6 September 2019

SIG plc: Results for the six months ended 30 June 2019

Transformation continues to deliver increased profit and reduced debt

SIG plc ("SIG" or "the Group") is a leading supplier of specialist building materials to trade customers across Europe, with strong positions in its core markets as a specialist distributor of insulation and interiors products, a merchant of roofing and exteriors products, and a provider of air handling solutions. The Group today issues its results for the six months ended 30 June 2019 ("H1 2019").

Highlights

- Further operational and financial progress in the first half, despite falling construction activity, particularly in the UK
- Underlying PBT, pre IFRS 16, up 20% to £30.0m (H1 2018: £25.1m) and underlying earnings per share, pre IFRS 16, up 23% to 3.7p (H1 2018: 3.0p), both in line with the Board's expectations
- As previously announced, like-for-like sales down 3.8% reflecting weaker market conditions and focus on profitability over volume
- Transition to smaller, more profitable base of business in SIG Distribution largely complete
- Gross margin up 70bps and operating costs lower. Group underlying operating profit, pre IFRS 16, up to £36.5m (H1 2018: £33.0m)
- Net debt, pre IFRS 16, down to £158.2m (H1 2018: £176.1m) and headline financial leverage, pre IFRS 16, down to 1.4x (H1 2018: 1.8x). Further improvement anticipated in H2 2019
- Previously announced review of strategic options for Air Handling division well advanced
- Interim dividend of 1.25p per share (H1 2018: 1.25p)
- Continuing transformation and the Group's normal seasonality are expected to deliver a stronger second half, although political and macro-economic uncertainty continue to increase

Underlying operations[1]	**H1 2019 (pre IFRS 16)**	H1 2018 (restated)	*Change*	H1 2019 (as reported, post IFRS 16)
Revenue	**£1,260.1m**	£1,327.5m	*(5.1)%*	£1,260.1m
LFL[2] sales	**(3.8)%**	(0.1)%	*n/a*	(3.8)%
Gross margin	**27.1%**	26.4%	*+70bps*	27.1%
Underlying[3] operating profit	**£36.5m**	£33.0m	*+10.6%*	£39.9m
Underlying[3] profit before tax	**£30.0m**	£25.1m	*+19.5%*	£27.3m
Underlying[3] earnings per share	**3.7p**	3.0p	*+23.3%*	3.4p
Return on sales (excl. property profits)	**2.9%**	2.5%	*+40bps*	3.2%
Return on capital employed (post-tax)	**11.5%**	9.0%	*+250bps*	8.7%
Net debt	**£158.2m**	£176.1m	*+10.2%*	£449.0m
Headline financial leverage (net debt/EBITDA)	**1.4x**	1.8x	*+0.4x*	2.5x

Results are presented for H1 2019 on a non-statutory illustrative basis excluding the impact of IFRS 16 "Leases" ("IFRS 16") to enable comparison with 2018 performance.

Statutory results	**H1 2019 (post IFRS 16)**	H1 2018 (restated, pre IFRS 16)
Revenue	**£1,272.6m**	£1,381.7m
Operating profit	**£17.8m**	£27.9m
Profit before tax[5]	**£5.2m**	£19.6m
Basic earnings per share	**0.2p**	2.5p
Dividend per share	**1.25p**	1.25p

Commenting, Meinie Oldersma, Chief Executive Officer, said:

"We made further progress in H1 2019, demonstrating our ability to deliver a sustained improvement in the operational and financial performance of SIG. Underlying profit, return on sales and return on capital employed all improved, and we further reduced net debt and headline financial leverage.

We continue to deliver increases in gross and operating margins in our UK businesses and have largely completed the transition to a smaller, more focused base of business in SIG Distribution. We continue to roll out transformational initiatives across our businesses in Mainland Europe, which we expect to result in further upside over the next twelve months. We remain on track to deliver our medium term targets.

In addition, we continue to strengthen our balance sheet. We have almost halved net debt since the start of 2017, with further improvement anticipated in the second half from continuing reductions in levels of working capital and the receipt of proceeds from the previously announced disposal of WeGo FloorTec. There remains one further business, previously identified as peripheral, under review. Accordingly, we believe our medium term target of headline financial leverage below 1.0x is within reach.

Our previously announced review of strategic options for the Air Handling division is well advanced. A further update will be provided when appropriate.

The significant improvements in the business during the first half of 2019 have been made against a backdrop of challenging trading conditions in many of the Group's end markets. There has been a marked deterioration in the level of construction activity in the UK as the year has progressed and a number of key indicators are pointing to further weakening of the macro-economic backdrop, notably in the UK and in Germany.

We continue to see benefits from transformational initiatives across the Group's businesses. Coupled with the Group's normal seasonality, these are expected to deliver further upside in the second half of the year. However, political and macro-economic uncertainty continues to increase as we enter the traditionally strongest trading months of the year. We continue to monitor trading conditions closely and we are taking actions in anticipation of further market weakness."

Analyst presentation (9am today)

A briefing to analysts will take place today at 9am at the offices of Peel Hunt LLP, Moor House, 120 London Wall, EC2Y 5ET. A live webcast of the presentation will be on www.sigplc.com, a recording of which will also be available later in the day.

1. Underlying operations excludes businesses sold or closed before 6 September 2019.
2. Like-for-like ('LFL') is defined as sales per working day in constant currency excluding acquisitions and disposals. Sales are not adjusted for branch openings or closures.
3. Underlying results are stated before the amortisation of acquired intangibles, impairment charges, profits on agreed sale or closure of non-core businesses and associated impairment charges, net operating losses attributable to businesses identified as non-core, net restructuring costs, strategic review costs of the Air Handling business, other specific items, the taxation effect of other items and the effect of changes in taxation rates. Underlying results include £0.1m of property profits (H1 2018: £0.3m).
4. Alternative performance measures are referred to as "like-for-like" and "underlying". These are applied consistently throughout this document and the calculations of these are found in Note 17 and below. Details of prior period restatements are described in Note 1 and the effect on each financial line item affected is shown in Note 18.
5. Statutory profit before tax is reported after taking into account Other items of £22.1m (H1 2018: £5.5m) and including a £2.7m reduction due to the first-time adoption of IFRS 16 in the period.

Enquiries

SIG plc

Meinie Oldersma, Chief Executive Officer	+44 (0) 114 285 6300
Nick Maddock, Chief Financial Officer	+44 (0) 114 285 6300
Katharine Baxter, Group Communications	+44 (0) 114 285 6300

FTI Consulting
Richard Mountain / Susanne Yule +44 (0) 20 3727 1340

Jefferies International Limited
Ed Matthews / Will Soutar +44 (0) 20 7029 8000

Peel Hunt LLP
Nick How / Charles Batten +44 (0) 20 7418 8900

Transformation continues to deliver

The Group has made further operational and financial progress during the first half of this year, with a sustained pace of transformation helping to deliver increases in underlying profit and earnings, and higher returns on sales and on capital employed.

This first half performance was delivered against a backdrop of continued macro-economic uncertainty in a number of our end markets, which particularly impacted the revenue streams in the UK & Ireland and, to a lesser extent, Germany. As previously announced, Group LFL revenue fell by 3.8% in the period. However, the continuing focus across the Group on improving customer service and customer value delivered further improvements in gross margin, up 70bps in H1 2019 to 27.1%. Coupled with ongoing discipline over costs and the benefit of business restructuring through 2018 and H1 2019, the Group's underlying profit before tax increased by 19.5% to £30.0m (H1 2018: £25.1m) and underlying earnings per share increased by 23.3% to 3.7p.

The Group's return on sales increased by 40bps to 2.9% (H1 2018: 2.5%), with the Group's normal seasonality expected to deliver a further increase in the second half. In the twelve months to 30 June 2019, the Group's return on sales increased to 3.5% (2018: 2.6%).

Net debt continued to fall, benefiting from increased trading cashflow and continuing reductions in levels of working capital. The Group finished the period with net debt of £158.2m (H1 2018: £176.1m) and headline financial leverage fell to 1.4x (H1 2018: 1.8x). The combination of higher profit and lower debt delivered a 250bps increase in return on capital employed to 11.5% (H1 2018: 9.0%).

The Group remains on track to deliver its medium term targets.

Medium term targets	**Target**	**H1 2019**	H1 2018
LFL sales growth	Market growth Maintain market share	**(3.8)%**	(0.1)%
Return on sales[1]	c.5%	**2.9%**	2.5%
Return on sales – LTM basis[1]	c.5%	**3.5%**	2.6%
Return on capital employed	c.15%	**11.5%**	9.0%
Headline financial leverage	Under 1.0x	**1.4x**	1.8x

1 Return on sales is stated after excluding the impact of property profits.

Further margin improvement in UK & Ireland

Underlying revenue in the UK & Ireland business fell by 13.3% in H1 2019 to £514.6m (H1 2018: £593.8m), equivalent to a decline in like-for-like sales of 12.5%, principally reflecting weaker market conditions and a falling level of construction activity as the second quarter progressed.

Revenues at SIG Distribution were also affected, as anticipated, by the significant actions taken to focus on better pricing management and the planned withdrawal from unprofitable business, as previously reported. The business has now largely completed its transition to a smaller, more profitable base of business, with average daily sales having stabilised and gross margins increasing to 25.1% in H1 2019, up 170bps on the first half of 2018 (H1 2018: 23.4%).

The transformation initiatives in SIG Exteriors around customer service and customer value, including the rolling programme to improve trade counters in branches and increased controls over pricing, continued to enhance margins and profitability during the first half of the year. Despite the challenging trading environment, gross margins were up 110bps to 28.9% (H1 2018: 27.8%).

The higher gross margins, coupled with the cost benefits from the successful implementation of more integrated functional operating models in the UK businesses and ongoing focus on cost discipline offset the reduction in revenue in the UK & Ireland, enabling the business to increase underlying operating profit to £14.9m (H1 2018: £14.3m). In the twelve months to 30 June 2019, the return on sales in the UK & Ireland increased by 210bps to 4.4% (2018: 2.3%).

Transformation being rolled out across Mainland Europe

Underlying revenue in the Group's Mainland Europe businesses increased by 0.6% to £586.2m (H1 2018: £582.5m), with LFL revenue increasing by 2.1% for the period, driven by strong trading in France and Poland in particular. Market conditions were noticeably more challenging in Germany, which saw weaker confidence in the construction sector during the second quarter. In this environment, the overall gross margin for Mainland Europe softened slightly to 24.5% (H1 2018: 25.0%), but the benefits from the initial changes to the operating models, particularly in Germany, were reflected in lower costs in the period, leading to a year-on-year increase in underlying operating profit of 9.9% to £16.6m.

Following a strong revenue performance in the first part of the year, our French businesses suffered a ransomware attack on 12 April, which left them without access to ordering and accounting systems, as previously reported. Core systems were restored by mid-May and all systems were fully operational by the end of May. This had a tangible impact on sales and gross margins during April and May, and also required some one-off costs to remediate, resulting in an estimated c.£3m impact on operating profit for the French business. No ransom was paid in relation to the attack. The performance of the business has been back on an upward trend since May and a subsequent detailed forensic review, together with additional review procedures, have confirmed that there is no ongoing impact on the business.

In the twelve months to 30 June 2019, the return on sales in Mainland Europe increased to 3.0% (2018: 2.7%). The Group continues to build on the success of the transformation in the UK, rolling out similar actions in France and Germany, including pricing initiatives to increase gross margins, operational efficiencies to deliver operating cost reductions, and the implementation of a more integrated functional operating model. These are expected to deliver further upside over the next twelve months.

Strong growth in Air Handling

As previously announced, the Group transferred the last of its air handling businesses formally into the Air Handling division with effect from 1 January 2019, incorporating the branch network and manufacturing subsidiaries of Ouest Isol & Ventil, the Group's specialist distributor of ventilation, air conditioning and technical insulation products in France, and SK Sales, the Group's specialist supplier of heating, ventilation and air conditioning products in the UK. Together, the Air Handling division is the largest distribution-led specialist provider of air handling products and solutions in Europe.

The combined Air Handling division has continued to see strong top-line growth in the first half of 2019, with LFL sales up 7.6%, delivered at a gross margin of 38.8% (H1 2018: 37.8%). The French air handling business, Ouest Isol & Ventil, suffered from the ransomware attack highlighted above, with an estimated c.£2m impact on operating profit in the first half. In addition, efforts continued to turn around the UK business, SK Sales, which returned to profitability towards the end of the first half. As a result, operating profit for the Air Handling division fell slightly to £9.0m (H1 2018: £10.0m), and the return on sales decreased to 5.6% (H1 2018: 6.6%).

The review of strategic options for the Air Handling division announced in March is ongoing, with a disposal being explored as one of the possible options. This review is well advanced and a further update will be provided when appropriate.

Balance sheet strengthening continues

Management has continued to pursue debt reduction during H1 2019, prioritising structural reductions in the level of its working capital and sustained profit improvement to drive headline financial leverage lower. As a result, the Group further reduced net debt at 30 June 2019 to £158.2m (H1 2018: £176.1m), its lowest level since 2014. Headline financial leverage fell to 1.4x (H1 2018: 1.8x).

	H1 2019 (£m)	H2 2018 (£m)	H1 2018 (£m)
Opening net debt (pre IFRS 16)	**(189.4)**	**(176.1)**	**(258.7)**
Cash inflow from trading[1]	24.8	42.2	37.3
(Increase)/decrease in working capital	25.5	(4.2)	33.3
Interest and tax	(11.4)	(16.0)	(11.1)
Capital expenditure	(13.1)	(14.5)	(10.8)
Free cash flow	**25.8**	**7.5**	**48.7**
Dividends	-	(22.2)	-
Debt factoring	3.2	(10.6)	11.6
Sale of property and assets	3.9	4.5	0.6
Net debt movement arising on sale of businesses	0.6	10.6	25.2
Acquisitions/contingent consideration	(0.9)	(0.1)	(3.3)
Exchange, fair value and other	(1.4)	(3.0)	(0.2)
Decrease/(increase) in borrowings	**31.2**	**(13.3)**	**82.6**
Closing net debt (pre IFRS 16)	**(158.2)**	**(189.4)**	**(176.1)**
Headline financial leverage	**1.4x**	**1.7x**	**1.8x**

1 Cash inflow from trading before the impact of Other items for the half year ended 30 June 2019 was £38.3m (H1 2018: £41.2m).

Management has now reduced net debt by almost a half since the start of 2017, with further improvement anticipated in the second half, as the Group targets continuing reductions in levels of working capital. In addition, proceeds of c.£12m from the previously announced sale of WeGo FloorTec GmbH, a German manufacturer of raised access flooring, have been received since the half year. Having sold or closed seventeen businesses since the start of 2017, there remains one further business previously identified as peripheral, under review.

As such, after more than two years of sustained debt reduction, the Group is now within reach of achieving its medium term target of headline financial leverage below 1.0x.

Interim dividend

The Group is declaring an interim dividend for 2019 of 1.25p (H1 2018: 1.25p) in line with its dividend policy of maintaining 2-3x earnings cover. The interim dividend will be paid on 8 November 2019 to shareholders on the register at close of business on 4 October 2019. The ex-dividend date is 3 October 2019.

Current trading and outlook

The significant improvements in the business during the first half of 2019 have been made against a backdrop of challenging trading conditions in many of the Group's end markets. There has been a marked deterioration in the level of construction activity in the UK as the year has progressed and a number of key indicators are pointing to further weakening of the macro-economic backdrop, notably in the UK and in Germany.

We continue to see benefits from transformational initiatives across the Group's businesses. Coupled with the Group's normal seasonality, these are expected to deliver further upside in the second half of the year. However, political and macro-economic uncertainty continues to increase as we enter the traditionally strongest trading months of the year. We continue to monitor trading conditions closely and we are taking actions in anticipation of further market weakness.

