

NOTES TO THE ACCOUNTS

I REVENUE AND SEGMENTAL INFORMATION

REVENUE

An analysis of the Group's revenue is as follows:

	2009 £m	2008 £m
Sale of goods	2,743.5	3,053.6
Total revenue	2,743.5	3,053.6
Finance income	11.7	11.9
Total income	2,755.2	3,065.5

SEGMENTAL INFORMATION

A) SEGMENTAL RESULTS

Following the adoption of IFRS 8 "Operating Segments", the Group has identified its reportable segments as those upon which the Group Board regularly bases its opinion and assesses performance. The Group has deemed it appropriate to aggregate its operating segments into two reported segments: UK and Ireland; and Mainland Europe. The constituent operating segments have been aggregated as they have similar products and services; production processes; types of customer; methods of distribution; regulatory environments; and economic characteristics.

	2009 UK and Ireland £m	2009 Mainland Europe £m	2009 Eliminations £m	2009 Total £m	2008 UK and Ireland £m	2008 Mainland Europe £m	2008 Eliminations £m	2008 Total £m
Revenue								
External sales	1,326.2	1,417.3	–	2,743.5	1,669.4	1,384.2	–	3,053.6
Inter-segment sales*	0.5	3.9	(4.4)	–	–	2.3	(2.3)	–
Total revenue	1,326.7	1,421.2	(4.4)	2,743.5	1,669.4	1,386.5	(2.3)	3,053.6
Result								
Segment result before amortisation of acquired intangibles, impairment charges and restructuring costs	37.7	50.2	–	87.9	111.2	67.9	–	179.1
Amortisation of acquired intangibles and impairment charges	(49.5)	(9.1)	–	(58.6)	(31.7)	(8.9)	–	(40.6)
Restructuring costs	(49.8)	(5.0)	–	(54.8)	(19.1)	(3.1)	–	(22.2)
Segment operating (loss)/profit	(61.6)	36.1	–	(25.5)	60.4	55.9	–	116.3
Parent Company costs				(7.0)				(9.3)
Operating (loss)/profit				(32.5)				107.0
Net finance costs				(20.3)				(32.5)
Net losses on derivative financial instruments				(2.5)				(41.4)
(Loss)/profit before tax				(55.3)				33.1
Income tax credit/(expense)				10.2				(26.3)
Minority interests				(0.5)				(0.5)
Retained (loss)/profit				(45.6)				6.3
Balance sheet								
Assets								
Segment assets	801.1	826.0	–	1,627.1	909.0	961.4	–	1,870.4
Unallocated assets				170.9				74.0
Consolidated total assets				1,798.0				1,944.4
Liabilities								
Segment liabilities	260.4	188.0	–	448.4	245.4	246.5	–	491.9
Unallocated liabilities				517.8				833.6
Consolidated total liabilities				966.2				1,325.5
Other segment information								
<i>Capital expenditure on:</i>								
Property, plant and equipment	10.7	8.9	–	19.6	39.7	29.0	–	68.7
Intangible assets	–	–	–	–	35.8	4.6	–	40.4
Goodwill	(3.0)	1.7	–	(1.3)	40.2	25.8	–	66.0
<i>Non-cash expenditure:</i>								
Depreciation	25.7	14.5	–	40.2	28.4	14.2	–	42.6
Impairment of property, plant and equipment	6.8	–	–	6.8	–	–	–	–
Amortisation of acquired intangibles	19.5	9.1	–	28.6	17.5	8.9	–	26.4
Goodwill impairment charges	30.0	–	–	30.0	14.2	–	–	14.2

* Inter-segment sales are charged at the prevailing market rates.

NOTES TO THE ACCOUNTS CONTINUED

I REVENUE AND SEGMENTAL INFORMATION CONTINUED

SEGMENTAL INFORMATION CONTINUED

B) REVENUE BY PRODUCT GROUP

The Group focuses its activities into four product sectors: Insulation and Building Environments; Interiors; Exteriors; and Specialist Construction Products ("SCP").

The following table provides an analysis of Group sales by type of product:

	2009 £m	2008 £m
Insulation and Building Environments	1,086.4	1,111.5
Interiors	685.9	809.2
Exteriors	749.0	848.9
SCP	222.2	284.0
Total	2,743.5	3,053.6

C) GEOGRAPHIC INFORMATION

The Group's revenue from external customers and its non-current assets (i.e. property, plant and equipment, goodwill, intangible assets and deferred tax assets) by geographical location are as follows:

Country	2009		2008	
	Revenue £m	Non-current assets £m	Revenue £m	Non-current assets £m
United Kingdom	1,239.3	442.6	1,536.2	501.2
Ireland	86.9	14.0	133.2	52.9
France	520.0	269.6	484.5	288.1
Germany and Austria	588.6	73.7	570.5	79.5
Poland	122.7	23.0	171.1	26.7
Benelux*	156.3	46.1	120.0	49.3
Central Europe	29.7	29.5	38.1	30.8
Total	2,743.5	898.5	3,053.6	1,028.5

* Includes international air handling business (headquartered in Benelux).

There is no material difference between the basis of preparation of the information reported above and the Accounting Policies adopted by the Group.

2 COST OF SALES AND OTHER OPERATING EXPENSES

	2009			2008		
	Existing operations £m	Acquisitions £m	Total £m	Existing operations £m	Acquisitions £m	Total £m
Cost of sales	2,050.3	–	2,050.3	2,138.5	106.7	2,245.2
Other operating expenses:						
– distribution costs	225.9	–	225.9	237.9	13.9	251.8
– selling and marketing costs	240.6	–	240.6	239.4	14.6	254.0
– administrative expenses	259.2	–	259.2	188.4	7.2	195.6
	725.7	–	725.7	665.7	35.7	701.4

The administrative expenses above include £113.4m (2008: £62.8m) of "Other items" which have been disclosed in a separate column within the Consolidated Income Statement in order to provide a better indication of the underlying earnings of the Group. Other operating expenses and net finance costs included within "Other items" are as follows:

	2009 £m	2008 £m
Amortisation of acquired intangibles (Note 12)	(28.6)	(26.4)
Goodwill impairment losses (Note 11)	(30.0)	(14.2)
Restructuring costs	(54.8)	(22.2)
Other operating expenses	(113.4)	(62.8)
Net losses on derivative financial instruments	(2.5)	(41.4)
Loss before tax	(115.9)	(104.2)
Income tax credit	28.2	13.9
Loss after tax	(87.7)	(90.3)

3 FINANCE INCOME AND FINANCE COSTS

	2009 £m	2008 £m
Finance income		
Interest on bank deposits	6.0	6.6
Finance income on pension scheme assets	4.3	5.3
Finance income before gains on derivative financial instruments	10.3	11.9
Fair value gains on derivative financial instruments	1.4	–
Total finance income	11.7	11.9
Finance costs		
On bank loans, overdrafts and other items	9.9	18.6
On private placement notes	13.8	19.4
Interest on obligations under finance lease contracts	1.3	1.2
Finance charge on pension scheme liabilities	5.6	5.2
Finance costs before losses on derivative financial instruments	30.6	44.4
Fair value losses on derivative financial instruments	3.9	41.4
Total finance costs	34.5	85.8
Net finance costs	22.8	73.9

4 (LOSS)/PROFIT BEFORE TAX

	2009 £m	2008 £m
(Loss)/profit before tax is stated after crediting:		
Foreign exchange rate gains*	1.4	1.9
Fair value gains on derivative financial instruments	1.4	–
Gains on disposal of property, plant and equipment	1.8	1.8
And after charging:		
Cost of inventories recognised as an expense	1,969.0	2,151.0
Depreciation of property, plant and equipment:		
– owned	37.1	39.5
– held under finance leases and hire purchase agreements	3.1	3.1
Impairment of property, plant and equipment	6.8	–
Amortisation of acquired intangibles	28.6	26.4
Operating lease rentals:		
– land and buildings	48.3	46.7
– plant and machinery	6.4	4.2
Auditors' remuneration for audit services	1.1	1.5
Non-audit fees	0.1	0.1
Increase in provision for inventories	2.7	2.4
Increase in provision for receivables	9.2	13.2
Foreign exchange rate losses*	0.1	2.3
Fair value losses on derivative financial instruments	3.9	41.4
Goodwill impairment charges	30.0	14.2
Restructuring costs	54.8	22.2
Staff costs (Note 5)	376.4	402.6

* Excludes gains and losses incurred as a result of applying IAS 39 "Financial Instruments: Recognition and Measurement".

NOTES TO THE ACCOUNTS CONTINUED

4 (LOSS)/PROFIT BEFORE TAX CONTINUED

An analysis of Auditors' remuneration is provided below:

	2009 Deloitte LLP £m	2008 Deloitte LLP £m
Audit services		
Fees payable to the Company's Auditors for the audit of the Company's Consolidated Accounts	0.1	0.1
Fees payable to the Company's Auditors and their associates for other services to the Group:		
– for the audit of the Company's subsidiaries pursuant to legislation	1.0	1.2
– additional costs for the audit of the Company's subsidiaries pursuant to legislation	–	0.2
Total	1.1	1.5
Other services	0.1	0.1
Total other services	0.1	0.1
Total fees charged to profit before tax	1.2	1.6
Fees treated as a deduction to share premium*	0.8	–
Total fees incurred	2.0	1.6

* Fees of £0.8m were paid to the Group's Auditors in respect of their role as reporting accountants on the placing and open offer and firm placing announced on 18 March 2009. These costs were treated as a deduction to share premium.

The Report of the Audit Committee on pages 63 and 64 provides an explanation of how Auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditors.

5 STAFF COSTS

Particulars of employees (including Directors) are shown below:

	2009 £m	2008 £m
Employee costs during the year amounted to:		
Wages and salaries	318.7	347.4
Social security costs	51.0	47.6
IFRS 2 share option (credit)/charge	(0.5)	1.0
Other pension costs (Note 27c)	7.2	6.6
	376.4	402.6

Of the pension costs noted above, £2.9m (2008: £1.7m) relates to defined benefit schemes and £4.3m (2008: £4.9m) relates to defined contribution schemes.

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

	2009 Number	2008 Number
Production	2,105	2,365
Distribution	4,048	4,691
Sales	4,458	4,482
Administration	1,737	1,982
	12,348	13,520

DIRECTORS' EMOLUMENTS

Details of individual Director's emoluments are given in the Directors' Remuneration Report on page 61.

