2022

Stock Code HILS

Half year results
Six months ended 30 June 2022

Hill & Smith Holdings PLC

Contents

Hill & Smith Holdings PLC
Half Year Results (unaudited) for the 6 months ended 30 June 2022

Hill & Smith Holdings PLC ("Hill & Smith" or "the Group"), the international group creating sustainable infrastructure and safe transport through innovation, announces its unaudited results for the six months ended 30 June 2022 ("the period").

Financial Results

	Underlying*		*Change*			Statutory		*Change*
	30 June 2022	***30 June 2021(1)***	***Reported %***	***Constant Currency %***	***OCC^ %***	***30 June 2022***	***30 June 2021(1)***	***Reported %***
Continuing Operations (1)								
Revenue	**£349.9m**	£313.6m	***+12%***	***+9%***	***+12%***	**£349.9m**	£313.6m	*+12%*
Operating profit	**£43.6m**	£37.7m	***+16%***	***+10%***	***+8%***	**£34.8m**	£19.4m	*+79%*
Operating margin	**12.5%**	12.0%	***+50 bps***			**9.9%**	6.2%	*+370bps*
Profit before tax	**£40.2m**	£34.4m	***+17%***			**£31.4m**	£16.1m	*+95%*
Earnings per share	**38.7p**	34.2p	***+13%***			**29.3p**	10.7p	*+174%*
Total Group (1)								
Earnings per share	**43.2p**	38.5p	***+12%***			**32.7p**	15.0p	*+118%*
Dividend per share	**13.0p**	12.0p	***+8%***			**13.0p**	12.0p	*+8%*

(1) Continuing operations exclude France Galva, which has been accounted for as a discontinued operation as explained in note 9 to the financial statements. The prior year comparatives have been restated accordingly. Total Group includes both continuing and discontinued operations.

Key Highlights:

- **Good H1 performance**
  - +9% revenue and +10% operating profit constant currency growth
  - Highlights the resilience of our chosen long term end markets and the benefits of our autonomous operating model
  - Pricing actions taken to recover input cost inflation; confidence in our ability to manage full year
  - Proforma> Group (including France Galva) revenue and operating profit of £397.2m and £48.4m respectively, in line with announcement made on 18 July 2022

- **Progress on portfolio management**
  - Proposed disposal of our lower growth, lower margin French galvanizing and lighting column business
  - Completed exit of Swedish rental business and low margin road traffic control product portfolio in US

- **Board expectations for full year remain unchanged prior to adjustment for favourable FX rates**

- **Strong balance sheet supports future growth**

- **Interim dividend of 13.0p declared, +8% increase**

Alan Giddins, Executive Chair, said:

"The Group has had a good first half. We have also continued to make progress on exiting some of our lower growth portfolio businesses. Looking forward, our aim is to accelerate progress and growth. While we are mindful of current macroeconomic uncertainty, the Group is exposed to strong structural growth markets and, with a proven track record of resilience, is well positioned to deliver against our strategic goals."

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** All underlying measures exclude certain non-underlying items, which are as detailed in note 6 to the Financial Statements and described in the Financial Review. References to an underlying profit measure throughout this announcement are made on this basis. Non-underlying items are presented separately in the Consolidated Income Statement where, in the Directors' judgement, the quantum, nature or volatility of such items gives further information to obtain a proper understanding of the underlying performance of the business. Underlying measures are deemed alternative performance measures ("APMs") under the European Securities and Markets Authority guidelines and a reconciliation to the closest IFRS equivalent measure is detailed in note 5 to the financial statements. They are presented on a consistent basis over time to assist in comparison of performance.*

> Proforma Group represents the total of (i) revenue and underlying operating profit from continuing operations and (ii) France Galva's revenue and underlying operating profit as set out in note 9 to the financial statements, for ease of comparison to previously reported results.

^ Where we make reference to organic constant currency (OCC) movements, these exclude the impact of currency translation effects and 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. Constant currency amounts are prepared using exchange rates which prevailed in the current year.

Notes to Editors
Hill & Smith Holdings PLC creates sustainable infrastructure and safe transport through innovation. The Group employs c.4,400 people worldwide with the majority employed by its autonomous, agile, customer focussed operating businesses based in the UK, USA, Australia, India, France and Sweden. The Group office is in the UK and it is quoted on the London Stock Exchange (LSE: HILS.L).

The Group's operating businesses are organised into three main business divisions:

Galvanizing Services: dramatically increasing the sustainability and maintenance free life of steel products including structural steel work, lighting, bridges, agricultural and other products for the industrial and infrastructure markets.

Engineered Solutions (formerly known as Utilities): supplying engineered steel and composite solutions with low embodied energy for a wide range of infrastructure markets including energy generation and distribution, marine, rail and housing. The division also supplies engineered pipe supports for the water, power and liquid natural gas markets and seismic protection solutions.

Roads & Security: supplying products and services to support road and highway infrastructure including temporary and permanent road safety barriers, renewable energy lighting and power solutions, Intelligent Traffic Solutions, street lighting columns and bridge parapets. The security portfolio includes hostile vehicle mitigation solutions, high security fencing and automated gate solutions.

Business Review

Introduction

The Group achieved a good first half trading performance from continuing operations, delivering 9% revenue and 10% profit growth on a constant currency basis against robust 2021 comparators. The performance highlights the resilience of our chosen long-term end markets and the benefits of our agile, decentralised operating model, with growth driven by both pricing actions and robust activity levels in our core infrastructure markets. Trading in the second quarter was particularly strong and provides good momentum as we move into the second half.

The Group has experienced heightened inflationary headwinds in the first half and has responded proactively to mitigate these. Our strong market positions have supported this and we continue to be confident of recovering input cost inflation through pricing and efficiency gains for the full year.

Our Galvanizing Services division was the standout performer with strong organic revenue and profit growth, reflecting successful actions taken to offset input cost inflation and a strategic focus on higher margin customers.

Our Engineered Solutions division (formerly known as Utilities) performed strongly, with buoyant levels of demand across the product portfolio. While margins were impacted by product mix in US composites, as previously guided, the division delivered good levels of organic revenue and profit growth in the period.

In the Roads & Security division, revenue and profit for the period were below the prior year. This was primarily due to the timing of US roads projects compared to last year, with overall demand for tested roadside safety products in the US remaining strong. In the UK, as expected, we saw a lower level of utilisation in the UK temporary safety barrier fleet, which was offset by a robust performance in the wider UK roads and security portfolio. We expect to see good progress in second half profit, supported by the commencement of UK strategic road upgrade projects and the deployment of security barriers for major events including the Commonwealth Games in Birmingham.

During the period, our operating companies continued to appropriately manage supply chain challenges and took pricing actions to offset input cost inflation. While raw material availability somewhat improved during H1, labour availability continues to be a challenge in certain businesses. Actions being taken to address this include enhancing employee compensation and benefits, investing in talent development and training including apprenticeship schemes.

The Group continues to maintain a strong balance sheet, which positions us well for the future as we look to continue the evolution of the portfolio and accelerate the pace of change, through the development and funding of both organic and inorganic growth opportunities.

Strategic progress update

Our strategic decision making is guided by our purpose of "creating sustainable infrastructure and safe transport through innovation". Our purpose, alongside consideration of long-term macro and market drivers, determines our choice of markets and applications.

Our organic growth activities are focused on high value, fast growing, critical niche opportunities. Our decentralised autonomous operating model drives high levels of accountability, agility and customer intimacy and allows us to focus in on these small, niche opportunities in a way that a more centralised, volume driven organisation could not.

Alongside the strong financial performance, we have continued to make progress on the key elements of our strategy in the first half of 2022. Looking forward, our aim is to make further progress and accelerate the pace of change.

We have made reasonable progress in rebuilding our M&A pipeline. This is something we expect to accelerate further over the next six to 12 months, with the Corporate Development team and Group Presidents working closely with our operating company management teams to unlock attractive acquisition opportunities. Any acquisition will be tightly evaluated to ensure it fits with our core strategic goals.

At the end of April 2022, we successfully completed the disposal of the rental division of our loss-making Swedish road business, and we are assessing options for the remaining parts of that business. In May 2022, our US Roads business exited its low margin traffic control product business, to enable it to focus on higher margin, higher growth opportunities.

In late July 2022, we announced the proposed disposal of France Galva, our French galvanizing and steel lighting column operations. Since acquisition, France Galva has been a profitable and cash generative part of the Group and has maintained a strong market position in France. However, as we look forward, forecast growth rates for France Galva do not meet the Group's long-term growth ambitions and its operating margins are below the Group average. Given our galvanizing operations serve local geographical markets, the proposed disposal would have no impact on our higher growth, higher margin galvanizing operations in the UK and US, both of which we remain committed to in the long-term.

People development is key to the success of our decentralised model. In May 2022, we added a Head of Talent role, having commenced the Managing Directors' development programme at our Managing Director forum in March 2022. The Managing Directors identified growth mindset, ESG (Environmental Social and Governance) and innovation as their key interest areas for development, and during the period we ran our second innovation workshop to develop and share best practice between our businesses.

The growth of our business is naturally aligned to the ESG agenda: our products and services make infrastructure more sustainable and increase transport safety. Our 2021 Annual Report outlined our ESG strategy and commitments including our seven priority areas, related action plans and key metrics, including our commitment to reach net zero for our Scope 1 and 2 emissions by 2040. In February 2022, we recruited a Head of Sustainability, who is supporting the further development of plans alongside our ESG steering group. Key ESG focus areas in the period included collection of data to support the assessment of the Group's Scope 3 emissions which, once complete, will enable us to determine our SBTi targets by August 2023. In addition, we are supporting local teams on initiatives which underpin our carbon reduction plan and are continuing to drive the talent agenda and improvements in health and safety.

Board update

On 18 July 2022, we announced that Paul Simmons had stepped down from his role as Chief Executive Officer and as an Executive Director of the Board with immediate effect. He will leave his employment with the Group after a period of garden leave. Alan Giddins, the Company's Non-Executive Chair, has taken over as interim Executive Chair until a permanent replacement CEO is appointed. A process to find a permanent CEO is now underway.

During the period, we were also pleased to announce the appointment of Farrokh Batliwala as a US based Non-executive, with effect from 1 April 2022. His appointment reflects the Board's careful succession planning to recruit Non-executive Directors with the necessary skills, experience and diversity to support the Group's higher quality growth agenda.

Results from continuing operations

The Group has delivered a good set of results for the first half of 2022. Revenue was £349.9m (2021: £313.6m), an increase of 12% on a reported basis. Constant currency revenue growth was 9% and OCC revenue growth was 12%. Underlying operating profit was £43.6m (2021: £37.7m), an increase of 16% on a reported basis. Constant currency operating profit growth was 10% and OCC growth was 8%. Operating margins improved to 12.5% (2021: 12.0%). Underlying profit before taxation was £40.2m (2021: £34.4m). Reported operating profit was £34.8m (2021: £19.4m) and reported profit before tax was £31.4m (2021: £16.1m). Underlying earnings per share increased to 38.7p (2021: 34.2p) and reported earnings per share was 29.3p (2021: 10.7p).

