Hill & Smith Holdings PLC

2015

Half year results
Six months ended 30 June 2015

“ We are an international group with leading positions in the supply of infrastructure products and galvanizing services to global markets, operating from facilities in Australia, France, India, Sweden, Thailand, the UK and the USA.

With strong positions in niche markets we aim to consistently deliver value to our shareholders through:

- Dividends and total shareholder return being central to our strategy
- Strong cash generation
- Organic and acquisitive growth
- Product and international diversification ”

Front cover:

Top: Access walkways and stairs in a sewage treatment plant, consisting of galvanized grating, handrail, steel stairs and toe plate.

Middle: Flexbeam LWD 2583-1 on the M18, junction 3.

Bottom: Poles galvanized by Joseph Ash.

This page:

Left: V&S Utilities - galvanized substation structure in Colorado, USA.

Centre: Zoneguard installation on the A14.

Right: Galvanizing on the Bordeaux Stadium, France.

Opposite page:

Flexbeam Plus on the A45 near Birmingham Airport.

See further information at hsholdings.com

Hill & Smith Holdings PLC

Contents

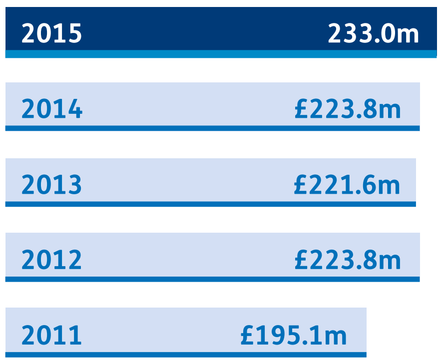
Group Highlights

- Strong organic revenue and profit growth.
- Infrastructure investment and economic outlook remain favourable throughout UK and US operations.
- Underlying earnings per share 24.2p, up 19%.
- Interim dividend increased by 11% to 7.1p.
- Strong operating cash flow; net debt reduced to £89.2m (31 December 2014: £96.0m).

			Change	
	30 June 2015	30 June 2014	Reported %	Constant Currency %
Revenue	**£233.0m**	£223.8m	+4	+4
Underlying operating profit*	**£26.3m**	£22.5m	+17	+14
Underlying profit before tax*	**£24.8m**	£20.8m	+19	+16
Underlying earnings per share*	**24.2p**	20.3p	+19	+16
Profit before tax	**£7.1m**	£16.0m	-56	
Basic earnings per share	**5.6p**	14.6p	-62	
Dividend per share	**7.1p**	6.4p	+11	

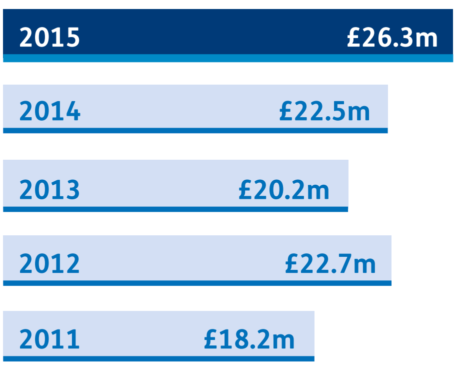
Revenue

£233.0m
up 4.1%



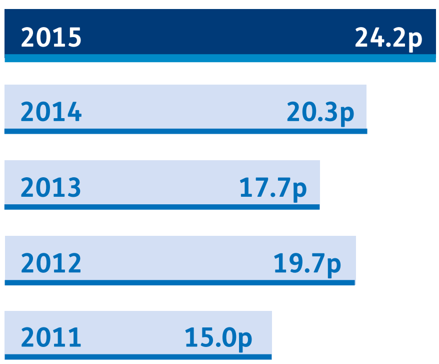
Underlying operating profit

£26.3m
up 16.9%



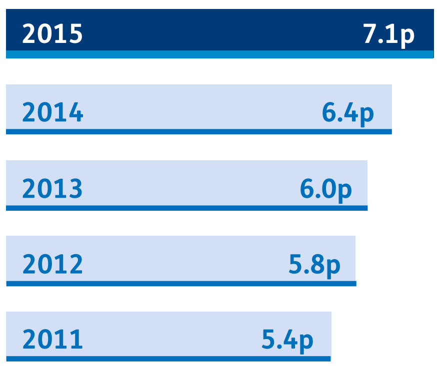
Underlying earnings per share

24.2p
up 19.2%



Dividend per share

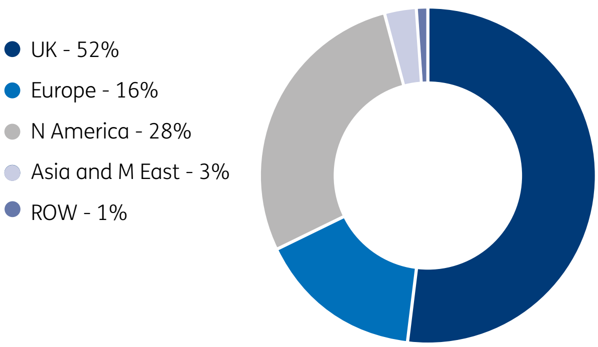
7.1p
up 10.9%



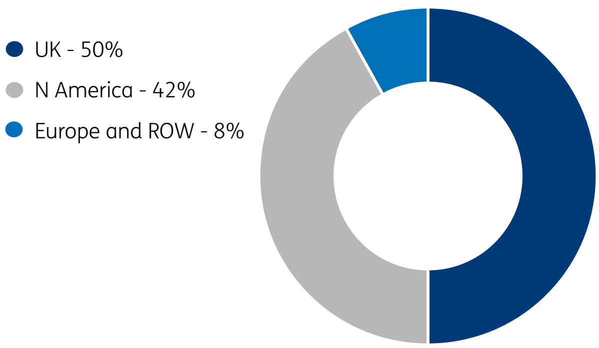
* All underlying profit measures exclude certain non-operational items, which are defined in note 6 on page 21. References to an underlying profit measure throughout this report are made on this basis.

Group at a Glance

Percentage of £233.0m revenue shown by end market geography



Percentage of £26.3m underlying operating profit shown by location of the operating site



USA – our V&S galvanizing and utilities plants are situated on the east coast along with the Bergen and Carpenter & Paterson pipe supports businesses and the glass reinforced composite profiles business, Creative Pultrusions.

UK – head office and various locations covering our main infrastructure products businesses and network of UK galvanizing plants.

Norway – a division of ATA, the road safety barrier and signage business.

Thailand – location of the major part of our pipe supports manufacturing capability, where we have plants near Bangkok.

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

Sweden – location of ATA, the road safety barrier and signage business.

India – manufacturing facilities for pipe supports and the Hill & Smith infrastructure products business.

Australia – office in Queensland for the development of our wire rope and safety barrier products.

Divisional Overview

Infrastructure Products

For the core markets of Roads and Utilities – supplying products and services such as permanent and temporary road safety barriers, fencing, industrial platforms and flooring, street lighting columns, bridge parapets, glass reinforced composite railway platforms and flood prevention barriers, variable road messaging solutions, traffic data collection systems, plastic drainage pipes and pipe supports for the power and liquefied natural gas markets, energy grid components and security fencing.

Operating from subsidiaries in Australia, France, India, Norway, Sweden, Thailand, the UK and the USA.

- Operating in international territories with the prospect of sustained long term investment in infrastructure.
- Focused on engineered products for the roads and utilities markets.

Revenue
£163.4m up 3.0%

Underlying operating profit
£12.5m up 25.0%

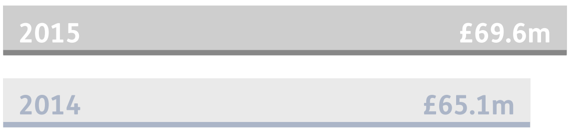
Galvanizing Services

Providing zinc and other coating services for a wide range of products including fencing, lighting columns, structural steelwork, bridges, agricultural and other products for the infrastructure and construction markets.

