of £16.2m amounted to 31.6% of pre-tax profits (2000 - 31.6%).

Earnings and Dividends

Earnings per share of 29.5p (2000 27.7p) were 6.5% ahead of the prior year. The proposed final dividend of 7.3p per share delivers a full year rate of 11.0p representing an increase of 7.8% and is covered 2.7 times.

Cash Flow / Working Capital

A net cash inflow from operating activities of £50.9m was generated after further investment in working capital. After payments in respect of net interest of £2.7m, taxation of £17.9m, dividends of £12.4m and capital expenditure of £19.5m, there was a cash outflow of £1.6m. A further £36.5m was expended on acquisitions, net of cash acquired, leaving total net borrowings at the year end of £109.3m (2000 - £72.4m) and capital gearing of 66%, compared with 51% last year.

Stocks have continued to be well managed and, after adjusting for acquisitions and exchange difference during the year, stocks increased by £3.7m, reflecting the increased activity.

Stock turn was improved throughout the Group and, at l0 times, was similar to last year.

The average days of debt were 55 (2000 - 55) and bad debt experience has shown a slight improvement over last year.

Trade creditors including bills were £71.6m compared with £67.1m in 2000, with creditor days at 29 days (2000 - 30).

Acquisitions

The principal acquisitions during the year were Capco, a distributor of ceilings and partitions, insulation and roofing products trading in Eire and the UK for £26.6m and Support Site a UK distributor of specialist building and civil engineering products for £8.5m.

Funding

The Group's borrowing facilities comprise a mixture of short and medium term facilities.

On 9 August 2001, the debt maturity profile of the Group was improved by the raising of US$120m of unsecured fixed interest rate loan notes via a US Private Placement. US$44m of this total has a seven year maturity at an interest rate of 6.744% with the balance of US$76m maturing after ten years at an interest rate of 6.914%. The average interest rate on the total principal amounts to 6.851%.

All of the interest and principal flows arising to maturity have been swapped into both Sterling and Euros. Of the total net borrowings outstanding at the year end, 91% (2000 - 33%) is medium term, the balance being short term working capital facilities.

The medium term loans total £94.9m, of which £88.5m are at fixed rates of interest and the remainder are linked to LIBOR. All borrowings in the UK, France and the USA are on an unsecured basis. In the Netherlands all borrowings are secured, and in Germany medium term borrowings are secured.

Stocks and debtors have continued to be well managed

Foreign Currency Risk

The Group's exposure to exchange rate movements is limited to currency translation. The movement in exchange rates compared to 2000 of approximately 2% having a positive effect of £0.2m on operating profits. In order to protect the Group's sterling balance sheet from movements in the Euro/sterling exchange rate, the Group finances its net investment in its German, French and Dutch subsidiaries by means of US$ fixed rate loan notes swapped into Euros.

The vast majority of the Group's sales and purchases are not cross border. When cross border transactions occur it is the Group's policy to eliminate currency exposure at that time through forward currency contracts, if exposure is considered to be material.

The principal average and year end exchange rates used by the Group in translating foreign currency earnings and net assets were (rates to £ sterling):

	2001		2000	
	Average	**Year end**	Average	Year end
French francs	**10.586**	**10.72**	10.783	10.44
German marks	**3.156**	**3.197**	3.215	3.112
US dollars	**1.459**	**1.455**	1.514	1.494
Irish punts	**1.271**	**1.287**	1.295	1.253
Euro	**1.614**	**1.635**	1.631	1.591

Going Concern

The Directors have reasonable expectations that the Group has adequate resources for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the accounts.

Frank Prust

Finance Director

Left to right: Frank Prust FCA (Finance Director); David Williams (Chief Executive) ■; Nick Paul BSc, MSc, MIMechE, MIMC (Non-Executive) ▲● ■; John Chivers (Executive Director); Barrie Cottingham FCA, ATII (Non-Executive Chairman) ▲● ■; Peter Blackburn BA, D.L.itt, FCA (Non-Executive) ▲● ■.

President
Sir Norman Adsetts, OBE, MA

Secretary
John Ralph Swynnerton, FCA

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Joint Stockbrokers
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ING Barings Ltd
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London
ECM 5TQ

▲ Member of the Audit Committee
● Member of the Remuneration Committee
■ Member of the Nomination Committee

Subsidiary Managing Directors


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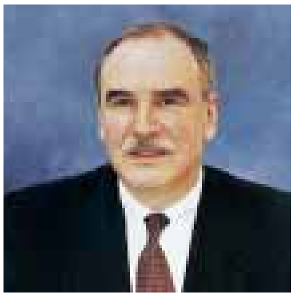
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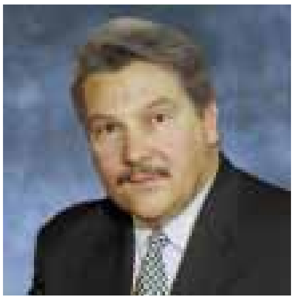
14


15

1 **Stewart Horne**
Managing director,
Sheffield Insulations

2 **Philip Duckworth**
Managing director,
Komfort Office
Environments

3 **George Appleton**
Managing director,
Capco

4 **Colin Fotheringham**
Managing director,
CPD Distribution

5 **Mike Dyson**
Managing director,
Miller Pattison

6 **Chris Davies**
Managing director,
Germany, Netherlands
and Poland

7 **Ole Ahrens**
Managing director,
WKT

8 **Günter Barwitzki**
Managing director,
Golinski

9 **Francoise Chombart**
de Lauwe
Managing director,
Ouest Isol

10 **Huib Nouwens**
Managing director,
Nouwens Groep

11 **Marcin Szczygiel**
Managing director,
WKT Polska

12 **Andrew Garcia**
Executive director
SIG USA and Speciality
Businesses

13 **Frank Farese**
Managing director,
SIG Southwest

14 **Bruce Wallick**
Managing director,
BWI

15 **David Goodwin,**
Managing director,
Support Site

The Directors present their annual report on the affairs of the Company and its subsidiary undertakings ("the Group"), together with the Group accounts and the independent auditors' report for the year ended 31 December 2001.

Principal activities and business review

The principal activities of the Group are the distribution of thermal insulation materials and associated products; roofing materials; ceiling tiles; personal protective equipment and the design, manufacture and distribution of partitioning.

A review of the business during the year and comments on the future outlook are contained in the Chairman's Statement and the Chief Executive's Review of Operations on pages 2 to 5.

Details of an acquisition subsequent to the balance sheet date is contained in Note 10.

Results

The results for the year are shown on page 26. The movement on the Group reserves during the year is shown in Note 18 on page 42. Details of dividends are shown in Note 7 on page 33.

Directors and their interests

The directors who served during the year were:

B Cottingham	(Non-Executive Chairman)
W W Forrester	(Chief Executive) (retired 31 December 2001)
D Williams	(Deputy Chief Executive)
F C Prust	(Finance Director)
M J Chivers	(Managing Director, SIG Roofing Supplies Limited) (appointed 1 September 2001)
Sir T Kitson	(Non-Executive) (resigned 30 September 2001)
J G Potter	(Non-Executive) (resigned 30 September 2001)
P H Blackburn	(Non-Executive) (appointed 1 July 2001)
N C Paul	(Non-Executive) (appointed 1 July 2001)

Mr Forrester (age 61) joined the Group as Sales Director in 1981 and was appointed Chief Executive in 1985. He formerly held executive positions with BP and Rockwool. He retired on 31 December 2001.

Mr Williams (age 51) joined the Group in 1983 having gained UK and overseas sales and marketing experience in several diverse industries. He was appointed Managing Director of Sheffield Insulations Limited and to the main Board in June 1993. On 1 July 2001 he was appointed Deputy Chief Executive and became Chief Executive on 1 January 2002. He is a member of the Nomination Committee.

Mr Prust (age 57) joined the Group as Company Secretary and Treasurer in October 1985 after fifteen years in Investment Banking. He was appointed Finance Director in December 1987.

Mr Chivers (age 49) joined the Group in July 1975 and was appointed a director of Sheffield Insulations Limited in April 1989. He became Managing Director of SIG Roofing Supplies Limited in July 1997 and was appointed to the main Board on 1 September 2001.

Mr Cottingham (age 68) became a non-executive director in August 1993 and chairman in April 1996. He is chairman of the Audit and Nomination Committees and a member of the Remuneration Committee. He is a former senior partner of Coopers & Lybrand, chartered accountants. He is non-executive chairman of Cattles plc, a non-executive director of Vp plc and non-executive deputy chairman of Dew Pitchmastic plc.

Mr Blackburn (age 61) became a non-executive director on 1 July 2001. He is chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He is non-executive chairman of Northern Foods plc. From November 1997 to June 2001 he was chairman and chief executive of Nestlé Holdings (U.K.) plc and prior to that he was chairman and chief executive of Nestlé, France. He is president of the Food and Drink Federation.

Mr Paul (age 57) became a non-executive director on 1 July 2001. He is a member of the Remuneration, Audit and Nomination Committees. He is non-executive chairman of Tricorn Group plc. He recently retired from IMI plc, where he was deputy chief executive. He is currently a non-executive director of John Laing plc, a position he has held since 1999.

In accordance with the Articles of Association, Messrs Chivers, Blackburn and Paul retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr Williams retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

A schedule of the directors' interests in the shares of the Company is included in the Remuneration section of this report on page 21.

Share capital and substantial shareholdings

Details of the share capital of the Company are set out in Note 17 to the accounts on page 40.

As at 1 March 2002 the Company has been notified of the following interests, held directly or indirectly, in 3% or more of the Company's issued ordinary share capital:

	Number of shares	% of issued share capital
Fidelity International Limited	7,846,487	6.60%
Legal & General Investment Management Limited	4,490,810	3.78%
Prudential plc	4,486,000	3.78%
CGNU plc	4,298,934	3.62%

Payments to suppliers

It is Group policy to agree terms and conditions for its business transactions with suppliers. Payment is made on those terms subject to the terms and conditions being met by the supplier. The Company does not trade and therefore its average number of days outstanding in respect of trade creditors at 31 December 2001 was nil. The Group's average number of days outstanding in respect of trade creditors was 29 (2000 – 30).

