Hill & Smith Holdings PLC

Delivering intelligent protection solutions

2019

Half year results
Six months ended 30 June 2019

Stock code HILS

Asset VRS, a division of Hill & Smith Ltd, supplied a variety of vehicle restraint system ('VRS') barriers, transitions and end terminals to the M20 motorway in the South East of England. The scheme largely involved the installation of the N2 W2 SPR4 Barrier System, tested to EN1317.

Our mission is to deliver sustainable profitable growth through the supply of Infrastructure Products and Galvanizing Services.

Our sectors

- Infrastructure – Roads
- Infrastructure – Utilities
- Galvanizing Services
- Group

Hill & Smith Holdings PLC

Contents

Front cover images:

Top: Zoneguard with Fence and QuadGuard crash cushion installed at Heathrow Airport.

Middle: Fibre reinforced polymer stair treads for use at the Great Wolf Lodge Waterpark in Scotsdale, Arizona, USA.

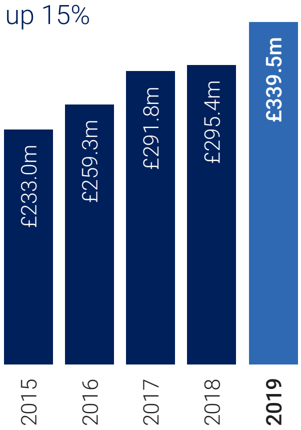
Bottom: Galvanized stand at Maidstone FC galvanized by Joseph Ash Limited's Chesterfield factory.

To find out more about
Hill & Smith Holdings PLC visit
our website hsholdings.com

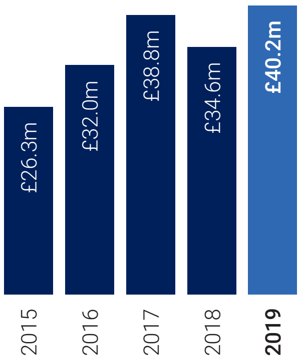
Group Highlights

- Good first half year driven by a strong performance in the UK and US, partly offset by weaknesses in smaller international markets.
- Underlying operating profit growth of 13% to £40.2m, 5% organically.
- Investment of £32.4m in expansion of temporary road safety barrier fleet and acquisition of ATG Access Ltd.
- Interim dividend increased by 6% to 10.6p.

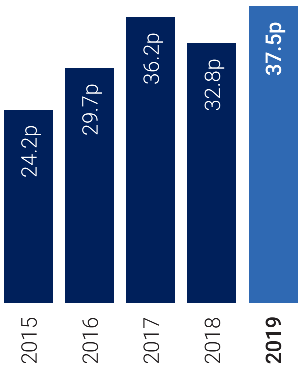
Revenue
£339.5m
up 15%



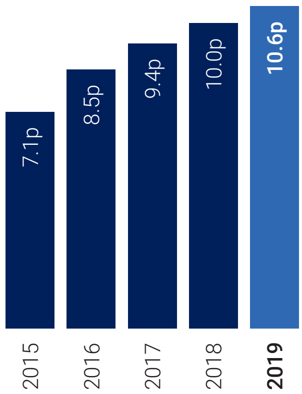
Underlying operating profit
£40.2m
up 16%



Underlying earnings per share
37.5p
up 14%



Dividend per share
10.6p
up 6%



			Change	
	30 June 2019	30 June 2018	Reported %	Constant** Currency %
Revenue	**£339.5m**	£295.4m	+15	+13
Underlying*:				
Operating profit	**£40.2m**	£34.6m	+16	+13
Operating margin	**11.8%**	11.7%	+10bps	-
Profit before taxation	**£36.9m**	£33.0m	+12	+8
Earnings per share	**37.5p**	32.8p	+14	+10
Reported:				
Operating profit	**£36.6m**	£31.0m	+18	
Profit before taxation	**£33.4m**	£28.9m	+16	
Basic earnings per share	**33.9p**	28.2p	+20	
Dividend per share	**10.6p**	10.0p	+6	
Net debt	**£203.1m**	£141.2m		

* All underlying measures exclude certain non-underlying items, which are as defined in note 6 on page 26 to the Financial Statements and described in the Financial Review. References to an underlying profit measure throughout this report are made on this basis and, in the opinion of the Directors, aid the understanding of the underlying business performance as they exclude items that are either unlikely to recur in future periods or represent non-cash items that distort the underlying performance of the business. Underlying measures are presented on a consistent basis over time to assist in comparison of performance.

** Where we make reference to constant currency amounts, these are prepared using exchange rates that prevailed in the current year rather than the actual exchange rates that applied in the prior year. Where we make reference to organic measures we exclude the impact of currency translation movements, acquisitions, disposals and closures of subsidiary businesses. In respect of acquisitions, the amounts referred to represent the amounts for the period in the current year that the business was not held in the prior year. In respect of disposals and closures of subsidiary businesses, the amounts referred to represent the amounts for the period in the prior year that the business was not held in the current year.

Group at a Glance

Supplying to and located in global markets, the Group serves customers from facilities in Australia, France, India, Scandinavia, the UK and the USA, building an increasing presence in international markets, where countries are upgrading or improving their infrastructure as their economies grow. A key feature of the Group's chosen markets is the influence of heightened levels of regulation and health and safety considerations on development and growth. All of our products are designed to strict specifications and tested according to applicable standards.

Infrastructure Products – Roads

Our Roads segment designs, manufactures and installs temporary and permanent safety products for the roads market, together with intelligent transport systems that provide information to road users. We principally serve the UK market, with an international presence in selected geographies.

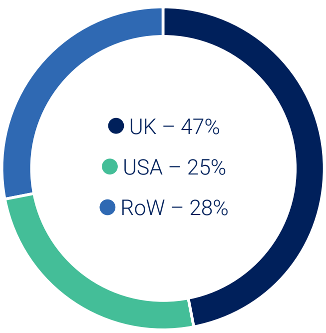
For more information see page 7.

Revenue: £114.7m

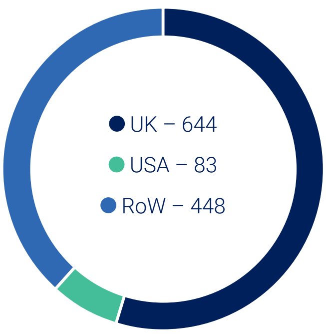
Underlying Operating Profit: £10.3m

No. of Employees: 1,175

Revenue by end market geography



Employees by geographical location



Infrastructure Products – Utilities

Our Utilities segment provides industrial flooring, plastic drainage pipes, security fencing, steel and composite products for a wide range of infrastructure markets including energy creation and distribution, rail, water and house building.

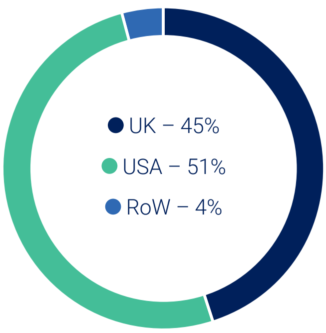
For more information see page 8.

Revenue: £126.5m

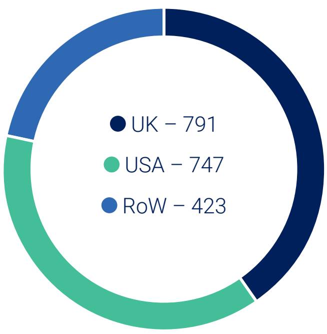
Underlying Operating Profit: £9.6m

No. of Employees: 1,961

Revenue by end market geography



Employees by geographical location



Galvanizing Services

The Galvanizing Services division offers corrosion protection services to the steel fabrication industry with multi-plant facilities in the UK, France and the USA.

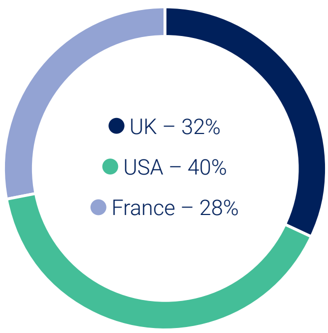
For more information see page 9.

Revenue: £98.3m

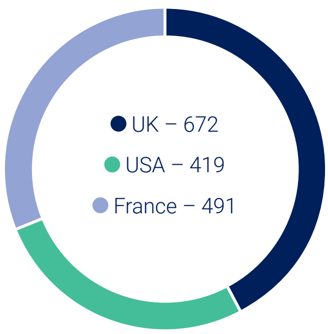
Underlying Operating Profit: £20.3m

No. of Employees: 1,582

Revenue by end market geography



Employees by geographical location



Who we are and where we operate

We are an international group with leading positions in the supply of Infrastructure Products and Galvanizing Services to global markets. Through a focus on strong positions in niche markets we aim to consistently deliver strong returns and shareholder value.

1. USA

Our businesses are situated predominantly on the east coast and in the mid-west and include V&S Galvanizing; V&S Utilities; Bergen Pipe Supports and Carpenter & Paterson; the Composites Group of Creative Pultrusions, Composite Advantage, Kenway and Tower Tech; and the US roads businesses of Hill & Smith Inc. and Work Area Protection Corp.

2. UK

Group head office and various locations throughout the UK, including Hill & Smith Ltd and associated Roads businesses; Birtley Group Ltd and other subsidiaries covering our main infrastructure utilities businesses; and Joseph Ash Ltd who are responsible for our network of UK galvanizing plants.

3. France

The base of France Galva and Conimast where we have ten galvanizing plants and a lighting column business.

4. Norway

A division of ATA, the road safety barrier and signage business.

5. Sweden

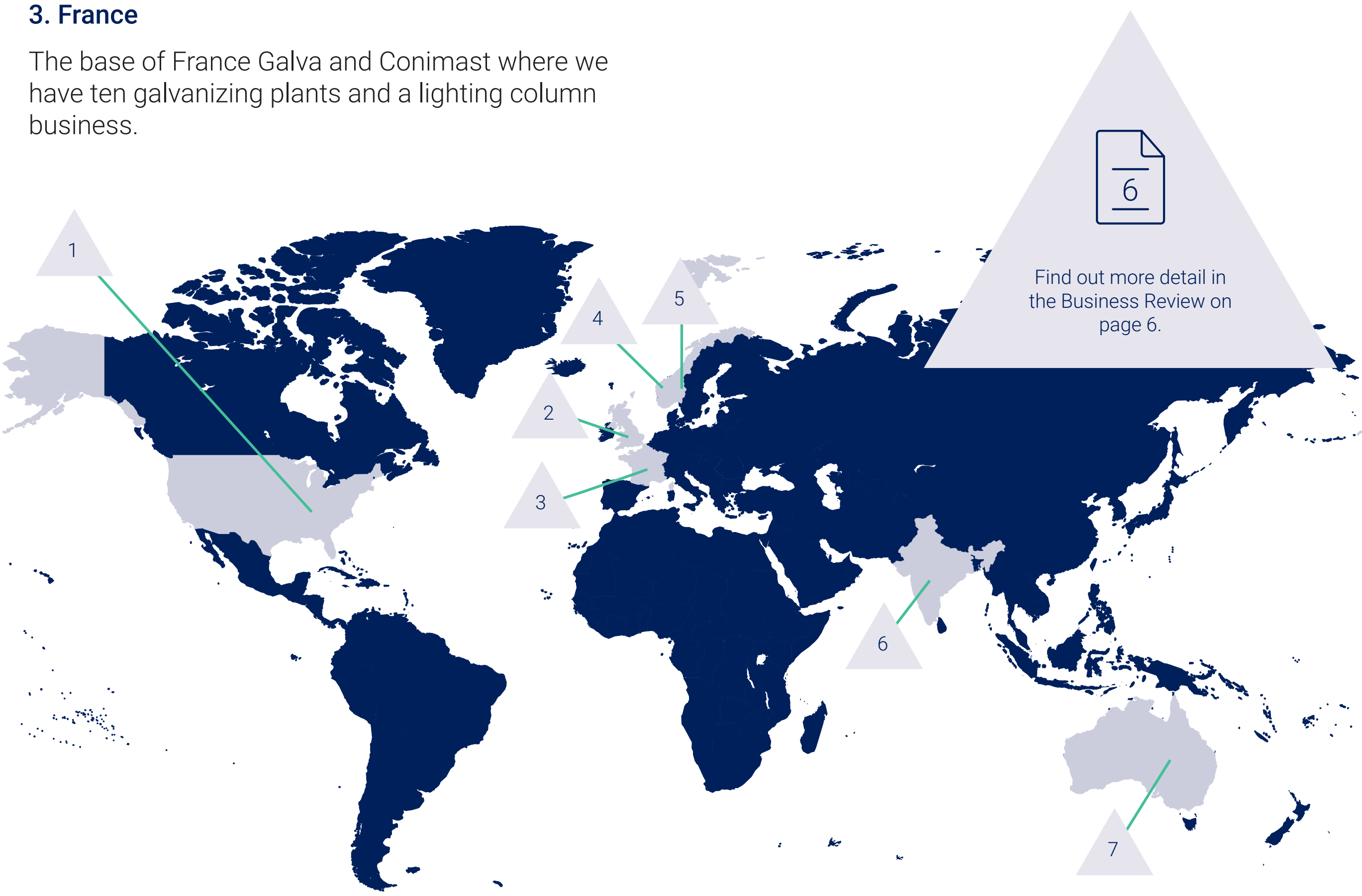
Location of ATA, FMK and Signalvakter, our road safety barrier and signage businesses.