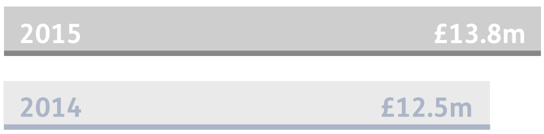
Services are delivered from a network of galvanizing operations in the UK, France and the USA.

- Geographical diversity - France 10 plants; UK 8 plants; USA 7 plants.
- Strong market positions in the chosen territories and with a reputation for service and quality.

Revenue
£69.6m up 6.9%



Underlying operating profit
£13.8m up 10.4%



Case Study

Lionweld Kennedy Flooring Ltd
Lionweld Kennedy's history can be traced back to 1910 when PA Mudd and Company were one of the first electric arc welding companies in Britain; almost 20 years later Lionweld Steel Flooring and Stairway Company was formed. 1998 saw the merger of Lionweld Flooring and Alan Kennedy & Co Ltd, becoming one of the largest manufacturers of open mesh flooring in the UK. With 100 years of experience in the manufacture of open steel flooring, hand railing and ancillary products the company has been responsible for pioneering many developments over the years.

"The Lionweld Kennedy brand is recognised and trusted in the global market place."

Serving the construction, infrastructure, engineering and offshore industries with its exceptional products, solutions and services, Lionweld Kennedy is one of the largest specialist manufacturers of steel flooring products worldwide.

More recently it has supplied steel and GRP flooring, stair treads, hand railing systems and ladders for the Solan Field offshore development in the UK North Sea. The oil field is located west of the Shetland Islands in 135m deep waters. First production from the field was towards the end of 2014 with the initial production rate expected to be 24,000 barrels of oil a day and it is expected to produce more than 44 million barrels of oil during its estimated 20 year production life.

Similarly, and with the benefit of a new flooring machine, which has allowed Lionweld to supply an increasingly vast range of products in response to the growing needs of the modern customer, the company is now capitalising on recent projects which have been secured in Azerbaijan.

Lionweld will be supplying products to the Shah Deniz 2 gas field, located in the deep water shelf of the Caspian Sea. This is a giant oil and gas project which will add a further 16 billion cubic meters per year of gas production to the approximately 9 billion produced by Shah Deniz 1. It is due to increase European energy security by bringing Caspian gas resources to markets in Europe for the very first time. The first gas is targeted for late 2018, with supplies to Turkey and Georgia. Deliveries to Europe are expected just over a year later.

Find out more about the company at www.lk-uk.com.

Top image: Solan Oil Field in the North Sea.

Bottom Image: 'In action' Lionweld Kennedy's new resistence-welding flooring machine.

Business Review

Bill Whiteley
Chairman

Derek Muir
Group Chief Executive

Introduction

Hill & Smith has continued to perform well in the six months to 30 June 2015.

Infrastructure investment in our key UK and US markets continues to be strong, underpinning the performance of our operations in Roads, Utilities and Galvanizing. Improving returns from the UK operations resulted in them generating half of the Group's underlying operating profit in the period (2014: 43%). The diversity and strength of our businesses within their respective markets continues to underpin our performance, which has shown improved underlying operating margins across all three divisions.

Results

Revenue increased by 4% to £233.0m (2014: £223.8m) with no material currency translation impacts. Adjusting for a net revenue reduction of £2.4m arising from acquisitions and disposals, organic revenue grew by £11.0m or 5%. Underlying operating margin improved to 11.3% (2014: 10.1%) with an underlying operating profit of £26.3m (2014: £22.5m), including favourable currency translation of £0.5m and a £0.7m benefit in respect of acquisitions and disposals.

Underlying profit before taxation at £24.8m was 19% higher than the previous year (2014: £20.8m). Despite the strong underlying trading performance, statutory profit before taxation reduced to £7.1m (2014: £16.0m) reflecting the one off, non cash impairment of goodwill and intangible assets relating to the 2011 acquisition of The Paterson Group, Inc., amounting to £15.8m.

Underlying earnings per share at 24.2p was up 19% compared to the previous year (2014: 20.3p). Basic earnings per share was 5.6p (2014: 14.6p).

Net debt fell to £89.2m (31 December 2014: £96.0m; 30 June 2014: £98.5m) including a beneficial currency translation impact of £1.4m.

Dividend

The Board has declared an interim dividend of 7.1p per share (2014: 6.4p), representing an 11% increase on the corresponding period last year. The interim dividend will be paid on 5 January 2016 to shareholders on the register on 20 November 2015.

Outlook

The Group continues to benefit from the industrial and geographical spread of its markets and businesses, which provide a resilient base as well as opportunities for growth. Generating 82% of revenue and 92% of underlying operating profit from its UK and US operations, the Group principally operates in markets where the overall economic outlook remains favourable. This, coupled with the implementation of strategic initiatives to fuel higher returns from the Group's portfolio, provides momentum to our drive for increased shareholder value. We do however remain mindful of the challenging comparators from our record second half earnings performance in 2014, the continued market weakness in mainland Europe and the general global economic uncertainty.

Overall, our encouraging performance to date has been in line with expectations and, with a marginal bias to the second half, we continue to expect 2015 to be a year of good progress for the Group.

> "The Group continues to benefit from the industrial and geographical spread of its markets and businesses, which provide a resilient base as well as opportunities for growth."

Operational Review

Infrastructure Products

	£m 2015	£m 2014	+/- %	Constant Currency %
Revenue	**163.4**	158.7	+3	+2
Underlying operating profit	**12.5**	10.0	+25	+23
Underlying operating margin %	**7.6**	6.3		

Overall revenue increased to £163.4m (2014: £158.7m) including a £1.5m positive impact from exchange movements. Organic revenue growth was £5.6m, or 4% at constant currency.

Underlying operating profit was £12.5m (2014: £10.0m), an increase of £2.5m, including a positive currency translation impact of £0.2m. Operating margin improved to 7.6% (2014: 6.3%).

Roads

	£m 2015	£m 2014	+/- %	Constant Currency %
Revenue	**64.6**	59.3	+9	+13
Underlying operating profit	**7.3**	5.4	+35	+35
Underlying operating margin %	**11.3**	9.1		

In the UK, the implementation of the Department for Transport's Road Investment Strategy ("RIS") is progressing as planned. In April, Highways England was formed (previously the Highways Agency) as a Government owned company with the objective of delivering a transformational investment plan in the nation's strategic road network. The RIS aims to provide certainty of road investment funding over the period 2015/16 to 2020/21, improve the connectivity and condition of the existing network and, importantly, increase capacity, with projects that will deliver 1,300 additional lane miles. The focus of the drive to add capacity will be additional 'Smart', or managed motorways, which is at the core of the Group's product offering in the UK.

Demand for permanent and temporary safety barrier continued to be strong and utilisation of our temporary safety barrier rental fleet was high. Our bridge parapet safety product also experienced higher volumes compared to the prior period. Utilisation of the temporary safety barrier rental fleet is currently forecast to soften during the summer months as major projects complete before new ones are ready to start. However, utilisation is expected to return to higher levels by the end of the year and through 2016.

The integration of Variable Message Signs ("VMS"), acquired in July 2014, has progressed to plan and the combined organisation has a wider product offering to support Highways England in its roll out of its Smart motorway programme. During the period VMS won contracts for the supply of remote control temporary traffic signs on the M1 and M3 motorways as part of the enhanced safety initiative by Highways England, and its order book remains encouraging for the second half.

Despite lower volumes following the completion of PFI projects, our lighting column business performed exceptionally well with profitability similar to the prior period. The strategy of diversifying both products and markets continues to deliver significant benefits.