Charitable contributions

The Group contributed £45,000 (2000 – £38,000) to charities during the year.

Employees

It is the Group's policy that employees should be kept as fully informed as is practicable about the performance and prospects of the Group.

The Group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person. Where employees become disabled, the Group endeavours to continue to employ them provided there are duties which they can perform, bearing in mind the handicap or disability. As far as possible, training, career development and promotion are available to handicapped and disabled persons where this is in their own as well as the Group's best interests.

Employee share ownership is encouraged through savings related and other employee share schemes. At 31 December 2001 there were 937 employees saving under the savings related schemes.

Auditors

The directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

Corporate Governance Statements

These corporate governance statements, including the Internal Control and Remuneration sections of this report, set out how the Company has applied the principles and complied with the provisions set out in Section 1 of the Principles of Good Governance and Code of Best Practice encompassed in the Combined Code ("the Code"), annexed to the Listing Rules of the UK Listing Authority.

Throughout the year the Company has complied with the Code provisions, except as detailed below with regard to the appointment of a senior independent non-executive director (Code provision A.2.1) and the length of directors' service agreements (Code provision B.1.7).

Arthur Andersen has reviewed the Directors' compliance statement and their report is provided on page 46.

Directors

The Board meets regularly throughout the year, normally ten times a year, monitoring the executive management. Board meetings follow a formal agenda of matters specifically reserved for decision and approval of the Board, ensuring that full control of appropriate financial, strategic, organisational and compliance matters is maintained. All directors may take independent professional advice at the Company's expense in the furtherance of their duties and have access to the services of the Company Secretary.

Mr B Cottingham, a non-executive director, chairs the Board, and Mr D Williams, the Chief Executive, is responsible for running the Group's business. In view of the small size of the Board, it has not been felt necessary to nominate a senior independent non-executive director.

The Board consists of six directors, of whom three are non-executive directors. Details of the Board, together with short biographies and their membership of Board Committees, are set out on page 16. The non-executive directors bring considerable knowledge and external experience to the Board's deliberations and the Board considers all three non-executive directors to be independent.

The Board receives reports and financial information prior to meetings, together with other relevant information on business, corporate and strategic issues.

The Nomination Committee consists of the three non-executive directors and the Chief Executive. The committee is currently chaired by Mr B Cottingham.

The Company's Articles of Association require one third of the Board to submit themselves for re-election, on a rotational basis, every year. No director is exempt from seeking re-election. Non-executive directors are normally appointed for an initial term of three years.

Directors' remuneration

The responsibilities of the Remuneration Committee, together with an explanation of how it applies the directors' remuneration principles of the Code, are set out in the Remuneration section of these statements.

Relations with shareholders

During the year directors have met with most of the Company's institutional investors to whom presentations were made after the announcement of the Company's preliminary and interim results. Care is taken to ensure that any price sensitive information is released to all shareholders, institutional or private, at the same time in accordance with UK Listing Authority requirements.

All directors, including the Chairmen of the Audit, Remuneration and Nomination Committees, attended the Annual General Meeting and were available to answer questions from those shareholders present. The Chairman, after the show of hands on each resolution, indicated the number of proxy votes for and against each resolution.

Accountability and audit

The Chairman's Statement and the Chief Executive's Review of Operations on pages 2 to 5, together with the Finance Director's Financial Review on pages 12 and 13, give an assessment of the Group's position and prospects. The statement of the directors' responsibilities for preparing the accounts is set out on page 23.

The Audit Committee, which meets at least twice a year, is composed of the three non-executive directors, Mr B Cottingham (Chairman of the Audit Committee), Mr P H Blackburn and Mr N C Paul. Mr B Cottingham was selected as the Chairman in view of his considerable relevant experience as a former senior partner of a large international firm of accountants. The Audit Committee monitors the accounting policies, internal control and financial reporting of the Group. The external auditors attend all the meetings and have direct access to the Committee Chairman.

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failing to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

For the whole of the year under review and up to the date of the approval of the annual report and accounts, the Board has had formal procedures in place to ensure that it is in a position to consider all significant aspects of internal control.

As required by the Code, the Board has conducted a review of the effectiveness of the Group's system of internal control. This review has covered all controls including operational, compliance and risk management, as well as financial.

The formal process followed by the Board in reviewing the effectiveness of the Group's system of internal control accords with the guidance issued by the Turnbull working party: "Internal Control: Guidance for Directors on the Combined Code" and is summarised as follows:

- Operating company management is charged with the ongoing responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks.
- Twice a year, operating companies formally review all business risks and set out the significant risks to the business, the controls in place and additional controls which could be implemented. These proposals are approved by each operating company board and submitted to Group executive management for review. Any significant matters arising from this review are formally reported to the Board by the Finance Director.
- The risk and control identification and management process is monitored and periodically reviewed by Group executive management.
- The key elements of the controls framework within which the Group operates are:
  - an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements.
  - an embedded culture of openness of communication between operating company management and the Group executive management on matters relating to risk and control.
  - defined expenditure authorisation levels.

- operating company reviews covering all aspects of each business are conducted by Group executive management each quarter.
- a comprehensive system of financial reporting. An annual budget for each operating company is prepared in detail and approved by the Chief Executive. The Board approves the overall Group's budget and plans. Monthly actual results are reported against budget and prior year and the forecast for the year is revised where necessary. Any significant changes and adverse variances are questioned by the Board and remedial action is taken where appropriate. There is weekly cash and treasury reporting to the Finance Director and periodic reporting to the Board on the Group's tax and treasury position.

The Group does not have an internal audit function. However, the Board annually reviews the need for such a function and has done so during the year. Bearing in mind that, during the year, there were no adverse trends evident from the monitoring of internal controls or unexpected or unacceptable results of a material nature, at present the Board considers that an internal audit function is not necessary.

Going concern
The directors report that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Remuneration

The Board has a long established Remuneration Committee which meets at least twice a year. It is composed of the three non-executive directors, who, in the opinion of the Board, are independent of management and free from any business or other relationship which could materially interfere with their independent judgement. The Committee consists of Mr P H Blackburn (Chairman of the Remuneration Committee), Mr B Cottingham and Mr N C Paul. The responsibilities of the Remuneration Committee, together with an explanation of how it applies the directors' remuneration principles of the Code, are set out below.

Procedures for developing policy and fixing remuneration
The Committee's primary role is to recommend to the Board the remuneration of the Company's executive directors.

The Committee does not consider fees payable to non-executive directors, which is a matter for the Board as a whole.

The Chief Executive, Mr D Williams, is consulted and attends all meetings, except when his own remuneration is discussed.

The Committee does not retain a firm of remuneration consultants, but seeks professional advice, on an ad hoc basis, as required.

The level and composition of directors' remuneration
In determining the remuneration packages of executive directors, the Committee considers a number of factors including:

The basic salaries and benefits available to executive directors of comparable companies;
The importance of recruiting and retaining management of an appropriate calibre; and
Linking reward to the Group's performance.

Statement of remuneration policy and details of remuneration
The executive directors are responsible for recommending to the Board the fees of non-executive directors. Non-executive directors do not receive benefits or pension contributions from the Group and do not participate in any Group incentive scheme.

The main components of executive directors' salaries are:

Base salary and benefits
Base salary and benefits are determined on an annual basis by the Committee based upon the recommendations of the Chief Executive and after a review of the individual's performance and market trends. The Committee takes into account published remuneration information on comparable companies and salary policy within the rest of the Group. Benefits include a company car and medical insurance premiums. The value of benefits is not pensionable.

Annual bonus
The annual performance related bonus provides executive directors and senior managers with an incentive to achieve performance targets based on profit before tax of either the Group or a subsidiary, whichever is appropriate. The annual bonus is not pensionable.

Long Term Incentive Plan (L-TIP)
This plan recognises the need for long term performance and commitment and is an important means of aligning the interests of employees and shareholders, The L-TIP is not pensionable. Details of the L-TIP are shown on page 22.

Pensions

All executive directors are members of the Company's contributory defined benefit pension scheme. The pension scheme enables members to retire at age 60, which is the normal retirement date for senior executives, with a maximum pension after 40 years' pensionable service equivalent to 2/3rds of final pensionable salary. Pensionable salary is basic salary, excluding bonuses. Final pensionable salary is the average of the highest three consecutive pensionable salaries in the last ten years before retirement. On death before retirement, a lump sum equal to 4 times current salary is paid, together with a spouse's pension of 50% of pensionable salary. Pensions in payment are guaranteed to increase by 5% per annum compound.

Mr F C Prust also has Company pension contributions made to a money purchase scheme.

Full details of the remuneration packages of individual directors and information on share options, long-term incentive schemes and pension benefits are set out below and on pages 21 and 22.

Service contracts

The employment of all executive directors terminates automatically on reaching the age of 60.

Mr W W Forrester reached the age of 60 on 29 July 2000. However, he agreed to continue as Chief Executive until 31 December 2001 and his service agreement was extended to this date.

Mr D Williams and Mr M J Chivers both have a one year rolling contract.

Mr F C Prust has a two year rolling service contract. In limited circumstances involving the change of control of the Company, he would be entitled on termination to compensation, without deduction for mitigation, equivalent to two and a half times his salary, annual bonus and contractual benefits. The Remuneration Committee considers these arrangements to be reasonable having regard to the length of his service with the Company, the reduction from the original four years rolling service contract to the above terms and the de-motivating effect of a further reduction.

The Remuneration Committee is aware of the recommendations with regard to the length of service contracts, and only in exceptional circumstances would contracts in excess of one year be entered into in the future.