Financial performance

Revenue and gross margin

The Group saw a 3.8% decline in its like-for-like (“LFL”) revenue over the period. Including an adverse 0.6% currency movement and a 0.7% impact from fewer working days, Group underlying revenue was down 5.1% to £1,260.1m (H1 2018: £1,327.5m).

Underlying results exclude the results from the businesses divested in order to provide a better understanding of the underlying earnings of the Group. These divested businesses reported sales of £12.5m (H1 2018: £54.2m). On a statutory basis, Group revenue was down 7.9% to £1,272.6m (H1 2018: £1,381.7m).

The Group’s underlying gross margin increased by 70bps to 27.1% (H1 2018: 26.4%), although underlying gross profit reduced by £9.5m to £341.3m (H1 2018: £350.8m), reflecting the lower revenues. On a statutory basis, the Group’s gross margin increased by 50bps to 27.0% (H1 2018: 26.5%). Statutory gross profit fell from £366.6m to £343.9m as a result of disposals of businesses.

Operating costs and profit

During 2018, the Group took significant actions to bring operating costs under control. SIG’s underlying operating costs fell to £304.1m in H2 2018 (H1 2018: £317.8m). These benefits have been sustained into 2019, with underlying operating costs, pre IFRS 16, stable in H1 2019 at £304.8m.

Group underlying operating profit increased 10.6% to £36.5m (H1 2018: £33.0m) and the underlying operating margin increased 40bps to 2.9% (H1 2018: 2.5%). At a statutory level, the Group’s operating profit reduced by £10.1m to £17.8m (H1 2018: £27.9m) after non-underlying items of £22.1m (H1 2018: £5.1m) and including a £3.4m increase due to the impact of first time adoption of IFRS 16 in the period.

Reflecting the ongoing reductions in net debt, SIG’s underlying net finance costs reduced to £6.5m (H1 2018: £7.9m), resulting in underlying profit before tax increasing by 19.5% to £30.0m (H1 2018: £25.1m). On a statutory basis, the Group made a profit before tax of £5.2m (H1 2018: £19.6m) after non-underlying items of £22.1m (H1 2018: £5.5m) and including a £2.7m reduction due to the impact of first time adoption of IFRS 16 in the period.

The Group’s underlying tax charge for the period was £7.3m (H1 2018: £7.0m), representing an underlying effective tax rate of 26.7% (H1 2018: 27.9%). After Other items, the total tax charge decreased to £3.8m (H1 2018: £4.5m).

Underlying basic earnings per share from operations increased by 23.3% to 3.7p (H1 2018: 3.0p). On a statutory basis, the Group reported basic earnings per share of 0.2p (H1 2018: 2.5p).

Return on Capital Employed

Post-tax Return on Capital Employed ("ROCE") is one of the Group’s primary performance metrics and is calculated on a rolling 12 month basis as underlying operating profit less tax, divided by average net assets, plus average net debt. As at 30 June 2019, Group ROCE had improved to 11.5% (H1 2018: 9.0%).

This improvement primarily reflects the reported improvement in profit, coupled with reduced levels of working capital and net debt, with working capital falling from 7.2% of sales at 30 June 2018 to 6.6% of sales at 30 June 2019, and net debt, pre IFRS 16, falling from £176.1m to £158.2m.

First time adoption of IFRS 16 in the period increased net debt at 30 June 2019 by £290.8m to £449.0m, equivalent to headline financial leverage of 2.5x. The impact on profit and debt of first time adoption of IFRS 16 in the period resulted in a reduction in Group ROCE to 8.7%.

UK & Ireland

In the UK & Ireland, revenue from underlying operations fell by 13.3% to £514.6m (H1 2018: £593.8m), while LFL sales decreased 12.5%.

	Underlying revenue (£m)	Change	LFL change	Reported revenue (£m)[2]	Gross margin	Change
SIG Distribution[1]	295.2	(17.4)%	(16.6)%	296.4	25.1%	170bps
SIG Exteriors	171.9	(7.1)%	(6.3)%	171.9	28.9%	110bps
Ireland & Other	47.5	(7.9)%	(6.6)%	47.5	24.8%	(20)bps
UK & Ireland before non-core	**514.6**	**(13.3)%**	**(12.5)%**	**515.8**	**26.4%**	**150bps**
Non-core businesses	1.2	n/m	n/a	n/a	(16.7)%	n/m
UK & Ireland	**515.8**	**(18.7)%**	**n/a**	**515.8**	**26.3%**	**90bps**

1 Excludes SK Sales, which is now reported within the Air Handling division.
2 Reported revenue is shown on a segmental basis, including the operating result of the non-core businesses.

Underlying revenue in SIG Distribution, the Group's market leading specialist UK insulation and interiors distribution business, was down 17.4% to £295.2m (H1 2018: £357.2m) and 16.6% on a LFL basis. This was offset by a 170bps improvement in gross margin to 25.1% and as a result, underlying operating profit for the half year was up 7.3% to £5.9m (H1 2018: £5.5m). On a statutory basis, after taking into account Other items and adjusting for first time adoption of IFRS 16 in the period, SIG Distribution reported an operating profit of £2.3m (H1 2018: £9.2m).

SIG Exteriors, the market leading and only national specialist UK roofing business, saw underlying revenue fall by 7.1% to £171.9m (H1 2018: £185.0m), and by 6.3% on a LFL basis. However, the business has benefited from increased gross margin and operating margin and as a result, the business saw underlying operating profit increase by 8.6% to £6.3m (H1 2018: £5.8m). On a statutory basis, after taking into account Other items and adjusting for first time adoption of IFRS 16 in the period, SIG Exteriors reported an operating profit of £2.0m (H1 2018: £1.4m).

In Ireland & Other, underlying revenue declined by 7.9% and by 6.6% on a LFL basis. Underlying operating profit also fell by 10.0% to £2.7m (H1 2018: £3.0m). On a statutory basis, after taking into account Other items and adjusting for first time adoption of IFRS 16 in the period, Ireland & Other reported an operating profit of £2.1m (H1 2018: £2.2m).

	Pre IFRS 16			As reported post IFRS 16		Statutory post IFRS 16
	Underlying operating profit (£m)	**Underlying operating margin**	**Change**	**Underlying operating profit (£m)**	**Underlying operating margin**	**Reported operating profit (£m)[2]**
SIG Distribution[1]	5.9	2.0%	50bps	6.8	2.3%	2.3
SIG Exteriors	6.3	3.7%	60bps	7.0	4.1%	2.0
Ireland & Other	2.7	5.7%	(10)bps	2.9	6.1%	2.1
UK & Ireland before non-core	**14.9**	**2.9%**	**50bps**	**16.7**	**3.2%**	**6.4**
Non-core businesses	(0.8)	n/m	n/m	(0.8)	n/m	n/a
UK & Ireland	**14.1**	**2.7%**	**10bps**	**15.9**	**3.1%**	**6.4**

1 Excludes SK Sales, which is now reported within the Air Handling division.
2 Reported operating profit is shown on a segmental basis, including the operating result of the non-core businesses and after taking into account Other items.

Overall in the UK & Ireland, underlying operating profit increased 4.2% to £14.9m (H1 2018: £14.3m) and the underlying operating margin increased 50bps to 2.9% (H1 2018: 2.4%). On a statutory basis, the UK & Ireland reported an operating profit of £6.4m (H1 2018: £12.8m) after Other items of £10.3m (H1 2018: £1.5m) and a positive £1.8m adjustment due to the impact of first time adoption of IFRS 16 in the period.

Mainland Europe

In Mainland Europe, underlying revenue increased 0.6% to £586.2m (H1 2018: £582.5m). After adjusting for adverse impacts from foreign exchange translation and fewer working days of 1.0% and 0.5% respectively, LFL sales increased 2.1%.

	Underlying revenue (£m)	Change	LFL change	Reported revenue (£m)[2]	Gross margin	Change
France[1]	266.3	2.4%	3.3%	266.3	23.4%	(170)bps
Germany	191.5	(1.7)%	0.0%	202.8	27.7%	50bps
Poland	74.7	3.5%	6.3%	74.7	20.3%	90bps
Benelux	53.7	(3.1)%	(1.4)%	53.7	24.8%	80bps
Mainland Europe before non-core	**586.2**	**0.6%**	**2.1%**	**597.5**	**24.5%**	**(50)bps**
Non-core businesses	11.3	(16.3)%	n/a	n/a	24.8%	410bps
Mainland Europe	**597.5**	**0.3%**	**n/a**	**597.5**	**24.5%**	**(40)bps**

1 Excludes Ouest Isol & Ventil, which is now reported within the Air Handling division.
2 Reported revenue is shown on a segmental basis, including the operating result of the non-core businesses.

As previously reported, the business in France, including Larivière, the market leading specialist roofing business and LiTT, the leading structural insulation and interior business, suffered from the impact of a ransomware attack in the period, having a tangible impact on both revenue and profit. No ransom was paid in relation to the attack. As a result, revenue in France increased by just 2.4% to £266.3m (H1 2018: £260.0m). Adjusting for an adverse 0.7% currency movement and a 0.2% impact from fewer working days, LFL sales were up by 3.3%. Underlying operating profit for the half year was ahead 3.1% to £9.9m (H1 2018: £9.6m). On a statutory basis, after taking into account Other items and adjusting for first time adoption of IFRS 16 in the period, France reported an operating profit of £9.3m (H1 2018: £9.2m).

Underlying revenue in WeGo/VTI, the leading specialist insulation and interiors distribution business in Germany, fell by 1.7% to £191.5m (H1 2018: £194.9m), due to an adverse foreign exchange variance and fewer working days. Sales on a LFL basis were consistent with the prior period. Underlying operating profit increased by £0.1m to £2.7m (H1 2018: £2.6m) in the period, as initial benefits of the transformation were reflected. On a statutory basis, after taking into account Other items and adjusting for first time adoption of IFRS 16, Germany reported an operating loss of £1.9m (H1 2018: £0.4m profit).

In Poland, the Group's market leading distributor of insulation and interiors grew underlying revenue by 3.5% to £74.7m, benefiting from a strong sales performance offset by foreign exchange translation and fewer working days. LFL sales grew by 6.3%. The business delivered an underlying operating profit of £1.1m, a significant increase on the prior period of £0.3m. On a statutory basis, after adjusting for first time adoption of IFRS 16, Poland reported an operating profit of £1.3m (H1 2018: £0.3m).

Underlying revenue from the Group's market leading distributor of insulation and interiors in the Benelux fell by 3.1% to £53.7m, impacted by foreign exchange translation and fewer working days, with LFL sales falling by 1.4%. However, management of the gross margin mix and tight cost control resulted in a £0.3m increase in underlying operating profit to £2.9m (H1 2018: £2.6m). On a statutory basis, after taking into account Other items and adjusting for first time adoption of IFRS 16, Benelux reported an operating profit of £2.7m (H1 2018: £2.5m).

	Pre IFRS 16			As reported post IFRS 16		Statutory post IFRS 16
	Underlying operating profit (£m)	**Underlying operating margin**	**Change**	**Underlying operating profit (£m)**	**Underlying operating margin**	**Reported operating profit/(loss) (£m)[2]**
France[1]	9.9	3.7%	-	10.5	3.9%	9.3
Germany	2.7	1.4%	10bps	3.3	1.7%	(1.9)
Poland	1.1	1.5%	110bps	1.3	1.7%	1.3
Benelux	2.9	5.4%	70bps	2.9	5.4%	2.7
Mainland Europe before non-core	**16.6**	**2.8%**	**20bps**	**18.0**	**3.1%**	**11.4**
Non-core businesses	0.6	5.3%	90bps	0.6	5.3%	n/a
Mainland Europe	**17.2**	**2.8%**	**20bps**	**18.6**	**3.1%**	**11.4**

1 Excludes Ouest Isol & Ventil, which is now reported within the Air Handling division.
2 Reported operating profit is shown on a segmental basis, including the operating result of the non-core businesses and after taking into account Other items.

Overall in Mainland Europe, underlying operating profit increased by 9.9% to £16.6m (H1 2018: £15.1m), despite a £0.2m foreign exchange translation impact, with the underlying operating margin increasing by 20bps to 2.8% (H1 2018: 2.6%). On a statutory basis, after taking into account Other items and adjusting for first time adoption of IFRS 16, Mainland Europe reported an operating profit of £11.4m (H1 2018: £12.4m).

Air Handling

The Air Handling division now includes Ouest Isol & Ventil, a leading supplier of technical insulation and air handling products in France, and SK Sales, our specialist supplier of heating, ventilation and air conditioning in the UK. Underlying revenue of the division grew by 5.4% to £159.3m (H1 2018: £151.2m), corresponding to LFL sales growth of 7.6%.

	Underlying revenue (£m)	Change	LFL change	Reported revenue (£m)	Gross margin	Change
Air Handling[1]	**159.3**	**5.4%**	**7.6%**	**159.3**	**38.8%**	**100bps**

1 Includes SK Sales, which was previously reported within SIG Distribution, and Ouest Isol & Ventil, which was previously reported within France.

However, the air handling business in France was also affected at an operating profit level by the ransomware attack described above, and in the UK by losses in the early part of the year at SK Sales. As a result, Air Handling delivered a reduced underlying operating profit performance, down 10.0% to £9.0m (H1 2018: £10.0m). On a statutory basis, after taking into account Other items and adjusting for first time adoption of IFRS 16, Air Handling reported an operating profit of £8.5m (H1 2018: £9.1m).

	Pre IFRS 16			As reported post IFRS 16		Statutory post IFRS 16
	Underlying operating profit (£m)	**Underlying operating margin**	**Change**	**Underlying operating profit (£m)**	**Underlying operating margin**	**Reported operating profit (£m)[2]**
Air Handling[1]	**9.0**	**5.6%**	**(100)bps**	**9.2**	**5.8%**	**8.5**

1 Includes SK Sales, which was previously reported within SIG Distribution, and Ouest Isol & Ventil, which was previously reported within France.
2 Reported operating profit is stated after taking into account Other items.

Other items

Other items, being items excluded from underlying results, during the period amounted to £22.1m (H1 2018: £5.5m), on a pre-tax basis, and comprised:

- Amortisation of acquired intangibles of £4.1m (H1 2018: £4.4m);
- Profits and losses on the sale or closure of non-core businesses and associated impairment charges of £1.0m loss (H1 2018: £5.0m profit), together with net operating losses from those businesses in H1 2019 of £0.2m (H1 2018: £2.5m profit);
- Net restructuring costs of £12.2m comprising property closure costs of £0.5m (H1 2018: £2.8m), redundancy and staff related costs of £6.1m (H1 2018: £2.1m), impairment of non-current and current assets due to restructuring of £0.5m (H1 2018: £nil) and restructuring consultancy costs of £5.1m (H1 2018: £1.5m) primarily incurred in connection with the fundamental restructuring of the target operating model of the major operating companies in the UK, Germany and France;
- Strategic review costs of the Air Handling business of £4.5m (H1 2018: £nil); and
- Other specific items of £0.1m (H1 2018: £1.4m credit), including costs in relation to the ransomware attack in France. The prior period credit related mainly to the non-underlying profit on the disposal of property in connection with the acquisition of the non-controlling interest of the Bulgaria Air Handling business and the movement in onerous lease provisions.

Impact of non-core businesses and prior period restatements

The revenue and profits of businesses that have been divested or closed at the period end, and which are therefore now being treated as non-underlying, are set out in the table below.