6. India

BPSI, a centre of manufacturing excellence for pipe supports.

7. Australia

Office in Queensland for the development of our wire rope and safety barrier products business.



Case Study

Environmentally friendly solution

In Virginia, the state's only toll-free ferry runs 24 hours a day, 365 days a year. It acts as a movable bridge for Virginia State Route 31 travellers that need to cross the James River. Growing passenger traffic, larger ships and stricter environmental regulations have prompted ferry owners to consider alternatives to fracture-prone timber pile dolphins and in 2018, the Virginia Department of Transportation ("VDOT") invested in Composite Advantage's fiber reinforced polymer ("FRP") FiberPILE system for its Jamestown-Scotland Terminal facility.

The agency cited greater cost efficiencies due to FRP's longer life cycle, reduced service interruptions and safer operation, replacing 296 timber piles with eight large-diameter FRP monopile dolphins at one-third the life cycle cost of wood.

FiberPILE products are fabricated to high strength-to-weight ratios capable of handling overall ferry crushing loads and adverse wind conditions. Hollow in construction, lightweight and low driving friction also make FiberPILE attractive to contractors. Following setup that took a day, contractors were able to drive a 100-foot monopile 25 feet into the river bottom in approximately 20 minutes with minimal disruption.

Composite Advantage supplies innovative FRP products for major infrastructure markets. To create its engineered solutions, the company pairs progressive designs with its capability to mould large parts, perform on-site assembly, and support customer installations. Composite Advantage has been developing lightweight, high-strength, cost-effective FRP goods for structurally demanding applications and corrosive environments since 2005. Many of these products have paved the way for first-time use of FRP composites in infrastructure, rail and water applications because of their performance attributes. The Company's comprehensive product line-up includes bridge decks, trail bridges, cantilever sidewalks and rail platforms to fender protection systems, pilings, naval ship separators and other waterfront structures. Composite Advantage is a member of the Hill and Smith Holdings PLC US-based Composites Group.

Find out more about the company at www.compositeadvantage.com

Composite Advantage, part of our US based composites group, supplied FiberPILE, our fiber reinforced polymer product, to the Virginia Department of Transport to replace fracture-prone timber piles at its Jamestown-Scotland Terminal facility.

Business Review

Jock Lennox
Chairman

Derek Muir
Group Chief Executive

Business Review

Introduction

Hill & Smith has delivered a good performance in the six months to 30 June 2019. Our focused strategy of developing businesses with market-leading positions in growth infrastructure markets, combined with active management of our portfolio and a focused capital investment approach, has delivered growth in both revenue and profitability during the period.

The Group's core UK and US operations generate around 80% of our revenue and 90% of our underlying operating profit, principally operating in niche infrastructure markets where the overall outlook remains positive. Results from our UK operations were ahead of prior year despite the cautious investment environment, with wider infrastructure spend continuing to underpin demand in our chosen markets. Our US businesses continue to perform strongly, driven by investment in the replacement of ageing infrastructure and the construction of new infrastructure projects, and demand levels have been good. Whilst conditions in some of our smaller international markets were more challenging, overall the Group delivered organic growth in both revenue and underlying operating profit in the period.

Our portfolio management strategy continues to focus our operations on our key growth markets. ATG Access Limited, acquired in February for a consideration of £23.7m, is trading well and provides a platform for the Group to expand its presence in the growing perimeter security market, increasing our range of solutions and services and enhancing our global distribution network.

We continue to invest capital in organic growth opportunities in our higher return markets. During the period we further expanded our temporary road safety barrier rental fleet in the UK, adding 41km of steel barrier at a cost of £8.7m, and committed to a further 20km of steel and concrete barrier in the second half of the year, a further investment of c.£3m. The construction of the new-build greenfield galvanizing facility in New York state, at a cost of c.£9m, is progressing well and is expected to be completed towards the end of 2019. The total investment in these programmes of c.£21m will assist in driving further organic growth in our core markets.

Results

Revenue increased by 15% to £339.5m (2018: £295.4m), including a translational currency benefit of £5.2m or 2%. After adjusting for additional revenue of £29.0m from acquisitions, organic revenues were 3% ahead of the same period prior year. Underlying operating profit improved by 16% to £40.2m (2018: £34.6m), including a benefit from currency translation of £1.0m and contribution from acquisitions of £2.7m. The organic increase in underlying operating profit was 5%. Underlying operating margin improved by 10 basis points to 11.8% (2018: 11.7%), while underlying profit before taxation was 12% higher at £36.9m (2018: £33.0m). Reported operating profit was £36.6m (2018: £31.0m), an increase of 18% on the prior year. Reported profit before tax was £33.4m (2018: £28.9m).

Dividend

The Board has declared an interim dividend of 10.6p per share (2018: 10.0p), a 6% increase on the corresponding period last year. The interim dividend will be paid on 3 January 2020 to shareholders on the register on 29 November 2019.

Governance and the Board

As set out in the 2018 Annual Report, Mark Pegler stepped down from his role as Group Finance Director on 30 April 2019. On 2 July 2019 the Group announced the appointment of Hannah Nichols as Chief Financial Officer, with effect from 16 September 2019.

The Group has today announced the appointment of Alan Giddins as Chairman of the Board with effect from 1 October 2019. He will succeed Jock Lennox, who will retire from the Board on that date. Alan joined the Group in October 2017 as Senior Independent Director and a member of the Audit, Nomination and Remuneration Committees. His appointment follows a thorough selection process led by non-executive director Annette Kelleher, that included external candidates.

The Board has engaged a search firm to support it in the appointment of an additional non-executive director to join the Board during the second half of 2019.

Brexit

The United Kingdom is now expected to leave the European Union on 31 October 2019. In our 2018 Annual Report we set out the Group's views on the operational and financial risks arising from the departure and our approach to managing and mitigating those risks, which include possible supply chain disruption to UK imports and translational exposure arising from currency fluctuations. We do not believe that those risks have changed significantly since March and we continue to believe that our strategy of international diversification, along with our exposure to longer term Government-funded infrastructure investment programmes, will help limit any potential negative impact on the Group.

Outlook

The Group continues to benefit from its leading positions in niche infrastructure markets, predominantly in the UK and US, clear business model and financial strength. Together these create the platform from which the Group is able to deliver long term sustainable growth.

Whilst short term political and macroeconomic uncertainties remain, particularly in the UK, our expectations for the full year are unchanged.

Operational Review

Infrastructure Products

	£m		+/-	Constant
	2019	2018	%	Currency %
Revenue	**241.2**	200.2	+21	+19
Underlying operating profit	**19.9**	15.8	+26	+24
Underlying operating margin %	**8.3**	7.9		
Reported operating profit	**16.9**	12.8		

The division supplies engineered products to the roads and utilities markets in geographies where there is sustained long term investment in infrastructure. Revenues improved by 21% to £241.2m (2018: £200.2m) including a currency benefit of £2.8m and contribution from acquisitions of £29.0m. Revenue increased organically by £9.2m or 5%. Underlying operating profit was £19.9m (2018: £15.8m), an increase of £4.1m including £0.2m benefit from currency translation and contribution from acquisitions of £2.7m. The organic improvement in underlying operating profit was £1.2m or 8%. Underlying operating margin improved to 8.3% (2018: 7.9%). Reported operating profit was £16.9m (2018: £12.8m) and included costs of £0.7m relating to acquisitions made during the period.

Roads

	£m		+/-	Constant
	2019	2018	%	Currency %
Revenue	**114.7**	87.2	+32	+32
Underlying operating profit	**10.3**	8.5	+21	+21
Underlying operating margin %	**9.0**	9.7		
Reported operating profit	**8.4**	6.5		

Our Roads segment designs, manufactures and installs temporary and permanent safety products for the roads market. We principally serve the UK, with a growing presence in the US and smaller operations in other selected geographies that have a demand for innovative tested safety products. Revenues increased by 32% to £114.7m (2018: £87.2m), an organic improvement of 7% after a negative currency impact of £0.2m and contribution from acquisitions of £21.7m. Underlying operating profit of £10.3m was £1.8m higher than the prior year (2018: £8.5m) with no net impact from currency translation. Underlying organic operating profit was similar to the prior year. Underlying operating margin was 9.0% (2018: 9.7%), the reduction reflecting the impact of more challenging market conditions in our smaller businesses in Scandinavia and Australia.


Brifen Wire Rope Vehicle Restraint System ('VRS') installed across the central reservation of Interstate 10 in Tucson, Arizona by our US-based regional distributor for Hill & Smith Barrier, a division of Hill & Smith Ltd. This type of VRS is tested to NCHRP 350.

Business Review continued

Reconciliation of reported to underlying operating profit	£m 2019	£m 2018
Reported operating profit	**8.4**	6.5
Gain on disposal of property held for sale	**(0.5)**	-
Acquisition costs and amortisation	**2.4**	2.0
Underlying operating profit	**10.3**	8.5

UK

The Government's Road Investment Strategy ('RIS 1') is now in the final year of its five-year implementation period, with safety of both road users and workers remaining at the heart of the delivery plan. After a slightly slower start to the year, the programme is now progressing as expected and we have seen increasing demand for our rental temporary safety barrier across the first half of the year, particularly in the second quarter where utilisation rates have been significantly ahead of the same period prior year. As planned, during the period we added a further 41km of steel barrier to our rental fleet to manage the additional demand, at a cost of £8.7m. The 'Smart' motorway programme for the second half of the year is significant and we expect very high utilisation of our temporary barrier, particularly in the third quarter. In anticipation, we have commissioned a further 6km of steel barrier and 14km of concrete barrier, an investment of £3m, to add to our existing fleet.

In October 2018 the Government confirmed funding for its Road Investment Strategy 2 ('RIS 2') programme, which follows on from the completion of RIS 1 in 2020 through to 2025. Overall investment in development of the UK strategic road network will increase to £25.3bn, around 66% ahead of RIS 1, and delivery of Smart motorways remains core to the strategy. We expect RIS 2 to be published towards the end of this year, with details of specific schemes to follow in Highways England's Delivery Plan in 2020.