Directors' emoluments

The emoluments of the individual Directors were as follows:

	Salary and fees £000's	Performance related bonus £000's	Benefits £000's	Money purchase pension contributions £000's	**2001 Total emoluments £000's**	2000 Total emoluments £000's
Executive						
W W Forrester	424	152	29	–	**605**	534
F C Prust	215	108	16	48	**387**	373
D Williams	188	60	6	–	**254**	195
M J Chivers	103	50	11	–	**164**	–
Non-Executive						
B Cottingham (Chairman)	86	–	–	–	**86**	82
P H Blackburn	15	–	–	–	**15**	–
N C Paul	15	–	–	–	**15**	–
Sir T Kitson	24	–	–	–	**24**	29
J G Potter	23	–	–	–	**23**	30
	1,093	370	62	48	**1,573**	1,243

Directors' pensions

The following Directors had retirement benefits accruing under the Company's contributory defined benefit scheme in respect of qualifying services during the year:

	Accrued pension £000's	Increase/ (decrease) in accrued pension £000's
W W Forrester	111	(2)
F C Prust	71	6
D Williams	58	6
M J Chivers	44	4

The accrued pension figure for Mr W W Forrester is as at 29 July 2000, i.e. the date he attained normal pension age. Mr Forrester has remained in employment beyond normal pension age. However he does not accrue any further benefits in the Plan. His retirement commenced on 1 January 2002 and his pension was adjusted by a late retirement factor to allow for the shorter expected length of payment.

During 2001, the company paid directly to Mr Forrester those contributions that would otherwise have been paid to the Sheffield Insulations Group plc Retirement Benefits Plan had he remained an active member during 2001.

Directors' interests in the shares of SIG plc

The beneficial shareholdings of the Directors who held office at 31 December 2001 were as follows:

	Ordinary shares of 10p	
	31 December 2001	31 December 2000 or date of appointment
B Cottingham	**58,100**	58,100
W W Forrester	**758,836**	735,448
F C Prust	**385,469**	385,408
D Williams	**36,429**	18,157
M J Chivers	**26,549**	26,549
P H Blackburn	**8,000**	–

Subsequent changes

The interests shown above remained the same at 1 March 2002, for those Directors who held office at that date.

Directors' share options

The following Directors who held office at 31 December 2001 had share options which had not been exercised at that date as follows:

	Original date of grant	At 1 January 2001 or date of appointment	Number of shares Granted	Exercised	Lapsed	At 31 December 2001	Option price per 10p share	Gain on exercise	Normal date exercisable Earliest	Expiry
1989 Executive Share Option Scheme										
* W W Forrester	17.10.1994	125,000	–	–	–	125,000	250p	–	17.10.1997	30.06.2002
F C Prust	17.10.1994	75,000	–	–	–	75,000	250p	–	17.10.1997	16.10.2004
D Williams	19.04.1994	50,000	–	–	–	50,000	261p	–	19.04.1997	18.04.2004
M J Chivers	19.04.1994	10,000	–	–	–	10,000	261p	–	19.04.1997	18.04.2004
Long Term Incentive Plan										
W W Forrester	30.05.1997	40,387	–	(40,387)	–	–	10p	255p		
	27.04.1998	62,941	–	(62,941)	–	–	10p	203.5p		
F C Prust	30.05.1997	22,940	–	(22,940)	–	–	10p	260.5p		
	27.04.1998	35,764	–	(35,764)	–	–	10p	260.5p		
	01.04.1999	50,473	–	–	–	50,473	10p	–	01.04.2002	31.03.2006
	11.04.2000	35,785	–	–	–	35,785	10p	–	11.04.2003	10.04.2007
	17.04.2001	–	34,263	–	–	34,263	10p	–	17.04.2004	16.04.2008
D Williams	30.05.1997	8,271	–	(8,271)	–	–	10p	202.5p		
	27.04.1998	13,035	–	(10,000)	–	3,035	10p	203.5p	27.04.2001	26.04.2005
	01.04.1999	18,927	–	–	–	18,927	10p	–	01.04.2002	31.03.2006
	11.04.2000	13,993	–	–	–	13,993	10p	–	11.04.2003	10.04.2007
	17.04.2001	–	13,944	–	–	13,944	10p	–	17.04.2004	16.04.2008
M J Chivers	01.04.1999	5,678	–	–	–	5,678	10p	–	01.04.2002	31.03.2006
	11.04.2000	4,129	–	–	–	4,129	10p	–	11.04.2003	10.04.2007
	17.04.2001	5,129	–	–	–	5,129	10p	–	17.04.2004	16.04.2008
Savings Related Schemes										
W W Forrester	11.05.1999	13,831	–	–	–	13,831	122p	–	01.01.2002	30.06.2002
F C Prust	11.05.1999	13,831	–	–	–	13,831	122p	–	01.07.2004	31.12.2004
D Williams	11.05.1999	13,831	–	–	–	13,831	122p	–	01.07.2004	31.12.2004
M J Chivers	11.05.1999	13,831	–	–	–	13,831	122p	–	01.07.2004	31.12.2004
		632,776	48,207	(180,303)	–	500,680				

* Exercised 25 February 2002

The market price of the shares at 31 December 2001 was 281.5p and the range during 2001 was 199p to 282.5p.

Conditions of exercise and options
The following conditions apply to the exercise of options under each scheme:

1989 Executive Share Option Scheme
In 1997 this Scheme was superseded by the Long Term Incentive Scheme. There are no performance criteria attached to the exercise of these options. They must be exercised between three and ten years of the date of grant. The right to exercise options terminates upon the employee ceasing to hold office or employment with the Group, subject to certain exceptions and the discretion of the Board. Awards under this scheme are not pensionable.

Long Term Incentive Plan (L-TIP)
Exercisable between three and seven years from the date of grant. Provided the individual's performance criteria are met the award would vest in full if, over a consecutive three year period, the growth in the Group's earnings per share is 10% higher than the percentage increase, if any, in the Retail Price Index. None of the award would vest if the growth in earnings per share is less then 6% above the percentage increase in the Retail Price Index over the same period. Between these two limits, the award would vest proportionately. The right to exercise options terminates upon the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board. Awards under this scheme are not pensionable.

Savings Related Scheme
Exercisable within a fixed six month period five years from the date of grant. The right to exercise options terminates if the employee ceases to be employed by the Group otherwise than by way of death, injury or disability, redundancy, retirement or Group reconstruction. Exercise of options following cessation of employment by early retirement or other reason is permitted at the discretion of the Board provided that the date of cessation is at least three years after the date of grant.

Health, Safety and Environment
The Board is committed to maintaining high standards of health and safety within its business activities and recognises that the health and safety of employees and others who may be affected by the Group's operations is of primary importance in the successful conduct of its business.

The Group's policy is embodied in the Health and Safety Policy Document and the Chief Executive is the Board member responsible for health and safety matters and for keeping the Board fully informed on all current health and safety issues.

As a distributor of insulation and related products, our main markets are energy conservation, fire protection and noise control. We contribute significantly to the overall improvement of the environment through the supply of these products.

In the UK, the Group is a leading member of the Association for the Conservation of Energy and is active in pursuing the raising of mandatory standards in thermal insulation, noise abatement and fire protection.

Our activities, generally, have a lower impact on the environment than often results from manufacturing processes or extractive industries. Nonetheless, within our operations we conduct our activities to reflect best environmental practice in the key areas of energy consumption, waste management, air quality, health and safety and noise emissions and we have a well-defined environmental policy.

In the UK, the Group is compliant with the packaging waste regulations through membership of a leading compliance scheme. Most waste throughout the Group is paper, cardboard and polythene packaging. The Group works with its suppliers to keep all packaging to an absolute minimum. There is increasing use of waste compaction equipment, which further reduces environmental impact.

The nature of the Group's activities is such that there is no contamination of land or water. Visual and noise intrusion is minimal and environmental disturbance is limited to the movement of vehicles. The majority of the Group's trading sites are within designated industrial zones.

Annual General Meeting
The notice of the meeting can be found on pages 50 to 52. Included in the notice of the meeting and explained in note 4 to that notice is the Special Business to be conducted at the meeting, which relates to the following matters.

Authority to allot equity securities: Resolution No. 10
Shareholders' approval is requested each year for the renewal of the Directors' authority to issue up to 5 per cent of the Company's issued share capital without application to the statutory pre-emption rights. Resolution No. 10 seeks to renew that authority until the next Annual General Meeting.

Authority to make market purchases: Resolution No. 11
Resolution No. 11 gives the Directors power to make market purchases of the Company's shares up to approximately 10 per cent of the issued ordinary share capital of the Company. This power will expire on the earlier of 6 May 2003 and the conclusion of the 2003 Annual General Meeting. There is no present intention to purchase shares and, if granted, the authority would only be exercised if the Board considered it to be in the best interests of shareholders generally and, in any case, if it would result in an increase in earnings per share.

By order of the Board:

J R Swynnerton
Secretary
11 March 2002

Accounts, including adoption of going concern basis

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

In preparing the accounts, the directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Other matters

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A summary of the principal Group accounting policies, which have been applied consistently throughout the year, and with the preceding year, is set out below.

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and each of its subsidiary undertakings after eliminating all significant inter-company transactions and balances. The results of subsidiary undertakings acquired or sold are consolidated for the periods from or to the date on which control passed.

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life up to a maximum of twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods has been written-off against reserves on acquisition, in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written-off to reserves has not been reinstated in the balance sheet. On disposal of a previously acquired business, the attributable amount of goodwill previously written-off to reserves is included in determining the profit or loss on disposal.

No profit and loss account is presented for SIG plc, as permitted by Section 230 of the Companies Act 1985. The Company's profit for the financial year was £33,170,000 (2000 – £29,107,000). All recognised gains and losses are accounted for in the Company's profit and loss account.

Investments

Fixed asset investments are shown at cost less provision for any impairment in value.

Turnover

Group turnover represents the invoiced value of sales net of allowances and value added tax in the normal course of business.

Pension costs

It is the general policy of the Group to provide for pension liabilities in respect of defined benefit schemes, on a going concern basis, on the advice of external actuaries, by payment to independent trustee administered funds. Independent actuarial valuations on a going concern basis are carried out every 3 years. The amount charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll.