Outside the UK, our Scandinavian business performed well with profitability ahead year on year despite adverse currency movements impacting its competitiveness on imported Group products. The outlook in the Scandinavian market remains favourable and we have recently invested further in the business to expand its range and depth of products. Despite the evident market opportunity, the performances of our other international businesses in France, USA, India and Australia remain disappointing with overall profitability behind the prior period. The French lighting column market remains difficult due to over-capacity and a weak local economy. In the USA, Zoneguard, our temporary safety barrier, continues to gain acceptance among contractors but progress remains slower than expected. India and Australia remain 'start-up' businesses with the opportunity for growth in niche markets and we expect to see an improved performance over the next twelve months.

Utilities

	£m 2015	£m 2014	+/- %	Constant Currency %
Revenue	**98.8**	99.4	-1	-4
Underlying operating profit	**5.2**	4.6	+13	+8
Underlying operating margin %	**5.3**	4.6		

Revenues were marginally below the prior year at £98.8m (2014: £99.4m) principally driven by the prior year disposal of two businesses, the impact of which was to decrease revenues by £7.6m year on year. Operating margins improved to 5.3% (2014: 4.6%). Organic revenue growth was £3.1m, or 3%, with positive currency translation and acquisitions contributing £3.5m and £0.4m respectively. Underlying operating profit was £5.2m (2014: £4.6m) including a positive currency impact of £0.2m.

Our US utilities businesses, comprising composite material and power transmission substation operations, performed well with revenue and profitability marginally ahead of prior year despite poor weather during the first quarter which delayed construction projects, principally in the north east. Our substation utility business saw increased success in packaging work supplying structural steel together with the electrical components. They also gained momentum with framework agreements, which now account for 50% of their revenue. Our composite waterfront products were installed in the New York area giving pier protection to both new and existing bridges. Composite utility poles were also supplied to Baja, Mexico after the hurricane damage experienced earlier in the year.

Our pipe supports business in the USA also experienced disruption from the adverse weather conditions in the first quarter although second quarter trading was more encouraging. The continued absence of major traditional power projects is being partly compensated for by delivery of pipe supports to new ethylene and fertilizer plants. Demand in the industrial pipe hanger business improved throughout the period and overall, although results remain below our expectations, revenue and profitability were ahead of the prior period. On 30 April 2015 the Group completed the acquisition of Novia Associates, Inc. ("Novia"), a vibration and seismic control manufacturer located in New Hampshire, USA. In 2014 Novia had revenue of \$3.5m and adjusted EBITDA of \$0.3m. Net consideration was \$2.8m. Novia will extend the product offering of our US pipe supports business and the first two months of trading has been in line with our expectations.

Business Review continued

As previously reported, our pipe supports business outside of the US entered the year with a lower order book than we would usually expect. The lower volumes adversely impacted operational gearing in our UK and Thailand facilities and resulted in a disappointing first half performance below our expectations. However, our Indian facility experienced good demand levels and performed in line with expectations. Encouragingly, and despite continued low oil prices, order intake improved dramatically during the second quarter across all three regions with projects for a pulp and paper mill in Indonesia and three packages on Dahej and Mundra LNG terminals in India. The thermal power market in India remains encouraging with all three of our plants in Thailand, India and the UK supplying products in the second half. We enter the second half with an order book of £12.2m, significantly ahead of the £7.6m at 31 December 2014. Operational improvements in people and processes made over previous periods should now enable successful execution and delivery of the enlarged order book and we look forward to a better second half performance.

In the UK, our utilities businesses have performed strongly year on year. The industrial flooring operation continues to benefit from single site operation and investments made in property and machinery to improve volume and productivity. During the period we were successful in delivery of handrail and platforms for Crossrail train maintenance depots and the Cygnus gas field wellhead platform. The order book and outlook remains healthy.

Our plastic pipe business is currently benefitting from a strong housing sector with volumes significantly ahead year on year. The transition to AMP6 projects is slower than originally projected but enquiry levels are significant. Recent capital investment to drive productivity improvements is reaping rewards.

Ongoing Government investment in the UK rail network and the protection of critical infrastructure sites has provided higher volumes for our security fencing operation, which performed well. Supply of solar frames was similar to the prior period despite the removal of certain tax subsidies earlier in the year.

The housing market, principally new build, for Birtley and Expamet continues to perform strongly with the supply of lintels and doors ahead of expectations and prior year.

Galvanizing Services

	£m		+/-	Constant Currency
	2015	2014	%	%
Revenue	**69.6**	65.1	+7	+8
Underlying operating profit	**13.8**	12.5	+10	+8
Underlying operating margin %	**19.8**	19.2		

Revenue increased by 7% to £69.6m (2014: £65.1m), despite negative currency movements of £0.9m. Underlying operating profit increased by £1.3m to £13.8m (2014: £12.5m) including £0.3m positive currency impact. Overall volumes were 3% ahead of the same period in the prior year primarily due to strong output in the US. Operating margins remained strong at 19.8% (2014: 19.2%) despite some volatility in zinc prices notably in non US$ denominated currencies.

USA

Volumes were 32% ahead of the same period in 2014. Adjusting for the new plant in Memphis, underlying volumes from existing plants were up 21%. Weather patterns were similar to 2014 with poor conditions in the first quarter delaying construction sites. Second quarter volumes were exceptional as projects accelerated to catch up from the first quarter weather impact. Alternative energy projects have been strong with solar work in particular standing out. Whilst some of the additional volume attracts a lower margin, overall the business performed ahead of expectations.

The new plant in Memphis commenced production at the end of November 2014. Volumes have steadily improved throughout the first half resulting in profitable trading in the second quarter and break even overall in the period. The performance bodes well for the rest of the year and the future.

France

Despite recent economic stimulus from the European Central Bank, the French and wider mainland European economies remain subdued. Volumes in France fell 12% year on year. Excluding the impact of the one off contract for the Bordeaux Stadium, which completed in early 2014, underlying volumes fell 8%. Pricing discipline and cost control enabled us to maintain margins in line with the prior period.

UK

Headline volumes in the UK fell 5% year on year with the principal driver being our decision to close our Hereford plant, the smaller of our two structural galvanizing baths, in December 2014 as part of our drive to optimise our network and increase returns. The closure has been completed to plan and encouragingly we have retained a higher proportion of the existing customer base than expected. Structural steel customers are now serviced from our Chesterfield plant where we have invested significantly to expand and upgrade facilities. Excluding the impact of the Hereford plant closure, underlying volumes were similar to the prior year. The lower cost base more than offset the reduced volumes resulting in profitability marginally ahead of the prior period.

Mark Pegler
Group Finance Director

Financial Review

Cash generation and financing

Cash generated from operations during the period was £26.9m (2014: £15.2m), the improvement on last year reflecting higher underlying profits and working capital efficiencies. The working capital outflow in the period, which arises from normal seasonal trading patterns, was £5.6m (2014: £10.5m) and overall working capital as a percentage of annualised sales improved to 14.4% at 30 June 2015 (2014: 15.0%) with a reduction in debtor days to 58 days (30 June 2014: 60 days; 31 December 2014: 60 days). There were no material net impacts on the period end balance from movements in zinc and commodity prices. Cash spend of £0.7m was incurred in respect of the costs of closure of one of the Group's operating sites announced in December 2014.

Capital expenditure of £8.4m (2014: £16.8m) represents a multiple of depreciation and amortisation of 1.0 times (2014: 2.3 times), reflecting a more normal level of spend following the significant outlay in the prior year on construction of Zoneguard temporary road safety barrier in the UK and the new galvanizing facility in Memphis, Tennessee.

Group net debt at 30 June 2015 was £89.2m, a reduction of £6.8m since 31 December 2014 (£96.0m) including a favourable exchange impact of £1.4m principally resulting from the appreciation of Sterling against the Euro during the period.