The phasing of delivery of the Smart motorway programme, together with some constraints on local authority budgets, has resulted in lower demand during the period for our suite of permanent road products including restraint systems, bridge parapets and variable message signs ('VMS'). The prospects for the second half of the year are more positive, however, with recent orders being awarded for the supply of both traditional VMS and our Remotely Operated Temporary Traffic Management ('ROTTM') signs on major motorway development schemes. With further opportunities in the pipeline for the supply of our range of products, we expect performance in the second half of the year to improve on the first half.

In the vehicle incursion security market, we continue to see good demand for our range of Hostile Vehicle Mitigation ('HVM') products, which include temporary and permanent solutions in both steel and concrete. Significant projects serviced during the period include the US President's visit in June, where we provided protection at sites across London and for the Remembrance celebrations in Portsmouth. In recognition of the potential in the HVM security market, on 22 February 2019 we completed the acquisition of ATG Access Limited ('ATG') for a consideration of £23.7m. ATG specialises in the development, manufacture and installation of HVM perimeter security solutions including bollards, blockers, barriers and gates, all of which are highly complementary to our existing product range, and has a global distribution network that provides a platform for further expansion of the Group's perimeter security operations in both UK and international markets. ATG has traded in line with our expectations since acquisition and we are excited by its prospects.

USA

Investment in US road infrastructure continues to be robust, underpinned by a combination of the FAST (Fixing America's Surface Transportation) Act, which provides Federal funding for development of the network, and various state-led investment programmes. Demand for our range of work zone safety solutions, which includes temporary safety barriers, crash attenuators, temporary variable message signs and traditional traffic control products, has been strong and has benefitted from the broadened product range and wider distribution network acquired with the Work Area Protection Corp. ('WAPCO') business in May 2018. WAPCO is trading well and, having successfully integrated it with our existing temporary safety barrier business last year, we are now realising the benefits of the expected synergies, enabling us to increase our market share and drive operational efficiencies across the combined businesses. We are also investing in further development of the product range to address customer and legislative requirements. We are excited about the prospects for further growth and believe that our product and service offering positions the business well to benefit from the additional investment that will arise should a comprehensive US infrastructure programme be approved.

Other international

Our other smaller international roads businesses saw mixed performances during the period. Demand for our lighting columns in France has been good, as local authorities across the country are developing urban areas ahead of municipal council elections in 2020 and results were ahead of the prior year. In Scandinavia, market conditions have been challenging with some larger road projects being delayed and our competitors aggressively targeting market share. Consequently, first half results were materially lower than prior year and we expect conditions to continue to be challenging in the second half. In Australia, despite ongoing investment in the country's road infrastructure we have seen fewer opportunities for the sale of our temporary safety barrier than in the first half of last year, as local contractors focus on utilisation of their existing fleet of products before committing to new investment.

Utilities

	£m 2019	£m 2018	+/- %	Constant Currency %
Revenue	**126.5**	113.0	+12	+9
Underlying operating profit	**9.6**	7.3	+32	+28
Underlying operating margin %	**7.6**	6.5		
Reported operating profit	**8.5**	6.3		

Our Utilities segment provides industrial flooring, plastic drainage pipes, security fencing, steel and composite products for a wide range of infrastructure markets including energy creation and distribution, rail, water and housing. The requirements for new power generation in emerging economies and replacement of ageing infrastructure in developed countries provide excellent opportunities for the Group's utilities businesses. Revenues increased by 12% to £126.5m (2018: £113.0m) including a benefit from currency translation of £3.0m and a £7.3m contribution from recent acquisitions. Organic revenue growth was 3%. Underlying operating profit was £9.6m (2018: £7.3m), including a positive currency impact of £0.2m and a contribution from acquisitions of £0.8m. Underlying organic operating profit grew by £1.3m or 17%. Underlying operating margin was 7.6% (2018: 6.5%), benefitting from improvements in our UK businesses and further progress in our pipe supports operations.

Reconciliation of reported to underlying operating profit	£m 2019	£m 2018
Reported operating profit	**8.5**	6.3
Loss on remeasurement of business held for sale	**0.5**	0.4
Restructuring actions	**-**	
Acquisition costs and amortisation	**0.6**	0.6
Underlying operating profit	**9.6**	7.3

UK

The performance of our UK utilities businesses in the first half of the year was mixed, but overall we delivered organic growth in both revenue and profitability and operating margins were ahead of the prior year.

The industrial flooring business continues to benefit from the restructuring actions taken during the first half of last year, which, together with the ongoing acceptance of new products across the customer base, delivered improvements in margins and profitability. The small bolt-on acquisition of The Grating Company made in April 2018 has provided the business with better access to markets in the south east and during the period we commenced work on the Battersea Power Station development in London, designing, supplying and installing riser products in composite materials. This is a new market for the business and we anticipate further orders in the future.

In our utility security businesses, the access cover operation saw an improved performance and order books at the period end are ahead of prior year. Activity levels in the water market have increased as key water utility customers endeavour to meet security spend requirements ahead of the completion of the current Asset Management Period ('AMP6'), which ends in March 2020. Demand for our security enclosures across non-water markets has been lower, but we are developing relationships with new customers across various sectors in the transport and energy industries. Our fencing operation continues to focus on engineering higher-security solutions for the protection of critical infrastructure sites including large data centres, military facilities and airfields, and although we have seen fewer large projects in the first half of the year we remain encouraged by the opportunities for our growing range of tested products, both in the UK and overseas.

Our building products business, supplying composite residential doors, steel lintels and builders' metalwork, saw an improvement in performance with the doors business in particular benefitting from an increase in new housing completions during the first half of the year. Whilst we have seen some slowing in new housing starts towards the end of the period, the fundamentals for our key customers appear robust and we expect steady progress. Capital investment in the automation of production processes will be completed in the third quarter and will begin to deliver improvements in operational efficiency in the second half of the year.

Having undertaken a strategic assessment of the outlook for Weholite Limited, our non-core plastic drainage pipe operation, we concluded that divestment was appropriate and on 5 August 2019 completed its disposal to SDS Holdings Limited for a net consideration of £2.7m. In the six months to 30 June 2019 the business reported revenues of £4.6m and an underlying operating loss of £0.3m.

USA

Our US utilities businesses have continued their momentum from 2018 and delivered further organic improvements in both revenues and profitability.

Activity levels in our composite products markets are high and we have seen good demand for our wide range of composite solutions including marine protection, bridge structures, walkways and protective cover boards. The three acquisitions made in the composites market over the last two years continue to provide further breadth to the product portfolio and the Tower Tech operation, acquired in 2017, has now been fully relocated to our existing facility in Pennsylvania, enabling operational synergies to be realised. With a strong order backlog at the end of the period, we expect further progress in the second half of the year.

The power transmission substation business delivered another impressive performance, growing strongly against challenging prior year comparatives and carrying a good order book into the second half of the year. The expansion of our facility footprint delivered by the bolt-on acquisition of Engineered Endeavors Inc. ('EEI') in August 2018 has provided the capacity for growth, and the customer relationships acquired with EEI have presented opportunities for further market penetration of our existing products. With investment programmes across key US utility markets remaining positive and forecasted to grow in the medium term, the prospects for further progress are encouraging.

Pipe Supports

Whilst demand levels across our Pipe Supports operations were lower than the prior year, our focus on operational efficiencies and management of the cost base led to increased profitability and further improvements in operating margins.

In our US pipe supports business, the requirement for engineered pipe supports in the power sector has been subdued due to a lack of sustained activity in the construction of larger industrial power facilities. In contrast, our industrial hangers business delivered a stronger performance, benefitting from a robust commercial construction market, particularly in the north east of the country, and realising the operational efficiencies arising from cost base restructuring and rationalisation of the facility footprint over the last two years. The business has successfully managed the impact of tariffs on Far East commodity imports, passing these through to the customer base.

In India, both the local and the international power markets for our engineered pipe supports remain encouraging and we have supplied a number of coal and gas projects across India, the Middle East and Asia during the period. The new cryogenic products that we developed last year are also now starting to gain traction and we have delivered projects for both domestic and international customers, with the order book showing encouraging signs for the second half of the year. Our focus on quality, service and technical excellence continues to drive strong long-term relationships with large international EPC customers, and our development of innovative new products positions us well as power generation shifts from fossil fuels towards renewable and nuclear sources.

Galvanizing Services

	£m 2019	£m 2018	+/- %	Constant Currency %
Revenue	**98.3**	95.2	+3	+1
Underlying operating profit	**20.3**	18.8	+8	
Underlying operating margin %	**20.7**	19.7		
Reported operating profit	**19.7**	18.2		

The Galvanizing Services division offers corrosion protection services to the steel fabrication industry with multi-plant facilities in the UK, the USA and France. Revenue increased by 3% to £98.3m (2018: £95.2m) after a currency translation benefit of £2.4m. Organic revenue growth was 1%. Underlying operating profit of

Business Review continued

£20.3m (2018: £18.8m) included a currency benefit of £0.8m. The organic improvement in profitability was 4%. Underlying operating margin improved by 100 basis points to 20.7% (2018: 19.7%) reflecting a combination of higher average selling prices across all geographies and lower zinc input costs in the UK and USA.

Reconciliation of reported to underlying operating profit	£m **2019**	2018
Reported operating profit	**19.7**	18.2
Acquisition amortisation	**0.6**	0.6
Underlying operating profit	**20.3**	18.8

UK

Our galvanizing businesses are located on ten sites, four of which are strategically adjacent to our infrastructure products manufacturing facilities.

Overall volumes galvanized in the period were similar to the prior year. Demand in the first quarter was strong, although softened in the second quarter reflecting a slowdown in general UK construction activity. However, our strategy of focussing on higher margin work from smaller customers continues to be successful, and alongside an improvement in average selling prices and lower zinc input costs we delivered both profitability and margins ahead of the prior year.

USA

Located in the north east of the country, Voigt & Schweitzer is the market leader with seven plants offering local services and extensive support to fabricators and product manufacturers involved in highways, construction, utilities and transportation.

Infrastructure investment across a wide range of market sectors is robust, with a growing exposure to commercial construction supporting demand in the business's more traditional OEM and Bridge & Highway markets. Although volumes were slightly lower than the same period in 2018, generally reflecting the sectoral spread of projects, the trend towards lower volumes of large structural work has resulted in an increase in average selling prices and together with further improvements in plant efficiency, profitability has been maintained at similar levels to the prior year.

Construction of the new build facility that was committed at the end of 2018 is progressing well and we expect the plant to be completed by the end of the year and become operational in the first quarter of 2020. The facility, in New York state, is strategically adjacent to a number of key existing customers which we anticipate will provide a baseload of activity once production commences.

France

France Galva has ten strategically located galvanizing plants, each serving a local market. We act as a key part of the manufacturing supply chain in those markets and deliver a high level of service and quality to maintain our position as market leaders.

Volumes in the period were slightly down compared with the prior year. Demand was lower in the first quarter reflecting the impact of political factors on wider market activity, although improved during the second quarter as those factors subsided. The market remains highly competitive in many sectors and regions and whilst the smaller customer market continues to be healthy, there remains a lack of larger construction activity across the country. Despite these factors, we have been successful in driving selling price increases and the continued focus on the cost base has helped to support operating margins.

Rebloc concrete and Zoneguard steel temporary barriers along a section of the M4 motorway, between J8 and J12, providing workzone protection for highway maintenance workers. Installed by Asset VRS, a division of Hill & Smith Ltd.

Financial Review

Cash generation and financing

Operating cash flow before movement in working capital was £55.3m (2018: £42.0m), the increase reflecting improved profitability in the first half over last year. The working capital outflow in the period was £21.8m (2018: £22.3m), which arose from a combination of normal seasonal trading patterns and inventory build ahead of anticipated projects in the second half of the year. Working capital as a percentage of annualised sales fell compared with the same period in the prior year, to 19.1% (30 June 2018: 20.4%), and debtor days were also slightly lower at 59 days (31 December 2018: 61 days).