Amounts charged in the profit and loss account during the year in respect of defined contribution schemes, represent the contributions payable to the schemes in respect of the financial year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Further information on Pension Costs is contained in Note 22.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction or where appropriate at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or where appropriate at the rate of exchange in a related forward contract.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

For the purpose of consolidation the closing rate method is used. Profit and loss accounts of overseas subsidiary undertakings are translated at the average rate and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the Statement of Total Recognised Gains and Losses.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is calculated on the liability method and is provided to the extent that the directors are of the opinion that it is probable that such taxation will become payable in the foreseeable future.

Tangible fixed assets

Tangible fixed assets are shown at original cost or fair value to the Group less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost or fair value less estimated residual value of fixed assets on a straight line basis over their estimated useful lives as follows:

Freehold buildings	–	50 years
Leasehold buildings	–	period of lease (maximum 10 years)
Plant and machinery	–	3 to 8 years

Stocks

Stocks are stated at the lower of cost (including an appropriate proportion of attributable overheads) and net realisable value.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving, or defective items where appropriate.

Leases and hire purchase agreements

The cost of assets held under finance leases and hire purchase agreements is capitalised with an equivalent liability categorised as appropriate under creditors falling due within or after one year. The asset is depreciated over its useful life. Rentals under finance leases and hire purchase agreements are apportioned between finance costs and reduction of the liability and the finance costs are charged in arriving at the profit on ordinary activities.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Onerous leasehold property contracts

In accordance with the requirements under FRS 12 Provisions, Contingent Liabilities and Contingent Assets, the Group has continued to make provision in respect of onerous leasehold property contracts during the year.

Further information on the movements in this provision is contained in Note 16.

Consolidated Profit and Loss Account

for the year ended 31 December 2001

	Note	2001 £000's	2001 £000's	2000 £000's	2000 £000's
Turnover					
Continuing operations	1		**1,002,507**		931,927
Acquisitions	1		**34,751**		–
			1,037,258		931,927
Cost of sales	2		**770,193**		697,574
Gross profit			**267,065**		234,353
Other operating expenses	2		**210,753**		183,479
Operating profit					
Continuing operations	1	**54,919**		50,874	
Acquisitions	1	**1,393**		–	
			56,312		50,874
Net interest payable	3		**5,045**		2,703
Profit before taxation and amortisation of goodwill		**54,068**		49,596	
Amortisation of goodwill		**2,801**		1,425	
Profit on ordinary activities before taxation	4		**51,267**		48,171
Tax on profit on ordinary activities	6		**16,227**		15,222
Profit on ordinary activities after taxation			**35,040**		32,949
Minority interests (all equity)			**160**		207
Equity dividends paid and proposed	7		**13,051**		12,036
Retained profit for the year	18		**21,829**		20,706
Earnings per share					
Basic earnings per share	8		**29.5p**		27.7p
Fully diluted earnings per share	8		**29.2p**		27.4p
Earnings per share before goodwill amortisation					
Basic earnings per share	8		**31.8p**		28.9p
Fully diluted earnings per share	8		**31.5p**		28.6p

The accompanying accounting policies and notes are an integral part of this consolidated profit and loss account.

The movement on reserves is shown in Note 18.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2001

	2001 £000's	2000 £000's
Profit on ordinary activities after taxation and minority interests	**34,880**	32,742
Currency translation differences on foreign currency net investments	**(398)**	50
Total recognised gains and losses for the year	**34,482**	32,792

There is no difference between the results presented on page 26 and the results on an unmodified historical cost basis, therefore, a note of historical cost profits is not required.

The accompanying accounting policies and notes are an integral part of this statement.

Reconciliation of Movement in Consolidated Shareholders' Funds

	2001 £000's	2000 £000's
Profit after taxation and minority interests	**34,880**	32,742
Dividends	**(13,051)**	(12,036)
	21,829	20,706
New share capital issued	**384**	60
(Loss)/gain on foreign currency translation	**(398)**	50
Credit to L-TIP reserve	**223**	173
Net addition to shareholders' funds	**22,038**	20,989
Opening shareholders' funds	**143,448**	122,459
Closing shareholders' funds	**165,486**	143,448

Consolidated Balance Sheet

as at 31 December 2001

	Note	2001 £000's	2000 £000's
Fixed assets			
Intangible assets	10	**67,413**	36,116
Tangible assets	9	**65,031**	59,078
		132,444	95,194
Current assets			
Stocks	11	**78,504**	70,204
Debtors	12	**199,330**	172,957
Cash at bank and in hand		**10,348**	10,509
		288,182	253,670
Creditors:			
Amounts falling due within one year	13	**(151,868)**	(176,066)
Net current assets		**136,314**	77,604
Total assets less current liabilities		**268,758**	172,798
Creditors:			
Amounts falling due after more than one year	14	**(99,815)**	(25,299)
Provision for liabilities and charges	16	**(3,457)**	(4,051)
Net assets		**165,486**	143,448
Capital and reserves			
Called up share capital	17	**11,865**	11,823
Share premium account	18	**12,499**	12,157
Capital redemption reserve	18	**347**	347
Special reserve	18	**17,278**	17,278
Profit and loss account	18	**129,503**	107,232
L-TIP reserve	18	**306**	525
Exchange reserve	18	**(6,312)**	(5,914)
Shareholders' funds (all equity)		**165,486**	143,448

The accounts were approved by the Board of Directors on 11 March 2002 and signed on its behalf by:

D Williams
Director

F C Prust
Director

The accompanying accounting policies and notes are an integral part of this consolidated balance sheet.

Company Balance Sheet

as at 31 December 2001

	Note	2001 £000's	2000 £000's
Fixed assets			
Tangible assets	9	**903**	108
Investments	10	**95,124**	67,787
		96,027	67,895
Current assets			
Debtors – due within one year	12	**127,783**	110,938
– due after one year	12	**146,041**	133,834
Cash at bank and in hand		**9,931**	–
		283,755	244,772
Creditors:			
Amounts falling due within one year	13	**(20,813)**	(43,363)
Net current assets		**262,942**	201,409
Total assets less current liabilities		**358,969**	269,304
Creditors:			
Amounts falling due after more than one year	14	**(84,747)**	(15,798)
Provision for liabilities and charges	16	**–**	(10)
Net assets		**274,222**	253,496
Capital and reserves			
Called up share capital	17	**11,865**	11,823
Share premium account	18	**12,499**	12,157
Merger reserve	18	**21,655**	21,655
Capital redemption reserve	18	**347**	347
Special reserve	18	**130,365**	130,365
L-TIP reserve	18	**306**	525
Profit and loss account	18	**97,185**	76,624
Shareholders' funds (all equity)		**274,222**	253,496

The accounts were approved by the Board of Directors on 11 March 2002 and signed on its behalf by:

D Williams
Director

F C Prust
Director

The accompanying accounting policies and notes are an integral part of this balance sheet.

Consolidated Cash Flow Statement

for the year ended 31 December 2001

	Note	2001 £000's	2001 £000's	2000 £000's	2000 £000's
Net cash inflow from operating activities	19		**50,932**		52,837
Returns on investments and servicing of finance					
Interest received		**1,665**		525	
Interest paid		**(2,539)**		(1,472)	
Interest element of finance lease rentals		**(1,863)**		(1,756)	
Net cash outflow from returns on investments and servicing of finance			**(2,737)**		(2,703)
Tax paid			**(17,888)**		(10,707)
Capital expenditure					
Purchase of tangible fixed assets		**(21,755)**		(18,944)	
Sale of tangible fixed assets		**2,249**		1,042	
			(19,506)		(17,902)
Acquisitions					
Purchase of subsidiary undertakings		**(38,530)**		(28,276)	
Net cash/(overdrafts) acquired with subsidiary undertakings		**1,994**		(1,196)	
Net cash outflow from acquisitions			**(36,536)**		(29,472)
Equity dividends paid			**(12,431)**		(11,325)
Financing					
Issue of ordinary share capital		**384**		60	
Lease financing		**5,212**		4,608	
Capital element of finance lease rental payments		**(4,426)**		(4,004)	
Repayment of loans		**(15,643)**		(515)	
New loans		**91,284**		974	
Net cash inflow from financing			**76,811**		1,123
Increase/(decrease) in cash	20		**38,645**		(18,149)

The accompanying accounting policies and notes are an integral part of this consolidated cash flow statement.

1 Segmental information

Geographical analysis	2001 Turnover £000's	2001 Operating profit £000's	2001 Net assets £000's	2000 Turnover £000's	2000 Operating profit £000's	2000 Net assets £000's
Continuing operations						
– UK and Eire	**604,132**	**47,727**	**96,155**	559,889	41,000	85,503
– Europe	**325,614**	**10,424**	**72,167**	300,959	12,212	69,872
– Rest of world	**72,761**	**2,097**	**15,399**	71,079	2,069	13,862
– Parent Company	**–**	**(2,528)**	**(58,813)**	–	(2,982)	(25,789)
– Amortisation of goodwill	**–**	**(2,801)**	**–**	–	(1,425)	–
	1,002,507	**54,919**	**124,908**	931,927	50,874	143,448
Acquisitions						
– UK and Eire	**34,751**	**1,393**	**40,578**	–	–	–
Total operations	**1,037,258**	**56,312**	**165,486**	931,927	50,874	143,448

Turnover and operating profit by destination is not materially different from these amounts.

2 Cost of sales and other operating expenses

	2001 £000's	2000 £000's
Distribution costs	**84,929**	74,742
Selling and marketing costs	**72,719**	63,793
Administrative expenses	**53,105**	44,944
	210,753	183,479

The administrative expenses above include £2.801m (2000 – £1.425m) in respect of goodwill amortisation.

The figures for 2001 include the following amounts relating to acquisitions; cost of sales £26.6m and other operating expenses £6.8m (namely: distribution costs £3.4m, selling and marketing costs £1.4m and administrative expenses £2.0m).