The employee costs shown above include the following emoluments in respect of Directors of the Company:

	2009 £m	2008 £m
Directors' remuneration (excluding IFRS 2 share option credit/charge)	1.9	1.8

6 INCOME TAX

The income tax (credit)/expense comprises:

	2009 £m	2008 £m
Current tax		
UK corporation tax:		
– on (losses)/profits for the year	(4.7)	15.7
– adjustments in respect of previous years	(0.4)	(1.9)
	(5.1)	13.8
Overseas taxation:		
– on (losses)/profits for the year	13.0	17.5
– adjustments in respect of previous years	(0.3)	0.2
Total current tax	7.6	31.5
Deferred taxation		
Current year	(10.7)	(8.1)
Adjustments in respect of previous years	(7.0)	0.4
Deferred tax (credit)/charge in respect of pension schemes	(0.1)	2.5
Total deferred tax	(17.8)	(5.2)
Total income tax (credit)/expense	(10.2)	26.3

The total tax (credit)/expense for the year differs from that resulting from applying the standard rate of corporate tax in the UK, 28.0% (2008: 28.5%). The differences are explained in the following reconciliation:

	2009 £m	2009 %	2008 £m	2008 %
(Loss)/profit on ordinary activities before tax	(55.3)		33.1	
Tax at 28.0% (2008: 28.5%) thereon	(15.5)	28.0%	9.4	28.5%
Factors affecting the income tax (credit)/expense for the year:				
– permanent items	1.4	(2.5%)	1.8	5.3%
– impairment charges	8.4	(15.2%)	4.0	12.1%
– losses not recognised	0.4	(0.7%)	11.9	36.0%
– prior year losses utilised not previously recognised	(5.8)	10.5%	–	–
– other adjustments in respect of previous years	(1.9)	3.4%	(1.3)	(3.9%)
– effect of overseas tax rates	2.8	(5.1%)	0.5	1.5%
Total income tax (credit)/expense	(10.2)	18.4%	26.3	79.5%

The effective tax rate for the Group on the total loss before tax of £55.3m is 18.4% (2008: 79.5%). The effective tax charge for the Group on profit before tax before the amortisation of intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments of £60.6m is 29.7% (2008: 29.3%), which comprises a charge of 33.0% (2008: 30.3%) in respect of current year profits and a tax credit of 3.3% (2008: 1.0%) in respect of prior years.

The following factors that will affect the Group's future total tax charge as a percentage of underlying profits are:

- the mix of profits between the UK and overseas; in particular, France/Germany/Belgium (corporate tax rates greater than 28%) and Ireland/Poland/Netherlands/Czech Republic/Slovakia (corporate tax rates less than 28%). If the proportion of profits from these jurisdictions changes, this could result in a higher or lower Group tax charge;
- the impact of non-deductible expenditure and non-taxable income;
- agreement of open tax computations with the respective tax authorities; and
- the recognition or utilisation (with corresponding reduction in cash tax payments) of unrecognised deferred tax assets (see Note 21).

In addition to the amounts charged to the Consolidated Income Statement, the following amounts in relation to taxes have been (charged)/credited directly to equity and are shown in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity:

	2009 £m	2008 £m
Deferred tax movement associated with actuarial loss	1.3	3.0
Current and deferred tax on share options	–	(0.7)
Tax (charge)/credit on exchange difference arising on borrowings and derivative financial instruments	(5.5)	13.8
	(4.2)	16.1

NOTES TO THE ACCOUNTS CONTINUED

7 DIVIDENDS

Amounts recognised as distributions to equity holders of the Company in the year:

	2009 £m	2008 £m
Final approved dividend for the year ended 31 December 2008 of nil p per share (2007: 18.7p)	–	25.2
Interim dividend for the year ended 31 December 2009 of nil p per share (2008: 8.3p)	–	11.3
	–	36.5

Amounts proposed as distributions to equity holders of the Company after the year end:

	2009 £m	2008 £m
Proposed final dividend for the year ended 31 December 2009 of nil p per share (2008: nil p)	–	–

8 EARNINGS PER SHARE

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

	Basic and diluted	
	2009 £m	2008 £m
(Loss)/profit after tax	(45.1)	6.8
Minority interests	(0.5)	(0.5)
	(45.6)	6.3

Basic and diluted before amortisation of acquired intangibles,
impairment charges, restructuring costs and gains and losses
on derivative financial instruments

	2009 £m	2008 £m
(Loss)/profit after tax	(45.1)	6.8
Minority interests	(0.5)	(0.5)
Amortisation of acquired intangibles	28.6	26.4
Impairment charges	30.0	14.2
Restructuring costs	54.8	22.2
Gains and losses on derivative financial instruments	2.5	41.4
Tax relating to other items*	(28.2)	(13.9)
	42.1	96.6

* "Other items" relate to the amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments.

Weighted average number of shares:

	2009 Number	2008 Number
For basic earnings per share as previously reported	469,350,343	135,314,199
Equity issue adjustment*	–	28,624,157
Revised	469,350,343	163,938,356
Exercise of share options	897,421	557,700
For diluted earnings per share	470,247,764	164,496,056

* Following the placing and open offer and firm placing of 455,047,973 ordinary shares announced on 18 March 2009 and approved at the Company's Extraordinary General Meeting on 9 April 2009, in accordance with paragraph 26 of IAS 33 "Earnings per Share" the Group has treated the discount element to the open offer part of the increase in share capital as if it were a bonus issue. The effect of this is to increase the weighted average number of shares for the reported prior period, with a resulting reduction in the reported basic and diluted EPS for the year ended 31 December 2008.

8 EARNINGS PER SHARE CONTINUED

	2009	2008
Total basic (loss)/earnings per share	(9.7p)	3.8p
Total diluted (loss)/earnings per share	(9.7p)	3.8p
Earnings per share before amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments		
Total basic earnings per share	9.0p	58.9p
Total diluted earnings per share	9.0p	58.7p

Earnings per share before amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments is disclosed in order to present the underlying performance of the Group. The following disclosures reconcile these adjustments to the disclosures made on the face of the Consolidated Income Statement:

- amortisation of acquired intangibles of £28.6m (2008: £26.4m) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";
- an impairment charge of £30.0m (2008: £14.2m) is included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";
- restructuring costs of £54.8m (2008: £22.2m) are included as part of operating expenses within the column of the Consolidated Income Statement entitled "Other items";
- net losses on derivative financial instruments of £2.5m (2008: losses of £41.4m) are included as finance costs within the column of the Consolidated Income Statement entitled "Other items"; and
- the amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments give rise to tax as disclosed in the table below:

	2009 Other items £m	2009 Tax impact £m	2009 %	2008 Other items £m	2008 Tax impact £m	2008 %
Amortisation of acquired intangibles	28.6	8.0	28.0	26.4	7.5	28.5
Impairment charges	30.0	–	–	14.2	–	–
Restructuring costs	54.8	13.3	24.3	22.2	6.4	28.5
Net losses on derivative financial instruments	2.5	1.1	44.0	41.4	–	–
Utilisation of losses not previously recognised	–	5.8	–	–	–	–
	115.9	28.2	24.3	104.2	13.9	13.3

9 SHARE-BASED PAYMENTS

The Group had five share-based payment schemes in existence during the year ended 31 December 2009. The Group recognised a total credit of £0.5m (2008: charge of £1.0m) in the year relating to equity-settled share-based payment transactions issued after 7 November 2002 with a corresponding entry to the share option reserve. The current year credit arose as charges made in previous years were reversed following an assessment of the number of shares expected to vest on share options granted in previous years. The weighted average fair value of each option granted in the year was 134p (2008: 418p). Details of each of the schemes are provided below.

Following the placing and open offer and firm placing of 455,047,973 ordinary shares announced on 18 March 2009, the Group decided to issue additional share options under the SAYE, ESOS, LTIP and DABS schemes to eliminate the dilutive effect that the increase in share capital would have on the value of outstanding share options. As the additional options have merely preserved the original benefit of the share options, no further charge has been made in accordance with IFRS 2 "Share-Based Payment".

A) SAVE AS YOU EARN ("SAYE") SCHEME

The Company operates a SAYE scheme within the UK which is open to all UK employees and is linked to a monthly savings contract over three and five year periods. Options have been granted to scheme participants at 80% of the prevailing market price. The market price is taken approximately one month prior to the official grant date. Similar arrangements have existed since 17 May 2002 in Ireland. There are no performance conditions attached to the exercise of these options. These options may be exercised within a fixed six month period, three or five years from the date of grant.

No SAYE options have been granted in the UK in 2009 or 2008. Instead, the Company has issued share options in 2009 and 2008 under a Share Investment Plan ("SIP") as approved at the 2004 Annual General Meeting (see page 87).

Whilst no SAYE share options were granted in the year, following the Group's equity raise in 2009, additional SAYE options were granted to existing members of the scheme in proportion to the bonus element of the placing and open offer and firm placing of 14 April 2009.

NOTES TO THE ACCOUNTS CONTINUED

9 SHARE-BASED PAYMENTS CONTINUED

A) SAVE AS YOU EARN (“SAYE”) SCHEME CONTINUED

SAYE OPTIONS (ISSUED AFTER 7 NOVEMBER 2002)

	2009	2009	2008	2008
	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
Outstanding at beginning of the year	332,337	285.3*	748,331	276.1
Additional shares granted on 14 April 2009 following open offer	69,136	287.1	–	–
Granted during the year	–	–	129,479	330.0
Lapsed during the year	(297,480)	277.8	(100,603)	603.5
Exercised during the year	(4,777)	165.0	(444,870)	166.4
Outstanding at the end of the year	99,216	315.0	332,337	345.0

* The weighted average exercise price at the beginning of the year has been adjusted to reflect the amended option price which accompanied the granting of additional options to eliminate the dilutive effect of the placing and open offer and firm placing. The prior year comparatives have not been adjusted.

Of the above share options outstanding at the end of the year, 904 (2008: 184,744) are exercisable at 31 December 2009.

The SAYE options outstanding at the balance sheet date had a weighted average exercise price of 315.0p (2008: 345.0p) and a weighted average remaining contractual life of 1.9 years (2008: 2.2 years). The weighted average share price on options exercised in the year was 217p (2008: 455p).

The assumptions used in the Black-Scholes model in relation to the SAYE options granted in prior years are as follows:

	Shares granted in		
	2006	2007	2008
Share price (on date of official grant)	967p (10 November 2006)	1,028p (26 November 2007)	212p (24 November 2008)
Exercise price	797p	823p	330p
Expected volatility	13.1%	26.0%	38.0%
Actual life	3 and 5 years	3 and 5 years	3 and 5 years
Risk free rate	4.5%	4.5%	4.5%
Dividend	16.8p	20.5p	26.7p
Expected percentage options exercised versus granted at date of grant:			
– 3 years	64%	65%	50%
– 5 years	64%	65%	50%
Revised expectation of percentage of options to be exercised as at 31 December 2009:			
– 3 years	0%	0%	50%
– 5 years	0%	0%	50%

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected percentage of total options exercised is based on the Directors' best estimate for effects of behavioural conditions.

B) EXECUTIVE SHARE OPTION SCHEMES (“ESOS”)

Under the existing ESOS (for which the last options were granted in 2003), Directors and Senior Management can be awarded an annual grant of share options at market price, provided that the total amount payable by the individual to exercise options under the ESOS or any other share option scheme of the Group (excluding savings related schemes) granted during the immediately preceding ten years does not exceed four times base salary, bonus and benefits.

Share options under the ESOS are exercisable between three and ten years for the HM Revenue and Customs approved scheme and three and seven years for the unapproved scheme from the date of grant. The award would vest in full if, over a consecutive three year period, the growth in the Group's Earnings per Share (“EPS”) is 6% higher than the percentage increase in the Retail Price Index (“RPI”). None of the award would vest if the growth in EPS is less than 6% above the percentage increase in the RPI over the same period.