Capital expenditure of £23.9m (2018: £10.6m) represents a multiple of depreciation and amortisation of 2.2 times (2018: 1.1 times). Significant purchases during the period included £8.7m of temporary road safety barrier rental products to support growth in the UK roads market, and £2.0m in relation to the early stages of construction of the new galvanizing plant in New York state, USA.

Group net debt at 30 June 2019 was £203.1m, an increase of £36.1m since 31 December 2018 (£132.9m) after adjusting for the impact of IFRS 16 'Leases' which increased reported net debt by £34.1m.

Change in net debt

	6 months ended 30 June 2019 £m	6 months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Change in net debt			
Operating profit	**36.6**	31.0	65.2
Non-cash items	**18.7**	11.0	31.2
Operating cash flow before movement in working capital	**55.3**	42.0	96.4
Net movement in working capital	**(21.8)**	(22.3)	(6.3)
Change in provisions and employee benefits	**(2.2)**	(1.8)	(2.4)
Operating cash flow	**31.3**	17.9	87.7
Tax paid	**(6.0)**	(7.9)	(13.3)
Net financing costs paid	**(2.8)**	(1.6)	(3.9)
Capital expenditure	**(23.9)**	(10.6)	(32.8)
Proceeds on disposal of non-current assets	**1.4**	2.1	1.2
Free cash flow	**-**	(0.1)	38.9
Dividends paid	**(7.9)**	(7.4)	(23.6)
Acquisitions	**(24.1)**	(32.1)	(45.8)
Disposals	**-**	-	-
Net issue of shares	**-**	(0.5)	(1.2)
New leases and lease remeasurements	**(3.9)**	-	-
Interest on leases	**(0.4)**	-	-
Income and expenses associated with refinancing activities	**0.4**	(0.2)	(1.0)
Net debt increase	**(35.9)**	(40.3)	(32.7)
Effect of exchange rate fluctuations	**(0.2)**	(1.9)	(3.3)
Net debt at the beginning of the period	**(132.9)**	(99.0)	(96.9)
Effect of adopting IFRS 16 'Leases'	**(34.1)**	-	-
Net debt at the end of the period	**(203.1)**	(141.2)	(132.9)

The net debt to EBITDA ratio under the Group's principal banking facility was 1.6 times at 30 June 2019 (31 December 2018: 1.3 times), the increase reflecting seasonal working capital outlays, acquisition spend and capital investment during the period. Interest cover was 18.9 times (31 December 2018: 26.5 times).

Debt facilities

The Group made two changes to its principal debt facilities during the period:

- On 10 January 2019 we amended our syndicated revolving credit facility, extending the term to January 2024 and increasing the size by £50m to c.£280m, with no significant impact on costs and no changes to financial covenants.
- On 25 June 2019 we signed an agreement with an institutional investor for a private placement of $70m new senior unsecured notes. The issue consists of two equal tranches with maturities of seven and ten years respectively. Key covenants are consistent with those in the existing syndicated credit facility.

These changes provide us with extended certainty of funding and further increase the headroom available to the Group in order to pursue growth opportunities.

Business Review continued

Tax

The underlying effective tax rate for the period was 19.5% (year ended 31 December 2018: 19.6%) and is the estimated effective rate for the full year. The tax charge for the period was £6.6m (2018: £6.7m) including a £0.6m credit in respect of non-underlying charges, principally relating to amortisation of acquisition intangibles. Cash tax paid in the period was £6.0m (2018: £7.9m), marginally lower than the underlying income statement tax charge of £7.2m (2018: £7.2m).

Finance costs

Net financing costs for the period were £3.2m (2018: £2.1m) with an underlying element of £3.3m (2018: £1.6m), the increase reflecting US interest rate rises, higher average net debt in the first half of the year and the implementation of IFRS 16 'Leases', which resulted in a lease interest expense of £0.4m. Underlying operating profit covered net underlying finance costs 12.2 times (2018: 21.6 times). The non-underlying element of net finance income of £0.1m (2018: net finance expense £0.5m) represents the net cost of pension fund financing of £0.3m and a net gain of £0.4m in relation to refinancing activities in accordance with IFRS 9.

Non-underlying items

The total non-underlying items charged to operating profit in the Consolidated Income Statement amounted to £3.6m (2018: £3.6m) and comprise the following:

- On 5 August 2019 the Group disposed of Weholite Limited, its non-core plastic drainage pipe business, for a net consideration of £2.7m. Having met the conditions set out in IFRS 5, the business has been treated as held for sale at 30 June 2019 and its assets and liabilities remeasured at their expected realisable value, resulting in a loss on remeasurement of £0.5m.
- Acquisition related expenses of £0.7m reflect costs associated with acquisitions and include £0.2m relating to future consideration payments to previous owners of acquired businesses, the terms of which require those costs to be treated as a post-acquisition employment expense in accordance with IFRS 3 (Revised).
- Non-cash amortisation of acquisition intangibles was £2.9m.
- During the period the Group completed the disposal of a property that had been held for sale at 31 December 2018, for consideration of £1.2m resulting in a gain of £0.5m.

Further details are set out in note 6 to the Financial Statements on page 26.

Acquisitions

In February 2019 the Group acquired ATG Access Limited for a consideration of £23.7m. Intangible assets arising on the acquisition amounted to £27.7m, comprising customer relationships of £5.1m, patents and intellectual property of £4.2m, brands of £3.6m and residual goodwill of £14.8m.

Pensions

The Group operates defined benefit pension plans in the UK, France and the USA. The IAS 19 deficit of these plans at 30 June 2019 was £23.4m, an increase of £0.4m from 31 December 2018 (£23.0m). The increase in the deficit relates to the UK scheme and was largely driven by a reduction of 40 basis points in the discount rate during the period, in line with falls in bond yields. The Group has agreed deficit reduction plans in place that require annual cash contributions amounting to £2.5m for the period to September 2027.

The Group continues to be actively engaged in dialogue with the schemes' Trustees with regard to management, funding and investment strategies. A formal actuarial valuation of the UK scheme as at April 2019 is currently in progress and will be reported on in more detail in the 2019 Annual Report.

New International Financial Reporting Standards

IFRS 16 'Leases' is applicable to reporting periods beginning on or after 1 January 2019, and has therefore been adopted by the Group. The Group has chosen to adopt the modified retrospective approach on transition, meaning that comparative information for prior periods has not been restated. The Group expects that the introduction of the standard will increase 2019 underlying operating profit by c.£1m with no material net impact on underlying earnings per share. The Group's net debt at 30 June 2019 also increases by £33.6m. Further information explaining the impact of the new standard on the Group's results for the period is set out in note 1 to the financial statements.

Principal Risks and Uncertainties

The Group has a process for identifying, evaluating and managing the principal risks and uncertainties that it faces, and the Directors have reconsidered these principal risks and uncertainties during the period. It is the Directors' opinion that the principal risks set out on pages 36 to 39 of the Group's Annual Report and Accounts for the year ended 31 December 2018, remain applicable to the current financial year. These are:

- Changes in government spending plans;
- Changes in global outlook and geopolitical environment;
- Increase in competitive pressure;
- Product failure;
- Contractual failure;
- Supply chain deficiency;
- Weaknesses in IT systems;
- Acquisition strategy failure;
- Lack of product development and innovation;
- Failure to recruit and retain key employees;
- Failure to comply with applicable health and safety legislation; and
- Violation of applicable laws and regulations.

Going Concern

The Group continues to meet its day to day working capital and other funding requirements through a combination of long term funding and short term overdraft borrowings. The Group's principal financing facilities are a headline £280m multi-currency revolving credit agreement, which expires in January 2024, and $70m senior unsecured notes with maturities in June 2026 and June 2029.

The Group actively manages its strategic, commercial and day to day operational risks and through its Treasury function operates Board approved financial policies, including hedging policies that are designed to ensure that the Group maintains an adequate level of funding headroom and effectively mitigates foreign exchange and other financial risks.

After making due enquiry, the Directors have reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and therefore adopt the going concern principle.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of Financial Statements has been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU;
- The interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period including any changes in the related party transactions described in the last Annual Report that could do so.

This report was approved by the Board of Directors on 7 August 2019 and is available on the Company's website (www.hsholdings.com).

J F Lennox
Chairman

D W Muir
Group Chief Executive

7 August 2019

A fibreglass reinforced polymer bridge installed over the Dunbar Brook stream in Munroe State Forest, Massachusetts. Designed by ET Techtonics, part of our US-based composites group, the bridge components were designed to be lightweight and hand-carried to the site for assembly and installation.

ATG Access' new temporary barrier 'Surface Guard' was chosen to provide access security during the 2019 London Marathon. Picked for its innovative design, the Hostile Vehicle Mitigation barrier system protected over 40,000 runners as they followed the 26.2 mile marathon route, whilst still allowing pedestrians freedom to move around London.

Financial Statements

Top: Rail Live 2019

Access Design & Engineering, a division of Lionweld Kennedy Flooring Ltd, designed, supplied and installed glass-reinforced polymer deck panels with anti-slip gritted top surface; steel fencing and handrails; and mesh debris screen giving access to Britain's first full size hydrogen train at Rail Live 2019.

Right: Interactive Signage

Manufactured by Mallatite Ltd, each individually designed unit can feature a warning or informatory message to suit the intended environment. The units are ideal for use within manufacturing, warehousing and distribution centres. For more information see www.mallatite.co.uk.

Six months ended 30 June 2019

Condensed Consolidated Income Statement

	Notes	6 months ended 30 June 2019			6 months ended 30 June 2018			Year ended 31 December 2018		
		Underlying £m	Non-underlying* £m	Total £m	Underlying £m	Non-underlying* £m	Total £m	Underlying £m	Non-underlying* £m	Total £m
Revenue	4	**339.5**	**-**	**339.5**	295.4	-	295.4	637.9		637.9
Trading profit	4	**40.2**	**-**	**40.2**	34.6	-	34.6	80.1	-	80.1
Amortisation of acquisition intangibles	6	**-**	**(2.9)**	**(2.9)**	-	(2.0)	(2.0)	-	(4.8)	(4.8)
Business reorganisation costs	6	**-**	**-**	**-**	-	(0.3)	(0.3)	-	(0.7)	(0.7)
Gain on disposal of assets held for sale	6	**-**	**0.5**	**0.5**	-	-	-	-	-	-
Pension past service expense	6	**-**	**-**	**-**	-	-	-	-	(1.1)	(1.1)
Impairment of assets	6	**-**	**-**	**-**	-	(0.1)	(0.1)	-	(6.1)	(6.1)
Acquisition costs	6	**-**	**(0.7)**	**(0.7)**	-	(1.2)	(1.2)	-	(2.2)	(2.2)
Impairment of disposal group held for sale	6	**-**	**(0.5)**	**(0.5)**	-	-	-	-	-	-
Operating profit	4, 6	**40.2**	**(3.6)**	**36.6**	34.6	(3.6)	31.0	80.1	(14.9)	65.2
Financial income	7	**0.2**	**0.8**	**1.0**	0.3	-	0.3	0.6	-	0.6
Financial expense	7	**(3.5)**	**(0.7)**	**(4.2)**	(1.9)	(0.5)	(2.4)	(4.4)	(1.6)	(6.0)
Profit before taxation		**36.9**	**(3.5)**	**33.4**	33.0	(4.1)	28.9	76.3	(16.5)	59.8
Taxation		**(7.2)**	**0.6**	**(6.6)**	(7.2)	0.5	(6.7)	(14.9)	2.3	(12.6)
Profit for the period attributable to owners of the parent		**29.7**	**(2.9)**	**26.8**	25.8	(3.6)	22.2	61.4	(14.2)	47.2
Basic earnings per share	9	**37.5p**		**33.9p**	32.8p		28.2p	77.8p		59.9p
Diluted earnings per share	9	**37.2p**		**33.6p**	32.5p		27.9p	77.2p		59.3p
Dividend per share – Interim	10			**10.6p**			10.0p			10.0p

* The Group's definition of non-underlying items is included in note 6 on page 26.