3 Net interest payable

	2001 £000's	2000 £000's
Interest payable and similar charges:		
On bank loans, overdrafts and other loans repayable within five years	**2,517**	713
On bank loans, repayable after five years	**23**	759
On US Senior loan notes	**2,308**	–
On finance leases and hire purchase agreements	**1,862**	1,756
	6,710	3,228
Interest receivable	**(1,665)**	(525)
Net interest payable	**5,045**	2,703

4 Profit on ordinary activities before taxation

	2001	2000
Profit on ordinary activities before taxation	**£000's**	£000's
is stated after crediting:		
Gain on disposal of tangible fixed assets	**504**	329
And after charging:		
Depreciation of tangible fixed assets		
– owned	**11,497**	9,278
– held under finance leases and hire purchase agreements	**2,803**	2,826
Amortisation of goodwill	**2,801**	1,425
Operating lease rentals		
– land and buildings	**17,715**	14,981
– plant and machinery	**4,088**	2,581
Auditors' remuneration		
– audit work	**477**	409
– non-audit work	**282**	411
Staff costs (Note 5)	**124,186**	112,237

Fees paid to auditors in respect of non audit work relates to tax planning and compliance. In addition to these amounts, non audit fees of £206,000 were paid or payable in relation to due diligence services. This amount is included in the cost of acquisitions.

5 Staff costs

	2001	2000
Particulars of employees (including executive directors) are shown below:	**£000's**	£000's
Employee costs during the year amounted to:		
Wages and salaries	**107,159**	96,716
Social security costs	**13,657**	12,492
Other pension costs (Note 22)	**3,370**	3,029
	124,186	112,237

	2001	2000
The average monthly number of persons employed by the Group during the year was as follows:	**Number**	Number
Production	**1,059**	915
Distribution	**1,907**	1,594
Sales	**2,008**	1,937
Administration	**808**	827
	5,782	5,273

Directors' emoluments:

Details of the individual Directors' emoluments are given in the Remuneration section of the Report of the Directors on pages 19 and 20.

	2001	2000
The employee costs shown above include the following emoluments in respect of Directors of the Company:	**£000's**	£000's
Management remuneration	**1,525**	1,130
Company contributions to money purchase schemes	**48**	113
	1,573	1,243

6 Tax on profit on ordinary activities

The tax charge comprises:	**2001 £000's**	2000 £000's
UK Corporation tax	**13,760**	11,936
Overseas taxation	**2,643**	2,519
Deferred taxation	**277**	767
Adjustment in respect of prior years	**(453)**	–
	16,227	15,222

7 Equity dividends paid and proposed

Ordinary:	**2001 £000's**	2000 £000's
– interim paid of 3.7p per share (2000 – 3.4p)	**4,390**	3,996
– final proposed of 7.3p per share (2000 – 6.8p)	**8,661**	8,040
	13,051	12,036

8 Earnings per share

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

	Basic and diluted		Basic and diluted before goodwill amortisation	
	2001	2000	**2001**	2000
	£000's	£000's	**£000's**	£000's
Profit after tax	**35,040**	32,949	**35,040**	32,949
Minority interests	**(160)**	(207)	**(160)**	(207)
Goodwill amortisation	**–**	–	**2,801**	1,425
	34,880	32,742	**37,681**	34,167

Weighted average number of shares:

	2001 Number	2000 Number
For basic earnings per share	**118,415,817**	118,224,134
Exercise of share options	**1,215,171**	1,289,382
For diluted earnings per share	**119,630,988**	119,513,516

Earnings per share before goodwill amortisation is presented in order to give an indication of the underlying performance of the Group.

9 Tangible fixed assets

Group

The movement in the year was as follows:	Land and buildings Freehold £000's	Short leasehold £000's	Plant and machinery £000's	Total £000's
Cost				
Beginning of year	17,842	5,036	67,726	90,604
Exchange difference	(388)	3	(435)	(820)
Businesses acquired	–	31	671	702
Additions	144	903	20,708	21,755
Disposals	(900)	(426)	(9,774)	(11,100)
End of year	**16,698**	**5,547**	**78,896**	**101,141**
Depreciation				
Beginning of year	3,463	1,119	26,944	31,526
Exchange difference	(89)	2	(274)	(361)
Charge for year	923	464	12,913	14,300
Disposals	(443)	(406)	(8,506)	(9,355)
End of year	**3,854**	**1,179**	**31,077**	**36,110**
Net book value, beginning of year	**14,379**	**3,917**	**40,782**	**59,078**
Net book value, end of year	**12,844**	**4,368**	**47,819**	**65,031**

The net book value of plant and machinery includes an amount of £15.739m (2000 – £12.911m) in respect of assets held under finance leases and hire purchase agreements.

Company

The movement in the year was as follows:	Freehold land £000's	Plant and machinery £000's	Total £000's
Cost			
Beginning of year	37	137	174
Additions	–	333	333
Transfers from subsidiary undertakings	–	790	790
End of year	**37**	**1,260**	**1,297**
Depreciation			
Beginning of year	10	56	66
Charge for year	1	327	328
End of year	**11**	**383**	**394**
Net book value, beginning of year	**27**	**81**	**108**
Net book value, end of year	**26**	**877**	**903**

10 Fixed asset investments and intangible assets

Company	**2001**	2000
	£000's	£000's
Fixed asset investments comprise investments in subsidiary undertakings, as follows:		
Shares at cost	**95,151**	67,814
Provisions	**(27)**	(27)
	95,124	67,787

Group	**2001**	2000
Intangible assets comprise goodwill arising on the acquisition of subsidiary undertakings, as follows:	**£000's**	£000's
Cost		
Beginning of year	**38,250**	16,744
Additions	**34,098**	21,506
End of year	**72,348**	38,250
Amortisation		
Beginning of year	**2,134**	709
Charge for year	**2,801**	1,425
End of year	**4,935**	2,134
Net book value, end of year	**67,413**	36,116

Details of the Group's principal trading subsidiaries, all of which have been included in the consolidated accounts, are shown on page 47. Details of Group acquisitions during the year giving rise to the additional goodwill capitalised in 2001 in the consolidated balance sheet of £34.098m, before current year amortisation of £2.801m are set out below.

– On 22 May 2001, the Group acquired 100% of the issued share capital of Support Site Limited for a consideration of £8.471m. In addition, acquisition expenses amounted to £210,000. The fair value of the net assets acquired was £2.491m, resulting in goodwill of £6.190m. Amortisation in 2001 amounted to £181,000.

– On 31 August 2001, the Company acquired 100% of the issued share capital of Capco Holdings Limited, registered in Eire, for a consideration of £26.591m. In addition, acquisition expenses amounted to £746,000. The fair value of the net assets acquired was £2.475m, resulting in goodwill of £24.862m. Amortisation in 2001 amounted to £414,000.

– In addition the Group acquired 100% of the issued share capital of John Hughes (Roofing Merchant) Limited, John Hughes (Wigan) Limited and RKZ Group Limited (together with its wholly owned subsidiary Woods Insulation Limited) and the trade and certain assets of TOPS Roofing Supplies, Northern Insulation, Warm-a-Home and Heatwise Staffordshire for a total consideration, including acquisition expenses, of £3.478m. The fair value of net assets acquired was £432,000, resulting in goodwill of £3.046m. Amortisation in 2001 amounted to £98,000.

On 6 March 2002, the Group acquired 100% of the issued share capital of A.M. Proos and Sons Limited, for a consideration of approximately £12m.

10 Fixed asset investments and intangible assets (continued)

2001 acquisitions summary fair value table

	Book value £000's	Accounting policy alignment £000's	Fair value £000's
Fixed assets			
Intangible assets	133	(133)	–
Tangible assets	837	(135)	702
	970	(268)	702
Current assets			
Stocks	5,914	(916)	4,998
Debtors	21,272	(1,239)	20,033
Cash	3,975	–	3,975
Total assets	32,131	(2,423)	29,708
Liabilities	(24,037)	(273)	(24,310)
Net assets	8,094	(2,696)	5,398
Goodwill			34,098
Deferred consideration			(966)
Satisfied by cash			38,530
Net cash acquired			(1,994)
Net cash outflow from acquisitions			36,536

The directors have made a review of the fair value of the net assets acquired with the current year acquisitions. Any further adjustments arising will be accounted for in 2002.

11 Stocks

	Group	
	2001 £000's	2000 £000's
Raw materials and consumables	**4,073**	3,867
Finished goods and goods for resale	**74,431**	66,337
	78,504	70,204

The estimated replacement cost of stocks is not materially different from the balance sheet value stated above.

12 Debtors

	Group		Company	
	2001 £000's	2000 £000's	**2001 £000's**	2000 £000's
Trade debtors	**185,298**	164,754	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**273,484**	244,723
VAT	**295**	316		–
Other debtors	**3,924**	2,398	**11**	–
Prepayments and accrued income	**9,813**	5,489	**329**	49
	199,330	172,957	**273,824**	244,772

Of the total amount owed to the Company by subsidiary undertakings, £146.041m (2000 – £133.834m) is due after more than one year.

13 Creditors: Amounts falling due within one year	Group		Company	
	2001	2000	**2001**	2000
	£000's	£000's	**£000's**	£000's
Obligations under finance leases and hire purchase agreements	**4,779**	4,182	–	–
Bank overdrafts	**15,845**	54,981	**2,402**	30,780
Trade creditors	**64,465**	60,431	–	–
Bills of exchange payable	**7,153**	6,704	–	–
Amounts owed to subsidiary undertakings	–	–	**3,447**	3,653
Taxation and social security:				
–Corporation tax payable	**12,934**	13,734	**2,566**	–
–VAT	**4,465**	3,233	–	–
–Social security and PAYE	**3,357**	3,055	–	–
Proposed dividend	**8,661**	8,040	**8,661**	8,040
Accruals and deferred income	**30,209**	21,706	**3,737**	890
	151,868	176,066	**20,813**	43,363

£2.889m (2000 – £9.078m) of the above bank loans and overdrafts are secured on the assets of subsidiary undertakings. The remaining balances are unsecured.