9 SHARE-BASED PAYMENTS CONTINUED**B) EXECUTIVE SHARE OPTION SCHEMES (“ESOS”) CONTINUED****ESOS (ISSUED AFTER 7 NOVEMBER 2002)**

	2009	2009 Weighted average exercise price (p)	2008	2008 Weighted average exercise price (p)
	Options		Options	
Outstanding at beginning of the year	35,489	169.7*	35,500	205.5
Additional shares granted on 14 April 2009 following open offer	7,486	169.7	–	–
Lapsed during the year	(1,816)	169.7	–	–
Exercised during the year	–	–	(11)	205.5
Outstanding at the end of the year	41,159	169.7	35,489	205.5

* The weighted average exercise price at the beginning of the year has been adjusted to reflect the amended option price which accompanied the granting of additional options to eliminate the dilutive effect of the placing and open offer and firm placing. The prior year comparatives have not been adjusted.

No ESOS options were granted in the period 2004 to 2009. The options outstanding at the balance sheet date had a weighted average exercise price of 169.7p (2008: 205.5p) and are all exercisable at both 31 December 2009 and 31 December 2008. No options were exercised in the year.

The assumptions used in the Black-Scholes model in relation to the ESOS options are as follows:

2003 ESOS

Share price on 11 April 2003 (date of official grant)	205.5p
Exercise price	205.5p
Expected volatility	31.8%
Actual life	3 years
Risk free rate	4.2%
Dividend	11.6p
Expected percentage options exercised versus granted at date of grant	95%
Revised expectation of percentage of options to be exercised as at 31 December 2009	95%

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected percentage of total options exercised is based on the Directors' best estimate for effects of behavioural conditions.

C) LONG TERM INCENTIVE PLAN (“LTIP”)

Under the existing LTIP policy, Executives can be awarded an annual grant of nil paid share options up to a maximum value of 100% of base salary.

2003 LTIP CRITERIA

Awards under the 2003 LTIP are exercisable between three and seven years from the date of grant. Provided the individual's performance criteria are met the award vests if, over a consecutive three year period, the growth in the Group's EPS is 10% higher than the percentage increase in the RPI. None of the award vests if the growth in EPS is less than 6% above the percentage increase in the RPI over the same period. Between these two limits, the awards vest proportionately. The right to exercise options terminates upon the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board.

If the 6% minimum growth performance target is not met, the performance period is extended by one year and the minimum growth in the Group's EPS, over a consecutive four year period, is increased to 8% over the percentage increase in the RPI over the same period. The target for the full award to vest is 13.33%.

2004 TO 2008 LTIP CRITERIA

Awards under the 2004 to 2008 LTIPs are exercisable between three and ten years from the date of grant. The award vests if the following criteria are met:

	EPS % growth less RPI % growth over three year vesting period		
	2004–2006	2007	2008
Percentage of award vesting:			
– none of the award vests	<3% p.a.	<5% p.a.	<5% p.a.
– 30% of award vests	3% p.a.	5% p.a.	5% p.a.
– award vests proportionately between 30% and 100%	3%–10% p.a.	5%–10% p.a.	5%–12% p.a.
– 100% of award vests	10% p.a.	10% p.a.	12% p.a.

No retesting of the performance criteria will occur.

2009 LTIP CRITERIA

Awards under the 2009 LTIP are exercisable between three and ten years from the date of grant. None of the award vests if, at the end of the three year period, the Group's underlying EPS is less than 10p. 25% of the award vests if the Group's underlying EPS is between 10p and 13.5p, with the full award vesting if the Group's underlying EPS is 13.5p or greater. Between the two limits, the award vests proportionately. The right to exercise options terminates upon the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board.

NOTES TO THE ACCOUNTS CONTINUED

9 SHARE-BASED PAYMENTS CONTINUED

C) LONG TERM INCENTIVE PLAN ("LTIP") CONTINUED

LTIP OPTIONS (ISSUED AFTER 7 NOVEMBER 2002)

	2009	2009	2008	2008
	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
Outstanding at beginning of the year	335,461	0.3	311,789	0.3
Additional shares granted on 14 April 2009 following open offer	57,965	0.4	–	–
Granted during the year	577,862	0.0	145,629	0.0
Lapsed during the year	(104,918)	0.0	(3,295)	0.0
Exercised during the year	(51,796)	2.4	(118,662)	0.0
Outstanding at the end of the year	814,574	0.0	335,461	0.3

Of the above share options outstanding at the end of the year, 5,707 (2008: 18,046) are exercisable at the balance sheet date.

The options outstanding at the balance sheet date had a weighted average exercise price of nil p (2008: 0.3p) and a weighted average remaining contractual life of 2.2 years (2008: 1.4 years). The weighted average share price on options exercised in the year was 130.0p (2008: 754.0p).

The assumptions used in the Black-Scholes model in relation to the LTIP options are as follows:

	Shares granted in		
	2007	2008	2009
Share price (on date of official grant)	1,292p (17 April 2007)	785p (14 April 2008) and 537p (8 September 2008)	134p (15 September 2009)
Exercise price	0p	0p	0p
Expected volatility	26.0%	38.0%	46.0%
Actual life	3 years	3 years	3 years
Risk free rate	4.5%	4.5%	4.5%
Dividend	20.5p	26.7p	0.0p
Expected percentage options exercised versus granted at date of grant	98%	99%	100%
Revised expectation of percentage of options to be exercised as at 31 December 2009	0%	0%	100%

The fair value of LTIP options granted during the year was 121p.

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected percentage of total options exercised is based on the Directors' best estimate for effects of behavioural conditions.

D) DEFERRED ANNUAL BONUS SCHEME ("DABS")

Options were granted under the DABS scheme for the first time in 2005. The DABS operates by inviting participants, including Executive Directors, to use up to 50% of their annual performance related cash bonus (after tax and national insurance) in respect of the preceding financial year to purchase shares in the Company. Providing certain criteria are met, participants purchasing such shares will be eligible to receive nil cost matching shares up to a maximum of one per share purchased by the participant. The criteria are as follows:

2005 to 2008 DABS criteria	Percentage of award vesting
Percentage growth in the Company's EPS over the three year period from the commencement of the financial year in which the award is made exceeds the percentage growth in the RPI over the same period by:	
– less than 3% per annum compounded	None of the award vests
– 3% per annum compounded	50% of the award vests
– between 3% and 5% per annum compounded	Award vests proportionately between 50% and 100%
– 5% per annum compounded	100% of the award vests

9 SHARE-BASED PAYMENTS CONTINUED**D) DEFERRED ANNUAL BONUS SCHEME (“DABS”) CONTINUED****2009 DABS CRITERIA**

Awards under the 2009 DABS are exercisable between three and ten years from the date of grant. None of the award vests if, at the end of the three year period, the Group's underlying EPS is less than 10p. 25% of the award vests if the Group's underlying EPS is between 10p and 13.5p, with the full award vesting if the Group's underlying EPS is 13.5p or greater. Between the two limits, the awards vest proportionately. The right to exercise options terminates upon the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board.

DABS options (issued after 7 November 2002)	2009	2008
Outstanding at beginning of the year	59,046	46,079
Additional shares granted on 14 April following open offer	10,507	–
Granted during the year	34,730	24,495
Lapsed during the year	(19,743)	(773)
Exercised during the year	(1,693)	(10,755)
Outstanding at the end of the year	82,847	59,046

All DABS are nil paid options and therefore options outstanding at the balance sheet date had a weighted average exercise price of nil p and a weighted average remaining contractual life of 1.5 years (2008: 1.4 years).

Of the above options outstanding at the end of the year, 5,184 (2008: 6,931) are exercisable at the balance sheet date. The weighted average share price on the options exercised in the year was 130.0p (2008: 660.0p).

The assumptions used in the Black-Scholes model in relation to the DABS options are as follows:

	Shares granted in		
	2007	2008	2009
Share price (on date of official grant)	1,292p (17 April 2007)	785p (14 April 2008)	134p (15 September 2009)
Exercise price of matching shares	0p	0p	0p
Expected volatility	26.0%	38.0%	46.0%
Actual life	3 years	3 years	3 years
Risk free rate	4.5%	4.5%	4.5%
Dividend	20.5p	26.7p	0.0p
Expected percentage options exercised versus granted at date of grant	100%	100%	100%
Revised expectation of percentage of options to be exercised as at 31 December 2009	0%	0%	100%

The fair value of DABS options granted during the year was 121p.

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected percentage of total options exercised is based on the Directors' best estimate for effects of behavioural conditions.

E) SHARE INCENTIVE PLAN (“SIP”)

Shares were granted under the SIP scheme for the first time in 2005. The SIP is a HM Revenue and Customs approved scheme and operates by inviting participants, including Executive Directors, to purchase shares in the Company in a tax efficient manner on a monthly basis. For each share purchased by the employee, the Company will match one free share up to a maximum of four free shares per month. No performance criteria is attached to these matching shares other than to avoid forfeiture they must remain within the plan for a minimum of two years. In 2009, 64,122 (2008: 69,702) matching shares were granted during the year. Given the nature of the scheme, the fair value of the matching shares equates to the cost of the Company acquiring these shares.

NOTES TO THE ACCOUNTS CONTINUED

10 PROPERTY, PLANT AND EQUIPMENT

The movement in the year and the preceding year was as follows:

	Land and buildings			Total £m
	Freehold £m	Short leasehold £m	Plant and machinery £m	
Cost or valuation				
At 1 January 2008	78.7	33.1	198.8	310.6
Exchange difference	16.9	4.8	26.6	48.3
Businesses acquired	7.3	0.1	7.9	15.3
Additions	4.4	5.0	59.3	68.7
Disposals	(3.2)	(1.7)	(36.0)	(40.9)
At 31 December 2008	104.1	41.3	256.6	402.0
Exchange difference	(6.1)	(2.0)	(11.0)	(19.1)
Additions	1.1	0.9	17.6	19.6
Disposals	(6.2)	(1.1)	(22.5)	(29.8)
At 31 December 2009	92.9	39.1	240.7	372.7
Accumulated depreciation and impairment				
At 1 January 2008	9.9	6.5	85.2	101.6
Charge for the year	1.6	3.7	37.3	42.6
Exchange difference	5.1	2.8	17.5	25.4
Disposals	(0.3)	(1.5)	(25.1)	(26.9)
At 31 December 2008	16.3	11.5	114.9	142.7
Charge for the year	1.9	3.2	35.1	40.2
Impairment charges	–	2.4	4.4	6.8
Exchange difference	(1.7)	(1.0)	(6.3)	(9.0)
Disposals	(0.4)	(0.9)	(20.2)	(21.5)
At 31 December 2009	16.1	15.2	127.9	159.2
Net book value				
At 31 December 2009	76.8	23.9	112.8	213.5
At 31 December 2008	87.8	29.8	141.7	259.3

The net book value of plant and machinery includes an amount of £9.3m (2008: £11.1m) in respect of assets held under finance lease contracts. Included within additions are net additions in relation to hire stock of £2.2m (2008: £4.4m).

Impairment charges of £6.8m (2008: £nil) represent the write down of certain assets following the Group's cost saving and restructuring programme. These assets have been considered surplus to current requirements and have been written down to their fair value less costs to sell based upon guidance received from third parties. As a result, the impairment charge of £6.8m has been included within operating expenses in the "Other items" column in the Consolidated Income Statement.

