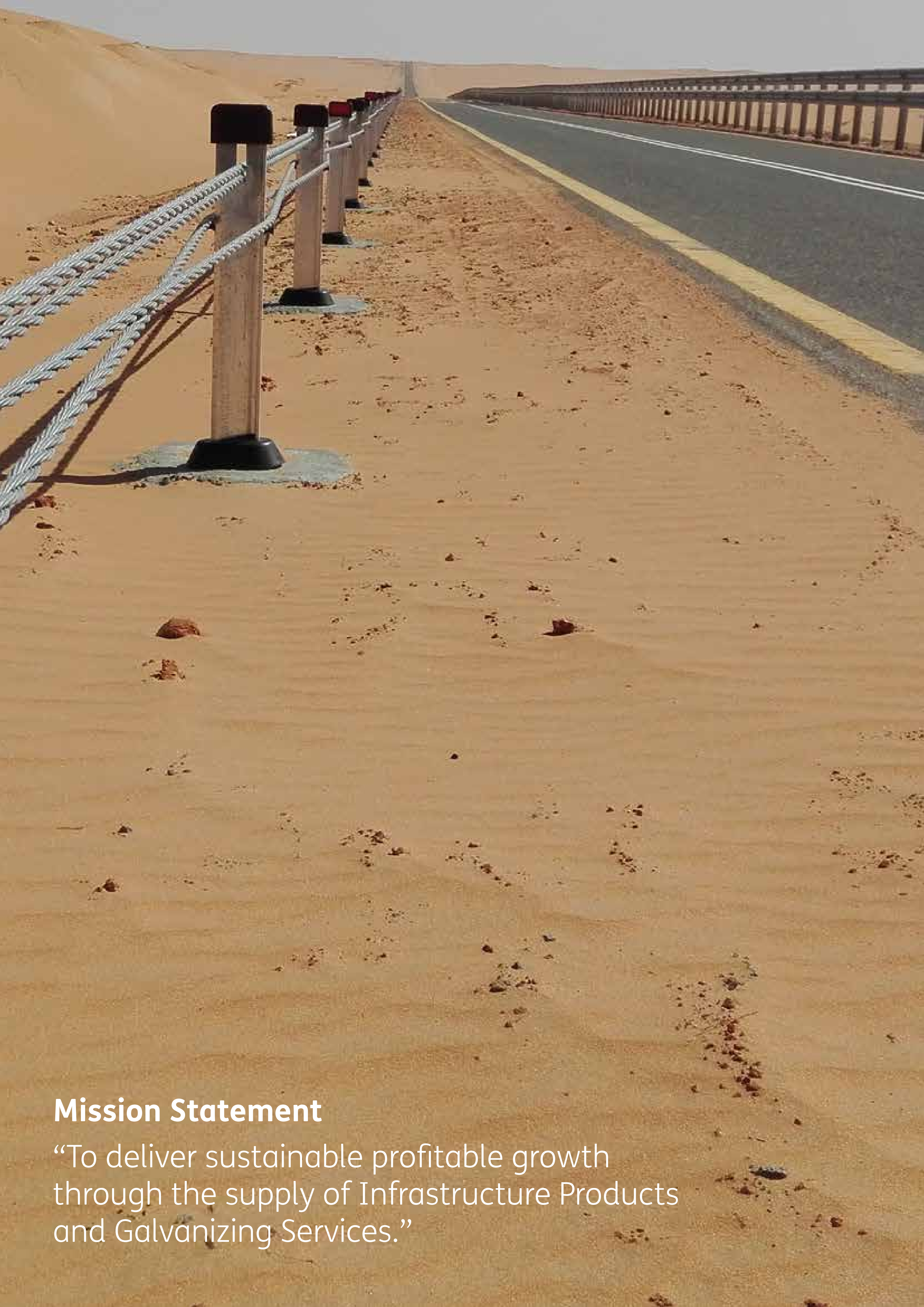
Hill & Smith Holdings PLC

2015

Annual Report for the year ended 31 December 2015

Stock Code HILS



Mission Statement

"To deliver sustainable profitable growth through the supply of Infrastructure Products and Galvanizing Services."