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2001	2000	**2001**	2000
Obligations under finance leases and hire purchase agreements	**£000's**	£000's	**£000's**	£000's
–Due after one and within two years	**2,892**	2,437	–	–
–Due after two and within five years	**1,294**	1,551	–	–
Bank loans	**10,119**	19,755	–	15,798
US Senior loan notes	**84,747**	–	**84,747**	–
Accruals and deferred income	**763**	1,556	–	–
	99,815	25,299	**84,747**	15,798

	Group		Company	
	2001	2000	**2001**	2000
The bank loans included above are repayable as follows:	**£000's**	£000's	**£000's**	£000's
Due after one and within two years	**8,846**	–	–	–
Due after two and within five years	**810**	3,173	–	–
Due after five years	**463**	16,582	–	15,798
	10,119	19,755	–	15,798

Of the above bank loans, £3.565m (2000 – £3.957m) is secured on certain of the assets of subsidiary undertakings, and is repayable by instalments.

The bank loan repayable after more than five years attracts an interest rate of 5% and is repayable in full by 2017.

The US Senior loan notes are unsecured, repayable after more than five years and attract an average interest rate of 6.851%.

15 Derivatives and other financial instruments

The Financial Review on pages 12 and 13 provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in FRS 13 Derivatives and Other Financial Instruments. Certain financial assets such as investments in subsidiary undertakings are excluded from the scope of these disclosures, as are short-term debtors and creditors, other than the currency disclosures.

Interest rate profile

The Group has no financial assets other than cash at bank, (including cash deposits) of £10.348m (2000 – £10.509m) which are part of the financing arrangements of the Group. The cash deposits comprise deposits placed on money market at call, seven-day and monthly rates.

After taking into account interest rate and currency swaps, the interest rate and currency profile of the Group's financial liabilities at 31 December 2001 was as follows:

	Total 2001 £000's	Floating rate 2001 £000's	Fixed rate 2001 £000's
Sterling	37,707	6,924	30,783
Euro	60,717	119	60,598
Deutschemark	7,210	1,834	5,376
French franc	5,541	5,541	–
US dollar	6,542	6,542	–
Dutch guilder	1,959	1,281	678
Total	119,676	22,241	97,435

The fixed rates are fixed for a period of between one and ten years.

The interest rate on floating rate financial liabilities is linked to UK base rate in the case of sterling liabilities, LIBOR for Euro liabilities, US prime rate and LIBOR for US dollar liabilities, EURIBOR for Deutschemark liabilities and EONIA for French franc liabilities.

£6.634m of the sterling and £2.331m of the Deutschemark fixed rate liabilities are lease contracts taken out over a maximum period of 5 years with an average interest rate of 6.5%.

The remaining Deutschemark fixed rate liabilities of £3.045m have a weighted average interest rate of 6.7% and are repayable over a weighted average period of 2 years.

The Dutch guilder fixed rate liabilities have a weighted average interest rate of 5% and are repayable over a weighted average period of 10 years.

Currency exposures

The Group's objectives in managing the currency exposures arising from its net investment overseas (in other words, its structural currency exposures) are to maintain a low cost of borrowings and to retain some potential for currency-related appreciation while partially hedging against currency depreciation. Gains and losses arising from these structural currency exposures are recognised in the statement of total recognised gains and losses.

Transactional exposures that give rise to net currency gains and losses recognised in the profit and loss account, are minimal as Group companies do not enter into significant amounts of cross border transactions. The gain arising in the Group during 2001 in respect of transactional exposures amounted to £43,000 (2000 – £9,000).

15 Derivatives and other financial instruments (continued)

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2001 was as follows:

	Borrowings	
	2001	2000
	£000's	£000's
In one year or less	**20,624**	59,163
In more than one year but not more than two years	**11,738**	2,437
In more than two years but not more than five years	**2,104**	4,724
In more than five years	**85,210**	16,582
Total	**119,676**	82,906

Borrowing facilities

The Group had undrawn committed borrowing facilities at 31 December 2001 as follows:

	Borrowings	
	2001	2000
	£000's	£000's
Expiring in more than one year but not more than two years	**28,772**	–
Expiring in more than two years but not more than five years	–	173
Expiring in more than five years	**15,000**	–
Total	**43,772**	173

16 Provision for liabilities and charges

	Group		Company	
	2001	2000	**2001**	2000
	£000's	£000's	**£000's**	£000's
Deferred taxation – fixed asset timing differences	**544**	619	–	10
– short term differences	**300**	30	–	–
Other provisions and onerous lease contracts	**2,613**	3,402	–	–
	3,457	4,051	–	10

The movement on deferred tax was as follows:

	Group		Company	
	2001	2000	**2001**	2000
	£000's	£000's	**£000's**	£000's
Beginning of year	**649**	(122)	**10**	13
On acquisition of subsidiary undertakings	**(67)**	16	–	–
Charge/(credit) for the year	**277**	767	**(10)**	(3)
Exchange difference	**(15)**	(12)	–	–
End of year	**844**	649	–	10

There is no unprovided deferred tax liability with the exception that deferred tax has not been provided on any potential capital gain which would arise on the disposal of land and buildings.

The Group has tax losses carried forward in Germany which will be available to shelter future years' tax liabilities in that jurisdiction. The tax benefit of these losses is approximately £3.4m (2000 – £3.3m). In accordance with the Group's accounting policy these assets are not recognised.

16 Provision for liabilities and charges (continued)

The movement on other provisions during the year was as follows:

Group Onerous lease contracts	2001 £000's	2000 £000's
Beginning of year	**2,205**	2,656
Released	**(537)**	(555)
Utilised	**(421)**	(511)
New provisions	**219**	609
Exchange difference	**(9)**	6
End of year	**1,457**	2,205

The Group has provided for the rental payments due on the term of existing operating lease contracts where a period of vacancy is either ongoing or foreseeable. The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and the likely income from existing and future sub lease agreements. The provision covers potential transfer of economic benefit over the full range of current lease commitments disclosed in Note 22.

Group Other provisions	2001 £000's	2000 £000's
Beginning of year	**1,197**	1,068
On acquisition of subsidiary undertakings	**–**	13
(Credit)/charge for the year	**(7)**	105
Exchange difference	**(34)**	11
End of year	**1,156**	1,197

Other provisions consists of provision for post retirement benefits of £1,012,000 (2000 – £933,000) in accordance with local statute in two foreign subsidiary undertakings and a provision against outstanding claims of £144,000 (2000 – £264,000).

17 Called up share capital

	2001 £000's	2000 £000's
Authorised:		
190,000,000 ordinary shares of 10p each (2000 – 190,000,000)	**19,000**	19,000
Allotted, called up and fully paid:		
118,645,739 ordinary shares of 10p each (2000 – 118,234,540)	**11,865**	11,823

Cash consideration received by the Company for shares allotted during the year amounted to £384,000 (2000 – £60,000).

17 Called up share capital (continued)

At 31 December 2001 the following share options were outstanding:

Scheme and date of grant	Number of shares At 1 January 2001	Granted	Exercised	Lapsed	At 31 December 2001	Option price per 10p share	Normal date exercisable Earliest	Expiry
1989 Share Option Scheme								
19/04/1994	318,000	–	–	–	318,000	261.00p	19/04/1997	18/04/2004
17/10/1994	200,000	–	–	–	200,000	250.00p	17/10/1997	16/10/2004
11/03/1994	27,948	–	–	–	27,948	258.00p	11/03/1997	10/03/2004
Long Term Incentive Plan								
30/05/1997	76,396	–	(76,396)	–	–	10.00p	30/05/2000	29/05/2004
27/04/1998	129,968	–	(115,825)	–	14,143	10.00p	27/04/2001	26/04/2005
01/04/1999	101,368	–	–	–	101,368	10.00p	01/04/2002	31/03/2006
11/04/2000	72,999	–	–	–	72,999	10.00p	11/04/2003	10/04/2007
17/04/2001	–	79,715	–	–	79,715	10.00p	17/04/2004	17/04/2008
1997 Executive Share Option Scheme								
30/05/1997	189,000	–	–	(21,500)	167,500	309.50p	30/05/2000	29/05/2007
27/04/1998	232,500	–	(6,000)	(29,500)	197,000	212.50p	27/04/2001	26/04/2008
01/04/1999	238,500	–	–	(6,000)	232,500	158.50p	01/04/2002	31/03/2009
11/04/2000	150,500	–	–	–	150,500	232.50p	11/04/2003	10/04/2010
11/09/2000	9,000	–	–	–	9,000	261.00p	11/09/2003	11/09/2010
17/04/2001	–	172,500	–	–	172,500	251.00p	17/04/2004	17/04/2011
Savings Related Schemes								
21/05/1996	37,333	–	(824)	(36,509)	–	251.00p	01/07/2001	31/12/2001
13/11/1995	11,669	–	(1,548)	(7,321)	2,800	223.00p	30/11/2000	29/05/2003
13/05/1997	25,254	–	(2,077)	(623)	22,554	166.00p	31/05/2002	30/11/2004
06/06/1997	31,572	–	–	(7,058)	24,514	254.00p	01/07/2000	31/12/2002
21/05/1998	521,659	–	(201,726)	(25,176)	294,757	166.00p	01/07/2001	31/12/2003
11/05/1999	1,187,215	–	(9,152)	(92,039)	1,086,024	122.00p	01/07/2002	31/12/2004
02/05/2000	426,145	–	–	(80,075)	346,070	186.00p	01/07/2003	31/12/2005
04/05/2001	–	675,300	–	(48,319)	626,981	201.00p	01/07/2004	31/12/2006
	3,987,026	**927,515**	**(413,548)**	**(354,120)**	**4,146,873**			

18 Reserves

	Group		Company	
	2001	2000	**2001**	2000
	£000's	£000's	**£000's**	£000's
Profit and loss account	**129,503**	107,232	**97,185**	76,624
Share premium account	**12,499**	12,157	**12,499**	12,157
Capital redemption reserve	**347**	347	**347**	347
Merger reserve	–	–	**21,655**	21,655
Special reserve	**17,278**	17,278	**130,365**	130,365
Exchange reserve	**(6,312)**	(5,914)	–	–
L-TIP reserve	**306**	525	**306**	525
Total reserves	**153,621**	131,625	**262,357**	241,673

The movement in reserves during the year was as follows:

Group	Share premium account £000's	Exchange reserve £000's	L-TIP reserve £000's	Profit and loss account £000's
Beginning of year	12,157	(5,914)	525	107,232
Premium on allotments	342	–	–	–
Retained profit for the year	–	–	–	21,829
Loss on foreign currency translation	–	(398)	–	–
Arising on grant of L-TIPs	–	–	223	–
Transfer on L-TIP exercise	–	–	(442)	442
End of year	**12,499**	**(6,312)**	**306**	**129,503**

The cumulative amount of goodwill resulting from acquisitions in earlier years which has been written-off directly against reserves, net of goodwill, relating to undertakings disposed of is £138.266m (2000 – £138.266m).