The principal reconciling items between underlying and reported operating profit include the non-cash amortisation of acquisition intangibles of £2.9m and charges associated with business disposals and closures of £5.3m. Note 6 of the financial statements provides further details on the Group's non-underlying items.

Dividend

The Board has declared an interim dividend for FY 2022 of 13.0p per share (2021: 12.0p). The interim dividend will be paid on 6 January 2023 to shareholders on the register on 2 December 2022. Looking forward, we aim to provide sustainable and progressive dividend growth, targeting a prudent dividend cover of around 2.5 times underlying earnings.

Outlook

Based on the positive first half, the Board's expectations for the full year remain unchanged, with current foreign exchange rates providing potential outperformance. The Group operates in a range of resilient industrial and infrastructure end markets and our teams continue to actively manage the ongoing inflationary and supply chain headwinds.

In the medium to longer term, the outlook is supported by strong market growth drivers for both sustainable infrastructure and safe transport. In the US, all our businesses are well placed to benefit from the increased spend approved under the Infrastructure Investment and Jobs Act (IIJA). In the UK, the Government remains committed to the increased levels of funding for Road Investment Strategy 2 and we expect this to support medium-term growth.

Operational Review

Galvanizing Services

Continuing Operations [2]	£m 2022	2021	Reported %	Constant currency %	OCC %
Revenue	**84.5**	70.2	+20	+17	+17
Underlying operating profit [1]	**21.4**	17.1	+25	+20	+20
Underlying operating margin % [1]	**25.3%**	24.4%			
Statutory operating profit	**20.8**	16.6			

(1) Underlying measures are set out in note 5 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 6 to the Financial Statements.

(2) Continuing operations exclude France Galva, which has been reported as a discontinued operation as explained in note 9 to the Financial Statements. The prior year comparatives have been restated accordingly.

The Galvanizing Services division offers hot-dip galvanizing and powder coating services with multi-plant facilities in the USA and the UK. Hot-dip galvanizing is a proven steel corrosion protection solution which significantly extends the service life of steel structures and products. The division benefits from a wide sectoral spread of customers who operate in resilient end markets including road infrastructure, commercial construction, transportation, agriculture, and energy transmission and distribution.

The division delivered a standout performance, with revenue 17% higher and underlying operating profit 20% higher than the same period last year on an OCC basis. The division continued to deliver superior margins, with underlying operating margin increasing to 25.3% (2021: 24.4%). The results reflect successful pricing actions taken to offset input cost inflation and a deliberate focus on higher margin customers. Volumes of steel galvanized in the period were 2% behind a robust H1 2021 comparator, with good growth in the US offset by lower UK volumes.

US

Predominantly located in the north east of the country, the US galvanizing business delivered a strong performance, with 16% OCC revenue growth and record H1 operating profit. The strong revenue and profit growth is attributable to an increase in production volumes and the successful implementation of price increases to offset cost inflationary pressures. As a result, the business continued to maintain superior operating margins, with customers valuing the excellent quality of service provided by our local teams.

In the medium to longer term, the outlook for US galvanizing is positive, with investment levels expected to grow ahead of GDP in a range of US galvanizing end markets, supported by the IIJA. We have started to quote on some IIJA related projects which indicates that we may start to see the benefits towards the end of this year and into 2023. The Group continues to seek growth opportunities in the attractive US galvanizing market.

UK

UK galvanizing delivered 17% organic revenue growth and record operating profits in the period. This reflects swift pricing actions taken to address input cost inflation, and the continuation of our strategy to focus on higher margin, service focused customers. Volumes of steel galvanized were lower than the same period last year, mainly due to the absence of certain lower margin construction projects.

The outlook for the second half is encouraging, despite inflationary headwinds, with robust demand for galvanizing services to support a range of end markets including infrastructure, construction and transportation. The medium to longer term outlook also remains positive.

Engineered Solutions

Continuing Operations [2]	£m 2022	2021	Reported %	Constant Currency %	OCC %
Revenue	**136.5**	107.7	+27	+21	+21
Underlying operating profit [1]	**14.1**	11.8	+19	+14	+14
Underlying operating margin % [1]	**10.3%**	11.0%			
Statutory operating profit	**13.8**	11.5			

(1) Underlying measures are set out in note 5 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 6 to the Financial Statements.

(2) Continuing operations exclude France Galva, which has been reported as a discontinued operation as explained in note 9 to the Financial Statements. The prior year comparatives have been restated for the resulting change in allocation of corporate costs.

Our Engineered Solutions division (formerly known as Utilities) provides steel and composite solutions with low embodied energy for a wide range of infrastructure markets including energy generation and distribution, marine, rail and housing. The division also supplies engineered supports for the water, power and liquid natural gas markets, and seismic protection solutions for commercial construction. While the division has been renamed in 2022, there has been no change to the portfolio of operating companies that it includes.

The division continued to perform strongly in the first half of 2022, with 21% revenue growth and 14% profit growth on a constant currency basis. As previously guided, operating margins were lower than the same period last year at 10.3% (2021: 11.0%), mainly due to a less favourable product mix in our US composites business.

US

The US-based businesses delivered 19% organic revenue growth and good profit growth against strong prior year comparators. Our composite business continued to see strong demand for its range of engineered solutions, albeit operating margins were impacted by less favourable product mix and as a result operating profits were slightly lower than prior year. The engineered supports business saw healthy demand from the commercial construction market for its catalogue hardware products which, combined with a significant uptick in orders for industrial projects, resulted in record H1 revenue and operating profit. Our electricity distribution substation business also delivered a good performance with projects increasing as steel price challenges subside.

Prospects in the US are encouraging. Growth is expected to be driven by increasing demand for sustainable infrastructure and solutions to protect against extreme weather as well as investment to upgrade ageing electricity infrastructure. The outlook is further supported by planned government spending on infrastructure via the IIJA, and private investment from US manufacturers and producers to onshore vital components.

UK

Revenue in our UK businesses grew 30% on an organic basis, with operating margins also improving in the period, reflecting successful pricing actions and buoyant demand. The industrial flooring business delivered a record performance, with a particular focus on data and distribution centre markets. The building product business also delivered a robust first half and benefitted from high levels of demand, particularly from housebuilders. Both businesses successfully managed inflationary and supply chain challenges and enter the second half with a positive outlook despite the macro-economic headwinds.

Roads & Security

Continuing Operations [2]	£m 2022	2021	Reported %	Constant Currency %	OCC %
Revenue	**128.9**	135.7	-5	-6	+2
Underlying operating profit [1]	**8.1**	8.8	-8	-12	-21
Underlying operating margin % [1]	**6.3%**	6.5%			
Statutory operating profit/(loss)	**0.2**	(8.7)			

(1) Underlying measures are set out in note 5 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 6 to the Financial Statements.
(2) Continuing operations exclude the French lighting column business, which has been reported as a discontinued operation as explained in note 9 to the Financial Statements. The prior year comparatives have been restated accordingly.

The Roads & Security division supplies products and services to support the delivery of safe road and highway infrastructure, alongside a range of security products to protect people, buildings and infrastructure from attack.

As expected, revenue and profit were below H1 2021 levels, with revenue 6% lower and underlying operating profit 12% lower on a constant currency basis. The reduction in profit is mainly due to the timing of US roads projects and lower utilisation of the UK temporary safety barrier fleet, partly offset by a strong performance in the wider UK roads portfolio. Operating margins were also slightly lower than the same period last year at 6.3% (2021: 6.5%). We expect an improved performance in the second half across all geographies as activity levels increase. In 2023 we expect to see a further improvement supported by UK strategic road network activity and IIJA projects in the US.

UK Roads

Revenue was 8% higher than the same period last year on an organic basis. In January 2022, the UK Government issued its response to the Transport Committee review on the roll-out and safety of smart motorways, which set out recommendations including pausing the roll-out of further all lane running schemes until sufficient safety data is available (expected end of 2024) and the retrofit of additional emergency refuge areas. As expected, this resulted in lower utilisation of our temporary safety barrier fleet in the first half compared to 2021. Utilisation is expected to increase significantly in the second half as central reservation upgrade projects commence after redesign work, and prospects for 2023 barrier utilisation are encouraging.

In the period we saw good demand across the wider UK roads portfolio including permanent safety barriers, bridge parapets and road safe support structures, with the growth offsetting the revenue shortfall in the rental barrier fleet. In addition, Prolectric, our off-grid solar energy business, delivered a strong performance and enters the second half with a good order book supported by increasing demand for low carbon and energy cost saving solutions.

US Roads

Revenue was 9% lower than H1 2021 on an OCC basis, which was largely driven by timing of barrier sales compared to the same period last year. Margins were also impacted by transition costs associated with the set-up of our new fabrication and assembly facility in Texas. Demand for our range of roadside safety products remains strong and we expect progress on margins in the second half. During the period, we also invested £4.8m to further expand our rental safety barrier fleet and we expect to make further investment in the second half to meet increasing demand. In May 2022, the business exited from its low margin plastic drums, cones and channelizers business, which will enable greater focus on higher margin, higher growth opportunities.

The outlook for our US roads business remains encouraging, with demand for tested roadside safety products supported by the introduction of new safety standards and increased levels of state and federal investment to upgrade US road infrastructure. The IIJA includes a five-year reauthorisation of the US federal highway programme, and investment of c.$348 billion in highway and bridge improvements through to 2026.

Other International Roads

In Australia, we continue to see good market demand for traffic safety equipment. In Sweden, we completed the divestment of the rental division of our loss-making road business in April 2022, and we are assessing options for the remaining parts of that business.

Security

Our Security businesses are based in the UK and provide a range of perimeter security solutions including hostile vehicle mitigation (‘HVM’) to both UK and international markets. Revenue was 7% ahead of 2021 on an organic basis. During the period we have seen an encouraging recovery in UK and international markets for HVM solutions including public place protection, airports, rail stations and ports. We expect a strong performance in UK security barrier rental in the second half as our security solutions will be used to support high-profile events including the Commonwealth Games in Birmingham.

Financial Review

Cash generation and financing

Operating cash flow before movement in working capital was £62.2m (2021: £55.3m), an increase of £6.9m, demonstrating the ongoing effectiveness of the Group's cash generative model.

The working capital outflow in the period was £41.5m (2021: £15.3m). The outflow partly reflects normal seasonal trends with working capital absorption to support good growth during the period, alongside an increase in inventory valuations due to raw material cost increases. The Group continues to focus on maximising working capital efficiency, with debtor days at 30 June 2022 at 58 days (30 June 2021: 56 days). Working capital as a percentage of annualised sales was 19%, broadly in line with our guidance.

