

NOTES TO THE ACCOUNTS

1 PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Profit and Loss Account for the year. SIG plc reported a profit for the financial year ended 31 December 2009 of £45.5m (2008: £4.3m).

The Auditors' remuneration for audit services to the Company was £0.1m (2008: £0.1m).

2 SHARE-BASED PAYMENTS

The Company had five share-based payment schemes in existence during the year ended 31 December 2009. The Company recognised a total credit of £0.5m (2008: charge of £0.4m) in the year relating to equity-settled share-based payment transactions issued after 7 November 2002. Details of the valuations of each of the five share-based payment schemes can be found in Note 9 to the Group Accounts on pages 83 to 87.

3 DIVIDENDS

No final dividend has been proposed (2008: nil p), giving a full year dividend of nil p (2008: 8.3p).

4 STAFF COSTS

Particulars of employees (including Directors) are shown below:

	2009 £m	2008 £m
Employee costs during the year amounted to:		
Wages and salaries	2.1	3.7
Social security costs	0.4	0.5
FRS 20 share option (credit)/charge	(0.5)	0.4
Pension costs	0.2	0.3
	2.2	4.9

The average monthly number of persons employed by the Company during the year was as follows:

	2009 Number	2008 Number
Administration	21	32

5 FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings, as follows:

	2009 £m	2008 £m
Cost		
Beginning of year	519.5	354.8
Additions	137.5	164.7
Disposals	(0.2)	–
End of year	656.8	519.5
Provisions at beginning of year	(0.1)	(0.1)
Movement in provision	(76.6)	–
Provisions at end of year	(76.7)	(0.1)
Net book value, beginning of year	519.4	354.7
Net book value, end of year	580.1	519.4

On 25 June 2009, the Company acquired 100% of the 21,098,002 ordinary shares of £6.87 each of SIG Financing (Jersey) Limited from SIG European Holdings Limited, a directly owned subsidiary of the Company, for a total consideration of £137.5m. Following the receipt of a dividend of £2.94 per ordinary share, totalling £62.0m, the Company reduced the carrying value of its investment to the recoverable amount through the recognition of an impairment loss of £62.0m.

On 11 August 2009, the Company sold its 1% shareholding in SIG Sp. z o.o. (formerly WKT Polska Sp. z o.o.) to SIG European Investments Limited, a 100% wholly owned subsidiary undertaking of SIG plc, for a total consideration equal to its book value of £0.2m.

Following the receipt of a dividend of £26.0m from Freeman Group Limited, representing £3.49 per £0.10 ordinary share (7,442,770 in issue), the Company reduced the carrying value of its investment in Freeman Group Limited to its recoverable amount through the recognition of an impairment loss of £13.9m.

Following the receipt of a dividend of £0.7m from Fitzpatrick Doors Limited, the Company reduced the carrying value of its investment in Fitzpatrick Doors Limited to its recoverable amount through the recognition of an impairment loss of £0.7m.

Details of the Company's principal trading subsidiaries are shown on page 117.

6 TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	Freehold land and buildings £m	Plant and machinery £m	Total £m
Cost			
Beginning of year	0.1	0.3	0.4
Additions	–	–	–
End of year	0.1	0.3	0.4
Depreciation			
Beginning of year	0.1	0.2	0.3
Charge for the year	–	–	–
End of year	0.1	0.2	0.3
Net book value, beginning of year	–	0.1	0.1
Net book value, end of year	–	0.1	0.1

7 DEBTORS

	2009 £m	2008 £m
Amounts owed by subsidiary undertakings	645.7	746.6
Corporation tax recoverable	0.5	8.6
Deferred tax assets (Note 10)	2.3	2.3
Derivative financial instruments	38.6	74.6
Prepayments and accrued income	6.7	1.9
	693.8	834.0

Of the total amount owed to the Company by subsidiary undertakings, £301.3m (2008: £507.2m) is due after more than one year.