Six months ended 30 June 2019

Condensed Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2019 £m	6 months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Profit for the period	**26.8**	22.2	47.2
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations	**0.3**	(0.3)	11.7
Exchange differences on foreign currency borrowings denominated as net investment hedges	**0.1**	1.9	(4.7)
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on defined benefit pension schemes	**(1.3)**	1.4	1.7
Taxation on items that will not be reclassified to profit or loss	**0.2**	(0.2)	(0.3)
Other comprehensive (expenses)/income for the period	**(0.7)**	2.8	8.4
Total comprehensive income for the period attributable to owners of the parent	**26.1**	25.0	55.6

Six months ended 30 June 2019

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Non-current assets				
Intangible assets		**208.8**	183.4	183.8
Property, plant and equipment		**180.7**	150.3	170.2
Right of use assets		**31.7**	-	-
Deferred tax assets		**1.8**	-	0.5
		423.0	333.7	354.5
Current assets				
Disposal groups and assets held for sale		**2.7**	0.6	0.8
Inventories		**104.5**	97.4	96.6
Trade and other receivables		**155.9**	149.1	142.0
Cash and cash equivalents	11	**24.9**	27.4	36.9
		288.0	274.5	276.3
Total assets		**711.0**	608.2	630.8
Current liabilities				
Trade and other liabilities		**(123.6)**	(115.4)	(120.9)
Current tax liabilities		**(12.1)**	(10.0)	(10.4)
Provisions for liabilities and charges		**(0.3)**	(1.5)	(1.3)
Lease liabilities		**(9.3)**	-	-
Interest bearing borrowings	11	**(0.4)**	(0.4)	(0.4)
		(145.7)	(127.3)	(133.0)
Net current assets		**142.3**	147.2	143.3
Non-current liabilities				
Other liabilities		**(3.4)**	(0.8)	(2.7)
Provisions for liabilities and charges		**(2.7)**	(2.9)	(2.7)
Deferred tax liability		**(8.2)**	(8.4)	(6.8)
Retirement benefit obligation		**(23.4)**	(23.2)	(23.0)
Lease liabilities		**(24.3)**	-	-
Interest bearing borrowings	11	**(194.0)**	(168.2)	(169.4)
		(256.0)	(203.5)	(204.6)
Total liabilities		**(401.7)**	(330.8)	(337.6)
Net assets		**309.3**	277.4	293.2
Equity				
Share capital		**19.8**	19.8	19.8
Share premium		**36.4**	34.8	35.5
Other reserves		**4.9**	4.9	4.9
Translation reserve		**30.3**	24.5	29.9
Retained earnings		**217.9**	193.4	203.1
Total equity		**309.3**	277.4	293.2

Six months ended 30 June 2019

Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Other reserves† £m	Translation reserves £m	Hedge reserves £m	Retained earnings £m	Total equity £m
At 1 January 2019	**19.8**	**35.5**	**4.9**	**29.9**	**-**	**203.1**	**293.2**
Adoption of new accounting standards	**-**	**-**	**-**	**-**	**-**	**(2.5)**	**(2.5)**
At 1 January 2019 - restated	**19.8**	**35.5**	**4.9**	**29.9**	**-**	**200.6**	**290.7**
Comprehensive income							
Profit for the period	**-**	**-**	**-**	**-**	**-**	**26.8**	**26.8**
Other comprehensive income for the period	**-**	**-**	**-**	**0.4**	**-**	**(1.1)**	**(0.7)**
Transactions with owners recognised directly in equity							
Dividends	**-**	**-**	**-**	**-**	**-**	**(7.9)**	**(7.9)**
Credit to equity of share-based payments	**-**	**-**	**-**	**-**	**-**	**0.5**	**0.5**
Satisfaction of long term incentive payments	**-**	**-**	**-**	**-**	**-**	**(1.3)**	**(1.3)**
Own shares held by employee benefit trust	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Shares issued	**-**	**0.9**	**-**	**-**	**-**	**-**	**0.9**
At 30 June 2019	**19.8**	**36.4**	**4.9**	**30.3**	**-**	**217.9**	**309.3**

Six months ended 30 June 2018

	Share capital £m	Share premium £m	Other reserves† £m	Translation reserves £m	Hedge reserves £m	Retained earnings £m	Total equity £m
At 1 January 2018	19.7	34.1	4.9	22.9	-	177.0	258.6
Adoption of new accounting standards	-	-	-	-	-	0.9	0.9
At 1 January 2018 - restated	19.7	34.1	4.9	22.9	-	177.9	259.5
Comprehensive income							
Profit for the period	-	-	-	-	-	22.2	22.2
Other comprehensive income for the period	-	-	-	1.6	-	1.2	2.8
Transactions with owners recognised directly in equity							
Dividends	-	-	-	-	-	(7.4)	(7.4)
Credit to equity of share-based payments	-	-	-	-	-	0.8	0.8
Satisfaction of long term incentive payments	-	-	-	-	-	(2.5)	(2.5)
Own shares held by employee benefit trust	-	-	-	-	-	1.2	1.2
Shares issued	0.1	0.7	-	-	-	-	0.8
At 30 June 2018	19.8	34.8	4.9	24.5	-	193.4	277.4

† Other reserves represents the premium on shares issued in exchange for shares of subsidiaries acquired and £0.2m capital redemption reserve.

Condensed Consolidated Statement of Changes in Equity continued

Year ended 31 December 2018

	Share capital £m	Share premium £m	Other reserves† £m	Translation reserves £m	Hedge reserves £m	Retained earnings £m	Total equity £m
At 1 January 2018	19.7	34.1	4.9	22.9	-	177.0	258.6
Adoption of new accounting standards	-	-	-	-	-	2.7	2.7
At 1 January 2018 - restated	19.7	34.1	4.9	22.9	-	179.7	261.3
Comprehensive income							
Profit for the year	-	-	-	-	-	47.2	47.2
Other comprehensive income for the year	-	-	-	7.0	-	1.4	8.4
Transactions with owners recognised directly in equity							
Dividends	-	-	-	-	-	(23.6)	(23.6)
Credit to equity of share-based payments	-	-	-	-	-	1.1	1.1
Satisfaction of long term incentive payments	-	-	-	-	-	(2.9)	(2.9)
Own shares held by employee benefit trust	-	-	-	-	-	0.2	0.2
Transfers between reserves	-	-	-	-	-	-	-
Tax taken directly to the Consolidated Statement of Changes in Equity	-	-	-	-	-	-	-
Shares issued	0.1	1.4	-	-	-	-	1.5
At 31 December 2018	19.8	35.5	4.9	29.9	-	203.1	293.2

† Other reserves represents the premium on shares issued in exchange for shares of subsidiaries acquired and £0.2m capital redemption reserve.

Six months ended 30 June 2019

Condensed Consolidated Statement of Cash Flows

	Notes	6 months ended 30 June 2019 £m	6 months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Profit before tax		**33.4**	28.9	59.8
Add back net financing costs		**3.2**	2.1	5.4
Operating profit		**36.6**	31.0	65.2
Adjusted for non-cash items:				
Share-based payments		**0.5**	0.8	1.1
Gain on disposal of non-current assets		**(0.5)**	(1.8)	(0.3)
Depreciation		**9.8**	9.4	18.6
Lease asset depreciation		**4.9**	-	-
Amortisation of intangible assets		**3.5**	2.5	5.7
Impairment of disposal groups and assets held for sale		**0.5**	0.1	0.1
Impairment of non-current assets		**-**	-	6.0
		18.7	11.0	31.2
Operating cash flow before movement in working capital		**55.3**	42.0	96.4
Increase in inventories		**(5.5)**	(7.2)	(3.4)
Increase in receivables		**(15.4)**	(20.2)	(9.8)
(Decrease)/Increase in payables		**(0.9)**	5.1	6.9
Decrease in provisions and employee benefits		**(2.2)**	(1.8)	(2.4)
Net movement in working capital and provisions		**(24.0)**	(24.1)	(8.7)
Cash generated by operations		**31.3**	17.9	87.7
Purchase of assets for rental to customers		**(10.7)**	-	(14.5)
Income taxes paid		**(6.0)**	(7.9)	(13.3)
Interest paid		**(3.4)**	(1.9)	(4.4)
Net cash from operating activities		**11.2**	8.1	55.5
Interest received		**0.2**	0.3	0.5
Proceeds on disposal of non-current assets		**0.1**	2.1	0.6
Proceeds on disposal of assets held for resale		**1.3**	-	0.6
Purchase of property, plant and equipment		**(12.8)**	(10.3)	(17.4)
Purchase of intangible assets		**(0.4)**	(0.3)	(0.9)
Acquisitions of businesses		**(23.5)**	(32.1)	(45.2)
Deferred consideration in respect of prior year acquisitions		**-**	-	(0.6)
Net cash used in investing activities		**(35.1)**	(40.3)	(62.4)
Issue of new shares		**0.9**	0.8	1.5
Purchase of shares for employee benefit Trust		**(0.9)**	(1.3)	(2.7)
Dividends paid	10	**(7.9)**	(7.4)	(23.6)
Costs associated with financing		**(2.0)**	-	-
Repayments of lease liabilities		**(5.0)**	-	-
New loans and borrowings		**96.2**	65.0	78.3
Repayment of loans and borrowings		**(69.4)**	(14.1)	(26.8)
Net cash raised from financing activities		**11.9**	43.0	26.7
Net (decrease)/increase in cash		**(12.0)**	10.8	19.8
Cash at the beginning of the period		**36.9**	16.4	16.4
Effect of exchange rate fluctuations		**-**	0.2	0.7
Cash at the end of the period	11	**24.9**	27.4	36.9

Notes to the Condensed Consolidated Interim Financial Statements

1. Basis of preparation

Hill & Smith Holdings PLC is incorporated in the UK. The Condensed Consolidated Interim Financial Statements of the Company have been prepared on the basis of International Financial Reporting Standards, as adopted by the EU ('Adopted IFRSs') that are effective at 7 August 2019 and in accordance with IAS 34: Interim Financial Reporting, comprising the Company, its subsidiaries and its interests in jointly controlled entities (together referred to as the 'Group').

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the Condensed Consolidated Interim Financial Statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published Consolidated Financial Statements for the year ended 31 December 2018 (these statements do not include all of the information required for full Annual Financial Statements and should be read in conjunction with the full Annual Report for the year ended 31 December 2018) except for the adoption of new standards effective as of 1 January 2019.

New IFRS standards and interpretations adopted during 2019

In 2019 the following standards and amendments had been endorsed by the EU, became effective and therefore were adopted by the Group:

- IFRS 16 'Leases'; and
- IFRIC 23 'Uncertainty over Income Tax Treatments'. IFRIC 23 has not had a material impact on the financial statements.

IFRS 16 'Leases'

IFRS 16 replaces IAS 17 'Leases' and has been adopted by the Group from 1 January 2019. The new standard requires lessees to recognise a lease liability reflecting the discounted future lease payments and a right-of-use asset for all applicable lease contracts. The present value of the Group's operating lease liabilities is now presented as a liability in the statement of financial position, together with a right-of-use asset, which is unwound and amortised to the income statement over the life of the lease.

Transition option adopted

The Group has applied the modified retrospective method. Therefore, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019. In applying this method, the Group used historical payment data as if IFRS 16 had always existed but with the benefit of hindsight for actual changes in the leases.