Hill & Smith Holdings PLC

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Front Cover Images

Top - Yellow Creek Bridge, near Loysbury, Pennsylvania - designed by E.T. Techtonics, Inc. and manufactured by Creative Pultrusions, Inc.

Middle - Pipework fabrications immediately after dipping at the Joseph Ash Walsall site.

Bottom - Zoneguard installation on the A14.

Left - Brifen Wire Rope VRS covering over 180km of the Saudi Southern Border with Yemen.

Below - Asset MASS on the Heysham to M6 link.

Sculpture by Mattthew Lane Sanderson and galvanized by Joseph Ash, 'Conduct' stands outside the chapel forecourt of Solihull School, West Midlands.

Group Highlights

- Record revenue and underlying earnings performance.
- Improved returns across all divisions driven by strong end markets and active portfolio management.
- Underlying profit before taxation up by 15% to £53.0m.
- Four acquisitions completed during the year.
- Another strong cash generation performance with net debt at £91.5m.
- Proposed final dividend of 13.6p.

	2015	2014	Change %
Revenue	**£467.5m**	£454.7m	+3
Underlying operating profit*	**£56.0m**	£49.2m	+14
Underlying operating margin*	**12.0%**	10.8%	+120bps
Underlying profit before tax*	**£53.0m**	£46.0m	+15
Profit before tax	**£33.2m**	£36.9m	-10
Underlying earnings per share*	**51.7p**	45.0p	+15
Earnings per share	**30.9p**	35.1p	-12
Dividend per share	**20.7p**	18.0p	+15
Net debt	**£91.5m**	£96.0m	

Revenue

£467.5m
up 3%

2015	£467.5m
2014	£454.7m
2013	£444.5m
2012	£440.7m
2011	£406.2m

Underlying operating profit

£56.0m
up 14%

2015	£56.0m
2014	£49.2m
2013	£44.5m
2012	£44.0m
2011	£41.5m

Underlying earnings per share

51.7p
up 15%

2015	51.7p
2014	45.0p
2013	40.4p
2012	38.8p
2011	34.5p

Dividend per share

20.7p
up 15%

(proposed)

2015	20.7p
2014	18.0p
2013	16.0p
2012	15.0p
2011	13.2p

* All underlying profit and EPS measures exclude certain non-trading items, which are defined in note 3 on page 101. References to underlying profit measures throughout this report are made on this basis, and, in the opinion of the Directors, aid the understanding of the underlying business performance.

Chairman's Statement

Bill Whiteley
Chairman

> "I am delighted to report a successive year of record performance by the Group in 2015."

Overview

I am delighted to report a successive year of record performance by the Group in 2015. In an increasingly uncertain macro-economic environment, our focused strategy of developing businesses in international markets and with market leading positions has delivered good organic revenue and profit growth and improved returns on the capital entrusted to us.

In 2015, our reported revenues increased by 3% to £467.5m (2014: £454.7m), also by 3% at constant currency. Underlying operating profit increased by 14% to £56.0m (2014: £49.2m), or 12% at constant currency. Improvements in operating margins across all our divisions contributed to the strong performance.

Continuation of our strategy of active portfolio management resulted in us completing four acquisitions during 2015 for an aggregate cash consideration of £16.6m (with a further £0.5m deferred):

- In April, we acquired Novia Associates, Inc. ('Novia'), a vibration and seismic control manufacturer in New Hampshire, USA. Novia will extend the product offering of our US pipe supports business.
- In November, we acquired the trade and certain assets of Tegrel Limited ('Tegrel'). Tegrel designs, manufactures and supplies a range of aluminium enclosures used predominantly in the UK highway and rail markets. Tegrel has long been a supplier to the Group's Variable Message Sign ('VMS') business and has been integrated into the existing VMS operation.
- In November, we acquired Premier Galvanizing Limited ('Premier'), a privately owned galvanizer with two plants located in Hull and Corby, UK. The acquisition will afford Premier the opportunity to enhance its service offering to galvanize longer structural steel products.
- In December, we acquired Bowater Doors Limited ('Bowater'). Bowater produces composite doors for the UK new build and replacement door market and has subsequently been merged into our Birtley building products business in Newcastle.