11 GOODWILL

	£m
Cost	
At 1 January 2008	454.5
Exchange difference	81.3
Recognised on acquisition of businesses	66.0
At 31 December 2008	601.8
Exchange difference	(30.0)
Adjustments in respect of prior period acquisitions	(1.3)
At 31 December 2009	570.5
Accumulated impairment losses	
At 1 January 2008	19.6
Impairment losses for the year	14.2
Exchange difference	0.9
At 31 December 2008	34.7
Impairment losses for the year	30.0
Exchange difference	(1.1)
At 31 December 2009	63.6
Net book value	
At 31 December 2009	506.9
At 31 December 2008	567.1

Goodwill acquired in a business combination is allocated at the date of acquisition to the cash-generating units ("CGU") that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for these value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs. The Directors estimate discount rates using pre tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU.

The Group prepares cash flow forecasts using the following year's operating budget approved by the Directors and an appropriate projection of cash flows based upon industry expectations over a period of five years. In instances where significant investment is expected, a rate in excess of the industry growth is used in the five year forecast. After this period, the growth rates applied to the cash flow forecasts are no more than 2% and do not exceed the long term average growth rate for the industry or economy. The discount rates applied to all impairment reviews represent pre tax rates and range between 11% and 13%.

During the year SIG's Irish business has continued to experience a significant reduction in demand for its products. The resulting value in use calculation for the Ireland CGU indicated that the carrying value of goodwill was not supportable, therefore the CGU has been further reduced to its recoverable amount through the recognition of an impairment charge as follows:

	£m
At 31 December 2008	40.7
Adjustments in respect of prior period acquisitions	(0.2)
Exchange difference	(5.4)
Impairment charge recognised	(30.0)
At 31 December 2009	5.1

NOTES TO THE ACCOUNTS CONTINUED

11 GOODWILL CONTINUED

Following this impairment, the recoverable amounts of all CGUs were fully supported by the value in use calculations in the year and are as follows:

	2009 £m	2008 £m
UK Insulation	51.2	50.6
UK Exteriors	80.9	82.3
UK Specialist Construction Products	48.4	48.5
UK Interiors Manufacturing	11.5	14.2
UK Interiors Distribution	29.8	29.1
Ireland	5.1	40.7
Poland	10.2	11.3
Larivière	177.1	192.8
German Roofing	20.4	22.1
Central Europe	20.1	21.1
Air Trade Centre	14.4	15.4
Total	469.1	528.1
Other CGUs	37.8	39.0
Total goodwill	506.9	567.1

The impairment reviews prepared by the Group to ascertain the value in use of the various CGUs are based upon a number of forecasts and assumptions, in particular the level of turnover expected to be achieved in the future. In the event that turnover is lower than that forecast in the impairment reviews, a number of the CGUs may be at risk of impairment.

In addition, the Group has an indefinite life intangible asset (Leaderflush + Shapland brand) of £12.6m. Further details of impairment reviews performed on this asset are provided in Note 12.

12 INTANGIBLE ASSETS

The intangible assets presented below relate entirely to acquired intangibles. These arise as a result of applying IFRS 3 which requires the separate recognition of acquired intangibles from goodwill. As detailed in the Statement of Significant Accounting Policies, the Group has elected not to apply IFRS 3 retrospectively to acquisitions that took place before 1 January 2004. During 2009 and 2008, the Group owned purchased intangible assets with an insignificant book value (mainly software separable from any associated hardware) and these have not been reclassified from property, plant and equipment on the grounds of materiality.

	Customer relationships £m	Brands £m	Non-compete clauses £m	Order books £m	Total £m
Cost					
At 1 January 2008	162.5	12.6	6.2	0.1	181.4
Exchange difference	17.0	–	0.6	–	17.6
Additions	35.7	–	4.7	–	40.4
At 31 December 2008	215.2	12.6	11.5	0.1	239.4
Exchange difference	(5.0)	–	(0.4)	–	(5.4)
At 31 December 2009	210.2	12.6	11.1	0.1	234.0
Amortisation					
At 1 January 2008	26.0	–	2.5	0.1	28.6
Charge for the year	23.9	–	2.5	–	26.4
Exchange difference	0.9	–	0.1	–	1.0
At 31 December 2008	50.8	–	5.1	0.1	56.0
Charge for the year	25.8	–	2.8	–	28.6
Exchange difference	(1.1)	–	(0.1)	–	(1.2)
At 31 December 2009	75.5	–	7.8	0.1	83.4
Net book value					
At 31 December 2009	134.7	12.6	3.3	–	150.6
At 31 December 2008	164.4	12.6	6.4	–	183.4

Amortisation of acquired intangibles is included in the Consolidated Income Statement as part of operating expenses and is classified within "Other items".

The weighted average amortisation period for each category of intangible asset is disclosed in the Statement of Significant Accounting Policies on page 72.

In the opinion of the Directors, the only intangible asset which has an indefinite useful life is the brand attributable to the acquisition of Leaderflush + Shapland Limited. The carrying value of the Leaderflush + Shapland brand at the balance sheet date is £12.6m. An indefinite useful life has been determined for the Leaderflush + Shapland brand on the basis that it is expected to be maintained indefinitely and is expected to continue to drive value for the Group. The recoverable value of the brand is based upon value in use calculations. Further information on value in use calculations is provided within Note 11. The Directors have used past experience in determining each of the key assumptions in the value in use calculation for the Leaderflush + Shapland brand. The growth rates assumed are in line with industry expectations and, for periods beyond those covered by its management forecasts, do not exceed the long term average growth rate for the industry. The discount rate applied is 11%, equivalent to its pre tax weighted average cost of capital.

I3 INVENTORIES

	2009 £m	2008 £m
Raw materials and consumables	9.4	12.2
Work in progress	1.0	1.4
Finished goods and goods for resale	217.3	255.0
	227.7	268.6

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

I4 TRADE AND OTHER RECEIVABLES

	2009 £m	2008 £m
Trade receivables	385.8	469.7
VAT	2.1	8.8
Other receivables	6.8	8.2
Prepayments and accrued income	19.1	14.3
Other receivables	28.0	31.3
Derivative financial instruments	38.6	74.6
	452.4	575.6

The average credit period on sale of goods and services on a like for like constant currency basis is 44 days (2008: 43 days). No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £35.0m at 31 December 2009 (2008: £34.1m). This allowance has been determined by reference to past default experience.

Included within the Group's trade receivable balance are debtors with a carrying amount of £88.5m (2008: £119.6m) which are past due at the reporting date for which the Group has not provided for, as there has not been a significant change in credit quality and the Group considers that the amounts are still recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30.8 days overdue (2008: 33.9 days).

AGEING ANALYSIS OF TRADE RECEIVABLES FOR WHICH NO PROVISION FOR IMPAIRMENT HAS BEEN MADE

	2009 £m	2008 £m
Neither past due or renegotiated	275.1	319.3
Renegotiated	0.2	0.1
Balances overdue which have no provision for impairment:		
– 0 – 30 days	64.2	83.2
– 31 – 60 days	14.7	20.9
– 61 – 90 days	4.3	6.7
– 91 – 120 days	1.1	4.5
– 121 – 180 days	1.0	1.8
– 180+ days	3.2	2.5
	88.5	119.6
Total trade receivables	363.8	439.0

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2009 £m	2008 £m
Beginning of year	(34.1)	(25.6)
Added on acquisition	–	(1.3)
Utilised	8.1	9.4
Charged to the Consolidated Income Statement	(9.2)	(13.2)
Exchange differences	0.2	(3.4)
End of year	(35.0)	(34.1)

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and makes a provision for impairment accordingly. The concentration of credit risk is limited due to the customer base being large and unrelated. The Directors therefore believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are trade receivables with a gross balance of £57.0m (2008: £64.8m) and a provision for impairment of £35.0m (2008: £34.1m). The impairment represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

NOTES TO THE ACCOUNTS CONTINUED

14 TRADE AND OTHER RECEIVABLES CONTINUED

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Trade receivable credit exposure is controlled by counterparty limits that are set, reviewed and approved by operational management on a regular basis.

Trade receivables consist of a large number of typically small to medium sized customers, spread across a number of different market sectors and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single customer.

15 CURRENT LIABILITIES

	2009 £m	2008 £m
Trade and other payables:		
Trade payables	211.4	197.3
Bills of exchange payable	19.1	30.1
VAT	4.6	23.0
Social security and payroll taxes	14.0	17.2
Accruals and deferred income	91.6	105.6
Trade and other payables	340.7	373.2
Obligations under finance lease contracts (Note 22)	2.3	3.4
Bank overdrafts	2.5	18.8
Bank loans	173.5	345.3
Loan notes	0.1	0.1
Derivative financial instruments	0.1	60.6
Current tax liabilities	2.8	5.9
Provisions (Note 20)	9.5	8.3
Current liabilities	531.5	815.6

£3.9m (2008: £5.5m) of the above Group bank loans and overdrafts are secured on the assets of subsidiary undertakings and £170.8m (2008: £399.7m) is guaranteed by certain companies of the Group. The remaining balances are unsecured.

The bank overdraft is repayable on demand and attracts a floating interest rate which at 31 December 2009 was 3.0% (2008: 3.0%).

£173.1m (2008: £77.6m) of the bank loans and loan notes due within one year (after taking into account derivative financial instruments) are at variable rates of interest.

£0.5m (2008: £267.8m) of the bank loans and loan notes due within one year (after taking into account derivative financial instruments) attract an average fixed interest rate of 3.7% (2008: 5.1%).

Trade payables, accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases, on a like for like constant currency basis, is 36 days (2008: 28 days).

The Directors consider that the carrying amount of current liabilities approximate to their fair value.

16 NON-CURRENT LIABILITIES

	2009 £m	2008 £m
Obligations under finance lease contracts (Note 22):		
– due after one and within two years	1.7	2.6
– due after two and within five years	4.5	5.1
– due after five years	0.9	1.5
Bank loans	12.1	6.4
Private placement notes	299.2	328.6
Loan notes	–	0.1
Derivative financial instruments	15.6	70.9
Deferred tax liabilities (Note 21)	38.9	49.5
Other payables	6.1	4.0
Retirement benefit obligations (Note 27c)	24.0	19.1
Provisions (Note 20)	31.7	22.1
	434.7	509.9

	2009 £m	2008 £m
The bank loans included above are repayable as follows:		
– due after one and within two years	11.9	0.5
– due after two and within five years	0.2	5.6
– due after five years	–	0.3
	12.1	6.4

16 NON-CURRENT LIABILITIES CONTINUED

Of the bank loans, £0.4m (2008: £1.5m) is secured on certain assets of subsidiary undertakings, and is repayable by instalments. Of the debt due after one year, which includes bank loans, private placement notes, loan notes and derivative financial instruments, £314.8m (2008: £399.5m) is guaranteed by certain companies of the Group.

£0.3m (2008: £1.4m) of the bank loans and loan notes due after one year (after taking into account derivative financial instruments) attract an average fixed rate of interest of 6.1% (2008: 6.1%). The remaining bank loans and loan notes due after one year of £111.8m (2008: £5.1m) are at variable rates of interest.

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.

The Directors consider that the carrying amount of non-current liabilities approximates to their fair value.