The Group also applied the available practical expedients wherein it:

- Grandfathered the definition of a lease on transition. The Group has applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and related interpretations;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemption to leases with lease terms that end within 12 months of the date of initial application;
- Applied the lease of low-value assets recognition exemption to leases of assets that are considered of low value; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impact on retained earnings at 1 January 2019, net of tax, was a reduction of £2.5m.

Change to accounting policies

The Group has lease contracts for various items of land, buildings, plant, machinery, vehicles and other equipment.

Prior to 1 January 2019 and before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and principal (reduction of the lease liability). In an operating lease, the leased assets were not capitalised and the lease payments were recognised as rental expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables respectively.

From 1 January 2019, the Group's accounting policy for leasing arrangements is as follows:

To the extent that right-of-control exists over an asset subject to a lease and with a lease term exceeding one year, the Group recognises: a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Group's obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the dismantling, removal and restoration costs as required by the terms of the lease contract.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Future lease payments include: fixed payments, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual guarantee and the exercise price of purchased options where it is reasonably certain that the option will be exercised. Finance charges, representing the unwinding of the discount rate, are recognised in the Consolidated Income Statement over the period of the lease.

Lease payments for low value assets and short term leases (less than 12 months) are recognised as an expense on a straight line basis over the lease term.

1. Basis of preparation continued

Impact of adoption

The table below reconciles the Group's operating lease commitments as at 31 December 2018 to the opening lease liability as at 1 January 2019:

	£m
Operating lease commitments as at 31 December 2018 *	**38.5**
Effect of discounting at the incremental borrowing rate at the date of initial application	(4.0)
Leases covered by recognition exemptions	(0.3)
Lease liabilities as at 1 January 2019	**34.2**

* Prepared using foreign exchange rates at 31 December 2018.

The weighted average incremental borrowing rate for lease liabilities recognised on 1 January 2019 was 2.50%.

The following tables summarise the impacts on the Group's income statement and statement of financial position for the current period.

Impact on the consolidated income statement

	As reported	Adjustments	Amounts without adoption of IFRS 16
	£m	£m	£m
Revenue	339.5	-	339.5
Operating profit	**36.6**	**(0.7)**	**35.9**
Net Finance costs	(3.2)	0.4	(2.8)
Income tax expense	(6.6)	-	(6.6)
Profit for the period	**26.8**	**(0.3)**	**26.5**

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without adoption of IFRS 16
	£m	£m	£m
Assets			
Right-of-use assets	31.7	(31.7)	-
Deferred tax asset	1.8	(0.5)	1.3
Others	677.5	1.0	678.5
Total assets	**711.0**	**(31.2)**	**679.8**
Liabilities			
Lease liabilities	(33.6)	33.6	-
Others	(368.1)	-	(368.1)
Total liabilities	**(401.7)**	**33.6**	**(368.1)**

The only impact to the Group's cash flow statement is in presentation. Previously payments on leases were presented in operating activities. From 1 January 2019, cash payments for the principal portion of the lease liability are presented as cash flows used in financing activities and cash payments for the interest portion of the lease liability are presented in operating activities. Short-term lease payments and payments for leases of low-value assets not included in the measurement of the lease liability are presented within operating activities.

The comparative figures for the financial year ended 31 December 2018 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

These Condensed Consolidated Interim Financial Statements have not been audited or reviewed by an auditor pursuant to the Auditing Practices Board's Guidance on Financial Information.

The Financial Statements are prepared on the going concern basis. This is considered appropriate given that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future.

Notes to the Condensed Consolidated Interim Financial Statements continued

2. Financial risks, estimates, assumptions and judgements

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2018.

3. Exchange rates

The principal exchange rates used were as follows:

	6 months ended 30 June 2019		6 months ended 30 June 2018		Year ended 31 December 2018	
	Average	Closing	Average	Closing	Average	Closing
Sterling to Euro (£1 = EUR)	1.15	1.12	1.14	1.13	1.13	1.11
Sterling to US Dollar (£1 = USD)	1.29	1.27	1.38	1.32	1.33	1.28
Sterling to Swedish Krona (£1 = SEK)	12.04	11.81	11.54	11.81	11.60	11.43
Sterling to Indian Rupee (£1 = INR)	90.61	87.76	90.36	90.45	91.25	89.10
Sterling to Australian Dollar (£1 = AUD)	1.83	1.81	1.78	1.79	1.79	1.81

4. Segmental information

The Group has three reportable segments which are Infrastructure Products – Roads, Infrastructure Products – Utilities and Galvanizing Services. Several operating segments that have similar economic characteristics have been aggregated into these reporting segments.

Income Statement

	6 months ended 30 June 2019			6 months ended 30 June 2018		
	Revenue £m	Result £m	Underlying result* £m	Revenue £m	Result £m	Underlying result* £m
Infrastructure Products - Utilities	126.5	8.5	9.6	113.0	6.3	7.3
Infrastructure Products - Roads	114.7	8.4	10.3	87.2	6.5	8.5
Infrastructure Products - Total	241.2	16.9	19.9	200.2	12.8	15.8
Galvanizing Services	98.3	19.7	20.3	95.2	18.2	18.8
Total Group	339.5	36.6	40.2	295.4	31.0	34.6
Net financing costs		(3.2)	(3.3)		(2.1)	(1.6)
Profit before taxation		33.4	36.9		28.9	33.0
Taxation		(6.6)	(7.2)		(6.7)	(7.2)
Profit after taxation		26.8	29.7		22.2	25.8

	Year ended 31 December 2018		
	Revenue £m	Result £m	Underlying result* £m
Infrastructure Products - Utilities	239.0	9.0	18.3
Infrastructure Products - Roads	208.5	20.3	24.2
Infrastructure Products - Total	447.5	29.3	42.5
Galvanizing Services	190.4	35.9	37.6
Total Group	637.9	65.2	80.1
Net financing costs		(5.4)	(3.8)
Profit before taxation		59.8	76.3
Taxation		(12.6)	(14.9)
Profit after taxation		47.2	61.4

* Underlying result is stated before Non-underlying items as defined in note 6 on page 26, and is the measure of segment profit used by the Chief Operating Decision Maker, who is the Chief Executive. The Result columns are included as additional information.

Galvanizing Services provided £2.9m revenues to Infrastructure Products – Roads (six months ended 30 June 2018: £3.3m, the year ended 31 December 2018: £6.4m) and £0.8m revenues to Infrastructure Products – Utilities (six months ended 30 June 2018: £0.8m, the year ended 31 December 2018: £1.6m). Infrastructure Products – Utilities provided £3.2m revenues to Infrastructure Products – Roads (six months ended 30 June 2018: £2.5m, the year ended 31 December 2018: £5.2m). Infrastructure Products - Roads provided £0.1m revenues to Infrastructure Products - Utilities (six months ended 30 June 2018: £nil, the year ended 31 December 2018: £0.2m). These internal revenues, along within revenues generated within each segment, have been eliminated on consolidation.

4. Segmental information continued

Revenue from contracts with customers is disaggregated by primary geographical market, major product/service lines and timing of revenue recognition. The table below also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Utilities		Roads		Galvanizing		Total	
	June 2019	June 2018	**June 2019**	June 2018	**June 2019**	June 2018	**June 2019**	June 2018
Primary geographical markets	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
UK	**56.1**	54.2	**54.6**	48.2	**31.6**	30.6	**142.3**	133.0
Rest of Europe	**2.8**	2.8	**28.5**	25.4	**27.4**	27.5	**58.7**	55.7
North America	**64.4**	51.0	**28.2**	8.7	**39.3**	37.1	**131.9**	96.8
The Middle East	**0.4**	1.7	**1.6**	0.5	**-**	-	**2.0**	2.2
Rest of Asia	**2.2**	3.1	**0.4**	-	**-**	-	**2.6**	3.1
Rest of the world	**0.6**	0.2	**1.4**	4.4	**-**	-	**2.0**	4.6
	126.5	113.0	**114.7**	87.2	**98.3**	95.2	**339.5**	295.4
Major product/service lines								
Manufacture, supply and installation of products	**126.5**	113.0	**103.7**	77.6	**-**	-	**230.2**	190.6
Galvanizing services	**-**	-	**-**	-	**98.3**	95.2	**98.3**	95.2
Rental income	**-**	-	**11.0**	9.6	**-**	-	**11.0**	9.6
	126.5	113.0	**114.7**	87.2	**98.3**	95.2	**339.5**	295.4
Timing of revenue recognition								
Products and services transferred at a point in time	**80.1**	74.4	**88.6**	62.0	**98.3**	95.2	**267.0**	231.6
Products and services transferred over time	**46.4**	38.6	**26.1**	25.2	**-**	-	**72.5**	63.8
	126.5	113.0	**114.7**	87.2	**98.3**	95.2	**339.5**	295.4

	Year ended 31 December 2018			
	Utilities	Roads	Galvanizing	Total
Primary geographical markets	£m	£m	£m	£m
UK	113.3	104.7	60.5	278.5
Rest of Europe	5.4	56.2	53.2	114.8
North America	112.0	35.9	76.7	224.6
The Middle East	2.5	2.1	-	4.6
Rest of Asia	5.4	0.2	-	5.6
Rest of the world	0.4	9.4	-	9.8
	239.0	208.5	190.4	637.9
Major product/service lines				
Manufacture, supply and installation of products	239.0	186.5	-	425.5
Galvanizing services	-	-	190.4	190.4
Rental income	-	22.0	-	22.0
	239.0	208.5	190.4	637.9
Timing of revenue recognition				
Products and services transferred at a point in time	151.9	152.1	190.4	494.4
Products and services transferred over time	87.1	56.4	-	143.5
	239.0	208.5	190.4	637.9

Notes to the Condensed Consolidated Interim Financial Statements continued

5. Operating profit

	6 months ended 30 June 2019 £m	6 months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Revenue	**339.5**	295.4	637.9
Cost of sales	**(214.3)**	(189.4)	(409.3)
Gross profit	**125.2**	106.0	228.6
Distribution costs	**(18.2)**	(16.6)	(35.8)
Administrative expenses	**(71.3)**	(59.1)	(129.1)
Other operating income	**0.9**	0.7	1.5
Operating profit	**36.6**	31.0	65.2

6. Non-underlying items

Non-underlying items are disclosed separately in the Consolidated Income Statement where the quantum, nature or volatility of such items would otherwise distort the underlying trading performance of the Group. The following are included by the Group in its assessment of non-underlying items:

- Gains or losses arising on disposal, closure, restructuring or reorganisation of businesses that do not meet the definition of discontinued operations.
- Amortisation of intangible fixed assets arising on acquisitions, which can vary depending on the nature, size and frequency of acquisitions in each financial year.
- Expenses associated with acquisitions, comprising professional fees incurred and any consideration which, under IFRS 3 (Revised) is required to be treated as a post-acquisition employment expense.
- Impairment charges in respect of tangible or intangible fixed assets.
- Changes in the fair value of derivative financial instruments.
- Significant past service items or curtailments and settlements relating to defined benefit pension obligations resulting from material changes in the terms of the schemes.
- Net financing costs or returns on defined benefit pension obligations.
- Costs incurred as part of significant refinancing activities.

The non-underlying tax charge or credit comprises the tax effect of the above non-underlying items.

Details in respect of the non-underlying items recognised in the current period and prior year are set out below.