	H1 2018		FY 2018	
	Underlying PBT (£m)	**Underlying revenue (£m)**	**Underlying PBT (£m)**	**Underlying revenue (£m)**
Underlying Group as reported at H1 2018 results	**26.9**	**1,360.7**		
SIG Cut Solutions	0.3	(0.3)		
Roofspace	(1.3)	(12.3)		
Proteus	0.1	(1.7)		
Commercial Drainage	0.3	(5.7)		
Restatement[1]	(0.3)	-		
Underlying Group as reported at 2018 FY results	**26.0**	**1,340.7**	**75.3**	**2,683.2**
WeGo FloorTec	(0.9)	(13.2)	(1.5)	(23.2)
Restated at H1 2019 results	**25.1**	**1,327.5**	**73.8**	**2,660.0**

1 Comprises the half year impact of the restatement in relation to the recognition of leasehold dilapidations provisions as included in the 2018 Annual Report and Accounts.

Impact of IFRS 16

A new accounting standard, IFRS 16 Leases, was adopted with effect from 1 January 2019. The standard requires leases which were previously treated as operating leases to be recognised as a lease liability with the associated asset capitalised and treated as a right of use asset.

The Group elected to adopt the standard using the modified retrospective approach, which means that comparative results for 2018 are not restated. On 1 January 2019, £306.2m of leases were recognised as liabilities on adoption of the standard and £315.9m capitalised as right of use assets, including £21.1m previously included in property, plant and equipment in relation to assets held under finance leases under the old standard.

The financial impacts of IFRS 16 on H1 2019 are set out in the table below.

	H1 2019 (pre IFRS 16) (£m)	Impact of IFRS 16 (£m)	H1 2019 (post IFRS 16) (£m)
Underlying operating profit	36.5	3.4	39.9
Net finance costs	(6.5)	(6.1)	(12.6)
Underlying profit before tax	**30.0**	**(2.7)**	**27.3**
Right-of-use assets	-	304.4	304.4
Property, plant & equipment	103.2	(22.1)	81.1
Other assets	1,216.1	4.0	1,220.1
Lease liabilities	(24.0)	(295.4)	(319.4)
Other liabilities	(846.8)	6.4	(840.4)
Net assets	**448.5**	**(2.7)**	**445.8**
Net debt	**(158.2)**	**(290.8)**	**(449.0)**
Headline financial leverage	**1.4x**	**1.1x**	**2.5x**

The changes in accounting resulting from the implementation of IFRS 16 will not affect the way liquidity is assessed against the Group's banking covenants, which will continue to be assessed as though the accounting rules had not changed. As such, headline financial leverage will continue to be measured on a consistent (i.e. 'frozen' GAAP) basis in 2019 and the Group continues to target a headline financial leverage, excluding the increase in leverage associated with the implementation of IFRS 16, of below 1.0x over the medium term.

Responsibility Statement

We confirm to the best of our knowledge that:

(a) the condensed interim set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union;

(b) the Interim Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Interim Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Meinie Oldersma	**Nick Maddock**
Director	Director
5 September 2019	5 September 2019

Cautionary Statement

This Interim Report is prepared for and addressed only to the Company's Shareholders as a whole and to no other person. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this Interim Report is shown or into whose hands it may come and such responsibility or liability is expressly disclaimed.

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

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

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

Condensed Consolidated Income Statement
for the six months ended 30 June 2019 (unaudited)

		Six months ended 30 June 2019			Six months ended 30 June 2018^			Year ended 31 December 2018^		
		Underlying*	**Other items****	**Total**	Underlying* Restated	Other items** Restated	Total Restated	Underlying*	Other items**	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue	2	**1,260.1**	**12.5**	**1,272.6**	1,327.5	54.2	1,381.7	2,660.0	81.9	2,741.9
Cost of sales		**(918.8)**	**(9.9)**	**(928.7)**	(976.7)	(38.4)	(1,015.1)	(1,949.0)	(58.0)	(2,007.0)
Gross profit		**341.3**	**2.6**	**343.9**	350.8	15.8	366.6	711.0	23.9	734.9
Other operating expenses		**(301.4)**	**(24.7)**	**(326.1)**	(317.8)	(20.9)	(338.7)	(621.9)	(68.7)	(690.6)
Operating profit/(loss)	3	**39.9**	**(22.1)**	**17.8**	33.0	(5.1)	27.9	89.1	(44.8)	44.3
Finance income		**0.3**	**-**	**0.3**	0.3	-	0.3	0.6	-	0.6
Finance costs		**(12.9)**	**-**	**(12.9)**	(8.2)	(0.4)	(8.6)	(15.9)	(0.5)	(16.4)
Profit/(loss) before tax		**27.3**	**(22.1)**	**5.2**	25.1	(5.5)	19.6	73.8	(45.3)	28.5
Income tax (expense)/credit	5	**(7.3)**	**3.5**	**(3.8)**	(7.0)	2.5	(4.5)	(19.3)	8.7	(10.6)
Profit/(loss) after tax		**20.0**	**(18.6)**	**1.4**	18.1	(3.0)	15.1	54.5	(36.6)	17.9
Attributable to:										
Equity holders of the Company		**20.0**	**(18.6)**	**1.4**	17.7	(3.0)	14.7	54.1	(36.6)	17.5
Non-controlling interests		**-**	**-**	**-**	0.4	-	0.4	0.4	-	0.4
Earnings per share										
Basic and diluted earnings per share	6			**0.2p**			2.5p			3.0p

^ The Group has initially applied IFRS 16 "Leases" using the modified retrospective method. Under this method, the comparative information is not restated. See Note 1 for further details.

* Underlying represents the results before Other items.

** Other items relate to the amortisation of acquired intangibles, impairment charges, profits and losses on agreed sale or closure of non-core businesses and associated impairment charges, net operating (losses)/profits attributable to businesses identified as non-core, net restructuring costs, strategic review costs of the Air Handling business, other specific items, unwinding of provision discounting, fair value gains and losses on derivative financial instruments, the taxation effect of Other items and the effect of changes in taxation rates. Other items have been disclosed separately in order to give an indication of the underlying earnings of the Group. Further details can be found in Note 4.

All results are from continuing operations.

The results for the six months ended 30 June 2018 have been restated as set out in Note 1 and Note 18.

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2019 (unaudited)

	Six months ended 30 June 2019	Six months ended 30 June 2018^ Restated	Year ended 31 December 2018^
	£m	£m	£m
Profit after tax	**1.4**	15.1	17.9
Items that will not subsequently be reclassified to the Consolidated Income Statement:			
Remeasurement of defined benefit pension liability	**(3.8)**	8.6	0.1
Deferred tax movement associated with remeasurement of defined benefit pension liability	**0.8**	(1.5)	0.1
	(3.0)	7.1	0.2
Items that may subsequently be reclassified to the Consolidated Income Statement:			
Exchange difference on retranslation of foreign currency goodwill and intangibles	**(0.4)**	(0.6)	1.3
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)	**(0.9)**	(0.9)	(0.6)
Exchange and fair value movements associated with borrowings and derivative financial instruments	-	(0.8)	1.8
Tax credit on exchange and fair value movements arising on borrowings and derivative financial instruments	-	0.1	(0.4)
Gains and losses on cash flow hedges	**0.8**	0.2	2.0
Transfer to profit and loss on cash flow hedges	**(0.1)**	0.6	(0.7)
	(0.6)	(1.4)	3.4
Other comprehensive (expense)/income	**(3.6)**	5.7	3.6
Total comprehensive (expense)/income	**(2.2)**	20.8	21.5
Attributable to:			
Equity holders of the Company	**(2.2)**	20.4	21.1
Non-controlling interests	**-**	0.4	0.4
	(2.2)	20.8	21.5

^ The Group has initially applied IFRS 16 "Leases" using the modified retrospective method. Under this method, the comparative information is not restated. See Note 1 for further details.

The results for the six months ended 30 June 2018 have been restated as set out in Note 1 and Note 18.

Condensed Consolidated Balance Sheet
as at 30 June 2019 (unaudited)

	Note	**30 June 2019** **£m**	30 June 2018^ Restated £m	31 December 2018^ £m
Non-current assets				
Property, plant and equipment		**81.1**	113.0	105.4
Right-of-use assets		**304.4**	-	-
Goodwill		**293.5**	305.4	293.9
Intangible assets		**46.7**	51.6	46.2
Lease receivables		**4.8**	-	-
Deferred tax assets		**15.5**	12.9	14.6
Derivative financial instruments	10	**2.6**	0.5	1.9
Deferred consideration	10	**0.3**	1.1	0.7
		748.9	484.5	462.7
Current assets				
Inventories		**219.7**	228.2	207.2
Lease receivables		**0.8**	-	-
Trade and other receivables		**464.8**	513.8	477.7
Contract assets		**3.1**	3.0	1.8
Current tax assets		**5.3**	7.1	5.5
Derivative financial instruments	10	**-**	0.6	-
Deferred consideration	10	**0.6**	0.2	0.8
Other financial assets	10	**-**	0.9	-
Cash at bank and on hand		**153.1**	148.8	83.3
Assets classified as held for sale	7	**9.3**	-	1.9
		856.7	902.6	778.2
Total assets		**1,605.6**	1,387.1	1,240.9
Current liabilities				
Trade and other payables		**480.8**	515.9	428.3
Contract liabilities		**2.3**	2.0	1.6
Lease liabilities		**61.2**	3.1	3.2
Bank overdrafts		**5.6**	4.2	4.5
Bank loans		**94.7**	93.8	56.5
Private placement notes		**-**	20.6	-
Loan notes and deferred consideration	10	**-**	-	0.9
Other financial liabilities	10	**1.2**	-	1.1
Derivative financial instruments	10	**0.1**	0.1	0.3
Current tax liabilities		**2.7**	9.2	4.9
Provisions		**7.0**	9.7	11.0
Liabilities directly associated with assets classified as held for sale	7	**2.2**	-	-
		657.8	658.6	512.3
Non-current liabilities				
Lease liabilities		**258.2**	20.1	20.2
Private placement notes		**185.0**	182.9	185.6
Derivative financial instruments	10	**4.2**	3.4	3.8
Deferred tax liabilities		**1.4**	1.7	1.4
Other payables		**3.5**	6.4	5.6
Retirement benefit obligations	12	**30.7**	19.2	28.7
Provisions		**19.0**	24.9	20.4
		502.0	258.6	265.7
Total liabilities		**1,159.8**	917.2	778.0
Net assets		**445.8**	469.9	462.9
Capital and reserves				
Called up share capital	11	**59.2**	59.2	59.2
Share premium account		**447.3**	447.3	447.3
Capital redemption reserve		**0.3**	0.3	0.3
Share option reserve		**2.3**	1.6	1.7
Hedging and translation reserve		**20.4**	17.4	21.7
Cost of hedging reserve		**0.4**	0.9	1.0
Retained losses		**(84.1)**	(56.8)	(68.3)
Attributable to equity holders of the Company		**445.8**	469.9	462.9
Non-controlling interests		**-**	-	-
Total equity		**445.8**	469.9	462.9

^ The Group has initially applied IFRS 16 "Leases" using the modified retrospective method. Under this method, the comparative information is not restated. See Note 1 for further details.

The Condensed Consolidated Balance Sheet as at 30 June 2018 has been restated as set out in Note 1 and Note 18.

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2019 (unaudited)

	Note	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018^ Restated £m	Year ended 31 December 2018^ £m
Net cash flow from operating activities				
Cash generated from operating activities	8	**86.4**	82.2	109.6
Income tax paid		**(5.9)**	(4.5)	(14.0)
Net cash generated from operating activities		**80.5**	77.7	95.6
Cash flows from investing activities				
Finance income received		**0.3**	0.3	1.0
Purchase of property, plant and equipment and computer software		**(13.1)**	(9.7)	(22.7)
Proceeds from sale of property, plant and equipment		**3.9**	0.6	5.1
Settlement of amounts payable for previous purchases of businesses		**-**	(17.1)	(17.2)
Net cash flow arising on the sale of businesses	7	**0.6**	25.2	35.8
Net cash (used in)/generated from investing activities		**(8.3)**	(0.7)	2.0
Cash flows from financing activities				
Finance costs paid		**(5.8)**	(6.9)	(14.1)
Repayment of lease liabilities		**(34.8)**	(1.2)	(1.5)
Acquisition of non-controlling interests		**(0.9)**	(2.4)	(2.5)
Repayment of loans/settlement of derivative financial instruments		**(3.7)**	(14.2)	(57.1)
Additional drawdown on revolving credit facility		**41.0**	15.3	-
Dividends paid to equity holders of the Company	13	**-**	-	(22.2)
Dividends paid to non-controlling interest		**-**	(0.3)	(0.3)
Net cash used in financing activities		**(4.2)**	(9.7)	(97.7)
Increase/(decrease) in cash and cash equivalents in the period	9	**68.0**	67.3	(0.1)
Cash and cash equivalents at beginning of the period		**78.8**	78.6	78.6
Effect of foreign exchange rate changes		**0.7**	(1.3)	0.3
Cash and cash equivalents at end of the period*		**147.5**	144.6	78.8

^ The Group has initially applied IFRS 16 "Leases" using the modified retrospective method. Under this method, the comparative information is not restated. See Note 1 for further details.

* Cash and cash equivalents comprise cash at bank and on hand of £153.1m (30 June 2018: £148.8m; 31 December 2018: £83.3m) less bank overdrafts of £5.6m (30 June 2018: £4.2m; 31 December 2018: £4.5m).

The results for the six months ended 30 June 2018 have been restated as set out in Note 1 and Note 18.