17 FINANCIAL INSTRUMENTS

The "Treasury risk management" section of the Business Review on pages 25 and 26 includes a review of all treasury; liquidity; interest rate and foreign currency risks, and provides an explanation of the role that derivative financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The capital structure of the Group is outlined in the Business Review on page 22.

The Group's financial assets consist of trade and other receivables, cash and cash equivalents and derivative financial instruments. The following financial assets form part of the net debt of the Group:

	2009 £m	2008 £m
Cash and cash equivalents (including cash deposits repayable on demand)	219.4	71.7
Derivative financial instruments	38.6	74.6
	258.0	146.3

The Directors consider the fair value of financial assets to approximate to their book value. The interest received on cash deposits is at variable rates of interest of up to 2%.

Of the above cash and cash equivalents, £149.5m is denominated in Sterling, £56.3m in Euros, £10.3m in Polish Zloty and £3.3m in Czech Koruna.

2009 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group's financial liabilities at 31 December 2009, after taking account of interest rate and currency derivative financial instruments (including derivative assets of £38.6m as noted above but excluding the short term currency swap noted after the table) was as follows:

	Currency	Total £m	Floating rate £m	Fixed rate £m	Effective fixed interest rate %	Weighted average time for which rate is fixed Years	Amount secured £m	Amount unsecured £m
Private placement notes	Sterling	194.6	88.8	105.8	6.3%	4.0	–	194.6
Other borrowings	Sterling	100.1	100.1	–	N/A	N/A	–	100.1
Finance lease contracts	Sterling	0.4	–	0.4	7.9%	1.3	0.4	–
Private placement notes	Euro	88.8	53.6	35.2	4.7%	3.5	–	88.8
Other borrowings	Euro	80.6	79.8	0.8	2.4%	1.5	3.9	76.7
Finance lease contracts	Euro	8.9	–	8.9	13.7%	2.8	8.9	–
Finance lease contracts	PLN	0.1	–	0.1	4.8%	0.8	0.1	–
Other borrowings	HUF	0.4	0.4	–	N/A	N/A	0.4	–
Total		473.9	322.7	151.2			13.7	460.2

In addition to the currency exposures above, the Group has entered into a short term currency derivative financial instrument, being a net investment hedge amounting to an asset of £38.2m and a liability of €42.8m. This derivative financial instrument was entered into on 31 December 2009 at market rates and therefore the fair value is deemed to equate to its book value of £nil. The Group's net debt at 31 December was £254.5m, of which £160.2m is denominated in Euros.

All of the above finance lease contracts, totalling £9.4m, are secured on the underlying assets.

The Directors consider the fair value of the Group's floating rate financial liabilities to materially approximate to the book value shown in the table above. The fair value of the Group's private placement notes approximates to the amount in the value of the financial liabilities above. The remaining fixed rate debt amounts to £10.2m and relates to finance lease contracts and fixed rate loans. The Directors consider the fair value of these remaining fixed rate debts to materially approximate to the book values shown above.

NOTES TO THE ACCOUNTS CONTINUED

17 FINANCIAL INSTRUMENTS CONTINUED 2008 INTEREST RATE AND CURRENCY PROFILE

The interest rate and currency profile of the Group's financial liabilities at 31 December 2008, after taking account of interest rate and currency derivative financial instruments (including derivative assets of £74.6m as noted on page 93 but excluding short term currency swaps noted after the table) was as follows:

	Currency	Total £m	Floating rate £m	Fixed rate £m	Effective fixed interest rate %	Weighted average time for which rate is fixed Years	Amount secured £m	Amount unsecured £m
Private placement notes	Sterling	137.4	78.2	59.2	6.1%	6.5	–	137.4
Other borrowings	Sterling	312.6	142.5	170.1	5.3%	8.4	–	312.6
Finance lease contracts	Sterling	1.1	–	1.1	5.8%	1.1	1.1	–
Private placement notes	Euro	158.7	56.6	102.1	5.9%	3.3	–	158.7
Other borrowings	Euro	137.9	38.8	99.1	4.1%	2.4	5.9	132.0
Finance lease contracts	Euro	11.3	–	11.3	12.0%	3.0	11.3	–
Other borrowings	PLN	0.2	0.2	–	N/A	N/A	0.2	–
Finance lease contracts	PLN	0.1	–	0.1	3.1%	1.2	0.1	–
Other borrowings	HUF	0.5	0.5	–	N/A	N/A	0.5	–
Finance lease contracts	HUF	0.1	–	0.1	4.7%	1.8	0.1	–
Other borrowings	CZK	8.9	8.9	–	N/A	N/A	0.4	8.5
Total		768.8	325.7	443.1			19.6	749.2

In addition to the currency exposures above, the Group had entered into five short term currency derivative financial instruments as follows:

- five cash flow hedges which hedged the post tax functional currency cash flows of the Group amounting to an asset of £76.0m and a liability of €75.9m and CZK58.7m.

All of these derivative financial instruments were entered into on 31 December 2008 at market rates and therefore their fair value was deemed to equate to their book value of £nil. The expiry date of these derivative financial instruments was 31 December 2009.

All of the above finance lease contracts, totalling £12.6m, were secured on the underlying assets.

The Directors considered the fair value of the Group's floating rate financial liabilities to materially approximate to the book value shown in the table above. The fair value of the Group's private placement notes approximates to the amount in the value of the financial liabilities above. £170.1m of the Sterling "Other borrowings" and £97.0m of the Euro "Other borrowings" related to debt on which the Group had taken out interest rate derivative financial instruments to fix the interest rate and the debt is already carried at approximately its fair value in the table above. The remaining fixed rate debt amounted to £14.7m and related to finance lease contracts and fixed rate loans. The Directors considered the fair value of these remaining fixed rate debts to materially approximate to the book values shown in the table above.

In both 2009 and 2008, the interest rate on floating rate financial liabilities is based upon appropriate local market rates.

HEDGING RELATIONSHIPS

Included within financial assets are derivative financial instruments in designated hedge accounting relationships amounting to £38.6m (2008: £74.6m) and loans and receivables (including cash and cash equivalents) of £605.2m (2008: £541.4m).

Included within financial liabilities are derivative financial instruments in designated hedge accounting relationships amounting to £15.7m (2008: £131.5m) and liabilities (including trade payables) at amortised cost of £708.2m (2008: £909.2m).

The Group does not trade in derivative financial instruments for speculative purposes. Where the Group can demonstrate a hedge relationship under the rules of IAS 32 and IAS 39, movements in the fair values of these derivative financial instruments will be recognised in the Consolidated Statement of Comprehensive Income. Where the Group does not meet these rules, movements in the fair value will be recognised as gains and losses on derivative financial instruments in the Consolidated Income Statement in the column entitled "Other items".

In order to manage the Group's exposure to interest rate and exchange rate changes, the Group utilises both currency and interest rate derivative financial instruments. The fair values of these derivative financial instruments are calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

The Group is required to analyse financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the financial instruments below are categorised as Level 2.

A) NET INVESTMENT HEDGES

As at 31 December 2009, the Group had entered into two (2008: two) cross-currency interest rate derivative financial instruments which form a net investment hedge of the Group's Euro denominated trade assets.

17 FINANCIAL INSTRUMENTS CONTINUED

HEDGING RELATIONSHIPS CONTINUED

A) NET INVESTMENT HEDGES CONTINUED

Hedge of the Group's Euro denominated trade assets	2009 £m	2008 £m
Liability at 1 January	(37.8)	(15.4)
Fair value gains recognised in equity	5.8	(20.9)
Cash settlements in the year	22.4	–
Fair value gains/(losses) recognised in the Consolidated Income Statement	0.4	(1.5)
Liability at 31 December	(9.2)	(37.8)

B) CASH FLOW HEDGES

With regard to cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in equity and is subsequently removed and included in the Consolidated Income Statement within "Finance costs" in the same period the hedged item affects the Consolidated Income Statement. The cash flow hedges described below are expected to impact both profit and loss and cash flow annually over the life of the hedging instrument and the related debt as interest falls due and upon maturity of the debt and related hedging instrument.

As at 31 December 2009, the Group had entered into five (31 December 2008: five) cross-currency interest rate derivative financial instruments which swap fixed US Dollar denominated debt held in the UK into fixed Sterling denominated debt. In addition, as at 31 December 2009, the Group had entered into one (31 December 2008: one) cross-currency interest rate derivative financial instrument which swaps fixed US Dollar denominated debt held in the UK into variable Sterling denominated debt. These derivative financial instruments form a cash flow hedge as they fix the functional currency cash flows of the Group. All of these derivative financial instruments are designated and effective as cash flow hedges and the fair value movement has therefore been deferred in equity via the Consolidated Statement of Comprehensive Income. At 31 December 2009, the average maturity date of these swaps is 5.4 years (2008: 6.4 years).

Hedge of the Group's functional currency cash flows	2009 £m	2008 £m
Asset/(liability) at 1 January	64.0	(28.2)
Fair value (losses)/gains recognised in equity	(39.0)	92.2
Asset at 31 December	25.0	64.0

During the year ended 31 December 2009, the Group cash settled eleven interest rate derivative financial instruments which swapped variable rate debt into fixed rate debt thereby fixing the functional currency cash flows of the Group. Prior to settlement, all of these interest rate derivative financial instruments were designated and effective as cash flow hedges and the fair value movement was therefore deferred in equity via the Consolidated Statement of Comprehensive Income. At 31 December 2008, the average maturity date of these swaps was 6.2 years.

Hedge of the Group's functional currency cash flows	2009 £m	2008 £m
Liability at 1 January	(33.0)	(4.2)
Fair value gains/(losses) recognised in equity	0.7	(28.8)
Cash settlements in the year	32.3	–
Liability at 31 December	–	(33.0)

At the balance sheet date the Group had entered into certain short-term currency forward contracts which were designated and effective as hedges of the Group's functional currency cash flows.

Hedge of the Group's functional currency cash flows	2009 £m	2008 £m
Asset at 1 January	2.7	–
Fair value (losses)/gains recognised in equity	(2.8)	2.7
(Liability)/asset at 31 December	(0.1)	2.7

During the year ended 31 December 2009, the Group cash settled five cross-currency derivative financial instruments which swapped fixed Sterling denominated debt into fixed Euro and Czech Koruna denominated debt. These derivative financial instruments form a cash flow hedge as they fix the functional post tax cash flows of the Group and are therefore fully effective. As these derivative financial instruments were entered into on 31 December 2008 at market rates prevailing at that date, the fair value of these derivative financial instruments at 31 December 2008 was £nil. At 31 December 2008, the average maturity date of these swaps was one year.

C) FAIR VALUE HEDGES

As at 31 December 2009, the Group had entered into three (31 December 2008: three) derivative financial instruments which hedged the interest rate exposure on the private placement debt drawn down on 1 February 2007. All of these interest rate derivative financial instruments are designated and effective as fair value hedges and the fair value movement has therefore been recognised immediately in the Consolidated Income Statement. This is offset by the change in fair value attributable to the hedged item which is also recognised immediately in the Consolidated Income Statement.