Capital expenditure of £17.1m (2021: £10.7m) represents a multiple of depreciation and amortisation of 1.5 times (2021: 1.0 times). Significant spend during the period included £4.8m on the expansion of our US road temporary barrier rental fleet, which we see as an attractive medium term market.

Net financing costs for the period were £3.4m (2021: £3.3m). The net cost of pension fund financing under IAS 19 was £0.1m (2021: £0.2m), and the amortisation of costs relating to refinancing activities in prior years was £0.4m (2021: £0.4m).

Underlying cash conversion was low at 2%, which reflects the working capital outflow in the period. Assuming typical trading patterns, we expect improved cash conversion in the second half.

Net debt and facilities headroom

Net debt at the end of the period amounted to £165.5m (31 December 2021: £144.7m), the increase being primarily due to seasonal and raw material cost related working capital outflows during the period, and a £5.9m impact from movements in exchange rates. Net debt at the period end includes lease liabilities under IFRS 16 of £36.6m (2021: £35.9m).

The Group's principal financing facilities are a headline c.£280m multi-currency revolving credit agreement, which expires in December 2023, and $70m senior unsecured notes with maturities in June 2026 and June 2029, together with a further £11.6m of on-demand local overdraft arrangements. Throughout the period the Group has operated well within these facilities and at 30 June 2022, the Group had £223.7m of headroom (£212.1m committed, £11.6m on demand). We have started positive discussions with lenders in respect of refinancing our revolving credit facility and expect the refinancing process to be complete by the end of this year.

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0 times and interest cover of a minimum of 4.0 times. The ratio of covenant net debt to EBITDA at 30 June 2022 was 1.1 times (31 December 2021: 1.0 times) and interest cover was 26.3 times (31 December 2021: 25.4 times).

The Board considers that the ratio of covenant net debt to EBITDA is a key metric from a capital management perspective and targets a ratio of 1.5 to 2.0 times. The Board would be prepared to see leverage above the target range for short periods of time if strategically appropriate.

Return On Invested Capital

We use return on invested capital ('ROIC') to measure our overall capital efficiency, with a target of achieving returns in excess of 17%, comfortably above the Group's cost of capital, through the cycle. The Group's ROIC from continuing operations for the period to 30 June 2022 was 17.5% (2021: 16.7%), the increase reflecting the strong trading performance, our disciplined approach to capital allocation and the steps we are taking to improve the quality of the portfolio.

Tax

The underlying effective tax rate for the period for continuing operations was 23.0% (year ended 31 December 2021: 21.7%) and is the estimated effective rate for the full year. The tax charge for the period for continuing operations was

£7.9m (2021: £7.6m) and includes a £1.3m credit (2021: £0.3m charge) in respect of non-underlying items, principally relating to the amortisation of acquisition intangibles. Cash tax paid in the period was £8.1m (2021: £9.2m).

Exchange rates

The Group is exposed to movements in exchange rates when translating the results of its overseas operations into Sterling. Retranslating 2021 half year revenue and underlying operating profit from continuing operations using average exchange rates for 2022 would have increased revenue by £8.7m and underlying operating profit by £1.8m, mainly due to Sterling's depreciation against the US Dollar. A one cent movement in the average US Dollar rate currently results in an adjustment of approximately £2.5m to the Group's annual revenues and £0.5m to annual underlying operating profit.

Non-underlying items

The total non-underlying items charged to operating profit from continuing operations in the Consolidated Income Statement amounted to £8.8m (2021: £18.3m). The items were mainly non-cash related and included the following:

- Amortisation of acquired intangible assets of £2.9m
- Further costs associated with the closure of the UK variable message signs business of £1.3m
- Loss on disposal of Swedish rental business of £1.6m
- Loss on exit from low-margin US road traffic control product operation of £2.4m
- Expenses related to acquisitions and disposals of £0.6m.

The non-cash element of these charges was £8.0m. Further details are set out in note 6 of the Financial Statements.

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 2022 was £8.2m, a reduction of £4.1m from 31 December 2021 (£12.3m). The deficit of the UK scheme, the largest employee benefit obligation in the Group, was lower than the prior year end at £3.1m (31 December 2021: £7.7m) due to the Group's deficit recovery payments and an increase of 190 basis points in the discount rate during the period, in line with increases in bond yields, being partly offset by lower asset returns. The deficit of the French scheme was £4.4m (2021: £4.1m) and the US scheme deficit was £0.7m (2021: £0.5m).

The Group continues to be actively engaged in dialogue with the UK schemes' Trustees with regards to management, funding and investment strategies. The triennial valuation for the UK scheme as at April 2022 is expected to be finalised towards the end of the year and will be explained in our 2022 Annual Report.

Going concern

After making enquiries, the Directors have reasonable expectations that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months following the approval of these Financial Statements. Accordingly, they continue to adopt the going concern principle.

When making this assessment, the Group considers whether it will be able to maintain adequate liquidity headroom above the level of its borrowing facilities and to operate within the financial covenants on those facilities. The Group has carefully modelled its cash flow outlook for the period to December 2023, considering the ongoing uncertainties in global economic conditions. In this "base case" scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 31 December 2022, 30 June 2023 and 31 December 2023. In making this assessment, the Board noted that whilst the Company's principal bank borrowing facilities mature in December 2023, shortly before the end of the review period, the Group intends to renegotiate these facilities before the end of 2022 and based on early discussions with lenders and past experience, they have a reasonable expectation that such a refinancing would be completed in that timeframe.

The Group has also carried out "reverse stress tests" to assess the performance levels at which either liquidity headroom would fall below zero or covenants would be breached in the period to 31 December 2023. The Directors do not consider the resulting performance levels to be plausible given the Group's strong trading performance in the first half and the resilience of the end markets in which we operate.

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 reviewed these principal risks and uncertainties during the period. It is the Directors' opinion that the principal risks set out on pages 60 to 64 of the Group's Annual Report for the year ended 31 December 2021, remain applicable to the current financial year.

Key considerations relating to review of principal risks and uncertainties during the period are set out below:

Principal Risk	**Considerations**
Reduction in Government spending plans	We remain confident that infrastructure investment will continue to form part of national spending plans both in the US and UK, despite the macro-economic uncertainty. The US Infrastructure Investment and Jobs Act (IIJA) has bipartisan support and all our US businesses are well placed to benefit from the increased spend in 2023 and beyond. In the UK, the Government remains committed to strategic road investment spend, driven by increasing road usage, which represents a good opportunity for our UK roads businesses. As a result, the Board believe there has been no change in this risk.
Changes in global economic outlook and geopolitical environment	The ongoing conflict in Ukraine continues to create significant global uncertainty. The Group has no operations in this part of the world and no direct and negligible indirect exposure to customers and suppliers in the region. However, given the impact on global energy costs, coupled with increased global macro-economic uncertainty, the Board consider this risk has increased during the period. The Group operates in a range of economically resilient industrial and infrastructure end markets which will support the mitigation of this risk.
Supply chain failure	While there has been some stabilisation in raw material prices and lead times for key components, supply chain headwinds continue to be a challenge for the Group. Accordingly, our local teams are continuing to take swift and appropriate action to manage the risk and, as a result, the Board considers that there has not been a significant change to the risk in the period.
Talent, development, diversity, recruitment and retention of key employees	Labour availability continues to be a challenge for our operating companies, with the level of vacancies increasing in H1 2022. As a result, the Board considers that the risk has increased during the period. Our local teams are actively working with our Group HR team to address the challenges, with actions taken including enhancing employee compensation and benefits, investing in talent development, and training including apprenticeship schemes.
Violation of applicable laws and regulations	Our exposure to breaching sanctions placed on Russia is low due to no current direct Russian customers and suppliers alongside the robust processes we have in place to monitor sanction compliance. Overall, the Board considers that there has not been a significant change to the risk during the period, but it remains a key area of focus given the current levels of geopolitical uncertainty.

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 contained in UK-adopted IFRS;

- 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 2 August 2022 and is available on the Company's website (www.hsholdings.com).

Alan Giddins
Executive Chair
2 August 2022

Hannah Nichols
Group Chief Financial Officer

Financial Statements

Condensed Consolidated Income Statement

Six months ended 30 June 2022

	Notes	6 months ended 30 June 2022 Underlying £m	6 months ended 30 June 2022 Non-underlying* £m	6 months ended 30 June 2022 Total £m	6 months ended 30 June 2021 Underlying £m	6 months ended 30 June 2021 Non-underlying* £m	6 months ended 30 June 2021 Total £m	Year ended 31 December 2021 Underlying £m	Year ended 31 December 2021 Non-underlying* £m	Year ended 31 December 2021 Total £m
Continuing Operations										
Revenue	4	**349.9**	**-**	**349.9**	313.6	-	313.6	625.2	-	625.2
Cost of sales		**(218.5)**	**-**	**(218.5)**	(195.5)	-	(195.5)	(389.2)	-	(389.2)
Gross profit		**131.4**	**-**	**131.4**	118.1	-	118.1	236.0	-	236.0
Distribution costs		**(17.1)**	**-**	**(17.1)**	(16.6)	-	(16.6)	(32.5)	-	(32.5)
Administrative expenses		**(71.2)**	**(8.8)**	**(80.0)**	(64.2)	(18.3)	(82.5)	(126.9)	(28.4)	(155.3)
Other operating income		**0.5**	**-**	**0.5**	0.4	-	0.4	0.7	-	0.7
Operating profit	4, 5	**43.6**	**(8.8)**	**34.8**	37.7	(18.3)	19.4	77.3	(28.4)	48.9
Financial income	7	**0.2**	**-**	**0.2**	0.2	-	0.2	0.6	-	0.6
Financial expense	7	**(3.6)**	**-**	**(3.6)**	(3.5)	-	(3.5)	(6.7)	-	(6.7)
Profit before taxation		**40.2**	**(8.8)**	**31.4**	34.4	(18.3)	16.1	71.2	(28.4)	42.8
Taxation	8	**(9.2)**	**1.3**	**(7.9)**	(7.3)	(0.3)	(7.6)	(15.5)	1.1	(14.4)
Profit for the period from continuing operations		**31.0**	**(7.5)**	**23.5**	27.1	(18.6)	8.5	55.7	(27.3)	28.4
Discontinued Operations										
Profit from discontinued operations	9	**3.6**	**(0.9)**	**2.7**	3.5	(0.1)	3.4	6.4	(0.6)	5.8
Profit for the year attributable to the owners of the parent		**34.6**	**(8.4)**	**26.2**	30.6	(18.7)	11.9	62.1	(27.9)	34.2
Basic earnings per share	10			**32.7p**			15.0p			43.0p
Basic earnings per share - continuing				**29.3p**			10.7p			35.8p
Diluted earnings per share	10			**32.5p**			14.9p			42.5p
Diluted earnings per share - continuing				**29.1p**			10.6p			35.4p

* The Group's definition of non-underlying items and further details of the amounts included are set out in note 6.