Change in net debt

	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Change in net debt			
Operating profit	**9.1**	18.1	41.1
Non-cash items	**25.7**	12.3	23.2
Operating cash flow before movement in working capital	**34.8**	30.4	64.3
Net movement in working capital	**(5.6)**	(10.5)	(5.1)
Change in provisions and employee benefits	**(2.3)**	(4.7)	(5.5)
Operating cash flow	**26.9**	15.2	53.7
Tax paid	**(5.9)**	(4.3)	(9.3)
Net financing costs paid	**(1.5)**	(1.7)	(3.2)
Capital expenditure	**(8.4)**	(16.8)	(35.9)
Proceeds on disposal of non-current assets	**0.9**	0.2	0.7
Free cash flow	**12.0**	(7.4)	6.0
Dividends paid	**(5.0)**	(4.7)	(12.4)
Acquisitions	**(1.5)**	-	(0.2)
Disposals	**-**	0.1	0.5
Issue of new shares	**1.1**	0.2	0.3
Amortisation of costs associated with revolving credit facilities	**(0.2)**	-	(0.3)
Satisfaction of long term incentive payments	**(1.0)**	(1.0)	(2.4)
Net debt decrease/(increase)	**5.4**	(12.8)	(8.5)
Effect of exchange rate fluctuations	**1.4**	1.5	(0.3)
Net debt at the beginning of the period	**(96.0)**	(87.2)	(87.2)
Net debt at the end of the period	**(89.2)**	(98.5)	(96.0)

Business Review continued

The net debt to EBITDA ratio under the Group's principal banking facility fell to 1.3 times at 30 June 2015 (31 December 2014: 1.5 times), driven by the positive impact of working capital efficiencies, reduced capital expenditure and growth in EBITDA. Interest cover was 23.5 times (31 December 2014: 20.6 times).

Tax
The underlying effective tax rate for the period was 24.0% (year ended 31 December 2014: 24.0%) and is the estimated effective rate for the full year. The tax charge for the period was £2.7m (2014: £4.6m), including a £3.2m credit in respect of non-underlying charges, principally representing the unwind of deferred tax liabilities on the amortisation and impairment of acquisition intangible assets. The underlying income statement tax charge is in line with the cash tax charge of £5.9m (2014: £4.3m).

Finance costs
Net financing costs for the period were £2.0m (2014: £2.1m) with an underlying element of £1.5m (2014: £1.7m). Underlying operating profit covered net underlying finance costs 17.5 times (2014: 13.2 times). The non-underlying element of finance costs of £0.5m (2014: £0.4m) represents the net cost of pension fund financing of £0.3m and £0.2m amortisation of refinancing fees capitalised in the prior year.

Non-underlying items
The total non-underlying items charged to operating profit in the Consolidated Income Statement amounted to £17.2m (2014: £4.4m) and were made up of the following:

	Income Statement Charge £m	Cash in the year £m	Non-cash £m
Impairment of acquired intangible assets	(15.8)	-	(15.8)
Business reorganisation costs	0.2	-	0.2
Acquisition costs	(0.4)	(0.4)	-
Amortisation of acquisition intangibles	(1.1)	-	(1.1)
Losses on sale of properties	(0.1)	0.4	(0.5)
	(17.2)	-	(17.2)

- The impairment charge of £15.8m represents a full impairment of the goodwill and acquired intangible assets relating to the Group's acquisition of The Paterson Group in March 2011. Despite an improvement in performance in the second quarter of 2015, first half results remain below expectations and, overall, the business continues to generate levels of profitability that are significantly below those anticipated at acquisition, largely driven by changes in the US power generation market including the hiatus in nuclear spend. As a result an impairment review was performed at the half year (see note 6) and has resulted in a full impairment of the goodwill and acquired intangible assets.

- The credit of £0.2m in respect of business reorganisation costs reflects the net release of provisions made in the prior year in respect of site closures, following the favourable settlement of the exposures previously provided.

- Acquisition costs of £0.4m comprise £0.1m for the acquisition of Novia Associates, Inc. on 30 April 2015 and £0.3m relating to the aborted acquisition of W. Corbett & Co Galvanizing.

- Amortisation of acquisition intangibles was £1.1m.

- Losses on sales of properties during the year were £0.1m.

Assets held for sale
The Group holds a number of properties that are currently being actively marketed for disposal and which have therefore been classified as assets held for sale at 30 June 2015, at a value of £1.0m (31 December 2014: £1.5m). The reduction in the period reflects the disposal of one of these properties.

Acquisition
On 30 April 2015 the Group completed the acquisition of Novia Associates, Inc., a US-based business operating in a similar market to our pipe supports operations. Net consideration for the acquisition was £1.8m, of which £0.3m is deferred and payable in April 2016.

Pensions
Following the triennial valuation of the Group's UK defined benefit pension arrangements at April 2012, the Group has agreed deficit reduction plans in place that require cash contributions amounting to £2.5m for the three years to April 2016, followed by payments of £2.3m for a further seven years. The triennial valuation as at 5 April 2015 is underway and negotiations with the Trustees have commenced. Whilst it is too early to predict the outcome of these discussions it is expected that the results will be presented in the Annual Report at 31 December 2015.

Principal Risks and Uncertainties
The Group has a process for identifying, evaluating and managing the principal risks and uncertainties it faces. Details of these principal risks and uncertainties are contained on pages 17 to 21 of the Group's Annual Report and Accounts for the year ended 31 December 2014. It is the Director's opinion that these are the risks and uncertainties that could impact the performance of the Group and that they remain applicable to the current financial year.

Whilst for the six months ended 30 June 2015 there has been no significant change in the overall scope of the principal risks and uncertainties referred to above, the Board has implemented an educational programme to further strengthen risk management procedures including, inter alia, contractual management and competition law compliance. The Directors do not envisage that any of these additional measures will have a material impact upon the expected performance of the Group for the remainder of the financial year.

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 facility is a £210m multi-currency revolving credit agreement which expires in April 2019.

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 6 August 2015 and is available on the Company's website (www.hsholdings.com) under the "Latest News" or "Press Release" sections.

W H Whiteley	**D W Muir**	**M Pegler**
Chairman	Group Chief Executive	Group Finance Director

6 August 2015

Unparalleled galvanizing quality being achieved on Storm wheeled containers at Joseph Ash, Telford.

Financial Statements

Financial Statements and Notes

Images

Above: Galvanizing by France Galva on the metal framework for the Bordeaux Stadium, France.

Left: Wailua Cane Haul bridge widening by Hill & Smith, Inc. on the island of Kauai, Hawaii.

See further information at hsholdings.com

Condensed Consolidated Income Statement

Six months ended 30 June 2015

	Notes	6 months ended 30 June 2015 Underlying £m	6 months ended 30 June 2015 Non-underlying* £m	6 months ended 30 June 2015 Total £m	6 months ended 30 June 2014 Underlying £m	6 months ended 30 June 2014 Non-underlying* £m	6 months ended 30 June 2014 Total £m	Year ended 31 December 2014 Underlying £m	Year ended 31 December 2014 Non-underlying* £m	Year ended 31 December 2014 Total £m
Revenue	4, 5	**233.0**	**-**	**233.0**	223.8	-	223.8	454.7	-	454.7
Trading profit		**26.3**	**-**	**26.3**	22.5	-	22.5	49.2	-	49.2
Amortisation of acquisition intangibles	6	**-**	**(1.1)**	**(1.1)**	-	(1.0)	(1.0)	-	(2.1)	(2.1)
Business reorganisation costs	6	**-**	**0.2**	**0.2**	-	-	-	-	(2.6)	(2.6)
Acquisition costs	6	**-**	**(0.4)**	**(0.4)**	-	-	-	-	(0.1)	(0.1)
(Loss)/profit on sale of properties	6	**-**	**(0.1)**	**(0.1)**	-	-	-	-	0.4	0.4
Impairment loss on initial classification as held for sale	6	**-**	**-**	**-**	-	(3.5)	(3.5)	-	-	-
Impairment of intangible assets	6	**-**	**(15.8)**	**(15.8)**	-	-	-	-	-	-
Profit/(loss) on disposals of subsidiaries	6	**-**	**-**	**-**	-	0.1	0.1	-	(3.7)	(3.7)
Operating profit	4, 5	**26.3**	**(17.2)**	**9.1**	22.5	(4.4)	18.1	49.2	(8.1)	41.1
Financial income	7	**0.2**	**-**	**0.2**	0.2	-	0.2	0.5	-	0.5
Financial expense	7	**(1.7)**	**(0.5)**	**(2.2)**	(1.9)	(0.4)	(2.3)	(3.7)	(1.0)	(4.7)
Profit before taxation		**24.8**	**(17.7)**	**7.1**	20.8	(4.8)	16.0	46.0	(9.1)	36.9
Taxation		**(5.9)**	**3.2**	**(2.7)**	(5.0)	0.4	(4.6)	(11.1)	1.5	(9.6)
Profit for the period attributable to owners of the parent		**18.9**	**(14.5)**	**4.4**	15.8	(4.4)	11.4	34.9	(7.6)	27.3
Basic earnings per share	9	**24.2p**		**5.6p**	20.3p		14.6p	45.0p		35.1p
Diluted earnings per share	9	**24.0p**		**5.6p**	20.1p		14.4p	44.4p		34.7p
Dividend per share – Interim	10			**7.1p**			6.4p			6.4p