Hedge of the fair value of fixed interest borrowings	2009 £m	2008 £m
Asset/(liability) at 1 January	6.3	(1.6)
Fair value gains recognised in the Consolidated Income Statement	0.9	7.9
Asset at 31 December	7.2	6.3

NOTES TO THE ACCOUNTS CONTINUED

18 MATURITY OF FINANCIAL ASSETS AND LIABILITIES

MATURITY OF FINANCIAL LIABILITIES

The maturity profile of the Group's financial liabilities (including derivative financial assets) at 31 December 2009 was as follows:

	2009 £m	2008 £m
In one year or less	178.5	424.1
In more than one year but not more than two years	60.5	8.7
In more than two years but not more than five years	93.6	184.7
In more than five years	141.3	151.3
Total	473.9	768.8

BORROWING FACILITIES

The Group had undrawn committed borrowing facilities at 31 December 2009 as follows:

	2009 £m	2008 £m
Expiring in less than one year	35.0	36.2
Expiring in more than one year but not more than two years	100.0	2.7
Expiring in more than two years but not more than five years	75.0	40.7
Total	210.0	79.6

As at 31 December 2009, the Group had £674m of UK committed facilities, of which £210m were undrawn as disclosed above. No further funds have been drawn down since the year end.

CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL LIABILITIES, DERIVATIVE FINANCIAL INSTRUMENTS AND CASH AND CASH EQUIVALENTS

2009 ANALYSIS

IFRS 7 requires disclosure of the maturity of the Group's remaining contractual financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the Group's financial assets and liabilities including interest that will accrue to those assets and liabilities except where the Group is entitled and intends to repay the liability before its maturity. Both the inclusion of future interest, and the values disclosed being undiscounted, results in the total position being different to that included in the Consolidated Balance Sheet.

	Balance sheet value £m	Maturity analysis				Total £m
		< 1 year £m	1–2 years £m	2–5 years £m	> 5 years £m	
Current liabilities						
Trade and other payables	340.7	340.7	–	–	–	340.7
Obligations under finance lease contracts	2.3	2.4	–	–	–	2.4
Bank overdrafts	2.5	2.5	–	–	–	2.5
Bank loans	173.5	174.1	–	–	–	174.1
Loan notes	0.1	0.1	–	–	–	0.1
Derivative financial instruments ^	0.1	0.1	–	–	–	0.1
	519.2	519.9	–	–	–	519.9
Non-current liabilities						
Obligations under finance lease contracts	7.1	0.4	2.1	5.0	0.9	8.4
Bank loans	12.1	0.4	5.1	7.4	–	12.9
Private placement notes	299.2	18.6	65.2	124.3	188.4	396.5
Derivative financial instruments ^	15.6	2.1	7.9	38.9	–	48.9
	334.0	21.5	80.3	175.6	189.3	466.7
Total liabilities	853.2	541.4	80.3	175.6	189.3	986.6
Other						
Derivative financial instrument assets*	(38.6)	(3.8)	(3.8)	(15.2)	(23.3)	(46.1)
Cash and cash equivalents*	(219.4)	(219.4)	–	–	–	(219.4)
Derivative financial instruments ^	–	(1.6)	(1.6)	(30.0)	–	(33.2)
	(258.0)	(224.8)	(5.4)	(45.2)	(23.3)	(298.7)
Grand total	595.2	316.6	74.9	130.4	166.0	687.9

^ In accordance with IFRS 7, for all gross settled derivative financial instruments (i.e. £/€ net investment hedges), the pay leg has been disclosed within liabilities and the receive leg has been included within other.

* Derivative financial instrument assets and cash and cash equivalents have also been disclosed in order to present a full analysis of the Group's financial assets and liabilities.

18 MATURITY OF FINANCIAL ASSETS AND LIABILITIES CONTINUED
CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S FINANCIAL LIABILITIES, DERIVATIVE FINANCIAL INSTRUMENTS AND CASH AND CASH EQUIVALENTS CONTINUED
2008 ANALYSIS

	Balance sheet value £m	Maturity analysis				Total £m
		< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	
Current liabilities						
Trade and other payables	373.2	373.2	–	–	–	373.2
Obligations under finance lease contracts	3.4	3.6	–	–	–	3.6
Bank overdrafts	18.8	18.8	–	–	–	18.8
Bank loans	345.3	346.3	–	–	–	346.3
Loan notes	0.1	0.1	–	–	–	0.1
Derivative financial instruments ^	60.6	60.6	–	–	–	60.6
	801.4	802.6	–	–	–	802.6
Non-current liabilities						
Obligations under finance lease contracts	9.2	1.1	3.4	5.5	0.5	10.5
Bank loans	6.4	0.4	0.9	6.2	0.4	7.9
Private placement notes	328.6	20.7	20.7	198.8	218.7	458.9
Loan notes	0.1	–	0.1	–	–	0.1
Derivative financial instruments ^	70.9	15.9	15.9	122.5	19.3	173.6
	415.2	38.1	41.0	333.0	238.9	651.0
Total liabilities	1,216.6	840.7	41.0	333.0	238.9	1,453.6
Other						
Derivative financial instrument assets*	(74.6)	(7.1)	(2.9)	(21.3)	(51.6)	(82.9)
Cash and cash equivalents*	(71.7)	(71.7)	–	–	–	(71.7)
Derivative financial instruments ^	–	(4.7)	(4.7)	(79.2)	–	(88.6)
	(146.3)	(83.5)	(7.6)	(100.5)	(51.6)	(243.2)
Grand total	1,070.3	757.2	33.4	232.5	187.3	1,210.4

^ In accordance with IFRS 7, for all gross settled derivative financial instruments (i.e. £/€ net investment hedges), the pay leg has been disclosed within liabilities and the receive leg has been included within other.

* Derivative financial instrument assets and cash and cash equivalents have also been disclosed in order to present a full analysis of the Group's financial assets and liabilities.

19 SENSITIVITY ANALYSIS

IFRS 7 requires the disclosure of a sensitivity analysis that details the effects on the Group's profit or loss and other equity of reasonably possible fluctuations in market rates.

This sensitivity analysis has been prepared to illustrate the effect of the following hypothetical variations in market rates on the fair value of the Group's financial assets and liabilities:

- (i) a 1% (100 basis points) increase or decrease in market interest rates; and
- (ii) a 10% strengthening or weakening of Sterling against all other currencies that the Group is exposed to.

A) INTEREST RATE SENSITIVITY

The Group is currently exposed to Sterling, Euro and US Dollar interest rates. To a lesser extent the Group is also exposed to Polish Zloty and Czech Koruna interest rates.

In order to illustrate the Group's sensitivity to interest rate fluctuations, the table overleaf details the Group's sensitivity to a 100 basis point change in each respective interest rate. The sensitivity analysis of the Group's exposure to interest rate risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity.

NOTES TO THE ACCOUNTS CONTINUED

19 SENSITIVITY ANALYSIS CONTINUED

A) INTEREST RATE SENSITIVITY CONTINUED

2009 ANALYSIS

	GBP		EUR		USD		PLN		CZK		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	(0.9)	0.9 ⁽ⁱ⁾	(0.8)	0.8 ⁽ⁱⁱⁱ⁾	–	–	–	–	–	–	(1.7)	1.7
Other equity	4.5	(4.8) ⁽ⁱⁱ⁾	1.3	(1.4) ^(iv)	(10.3)	10.9 ⁽ⁱⁱ⁾	–	–	–	–	(4.5)	4.7
Total Shareholders' equity	3.6	(3.9)	0.5	(0.6)	(10.3)	10.9	–	–	–	–	(6.2)	6.4

2008 ANALYSIS

	GBP		EUR		USD		PLN		CZK		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	(1.3)	1.3 ⁽ⁱ⁾	1.8	(1.8) ⁽ⁱⁱⁱ⁾	–	–	(0.2)	0.2 ^(v)	–	–	0.3	(0.3)
Other equity	7.9	(8.0) ⁽ⁱⁱ⁾	2.9	(3.0) ^(iv)	(13.9)	15.5 ⁽ⁱⁱ⁾	–	–	–	–	(3.1)	4.5
Total Shareholders' equity	6.6	(6.7)	4.7	(4.8)	(13.9)	15.5	(0.2)	0.2	–	–	(2.8)	4.2

The movements noted above are described below, being mainly attributable to:

- (i) floating rate Sterling debt and gains and losses on derivative financial instruments on some of the Group's £/€ net investment hedges;
- (ii) mark-to-market valuation changes in the fair value of fully effective cash flow hedges;
- (iii) floating rate Euro debt, Euro cash deposits and gains and losses on derivative financial instruments on some of the Group's £/€ net investment hedges;
- (iv) changes in value of the Group's Euro denominated assets and liabilities; and
- (v) floating rate Polish Zloty debt.

B) FOREIGN CURRENCY SENSITIVITY

The Group is exposed to currency rate changes between Sterling and Euros, US Dollars, Polish Zloty and Czech Koruna. The Group was exposed to the Slovak Koruna during 2008, prior to Slovakia's conversion to the Euro on 1 January 2009.

The following table details the Group's sensitivity to a 10% change in Sterling against each respective foreign currency to which the Group is exposed, indicating the likely impact of changes in foreign exchange rates on the Group's financial position. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity.

2009 ANALYSIS

	EUR		USD		PLN		CZK		HUF		Total	
	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m
Assets and liabilities under the scope of IFRS 7												
Profit or loss	0.8	(0.9) ⁽ⁱ⁾	–	– ^(v)	–	– ^(v)	0.2	(0.2) ^(v)	–	–	1.0	(1.1)
Other equity	5.5	(5.9) ⁽ⁱⁱ⁾	(2.6)	3.2 ⁽ⁱⁱ⁾	(1.3)	1.5 ⁽ⁱⁱ⁾	(0.7)	0.8 ⁽ⁱⁱ⁾	–	–	0.9	(0.4)
Total Shareholders' equity	6.3	(6.8)	(2.6)	3.2	(1.3)	1.5	(0.5)	0.6	–	–	1.9	(1.5)
Total assets and liabilities*												
Profit or loss	(2.9)	1.8 ⁽ⁱⁱⁱ⁾	–	–	(0.1)	0.1 ^(vi)	0.3	(0.5) ^(vi)	–	–	(2.7)	1.4
Other equity	(33.7)	44.2 ^(iv)	(2.6)	3.2 ⁽ⁱⁱ⁾	(3.8)	4.6 ^(iv)	(2.0)	3.0 ^(iv)	–	–	(42.1)	55.0
Total Shareholders' equity	(36.6)	46.0	(2.6)	3.2	(3.9)	4.7	(1.7)	2.5	–	–	(44.8)	56.4

* Certain assets and liabilities such as inventories, non-current assets and provisions do not come under the scope of IFRS 7. Therefore, in order to present a complete analysis of the Group's exposure to movements in foreign currency rates, the exposure on the Group's total assets and liabilities has been disclosed.