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2022

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Profit for the period	**26.2**	11.9	34.2
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations	**29.1**	(6.5)	(2.3)
Exchange differences on foreign currency borrowings denominated as net investment hedges	**(6.5)**	1.5	0.6
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit pension schemes	**2.7**	1.0	3.5
Taxation on items that will not be reclassified to profit or loss	**(0.7)**	0.6	-
Other comprehensive income/(expense) for the period	**24.6**	(3.4)	1.8
Total comprehensive income for the period attributable to owners of the parent	**50.8**	8.5	36.0

Condensed Consolidated Statement of Financial Position

Six months ended 30 June 2022

	Notes	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Non-current assets				
Intangible assets		**168.2**	184.0	177.4
Property, plant and equipment		**179.6**	177.2	193.3
Right-of-use assets		**35.1**	34.7	38.2
Corporation tax receivable	8	**1.6**	1.6	1.6
Deferred tax assets		**0.4**	1.4	1.4
		384.9	398.9	411.9
Current assets				
Assets held for sale	9	**94.0**	-	3.6
Inventories		**111.4**	99.1	108.1
Trade and other receivables		**152.7**	150.4	130.2
Current tax assets		**-**	-	0.7
Cash and cash equivalents	13	**18.4**	19.2	18.8
		376.5	268.7	261.4
Total assets		**761.4**	667.6	673.3
Current liabilities				
Liabilities held for sale	9	**(30.0)**	-	(1.9)
Trade and other liabilities		**(131.4)**	(132.1)	(132.7)
Current tax liabilities		**(5.2)**	(4.0)	(4.3)
Provisions		**(4.6)**	(1.4)	(4.0)
Lease liabilities	13	**(8.0)**	(9.6)	(8.8)
Loans and borrowings	13	**(5.9)**	(6.3)	(1.9)
		(185.1)	(153.4)	(153.6)
Net current assets		**191.4**	115.3	107.8
Non-current liabilities				
Other liabilities		**(0.2)**	(1.4)	(1.5)
Provisions		**(2.2)**	(4.6)	(2.4)
Deferred tax liabilities		**(13.7)**	(10.8)	(12.8)
Retirement benefit obligations		**(3.8)**	(16.6)	(12.3)
Lease liabilities	13	**(27.7)**	(26.3)	(30.1)
Loans and borrowings	13	**(145.1)**	(131.6)	(121.0)
		(192.7)	(191.3)	(180.1)
Total liabilities		**(377.8)**	(344.7)	(333.7)
Net assets		**383.6**	322.9	339.6
Equity				
Share capital		**20.0**	19.9	20.0
Share premium		**42.5**	39.5	40.9
Other reserves		**4.9**	4.9	4.9
Translation reserve		**38.1**	12.2	15.5
Retained earnings		**278.1**	246.4	258.3
Total equity		**383.6**	322.9	339.6

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2022

	Share Capital £m	Share Premium £m	Other reserves[†] £m	Translation reserves £m	Retained Earnings £m	Total equity £m
At 1 January 2022	**20.0**	**40.9**	**4.9**	**15.5**	**258.3**	**339.6**
Comprehensive income						
Profit for the period	-	-	-	-	**26.2**	**26.2**
Other comprehensive income for the period	-	-	-	**22.6**	**2.0**	**24.6**
Transactions with owners recognised directly in equity						
Dividends	-	-	-	-	**(9.6)**	**(9.6)**
Credit to equity of share-based payments	-	-	-	-	**1.5**	**1.5**
Satisfaction of long term incentive and deferred bonus awards	-	-	-	-	**(0.2)**	**(0.2)**
Own shares held in employee benefit trust	-	-	-	-	**(0.1)**	**(0.1)**
Shares issued	-	**1.6**	-	-	-	**1.6**
At 30 June 2022	**20.0**	**42.5**	**4.9**	**38.1**	**278.1**	**383.6**

Six months ended 30 June 2021

	Share Capital £m	Share Premium £m	Other reserves[†] £m	Translation Reserves £m	Retained Earnings £m	Total equity £m
At 1 January 2021	19.9	38.4	4.9	17.2	240.1	320.5
Comprehensive income						
Profit for the period	-	-	-	-	11.9	11.9
Other comprehensive expense for the period	-	-	-	(5.0)	1.6	(3.4)
Transactions with owners recognised directly in equity						
Dividends	-	-	-	-	(7.3)	(7.3)
Credit to equity of share-based payments	-	-	-	-	0.6	0.6
Satisfaction of long term incentive and deferred bonus awards	-	-	-	-	(0.2)	(0.2)
Own shares held in employee benefit trust	-	-	-	-	(0.5)	(0.5)
Tax taken directly to the Consolidated Statement of Changes in Equity	-	-	-	-	0.2	0.2
Shares issued	-	1.1	-	-	-	1.1
At 30 June 2021	19.9	39.5	4.9	12.2	246.4	322.9

Year ended 31 December 2021

	Share Capital £m	Share Premium £m	Other reserves[†] £m	Translation reserves £m	Retained Earnings £m	Total equity £m
At 1 January 2021	19.9	38.4	4.9	17.2	240.1	320.5
Comprehensive income						
Profit for the period	-	-	-	-	34.2	34.2
Other comprehensive income for the period	-	-	-	(1.7)	3.5	1.8
Transactions with owners recognised directly in equity						
Dividends	-	-	-	-	(21.2)	(21.2)
Credit to equity of share-based payments	-	-	-	-	2.5	2.5
Own shares held by employee benefit trust	-	-	-	-	(1.5)	(1.5)
Satisfaction of long term incentive and deferred bonus awards	-	-	-	-	(0.3)	(0.3)
Tax taken directly to the Consolidated Statement of Changes in Equity	-	-	-	-	1.0	1.0
Shares issued	0.1	2.5	-	-	-	2.6
At 31 December 2021	20.0	40.9	4.9	15.5	258.3	339.6

† Other reserves represent 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 2022

	Notes	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Profit before tax from continuing operations		**31.4**	16.1	42.8
Profit before tax from discontinued operations		**3.9**	4.7	8.1
Add back net financing costs		**3.4**	3.3	6.1
Operating profit		**38.7**	24.1	57.0
Adjusted for non-cash items:				
Share-based payments		**1.5**	0.6	2.8
Loss on disposal of subsidiary		**0.7**	0.8	0.4
Loss/(gain) on disposal of non-current assets		**0.1**	(0.4)	(1.1)
Depreciation of owned assets		**10.3**	10.5	20.9
Amortisation of intangible assets		**4.0**	3.7	7.5
Right-of-use asset depreciation		**4.4**	5.2	10.3
Gain on lease termination		**-**	-	(0.1)
Release of accrued contingent consideration		**-**	-	(0.9)
Impairment of non-current assets		**2.5**	10.8	16.0
		23.5	31.2	55.8
Operating cash flow before movement in working capital		**62.2**	55.3	112.8
Increase in inventories		**(20.1)**	(3.3)	(13.6)
Increase in receivables		**(38.1)**	(29.5)	(7.9)
Increase in payables		**16.7**	17.5	14.7
Decrease in provisions and employee benefits		**(0.5)**	(1.6)	(2.9)
Net movement in working capital and provisions		**(42.0)**	(16.9)	(9.7)
Cash generated by operations		**20.2**	38.4	103.1
Purchase of assets for rental to customers		**(7.1)**	(1.6)	(16.7)
Income taxes paid		**(8.1)**	(9.2)	(15.2)
Interest paid		**(2.5)**	(2.4)	(4.7)
Interest paid on lease liabilities		**(0.4)**	(0.4)	(0.8)
Net cash from operating activities		**2.1**	24.8	65.7
Interest received		**0.3**	0.3	0.6
Proceeds on disposal of non-current assets		**0.1**	0.7	3.7
Purchase of property, plant and equipment		**(8.7)**	(8.7)	(17.8)
Purchase of intangible assets		**(1.3)**	(0.4)	(1.4)
Acquisitions of subsidiaries		**-**	(11.8)	(11.8)
Disposals of subsidiaries	6	**1.5**	1.2	1.6
Net cash used in investing activities		**(8.1)**	(18.7)	(25.1)
Issue of new shares		**1.6**	1.1	2.6
Purchase of shares for employee benefit trust		**(0.3)**	(0.7)	(1.8)
Dividends paid	11	**(9.6)**	(7.3)	(21.2)
Repayments of lease liabilities		**(4.9)**	(5.0)	(10.3)
New loans and borrowings		**33.4**	28.0	55.3
Repayments of loans and borrowings		**(16.8)**	(22.5)	(61.0)
Net cash from/(used in) financing activities		**3.4**	(6.4)	(36.4)
Net (decrease)/increase in cash and cash equivalents net of bank overdraft		**(2.6)**	(0.3)	4.2
Cash and cash equivalents net of bank overdraft at the beginning of the period		**18.1**	13.9	13.9
Effect of exchange rate fluctuations		**1.5**	(0.3)	-
Cash and cash equivalents net of bank overdraft at the end of the period	13	**17.0**	13.3	18.1

Notes to the 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 the UK-adopted International Financial Reporting Standards ('IFRSs') 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 2021 (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 2021).

Continuing operations exclude France Galva, which has been accounted for as a discontinued operation as explained in note 9. Where applicable, prior year comparatives have been restated accordingly. Total Group includes both continuing and discontinued operations.

New IFRS standards, interpretations and amendments adopted during 2022

The following amendments and interpretations apply for the first time in 2022, but do not have an impact on the Condensed Consolidated Interim Financial Statements of the Group.

- Amendments to IFRS 3 – Reference to Conceptual Framework
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous contracts – costs of fulfilling a contract

The comparative figures for the financial year ended 31 December 2021 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 Condensed Consolidated Interim Financial Statements are prepared on the going concern basis, as explained in the Financial Review.

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 2021, relating to actuarial assumptions on pension obligations, impairment of goodwill and other indefinite life intangible assets, and liabilities for uncertain tax positions.