*The Group's definition of non-underlying items is included in note 6 on page 21.

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2015

	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Profit for the period	**4.4**	11.4	27.3
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations	**(7.4)**	(7.1)	1.2
Exchange differences on foreign currency borrowings denominated as net investment hedges	**1.5**	1.6	(0.1)
Effective portion of changes in fair value of cash flow hedges	**(0.1)**	(0.1)	(0.1)
Transfers to the Income Statement on cash flow hedges	**0.2**	0.2	0.3
Taxation on items that may be reclassified to profit or loss	**-**	-	-
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss on defined benefit pension schemes	**-**	-	(3.6)
Taxation on items that will not be reclassified to profit or loss	**-**	-	0.8
Other comprehensive income for the period	**(5.8)**	(5.4)	(1.5)
Total comprehensive income for the period attributable to owners of the parent	**(1.4)**	6.0	25.8

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Non-current assets				
Intangible assets		**108.1**	122.3	126.1
Property, plant and equipment		**123.6**	115.0	128.7
Other receivables		**-**	-	0.3
		231.7	237.3	255.1
Current assets				
Assets held for sale		**1.0**	5.6	1.5
Inventories		**59.4**	55.1	57.9
Trade and other receivables		**100.9**	99.1	92.7
Cash and cash equivalents	11	**3.9**	3.6	6.7
		165.2	163.4	158.8
Total assets		**396.9**	400.7	413.9
Current liabilities				
Liabilities held for sale		**-**	(1.8)	-
Trade and other liabilities		**(91.8)**	(87.8)	(87.7)
Current tax liabilities		**(9.1)**	(8.5)	(8.9)
Provisions for liabilities and charges		**(1.0)**	(1.1)	(1.4)
Interest bearing borrowings	11	**(0.4)**	(0.4)	(1.1)
		(102.3)	(99.6)	(99.1)
Net current assets		**62.9**	63.8	59.7
Non-current liabilities				
Other liabilities		**(0.2)**	(0.1)	(0.2)
Provisions for liabilities and charges		**(2.0)**	(2.5)	(2.8)
Deferred tax liability		**(4.2)**	(8.2)	(7.6)
Retirement benefit obligation		**(19.9)**	(18.5)	(21.1)
Interest bearing borrowings	11	**(92.7)**	(101.7)	(101.6)
		(119.0)	(131.0)	(133.3)
Total liabilities		**(221.3)**	(230.6)	(232.4)
Net assets		**175.6**	170.1	181.5
Equity				
Share capital		**19.6**	19.4	19.5
Share premium		**32.7**	31.7	31.7
Other reserves		**4.5**	4.5	4.5
Translation reserve		**(5.0)**	(5.7)	0.9
Hedge reserve		**(0.3)**	(0.5)	(0.4)
Retained earnings		**124.1**	120.7	125.3
Total equity		**175.6**	170.1	181.5

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2015

	Share capital £m	Share premium £m	Other reserves† £m	Translation reserves £m	Hedge reserves £m	Retained earnings £m	Total equity £m
Opening balance	**19.5**	**31.7**	**4.5**	**0.9**	**(0.4)**	**125.3**	**181.5**
Comprehensive income							
Profit for the period	-	-	-	-	-	**4.4**	**4.4**
Other comprehensive income for the period	-	-	-	**(5.9)**	**0.1**	-	**(5.8)**
Transactions with owners recognised directly in equity							
Dividends	-	-	-	-	-	**(5.0)**	**(5.0)**
Credit to equity of share-based payments	-	-	-	-	-	**0.4**	**0.4**
Satisfaction of long term incentive payments	-	-	-	-	-	**(1.9)**	**(1.9)**
Own shares held by employee benefit trust	-	-	-	-	-	**0.9**	**0.9**
Shares issued	**0.1**	**1.0**	-	-	-	-	**1.1**
Closing balance	**19.6**	**32.7**	**4.5**	**(5.0)**	**(0.3)**	**124.1**	**175.6**

Six months ended 30 June 2014

	Share capital £m	Share premium £m	Other reserves† £m	Translation reserves £m	Hedge reserves £m	Retained earnings £m	Total equity £m
Opening balance	19.4	31.5	4.5	(0.2)	(0.6)	114.5	169.1
Comprehensive income							
Profit for the period	-	-	-	-	-	11.4	11.4
Other comprehensive income for the period	-	-	-	(5.5)	0.1	-	(5.4)
Transactions with owners recognised directly in equity							
Dividends	-	-	-	-	-	(4.7)	(4.7)
Credit to equity of share-based payments	-	-	-	-	-	0.5	0.5
Satisfaction of long term incentive payments	-	-	-	-	-	(1.0)	(1.0)
Shares issued	-	0.2	-	-	-	-	0.2
Closing balance	19.4	31.7	4.5	(5.7)	(0.5)	120.7	170.1

Year ended 31 December 2014

	Share capital £m	Share premium £m	Other reserves† £m	Translation reserves £m	Hedge reserves £m	Retained earnings £m	Total equity £m
Opening balance	19.4	31.5	4.5	(0.2)	(0.6)	114.5	169.1
Comprehensive income							
Profit for the year	-	-	-	-	-	27.3	27.3
Other comprehensive income for the period	-	-	-	1.1	0.2	(2.8)	(1.5)
Transactions with owners recognised directly in equity							
Dividends	-	-	-	-	-	(12.4)	(12.4)
Credit to equity of share-based payments	-	-	-	-	-	0.9	0.9
Satisfaction of long term incentive payments	-	-	-	-	-	(1.0)	(1.0)
Own shares acquired by employee benefit trust	-	-	-	-	-	(1.4)	(1.4)
Tax taken directly to the Consolidated Statement of Changes in Equity	-	-	-	-	-	0.2	0.2
Shares issued	0.1	0.2	-	-	-	-	0.3
Closing balance	19.5	31.7	4.5	0.9	(0.4)	125.3	181.5