19 SENSITIVITY ANALYSIS CONTINUED

B) FOREIGN CURRENCY SENSITIVITY CONTINUED

2008 ANALYSIS

	EUR		USD		PLN		CZK		SKK		HUF		Total	
	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m
Assets and liabilities under the scope of IFRS 7														
Profit or loss	2.2	(1.8) ⁽ⁱ⁾	0.1	(0.1) ^(v)	0.4	(0.5) ^(v)	0.7	(0.9) ^(v)	–	–	–	–	3.4	(3.3)
Other equity	34.0	(30.7) ⁽ⁱⁱ⁾	(3.6)	5.0 ⁽ⁱⁱ⁾	(1.9)	2.3 ⁽ⁱⁱ⁾	(0.4)	0.5 ⁽ⁱⁱ⁾	(0.3)	0.3 ⁽ⁱⁱ⁾	–	–	27.8	(22.6)
Total Shareholders' equity	36.2	(32.5)	(3.5)	4.9	(1.5)	1.8	0.3	(0.4)	(0.3)	0.3	–	–	31.2	(25.9)
Total assets and liabilities*														
Profit or loss	(2.4)	1.2 ⁽ⁱⁱⁱ⁾	0.1	(0.1)	0.1	(0.1) ^(v)	0.8	(1.9) ^(v)	(0.1)	0.1 ^(vii)	–	–	(1.5)	(0.8)
Other equity	(9.5)	14.5 ^(iv)	(3.6)	5.0 ⁽ⁱⁱ⁾	(4.4)	5.2 ^(iv)	(1.6)	1.8 ^(iv)	(1.6)	1.9 ^(iv)	–	–	(20.7)	28.4
Total Shareholders' equity	(11.9)	15.7	(3.5)	4.9	(4.3)	5.1	(0.8)	(0.1)	(1.7)	2.0	–	–	(22.2)	27.6

* Certain assets and liabilities such as inventories, non-current assets and provisions do not come under the scope of IFRS 7. Therefore, in order to present a complete analysis of the Group's exposure to movements in foreign currency exchange rates, the exposure on the Group's total assets and liabilities has been disclosed.

The movements noted above are described below, being mainly attributable to:

- gains and losses on derivative financial instruments on some of the Group's £/€ net investment hedges and retranslation of Euro interest flows;
- mark-to-market valuation changes in the fair value of fully effective cash flow and net investment hedges, and retranslation of assets and liabilities under the scope of IFRS 7;
- retranslation of Euro profit streams and gains and losses on derivative financial instruments on some of the Group's £/€ net investment hedges;
- retranslation of overseas denominated assets and liabilities outside the scope of IFRS 7 and mark-to-market valuation changes in the fair value of fully effective cash flow and net investment hedges;
- retranslation of US Dollar, Polish Zloty, and Czech Koruna interest flows;
- retranslation of Polish Zloty and Czech Koruna profit streams; and
- retranslation of Slovak Koruna profit streams.

20 PROVISIONS FOR LIABILITIES AND CHARGES

	2009 Onerous leases £m	2009 Leasehold dilapidations £m	2009 Contingent consideration £m	2009 Other amounts £m	2009 Total £m
Beginning of year	1.2	13.5	9.9	5.8	30.4
Unused amounts reversed in the period	(0.3)	–	(5.0)	(1.1)	(6.4)
Utilised	(6.4)	(1.5)	(3.9)	(1.7)	(13.5)
New provisions	19.2	4.3	–	1.0	24.5
Transferred from accruals	6.4	–	–	0.4	6.8
Exchange difference	–	(0.1)	–	(0.5)	(0.6)
End of year	20.1	16.2	1.0	3.9	41.2
				2009 £m	2008 £m
Included in current liabilities				9.5	8.3
Included in non-current liabilities				31.7	22.1
				41.2	30.4

ONEROUS LEASES

The Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing. The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and the likely income from existing and future sub lease agreements on a contract by contract basis. The provision covers potential transfer of economic benefit over the full range of current lease commitments disclosed in Note 27b.

LEASEHOLD DILAPIDATIONS

This provision relates to contractual obligations to reinstate leasehold properties into their original state of repair. The provision is calculated with reference to the expired portion of individual lease agreements where such a clause exists in the lease contract. The transfer of economic benefits will be made at the end of the leases as set out in Note 27b.

NOTES TO THE ACCOUNTS CONTINUED

20 PROVISIONS FOR LIABILITIES AND CHARGES CONTINUED CONTINGENT CONSIDERATION

Contingent consideration relates to the amounts due to vendors of prior year acquisitions providing certain future profit targets are met. The transfer of economic benefit is expected to be made within two years.

OTHER AMOUNTS

Other amounts relate principally to claim provisions. The transfer of economic benefit is expected to be made between one and three years time.

21 DEFERRED TAX

The net deferred tax liability at the end of the year is analysed as follows:

	2009 £m	2008 £m
Deferred tax assets	27.5	18.7
Deferred tax liabilities	(38.9)	(49.5)
Net deferred tax liability	(11.4)	(30.8)

The net deferred tax liability is made up of the following elements:

	2009 £m	2008 £m
Deferred tax analysis:		
Differences between capital allowances and depreciation	3.8	(7.2)
Short term timing differences	(20.9)	(28.5)
Losses	0.4	1.0
On retirement benefit obligations	5.3	3.9
Net deferred tax liability	(11.4)	(30.8)

The movement during the year in the net deferred tax liability was as follows:

Beginning of year	(30.8)	(26.9)
On acquisition of subsidiaries	–	(11.6)
Credit for the year	17.8	5.2
Exchange difference	0.3	0.4
Deferred tax on actuarial loss on retirement benefit obligations	1.3	3.0
Deferred tax on share options	–	(0.9)
End of year	(11.4)	(30.8)

Given current trading the Directors consider that recognition of the deferred tax assets above is appropriate.

The Group has not taken account of the benefit of excess non-trading losses associated with financial instruments in determining the above deferred tax liability at 31 December 2009. During the year, the Group has utilised £6.7m of previously unrecognised deferred tax on non-trading losses. In this respect, any future utilisation of the unrecognised deferred tax asset of £33m (2008: £40m) associated with these non-trading losses will result in a reduction of cash payments of tax and will also result in an income statement benefit in the year of utilisation.

22 OBLIGATIONS UNDER FINANCE LEASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	2009 £m	2008 £m	2009 £m	2008 £m
Amounts payable under finance lease contracts:				
– within one year	2.4	3.6	2.3	3.4
– in the second to fifth years	7.2	8.7	6.2	7.7
– after five years	1.2	1.8	0.9	1.5
	10.8	14.1	9.4	12.6
Less: future finance charges	1.4	1.5		
Present value of lease obligations	9.4	12.6		

The Group leases certain of its motor vehicles, fixtures and equipment under finance lease contracts.

The average remaining lease term is 2.7 years (2008: 4.2 years). For the year ended 31 December 2009, the average effective borrowing rate was 13.4% (2008: 11.3%). Interest rates are fixed at the contract date.

The carrying amount of the Group's lease obligations approximate to their fair value.

23 CALLED UP SHARE CAPITAL

	2009 £m	2008 £m
Authorised:		
800,000,000 ordinary shares of 10p each (2008: 190,000,000)	80.0	19.0
Allotted, called up and fully paid:		
590,829,339 ordinary shares of 10p each (2008: 135,639,175)	59.1	13.6

Total cash consideration received by the Company for the 455,190,164 (2008: 637,977) shares allotted during the year amounted to £325.0m (2008: £1.1m).

On 18 March 2009 the Group announced a placing and open offer and firm placing of 455,047,973 ordinary shares for a total consideration of £325.0m (net of expenses), which was approved at the Company's Extraordinary General Meeting on 9 April 2009.

The Company has one class of ordinary share which carries no right to fixed income.

At 31 December 2009 the following share options were outstanding:

Scheme and date of grant	Number of shares					At 31 December 2009	Option price per 10p share	Adjusted option price per 10p share	Exercise dates	
	At 31 December 2008	Additional shares granted on 14 April 2009 following open offer	Granted	Exercised	Lapsed				Date from which option may be exercised	Date on which option expires
Deferred Annual Bonus Scheme										
19/04/2005	6,931	1,209	–	(202)	(2,754)	5,184	0.00p	0.00p	19/04/2008	18/04/2015
13/04/2006	16,751	1,729	–	(1,491)	(16,989)	–	0.00p	0.00p	13/04/2009	12/04/2016
17/04/2007	10,869	2,294	–	–	–	13,163	0.00p	0.00p	17/04/2010	16/04/2017
14/04/2008	24,495	5,275	–	–	–	29,770	0.00p	0.00p	14/04/2011	13/04/2018
15/09/2009	–	–	34,730	–	–	34,730	0.00p	0.00p	15/09/2012	14/09/2019
Long Term Incentive Plan										
11/04/2003	4,469	967	–	(5,436)	–	–	10.00p	10.00p	11/04/2006	10/04/2010
11/05/2004	5,569	1,151	–	(6,720)	–	–	10.00p	10.00p	11/05/2007	10/05/2014
19/04/2005	8,008	1,689	–	(3,990)	–	5,707	0.00p	0.00p	19/04/2008	18/04/2015
13/04/2006	100,835	13,903	–	(25,716)	(89,022)	–	0.00p	0.00p	13/04/2009	12/04/2016
17/04/2007	70,951	9,519	–	(9,934)	(15,896)	54,640	0.00p	0.00p	17/04/2010	16/04/2017
14/04/2008	136,409	28,790	–	–	–	165,199	0.00p	0.00p	14/04/2011	13/04/2018
08/09/2008	9,220	1,946	–	–	–	11,166	0.00p	0.00p	08/09/2011	07/09/2018
15/09/2009	–	–	577,862	–	–	577,862	0.00p	0.00p	15/09/2012	14/09/2019
1997 Executive Share Option Scheme										
11/04/2000	1,500	316	–	–	(1,816)	–	232.50p	191.98p	11/04/2003	10/04/2009
19/04/2002	19,276	4,066	–	–	–	23,342	321.00p	265.05p	19/04/2005	18/04/2010
11/04/2003	35,489	7,486	–	–	(1,816)	41,159	205.50p	169.68p	11/04/2006	10/04/2011
Savings Related Schemes										
07/05/2003	4,777	–	–	(4,777)	–	–	165.00p	N/A	01/07/2006	31/12/2008
10/05/2004	171,238	36,143	–	–	(207,381)	–	300.00p	247.80p	01/07/2007	31/12/2009
21/10/2005	8,729	1,842	–	–	(9,667)	904	571.00p	471.50p	01/11/2008	31/05/2011
10/11/2006	4,749	1,002	–	–	(5,106)	645	797.00p	658.10p	01/01/2010	31/07/2012
26/11/2007	13,365	2,820	–	–	(6,880)	9,305	823.00p	679.60p	01/01/2011	31/07/2013
24/10/2008	129,479	27,329	–	–	(68,446)	88,362	330.00p	272.50p	01/01/2012	31/07/2014
Total	783,109	149,476	612,592	(58,266)	(425,773)	1,061,138				

NOTES TO THE ACCOUNTS CONTINUED

24 RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES

	2009 £m	2008 £m
Operating (loss)/profit	(32.5)	107.0
Depreciation charge	40.2	42.6
Impairment of property, plant and equipment	6.8	–
Amortisation of acquired intangibles and impairment charges	58.6	40.6
Profit on sale of property, plant and equipment	(1.8)	(1.8)
Share-based payments	(0.5)	1.0
Decrease in inventories	26.1	15.1
Decrease in receivables	67.8	43.0
Increase/(decrease) in payables	9.4	(91.5)
Cash inflow from operating activities	174.1	156.0

Included in the increase/(decrease) in payables is a cash outflow relating to defined benefit pension contributions being £0.8m (2008: £8.4m) greater than the amount charged to operating (loss)/profit.