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2019 (unaudited)

For the six months ended 30 June 2019	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserve £m	Cost of hedging reserve £m	Retained (losses) / profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2019	**59.2**	**447.3**	**0.3**	**1.7**	**21.7**	**1.0**	**(68.3)**	**462.9**	**-**	**462.9**
Impact of adoption of IFRS 16	**-**	**-**	**-**	**-**	**-**	**-**	**(0.7)**	**(0.7)**	**-**	**(0.7)**
Adjusted balance at 1 January 2019	**59.2**	**447.3**	**0.3**	**1.7**	**21.7**	**1.0**	**(69.0)**	**462.2**	**-**	**462.2**
Profit after tax	**-**	**-**	**-**	**-**	**-**	**-**	**1.4**	**1.4**	**-**	**1.4**
Other comprehensive expense	**-**	**-**	**-**	**-**	**(1.3)**	**(0.6)**	**(1.7)**	**(3.6)**	**-**	**(3.6)**
Total comprehensive expense	**-**	**-**	**-**	**-**	**(1.3)**	**(0.6)**	**(0.3)**	**(2.2)**	**-**	**(2.2)**
Credit to share option reserve	**-**	**-**	**-**	**0.6**	**-**	**-**	**-**	**0.6**	**-**	**0.6**
Dividends paid to equity holders of the Company (Note 13)	**-**	**-**	**-**	**-**	**-**	**-**	**(14.8)**	**(14.8)**	**-**	**(14.8)**
At 30 June 2019	**59.2**	**447.3**	**0.3**	**2.3**	**20.4**	**0.4**	**(84.1)**	**445.8**	**-**	**445.8**

For the six months ended 30 June 2018^	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserve £m	Cost of hedging reserve £m	Retained (losses) / profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2018	59.2	447.3	0.3	1.3	19.6	-	(58.1)	469.6	0.9	470.5
Impact of adoption of IFRS 15	-	-	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Impact of adoption of IFRS 9 (restated)	-	-	-	-	-	0.9	(0.7)	0.2	-	0.2
Adjusted balance at 1 January 2018 (restated)	59.2	447.3	0.3	1.3	19.6	0.9	(59.5)	469.1	0.9	470.0
Profit after tax (restated)	-	-	-	-	-	-	14.7	14.7	0.4	15.1
Other comprehensive (expense)/income	-	-	-	-	(2.2)	-	7.9	5.7	-	5.7
Total comprehensive (expense)/income	-	-	-	-	(2.2)	-	22.6	20.4	0.4	20.8
Credit to share option reserve	-	-	-	0.3	-	-	-	0.3	-	0.3
Movement in reserves	-	-	-	-	-	-	(1.6)	(1.6)	1.6	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(0.3)	(0.3)
Transactions between equity holders	-	-	-	-	-	-	(3.6)	(3.6)	(2.6)	(6.2)
Dividends paid to equity holders of the Company	-	-	-	-	-	-	(14.7)	(14.7)	-	(14.7)
At 30 June 2018	59.2	447.3	0.3	1.6	17.4	0.9	(56.8)	469.9	-	469.9

Condensed Consolidated Statement of Changes in Equity (continued)
for the six months ended 30 June 2019 (unaudited)

For the year ended 31 December 2018^	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserve £m	Cost of hedging reserve £m	Retained (losses) / profits £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2018	59.2	447.3	0.3	1.3	19.6	-	(58.1)	469.6	0.9	470.5
Impact of adoption of IFRS 15	-	-	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Impact of adoption of IFRS 9	-	-	-	-	-	0.9	(0.7)	0.2	-	0.2
Adjusted balance at 1 January 2018	59.2	447.3	0.3	1.3	19.6	0.9	(59.5)	469.1	0.9	470.0
Profit after tax	-	-	-	-	-	-	17.5	17.5	0.4	17.9
Other comprehensive income	-	-	-	-	2.1	0.1	1.4	3.6	-	3.6
Total comprehensive income	-	-	-	-	2.1	0.1	18.9	21.1	0.4	21.5
Credit to share option reserve	-	-	-	0.4	-	-	-	0.4	-	0.4
Current and deferred tax on share options	-	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Movement in reserves	-	-	-	-	-	-	(1.7)	(1.7)	1.7	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(0.3)	(0.3)
Transactions between equity holders	-	-	-	-	-	-	(3.6)	(3.6)	(2.7)	(6.3)
Dividends paid to equity holders of the Company	-	-	-	-	-	-	(22.2)	(22.2)	-	(22.2)
At 31 December 2018	59.2	447.3	0.3	1.7	21.7	1.0	(68.3)	462.9	-	462.9

^ The Group has initially applied IFRS 16 "Leases" using the modified retrospective method. Under this method, the comparative information is not restated. See Note 1 for further details.

Total equity at 30 June 2018 has been restated as set out in Note 1 and Note 18.

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 "Share-based payment" less the value of any share options that have been exercised.

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

Notes to the Condensed Interim Financial Statements

1. Basis of preparation of Condensed Interim Financial Statements

The Condensed Interim Financial Statements were approved by the Board of Directors on 5 September 2019.

The Condensed Interim Financial Statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The interim results to 30 June 2019 and 30 June 2018 have been subject to an Interim Review in accordance with ISRE 2410 by the Company's Auditor. The financial information for the full preceding year is based on the audited statutory accounts for the financial year ended 31 December 2018 prepared in accordance with IFRS as adopted by the European Union. Those accounts, upon which the Auditor issued an unqualified opinion, have been delivered to the Registrar of Companies. The Auditor's Report did not draw attention to any matters by way of emphasis and contained no statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

The Group’s Condensed Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and the accounting policies included in the Annual Report and Accounts for the year ended 31 December 2018, which have been applied consistently throughout the current and preceding periods with the exception of new standards adopted in the current period (see below).

The areas of critical accounting judgements and key sources of estimation uncertainty set out on page 124 to 125 of the 2018 Annual Report and Accounts are considered to continue and be consistently applied.

The carrying value of non-current assets has been considered. There is not considered to be any indicator of impairment at 30 June 2019 however, goodwill relating to the Cash Generating Unit (‘CGU’) in Larivière in France is most sensitive to reasonably possible changes in key assumptions. This will be kept under review given current market conditions and uncertainty, and a full impairment review will be carried out at 31 December 2019.

All results are from continuing operations under International Accounting Standards; businesses identified as non-core in 2019 and 2018 did not meet the disclosure criteria of being discontinued operations as they did not individually or in aggregate represent a separate major line of business or geographical area of operation. In order to give an indication of the underlying earnings of the Group, the results of these businesses have been included within Other items in the Condensed Consolidated Income Statement. The comparatives for the period ended 30 June 2018 have been re-analysed to present net operating profits of £1.5m attributable to businesses identified as non-core in the second half of 2018 or the first half of 2019. The comparatives for the year end 31 December 2018 have also been re-analysed to present net operating profits of £1.5m attributable to businesses identified as non-core in the first half of 2019.

Prior year adjustments

The results and balance sheet for the period ended 30 June 2018 have been restated below. Full details of the effect on each financial line item affected are shown in Note 18.

i) Provision for leasehold dilapidations

As noted in the 2018 Annual Report and Accounts, the Group has corrected its policy for recognising provisions in relation to contractual obligations to reinstate leasehold properties to their original state of repair. Previously the provision was calculated with reference to the expired portion of individual lease agreements, where such a clause exists in the lease contract. The Group has reviewed the contractual obligations and provisions and considers that where a liability exists to rectify or reinstate leasehold improvements and modifications carried out at the inception of the lease, provision should be made at the inception of the lease, with a corresponding asset recognised in fixed assets and depreciated over the term of the lease. Provisions to rectify repairs and general wear and tear continue to be recognised as incurred over the life of the lease. Provisions for dilapidations were also required in Germany which were not previously recognised. This prior period restatement resulted in an increase to fixed assets of £3.0m, an increase to liabilities of £8.6m and an increase in retained losses of £5.6m at 30 June 2018, and a decrease to the profit after tax for the six months ended 30 June 2018 of £0.3m.

ii) IFRS 9 "Financial instruments" transition

The Group adopted IFRS 9 "Financial Instruments" with a date of initial application of 1 January 2018 and a number of transition adjustments were made. At the year end, further transition adjustments were identified; to reclassify part of the retained losses reserve to a new cost of hedging reserve and to reduce the provision for expected credit losses. This prior period restatement has resulted in a reduction of the provision against trade and other receivables and retained losses of £0.2m on transition at 1 January 2018 and as at 30 June 2018, with no impact on the profit after tax for the six months ended 30 June 2018.

iii) *Cash flow statement*

As noted in the 2018 Annual Report and Accounts, the 2017 Consolidated Balance Sheet was restated to include a credit card working capital facility within net debt. This restatement resulted in a change of classification between working capital and debt movements on the Consolidated Cash Flow Statement of £8.0m for the six months ended 30 June 2018. The Consolidated Cash Flow Statement for the six months ended 30 June 2018 has also been corrected for a prior period error to reduce both net cash flow from operating activities and dividends paid by £14.7m as the final dividend for 2017 was paid on 5 July 2018 but the cash outflow was incorrectly recognised in the six months period to 30 June 2018. In addition, an adjustment has been recorded to move £2.4m payment for acquisition of non-controlling interest from cash flows from investing activities to cash flows from financing activities consistent with the presentation included in the 2018 Annual Report and Accounts. Neither of the latter two reclassification adjustments affect overall cash flow or the Consolidated Balance Sheet (the approved final dividend for 2017 being correctly reflected as a liability at 30 June 2018).

Going Concern

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

Notes to the Condensed Interim Financial Statements

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

New standards, interpretations and amendments adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption of the leasing standard is disclosed below. The other standards did not have any impact on the Group and did not require retrospective adjustments.

<u>IFRS 16 "Leases"</u>

IFRS 16 removes the distinction between finance and operating leases, and brings virtually all leases onto the balance sheet. The standard has no effect on cash flows for the Group, but does have a significant impact on the way the assets, liabilities and the income statement of the Group are presented, as well as the classification of cash flows relating to lease contracts.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information for the 2018 reporting period has not been restated, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

a) The Group's leasing activities
The group leases various offices, warehouses, branches, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension or early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

b) How leases are accounted for
Prior to the transition of IFRS 16 the Group classified leases as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for lessees and introduces a single lease accounting model where leases are recognised as a right of use asset and corresponding liability at the commencement date of a lease. IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and an interest expense on lease liabilities.

A lease liability is recognised based on the discounted present value of total future lease payments, with a corresponding right-of-use asset recognised and depreciated over the lease term. The lease payments are discounted using the interest rate implicit in the lease, or, if that rate cannot be determined, the lessee's incremental borrowing rate.

Where a lease liability relates to an onerous lease contract the right-of-use asset is assessed for impairment. Payments due under the lease continue to be included in the lease liability, therefore a separate provision is no longer required. The lease liability is also remeasured upon the occurrence of certain events, which is generally also recognised as an adjustment to the right of-use asset. Provisions for short-term onerous lease contracts continue to be recognised.

i) Definition of a lease
A lease is a contract (i.e. an agreement between two or more parties that creates enforceable rights and obligations), or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It is determined whether a contract is a lease or contains a lease at the inception of the contract.

Under IFRS 16, an identified asset can be either implicitly or explicitly specified in a contract.

ii) Lease term
In accordance with IFRS 16, the lease term is defined as the non-cancellable period of the lease, together with:
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

iii) Variable lease payments
Variable lease payments based on an index or a rate are part of the lease liability. Variable lease payments are initially measured using the index or the rate at the commencement date, or at 1 January 2019 on initial adoption. Forecast future changes in rates are not included; these are only taken into account at the point in time at which lease payments change.

The Group has a few property leases where rentals are based on an index but with a cap and collar, and for such leases the minimum future increase is included in the initial recognition of the lease liability where relevant.

Other variable payments, for example additional costs based on usage or vehicle mileage, are not included in the lease liability.

iv) Asset restoration costs
Where there is an obligation under a lease contract to dismantle and/or restore the asset to its original condition, provision is made for this in accordance with IAS 37, and the initial carrying amount of this provision is added to the right-of-use asset on inception of the lease. The liability continues to be recorded as a separate provision on the balance sheet (i.e. it is not included in the IFRS 16 lease liability).

v) Finance leases
The accounting for finance leases is consistent under IFRS 16 and the previous accounting standard, and under the transition rules of IFRS 16, the lease liability and asset for leases previously classified as finance lease is the carrying value of the lease liability and asset immediately before the date of transition.

Notes to the Condensed Interim Financial Statements

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

c) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for lease contracts with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Low-value assets are not included;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application: and
- The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

d) Adjustments recognised on adoption

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January was 3.2%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

	2019 **£m**
Operating lease commitments disclosed as at 31 December 2018	295.5
Less: short-term leases recognised on a straight-line basis as an expense	(2.2)
Add: adjustments as a result of different treatment of extension and termination options	74.8
Effect from discounting using the lessee's incremental borrowing rate at the date of initial application	(61.9)
Liabilities additionally recognised based on the initial application of IFRS 16 as at 1 January 2019	**306.2**
Lease liabilities as at 31 December 2018	23.4
Lease liabilities recognised as at 1 January 2019	**329.6**
Of which are:	
Current lease liabilities	57.1
Non-current lease liabilities	272.5

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Right-of use-assets were then tested for impairment at the date of initial application, in accordance with IAS 36 Impairment of Assets.

	2019 **£m**
Amount of the initial measurement of lease liabilities recognised at 1 January 2019	306.2
Less: any rental prepayments/(accruals) made at or before the commencement date	(1.1)
Less: right-of-use assets derecognised due to subleases	(5.8)
Less: impairment of right-of-use assets on initial recognition	(4.5)
Right of use asset additionally recognised based on the initial application of IFRS 16 as of 1 January 2019	**294.8**
Add: assets from finance leases as at 31 December 2018	21.1
Right of use asset recognised as at 1 January 2019	**315.9**

The change in the accounting policy affected the following items on the balance sheet at 1 January 2019:

	1 January 2019 Prior to IFRS 16 £m	**IFRS 16 impact £m**	**1 January 2019 Adjusted £m**
Right-of-use assets	-	315.9	**315.9**
Property, plant and equipment	105.4	(21.1)	**84.3**
Asset receivable	-	5.8	**5.8**
Deferred tax assets	14.6	(0.1)	**14.5**
Trade and other receivables	477.7	(3.7)	**474.0**
Other assets	643.2	-	**643.2**
Total assets	1,240.9	296.8	**1,537.7**
Trade and other payables	428.3	(4.8)	**423.5**
Lease liabilities	23.4	306.2	**329.6**
Provisions	31.4	(3.9)	**27.5**
Deferred tax liabilities	1.4	-	**1.4**
Other liabilities	293.5	-	**293.5**
Total liabilities	778.0	297.5	**1,075.5**
Net assets	462.9	(0.7)	**462.2**
Capital and reserves			
Retained losses	(68.3)	(0.7)	**(69.0)**
Other capital and reserves	531.2	-	**531.2**
Total equity	462.9	(0.7)	**462.2**

Notes to the Condensed Interim Financial Statements

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

e) *Impact for the period*

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised £282.3m of right-of-use assets and £295.4m of lease liabilities as at 30 June 2019.

In addition, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised £28.6m of depreciation charges and £6.1m of interest cost from these leases.

The impact on underlying EBITDA for the period ending 30 June 2019 is as follows:

	As reported £m	**IFRS 16 Impact £m**	**Excluding IFRS 16 Impact £m**
Operating profit	39.9	3.4	36.5
Net finance costs	(12.6)	(6.1)	(6.5)
Profit before tax	27.3	(2.7)	30.0
Adjustment for:			
- Net finance costs	12.6	6.1	6.5
- Depreciation	37.8	28.6	9.2
- Amortisation	6.2	-	6.2
EBITDA for period	**83.9**	**32.0**	**51.9**

Statutory earnings per share decreased by 0.4p per share and underlying earnings per share decreased by 0.3p per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16.