Post the year end, in January 2016 we acquired the trade and assets of E.T. Techtonics, Inc. ('ETT'), a leader in the design and construction of composite bridges. ETT will trade as a division of our US composites business, Creative Pultrusions.

We welcome the employees of the acquired companies to the Group and are excited about the opportunities the expanded businesses can deliver.

In furtherance of our strategic objectives, today we have announced the proposed restructuring of our non-US pipe supports operations. Regrettably, market forces are such that we no longer see the business being able to meet the Group's financial return metrics over a reasonable time horizon. Therefore, we have announced the plan to engage in a consultation process regarding the closure of, and our exit from, our manufacturing sites in the UK and Thailand and also our sales office in China. To the extent possible, work will be transferred to our Indian manufacturing facility, which will become our centre of excellence for the manufacture of pipe support products. It is expected that we will seek a buyer for the Indian business once the restructuring is completed.

Performance highlights

The Board is pleased with the Company's financial performance for 2015, the highlights of which are shown below:

			Change %	
	2015	2014	Reported	Constant currency
Revenue	**£467.5m**	£454.7m	+ 3	+ 3
Underlying[(1)]:				
Operating profit	**£56.0m**	£49.2m	+ 14	+ 12
Profit before tax	**£53.0m**	£46.0m	+ 15	+ 13
Earnings per share	**51.7p**	45.0p	+ 15	+13

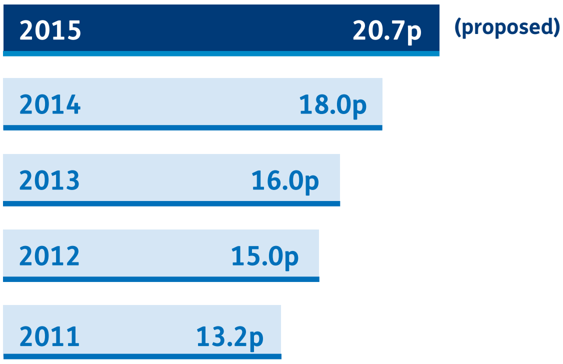
[(1)] Underlying profit and EPS measures exclude certain non-trading items, which are as defined in the "Group Accounting Policies" on page 93 and detailed in note 3 to the Financial Statements.

Dividends

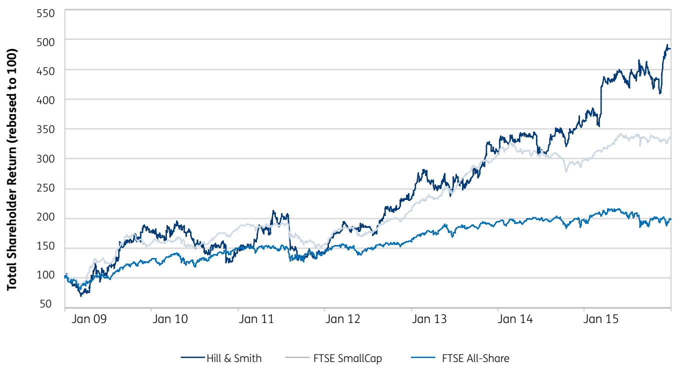
In view of the strong performance the Board is recommending a final dividend of 13.6p per share (2014: 11.6p per share) making a total dividend for the year of 20.7p per share (2014: 18.0p per share), an increase of 15% on the prior year. Underlying dividend cover remains a healthy 2.5 times (2014: 2.5 times).

We continue to perform at a level that enables us to maintain a progressive dividend policy which has resulted in thirteen years of uninterrupted dividend growth. The final dividend, if approved, will be paid on 1 July 2016 to those shareholders on the register at the close of business on 27 May 2016.

Set out below is our five year dividend per share track record, growth of which is at the heart of our strategic objectives.



Total shareholder return
In addition to our progressive dividend policy we also strive to deliver increased shareholder value as demonstrated from the graphs below. These graphs show the total shareholder return performance of the Group against that for the FTSE SmallCap and FTSE All-Share for the period 1 January 2009 to 31 December 2015. Over the period the Board is pleased with the progress made, but we remain focused on further improvement through the implementation of our strategy.