† 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 Cash Flows

Six months ended 30 June 2015

	Notes	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Profit before tax		**7.1**	16.0	36.9
Add back net financing costs		**2.0**	2.1	4.2
Operating profit		**9.1**	18.1	41.1
Adjusted for non-cash items:				
Share-based payments		**0.4**	0.5	1.2
Impairment loss on initial classification as held for sale		**-**	3.5	-
Loss/(gain) on disposal of non-current assets		**0.1**	-	(0.3)
(Profit)/loss on disposal of subsidiaries		**-**	(0.1)	3.7
Depreciation		**7.9**	7.0	14.2
Amortisation of intangible assets		**1.5**	1.4	3.0
Impairment of non-current assets	6	**15.8**	-	1.4
		25.7	12.3	23.2
Operating cash flow before movement in working capital		**34.8**	30.4	64.3
Increase in inventories		**(3.0)**	(3.8)	(4.3)
Increase in receivables		**(9.4)**	(12.0)	(2.7)
Increase in payables		**6.8**	5.3	1.9
Decrease in provisions and employee benefits		**(2.3)**	(4.7)	(5.5)
Net movement in working capital		**(7.9)**	(15.2)	(10.6)
Cash generated by operations		**26.9**	15.2	53.7
Income taxes paid		**(5.9)**	(4.3)	(9.3)
Interest paid		**(1.7)**	(1.9)	(3.7)
Net cash from operating activities		**19.3**	9.0	40.7
Interest received		**0.2**	0.2	0.5
Proceeds on disposal of non-current assets		**0.9**	0.2	0.7
Purchase of property, plant and equipment		**(8.0)**	(16.3)	(34.6)
Purchase of intangible assets		**(0.4)**	(0.5)	(1.3)
Acquisition of subsidiary		**(1.5)**	-	-
Disposals of subsidiaries		**-**	0.1	0.5
Net cash used in investing activities		**(8.8)**	(16.3)	(34.2)
Issue of new shares		**1.1**	0.2	0.3
Satisfaction of long term incentive payments		**(1.0)**	(1.0)	(2.4)
Dividends paid	10	**(5.0)**	(4.7)	(12.4)
Costs associated with refinancing		**-**	(1.4)	(1.5)
New loans and borrowings		**15.0**	21.9	39.2
Repayment of loans and borrowings		**(23.1)**	(13.6)	(32.7)
Repayment of obligations under finance leases		**-**	(0.2)	(0.3)
Net cash (used in)/raised from financing activities		**(13.0)**	1.2	(9.8)
Net decrease in cash		**(2.5)**	(6.1)	(3.3)
Cash at the beginning of the period		**6.7**	10.0	10.0
Effect of exchange rate fluctuations		**(0.3)**	(0.3)	-
Cash at the end of the period	11	**3.9**	3.6	6.7

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 4 August 2015 and in accordance with IAS34: 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 2014 (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 2014). The following standards and interpretations, which were not effective as at 30 June 2015 and have not been early adopted by the Group, will be adopted in future accounting periods (*denotes standards and interpretations that have been EU endorsed):

- Amendment to IAS 19 – Employee Benefits*
- Annual improvements to IFRSs 2010-2012*
- Annual improvements to IFRSs 2011-2013*
- IFRS 9 - Financial Instruments
- Amendments to IAS 1 – Presentation of financial statements
- Annual improvements to IFRSs 2012 – 2014
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 15 - Revenue Recognition

The comparative figures for the financial year ended 31 December 2014 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.

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 2014.

3. Exchange rates
The principal exchange rates used were as follows:

	6 months ended 30 June 2015		6 months ended 30 June 2014		Year ended 31 December 2014	
	Average	**Closing**	Average	Closing	Average	Closing
Sterling to Euro (£1 = EUR)	**1.37**	**1.41**	1.22	1.25	1.24	1.28
Sterling to US Dollar (£1 = USD)	**1.52**	**1.57**	1.67	1.71	1.65	1.56
Sterling to Thai Bhat (£1 = THB)	**50.23**	**53.16**	54.32	55.47	53.50	51.32
Sterling to Swedish Krona (£1 = SEK)	**12.76**	**13.05**	10.90	11.43	11.30	12.07

Notes to the Condensed Consolidated Interim Financial Statements continued

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 2015			6 months ended 30 June 2014		
	Revenue £m	Result £m	Underlying result* £m	Revenue £m	Result £m	Underlying result* £m
Infrastructure Products - Utilities	**98.8**	**(11.9)**	**5.2**	99.4	0.5	4.6
Infrastructure Products - Roads	**64.6**	**7.1**	**7.3**	59.3	5.2	5.4
Infrastructure Products - Total	**163.4**	**(4.8)**	**12.5**	158.7	5.7	10.0
Galvanizing Services	**69.6**	**13.9**	**13.8**	65.1	12.4	12.5
Total Group	**233.0**	**9.1**	**26.3**	223.8	18.1	22.5
Net financing costs		**(2.0)**	**(1.5)**		(2.1)	(1.7)
Profit before taxation		**7.1**	**24.8**		16.0	20.8
Taxation		**(2.7)**	**(5.9)**		(4.6)	(5.0)
Profit after taxation		**4.4**	**18.9**		11.4	15.8

	Year ended 31 December 2014		
	Revenue £m	Result £m	Underlying result* £m
Infrastructure Products - Utilities	195.2	5.4	9.2
Infrastructure Products - Roads	127.7	12.5	13.3
Infrastructure Products - Total	322.9	17.9	22.5
Galvanizing Services	131.8	23.2	26.7
Total Group	454.7	41.1	49.2
Net financing costs		(4.2)	(3.2)
Profit before taxation		36.9	46.0
Taxation		(9.6)	(11.1)
Profit after taxation		27.3	34.9

* Underlying result is stated before Non-underlying items as defined in note 6 on page 21, 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 £2.7m revenues to Infrastructure Products – Roads (six months ended 30 June 2014: £3.1m, the year ended 31 December 2014: £5.9m) and £0.9m revenues to Infrastructure Products – Utilities (six months ended 30 June 2014: £0.9m, the year ended 31 December 2014: £1.8m). Infrastructure Products – Utilities provided £1.9m revenues to Infrastructure Products – Roads (six months ended 30 June 2014: £0.7m, the year ended 31 December 2014: £3.6m). These internal revenues, along within revenues generated within each segment, have been eliminated on consolidation.

The Group presents the analysis of continuing operations revenue by geographical market, irrespective of origin:

	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
UK	**121.3**	109.7	220.4
Rest of Europe	**38.0**	49.9	95.1
North America	**65.6**	53.7	113.7
Asia and the Middle East	**7.6**	9.0	21.1
Rest of World	**0.5**	1.5	4.4
Total	**233.0**	223.8	454.7

5. Operating profit

	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Revenue	**233.0**	223.8	454.7
Cost of sales	**(148.6)**	(145.9)	(296.9)
Gross profit	**84.4**	77.9	157.8
Distribution costs	**(10.8)**	(11.0)	(22.9)
Administrative expenses*	**(65.0)**	(49.3)	(95.3)
(Loss)/gain on disposal of non-current assets	**(0.1)**	-	0.3
Other operating income	**0.6**	0.5	1.2
Operating profit	**9.1**	18.1	41.1

* In the 6 months ended 30 June 2015 including a £15.8m impairment charge in respect of goodwill and acquired intangible assets (2014: nil).

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.
- Expenses associated with acquisitions.
- 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 tax effect of the above is also included.

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

Six months ended 30 June 2015
Non-underlying items included in operating profit comprise the following:

- Amortisation of acquired intangible fixed assets of £1.1m.
- Acquisition expenses of £0.4m, of which £0.1m relates to the acquisition of Novia Associates, Inc. on 30 April 2015 and £0.3m relates to the aborted acquisition of W Corbett & Co Galvanizing.
- Losses on disposal of properties of £0.1m.
- A credit in respect of business reorganisations of £0.2m, reflecting the net release of provisions made in previous years in respect of site closures following a favourable settlement during the period of the exposures identified.
- An impairment charge of £15.8m in respect of goodwill and acquired intangible assets. As set out in the Finance Review on page 10, the current and forecast financial performance of The Paterson Group (part of the Infrastructure Products - Utilities segment) is below that assumed in the impairment review performed as at 31 December 2014 and, overall, the business continues to generate levels of profitability that are significantly below those anticipated at acquisition. As a result, an impairment review was performed at 30 June 2015, based on the Board's revised expectation of future profitability and cash generation. The impairment review concluded that the carrying values of the assets of the business were less than their recoverable amount (determined by reference to the Value in Use) by £15.8 million, allocated to the goodwill (£8.2 million) and the remaining book value of acquired intangible assets (£7.6 million) arising on acquisition. The basis for determining the Value in Use, including the discount rate and rate of future growth, was consistent with that used in the annual impairment review performed as at 31 December 2014.