Notes to the Condensed Interim Financial Statements

2. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Six months ended 30 June 2019	UK & Ireland SIG Distribution £m	UK & Ireland SIG Exteriors £m	UK & Ireland Ireland & Other £m	UK & Ireland Total £m	Mainland Europe France £m	Mainland Europe Germany £m	Mainland Europe Poland £m	Mainland Europe Benelux £m	Mainland Europe Total £m	Air Handling* £m	Eliminations £m	Total £m
Type of product												
Interiors	295.2	-	28.5	**323.7**	124.0	191.5	71.7	53.7	**440.9**	-	-	**764.6**
Exteriors	-	171.9	19.0	**190.9**	142.3	-	-	-	**142.3**	-	-	**333.2**
Heating, ventilation and air conditioning	-	-	-	**-**	-	-	3.0	-	**3.0**	159.3	-	**162.3**
Inter-segment revenue^	1.8	1.8	-	**3.6**	4.0	-	-	0.1	**4.1**	0.4	(8.1)	**-**
Total underlying revenue	**297.0**	**173.7**	**47.5**	**518.2**	**270.3**	**191.5**	**74.7**	**53.8**	**590.3**	**159.7**	**(8.1)**	**1,260.1**
Revenue attributable to businesses identified as non-core	1.2	-	-	**1.2**	-	11.3	-	-	**11.3**	-	-	**12.5**
Total	**298.2**	**173.7**	**47.5**	**519.4**	**270.3**	**202.8**	**74.7**	**53.8**	**601.6**	**159.7**	**(8.1)**	**1,272.6**
Nature of revenue												
Goods for resale	298.2	173.7	44.2	**516.1**	270.3	202.8	74.7	53.8	**601.6**	146.5	(8.1)	**1,256.1**
Construction contracts	-	-	3.3	**3.3**	-	-	-	-	**-**	13.2	-	**16.5**
Total	**298.2**	**173.7**	**47.5**	**519.4**	**270.3**	**202.8**	**74.7**	**53.8**	**601.6**	**159.7**	**(8.1)**	**1,272.6**
Timing of revenue recognition												
Goods transferred at a point in time	298.2	173.7	44.2	**516.1**	270.3	202.8	74.7	53.8	**601.6**	146.5	(8.1)	**1,256.1**
Goods and services transferred over time	-	-	3.3	**3.3**	-	-	-	-	**-**	13.2	-	**16.5**
Total	**298.2**	**173.7**	**47.5**	**519.4**	**270.3**	**202.8**	**74.7**	**53.8**	**601.6**	**159.7**	**(8.1)**	**1,272.6**

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

* Represents the business managed from The Netherlands including the French and UK air handling businesses now including in the Air Handling operating segment (see Note 3). Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements

2. Revenue from contracts with customers (continued)

	UK & Ireland				Mainland Europe							
Six months ended 30 June 2018	**SIG Distribution £m**	**SIG Exteriors £m**	**Ireland & Other £m**	**Total £m**	**France £m**	**Germany £m**	**Poland £m**	**Benelux £m**	**Total £m**	**Air Handling* £m**	**Eliminations £m**	**Total £m**
Type of product												
Interiors	357.2	-	31.6	**388.8**	121.1	194.9	69.8	55.4	**441.2**	-	-	**830.0**
Exteriors	-	185.0	20.0	**205.0**	138.9	-	-	-	**138.9**	-	-	**343.9**
Heating, ventilation and air conditioning	-	-	-	**-**	-	-	2.4	-	**2.4**	151.2	-	**153.6**
Inter-segment revenue^	6.6	1.9	0.7	**9.2**	4.9	0.1	-	0.1	**5.1**	0.1	(14.4)	**-**
Total underlying revenue	**363.8**	**186.9**	**52.3**	**603.0**	**264.9**	**195.0**	**72.2**	**55.5**	**587.6**	**151.3**	**(14.4)**	**1,327.5**
Revenue attributable to businesses identified as non-core	35.5	1.7	3.5	**40.7**	-	13.5	-	-	**13.5**	-	-	**54.2**
Total	**399.3**	**188.6**	**55.8**	**643.7**	**264.9**	**208.5**	**72.2**	**55.5**	**601.1**	**151.3**	**(14.4)**	**1,381.7**
Nature of revenue												
Goods for resale	387.0	188.6	51.6	**627.2**	264.9	208.5	72.2	55.5	**601.1**	139.5	(14.4)	**1,353.4**
Construction contracts	12.3	-	4.2	**16.5**	-	-	-	-	**-**	11.8	-	**28.3**
Total	**399.3**	**188.6**	**55.8**	**643.7**	**264.9**	**208.5**	**72.2**	**55.5**	**601.1**	**151.3**	**(14.4)**	**1,381.7**
Timing of revenue recognition												
Goods transferred at a point in time	387.0	188.6	51.6	**627.2**	264.9	208.5	72.2	55.5	**601.1**	139.5	(14.4)	**1,353.4**
Goods and services transferred over time	12.3	-	4.2	**16.5**	-	-	-	-	**-**	11.8	-	**28.3**
Total	**399.3**	**188.6**	**55.8**	**643.7**	**264.9**	**208.5**	**72.2**	**55.5**	**601.1**	**151.3**	**(14.4)**	**1,381.7**

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

* Represents the business managed from The Netherlands including the French and UK air handling businesses now including in the Air Handling operating segment (see Note 3). Further air handling product category trading results are incorporated within the other operating segments.

2. Revenue from contracts with customers (continued)

Year ended 31 December 2018	UK & Ireland SIG Distribution £m	UK & Ireland SIG Exteriors £m	UK & Ireland Ireland & Other £m	UK & Ireland Total £m	Mainland Europe France £m	Mainland Europe Germany £m	Mainland Europe Poland £m	Mainland Europe Benelux £m	Mainland Europe Total £m	Air Handling* £m	Eliminations £m	Total £m
Type of product												
Interiors	680.1	-	60.6	**740.7**	242.6	403.4	151.0	108.4	**905.4**	-	-	**1,646.1**
Exteriors	-	378.7	39.2	**417.9**	280.2	-	-	-	**280.2**	-	-	**698.1**
Heating, ventilation and air conditioning	-	-	0.1	**0.1**	-	-	5.6	-	**5.6**	310.1	-	**315.8**
Inter-segment revenue^	10.2	3.7	0.6	**14.5**	9.5	0.2	-	0.3	**10.0**	1.3	(25.8)	**-**
Total underlying revenue	**690.3**	**382.4**	**100.5**	**1,173.2**	**532.3**	**403.6**	**156.6**	**108.7**	**1,201.2**	**311.4**	**(25.8)**	**2,660.0**
Revenue attributable to businesses identified as non-core	51.5	3.4	3.5	**58.4**	-	23.5	-	-	**23.5**	-	-	**81.9**
Total	**741.8**	**385.8**	**104.0**	**1,231.6**	**532.3**	**427.1**	**156.6**	**108.7**	**1,224.7**	**311.4**	**(25.8)**	**2,741.9**
Nature of revenue												
Goods for resale	717.8	385.8	96.0	**1,199.6**	532.3	427.1	156.6	108.7	**1,224.7**	285.8	(25.8)	**2,684.3**
Construction contracts	24.0	-	8.0	**32.0**	-	-	-	-	**-**	25.6	-	**57.6**
Total	**741.8**	**385.8**	**104.0**	**1,231.6**	**532.3**	**427.1**	**156.6**	**108.7**	**1,224.7**	**311.4**	**(25.8)**	**2,741.9**
Timing of revenue recognition												
Goods transferred at a point in time	717.8	385.8	96.0	**1,199.6**	532.3	427.1	156.6	108.7	**1,224.7**	285.8	(25.8)	**2,684.3**
Goods and services transferred over time	24.0	-	8.0	**32.0**	-	-	-	-	**-**	25.6	-	**57.6**
Total	**741.8**	**385.8**	**104.0**	**1,231.6**	**532.3**	**427.1**	**156.6**	**108.7**	**1,224.7**	**311.4**	**(25.8)**	**2,741.9**

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

* Represents the business managed from The Netherlands including the French and UK air handling businesses now including in the Air Handling operating segment (see Note 3). Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements

3. Segmental information

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance. The air handling businesses in France and the UK have been integrated with the European Air Handling business in 2019 and are now included in the Air Handling reportable segment. The prior period comparatives have been reclassified on a consistent basis.

	UK & Ireland				Mainland Europe							
Six months ended 30 June 2019	**SIG Distribution £m**	**SIG Exteriors £m**	**Ireland & Other £m**	**Total £m**	**France £m**	**Germany £m**	**Poland £m**	**Benelux £m**	**Total £m**	**Air Handling* £m**	**Eliminations £m**	**Total £m**
Revenue												
Underlying revenue	295.2	171.9	47.5	**514.6**	266.3	191.5	74.7	53.7	**586.2**	159.3	-	**1,260.1**
Revenue attributable to businesses identified as non-core	1.2	-	-	**1.2**	-	11.3	-	-	**11.3**	-	-	**12.5**
Inter-segment revenue^	1.8	1.8	-	**3.6**	4.0	-	-	0.1	**4.1**	0.1	(7.8)	**-**
Total revenue	**298.2**	**173.7**	**47.5**	**519.4**	**270.3**	**202.8**	**74.7**	**53.8**	**601.6**	**159.4**	**(7.8)**	**1,272.6**
Result												
Segment result before Other items	**6.8**	**7.0**	**2.9**	**16.7**	**10.5**	**3.3**	**1.3**	**2.9**	**18.0**	**9.2**	**-**	**43.9**
Amortisation of acquired intangibles	(0.7)	(2.2)	-	**(2.9)**	(0.5)	-	-	(0.1)	**(0.6)**	(0.6)	-	**(4.1)**
Profits and losses on sale or closure of non-core businesses and associated impairment charges (Note 7)	(0.6)	1.0	(0.5)	**(0.1)**	-	(0.8)	-	-	**(0.8)**	(0.1)	-	**(1.0)**
Net operating (losses)/profits attributable to businesses identified as non-core (Note 7)	(0.8)	-	-	**(0.8)**	-	0.6	-	-	**0.6**	-	-	**(0.2)**
Net restructuring costs	(2.7)	(3.8)	-	**(6.5)**	(0.6)	(5.0)	-	(0.1)	**(5.7)**	-	-	**(12.2)**
Other specific items	0.3	-	(0.3)	**-**	(0.1)	-			**(0.1)**		-	**(0.1)**
Segment operating profit/(loss)	**2.3**	**2.0**	**2.1**	**6.4**	**9.3**	**(1.9)**	**1.3**	**2.7**	**11.4**	**8.5**	**-**	**26.3**
Strategic review costs of the Air Handling business												**(4.5)**
Parent company costs												**(4.0)**
Operating profit												**17.8**
Net finance costs before Other items												**(12.6)**
Net fair value losses on derivative financial instruments												**-**
Unwinding of provision discounting												**-**
Profit before tax												**5.2**
Income tax expense												**(3.8)**
Non-controlling interests												**-**
Profit for the period												**1.4**

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

* Represents the business managed from The Netherlands including the French and UK air handling businesses. Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

	UK & Ireland				Mainland Europe							
Six months ended 30 June 2018	**SIG Distribution £m**	**SIG Exteriors £m**	**Ireland & Other £m**	**Total £m**	**France £m**	**Germany £m**	**Poland £m**	**Benelux £m**	**Total £m**	**Air Handling* £m**	**Eliminations £m**	**Total £m**
Revenue												
Underlying revenue	357.2	185.0	51.6	**593.8**	260.0	194.9	72.2	55.4	**582.5**	151.2	-	**1,327.5**
Revenue attributable to businesses identified as non-core	35.5	1.7	3.5	**40.7**	-	13.5	-	-	**13.5**	-	-	**54.2**
Inter-segment revenue^	6.6	1.9	0.7	**9.2**	4.9	0.1	-	0.1	**5.1**	0.1	(14.4)	**-**
Total revenue	**399.3**	**188.6**	**55.8**	**643.7**	**264.9**	**208.5**	**72.2**	**55.5**	**601.1**	**151.3**	**(14.4)**	**1,381.7**
Result (restated)												
Segment result before Other items	**5.5**	**5.8**	**3.0**	**14.3**	**9.6**	**2.6**	**0.3**	**2.6**	**15.1**	**10.0**	**-**	**39.4**
Amortisation of acquired intangibles	(0.9)	(2.4)	-	**(3.3)**	(0.4)	-		(0.1)	**(0.5)**	(0.6)	-	**(4.4)**
Impairment charges	(3.2)	-	-	**(3.2)**	-	-	-	-	**-**	-	-	**(3.2)**
Profits and losses on sale or closure of non-core businesses and associated impairment charges (Note 7)	5.9	(0.1)	(0.5)	**5.3**	-	-	-	-	**-**	(0.3)	-	**5.0**
Net operating profits/(losses) attributable to businesses identified as non-core (Note 7)	3.7	(0.1)	(1.7)	**1.9**	-	0.6	-	-	**0.6**	-	-	**2.5**
Net restructuring costs	(1.8)	(1.8)	-	**(3.6)**	-	(2.8)	-	-	**(2.8)**	-	-	**(6.4)**
Other specific items	-	-	1.4	**1.4**	-	-	-		**-**	-	-	**1.4**
Segment operating profit	**9.2**	**1.4**	**2.2**	**12.8**	**9.2**	**0.4**	**0.3**	**2.5**	**12.4**	**9.1**	**-**	**34.3**
Parent company costs												**(6.4)**
Operating profit												**27.9**
Net finance costs before Other items												**(7.9)**
Net fair value losses on derivative financial instruments												**(0.3)**
Unwinding of provision discounting												**(0.1)**
Profit before tax												**19.6**
Income tax expense												**(4.5)**
Non-controlling interests												**(0.4)**
Profit for the period												**14.7**

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

* Represents the business managed from The Netherlands including the French and UK air handling businesses. Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

	UK & Ireland				Mainland Europe							
Year ended 31 December 2018	**SIG Distribution £m**	**SIG Exteriors £m**	**Ireland & Other £m**	**Total £m**	**France £m**	**Germany £m**	**Poland £m**	**Benelux £m**	**Total £m**	**Air Handling* £m**	**Eliminations £m**	**Total £m**
Revenue												
Underlying revenue	680.1	378.7	99.9	**1,158.7**	522.8	403.4	156.6	108.4	**1,191.2**	310.1	-	**2,660.0**
Revenue attributable to businesses identified as non-core	51.5	3.4	3.5	**58.4**	-	23.5	-	-	**23.5**	-	-	**81.9**
Inter-segment revenue^	10.2	3.7	0.6	**14.5**	9.5	0.2	-	0.3	**10.0**	0.2	(24.7)	**-**
Total revenue	**741.8**	**385.8**	**104.0**	**1,231.6**	**532.3**	**427.1**	**156.6**	**108.7**	**1,224.7**	**310.3**	**(24.7)**	**2,741.9**
Result												
Segment result before Other items	**23.0**	**17.3**	**6.1**	**46.4**	**21.1**	**7.6**	**3.3**	**4.5**	**36.5**	**19.4**	**-**	**102.3**
Amortisation of acquired intangibles	(1.4)	(4.8)	(0.4)	**(6.6)**	(0.8)	-	-	(0.2)	**(1.0)**	(1.3)	-	**(8.9)**
Impairment charges	(3.9)	-	-	**(3.9)**	-	(0.1)	-	-	**(0.1)**	-	-	**(4.0)**
Profits and losses on sale or closure of non-core businesses and associated impairment charges (Note 7)	(1.8)	(4.8)	0.4	**(6.2)**	-	(0.1)	-	-	**(0.1)**	(0.4)	-	**(6.7)**
Net operating (losses)/profits attributable to businesses identified as non-core (Note 7)	4.0	(0.5)	(2.0)	**1.5**	-	1.2	-	-	**1.2**	-	-	**2.7**
Net restructuring costs	(10.1)	(7.7)	(0.4)	**(18.2)**	(2.3)	(6.0)	-	(1.2)	**(9.5)**	-	-	**(27.7)**
Other specific items	(0.5)	-	-	**(0.5)**	(0.7)	-	-	(0.1)	**(0.8)**	1.1	-	**(0.2)**
Segment operating profit/(loss)	**9.3**	**(0.5)**	**3.7**	**12.5**	**17.3**	**2.6**	**3.3**	**3.0**	**26.2**	**18.8**	**-**	**57.5**
Parent company costs												**(13.2)**
Operating profit												**44.3**
Net finance costs before Other items												**(15.3)**
Net fair value losses on derivative financial instruments												**(0.3)**
Unwinding of provision discounting												**(0.2)**
Profit before tax												**28.5**
Income tax expense												**(10.6)**
Non-controlling interests												**(0.4)**
Profit for the year												**17.5**

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

* Represents the business managed from The Netherlands including the French and UK air handling businesses. Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