3. Exchange rates

The principal exchange rates used were as follows:

	6 months ended 30 June 2022		6 months ended 30 June 2021		Year ended 31 December 2021	
	Average	**Closing**	Average	Closing	Average	Closing
Sterling to Euro (£1 = EUR)	**1.19**	**1.16**	1.15	1.17	1.16	1.19
Sterling to US Dollar (£1 = USD)	**1.30**	**1.21**	1.39	1.38	1.38	1.35
Sterling to Swedish Krona (£1 = SEK)	**12.44**	**12.45**	11.67	11.81	11.80	12.21
Sterling to Indian Rupee (£1 = INR)	**98.94**	**95.97**	101.87	102.75	101.71	100.21
Sterling to Australian Dollar (£1 = AUD)	**1.81**	**1.77**	1.80	1.84	1.83	1.86

4. Segmental information

The Group has three reportable segments which are Roads & Security, Engineered Solutions (formerly known as Utilities), and Galvanizing Services. Several operating segments that have similar economic characteristics have been aggregated into these reporting segments. The Group's internal management structure and financial reporting systems differentiate between these segments, and, in reporting, management have taken the view that they comprise a reporting segment on the basis of the following economic characteristics:

- The Roads & Security segment contains a group of businesses supplying products designed to ensure the safety and security of roads and other national infrastructure, many of which have been developed to address national and international safety standards, to customers involved in the construction of that infrastructure;
- The Engineered Solutions segment contains a group of businesses supplying steel and composite solutions characterised by a degree of engineering expertise, to public and private customers in a wide range of infrastructure markets including energy generation and distribution, marine, rail and housing; and
- The Galvanizing Services segment contains a group of companies supplying galvanizing and related materials coating services to companies in a wide range of markets including construction, agriculture and infrastructure.

Corporate costs are allocated to reportable segments in proportion to the revenue of each of those segments.

Segmental Income Statement – continuing operations

	6 months ended 30 June 2022			6 months ended 30 June 2021		
	Revenue £m	Reported operating profit £m	Underlying operating profit* £m	Revenue £m	Reported operating profit/(loss) £m	Underlying operating profit* £m
Roads & Security	128.9	0.2	8.1	135.7	(8.7)	8.8
Engineered Solutions	136.5	13.8	14.1	107.7	11.5	11.8
Galvanizing Services	84.5	20.8	21.4	70.2	16.6	17.1
Group – continuing	349.9	34.8	43.6	313.6	19.4	37.7
Net financing costs		(3.4)	(3.4)		(3.3)	(3.3)
Profit before taxation – continuing		31.4	40.2		16.1	34.4
Taxation		(7.9)	(9.2)		(7.6)	(7.3)
Profit after taxation – continuing		23.5	31.0		8.5	27.1

	Year ended 31 December 2021		
	Revenue £m	Reported operating profit/(loss) £m	Underlying operating profit* £m
Roads & Security	259.7	(7.5)	17.9
Engineered Solutions	223.7	25.5	26.0
Galvanizing Services	141.8	30.9	33.4
Group – continuing	625.2	48.9	77.3
Net financing costs		(6.1)	(6.1)
Profit before taxation – continuing		42.8	71.2
Taxation		(14.4)	(15.5)
Profit after taxation – continuing		28.4	55.7

*Underlying operating profit is an alternative performance measure which is stated before non-underlying items as defined in note 6 and is the measure of segment profit used by the Chief Operating Decision Maker, who is the Chief Executive. The reported operating profit columns are included as additional information.

Transactions between operating segments are on an arm's length basis similar to transactions with third parties. Galvanizing Services sold £1.0m of products and services to Engineered Solutions (six months ended 30 June 2021: £0.8m, year ended 31 December 2021: £1.6m) and £4.1m of products and services to Roads & Security (six months ended 30 June 2021: £3.1m, year ended 31 December 2021: £6.5m). Engineered Solutions sold £1.0m of products and services to Roads & Security (six months ended 30 June 2021: £1.5m, year ended 31 December 2021: £3.0m). Roads & Security sold £0.1m of products and services to Engineered Solutions (six months ended 30 June 2021: £0.1m, year ended 31 December 2021: £nil). These internal revenues, along with revenues generated within each segment, have been eliminated on consolidation.

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market, major product/service lines and timing of revenue recognition. Revenue by primary geographical market is defined as the end location of the Group's product or service. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Roads & Security		Engineered Solutions		Galvanizing		Total	
Primary geographical markets	**6 months ended 30 June 2022 £m**	6 months ended 30 June 2021 £m	**6 months ended 30 June 2022 £m**	6 months ended 30 June 2021 £m	**6 months ended 30 June 2022 £m**	6 months ended 30 June 2021 £m	**6 months ended 30 June 2022 £m**	6 months ended 30 June 2021 £m
UK	**84.1**	80.3	**44.8**	34.4	**41.4**	35.5	**170.3**	150.2
Rest of Europe	**8.7**	16.3	**4.7**	2.5	**-**	-	**13.4**	18.8
North America	**30.8**	32.7	**84.7**	66.3	**43.1**	34.7	**158.6**	133.7
The Middle East	**2.2**	2.0	**0.4**	0.3	**-**	-	**2.6**	2.3
Rest of Asia	**1.4**	0.9	**1.7**	3.3	**-**	-	**3.1**	4.2
Rest of the world	**1.7**	3.5	**0.2**	0.9	**-**	-	**1.9**	4.4
	128.9	135.7	**136.5**	107.7	**84.5**	70.2	**349.9**	313.6
Major product/service lines								
Manufacture, supply and installation of products	**117.0**	125.8	**136.5**	107.7	**-**	-	**253.5**	233.5
Galvanizing services	**-**	-	**-**	-	**84.5**	70.2	**84.5**	70.2
Rental income	**11.9**	9.9	**-**	-	**-**	-	**11.9**	9.9
	128.9	135.7	**136.5**	107.7	**84.5**	70.2	**349.9**	313.6
Timing of revenue recognition								
Products and services transferred at a point in time	**102.6**	104.7	**81.3**	56.4	**84.5**	70.2	**268.4**	231.3
Products and services transferred over time	**26.3**	31.0	**55.2**	51.3	**-**	-	**81.5**	82.3
	128.9	135.7	**136.5**	107.7	**84.5**	70.2	**349.9**	313.6

	Year ended 31 December 2021			
	Roads & Security £m	Engineered Solutions £m	Galvanizing £m	Total £m
Primary geographical markets				
UK	165.2	72.0	69.6	306.8
Rest of Europe	29.5	6.0	-	35.5
North America	56.8	137.3	72.2	266.3
The Middle East	3.2	0.6	-	3.8
Rest of Asia	0.6	7.1	-	7.7
Rest of the world	4.4	0.7	-	5.1
	259.7	223.7	141.8	625.2
Major product/service lines				
Manufacture, supply and installation of products	237.4	223.7	-	461.1
Galvanizing services	-	-	141.8	141.8
Rental income	22.3	-	-	22.3
	259.7	223.7	141.8	625.2
Timing of revenue recognition				
Products and services transferred at a point in time	200.0	120.2	141.8	462.0
Products and services transferred over time	59.7	103.5	-	163.2
	259.7	223.7	141.8	625.2

5. Alternative Performance Measures

The Group presents Alternative Performance Measures ("APMs") in addition to its statutory results. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority. The principal APMs are:

- Underlying profit before tax;
- Underlying operating profit;
- Underlying operating profit margin;
- Measures of organic and constant currency change in revenue and underlying operating profit;
- Underlying cash conversion ratio;
- Capital expenditure to depreciation and amortisation ratio;
- Covenant net debt to EBITDA ratio; and
- Underlying earnings per share. A reconciliation of statutory earnings per share to underlying earnings per share is provided in note 10.

All underlying measures exclude certain non-underlying items, which are detailed in note 6. References to an underlying profit measure are made on this basis and, in the opinion of the Directors, aid the understanding of the underlying business performance as they exclude items whose quantum, nature or volatility gives further information to obtain a fuller understanding of the underlying performance of the business. APMs are presented on a consistent basis over time to assist in comparison of performance.

Reconciliation of underlying to reported profit before tax from continuing operations

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Underlying profit before tax from continuing operations	**40.2**	34.4	71.2
Non-underlying items:			
Amortisation of acquisition intangibles	**(2.9)**	(2.9)	(5.9)
Business reorganisation costs	**(1.6)**	(2.9)	(4.5)
Expenses related to acquisitions and disposals	**(1.1)**	(0.5)	(1.6)
Loss on disposal of subsidiaries	**(0.7)**	(0.8)	(0.4)
Impairment of assets	**(2.5)**	(11.2)	(16.0)
Reported profit before tax from continuing operations	**31.4**	16.1	42.8

Reconciliation of underlying to reported operating profit from continuing operations by segment

	Roads & Security		Engineered Solutions		Galvanizing		Total	
	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m
Underlying operating profit from continuing operations	**8.1**	8.8	**14.1**	11.8	**21.4**	17.1	**43.6**	37.7
Non-underlying items:								
Amortisation of acquisition intangibles	**(2.2)**	(2.1)	**(0.3)**	(0.3)	**(0.4)**	(0.5)	**(2.9)**	(2.9)
Business reorganisation costs	**(1.6)**	(2.9)	**-**	-	**-**	-	**(1.6)**	(2.9)
Expenses related to acquisitions and disposals	**(0.9)**	(0.5)	**-**	-	**(0.2)**	-	**(1.1)**	(0.5)
Loss on disposal of subsidiaries	**(0.7)**	(0.8)	**-**	-	**-**	-	**(0.7)**	(0.8)
Impairment of assets	**(2.5)**	(11.2)	**-**	-	**-**	-	**(2.5)**	(11.2)
Reported operating profit/(loss) from continuing operations	**0.2**	(8.7)	**13.8**	11.5	**20.8**	16.6	**34.8**	19.4

	Year ended 31 December 2021			
	Roads & Security £m	Engineered Solutions £m	Galvanizing £m	Total £m
Underlying operating profit from continuing operations	17.9	26.0	33.4	77.3
Non-underlying items:				
Amortisation of acquisition intangibles	(4.5)	(0.5)	(0.9)	(5.9)
Business reorganisation costs	(4.5)	-	-	(4.5)
Impairment of assets	(16.0)	-	-	(16.0)
Expenses related to acquisitions and disposals	-	-	(1.6)	(1.6)
Loss on disposal of subsidiaries	(0.4)	-	-	(0.4)
Reported operating profit from continuing operations	(7.5)	25.5	30.9	48.9

Calculation of underlying operating profit margin from continuing operations

Continuing operations	Roads & Security 6 months ended 30 June 2022 £m	Roads & Security 6 months ended 30 June 2021 £m	Engineered Solutions 6 months ended 30 June 2022 £m	Engineered Solutions 6 months ended 30 June 2021 £m	Galvanizing 6 months ended 30 June 2022 £m	Galvanizing 6 months ended 30 June 2021 £m	Total 6 months ended 30 June 2022 £m	Total 6 months ended 30 June 2021 £m
Underlying operating profit	**8.1**	8.8	**14.1**	11.8	**21.4**	17.1	**43.6**	37.7
Revenue	**128.9**	135.7	**136.5**	107.7	**84.5**	70.2	**349.9**	313.6
Underlying operating profit margin (%)	**6.3%**	6.5%	**10.3%**	11.0%	**25.3%**	24.4%	**12.5%**	12.0%