Non-underlying items included in financial expense represent the net financing cost on pension obligations of £0.3m (2014: £0.4m) and a £0.2m charge in respect of amortisation of costs associated with refinancing.

Notes to the Condensed Consolidated Interim Financial Statements continued

Year ended 31 December 2014
Non-underlying items included in operating profit comprise the following:

- Business reorganisation costs of £2.6m, principally relating to redundancies and other net costs associated with site closures including the Joseph Ash Galvanizing plant at Hereford. The net costs included asset impairment charges of £1.4m.
- Amortisation of acquired intangible fixed assets of £2.1m.
- Acquisition expenses of £0.1m relating to acquisitions made by the Group during the year.
- Profits on disposal of properties of £0.4m.
- A net loss on disposal of subsidiaries of £3.7m. On 23 April 2014 the Group disposed of its 50% interest in the shares of Staco Redman Limited for a consideration of £0.3m, while on 18 August 2014 the Group disposed of its subsidiary Bromford Iron & Steel Company Limited and JA Envirotanks, a trading division of Joseph Ash Limited, for a combined consideration of £1.3m. The details of these disposals are set out below:

	Staco Redman Ltd £m	Bromford Iron & Steel Co Ltd £m	JA Envirotanks £m	Total £m
Property, plant and equipment	-	1.8	0.1	1.9
Inventories	-	2.1	0.5	2.6
Current assets	0.1	1.3	0.9	2.3
Cash and cash equivalents	0.2	0.1	0.1	0.4
Current liabilities	(0.1)	(1.4)	(0.5)	(2.0)
Deferred tax	-	(0.1)	-	(0.1)
Net assets	**0.2**	**3.8**	**1.1**	**5.1**
Consideration:				
Cash consideration	0.3	0.4	0.4	1.1
Deferred consideration	-	0.5	-	0.5
Less costs to sell	-	(0.1)	(0.1)	(0.2)
Profit/(loss) on disposal	**0.1**	**(3.0)**	**(0.8)**	**(3.7)**

Non-underlying items included in financial income and expense represent the net financing cost on pension obligations of £0.7m and financial expenses associated with refinancing of £0.3m.

7. Net financing costs

	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Interest on bank deposits	**0.2**	0.2	0.5
Financial income	**0.2**	0.2	0.5
Interest on bank loans and overdrafts	**1.7**	1.9	3.7
Interest on finance leases and hire purchase contracts	**-**	-	-
Total interest expense	**1.7**	1.9	3.7
Financial expenses related to refinancing	**0.2**	-	0.3
Interest cost on net pension scheme deficit	**0.3**	0.4	0.7
Financial expense	**2.2**	2.3	4.7
Net financing costs	**2.0**	2.1	4.2

8. Taxation

Tax has been provided on the underlying profit at the estimated effective rate of 24.0% (2014: 24.0%) for existing operations for the full year.

9. Earnings per share

The weighted average number of ordinary shares in issue during the period was 78.0m, diluted for the effect of outstanding share options 78.8m (six months ended 30 June 2014: 77.8m and 78.8m diluted, the year ended 31 December 2014: 77.8m and 78.8m 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 2015		6 months ended 30 June 2014		Year ended 31 December 2014	
	Pence per share	**£m**	Pence per share	£m	Pence per share	£m
Basic earnings	**5.6**	**4.4**	14.6	11.4	35.1	27.3
Non-underlying items*	**18.6**	**14.5**	5.7	4.4	9.9	7.6
Underlying earnings	**24.2**	**18.9**	20.3	15.8	45.0	34.9
Diluted earnings	**5.6**	**4.4**	14.4	11.4	34.7	27.3
Non-underlying items*	**18.4**	**14.5**	5.7	4.4	9.7	7.6
Underlying diluted earnings	**24.0**	**18.9**	20.1	15.8	44.4	34.9

* Non-underlying items as detailed in note 6.

10. Dividends

Dividends paid in the period were the prior year's interim dividend of £5.0m (2014: £4.7m). The final dividend for 2014 of £9.1m (2014: £7.8m) was paid on 3 July 2015. 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 £5.6m, 7.1p per share (2014: £5.0m, 6.4p per share).

11. Analysis of net debt

	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Cash and cash equivalents	**3.9**	3.6	6.7
Interest bearing loans and borrowings due within one year	**(0.4)**	(0.4)	(1.1)
Interest bearing loans and borrowings due after more than one year	**(92.7)**	(101.7)	(101.6)
Net debt	**(89.2)**	(98.5)	(96.0)

	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Change in net debt			
Operating profit	**9.1**	18.1	41.1
Non-cash items	**25.7**	12.3	23.2
Operating cash flow before movement in working capital	**34.8**	30.4	64.3
Net movement in working capital	**(5.6)**	(10.5)	(5.1)
Change in provisions and employee benefits	**(2.3)**	(4.7)	(5.5)
Operating cash flow	**26.9**	15.2	53.7
Tax paid	**(5.9)**	(4.3)	(9.3)
Net financing costs paid	**(1.5)**	(1.7)	(3.2)
Capital expenditure	**(8.4)**	(16.8)	(35.9)
Proceeds on disposal of non-current assets	**0.9**	0.2	0.7
Free cash flow	**12.0**	(7.4)	6.0
Dividends paid (note 10)	**(5.0)**	(4.7)	(12.4)
Acquisitions	**(1.5)**	-	(0.2)
Disposals	**-**	0.1	0.5
Amortisation of costs associated with refinancing revolving credit facilities	**(0.2)**	-	(0.3)
Issue of new shares	**1.1**	0.2	0.3
Satisfaction of long term incentive payments	**(1.0)**	(1.0)	(2.4)
Net debt decrease/(increase)	**5.4**	(12.8)	(8.5)
Effect of exchange rate fluctuations	**1.4**	1.5	(0.3)
Net debt at the beginning of the period	**(96.0)**	(87.2)	(87.2)
Net debt at the end of the period	**(89.2)**	(98.5)	(96.0)

Notes to the Condensed Consolidated Interim Financial Statements continued

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	-	3.9	3.9	3.9
Interest bearings loans due within one year	-	(0.4)	(0.4)	(0.4)
Interest bearing loans due after more than one year	-	(92.7)	(92.7)	(92.7)
Derivative assets	0.1	-	0.1	0.1
Derivative liabilities	(0.3)	-	(0.3)	(0.3)
Other assets	-	95.2	95.2	95.2
Other liabilities	-	(79.3)	(79.3)	(79.3)
Total at 30 June 2015	(0.2)	(73.3)	(73.5)	(73.5)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either as a direct price or indirectly derived from prices.
- Level 3 : inputs for the asset or liability that are not based on observable market data.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets	-	0.1	-	0.1
Derivative financial liabilities	-	(0.3)	-	(0.3)
At 30 June 2015	-	(0.2)	-	(0.2)

At 30 June 2015 the Group did not have any liabilities classified at Level 1 or Level 3 in the fair value hierarchy. There have been no transfers in any direction in the period.

The Group determines Level 2 fair values for its financial instruments based on broker quotes, tested for reasonableness by discounting expected future cash flows using market interest rates for a similar instrument at the measurement date.

Financial Calendar

Ex-dividend date	19 November 2015
Record date	20 November 2015
Payment of interim dividend for 2015	5 January 2016
Preliminary results announcement for 2015	March 2016
Annual General Meeting 2016	17 May 2016

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 5 January 2016, need to elect to do so by 10 December 2015. In order to make an election, shareholders should contact Computershare Investor Services either by telephoning 0870 707 1058 or by visiting its website www.computershare.com/investor/UK.