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £m	2008 £m
Bank overdrafts	21.0	15.0
Bank loans	170.8	341.1
Amounts owed to subsidiary undertakings	69.4	86.3
Derivative financial instruments	0.1	60.6
Accruals and deferred income	13.4	15.9
	274.7	518.9

All the Company's bank loans and overdrafts are unsecured.

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009 £m	2008 £m
Private placement notes	299.2	328.6
Bank loans	7.2	–
Derivative financial instruments	15.6	70.9
Amounts owed to subsidiary undertakings	79.5	56.4
	401.5	455.9

Details of the private placement notes are as follows:

	2009 £m	2009 Fixed interest rate* %	2008 £m	2008 Fixed interest rate* %
Repayable in 2011	47.7	7.2%	53.0	6.9%
Repayable in 2013	84.6	5.1%	93.0	5.1%
Repayable in 2016	146.9	5.8%	162.6	6.0%
Repayable in 2018	20.0	5.8%	20.0	5.8%
	299.2	5.9%	328.6	5.9%

* Before applying associated derivative financial instruments.

All Group derivative financial instruments disclosed in Note 17 on pages 93 to 95 have been entered into by the Company and therefore disclosures have not been repeated within this Note.

NOTES TO THE ACCOUNTS CONTINUED

10 DEFERRED TAX

	2009 £m	2008 £m
Deferred tax assets	2.3	2.3
The deferred tax assets above relate to short term timing differences.		
The movement during the year in the deferred tax assets was as follows:		
Beginning of year	2.3	2.6
Charge for the year	–	(0.3)
End of year	2.3	2.3

Given the current profitability of the Company, the Directors consider that the recognition of the deferred tax assets above is appropriate.

The Company has not taken account of excess non-trading losses associated with financial instruments in determining the above deferred tax asset as at 31 December 2009. See Note 21 on page 100 of the Consolidated Accounts for details.

11 CAPITAL AND RESERVES

	2009 £m	2008 £m
Called up share capital	59.1	13.6
Share premium account	447.0	167.5
Merger reserve	21.7	21.7
Capital redemption reserve	0.3	0.3
Special reserve	–	130.4
Share option reserve	0.9	2.6
Exchange reserve	(0.2)	(0.2)
Profit and loss account	201.7	44.3
Total reserves	730.5	380.2

The movement in reserves during the year was as follows:

	Called up share capital £m	Share premium account £m	Share option reserve £m	Special reserve £m	Retained profits £m
Beginning of year	13.6	167.5	2.6	130.4	44.3
New share capital issued	45.5	279.5	–	–	–
Debit to share option reserve	–	–	(1.3)	–	–
Exercise of share options	–	–	(0.4)	–	0.4
Fair value movement on cash flow hedges	–	–	–	–	(18.9)
Profit for the year	–	–	–	–	45.5
Transfer between reserves	–	–	–	(130.4)	130.4
End of year	59.1	447.0	0.9	–	201.7

The special reserve arose as a result of a number of transfers from the Company's share premium account up until 1996. Goodwill arising on a number of historic acquisitions was then written off against this special reserve at a Group level. However, goodwill is no longer written off directly against reserves and is instead held as a non-current asset in the Group's Consolidated Balance Sheet. The special reserve is a distributable reserve and, following the satisfactory completion of the actions required by the court on its creation, has therefore been transferred to retained profits in the year.

There was no movement in the merger reserve, capital redemption reserve and exchange reserve in the year.

Details of the Company's share capital can be found in Note 23 of the Group Accounts on page 101.

12 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

A) GUARANTEES

The Company has cross guaranteed overdrafts of subsidiary undertakings (including the Company overdraft) amounting to £21.5m (2008: £20.6m).

B) CONTINGENT LIABILITIES

As at the balance sheet date, the Company had outstanding obligations under standby letters of credit of up to £10.6m (2008: £7.8m). These standby letters of credit, issued by The Royal Bank of Scotland plc, are in respect of the Group's insurance arrangements.