Six months ended 30 June 2019	UK & Ireland SIG Distribution £m	UK & Ireland SIG Exteriors £m	UK & Ireland Ireland & Other £m	UK & Ireland Total £m	Mainland Europe France £m	Mainland Europe Germany £m	Mainland Europe Poland £m	Mainland Europe Benelux £m	Mainland Europe Total £m	Air Handling* £m	Total £m
Balance sheet											
Assets											
Segment assets	373.6	249.6	58.2	**681.4**	342.2	175.8	70.8	65.3	**654.1**	215.2	**1,550.7**
Unallocated assets:											
Property, plant and equipment											**8.2**
Derivative financial instruments											**2.6**
Cash and cash equivalents											**12.9**
Deferred tax assets											**15.5**
Other assets											**15.7**
Consolidated total assets											**1,605.6**
Liabilities											
Segment liabilities	216.0	120.1	39.5	**375.6**	179.8	105.5	41.2	21.4	**347.9**	101.8	**825.3**
Unallocated liabilities:											
Private placement notes											**185.0**
Bank loans											**94.7**
Derivative financial instruments											**4.3**
Other liabilities											**50.5**
Consolidated total liabilities											**1,159.8**
Other segment information											
Capital expenditure on:											
Property, plant and equipment	1.8	1.2	0.8	**3.8**	2.0	0.5	1.7	0.3	**4.5**	0.5	**8.8**
Computer software	0.7	-	5.6	**6.3**	0.2	-	-	-	**0.2**	0.2	**6.7**
Non-cash expenditure:											
Depreciation	11.3	3.7	1.1	**16.1**	7.5	7.1	1.6	1.3	**17.5**	4.2	**37.8**
Amortisation of acquired intangibles and computer software	2.0	2.2	0.3	**4.5**	0.8	0.1	-	0.1	**1.0**	0.7	**6.2**

* Represents the business managed from The Netherlands including the French and UK air handling businesses. Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

Six months ended 30 June 2018	UK & Ireland SIG Distribution £m	UK & Ireland SIG Exteriors £m	UK & Ireland Ireland & Other £m	UK & Ireland Total £m	Mainland Europe France £m	Mainland Europe Germany £m	Mainland Europe Poland £m	Mainland Europe Benelux £m	Mainland Europe Total £m	Air Handling* £m	Total £m
Balance sheet											
Assets (restated)											
Segment assets	357.3	231.8	41.9	**631.0**	309.7	124.2	58.7	46.5	**539.1**	177.1	**1,347.2**
Unallocated assets:											
Property, plant and equipment											**1.0**
Derivative financial instruments											**1.1**
Cash and cash equivalents											**9.4**
Deferred tax assets											**12.9**
Other assets											**15.5**
Consolidated total assets											**1,387.1**
Liabilities (restated)											
Segment liabilities	169.9	85.4	30.2	**285.5**	132.4	46.7	28.6	14.7	**222.4**	58.9	**566.8**
Unallocated liabilities:											
Private placement notes											**203.5**
Bank loans											**91.4**
Derivative financial instruments											**3.5**
Other liabilities											**52.0**
Consolidated total liabilities											**917.2**
Other segment information											
Capital expenditure on:											
Property, plant and equipment	2.8	1.9	0.5	**5.2**	2.1	0.4	0.4	0.5	**3.4**	0.4	**9.0**
Computer software	0.6	-	-	**0.6**	-	-	-	-	**-**	0.1	**0.7**
Non-cash expenditure:											
Depreciation	2.8	1.1	0.4	**4.3**	1.9	1.3	0.6	0.3	**4.1**	1.3	**9.7**
Impairment of property, plant and equipment and computer software	3.2	-	-	**3.2**	-	-	-	-	**-**	-	**3.2**
Amortisation of acquired intangibles and computer software	1.9	2.4	-	**4.3**	0.7	0.2	-	0.1	**1.0**	0.7	**6.0**

* Represents the business managed from The Netherlands including the French and UK air handling businesses. Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements

3. Segmental information (continued)

	UK & Ireland				Mainland Europe						
Year ended 31 December 2018	**SIG Distribution £m**	**SIG Exteriors £m**	**Ireland & Other £m**	**Total £m**	**France £m**	**Germany £m**	**Poland £m**	**Benelux £m**	**Total £m**	**Air Handling* £m**	**Total £m**
Balance sheet											
Assets											
Segment assets	329.4	218.1	37.0	**584.5**	256.0	103.2	58.3	50.8	**468.3**	159.9	**1,212.7**
Unallocated assets:											
Property, plant and equipment											**2.7**
Derivative financial instruments											**1.9**
Cash and cash equivalents											**14.9**
Deferred tax assets											**3.8**
Other assets											**4.9**
Consolidated total assets											**1,240.9**
Liabilities											
Segment liabilities	160.2	77.9	17.1	**255.2**	124.8	35.2	29.3	10.8	**200.1**	51.7	**507.0**
Unallocated liabilities:											
Private placement notes											**185.6**
Bank loans											**56.5**
Derivative financial instruments											**4.1**
Other liabilities											**24.8**
Consolidated total liabilities											**778.0**
Other segment information											
Capital expenditure on:											
Property, plant and equipment	4.7	3.8	1.1	**9.6**	5.5	2.2	1.1	0.7	**9.5**	0.9	**20.0**
Computer software	2.0	-	2.5	**4.5**	0.2	0.3	-	-	**0.5**	0.3	**5.3**
Non-cash expenditure:											
Depreciation	5.2	2.4	0.9	**8.5**	3.9	2.5	1.1	0.6	**8.1**	3.1	**19.7**
Impairment of property, plant and equipment and computer software	4.4	-	-	**4.4**	-	-	-	-	**-**	0.1	**4.5**
Amortisation of acquired intangibles and computer software	4.4	4.8	0.5	**9.7**	1.5	0.3	0.1	0.2	**2.1**	1.5	**13.3**

* Represents the business managed from The Netherlands including the French and UK air handling businesses. Further air handling product category trading results are incorporated within the other operating segments.

Notes to the Condensed Interim Financial Statements

4. Other items

Profit after tax includes the following Other items which have been disclosed in a separate column within the Condensed Consolidated Income Statement in order to provide a better indication of the underlying earnings of the Group:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Amortisation of acquired intangibles	**(4.1)**	(4.4)	(8.9)
Impairment charges	**-**	(3.2)	(4.0)
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	**(1.0)**	5.0	(6.7)
Net operating (losses)/profits attributable to businesses identified as non-core*	**(0.2)**	2.5	2.7
Net restructuring costs^	**(12.2)**	(6.4)	(27.7)
Strategic review costs of the Air Handling business	**(4.5)**	-	-
Other specific items**	**(0.1)**	1.4	(0.2)
Impact on operating profit/(loss)	**(22.1)**	(5.1)	(44.8)
Net fair value losses on derivative financial instruments	**-**	(0.3)	(0.3)
Unwinding of provision discounting	**-**	(0.1)	(0.2)
Impact on profit/(loss) before tax	**(22.1)**	(5.5)	(45.3)
Income tax credit on Other items	**3.5**	2.5	8.7
Impact on profit/(loss) after tax	**(18.6)**	(3.0)	(36.6)

* Prior period comparatives for net operating (losses)/profits attributable to businesses identified as non-core are updated to include any additional business classified as non-core in the second half of 2018 or the first half of 2019.

^ Included within net restructuring costs are property closure costs of £0.5m (30 June 2018: £2.8m; 31 December 2018: £5.5m), redundancy and related staff costs of £6.1m (30 June 2018: £2.1m; 31 December 2018: 11.5m), impairment of non-current and current assets due to restructuring of £0.5m (30 June 2018: £nil; 31 December 2018: £0.6m) and £5.1m (30 June 2018: £1.5m; 31 December 2018: £10.1m) in relation to restructuring consultancy costs, mainly incurred in connection with the fundamental restructuring of the target operating model of the major operating companies in the UK, Germany and France, which is expected to continue over the next one to two years.

**Other specific items comprise the following:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Profit on sale of property	**-**	1.2	1.1
Costs in relation to the ransomware attack in France	**(0.2)**	-	-
GMP equalisation	**-**	-	(1.0)
Release of exceptional property provisions	**-**	0.3	-
Other specific items	**0.1**	(0.1)	(0.3)
Total other specific items	**(0.1)**	1.4	(0.2)

5. Income tax

The income tax expense comprises:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Total income tax expense for the period	**(3.8)**	(4.5)	(10.6)

Tax for the six month period ended 30 June 2019 on underlying profits (i.e. before Other items) is charged at 26.7% (30 June 2018: 27.9%; 31 December 2018: 26.2%), representing the best estimate of the average annual effective tax rate expected for the full year being applied to the underlying pre-tax income of the six month period to 30 June 2019.

The UK's main rate of corporation tax reduced to 19% from 1 April 2017 and will be further reduced to 17% from 1 April 2020. These rate changes have been taken into account when calculating the deferred tax provision for the relevant period.

On 25 April 2019, the European Commission ('EC') concluded its investigation into the UK's controlled foreign company ('CFC') tax rules. The EC concluded that the UK's CFC rules, which provide an exemption for 75% of the CFC charge where the CFC is carrying out financing activities, were in breach of EU State Aid. The UK Government disagrees with this conclusion and has applied to have this judgement annulled. This exemption has historically been claimed by SIG and the Group is monitoring developments in relation to the UK's challenge. In the meantime, the Group is also assessing the potential impact of this judgement, but at this time the potential charge cannot be reliably measured. Under the UK CFC regime 25% of CFC profits have been taxed in the UK in the period covered by the EC judgement. Should the UK Government be unsuccessful in appeal and were all CFC profits then taxed in the UK, this would give rise to additional tax payable up to a maximum of £5m (before interest and penalties). Based on its current assessment, SIG believes that no provision is required in respect of this issue.

Notes to the Condensed Interim Financial Statements

6. Earnings per share

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

	Basic and diluted		
	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Profit after tax	**1.4**	15.1	17.9
Non-controlling interests	**-**	(0.4)	(0.4)
	1.4	14.7	17.5

	Basic and diluted before Other items		
	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Profit after tax	**1.4**	15.1	17.9
Non-controlling interests	**-**	(0.4)	(0.4)
Add back:			
Other items (see Note 4)	**18.6**	3.0	36.6
	20.0	17.7	54.1

	Weighted average number of shares		
	Six months ended 30 June 2019	Six months ended 30 June 2018 Restated	Year ended 31 December 2018
For basic and diluted earnings per share	**591,556,982**	591,548,235	591,548,834

	Earnings per share		
	Six months ended 30 June 2019	Six months ended 30 June 2018 Restated	Year ended 31 December 2018
Basic and diluted earnings per share	**0.2p**	2.5p	3.0p

	Earnings per share before Other items^		
	Six months ended 30 June 2019	Six months ended 30 June 2018 Restated	Year ended 31 December 2018
Basic and diluted earnings per share	**3.4p**	3.0p	9.1p

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

7. Divestments and exit of non-core businesses

The Group has recognised a total charge of £1.0m (30 June 2018: credit of £5.0m, 31 December 2018: charge of £6.7m) in respect of profits and losses on agreed sale or closure of non-core businesses and associated impairment charges within Other items of the Consolidated Income Statement. This consists of £0.2m costs in relation to the Commercial Drainage business closure in the current year, net £nil in relation to prior year divestments and £0.8m costs in relation to the disposal of WeGo Floortec after the balance sheet date, all of which are explained further below.

Divested businesses

As disclosed in the 2018 Annual Report and Accounts the Commercial Drainage business, part of the SIG Distribution segment, has been closed. The closure of the business has led to redundancy costs of £0.2m being included within Other Items in the Consolidated Income Statement at 30 June 2019.

The Group has not divested any other businesses during the period to 30 June 2019.

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

Prior year divestments

Middle East

As disclosed in the 2018 and 2017 Annual Report and Accounts, the Group continues with the closure of its business in the Middle East. The assets of the business were impaired at 31 December 2017 to reflect the recoverable amount indicated by the period end impairment review process and there have been various expenses incurred since associated with the costs of closure. During the period to 30 June 2019 a net expense of £0.1m has been recognised in Other items, comprising additional costs associated with the closure, offset by the release of a bad debt provision where amounts have been collected.

Building Plastics

On 3 August 2017 the Group disposed of its UK building plastics distribution business ("Building Plastics"), part of the UK Exteriors division to General All Purpose Plastics Limited ("GAP"). Consideration for the sale included an additional consideration amount of up to £2.3m contingent on future sales to certain customers for the 2 years from the completion date. In accordance with IFRS 3 "Business combinations" the additional consideration has been reassessed based on fair value in accordance with IFRS 9 "Financial instruments", which has resulted in the recognition of £0.7m consideration receivable at 30 June 2019 within Other items.

Other

Additional expenses of £0.6m have also been recognised and included within Other items in relation to the divestments of the Proteus, Air Handling Turkey, Building Systems and Roofspace businesses in previous years. This largely relates to write offs of remaining debts that are no longer deemed recoverable.

After balance sheet date

On 13 August 2019 the Group completed the sale of WeGo FloorTec GmbH, the German raised access flooring division, for proceeds of €13.5m. The assets and liabilities have been classified as held for sale on the Consolidated Balance Sheet at 30 June 2019. £0.8m costs in relation to the sale have been incurred and recognised within Other items in the Consolidated Income Statement during the period.

Contribution to revenue and operating loss

The results of the above businesses for the current and prior periods have been disclosed within Other items in the Consolidated Income Statement in order to provide an indication of the underlying earnings of the Group. The revenue and net operating profit/(loss) of the non-core businesses for the periods ended 30 June 2019, 31 December 2018 and 30 June 2018 are as follows:

	Six months ended 30 June 2019		Six months ended 30 June 2018		Year ended 31 December 2018	
	Revenue £m	**Net operating profit/(loss) £m**	Revenue £m	Net operating profit/(loss) £m	Revenue £m	Net operating profit/(loss) £m
Building Systems	**-**	**-**	1.4	(1.2)	1.4	(1.2)
GRM	**-**	**-**	0.3	(0.2)	0.3	(0.2)
Middle East	**-**	**-**	2.1	(0.5)	2.1	(0.8)
IBSL	**-**	**-**	0.2	(0.2)	0.2	(0.2)
VJ Technology	**-**	**-**	17.0	3.1	17.0	3.1
Roofspace	**-**	**-**	12.3	1.3	24.0	2.1
Proteus	**-**	**-**	1.7	(0.1)	3.4	(0.5)
Commercial Drainage	**1.2**	**(0.8)**	5.7	(0.3)	10.0	(0.8)
SIG Cut Solutions	**-**	**-**	0.3	(0.3)	0.3	(0.3)
Businesses identified as non-core in 2018	**1.2**	**(0.8)**	41.0	1.6	58.7	1.2
WeGo FloorTec	**11.3**	**0.6**	13.2	0.9	23.2	1.5
Businesses identified as non-core in 2019	**11.3**	**0.6**	13.2	0.9	23.2	1.5
Total attributable to non-core businesses	**12.5**	**(0.2)**	54.2	2.5	81.9	2.7

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

The net cash inflow in the six month period ended 30 June 2019 in respect of divestments and the exit of non-core businesses is as follows:

	£m
Cash consideration received for divestments (net of costs to sell)	**0.6**
Cash at date of disposal	**-**
Disposal costs paid	**-**
Net cash inflow	**0.6**

Cash consideration received relates to deferred consideration received in relation to the sale of the Proteus and the Air Handling Turkey businesses in previous years.

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

Notes to the Condensed Interim Financial Statements

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

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Profit before tax	**5.2**	19.6	28.5
Depreciation	**37.8**	9.7	19.7
Net finance costs	**12.6**	8.3	15.8
Amortisation of computer software	**2.1**	1.6	4.4
Amortisation of acquired intangibles	**4.1**	4.4	8.9
Impairment of computer software	**-**	0.7	1.1
Impairment of property, plant and equipment	**-**	2.5	3.4
Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges	**1.0**	(5.0)	6.7
Profit on sale of property, plant and equipment	**(0.8)**	(1.5)	(7.5)
Share-based payments	**0.6**	0.3	0.4
Decrease in provisions	**(5.8)**	(3.3)	(1.9)
Working capital movements	**29.6**	44.9	30.1
Cash generated from operating activities	**86.4**	82.2	109.6

Included in cash generated from operating activities is a special contribution to the defined benefit pension scheme of £2.5m (30 June 2018: £3.1m; 31 December 2018: £3.1m).