	Year ended 31 December 2021 Roads & Security £m	Engineered Solutions £m	Galvanizing £m	Total £m
Underlying operating profit	17.9	26.0	33.4	77.3
Revenue	259.7	223.7	141.8	625.2
Underlying operating profit margin (%)	6.9%	11.6%	23.6%	12.4%

Measures of organic and constant currency change in revenue and underlying operating profit from continuing operations

Continuing operations	Roads & Security Revenue £m	Roads & Security Underlying operating profit £m	Engineered Solutions Revenue £m	Engineered Solutions Underlying operating profit £m	Galvanizing Revenue £m	Galvanizing Underlying operating profit £m	Total Revenue £m	Total Underlying operating profit £m
2021	135.7	8.8	107.7	11.8	70.2	17.1	313.6	37.7
Impact of exchange rate movements from 2021 to 2022	1.7	0.4	4.8	0.6	2.2	0.8	8.7	1.8
2021 translated at 2022 exchange rates (A)	137.4	9.2	112.5	12.4	72.4	17.9	322.3	39.5
Acquisitions and disposals	(11.1)	0.8	-	-	-	-	(11.1)	0.8
Organic growth/(decline) (B)	2.6	(1.9)	24.0	1.7	12.1	3.5	38.7	3.3
2022 (C)	**128.9**	**8.1**	**136.5**	**14.1**	**84.5**	**21.4**	**349.9**	**43.6**
Organic change % (B divided by A)	**1.9%**	**(20.7%)**	**21.3%**	**13.7%**	**16.7%**	**19.6%**	**12.0%**	**8.4%**
Constant currency change % ((C-A) divided by A)	**(6.2%)**	**(12.0%)**	**21.3%**	**13.7%**	**16.7%**	**19.6%**	**8.6%**	**10.4%**

Calculation of underlying cash conversion ratio

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Underlying operating profit:			
Continuing operations	**43.6**	37.7	77.3
Discontinued operations	**4.8**	4.8	8.7
	48.4	42.5	86.0
Calculation of adjusted operating cash flow:			
Cash generated by operations	**20.2**	38.4	103.1
Less: Purchase of assets for rental to customers	**(7.1)**	(1.6)	(16.7)
Less: Purchase of property, plant and equipment	**(8.7)**	(8.7)	(17.8)
Less: Purchase of intangible assets	**(1.3)**	(0.4)	(1.4)
Less: Repayments of lease liabilities	**(4.9)**	(5.0)	(10.3)
Add: Proceeds on disposal of non-current assets and assets held for sale	**0.1**	0.7	3.7
Add back: Defined benefit pension scheme deficit payments	**1.9**	1.9	3.7
Add back: Cash flows relating to non-underlying items	**0.9**	0.6	2.7
Adjusted operating cash flow	**1.1**	25.9	67.0
Underlying cash conversion (%)	**2%**	61%	78%

Calculation of capital expenditure to depreciation and amortisation ratio

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Calculation of capital expenditure:			
Purchase of assets for rental to customers	**7.1**	1.6	16.7
Purchase of property, plant and equipment	**8.7**	8.7	17.8
Purchase of intangible assets	**1.3**	0.4	1.4
	17.1	10.7	35.9
Calculation of depreciation and amortisation:			
Depreciation of property, plant and equipment	**10.3**	10.5	20.9
Amortisation of development costs	**0.5**	0.5	1.1
Amortisation of other intangible assets	**0.5**	0.2	0.3
	11.3	11.2	22.3
Capital expenditure to depreciation and amortisation ratio	**1.5x**	1.0x	1.6x

Calculation of net debt to EBITDA ratio

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Reported net debt	**165.5**	154.6	144.7
Lease liabilities	**(36.6)**	(35.9)	(40.6)
Amounts related to refinancing under IFRS 9	**2.1**	2.9	2.5
Covenant net debt (A)	**131.0**	121.6	106.6
Underlying operating profit	**48.4**	42.5	86.0
Depreciation of property, plant and equipment	**10.3**	10.5	20.9
Right-of-use asset depreciation	**4.4**	5.2	10.3
Amortisation of development costs	**0.5**	0.5	1.1
Amortisation of other intangible assets	**0.5**	0.2	0.3
Underlying EBITDA	**64.1**	58.9	118.6
Adjusted for:			
Lease payments	**(5.3)**	(5.4)	(11.1)
Share-based payments expense	**1.5**	0.6	2.8
Annualised EBITDA of subsidiaries disposed/acquired	**(1.2)**	1.3	0.4
Prior period H2 EBITDA	**57.4**	54.5	n/a
Covenant EBITDA (B)	**116.5**	109.9	110.7
Covenant net debt to EBITDA (A divided by B)	**1.1**	1.1	1.0

6. Non-underlying items

Non-underlying items are disclosed separately in the Consolidated Income Statement where, in the Directors' judgement, the quantum, nature or volatility of such items gives further information to obtain a fuller understanding of the underlying performance of the business. 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.
- Amortisation of intangible fixed assets arising on acquisitions, which can vary depending on the nature, size and frequency of acquisitions in each financial period.
- Expenses associated with acquisitions and disposals, comprising professional fees incurred and any consideration which, under IFRS 3 (Revised) is required to be treated as a post-acquisition employment expense, and changes in contingent consideration payable on acquisitions.
- Impairment charges in respect of tangible or intangible fixed assets, or right-of-use 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.

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.

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Loss on disposal of subsidiaries (a)	**(0.7)**	(0.8)	(0.4)
Business reorganisation costs (b)	**(1.6)**	(2.9)	(4.5)
Impairment of assets (c)	**(2.5)**	(11.2)	(16.0)
Amortisation of acquisition intangibles	**(3.0)**	(3.0)	(6.1)
Expenses related to acquisitions and disposals	**(1.9)**	(0.5)	(2.0)
Total non-underlying items	**(9.7)**	(18.4)	(29.0)
Total non-underlying items – continuing operations	(8.8)	(18.3)	(28.4)
Total non-underlying items – discontinued operations	(0.9)	(0.1)	(0.6)

Notes:

a) In April 2022, the Group completed the disposal of the rental division of its Swedish roads operations, at a loss of £0.7m. Details of the disposal are set out below:

Disposal of Swedish rental division	£m
Property, plant and equipment	2.0
Right-of-use assets	2.1
Lease liabilities	(2.0)
Current liabilities	(0.2)
Net assets disposed	**1.9**
Consideration received	1.5
Cumulative exchange differences	(0.3)
Loss on disposal	**0.7**

The Group also incurred costs of disposal of £0.5m, which are included within 'expenses related to acquisitions and disposals' in the table above. Following the disposal, asset impairments of £0.2m and reorganisation costs of £0.2m were incurred in relation to the remaining business. The total of non-underlying net charges relating to the Swedish disposal is therefore £1.6m.

In 2021, the loss on disposal of £0.4m related to the sale of Technocover Limited, the Group's small access covers business.

b) In May 2022, the Group took the decision to exit the low-margin plastic products operations that formed part of our US roads business. Net charges on closure totalled £2.4m, comprising business reorganisation costs of £0.1m reflecting the anticipated net cash costs of exit, which is expected to be completed by the end of the year, and asset impairment charges of £2.3m.

In addition, following the closure of the Group's variable message sign (VMS) business that was announced in March 2021, the Group has incurred a further £1.3m of costs in 2022 in relation to the completion of legacy contracts. The costs of £4.5m in 2021 also related to the VMS closure.

c) Impairment charges of £2.5m in 2022 relate to the portfolio management actions explained above. In 2021, the impairment charge of £16.0m comprised goodwill and acquired intangible asset impairments in respect of ATG Access (£10.8m) and Parking Facilities (£5.2m), two of the Group's security businesses.

7. Net financing costs from continuing operations

Continuing operations	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Interest on bank deposits	**0.2**	0.2	0.6
Financial income	**0.2**	0.2	0.6
Interest on loans and borrowings	**(2.7)**	(2.5)	(4.9)
Interest on lease liabilities	**(0.4)**	(0.4)	(0.8)
Financial expenses related to refinancing	**(0.4)**	(0.4)	(0.8)
Interest cost on net pension scheme deficit	**(0.1)**	(0.2)	(0.2)
Financial expense	**(3.6)**	(3.5)	(6.7)
Net financing costs	**(3.4)**	(3.3)	(6.1)

8. Taxation

Tax has been provided on the underlying profit from continuing operations at the estimated effective rate of 23.0% (2021: 21.7%) for existing operations for the full year.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK Controlled Foreign Company ('CFC') legislation, announcing in April 2019 that it believed in certain circumstances the CFC regime constituted State Aid. In 2021 the Group received a charging notice from HMRC requiring it to pay £1.6m in respect of state aid that HMRC considers had been unlawfully received in previous years, which was paid in full in February 2021.

Applications to annul the Commission's decision had been made in prior years by the UK Government, the Group and other affected taxpayers. The EU General Court delivered its decision on these applications in June 2022, finding in favour of the Commission. Those affected, including the Group, have the option to appeal this decision to the Court of Justice of the EU.

Having taken expert advice, we have concluded that there are strong grounds for appeal and that such an appeal would be likely to be successful. As a result, we continue to recognise a tax receivable of £1.6m within non-current assets, reflecting the Group's view that the amount paid will ultimately be recovered.

9. Discontinued operations and assets held for sale

On 25 July 2022 the Group announced the proposed disposal of France Galva SA ('France Galva'), our French galvanizing and lighting column operations, and on that date entered into a put option with the prospective purchasers. If the proposed disposal proceeds, completion is expected to occur in the fourth quarter of 2022. As negotiations with the prospective purchasers were at an advanced stage at 30 June 2022, France Galva has been classified as a disposal group held for sale at that date as required by IFRS 5 *Non-current assets held for sale and discontinued operations*. Accordingly, France Galva's results have been reported within discontinued operations.

Discontinued Operations

France Galva's financial performance in the current and prior periods is presented below:

	6 months ended 30 June 2022			6 months ended 30 June 2021			Year ended 31 December 2021		
	Underlying £m	**Non-underlying* £m**	**Total £m**	Underlying £m	Non-underlying* £m	Total £m	Underlying £m	Non-underlying* £m	Total £m
Revenue	**47.3**	**-**	**47.3**	40.6	-	40.6	79.8	-	79.8
Cost of sales	**(32.8)**	**-**	**(32.8)**	(26.7)	-	(26.7)	(53.5)	-	(53.5)
Gross profit	**14.5**	**-**	**14.5**	13.9	-	13.9	26.3	-	26.3
Distribution costs	**(2.4)**	**-**	**(2.4)**	(2.1)	-	(2.1)	(4.0)	-	(4.0)
Administrative expenses	**(7.3)**	**(0.9)**	**(8.2)**	(7.0)	(0.1)	(7.1)	(13.6)	(0.6)	(14.2)
Operating profit	**4.8**	**(0.9)**	**3.9**	4.8	(0.1)	4.7	8.7	(0.6)	8.1
Financing costs	**-**	**-**	**-**	-	-	-	-	-	-
Profit before taxation	**4.8**	**(0.9)**	**3.9**	4.8	(0.1)	4.7	8.7	(0.6)	8.1
Taxation	**(1.2)**	**-**	**(1.2)**	(1.3)	-	(1.3)	(2.3)	-	(2.3)
Profit from discontinued operations	**3.6**	**(0.9)**	**2.7**	3.5	(0.1)	3.4	6.4	(0.6)	5.8

* The Group's definition of non-underlying items and further details of the amounts included are set out in note 6.