Company	Share premium account £000's	L-TIP reserve £000's	Profit and loss account £000's
Beginning of year	12,157	525	76,624
Premium on allotments	342	–	–
Arising on grant of L-TIPs	–	223	–
Retained profit for the year	–	–	20,119
Transfer on L-TIP exercise	–	(442)	442
End of year	**12,499**	**306**	**97,185**

19 Reconciliation of operating profit to net cash inflow from operating activities

	Group	
	2001	2000
	£000's	£000's
Operating profit	**56,312**	50,874
Depreciation charge	**14,300**	12,104
Amortisation of goodwill	**2,801**	1,425
Profit on sale of tangible fixed assets	**(504)**	(329)
Increase in stocks	**(3,704)**	(3,174)
Increase in debtors	**(7,463)**	(10,418)
(Decrease)/increase in creditors	**(10,810)**	2,355
Net cash inflow from operating activities	**50,932**	52,837

The acquisitions during the year had the following effects on the Group's cash flows: net cash outflow from operating activities, £2.3m; taxation paid, £0.7m; capital expenditure, £0.2m.

20 Reconciliation of net cash flow to movements in net debt

	2001	2000
	£000's	£000's
Increase/(decrease) in cash in the year	**38,645**	(18,149)
Cash inflow from increase in debt	**(76,427)**	(1,063)
Changes in net debt resulting from cash flows	**(37,782)**	(19,212)
Acquisitions	**(84)**	(913)
Exchange differences	**935**	(946)
Movement in net debt in the year	**(36,931)**	(21,071)
Net debt at 1 January 2001	**(72,397)**	(51,326)
Net debt at 31 December 2001	**(109,328)**	(72,397)

21 Analysis of net debt

	At 1 January 2001	Cash flows	Acquisitions (excluding overdrafts acquired)	Exchange differences	At 31 December 2001
	£000's	£000's	£000's	£000's	£000's
Cash	10,509	(82)	–	(79)	10,348
Loans and overdrafts	(54,981)	38,727	–	409	(15,845)
	(44,472)	38,645	–	330	(5,497)
Debts due after one year	(19,755)	(75,641)	–	530	(94,866)
Finance leases and hire purchase agreements	(8,170)	(786)	(84)	75	(8,965)
	(72,397)	**(37,782)**	**(84)**	**935**	**(109,328)**

22 Guarantees and other financial commitments

	Group	
	2001	2000
a. Capital commitments	**£000's**	£000's
Contracted but not provided for	**3,433**	836

The Company has no capital commitments (2000 – £ nil).

b. Lease commitments

The Group leases a number of its premises under leases which expire between 2002 and 2026.
The rentals payable are subject to renegotiation at various dates. The minimum annual rentals under the foregoing leases are as follows:

	2001	2000
Operating leases which expire:	**£000's**	£000's
– within 1 year	**1,639**	1,853
– within 2-5 years	**6,733**	5,018
– after 5 years	**10,039**	9,253
	18,411	16,124

The Group also leases certain items of plant and machinery whose minimum annual rentals are as follows:

	2001	2000
Operating leases which expire:	**£000's**	£000's
– within 1 year	**1,151**	1,306
– within 2-5 years	**1,965**	1,985
– after 5 years	**11**	–
	3,127	3,291

c. Guarantees

The Company has cross guaranteed overdrafts of subsidiary undertakings amounting to £21.632m (2000 – £21.935m).

d. Pension scheme

The Group operates a number of pension schemes, three (2000 – three) of which provide defined benefits based on final pensionable salary, the assets of which are held in trustee administered funds. The others are defined contribution schemes all of which are independently managed.

The valuations of the UK defined benefits pension schemes are assessed by an independent actuary every three years who recommends the rate of contribution payable each year.

The main actuarial assumptions in the pension assessments were that over the long term the annual investment return would be 2.5% higher than the annual increase in pensionable salaries, and 1% higher than the annual increase in pensions.

The last formal actuarial valuations of two of the defined benefits schemes (including the main scheme) were conducted at 1 January 2001, and showed that the market value of the schemes' assets were £24.6m and £2.1m and their actuarial values covered 83% and 117% respectively of the benefits accrued to members after allowing for expected future increases in pensionable salaries.

22 Guarantees and other financial commitments (continued)

The last formal actuarial valuation of the other defined benefit scheme was at 1 July 1998 and showed that the market value of the scheme's assets was £9.266m and its actuarial value covered 109.5% of the benefits accrued to members after allowing for expected future increases in pensionable salaries.

Pensions for employees of overseas subsidiaries are provided in accordance with local requirements and practices.

The pension charge for the year relating to the main scheme was £1,830,000 (2000 – £1,363,000) and for the other schemes was £1,540,000 (2000 – £1,666,000). The charge for the main scheme has been calculated on the basis that the shortfall within the scheme as at 1 January 2001 will be recognised over the average expected remaining service lives of the active membership of 11 years. The Group contribution to the main scheme during the year amounted to 25% of pensionable salaries.

Included in Group prepayments and accrued income at 31 December 2001 is £3.5m, (2000 – £0.7m) arising from the accumulated difference between contributions paid and pension costs charged.

Additional disclosures regarding the Group's defined benefit pension schemes are required under the transitional provisions of FRS 17 Retirement benefits and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information that will be necessary for full implementation of FRS 17 in the year ending 31 December 2003.

The actuarial valuations described above have been updated at 31 December 2001 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the FRS 17 actuarial valuation of the main scheme were:

Rate of increase in salaries	4.5%
Rate of increase in pensions in payment	5%
Discount rate	6%
Inflation assumption	2.5%

The fair value of the assets in the main scheme, the present value of the liabilities in the main scheme and the expected rate of return at the balance sheet date were:

	%	£000
Equities	8.0	19,800
Bonds	5.0	6,600
Other	5.0	200
	7.2	
Total fair value of assets		26,600
Present value of scheme liabilities		(34,800)
Deficit in the scheme		(8,200)
Related deferred tax asset		2,460
Net pension liability		(5,740)

The contribution rate for the main scheme for 2001 was 25% of pensionable earnings and the agreed contribution rate is an additional 0.5% each year for the five year period ended 31 December 2006. The Company also made a special contribution of £2.5m on 26 June 2001.

The main scheme is closed to new members, has an age profile that is rising and therefore under the projected unit method the current service cost will increase as the members of the main scheme approach retirement.

In respect of the two other defined benefit schemes the net FRS 17 pension asset at 31 December 2001 amounted to £599,000.

e. Contingent liabilities
As at the balance sheet date, the Group had outstanding obligations under customer guarantees and discounted bills of up to £767,000 (2000 – £912,000).

To the shareholders of SIG plc

We have audited the financial statements of SIG plc for the year ended 31 December 2001 which comprise the Profit and loss account, Balance sheets, Cash flow statement, Statement of total recognised gains and losses and the related notes numbered 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate governance statements reflect the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if they do not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, Chief Executive's review of operations, Financial review, Report of the Directors, Corporate governance statements, Remuneration report, Statement of directors' responsibilities and Financial summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2001 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

1 City Square
Leeds
LS1 2AL

11 March 2002

Principal trading subsidiaries

At 31 December 2001 the company's principal trading subsidiaries, all of which are wholly owned were as follows:

Name of company	Principal activity	Country of registration
Sheffield Insulations Limited	Distribution of insulating materials and related products and roofing products	England & Wales
Société de l'Ouest des Produits Isolants SA (Ouest Isol)	Distribution of insulating materials and related products and roofing products	France
WKT Dämmstoffe GmbH & Co. Holding OHG	Distribution of insulating materials and related products and roofing products	Germany
WKT Polska sp.Z0.0.	Distribution of insulating materials and related products and roofing products	Poland
H. Golinski GmbH & Co. KG	Distribution of insulating materials and related products and roofing products	Germany
SIG Roofing Supplies Limited	Distribution of insulating materials and related products and roofing products	England & Wales
Support Site Limited	Distribution of insulating materials and related products and roofing products	England & Wales
SIG (Southwest) Inc	Distribution of insulating materials and related products and roofing products	USA
BWI Distribution Inc	Distribution of insulating materials and related products and roofing products	USA
Miller Pattison Limited	Installation of loft and cavity wall insulation	England & Wales
CPD Distribution PLC	Distribution of ceiling tiles and ancillary products	England & Wales
Nouwens Groep B.V.	Distribution of ceiling tiles and ancillary products	The Netherlands
Komfort Office Environments plc	Design, manufacture and distribution of partitioning	England & Wales
Capco Holdings Limited	Distribution of ceiling tiles and ancillary products; roofing products; insulating materials and office furniture	Eire
CP Supplies (Ireland) Limited	Distribution of ceiling tiles and ancillary products	Eire
Safety Distribution Limited	Distribution of personal protective equipment	England & Wales

All the above companies operate principally in the UK except for Ouest Isol (France), WKT Dämmstoffe GmbH & Co. Holding OHG and H. Golinski GmbH & Co. KG (Germany), SIG (Southwest) Inc and BWI Distribution Inc (USA), CP Supplies (Ireland) Limited (Eire), WKT Polska sp.Z0.0. (Poland), Nouwens Groep B.V. (The Netherlands) and Capco Holdings Limited (UK and Eire).

WKT Dämmstoffe GmbH & Co. Holding OHG and H. Golinski GmbH & Co. KG are wholly owned by WKT Dämmstoffe Holding GmbH & Co KG (an intermediate German holding company).

SIG Roofing Supplies Limited is wholly owned by Warm A Home Limited (an intermediate holding company).