Of the total profit on sale of property, plant and equipment, £nil (30 June 2018: profit of £1.2m; 31 December 2018: profit of £1.1m) has been included within Other items of the Condensed Consolidated Income Statement (see Note 4).

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

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Increase/(decrease) in cash and cash equivalents in the period	**68.0**	67.3	(0.1)
Cash flow from (increase)/decrease in debt	**(2.2)**	17.0	75.5
Decrease in net debt resulting from cash flows	**65.8**	84.3	75.4
Debt relating to divested businesses	**-**	(0.7)	0.1
Recognition of loan notes and deferred consideration	**-**	-	(0.9)
Non-cash items*	**(25.9)**	(0.5)	(3.3)
Exchange differences	**0.9**	(0.5)	(2.0)
Decrease in net debt in the period	**40.8**	82.6	69.3
Net debt at beginning of the period	**(189.4)**	(258.7)	(258.7)
Impact of adoption of IFRS 16 on 01 January 2019	**(300.4)**	-	-
Net debt at end of the period	**(449.0)**	(176.1)	(189.4)

* Non-cash items includes the fair value movement of debt recognised in the period which does not give rise to a cash inflow or outflow.

Net debt is defined as follows:

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Non-current assets:			
Derivative financial instruments	**2.6**	0.5	1.9
Deferred consideration	**0.3**	1.1	0.7
Lease receivables	**4.8**	-	-
Current assets:			
Derivative financial instruments	**-**	0.6	-
Deferred consideration	**0.6**	0.2	0.8
Lease receivables	**0.8**	-	-
Other financial assets	**-**	0.9	-
Cash at bank and on hand	**153.1**	148.8	83.3
Current liabilities:			
Lease liabilities	**(61.2)**	(3.1)	(3.2)
Bank overdrafts	**(5.6)**	(4.2)	(4.5)
Bank loans	**(94.7)**	(93.8)	(56.5)
Private placement notes	**-**	(20.6)	-
Loan notes and deferred consideration	**-**	-	(0.9)
Other financial liabilities	**(1.2)**	-	(1.1)
Derivative financial instruments	**(0.1)**	(0.1)	(0.3)
Lease liabilities directly associated with liabilities classified as held for sale	**(1.0)**	-	-
Non-current liabilities:			
Lease liabilities	**(258.2)**	(20.1)	(20.2)
Bank loans	**-**	-	-
Private placement notes	**(185.0)**	(182.9)	(185.6)
Derivative financial instruments	**(4.2)**	(3.4)	(3.8)
Net debt	**(449.0)**	(176.1)	(189.4)

10. Financial instruments fair value disclosures

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

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Financial assets			
Other financial assets	**-**	0.9	-
Deferred consideration	**0.9**	1.3	1.5
Derivative financial instruments	**2.6**	1.1	1.9
	3.5	3.3	3.4
Financial liabilities			
Other financial liabilities	**1.2**	**-**	1.1
Derivative financial instruments	**4.3**	3.5	4.1
Loan notes and deferred consideration	-	-	0.9
Contingent consideration	**-**	0.9	-
	5.5	4.4	6.1

The derivative financial instruments above all have fair values which are calculated by reference to observable inputs (i.e. classified as level 2 in the fair value hierarchy). The fair values of these derivative financial instruments, adjusted for credit risk, are calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

The contingent consideration is calculated based on management's forecasts for the business over the earn-out period (i.e. classified as level 3 in the fair value hierarchy). The fair value of contingent consideration is calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

The carrying value of financial assets and liabilities that are recorded at amortised cost in the accounts is approximately equal to their fair value.

11. Called up share capital

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Authorised:			
800,000,000 ordinary shares of 10p each (30 June 2018: 800,000,000; 31 December 2018: 800,000,000)	**80.0**	80.0	80.0
Allotted, called up and fully paid:			
591,556,982 ordinary shares of 10p each (30 June 2018: 591,548,235 ; 31 December 2018: 591,556,982)	**59.2**	59.2	59.2

The Company has not allotted any shares during the period (30 June 2018: nil; 31 December 2018: 8,747).

12. Retirement benefit schemes

The Group operates a number of pension schemes, six of which provide defined benefits based upon pensionable salary. One of these schemes has assets held in a separate trustee administered fund, and five are overseas book reserve schemes. The UK defined benefit pension scheme obligation is calculated on a year to date basis, using the latest triennial valuation as at 31 December 2016.

The IAS 19 valuation conducted as at 31 December 2018 has been updated to reflect current market conditions, and as a result an actuarial loss of £3.8m and an associated deferred tax credit of £0.8m have been recognised within the Condensed Consolidated Statement of Comprehensive Income.

13. Interim dividend

An interim dividend of 1.25p per share has been declared for the period (30 June 2018: 1.25p). In accordance with IAS 10 “Events After the Balance Sheet Date”, dividends declared after the balance sheet date are not recognised as a liability in the Financial Statements.

The final dividend for the year ended 31 December 2018 of 2.5p per share has been recognised as a distribution to equity holders in the period totalling £14.8m.

14. Related party transactions

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

SIG had a shareholding of less than 0.1% in a German purchasing co-operative up until termination of the contract on 31 December 2018. Net purchases from this co-operative (on commercial terms) totalled £nil in the period to 30 June 2019 (30 June 2018: £135m; 31 December 2018: £266m). At the balance sheet date net trade payables in respect of the co-operative amounted to £2m (30 June 2018: £20m; 31 December 2018: £8m).

In the period to 30 June 2019, SIG incurred expenses of £0.2m (30 June 2018: £0.1m; 31 December 2018: £0.2m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

The Group has not identified any other material related party transactions in the six month period to 30 June 2019.

Notes to the Condensed Interim Financial Statements

15. Risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining six months of the 2019 financial year remain consistent with those set out in the Strategic Report on pages 44 to 47 of the Group's 2018 Annual Report and Accounts. These risks and uncertainties include, but are not limited to:

(1) delivery of the change agenda;
(2) working capital management;
(3) data quality;
(4) cyber security;
(5) market downturn;
(6) pricing management;
(7) systems capability;
(8) supplier rebates;
(9) availability and quality of talent; and
(10) health and safety

The primary risk affecting the Group for the remaining six months of the year continues to be the level of market demand in the markets in which SIG operates. SIG's diverse market sectors are affected by macroeconomic factors which limit visibility and therefore render the short to medium-term outlook difficult to predict. As SIG continues with its strategic change programme there is an increase in focus on the risk of the availability and quality of key resources (personnel). SIG continues to ensure that the strategic and budget review process identifies and manages all key resource requirements, whilst senior management succession planning mitigates the risk of knowledge loss associated with restructuring. The Group continues to monitor cyber security risk following the ransomware attack in France and is improving its ability to detect, contain, prevent and recover any similar event happening again.

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

16. Seasonality

The Group's operations are not normally affected by significant seasonal variations between the first and second halves of the calendar year. In 2018, the period to 30 June accounted for 50% of the Group's annual revenue (2017: 50%). In terms of outlook the key risk is the challenging environment created by macro uncertainty in the UK, although this may partly be mitigated by continuing improvement in confidence in Mainland European markets. However, the business continues to expect a stronger second half profit performance as detailed in the "Group outlook" section of the Trading Review.

17. Non-statutory information

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

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

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

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

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

A number of these measures reconcile the reported numbers to what would have been reported prior to the adoption of IFRS 16, in order to allow comparison between periods and as covenant calculations are prepared on a frozen GAAP basis.

Notes to the Condensed Interim Financial Statements

17. Non-statutory information (continued)

a) Underlying profit before tax - rolling 12 months excluding impact of IFRS 16

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

	Note	**Twelve months ended 30 June 2019 £m**	Twelve months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Operating profit/(loss)		**34.2**	(1.6)	44.3
Operating lease rentals		**(32.0)**	-	-
Additional depreciation from adoption of IFRS 16		**28.6**	-	-
Operating profit/(loss) excluding impact of IFRS 16		**30.8**	(1.6)	44.3
Add back:				
Amortisation of acquired intangibles	4	**8.6**	9.0	8.9
Impairment charges	4	**0.8**	3.2	4.0
Profits and losses on sale or closure of non-core businesses and associated impairment charges	4	**12.7**	34.7	6.7
Net operating losses attributable to businesses identified as non-core	4	**-**	(1.2)	(2.7)
Net restructuring costs	4	**33.5**	24.1	27.7
Strategic review costs of the Air Handling business	4	**4.5**	-	-
Acquisition expenses and contingent consideration		**-**	9.3	-
Other specific items	4	**1.7**	(1.5)	0.2
Underlying operating profit excluding impact of IFRS 16		**92.6**	76.0	89.1
Net finance costs		**(20.1)**	(17.7)	(15.8)
Add back:				
Additional net finance costs from adoption of IFRS 16		**6.1**	-	-
Net fair value losses on derivative financial instruments		**-**	1.2	0.3
Unwinding of provision discounting		**0.1**	0.3	0.2
Underlying profit before tax excluding impact of IFRS 16		**78.7**	59.8	73.8
Income tax expense	5	**(9.9)**	(4.4)	(10.6)
Add back:				
Additional tax expense from adoption of IFRS 16		**(0.8)**	-	-
Tax credit associated with Other items	4	**(9.7)**	(10.9)	(8.7)
Underlying profit after tax excluding impact of IFRS 16		**58.3**	44.5	54.5

b) Headline financial leverage covenant

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

	Note	**Twelve months ended 30 June 2019 £m**	Twelve months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Underlying operating profit excluding impact of IFRS 16	17a	**92.6**	76.0	89.1
Add back:				
Depreciation prior to adoption of IFRS 16		**19.2**	21.4	19.7
Amortisation of computer software	8	**4.9**	3.2	4.4
Reversal of restatement on net operating losses attributable to businesses identified as non-core*	7	**-**	3.9	1.5
Depreciation attributable to businesses identified as non-core*		**(0.2)**	(0.3)	(0.3)
Covenant EBITDA		**116.5**	104.2	114.4

* The 2018 covenant calculations have not been restated to reflect the decision in 2019 to exit the non-core businesses of WeGo Floortec and the twelve months ended 30 June 2018 have also not been restated to reflect the decision in 2018 to exit the Commercial Drainage, Roofspace, Proteus and SIG Cut Solutions businesses.

	Note	**30 June 2019 £m**	30 June 2018 £m	31 December 2018 £m
Reported net debt	9	**449.0**	176.1	189.4
Lease liabilities recognised on adoption of IFRS 16		**(296.4)**	-	-
Lease receivables recognised on adoption of IFRS 16		**5.6**	-	-
Reported net debt excluding impact of IFRS 16		**158.2**	176.1	189.4
Other covenant financial indebtedness		**11.6**	10.0	10.9
Foreign exchange adjustment*		**(0.9)**	(0.8)	(1.8)
Covenant net debt		**168.9**	185.3	198.5

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

	30 June 2019	30 June 2018 Restated	31 December 2018
Headline financial leverage (covenant net debt to covenant EBITDA - maximum 3.0x)	**1.4x**	1.8x	1.7x

Notes to the Condensed Interim Financial Statements

17. Non-statutory information (continued)

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

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

	Note	**Twelve months ended 30 June 2019 £m**	Twelve months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Operating profit/(loss) excluding impact of IFRS 16	17a	**30.8**	(1.6)	44.3
Income tax expense excluding impact of IFRS 16		**(10.7)**	(4.4)	(10.6)
Operating profit/(loss) after tax excluding impact of IFRS 16		**20.1**	(6.0)	33.7

	Note	**Twelve months ended 30 June 2019 £m**	Twelve months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Underlying operating profit excluding impact of IFRS 16	17a	**92.6**	76.0	89.1
Income tax expense excluding impact of IFRS 16		**(10.7)**	(4.4)	(10.6)
Tax credit associated with Other items	4	**(9.7)**	(10.9)	(8.7)
Underlying operating profit after tax excluding impact of IFRS 16		**72.2**	60.7	69.8

	Note	**Twelve months ended 30 June 2019 £m**	Twelve months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Opening reported net assets		**469.9**	508.1	470.5
Opening reported net debt	9	**176.1**	217.0	258.7
Opening capital employed		**646.0**	725.1	729.2
Computer software impairment charges*	8	**(0.4)**	(1.1)	(1.1)
Goodwill and intangible impairment charges*	4	**-**	(6.6)	-
Profits and losses on sale or closure of non-core businesses and associated impairment charges*	4	**(12.7)**	(38.6)	(7.7)
Adjusted opening capital employed		**632.9**	678.8	720.4
Year end reported net assets		**462.9**	470.5	n/a
Year end reported net debt	9	**189.4**	258.7	n/a
Year end capital employed		**652.3**	729.2	n/a
Computer software impairment charges*		**-**	(1.1)	n/a
Goodwill and intangible impairment charges*		**-**	-	n/a
Profits and losses on sale or closure of non-core businesses and associated impairment charges*		**(1.0)**	(7.7)	n/a
Adjusted year end capital employed		**651.3**	720.4	n/a
Closing reported net assets		**445.8**	469.9	462.9
Closing reported net debt	9	**449.0**	176.1	189.4
Lease liabilities recognised on adoption of IFRS 16		**(296.4)**	-	-
Lease receivables recognised on adoption of IFRS 16		**5.6**	-	-
Other net asset adjustments recognised on adoption of IFRS 16		**2.7**	-	-
Closing capital employed excluding impact of IFRS 16		**606.7**	646.0	652.3
Computer software impairment charges*		**-**	(0.4)	-
Goodwill and intangible impairment charges*		**-**	-	-
Profits and losses on sale or closure of non-core businesses and associated impairment charges*		**-**	(12.7)	(1.0)
Adjusted closing capital employed excluding impact of IFRS 16		**606.7**	**632.9**	**651.3**
Average capital employed excluding impact of IFRS 16		**635.0**	**700.1**	**690.8**
Adjusted average capital employed excluding impact of IFRS 16*		**630.3**	**677.4**	**685.9**

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

	Twelve months ended 30 June 2019	Twelve months ended 30 June 2018 Restated	Year ended 31 December 2018
Unadjusted ROCE excluding impact of IFRS 16 (operating profit after tax to average capital employed)	**3.2%**	(0.9)%	4.9%
ROCE excluding impact of IFRS 16 (underlying operating profit after tax to adjusted average capital employed)	**11.5%**	9.0%	10.2%

Notes to the Condensed Interim Financial Statements

17. Non-statutory information (continued)

d) Effective tax rates

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

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Profit/(loss) before tax	**5.2**	19.6	28.5
Other items	**22.1**	5.5	45.3
Underlying profit before tax	**27.3**	25.1	73.8
Income tax expense	**(3.8)**	(4.5)	(10.6)
Tax credit associated with Other items	**(3.5)**	(2.5)	(8.7)
Underlying tax charge	**(7.3)**	(7.0)	(19.3)
Effective tax rate (income tax expense to (loss)/profit before tax)	**(73.1)%**	(23.0)%	(37.2)%
Underlying effective tax rate (underlying tax charge to underlying profit before tax)	**(26.7)%**	(27.9)%	(26.2)%

e) Cash inflow from trading

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

	Note	**Twelve months ended 30 June 2019 £m**	Twelve months ended 30 June 2018 Restated £m	Year ended 31 December 2017 £m
Cash generated from operating activities	8	**86.4**	82.2	109.6
Add: Working capital movements	8	**(29.6)**	(44.9)	(30.1)
Add: Impact of IFRS 16		**(32.0)**	-	-
Cash inflow from trading		**24.8**	**37.3**	**79.5**

f) Life-for-like working capital to sales ratio excluding impact of IFRS 16

Like-for-like working capital to sales ratio excluding impact of IFRS 16 is the ratio of closing working capital (including provisions but excluding pension scheme obligations) to annualised revenue (after adjusting for any acquisitions and disposals in the current and prior year) on a constant currency basis. The ratio is used to understand how effectively the Group is using the resources it has available.