Assets and liabilities held for sale

The carrying values of the assets and liabilities of France Galva as at 30 June 2022 were as follows:

France Galva	30 June 2022 £m
Assets classified as held for sale	
Intangible assets	**13.3**
Property, plant and equipment	**26.7**
Right-of-use assets	**0.9**
Deferred tax assets	**1.3**
Inventories	**23.1**
Trade and other receivables	**22.4**
Cash and short term deposits	**4.0**
Assets classified as held for sale	**91.7**
Liabilities classified as held for sale	
Lease liabilities	**(0.9)**
Loans and borrowings	**(0.3)**
Trade and other payables	**(23.0)**
Current tax payable	**(0.5)**
Retirement benefit obligations	**(4.4)**
Provisions	**(0.9)**
Liabilities classified as held for sale	**(30.0)**

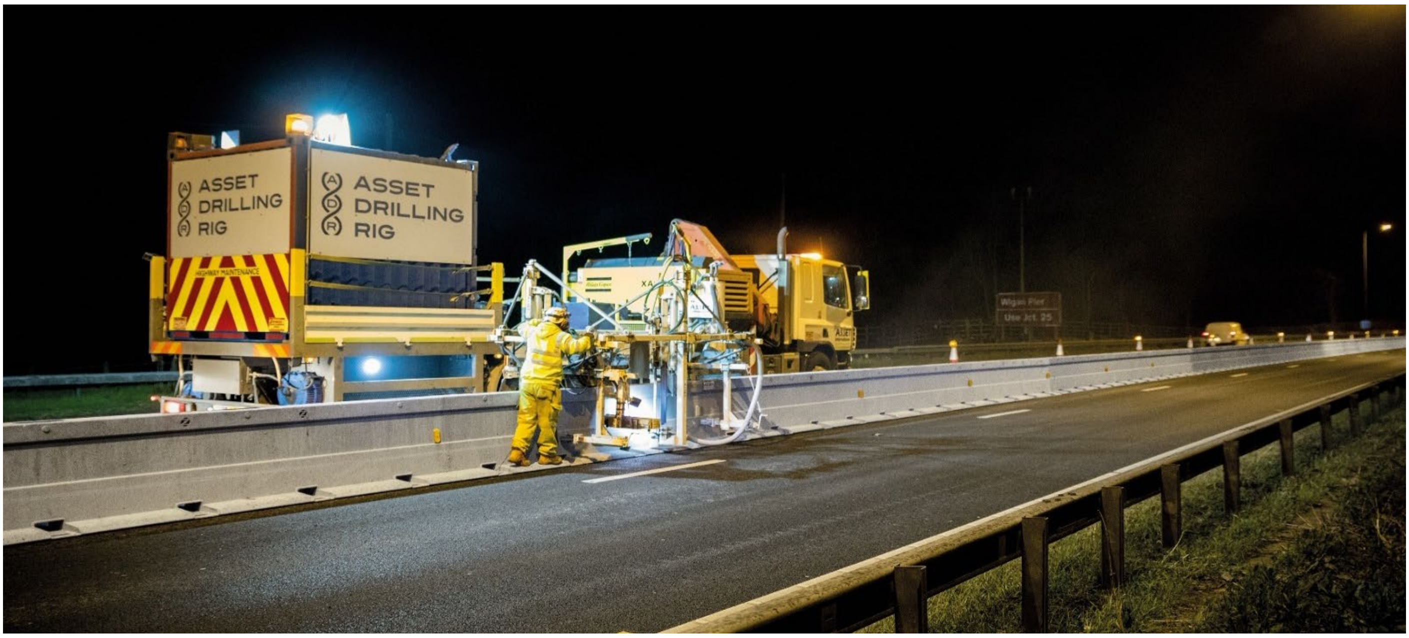
Assets held for sale at 30 June 2022 also include a property with a book value of £2.1m and intangible assets with a book value of £0.2m relating to the Group's exit from its low margin US traffic control products business, further details of which are set out in note 6.

Assets and liabilities held for sale at 31 December 2021 related to the Group's Swedish rental operations, which were disposed of in April 2022 as explained in note 6.

Cash flows from discontinued operations

Cash flows from discontinued operations included in the consolidated cash flow statement are as follows:

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Net cash flow from operating activities	**1.1**	5.1	8.9
Net cash flow from investing activities	**(0.8)**	(0.1)	(2.7)
Net cash flow from financing activities	**(0.3)**	(0.3)	(0.7)
	-	4.7	5.5



10. Earnings per share

The weighted average number of ordinary shares in issue during the period was 79.9m, diluted for the effect of outstanding share options 80.4m (six months ended 30 June 2021: 79.6m and 80.3m diluted; the year ended 31 December 2021: 79.6m and 80.6m 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 2022		6 months ended 30 June 2021		Year ended 31 December 2021	
	Pence per share	£m	Pence per share	£m	Pence per share	£m
Basic earnings						
- continuing	**29.3**	**23.5**	10.7	8.5	35.8	28.4
- discontinued	**3.4**	**2.7**	4.3	3.4	7.2	5.8
Total basic earnings	**32.7**	**26.2**	15.0	11.9	43.0	34.2
Non-underlying items*						
- continuing	**9.4**	**7.5**	23.5	18.6	34.3	27.3
- discontinued	**1.1**	**0.9**	-	0.1	0.6	0.6
Total non-underlying items	**10.5**	**8.4**	23.5	18.7	34.9	27.9
Underlying earnings						
- continuing	**38.7**	**31.0**	34.2	27.1	70.1	55.7
- discontinued	**4.5**	**3.6**	4.3	3.5	7.8	6.4
Total underlying earnings	**43.2**	**34.6**	38.5	30.6	77.9	62.1
Diluted earnings						
- continuing	**29.1**	**23.5**	10.6	8.5	35.4	28.4
- discontinued	**3.4**	**2.7**	4.3	3.4	7.1	5.8
Total diluted earnings	**32.5**	**26.2**	14.9	11.9	42.5	34.2
Non-underlying items*						
- continuing	**9.4**	**7.5**	23.2	18.6	33.9	27.3
- discontinued	**1.1**	**0.9**	0.1	0.1	0.7	0.6
Total non-underlying items	**10.5**	**8.4**	23.3	18.7	34.6	27.9
Underlying diluted earnings						
- continuing	**38.5**	**31.0**	33.8	27.1	69.3	55.7
- discontinued	**4.5**	**3.6**	4.4	3.5	7.8	6.4
Total underlying diluted earnings	**43.0**	**34.6**	38.2	30.6	77.1	62.1

* Non-underlying items as detailed in note 6.

11. Dividends

Dividends paid in the period were the prior year's interim dividend of £9.6m (2021: £7.3m). Dividends declared after the Balance Sheet date are not recognised as a liability, in accordance with IAS 10. The Directors have proposed an interim dividend for the current year of £10.4m, 13.0p per share (2021: £9.6m, 12.0p per share), which will be paid on 6 January 2023 to shareholders on the register on 2 December 2022.

12. Intangible assets

Impairment of goodwill and indefinite life intangible assets

IAS 36 *Impairment of Assets* requires the Group to test goodwill and other indefinite life intangible assets for impairment annually, or at other reporting period ends where there is an indication of impairment. In determining which Cash Generating Units (CGUs) to test at 30 June 2022, the Group identified those where the trading performance or outlook in the first six months of the year had fallen substantially below previous expectations. On this basis, an impairment test was carried out on the Parking Facilities CGU. Notwithstanding a positive performance in the first half of 2022, given that the ATG Access CGU was impaired by £10.8m in the year ending 31 December 2021 and was carried at its recoverable amount at that date, the Group concluded that it would also be appropriate to test ATG Access at 30 June 2022.

Consistent with past practice and as disclosed in the Group's 2021 Annual Report, impairment tests on the carrying values of goodwill are performed by comparing the carrying value allocated to each CGU against its value in use. Value in use is calculated as the net present value of that unit's discounted future cash flows. Short-term cash flows are based on latest management forecasts for the second half of 2022 and strategic plans for the following four years, which are prepared taking into account a range of factors including past experience, the forecast future trading environment and macroeconomic conditions in the Group's key markets. The cash flows beyond the strategic plan period use growth rates which reflect the long-term historical growth in GDP of the economies in which each CGU is located, which vary between 1.6% and 2.5%. The Board believes the use of long-term historical growth rates is currently the most reliable indicator of future growth rates, given the ongoing volatility and uncertainty in any forward-looking growth projections at the reporting date. Discount rates are derived from a market participant's cost of capital, risk adjusted for individual CGU's circumstances.

Based on the methodology outlined above, the impairment reviews for ATG Access and Parking Facilities at 30 June 2022 concluded that no impairment charges were required to be recorded in the period. The Group then applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment of the goodwill in each tested CGU.

ATG Access

As disclosed in the Group's 2021 Annual Report, ATG's future performance is largely dependent on the pace of post-pandemic recovery in UK and global security products markets, which itself is inherently dependent on public and customer behaviour. It is plausible that the pace of recovery could be more gradual than that assumed in the impairment tests that have been carried out, in which case a further material impairment could arise. Revenue growth, gross margins, long-term cash flow growth and the discount rate are the key assumptions on which the goodwill impairment review is most sensitive. The following table provides information on the impact on calculated headroom of various scenarios for each of those key assumptions (independently in each case):

Input	Scenario	Sensitivity applied %	Headroom/ (impairment) £m
	Base case	7.3	-
	H&S sensitivity 1 *	4.7	(4.5)
Compound annual revenue growth 2022-2026	H&S sensitivity 2 *	2.0	(8.5)
	Base case	25.8	-
	H&S sensitivity 1 **	24.7	(1.5)
Gross profit margin	H&S sensitivity 2 **	23.6	(3.8)
	Base case	2.0	-
Annual cash flow growth 2026 onwards	H&S sensitised	0.0	(2.1)
	Base case	13.7	-
Pre-tax discount rate	H&S sensitised	15.7	(2.1)

* The base case assumes compound annual revenue growth between 2022 and 2026 of 7.3%. H&S Sensitivity 2 illustrates the impact of compound revenue growth at 2% (consistent with long-term UK growth rates). H&S Sensitivity 1 shows the midpoint between the two.