Principal Group Businesses

Infrastructure Products

Asset International Limited
Weholite HDPE structured wall, large diameter pipes, for use in the water and construction sectors

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South Wales, NP19 4XH
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Fax: +44 (0) 1633 290519
sales@weholite.co.uk
www.weholite.co.uk

Asset VRS (D)
(for address see Hill & Smith Limited)
Permanent and temporary solutions for vehicle restraints

Tel: +44 (0) 1902 499445
Fax: +44 (0) 1902 402104
sales@asset-vrs.co.uk
www.asset-vrs.co.uk

ATA Bygg-och Markprodukter AB*
Road safety barriers, road signage and traffic safety solutions
Incorporated in Sweden

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Sollentuna, Sweden
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Fax: +46 (0) 8 29 25 15
ata@ata.se
www.ata.se

ATA Hill & Smith AS*
Road safety barriers, road signage and traffic safety solutions
Incorporated in Norway

Grev Wedels plass 2, 3015 Drammen,
Norway
Tel: +44 (0) 32 26 93 00
post@ata.no
www.ata.no

Barkers Engineering Limited*
Security solutions and fasteners

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Staffordshire, ST4 3NS
Tel: +44 (0) 1782 319264
Fax: +44 (0) 1782 599724
sales@barkersengineering.com
www.barkersengineering.com

Bergen Pipe Supports Asia Limited*
Manufacture and supply of pipe supports solutions, including constant and variable effort support, and cryogenic supports
Incorporated in Thailand

26/5 Moo 9, Soi Rattanaraj,
Bangna-Trad Road. Km 18.2,
Bangchalong, Bangplee, Samut Prakarn,
10540, Thailand
Tel: +66 (2) 312 7685
Fax: +66 (2) 312 7710
psa@pipesupports.com
www.pipesupports.com

Bergen Pipe Supports India Private Limited*
Manufacture and supply of pipe supports solutions, including constant and variable effort supports
Incorporated in India

No.720, Belerica Road, Sector 22,
Sri City DTZ, Varadaiahpalem Manndal
Chittor District, Andhra Pradesh, 517 541
Tel: +91 8576 305 666
bpsi@pipesupports.com
www.pipesupports.com

Bergen Pipe Supports, Inc.*
Manufacture and supply of pipe supports solutions, including constant and variable effort supports
Incorporated in the USA

484 Galiffa Drive, Donora,
Pennsylvania, 15033, USA
Tel: +1 (724) 379 5212
Fax: +1 (724) 379 9363
bpwoburn@bergenpower.com
www.bergenps.com

Berry Systems (D)
(for address see Hill & Smith Limited)
Car park and industrial barriers, spring steel barriers, protection bollards, speed ramps, handrail panels

Tel: +44 (0) 1902 491100
Fax: +44 (0) 1902 494080
sales@berrysystems.co.uk
www.berrysystems.co.uk

Birtley Group Limited*
Galvanized lintels, balconies, structural fittings for construction and doors

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

Brifen (D)
(for address see Hill & Smith Limited)
Wire rope safety fence vehicle restraints

Tel: +44 (0) 1902 499400
Fax: +44 (0) 1902 499419
sales@hill-smith.co.uk
www.hill-smith.co.uk

Bristorm (D)
(for address see Hill & Smith Limited)
Anti-terrorist security fencing

Tel: +44 (0) 1902 499400
Fax: +44 (0) 1902 499419
info@bristorm.com
www.bristorm.com

CA Traffic Limited
Traffic monitoring, vehicle activated signs and automatic number plate recognition equipment

Griffin Lane, Aylesbury,
Buckinghamshire, HP19 8BP
Tel: +44 (0) 1296 333499
Fax: +44 (0) 1296 333498
sales@ca-traffic.co.uk
www.ca-traffic.com

Carpenter & Paterson, Inc.*
Industrial pipe hangers, metal framing channel and fasteners
Incorporated in the USA

225 Merrimac Street, Woburn,
Massachusetts, 01801, USA
Tel: +1 (781) 935 2950
Fax: +1 (781) 935 7664
www.carpenterandpaterson.com

Creative Pultrusions, Inc.*
Manufacture of fibre reinforced composite profiles
Incorporated in the USA

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

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.

Infrastructure Products

Conimast International SAS*
Specialist steel lighting columns, galvanizing and steel 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 Limited
Highway and off-highway safety barriers, temporary highway barriers for workzone protection. Corrugated steel structures

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

Hill & Smith, Inc.*
Temporary road barrier solutions for workzone protection
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.hshighway.com

Hill & Smith Infrastructure Products India Pvt Limited*
Road safety barrier systems, traffic monitoring and number plate recognition systems
Incorporated in India

Plot 478, Sector 8, IMT Manesar,
Gurgaon, Haryana, 122050, India
Tel: +91 124 425 9996
Fax: +91 124 425 9996
enquiries@hsipi.in
www.hsipi.in

Hill & Smith Pty Limited*
Wire rope and temporary safety barriers
Incorporated in Australia

Unit 1, 242 New Cleveland Road,
Tingalpa, QLD 4173, Australia
Tel: +61 (0) 7 3162 6078
hsroads.com.au

Lionweld Kennedy Flooring Limited
Open steel 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

Mallatite Limited
Manufacture of 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
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www.mallatite.co.uk

Novia Associates, Inc.*
Manufacturer of vibration isolation and seismic restraint devices
Incorporated in the USA

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Pipe Supports Limited*
Manufacture and supply of pipe supports solutions, including constant and variable effort supports

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Estate, Droitwich, Worcestershire, WR9 9AS
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V&S Utilities**
Electrical utility products and services.
Incorporated in the USA

987 Buckeye Park Road, Columbus,
Ohio, 43207, USA
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www.vsschuler.com

Variable Message Signs (D)
Design, manufacture and installation of LED based light technology solutions

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Aylesbury, Buckinghamshire, HP19 8BP
Tel: +44 (0) 1296 673000
Fax: +44 (0) 1296 673002

Monkton Business Park, Mill Lane, Hebburn,
Tyne and Wear, NE31 2JZ
Tel: +44 (0) 191 423 7070
Fax: +44 (0) 191 423 7071
sales@vmslimited.co.uk
www.vmslimited.co.uk

Varley & Gulliver Limited
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
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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.
****** Trading name for V&S Schuler Engineering, V&S Schuler Tubular Products and V&S Clark Substations, all indirectly held and all wholly owned and incorporated in the USA.
(D) Operating division only, not a limited company.

Principal Group Businesses continued

Galvanizing Services

France Galva SA*
Galvanizing and powder coaters of steel
Incorporated in France

Z.I. La Sauniere BP70, 89600
Saint Florentin, France
Tel: +33 (0) 3 86 43 82 28
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Barkers Engineering Limited*
Galvanizing and power coating services

Duke Street, Fenton, Stoke-on-Trent,
Staffordshire, ST4 3NS
Tel: +44 (0) 1782 319264
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sales@barkersengineering.com
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Birtley Group Limited*
Galvanizing services

Mary Avenue, Birtley, County Durham,
DH3 1JF
Tel: +44 (0) 191 410 6631
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Joseph Ash Limited*
Galvanizing and powder coating services

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Halesowen, West Midlands, B62 8DG
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Fax: +44 (0) 121 504 2599
sales@josephash.co.uk
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Medway Galvanising Company Limited*
Galvanizing and powder coating services

Castle Road, Eurolink Industrial Centre,
Sittingbourne, Kent, ME10 3RN
Tel: +44 (0)1795 479489
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info@medgalv.co.uk
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Voigt & Schweitzer LLC*
Galvanizing Services
Incorporated in the USA

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Ohio, 43207, USA
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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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(D) Operating division only, not a limited company.

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