	Twelve months ended 30 June 2019 £m	Twelve months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Current:			
Inventories	**219.7**	228.2	207.2
Trade and other receivables	**464.8**	513.8	477.7
Contract assets	**3.1**	3.0	1.8
Trade and other payables	**(480.8)**	(515.9)	(428.3)
Contract liabilities	**(2.3)**	(2.0)	(1.6)
Provisions	**(7.0)**	(9.7)	(11.0)
Non-current:			
Other payables	**(3.5)**	(6.4)	(5.6)
Provisions	**(19.0)**	(24.9)	(20.4)
Reported working capital	**175.0**	186.1	219.8
Working capital impact of IFRS 16	**(4.1)**	-	-
Working capital for non-core businesses	**(1.6)**	4.4	2.7
Foreign exchange adjustment*	**0.1**	1.9	(0.3)
Adjusted working capital	**169.4**	192.4	222.2

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

	Note	**Twelve months ended 30 June 2019 £m**	Twelve months ended 30 June 2018 Restated £m	Year ended 31 December 2018 £m
Reported revenue	2	**2,632.8**	2,820.9	2,741.9
Revenue attributable to businesses identified as non-core		**(40.2)**	(117.2)	(81.9)
Foreign exchange adjustment		**(18.1)**	(26.3)	(27.0)
Adjusted revenue		**2,574.5**	2,677.4	2,633.0

	Twelve months ended 30 June 2019	Twelve months ended 30 June 2018 Restated	Year ended 31 December 2018
Reported working capital to reported revenue	**6.6%**	6.6%	8.0%
Like-for-like working capital to sales ratio excluding impact of IFRS 16 (adjusted working capital to adjusted revenue)	**6.6%**	7.2%	8.4%

17. Non-statutory information (continued)

g) Like-for-like sales

Like-for-like sales is calculated on a constant currency basis, and represents the growth in the Group's sales per day excluding any acquisitions or disposals completed or agreed in the current and prior year. Revenue is not adjusted for branch openings and closures. This measure shows how the Group has developed its revenue for comparable business relative to the prior period. As such it is a key measure of the growth of the Group during the year.

	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	**UK & Ireland £m**	France £m	Germany £m	Poland £m	Benelux £m	**Mainland Europe £m**	**Air Handling £m**	**Group £m**
Statutory revenue for the period to 30 June 2019	296.4	171.9	47.5	**515.8**	266.3	202.8	74.7	53.7	**597.5**	**159.3**	**1,272.6**
Revenue attributable to non-core businesses	(1.2)	-	-	**(1.2)**	-	(11.3)	-	-	**(11.3)**	**-**	**(12.5)**
Underlying revenue for the period to 30 June 2019	**295.2**	**171.9**	**47.5**	514.6	**266.3**	**191.5**	**74.7**	**53.7**	586.2	159.3	1,260.1
Statutory revenue for the period to 30 June 2018	392.7	186.7	55.1	**634.5**	260.0	208.4	72.2	55.4	**596.0**	**151.2**	**1,381.7**
Revenue attributable to non-core businesses	(35.5)	(1.7)	(3.5)	**(40.7)**	-	(13.5)	-	-	**(13.5)**	**-**	**(54.2)**
Underlying revenue for the period to 30 June 2018	357.2	185.0	51.6	**593.8**	260.0	194.9	72.2	55.4	**582.5**	**151.2**	**1,327.5**
% change year on year:											
Underlying revenue	(17.4)%	(7.1)%	(7.9)%	**(13.3)%**	2.4%	(1.7)%	3.5%	(3.1)%	**0.6%**	**5.4%**	**(5.1)%**
Impact of currency	0.1%	-	0.5%	**0.1%**	0.7%	0.9%	1.9%	0.9%	**1.0%**	**1.4%**	**0.6%**
Impact of working days	0.7%	0.8%	0.8%	**0.7%**	0.2%	0.8%	0.9%	0.8%	**0.5%**	**0.8%**	**0.7%**
Like-for-like sales	(16.6)%	(6.3)%	(6.6)%	**(12.5)%**	3.3%	-	6.3%	(1.4)%	**2.1%**	**7.6%**	**(3.8)%**

h) Gross margin

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

	SIG Distribution %	SIG Exteriors %	Ireland & Other %	**UK & Ireland %**	France %	Germany %	Poland %	Benelux %	**Mainland Europe %**	**Air Handling %**	**Group %**
Statutory gross margin for the period ended 30 June 2019	25.0%	28.9%	24.8%	**26.3%**	23.4%	27.6%	20.3%	24.8%	**24.5%**	**38.8%**	**27.0%**
Impact of non-core businesses	0.1%	-	-	**0.1%**	-	0.1%	-	-	**-**	**-**	**0.1%**
Underlying gross margin for the period ended 30 June 2019	25.1%	28.9%	24.8%	**26.4%**	23.4%	27.7%	20.3%	24.8%	**24.5%**	**38.8%**	**27.1%**
Statutory gross margin for the period ended 30 June 2018 (restated)	24.6%	28.0%	22.3%	**25.4%**	25.1%	26.8%	19.4%	24.0%	**24.9%**	**37.8%**	**26.5%**
Impact of non-core businesses	(1.2)%	(0.2)%	2.7%	**(0.5)%**	-	0.4%	-	-	**0.1%**	**-**	**(0.1)%**
Underlying gross margin for the period ended 30 June 2018	23.4%	27.8%	25.0%	**24.9%**	25.1%	27.2%	19.4%	24.0%	**25.0%**	**37.8%**	**26.4%**

Notes to the Condensed Interim Financial Statements

17. Non-statutory information (continued)

i) Return on sales

This is used to enhance understanding and comparability of the underlying financial performance of the Group by period and by segment.

Six months ended 30 June 2019	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	**UK & Ireland £m**	France £m	Germany £m	Poland £m	Benelux £m	**Mainland Europe £m**	**Air Handling £m**	**Parent company £m**	**Group £m**
Underlying revenue (Note 3)	295.2	171.9	47.5	**514.6**	266.3	191.5	74.7	53.7	**586.2**	**159.3**	**-**	**1,260.1**
Underlying operating profit (Note 3^)	6.8	7.0	2.9	**16.7**	10.5	3.3	1.3	2.9	**18.0**	**9.2**	**(4.0)**	**39.9**
IFRS 16 adjustment to operating profit	(0.9)	(0.7)	(0.2)	**(1.8)**	(0.6)	(0.6)	(0.2)	-	(1.4)	**(0.2)**	**-**	**(3.4)**
Underlying operating profit excluding impact of IFRS 16	5.9	6.3	2.7	**14.9**	9.9	2.7	1.1	2.9	**16.6**	**9.0**	**(4.0)**	**36.5**
Property profits	-	-	-	**-**	-	-	(0.1)	-	**(0.1)**	**-**	**-**	**(0.1)**
Underlying operating profit excluding impact of IFRS 16 and property profits	5.9	6.3	2.7	**14.9**	9.9	2.7	1.0	2.9	**16.5**	**9.0**	**(4.0)**	**36.4**
Underlying operating profit margin*	2.3%	4.1%	6.1%	**3.2%**	3.9%	1.7%	1.7%	5.4%	**3.1%**	**5.8%**	**n/a**	**3.2%**
Underlying operating profit margin excluding impact of IFRS 16*	2.0%	3.7%	5.7%	**2.9%**	3.7%	1.4%	1.5%	5.4%	**2.8%**	**5.6%**	**n/a**	**2.9%**
Return on sales (excluding property profits)	2.0%	3.7%	5.7%	**2.9%**	3.7%	1.4%	1.3%	5.4%	**2.8%**	**5.6%**	**n/a**	**2.9%**

Six months ended 30 June 2018	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	**UK & Ireland £m**	France £m	Germany £m	Poland £m	Benelux £m	**Mainland Europe £m**	**Air Handling £m**	**Parent company £m**	**Group £m**
Underlying revenue (Note 3)	357.2	185.0	51.6	**593.8**	260.0	194.9	72.2	55.4	**582.5**	**151.2**	**-**	**1,327.5**
Underlying operating profit (Note 3^)	5.5	5.8	3.0	**14.3**	9.6	2.6	0.3	2.6	**15.1**	**10.0**	**(6.4)**	**33.0**
Property profits	(0.1)	-	-	**(0.1)**	-	-	(0.1)	(0.1)	**(0.2)**	**-**	**-**	**(0.3)**
Underlying operating profit excluding property profits	5.4	5.8	3.0	**14.2**	9.6	2.6	0.2	2.5	**14.9**	**10.0**	**(6.4)**	**32.7**
Underlying operating profit margin*	1.5%	3.1%	5.8%	**2.4%**	3.7%	1.3%	0.4%	4.7%	**2.6%**	**6.6%**	**n/a**	**2.5%**
Return on sales(excluding property profits)	1.5%	3.1%	5.8%	**2.4%**	3.7%	1.3%	0.3%	4.5%	**2.6%**	**6.6%**	**n/a**	**2.5%**

^ Underlying operating profit equals segmental result before Other items.

* Underlying operating profit margin includes property profits.

Notes to the Condensed Interim Financial Statements

17. Non-statutory information (continued)

j) Return on sales – Last twelve months basis

This is used to enhance understanding and comparability of the underlying financial performance of the Group over the last twelve months and by segment.

Twelve months ended 30 June 2019	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	**UK & Ireland £m**	France £m	Germany £m	Poland £m	Benelux £m	**Mainland Europe £m**	**Air Handling £m**	**Parent company £m**	**Group £m**
Underlying revenue (Note 3)	618.1	365.6	95.8	**1,079.5**	529.1	400.0	159.1	106.7	**1,194.9**	**318.2**	**-**	**2,592.6**
Underlying operating profit (Note 3^)	24.3	18.5	6.0	**48.8**	22.0	8.3	4.3	4.8	**39.4**	**18.6**	**(10.8)**	**96.0**
IFRS 16 adjustment to operating profit	(0.9)	(0.7)	(0.2)	**(1.8)**	(0.6)	(0.6)	(0.2)	-	**(1.4)**	**(0.2)**	**-**	**(3.4)**
Underlying operating profit excluding impact of IFRS 16	23.4	17.8	5.8	**47.0**	21.4	7.7	4.1	4.8	**38.0**	**18.4**	**(10.8)**	**92.6**
Property profits**	-	-	-	**-**	(1.0)	(1.4)	-	-	**(2.4)**	**-**	**-**	**(2.4)**
Underlying operating profit excluding impact of IFRS 16 and property profits	23.4	17.8	5.8	**47.0**	20.4	6.3	4.1	4.8	**35.6**	**18.4**	**(10.8)**	**90.2**
^ Underlying operating profit equals segmental result before Other items.												
Return on sales – LTM basis (excluding impact of IFRS 16)*	3.8%	4.9%	6.1%	**4.4%**	3.9%	1.6%	2.6%	4.5%	**3.0%**	**5.8%**	**n/a**	**3.5%**

Twelve months ended 30 June 2018	SIG Distribution £m	SIG Exteriors £m	Ireland & Other £m	**UK & Ireland £m**	France £m	Germany £m	Poland £m	Benelux £m	**Mainland Europe £m**	**Air Handling £m**	**Parent company £m**	**Group £m**
Underlying revenue (Note 3)	710.9	390.1	103.9	**1,204.9**	508.1	408.4	151.4	105.7	**1,173.6**	**325.2**	**-**	**2,703.7**
Underlying operating profit (Note 3^)	5.6	17.5	5.4	**28.5**	18.3	10.4	1.6	5.7	**36.0**	**24.8**	**(13.3)**	**76.0**
Property profits**	(1.0)	-	-	**(1.0)**	(0.5)	(4.0)	(0.1)	(0.1)	**(4.7)**	**(0.1)**	**-**	**(5.8)**
Underlying operating profit before property profits	4.6	17.5	5.4	**27.5**	17.8	6.4	1.5	5.6	**31.3**	**24.7**	**(13.3)**	**70.2**
^ Underlying operating profit equals segmental result before Other items.												
Return on sales – LTM basis*	0.6%	4.5%	5.2%	**2.3%**	3.5%	1.6%	1.0%	5.3%	**2.7%**	**7.6%**	**n/a**	**2.6%**

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

** Property profits have been excluded to ensure both periods are presented on a comparable basis.

k) Other non-statutory measures

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

18. Prior period restatements

As disclosed in Note 1, the results and balance sheet for the period ended 30 June 2018 have been restated. The following table summarises the impacts on the Group's Financial Information.

a) Consolidated Balance Sheet

	Impact of restatements		
30 June 2018	As previously reported £m	Adjustments £m	As restated £m
Property, plant and equipment	110.0	3.0	113.0
Deferred tax assets	25.7	(12.8)	12.9
Trade and other receivables	513.6	0.2	513.8
Other assets	747.4	-	747.4
Total assets	1,396.7	(9.6)	1,387.1
Provisions	26.0	8.6	34.6
Deferred tax liabilities	14.5	(12.8)	1.7
Other liabilities	880.9	-	880.9
Total liabilities	921.4	(4.2)	917.2
Net assets	475.3	(5.4)	469.9
Retained losses	(50.5)	(6.3)	(56.8)
Cost of hedging reserve	-	0.9	0.9
Other capital and reserves	525.8	-	525.8
Total equity	475.3	(5.4)	469.9

b) Consolidated Income Statement and Other Comprehensive Income

	Impact of restatements		
Six months ended 30 June 2018	As previously reported £m	Adjustments £m	As restated £m
Revenue	1,381.7	-	1,381.7
Cost of sales	(1,015.1)	-	(1,015.1)
Other operating expenses	(338.4)	(0.3)	(338.7)
Net finance costs	(8.3)	-	(8.3)
Profit before tax	19.9	(0.3)	19.6
Income tax expense	(4.5)	-	(4.5)
Profit after tax	15.4	(0.3)	15.1
Attributable to Equity holders of the Company	(0.4)	-	(0.4)
Profit after tax attributable to equity holders of the Company	15.0	(0.3)	14.7
Total comprehensive income	21.1	(0.3)	20.8
Earnings per share	2.5p	-	2.5p

c) Consolidated Cash Flow Statement

Six months ended 30 June 2018	Impact of restatements		
	As previously reported £m	Adjustments £m	As restated £m
Net cash generated from operating activities	88.9	(6.7)	82.2
Net cash used in investing activities	(3.1)	2.4	(0.7)
Net cash used in financing activities	(14.0)	4.3	(9.7)
Other cash flows	(4.5)	-	(4.5)
Increase in cash and cash equivalents in the year	67.3	-	67.3
Cash and cash equivalents at beginning of the year	78.6	-	78.6
Effect of foreign exchange rate changes	(1.3)	-	(1.3)
Cash and cash equivalents at end of the year	144.6	-	144.6

d) Consolidated Statement of Changes in Equity

Six months ended 30 June 2018	Impact of restatements		
	As previously reported £m	Adjustments £m	As restated £m
Total equity at 31 December 2017	475.8	(5.3)	470.5
Impact of adoption of IFRS 15	(0.7)	-	(0.7)
Impact of adoption of IFRS 9	-	0.2	0.2
Total equity at 01 January 2018	475.1	(5.1)	470.0
Profit after tax	15.4	(0.3)	15.1
Other movements in equity	(15.2)	-	(15.2)
Total equity at 30 June 2018	475.3	(5.4)	469.9

INDEPENDENT REVIEW REPORT TO SIG PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes 1 to 18. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
05 September 2019