Six months ended 30 June 2019

Non-underlying items included in operating profit comprise the following:

- On 5 August 2019 the Group disposed of Weholite Limited, its non-core plastic drainage pipe business, for a net consideration of £2.7m. Having met the conditions set out in IFRS 5, the business has been treated as held for sale at 30 June 2019 and its assets and liabilities remeasured at their expected realisable value, resulting in a loss on remeasurement of £0.5m.
- Acquisition related expenses of £0.7m reflect costs associated with acquisitions and include £0.2m relating to future consideration payments to previous owners of acquired businesses, the terms of which require those costs to be treated as a post-acquisition employment expense in accordance with IFRS 3 (Revised).
- Amortisation of acquisition intangibles was £2.9m.
- During the period the Group completed the disposal of a property that had been held for sale at 31 December 2018, at a profit of £0.5m.

Non-underlying items included in financial income represent a gain on refinancing under IFRS 9 of £0.8m, and included in financial expense represent the net financing cost on pension obligations of £0.3m and a £0.4m charge in respect of amortisation of costs associated with refinancing.

Year ended 31 December 2018

Non-underlying items included in operating profit comprised the following:

- Business reorganisation costs of £0.7m relating to two restructuring actions taken by the Group:
  - During the prior year the Group undertook a restructuring of its UK Industrial Flooring business, part of the Infrastructure Products – Utilities segment, a decision taken in light of weaker market conditions in the first half of the prior year. The restructuring has improved the efficiency and productivity of the business and supported an improved performance in the second half of the prior year. The cost in the year was £0.5m.
  - Following the acquisition of Tower Tech in August 2017, the Group commenced a programme to close Tower Tech's facility in Oklahoma City and relocate the business to the existing Creative Pultrusions site in Pennsylvania, resulting in charge in 2017 of £0.4m. A further charge of £0.2m was recognised in 2018 representing additional closure costs that will be incurred. The relocation was completed in Q1 2019.

6. Non-underlying items continued

- Amortisation of acquired intangible fixed assets of £4.8m.
- Acquisition expenses of £2.2m related to the acquisitions completed during 2018. The costs included £0.4m relating to future consideration payments to previous owners of the acquired businesses, the terms of which require those costs to be treated as a post-acquisition employment expense in accordance with IFRS 3 (Revised).
- An impairment charge of £6.0m in respect of goodwill and acquired intangible assets relating to the Group's acquisition of Technocover Limited in July 2016.
- A past service cost of £1.1m in respect of defined benefit pension schemes. In October 2018 the High Court handed down a judgement requiring businesses with defined benefit pension schemes to equalise historical Guaranteed Minimum Pensions (GMPs) between male and female members. The Group has taken professional advice as to the impact of this judgement and concluded that a cost of £1.0m is likely to be incurred in equalising GMPs arising in prior years. In drawing this conclusion the Group has taken into account the four potential approaches that the judgement ruled to be suitable for calculating the equalisation cost, and has calculated that the range of outcomes under each of these approaches is likely to be between £0.9m and £1.2m. The charge was treated as a non-underlying item in accordance with the Group's definitions of such items. A further charge of £0.1m was incurred in respect of changes to the terms of the Group's pension schemes in France.
- An impairment charge of £0.1m in respect of assets held for sale reflecting a loss on the disposal of that property during 2018.

Non-underlying items included in financial expense represented the net financing cost on pension obligations of £0.6m and a £1.0m charge in respect of amortisation of costs associated with refinancing.

7. Net financing costs

	6 months ended 30 June 2019 £m	6 months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Interest on bank deposits	0.2	0.3	0.6
Total interest income	0.2	0.3	0.6
Financial gain relating to refinancing	0.8	-	-
Financial income	1.0	0.3	0.6
Interest on bank loans and overdrafts	3.1	1.9	4.4
Interest on lease liabilities	0.4	-	-
Total interest expense	3.5	1.9	4.4
Financial expenses related to refinancing	0.4	0.2	1.0
Interest cost on net pension scheme deficit	0.3	0.3	0.6
Financial expense	4.2	2.4	6.0
Net financing costs	3.2	2.1	5.4

8. Taxation

Tax has been provided on the underlying profit at the estimated effective rate of 19.5% (2018: 22%) for existing operations for the full year.

In October 2017, the European Commission ('EC') opened a state aid investigation into the Group Financing Exemption in the UK controlled foreign company legislation. In April 2019, the EC released its full decision in relation to this investigation upholding its preliminary findings that, up until 31 December 2018, aspects of the UK controlled foreign company legislation constituted State Aid. In June 2019, the EC decision was appealed by the UK government and there remains significant uncertainty as to the outcome of both the appeals process and any recovery mechanism. If the EC decision is ultimately upheld, we have estimated the Group's maximum potential liability to be £2.6m. However, we consider that it remains sufficiently unclear that it is more likely than not that any liability would arise and therefore no provision has been made at 30 June 2019.

Notes to the Condensed Consolidated Interim Financial Statements continued

9. Earnings per share

The weighted average number of ordinary shares in issue during the period was 79.1m, diluted for the effect of outstanding share options 79.6m (six months ended 30 June 2018: 78.7m and 79.6m diluted, the year ended 31 December 2018: 78.8m and 79.5m diluted).

Underlying earnings per share are shown below as the Directors consider that this measurement of earnings gives valuable information on the underlying performance of the Group:

	6 months ended 30 June 2019		6 months ended 30 June 2018		Year ended 31 December 2018	
	Pence per share	£m	Pence per share	£m	Pence per share	£m
Basic earnings	33.9	26.8	28.2	22.2	59.9	47.2
Non-underlying items*	3.6	2.9	4.6	3.6	17.9	14.2
Underlying earnings	37.5	29.7	32.8	25.8	77.8	61.4
Diluted earnings	33.6	26.8	27.9	22.2	59.3	47.2
Non-underlying items*	3.6	2.9	4.6	3.6	17.9	14.2
Underlying diluted earnings	37.2	29.7	32.5	25.8	77.2	61.4

* Non-underlying items as detailed in note 6 on page 26.

10. Dividends

Dividends paid in the period were the prior year's interim dividend of £7.9m (2017: £7.4m). The final dividend for 2018 of £17.3m (2017: £16.2m) was paid on 1 July 2019. Dividends declared after the Balance Sheet date are not recognised as a liability, in accordance with IAS10. The Directors have proposed an interim dividend for the current year of £8.4m, 10.6p per share (2018: £7.9m,10.0p per share), which will be paid on 3 January 2020 to shareholders on the register on 29 November 2019.

11. Analysis of net debt

	6 months ended 30 June 2019 £m	6 months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Cash and cash equivalents	24.9	27.4	36.9
Interest bearing borrowings due within one year	(0.4)	(0.4)	(0.4)
Lease liabilities due within one year	(9.3)	-	-
Interest bearing borrowings due after more than one year	(194.0)	(168.2)	(169.4)
Lease liabilities due after more than one year	(24.3)	-	-
Net debt	(203.1)	(141.2)	(132.9)

11. Analysis of net debt continued

	6 months ended 30 June 2019 £m	6 months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Change in net debt			
Operating profit	**36.6**	31.0	65.2
Non-cash items	**18.7**	11.0	31.2
Operating cash flow before movement in working capital	**55.3**	42.0	96.4
Net movement in working capital	**(21.8)**	(22.3)	(6.3)
Change in provisions and employee benefits	**(2.2)**	(1.8)	(2.4)
Operating cash flow	**31.3**	17.9	87.7
Tax paid	**(6.0)**	(7.9)	(13.3)
Net financing costs paid	**(2.8)**	(1.6)	(3.9)
Capital expenditure	**(23.9)**	(10.6)	(32.8)
Proceeds on disposal of non-current assets and assets held for sale	**1.4**	2.1	1.2
Free cash flow	**-**	(0.1)	38.9
Dividends paid (note 10)	**(7.9)**	(7.4)	(23.6)
Acquisitions	**(24.1)**	(32.1)	(45.8)
Income/(expense) associated with financing	**0.4**	(0.2)	(1.0)
Purchase of shares for employee benefit trust	**(0.9)**	(1.3)	(2.7)
Issue of new shares	**0.9**	0.8	1.5
New leases and lease measurements	**(3.9)**	-	-
Interest on lease liabilities	**(0.4)**	-	-
Net debt increase	**(35.9)**	(40.3)	(32.7)
Effect of exchange rate fluctuations	**(0.2)**	(1.9)	(3.3)
Net debt at the beginning of the period	**(132.9)**	(99.0)	(99.0)
Adoption of new accounting standards	**(34.1)**	-	2.1
Net debt at beginning of the period - restated	**(167.0)**	(99.0)	(96.9)
Net debt at the end of the period	**(203.1)**	(141.2)	(132.9)

12. Financial instruments

The table below sets out the Group's accounting classification of its financial assets and liabilities and their fair values as at 30 June. The fair values of all financial assets and liabilities are not materially different to the carrying values.

	Designated at fair value £m	Amortised cost £m	Total carrying value £m	Fair value £m
Cash and cash equivalents	-	**24.9**	**24.9**	**24.9**
Interest bearing loans due within one year	-	**(0.4)**	**(0.4)**	**(0.4)**
Interest bearing loans due after more than one year	-	**(194.0)**	**(194.0)**	**(194.0)**
Lease liabilities due within one year	-	**(9.3)**	**(9.3)**	**(9.3)**
Lease liabilities due after more than one year	-	**(24.3)**	**(24.3)**	**(24.3)**
Derivative assets	-	-	-	-
Derivative liabilities	-	-	-	-
Other assets	-	**146.9**	**146.9**	**146.9**
Other liabilities	-	**(111.3)**	**(111.3)**	**(111.3)**
Total at 30 June 2019	-	**(167.5)**	**(167.5)**	**(167.5)**

Fair value hierarchy

There were no financial instruments carried at fair value at 30 June 2019 or 30 June 2018.

Notes to the Condensed Consolidated Interim Financial Statements continued

13. Acquisitions

On 22 February 2019 the Group acquired 100% of the share capital of Cobaco Holdings Limited and its subsidiaries including ATG Access Limited ("ATG"). Based in the UK and exporting to over 30 countries, ATG specialises in the development, manufacture, and installation of hostile vehicle mitigation perimeter security solutions including bollards (automated, static, impact and non-impact tested), road blockers, barriers and gates. Details of the acquisition are set out below:

ATG	Pre acquisition carrying amount £m	Policy alignment and provisional fair value adjustments £m	Total £m
Intangible assets			
Brands	-	3.6	3.6
Customer lists	-	5.1	5.1
Contracts, licenses and other assets	0.7	3.5	4.2
Property, plant and equipment	0.5	-	0.5
Right-of-use assets	-	0.6	0.6
Inventories	3.9	(0.4)	3.5
Current assets	5.7	(4.2)	1.5
Cash	0.2	-	0.2
Total assets	**11.0**	**8.2**	**19.2**
Lease liabilities	-	(0.6)	(0.6)
Current liabilities	(9.0)	1.0	(8.0)
Deferred tax	(0.1)	(1.6)	(1.7)
Total liabilities	**(9.1)**	**(1.2)**	**(10.3)**
Net assets	**1.9**	**7.0**	**8.9**
Consideration			
Consideration in the period			**23.7**
Goodwill			**14.8**
Cash flow effect			
Consideration			**23.7**
Cash acquired with the business			**(0.2)**
Net cash consideration shown in the Consolidated Statement of Cash Flows			**23.5**

Brands, patents and associated intellectual property, contractual arrangements and customer lists have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Fair value adjustments have been made to better align the accounting policies of the acquired businesses with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired included £2.3m of trade receivables which have a gross value of £2.9m.

Post acquisition the acquired business has contributed £7.0m revenue and £0.9m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2019, the Group's results for the year would have shown revenue of £343.0m and underlying operating profit of £40.6m.

14. Subsequent events

On 5 August 2019, the Group sold its plastic drainage pipe business, Weholite Limited, for net consideration of £2.7m. Having met the conditions of IFRS 5, the business has been treated as held for sale at 30 June 2019 and its assets and liabilities were remeasured at their expected realisable value, resulting in a loss on remeasurement of £0.5m as explained in note 6, on page 26.