** The base case assumes a gradual increase in gross profit margin from 23.6% through to 25.8% in 2026. H&S Sensitivity 2 assumes no growth in gross profit margin from 2022 outlook. H&S Sensitivity 1 shows the midpoint between the two.

Parking Facilities

Similar to ATG and as disclosed in the Group's 2021 Annual Report, Parking Facilities' future performance is dependent on the pace of post-pandemic recovery in the UK security market, as well as the evolution of other competitive pressures that exist in the market. Revenue growth, gross margins, long-term cash flow growth and the discount rate are the key assumptions on which the goodwill impairment review is most sensitive. The following table provides information on the impact on calculated headroom of various scenarios for each of those key assumptions (independently in each case):

Input	Scenario	Sensitivity applied %	Headroom/ (impairment) £m
Compound annual revenue growth 2022-2026	Base case	3.3	-
	H&S sensitivity 1 *	2.0	(2.0)
	H&S sensitivity 2 *	0.0	(4.4)
Gross profit margin	Base case	30.6	-
	H&S sensitivity 1 **	29.6	(3.3)
	H&S sensitivity 2 **	28.6	(4.5)
Annual cash flow growth 2026 onwards	Base case	2.0	-
	H&S sensitised	0.0	(1.6)
Pre-tax discount rate	Base case	13.7	-
	H&S sensitised	15.7	(1.9)

* The base case assumes compound annual revenue growth between 2022 and 2026 of 3.3%. H&S Sensitivities illustrate the impact of compound revenue growth at 2% (consistent with long-term UK growth rates) and 0% (i.e., revenues do not grow from 2022).
** The base case assumes a gross profit margin of 30.6% every year from 2022 through 2026. The H&S sensitivity scenarios show a 100-basis point and 200-basis point reduction respectively in gross profit margin in the period 2022 through 2026.

13. Analysis of net debt

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Cash and cash equivalents in the Condensed Consolidated Statement of Financial Position			
Cash and cash equivalents	**18.4**	19.2	18.8
Cash and cash equivalents classified as assets held for sale (note 9)	**4.0**	-	-
Bank overdrafts	**(5.4)**	(5.9)	(0.7)
Cash and cash equivalents net of bank overdraft	**17.0**	13.3	18.1
Interest bearing loans and other borrowings			
Amounts due within one year	**(0.5)**	(0.4)	(1.2)
Amounts due after more than one year	**(145.1)**	(131.6)	(121.0)
Loans and borrowings classified as liabilities held for sale (note 9)	**(0.3)**	-	-
Lease liabilities classified as liabilities held for sale (note 9)	**(0.9)**	-	(1.7)
Lease liabilities due within one year	**(8.0)**	(9.6)	(8.8)
Lease liabilities due after more than one year	**(27.7)**	(26.3)	(30.1)
Net debt	**(165.5)**	(154.6)	(144.7)

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Change in net debt			
Operating profit from continuing operations	**34.8**	19.4	48.9
Operating profit from discontinued operations (note 9)	**3.9**	4.7	8.1
Non-cash items	**23.5**	31.2	55.8
Operating cash flow before movement in working capital	**62.2**	55.3	112.8
Net movement in working capital	**(41.5)**	(15.3)	(6.8)
Change in provisions and employee benefits	**(0.5)**	(1.6)	(2.9)
Operating cash flow	**20.2**	38.4	103.1
Tax paid	**(8.1)**	(9.2)	(15.2)
Net financing costs paid	**(2.2)**	(2.1)	(4.1)
Capital expenditure	**(17.1)**	(10.7)	(35.9)
Proceeds on disposal of non-current assets and assets held for sale	**0.1**	0.7	3.7
Free cash flow	**(7.1)**	17.1	51.6
Dividends paid (note 11)	**(9.6)**	(7.3)	(21.2)
Acquisitions	**-**	(13.6)	(13.6)
Disposals	**1.5**	1.3	1.6
Expense associated with refinancing activities	**(0.4)**	(0.4)	(0.8)
Purchase of shares for employee benefit trust	**(0.3)**	(0.7)	(1.8)
Issue of new shares	**1.6**	1.1	2.6
New leases and lease remeasurements	**(2.2)**	(7.2)	(17.1)
Leases disposed of (note 6)	**2.0**	-	-
Interest on lease liabilities	**(0.4)**	(0.4)	(0.8)
Net debt (increase)/decrease	**(14.9)**	(10.1)	0.5
Effect of exchange rate fluctuations	**(5.9)**	1.7	1.0
Net debt at the beginning of the period	**(144.7)**	(146.2)	(146.2)
Net debt at the end of the period	**(165.5)**	(154.6)	(144.7)

14. 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 2022. The fair values of all financial assets and liabilities are not materially different to the carrying values.

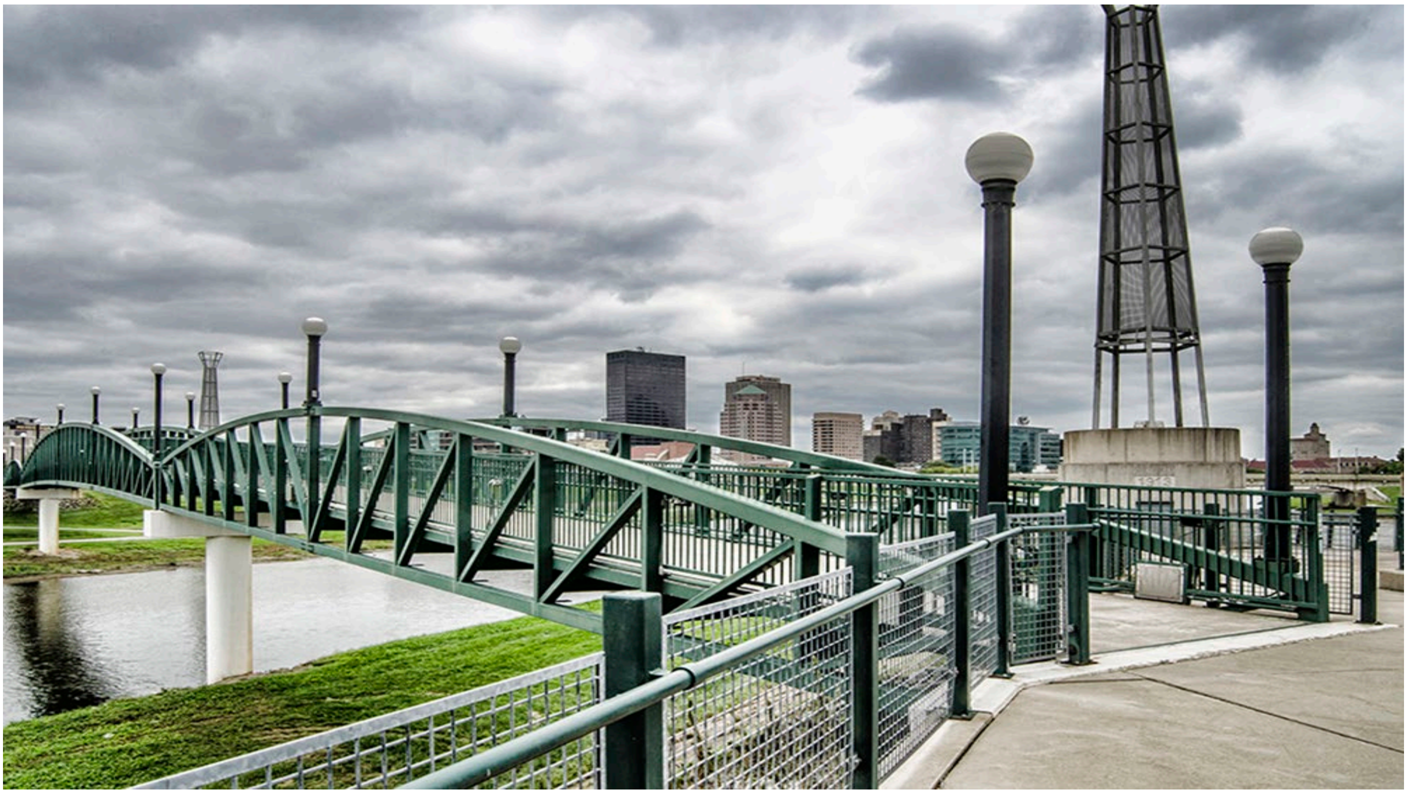
	Designated at fair value £m	Amortised cost £m	Total carrying value £m	Fair value £m
Cash and cash equivalents net of bank overdraft	-	**13.0**	**13.0**	**13.0**
Cash and cash equivalents classified as held for sale (note 9)	-	**4.0**	**4.0**	**4.0**
Loans and borrowings due within one year	-	**(0.5)**	**(0.5)**	**(0.5)**
Loans and borrowings due after more than one year	-	**(145.1)**	**(145.1)**	**(145.1)**
Loans and borrowings classified as liabilities held for sale (note 9)	-	**(0.3)**	**(0.3)**	**(0.3)**
Lease liabilities due within one year	-	**(8.0)**	**(8.0)**	**(8.0)**
Lease liabilities due after more than one year	-	**(27.7)**	**(27.7)**	**(27.7)**
Lease liabilities classified as liabilities held for sale (note 9)	-	**(0.9)**	**(0.9)**	**(0.9)**
Other financial assets	-	**143.4**	**143.4**	**143.4**
Financial assets classified as held for sale (note 9)	-	**22.4**	**22.4**	**22.4**
Other financial liabilities	-	**(113.9)**	**(113.9)**	**(113.9)**
Financial Liabilities classified as held for sale	-	**(21.7)**	**(21.7)**	**(21.7)**
Total at 30 June 2022	-	**(135.3)**	**(135.3)**	**(135.3)**

Fair value hierarchy

There were no financial instruments carried at fair value at 30 June 2022, 30 June 2021 or 31 December 2021.

15. Events after the reporting period

On 25 July 2022 the Group announced the proposed disposal of France Galva SA, our French galvanizing and lighting column operations. Further details are set out in note 9. There were no other significant subsequent events.



Financial Calendar

Ex-dividend date for 2022 interim dividend	1 December 2022
Record date	2 December 2022
Payment of interim dividend for 2022	6 January 2023
Preliminary results announcement for 2022	8 March 2023
Annual General Meeting 2023	25 May 2023

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 in respect of the interim dividend to be paid on 6 January 2023, need to elect to do so by 13 December 2022 and can contact Computershare Investor Services either by telephoning 0370 707 1058 or by visiting their website at www.computershare.com/investor/UK.

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Hannah Nichols
Chief Financial Officer

Tony Quinlan
Senior Independent Non-executive

Annette Kelleher
Non-executive

Mark Reckitt
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