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	2009 £m	2008 £m
Increase/(decrease) in cash and cash equivalents in the year	166.7	(47.3)
Cash flow from decrease/(increase) in debt	280.9	(70.5)
Decrease/(increase) in net debt resulting from cash flows	447.6	(117.8)
Debt acquired with acquisitions*	–	(8.2)
Non-cash items ^	(24.5)	(52.7)
Exchange difference	19.5	(89.5)
Decrease/(increase) in net debt in the year	442.6	(268.2)
Net debt at beginning of year	(697.1)	(428.9)
Net debt at end of year	(254.5)	(697.1)

* Including loan notes issued.

^ Non-cash items relate to the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow.

26 ANALYSIS OF NET DEBT

	At 31 December 2008 £m	Cash flows £m	Non-cash items ^ £m	Exchange difference £m	At 31 December 2009 £m
Cash and cash equivalents	71.7	151.4	–	(3.7)	219.4
Overdrafts	(18.8)	15.3	–	1.0	(2.5)
	52.9	166.7	–	(2.7)	216.9
Financial assets – derivative financial instruments	74.6	–	(36.0)	–	38.6
Debts due within one year	(406.0)	220.9	–	11.4	(173.7)
Debts due after one year	(406.0)	57.7	11.5	9.9	(326.9)
Finance lease contracts	(12.6)	2.3	–	0.9	(9.4)
	(697.1)	447.6	(24.5)	19.5	(254.5)

^ Non-cash items relate to the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow.

27 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

A) CAPITAL COMMITMENTS

	2009 £m	2008 £m
Contracted but not provided for	1.0	4.2

B) LEASE COMMITMENTS

The Group leases a number of its premises under operating leases which expire between 2010 and 2049.

The rentals payable are subject to renegotiation at various dates. The total future minimum lease rentals under the foregoing leases are as follows:

	2009 £m	2008 £m
Minimum lease rentals due:		
– within one year	33.6	34.5
– after one year and within five years	87.2	110.6
– after five years	135.8	117.4
	256.6	262.5

The Group also leases certain items of plant and machinery whose total future minimum lease rentals under the foregoing leases are as follows:

	2009 £m	2008 £m
Minimum lease rentals due:		
– within one year	8.7	10.8
– after one year and within five years	19.2	21.5
– after five years	0.6	2.3
	28.5	34.6

C) PENSION SCHEMES

The Group operates a number of pension schemes, five (2008: five) of which provide defined benefits based on final pensionable salary. Of these schemes, one (2008: one) has assets held in a separate trustee administered fund and four (2008: four) are overseas book reserved schemes. The Group also operates a number of defined contribution schemes all of which are independently managed.

DEFINED BENEFIT PENSION SCHEME VALUATIONS

In accordance with the amendment to IAS 19 "Employee Benefits" which was issued on 16 December 2004, the Group has elected to recognise all actuarial gains and losses in full in the period in which they arise in the Consolidated Statement of Comprehensive Income.

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

The last formal actuarial valuation of the SIG plc Retirement Benefits Plan, the UK scheme, was conducted at 31 December 2007 and showed that the market value of the scheme's assets were £75.0m and their actuarial value covered 83% of the benefits accrued to members after allowing for expected future increases in pensionable salaries.

The other four schemes are book reserved schemes whereby the sponsoring company does not hold any separate assets to fund the pension scheme but makes a reserve in its Accounts. Therefore, these schemes do not hold separate scheme assets. The liabilities of the schemes are met by the sponsoring companies.

CONSOLIDATED INCOME STATEMENT CHARGES

The pension charge for the year relating to the defined benefit pension schemes was £2.9m (2008: £1.7m). In accordance with IAS 19 "Employee Benefits", the charge for the defined benefit schemes has been calculated as the sum of the cost of benefits accruing in the year, the increase in the value of benefits already accrued and the expected return on assets.

The actuarial valuations described previously have been updated at 31 December 2009 by a qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. Investments have been valued, for this purpose, at fair value.

The UK defined benefit scheme is closed to new members, has an age profile that is rising and therefore under the projected unit method the current service cost will increase as the members of the scheme approach retirement. The four overseas book reserved schemes remain open to new members.

NOTES TO THE ACCOUNTS CONTINUED

27 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES CONTINUED

CONSOLIDATED BALANCE SHEET LIABILITY

The balance sheet position in respect of the five defined benefit schemes can be summarised as follows:

	2009 £m	2008 £m
Pension liability before taxation	(24.0)	(19.1)
Related deferred tax asset	5.3	3.9
Pension liability after taxation	(18.7)	(15.2)

The actuarial loss of £4.7m (2008: £10.6m) for the year, together with the associated deferred tax credit of £1.3m (2008: £3.0m), has been recognised in the Consolidated Statement of Comprehensive Income. The remaining deferred tax credit of £0.1m (2008: debit of £2.5m) has been recognised in the Consolidated Income Statement.

The cumulative actuarial gains and losses, gross of deferred tax (from 2004 onwards) recognised in the Consolidated Statement of Comprehensive Income amounted to a loss of £16.4m (2008: £11.7m).

Of the above pension liability before taxation, £19.0m (2008: £14.2m) relates to wholly or partly funded schemes and £5.0m (2008: £4.9m) relates to unfunded schemes.

The movement in the pension liability before taxation in the year can be summarised as follows:

	2009 £m	2008 £m
Pension liability at beginning of year	(19.1)	(15.7)
Current service cost	(1.6)	(1.8)
Contributions	2.4	10.2
Net finance (cost)/income	(1.3)	0.1
Actuarial loss	(4.7)	(10.6)
Exchange difference	0.3	(1.3)
Pension liability at end of year	(24.0)	(19.1)

SCHEMES' DISCLOSURE

The principal assumptions used for the IAS 19 actuarial valuation of the schemes were:

	2009 %	2008 %	2007 %
Rate of increase in salaries	4.5	4.7	5.3
Rate of fixed increase of pensions in payment	4.5	4.7	5.3
Rate of increase LPI pensions in payment	3.5	2.7	3.3
Discount rate	5.7	6.2	5.7
Inflation assumption	3.5	2.7	3.3

Deferred pensions are revalued to retirement in line with the schemes' rules and statutory requirements, with the inflation assumption used for LPI revaluation in deferment.

The life expectancy for a male employee beyond the normal retirement age of 60 is 28.5 years (2008: 28.5 years).

If the discount rate was to be increased/decreased by 0.25%, this would decrease/increase the Group's gross pension scheme deficit by £5.25m.

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

	2009 %	2009 £m	2008 %	2008 £m	2007 %	2007 £m
Equities	7.5	50.7	6.4	40.3	6.7	48.7
Bonds	5.3	36.7	5.2	34.3	4.7	28.0
Other	N/A	–	N/A	–	6.2	0.1
Total fair value of assets		87.4		74.6		76.8
Present value of scheme liabilities		(111.4)		(93.7)		(92.5)
Deficit in the scheme		(24.0)		(19.1)		(15.7)
Related deferred tax asset		5.3		3.9		3.4
Pension liability after taxation		(18.7)		(15.2)		(12.3)

The overall expected rate of return is based upon market conditions at the balance sheet date.

27 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED**C) PENSION SCHEMES CONTINUED****SCHEMES' DISCLOSURE CONTINUED**

Analysis of the amount charged to operating profit under IAS 19 in relation to the schemes:

	2009 £m	2008 £m
Current service cost	1.6	1.8

Analysis of the amount credited/(charged) to net finance costs under IAS 19 in relation to the schemes:

	2009 £m	2008 £m
Finance income – being expected return on pension scheme assets	4.3	5.3
Finance costs – being interest on pension scheme liabilities	(5.6)	(5.2)
Net finance (cost)/income	(1.3)	0.1

The actual gain on scheme assets was £12.2m (2008: loss of £10.0m).

Analysis of the actuarial loss recognised in the Consolidated Statement of Comprehensive Income in respect of the schemes:

	2009 £m	2008 £m
Actual return less expected return on assets	7.9	(15.3)
Experience gains and losses on liabilities	–	5.5
Changes in assumptions	(12.6)	(0.8)
Actuarial loss recognised	(4.7)	(10.6)

Movements in the present value of the schemes' liabilities were as follows:

	2009 £m	2008 £m
Fair value of schemes' liabilities at beginning of year	(93.7)	(92.5)
Current service cost	(1.6)	(1.8)
Interest on pension schemes' liabilities	(5.6)	(5.2)
Experience gains and losses on liabilities	–	5.5
Changes in assumptions	(12.6)	(0.8)
Contributions from schemes' members	(0.6)	(0.6)
Exchange differences	0.3	(1.3)
Benefits paid	2.4	3.0
Fair value of schemes' liabilities at end of year	(111.4)	(93.7)

Movements in the fair value of the schemes' assets were as follows:

	2009 £m	2008 £m
Fair value of schemes' assets at beginning of year	74.6	76.8
Expected return on assets	4.3	5.3
Actual return less expected return on assets	7.9	(15.3)
Contributions from sponsoring companies	2.4	10.2
Contributions from schemes' members	0.6	0.6
Benefits paid	(2.4)	(3.0)
Fair value of schemes' assets at end of year	87.4	74.6

NOTES TO THE ACCOUNTS CONTINUED

27 GUARANTEES AND OTHER FINANCIAL COMMITMENTS CONTINUED

C) PENSION SCHEMES CONTINUED

SCHEMES' DISCLOSURE CONTINUED

History of experience of gains and losses:

	2009	2008	2007	2006	2005
Difference between the expected and actual return on schemes' assets:					
– amount (£m)	7.9	(15.3)	0.4	0.5	5.4
– percentage of schemes' assets	9.0%	(20.5%)	0.5%	0.7%	7.9%
Experience gains and losses on schemes' liabilities:					
– amount (£m)	–	5.5	(4.4)	(9.0)	–
– percentage of the present value of schemes' liabilities	0.0%	5.9%	(4.9%)	9.9%	0.0%
Total amount recognised in the Consolidated Statement of Comprehensive Income:					
– amount (£m)	(4.7)	(10.6)	6.2	3.3	(1.9)
– percentage of the present value of the schemes' liabilities	(4.2%)	(11.3%)	6.7%	6.3%	2.1%

D) CONTINGENT LIABILITIES

As at the balance sheet date, the Group had outstanding obligations under customer guarantees, claims, standby letters of credit and discounted bills of up to £12.0m (2008: £9.4m). Of this amount, £10.6m (2008: £7.8m) related to standby letters of credit, issued by The Royal Bank of Scotland plc, in respect of the Group's insurance arrangements.

In addition, there is a possible risk that when SIG acquires certain companies that include employee Shareholders, the capital gain made by these Shareholders could be reclassified as an income tax liability. This could give rise to a social security cost for the Group of up to £10m.

28 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.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors who are the key management personnel of the Group is provided in the audited part of the Directors' Remuneration Report on pages 61 to 62. In addition, the Group recognised a share-based payment credit under IFRS 2 in respect of the Directors of £0.4m (2008: charge of £0.4m).

29 SUBSIDIARIES

Details of the Group's principal trading subsidiaries, all of which have been included in the Consolidated Accounts, are shown on page 117.