SIG (Southwest) Inc and BWI Distribution Inc are wholly owned by SIG USA Inc (an intermediate holding company).

Support Site Limited and Nouwens Groep B.V. are wholly owned by Fibreglass Insulations Limited (an intermediate holding company).

SIG plc/
Sheffield Insulations Limited/
CPD Distribution PLC/
Miller Pattison Limited/
Warren Insulation plc/
Kitsons Insulation Products Limited
Hillsborough Works
Langsett Road
Sheffield
S6 2LW
Websites:
www.sigplc.co.uk.
www.sheffins.co.uk
www.ceilings.co.uk
www.cpsupplies.co.uk
www.miller-pattison.co.uk
www.warren.co.uk
www.kitsonsinsulation.co.uk
www.insulationdistributors.ie

WKT Dämmstoffe GmbH & Co. Holding OHG
Maybachstrasse 14
D-63456 Hanau-Steinheim
Germany
Website: www.wkt.de

H. Golinski GmbH & Co. KG
AM Hohentorshafen 1-3
D-28197 Bremen
Germany
Website: www.hego.de

WKT Polska sp.Z0.0.
60-650 Poznan
ul.obornicka 263
Poland
Website: www.wktpolska.com.pl

Ouest Isol
Zone Industrielle B.P.15
27460 Alizay
France
Website: www.ouestisol.fr

SIG Southwest Inc
PO Box 23847
Houston
TX 77 28 – 3847
USA
Website: www.sigsouthwest.com

Nouwens Groep B.V.
Bedrijfsweg 15
5061 JX Oisterwijk
The Netherlands
Website: www.modulus.nl

BWI Distribution Inc
10942 Beaver Dam Road
Hunt Valley
M02130
USA
Website: www.bwigroup.com

SIG Roofing Supplies Limited
Harding Way
St. Ives
Cambridge
PE17 4YJ
Websites:
www.asphaltic.co.uk
www.formerton.co.uk
www.colemanroofing.co.uk

Komfort Office Environments plc
Whittle Way
Crawley
West Sussex
RH10 2RW
Websites:
www.komfort.co.uk
www.screenbase.co.uk

Capco Holdings Limited
Mount Tallant Ave
Terenure
Dublin 6W
Eire
Website: www.capco.ie

Safety Distribution Limited
Unit 1
Britannia Park
Trident Drive
Wednesbury
West Midlands
WS10 7XB
Websites:
www.protec-direct.co.uk
www.turton.co.uk
www.adb-gloves.co.uk

Support Site Limited
1 Quay Point
Ocean Way
Cardiff
CF24 5HF
Website: www.supportsite.co.uk

Financial Summary

	1997 £000's	1998 £000's	1999 £000's	2000 £000's	**2001** **£000's**
Turnover	669,869	795,780	841,304	931,927	**1,037,258**
Operating profit	35,442	37,530	44,207	50,874	**56,312**
Net interest payable	1,144	2,184	1,902	2,703	**5,045**
Profit before taxation	34,298	35,346	42,305	48,171	**51,267**
Profit after taxation	23,172	24,043	29,072	32,949	**35,040**
Earnings per share	20.0p	20.1p	24.4p	27.7p	**29.5p**
Dividend per share	7.8p	8.4p	9.3p	10.2p	**11.0p**

Notice is hereby given that the Annual General Meeting of the members of the Company will be held at Aston Hall Hotel, Worksop Road, Aston, Sheffield, S26 2EE on the 7th May 2002 at 11.30 a.m. for the following purposes:

1. To receive and adopt the financial statements for the year ended 31 December 2001 together with the reports of the Directors and Auditors thereon.

2. To receive and adopt the remuneration report, contained in the Directors' report, for the year ended 31 December 2001.

3. To declare a final dividend on the Ordinary shares.

4. To re-elect Mr M J Chivers as a Director.

5. To re-elect Mr P H Blackburn as a Director.

6. To re-elect Mr N C Paul as a Director.

7. To re-elect Mr D Williams, who retires by rotation, as a Director.

8. To re-appoint Arthur Andersen as auditors and authorise the Directors to fix their remuneration.

To consider, and if thought fit, pass the following Resolutions of which Resolution 9 will be proposed as an Ordinary Resolution and Resolutions 10 and 11 will be proposed as Special Resolutions:

9. That the Directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985) up to an aggregate nominal value of £3,960,604 provided that this authority shall expire at the close of the next Annual General Meeting of the Company following the passing of this resolution, save that the Directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired.

10. That the Directors be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Act) for cash as if Section 89(1) did not apply to any such allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as possible) to the respective numbers of ordinary shares held or deemed to be held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient, to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise; and

(b) to the allotment (other than under sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £594,090.

and shall expire at the close of the next Annual General Meeting after the passing of this resolution or, if earlier, not more than 15 months after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement if the authority conferred hereby had not expired.

11. That;

(a) In accordance with Article 48 of its Articles of Association and Chapter VII of Part V of the Companies Act 1985 ("the Act") and subject to paragraph (b) of this Resolution, the Company be and is hereby granted general and unconditional authority (pursuant to Section 166 of the Act) to make purchases (as defined in Section 163 of the Act) of its own shares on such terms and in such manner as the Directors of the Company may from time to time determine.

(b) The authority conferred by paragraph (a) of this Resolution shall:

(1) expire on the earlier of 6 May 2003 and the conclusion of the 2003 Annual General Meeting;

(2) be limited to the purchase of a maximum of 11,881,800 Ordinary shares;

(3) not permit the payment per Ordinary share of more than five per cent above the average of the middle market quotations for an Ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which any purchase by the Company of Ordinary shares is made;

(4) not permit the payment of less than 10p per Ordinary share; and

(5) before its expiry entitle the Company to enter into any contract for the purchase of Ordinary shares which might be executed and completed wholly or partly after its expiry and to make purchases of Ordinary shares in pursuance of any such contract.

(c) This authority shall only be capable of variation, revocation or renewal by the Company in general meeting.

By order of the Board:

J R Swynnerton
Secretary

11 March 2002

Notes

1 Members must be registered as the holders of shares 48 hours before the time fixed for holding the meeting or adjourned meeting in order to be able to attend and vote at the meeting in respect of those shares.

2 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.

3 The Register of Directors' Interests in the Company's shares will be available for inspection at the registered office of the Company during usual business hours from the date of this notice until the date of the meeting and at the place of the meeting from 11.15 a.m. until the end of the meeting.

4 It is a requirement of Section 80 of the Companies Act 1985 that the Directors' power to allot shares be authorised by the Articles or by an ordinary resolution. Accordingly Resolution No. 9 to be proposed at the Annual General Meeting gives the Directors a general authority to allot shares up to a maximum nominal value of £3,960,604 (representing one-third of the issued ordinary share capital of the Company). This authority will expire at the conclusion of the 2003 Annual General Meeting. It is a requirement of Section 89 of the Companies Act 1985 that any shares being issued for cash must in general be offered to existing shareholders pro-rata to their existing holdings. However, where the Directors have been granted a general authority to allot shares they may be given power by the Articles or by a special resolution to allot shares pursuant to such authority as if the statutory pre-emption rights (described above) did not apply. Resolution No. 10 to be proposed at the Annual General Meeting accordingly gives the Directors power to make allotments of shares in connection with a rights issue and otherwise to make allotments to a maximum aggregate nominal amount of £594,090 (representing approximately 5 per cent of the issued ordinary share capital of the Company) as if the relevant provisions of the Companies Act 1985 regarding pre-emption rights did not apply. This power will expire at the conclusion of the 2003 Annual General Meeting. The Directors have no current intention of using these powers but consider it advisable to pass both resolutions in order that they can be prepared to take advantage of future situations which may arise. It is a requirement of Section 166 of the Companies Act 1985 that a company shall not make a market purchase of its own shares unless the purchase has first been authorised by the company in general meeting. Accordingly, Resolution No. 11 to be proposed at the Annual General Meeting as a special resolution gives the Directors power to make market purchases of the Company's shares up to a maximum of 11,881,800 (representing approximately 10 per cent of the issued ordinary share capital of the Company). This power will expire on the earlier of 6 May 2003 and the conclusion of the 2003 Annual General Meeting. It is intended that purchases will only be made on the London Stock Exchange. This is not intended to imply that shares will be purchased. The Directors believe that it is in the best interests of all shareholders that the Company should have the flexibility to make market purchases of its own shares. The effect of such purchases would be to reduce the number of shares in issue and, accordingly, the Directors would make such purchases only if it would be in the best interests of shareholders generally and, in any case, if it would result in an increase in earnings per share.

5 Mr Chivers (age 49) joined the Group in July 1975 and was appointed a director of Sheffield Insulations Limited in April 1989. He became Managing director of SIG Roofing Supplies Limited in July 1997 and was appointed to the main Board on 1 September 2001.

Mr Blackburn (age 61) became a non-executive director on 1 July 2001. He is chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He is non-executive chairman of Northern Foods plc. From November 1997 to June 2001 he was chairman and chief executive of Nestlé Holdings (U.K.) plc and prior to that he was chairman and chief executive of Nestlé, France. He is president of the Food and Drink Federation.

Mr Paul (age 57) became a non-executive director on 1 July 2001. He is a member of the Remuneration, Audit and Nomination Committees. He is non-executive chairman of Tricorn Group plc. He recently retired from IMI plc, where he was deputy chief executive. he is currently a non-executive director of John Laing plc, a position he has held since 1999.

Mr Williams (age 51) joined the Group in 1983 having gained UK and overseas sales and marketing experience in several diverse industries. He was appointed Managing Director of Sheffield Insulations Limited and to the main Board in June 1993. On 1 July 2001 he was appointed Deputy Chief Executive and became Chief Executive on 1 January 2002. He is a member of the Nomination Committee.

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Financial Calendar

Final dividend 2001	*Paid*	May 2002
Half year results	*Announcement*	September 2002
Interim dividend 2002	*Paid*	November 2002
Full year results	*Announcement*	March 2003
Report and accounts	*Posted to shareholders*	March 2003
Final dividend 2002	*Paid*	May 2003

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