Varley & Gulliver supplied a PS 15 parapet system for use on the Aberdeen Western Peripheral Route. The parapet, a very high containment system with integral noise barrier, believed to be the first of its kind in the UK, was used over the River Dee crossing on the 36 mile route.

Financial Calendar

Ex-dividend date	28 November 2019
Record date	29 November 2019
Payment of interim dividend for 2019	3 January 2020
Preliminary results announcement for 2019	4 March 2020
Annual General Meeting 2020	21 May 2020

Dividend Reinvestment Plan

Hill & Smith offers a Dividend Reinvestment Plan ('Plan'). The Plan, administered by the Company's Registrars, Computershare Investor Services, allows shareholders to reinvest their cash dividends in Hill & Smith ordinary shares.

Shareholders who have not already joined the Plan, and who wish to participate in the Plan in respect of the interim dividend to be paid on 3 January 2019 need to elect to do so by 10 December 2018.

In order to make an election, shareholders should contact Computershare Investor Services either by telephoning 0370 707 1058 or by visiting its website www.computershare.com/investor/UK.

Principal Group Businesses

Infrastructure Products – Roads

United Kingdom

Hill & Smith Ltd
Highway and off-highway safety solutions.
Springvale Business and Industrial Park,
Bilston, Wolverhampton, WV14 0QL
Tel: +44 (0) 1902 499400
Fax: +44 (0) 1902 499419
info@hill-smith.co.uk
www.hill-smith.co.uk

Asset International Structures. (D)
Corrugated steel Multiplate & Stren-Cor, BEBO pre-cast concrete arches and VSoL retained earth systems for Highway and Rail construction sectors.
www.assetint.co.uk

Asset VRS (D)
Permanent and temporary vehicle restraint systems.
www.asset-vrs.co.uk

Berry Safety Systems. (D)
Car park and industrial barriers, spring steel barriers, protection bollards, speed ramps and handrail panels.
www.berrysystems.co.uk

Brifen (D)
Wire rope safety fence vehicle restraint systems.
www.hill-smith.co.uk

Tegrel (D)
Bespoke metal fabrications and enclosures.
www.tegrel.co.uk

Variable Message Signs (D)
LED based light technology solutions.
www.vmstech.co.uk

Hardstaff Barriers Ltd*
Temporary, permanent and Hostile Vehicle Mitigation safety barriers.
Hillside, Gotham Road, Kingston-on-Soar,
Nottingham, NG11 0DF
Tel: +44 (0) 115 983 2304
enquiries@hardstaffbarriers.com
www.hardstaffbarriers.com

ATG Access Ltd*
Hostile Vehicle Mitigation perimeter security solutions.
CoBaCo House
North Florida Road
Haydock Industrial Estate, Haydock
Merseyside. WA11 9TP
Tel: +44 (0)8456 75 75 74
Email: enquiries@atgaccess.com
Web: http://www.atgaccess.com

Mallatite Ltd
Lighting columns, bespoke support structures, traffic sign columns, posts and associated lighting products.
Holmewood Industrial Estate, Hardwick View Road, Holmewood, Chesterfield, Derbyshire, S42 5SA
Tel: +44 (0) 1246 593280
Fax: +44 (0) 1246 593281
sales@mallatite.co.uk
www.mallatite.co.uk

Varley & Gulliver Ltd
Vehicle and pedestrian parapets, and passive sign supports.
57-70 Alfred Street, Sparkbrook,
Birmingham, B12 8JR
Tel: +44 (0) 121 773 2441
Fax: +44 (0) 121 766 6875
sales@v-and-g.co.uk
www.v-and-g.co.uk

Rest of the World

ATA Hill & Smith AB*
Road safety barriers, road signage and traffic safety solutions.
Incorporated in Sweden
Staffans väg 7, 192 78,
Sollentuna, Sweden
Tel: +46 (0) 8 98 80 70
Fax: +46 (0) 8 29 25 15
info@ata.se
www.ata.se

ATA Hill & Smith AS*
Road safety barriers, road signage and traffic safety solutions.
Incorporated in Norway
Jacob Borchs Gate 6
3012 Drammen
Tel: +47 (0) 32 26 93 00
post@ata.co
www.ata.no

Conimast International SAS*
Steel lighting columns and powder coating.
Incorporated in France
Z.I. La Sauniere BP70, 89600,
Saint Florentin, France
Tel: +33 (0) 3 86 43 82 00
Fax: +33 (0) 3 86 43 41 08
contact@conimast.fr
www.conimast.fr

Hill & Smith, Inc.*
Permanent and temporary vehicle restraint systems.
Incorporated in the USA
987 Buckeye Park Road, Columbus,
Ohio, 43207, USA
Tel: +1 (614) 340 6294
Fax: +1 (614) 340 6296
info@hillandsmith.com
www.hillandsmith.com

Work Area Protection Corp (D)
Innovative solutions for workzone protection, traffic and highway safety.
www.workareaprotection.com

Hill & Smith Pty Ltd*
Permanent, temporary and wire rope vehicle restraint systems.
Incorporated in Australia
Unit 1, 242 New Cleveland Road,
Tingalpa, QLD 4173, Australia
Tel: +61 (0) 7 3162 6078
hsroads.com.au

Notes:

The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.

***** The Company's effective interest is held indirectly for these undertakings.

(D) Operating division only, not a limited company.

Principal Group Businesses continued

Infrastructure Products – Utilities

United Kingdom

Weholite Limited
(formerly Asset International Ltd)***
Weholite HDPE structured wall and large diameter pipes.
Stephenson Street, Newport,
South Wales, NP19 4XH
Tel: +44 (0) 1633 273081
Fax: +44 (0) 1633 290519
sales@weholite.co.uk
www.weholite.co.uk

Barkers Engineering Ltd*
Perimeter security solutions and fasteners.
Duke Street, Fenton, Stoke-on-Trent,
Staffordshire, ST4 3NS
Tel: +44 (0) 1782 319264
Fax: +44 (0) 1782 599724
sales@barkersengineering.com
www.barkersengineering.com

Birtley Group Ltd*
Galvanized lintels, construction fittings, composite doors, builders metalwork and plasterers accessories.
Mary Avenue, Birtley, County Durham,
DH3 1JF
Tel: +44 (0) 191 410 6631
Fax: +44 (0) 191 410 0650
info@birtleygroup.co.uk
www.birtleygroup.co.uk

Lionweld Kennedy Flooring Ltd
Open steel and fibre reinforced polymer ('FRP') flooring, handrailing and ancillary products.
Marsh Road, Middlesbrough, TS1 5JS
Tel: +44 (0) 1642 245151
Fax: +44 (0) 1642 224710
sales@lk-uk.com
www.lk-uk.com

Technocover Ltd*
High security steel access products.
Henfaes Lane, Welshpool, Powys, SY21 7BE
Tel: +44 (0) 1938 555511
Fax: +44 (0) 1938 555527
techweb@technocover.co.uk
www.technocover.co.uk

United States of America

Creative Pultrusions, Inc.*
FRP composite profiles.
214 Industrial Lane, Alum Bank,
Pennsylvania, 15521, USA
Tel: +1 (814) 839 4186
Toll-free: # 888-CPI-PULL (274-7855)
Fax: +1 (814) 839 4276
crpul@pultrude.com
www.creativepultrusions.com

E.T. Techtonics (D)
FRP composite bridge and walkway systems.
www.ettechtonics.com

Kenway Composites (D)
Advanced FRP composite products and field services.
www.kenway.com

Tower Tech (D)
FRP composite cooling tower products.
www.towertechinc.com

Composite Advantage (D)
FRP composite products for bridge, waterfront and rail infrastructure applications.

V&S Utilities**
Electrical transmission and substation structures and packaging services.
987 Buckeye Park Road, Columbus,
Ohio, 43207, USA
Tel: +1 (614) 449 8281
Fax: +1 (614) 449 8851
info@vsschuler.com
www.vsschuler.com

Pipe Supports

Carpenter & Paterson, Inc.*
Industrial pipe hangers, metal framing channel and fasteners.
225 Merrimac Street, Woburn,
Massachusetts, 01801, USA
Tel: +1 (781) 935 2950
Fax: +1 (781) 935 7664
www.pipehangers.com

Novia Associates (D)
Vibration and seismic controls.
www.cp-novia.com

Bergen Pipe Supports, Inc.*
Pipe supports products and solutions.
484 Galiffa Drive, Donora,
Pennsylvania, 15033, USA
Tel: +1 (724) 379 5212
Fax: +1 (724) 379 9363
www.pipesupports.com

Bergen Pipe Supports (India) Private Ltd*
Pipe supports products and solutions.
Plot No.12, Ground Floor,
"RADHA", Mangala Nagar Main Road,
Porur, Chennai, 600116
Tel: +91 8576 305 666
bpsi@pipesupports.com
www.pipesupports.com

Notes:

The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.

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** Trading name for V&S Schuler Engineering Inc and V&S Schuler Tubular Products LLC, both are indirectly held, wholly owned and incorporated in the USA.

*** Sold on 5 August to SDS Holdings Limited

Galvanizing Services

United Kingdom

Joseph Ash Ltd*
Galvanizing services.
Alcora Building 2, Mucklow Hill
Halesowen, West Midlands, B62 8DG
Tel: +44 (0) 121 504 2560
Fax: +44 (0) 121 504 2599
sales@josephash.co.uk
www.josephash.co.uk

Medway Galvanising Company Ltd*
Galvanizing, shotblasting and powder coating services.
Castle Road, Eurolink Industrial Centre,
Sittingbourne, Kent, ME10 3RN
Tel: +44 (0) 1795 479489
Fax: +44 (0) 1795 477598
info@medgalv.co.uk
www.medgalv.co.uk

Premier Galvanizing Ltd*
Galvanizing and powder coating services.
Unit 25, Stoneferry Business Park
Foster Street, East Riding of Yorkshire,
HU8 8BT
Tel: +44 (0) 1482 587587
Fax: +44 (0) 1482 588599
info@premiergalv.co.uk
www.premiergalv.co.uk

Barkers Engineering Ltd*
Galvanizing and powder coating services.
Duke Street, Fenton, Stoke-on-Trent,
Staffordshire, ST4 3NS
Tel: +44 (0) 1782 343811
Fax: +44 (0) 1782 344974
sales@barkersgalvanizing.com
www.barkersgalvanizing.com

Birtley Group Ltd*
Galvanizing services.
Mary Avenue, Birtley, County Durham,
DH3 1JF
Tel: +44 (0) 191 410 4421
Fax: +44 (0) 191 492 1817
info@birtleygalvanizing.co.uk
www.birtleygalvanizing.co.uk

United States of America

Voigt & Schweitzer LLC*
Galvanizing Services.
987 Buckeye Park Road, Columbus
Ohio, 43207, USA
Tel: +1 (614) 449 8281
Fax: +1 (614) 449 8851
info@hotdipgalvanizing.com
www.hotdipgalvanizing.com

France

France Galva SA*
Galvanizing and powder coating services.
Z.I. La Saunière BP70, 89600
Saint Florentin, France
Tel: +33 (0) 3 86 43 82 30
Fax: +33 (0) 3 86 43 82 29
contact@francegalva.fr
www.francegalva.fr

Notes:

The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.

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Directors, Contacts & Advisors

Directors

J F Lennox LLB, CA
(Chairman and Non-executive)

D W Muir BSc, CEng, MICE
(Group Chief Executive)

A C B Giddins FCA
(Senior Independent Non-executive)

A M Kelleher MSc, BA
(Non-executive)

M J Reckitt BCom, CA
(Non-executive)

Contacts

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Snow Hill Queensway
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London
EC2V 7QP

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PO Box 3333
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B3 2WN

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