Governance and the Board
Honest, open and accountable management of our businesses is key to the effective governance of the Group, which underpins our strategy and the sustainability of our performance.

In this year's Annual Report we set out explanations of our business model, strategy, viability statement, risk management and activities of the Board and its Committees. We also discuss within our Corporate Responsibility report how our businesses are encouraged to contribute within the communities in which they operate.

It is the responsibility of every Board to ensure that there is an appropriate succession planning process in place across the business, including the Board of Directors. During the year, both the Board and the Nomination Committee reviewed their plans for succession planning. Clive Snowdon, currently Senior Independent Director and Chair of the Remuneration Committee, joined the Board in May 2007 and has provided invaluable counsel in the transformation of the Group during his tenure. Clive will retire at the 2016 AGM in May and a search is underway for his replacement. Clive leaves us with our thanks and best wishes for the future.

AGM
We will hold our AGM on 17 May 2016 and it is an excellent opportunity for shareholders to meet the Board and certain senior executives of the Group. If you are able to attend my colleagues and I will be delighted to see you.

People
Good results can only be delivered through the efforts and dedication of a loyal and strong workforce. On behalf of the Board, I would like to thank our employees for their continued hard work and for rising to the challenges and opportunities they meet.

Outlook
The Group benefits from the industrial and geographical spread of its markets and businesses, which not only provide a resilient base, but also opportunities for growth. Generating over 80% of revenue and 90% of underlying operating profit from its UK and US operations, the Group principally operates in niche infrastructure markets where the overall outlook remains positive.

Our US galvanizing plants have enjoyed a good start to the new year helped by favourable weather conditions and we anticipate another strong outcome. The performance of the US, together with the UK galvanizing business, is expected to more than offset any potential weakness from our French operations, where economic conditions remain difficult.

In Utilities, notwithstanding a slower start to the year, our UK and US activities are well placed to continue to benefit from the significant investment going into the ageing infrastructure of those countries. The proposed restructuring of our loss-making non-US Pipe Support operations will also improve Utilities profitability.

In the UK, the implementation of the Department of Transport's Road Investment Strategy is progressing well and is entering the second year of the initial five year plan, which provides certainty of funding through to 2020/21. We therefore have confidence that the Group's road product portfolio will continue to benefit from the increased investment in the UK road infrastructure.

Overall, although some markets remain challenging, 2016 is again expected to be a year of good progress.

Bill Whiteley
Chairman

9 March 2016

Operational and Financial Review

Derek Muir
Group Chief Executive

Mark Pegler
Group Finance Director

2015 overview

The Group delivered another strong performance in 2015 with record revenue generation and underlying profitability. Despite the uncertain economic conditions, trading in our key markets remained positive and we delivered strong year-on-year underlying profit growth ahead of our earlier expectations. Infrastructure Products performed well, with both Utilities and Roads increasing profitability. A strong performance from Galvanizing in the USA and UK more than offset continued weakness in France.

Our strategy of international diversity and the strength of our businesses within their respective markets continues to underpin our performance. Our USA and UK operations grew strongly on the back of increasing infrastructure investment in our chosen end markets. Our UK operations now generate 47% of Group underlying operating profit, while our USA based businesses now account for 45% of Group underlying operating profit compared to 41% in the prior year. Both economies and the markets in which we operate continue to have a positive outlook for 2016 and beyond.

Reported revenue for the year increased by 3% to £467.5m (2014: £454.7m). Adjusting for adverse currency impacts of £0.5m and a net decrease in revenue of £2.6m from acquisitions and disposals, revenue improved by £15.9m, an organic increase of 3%. Underlying operating margin improved by 120bps to 12.0% (2014: 10.8%). Underlying operating profit increased by 14% to £56.0m (2014: £49.2m) including favourable currency impacts of £0.9m, with acquisitions/disposals contributing £1.0m. The organic improvement in underlying operating profit was 10%. Underlying profit before taxation was 15% higher at £53.0m (2014: £46.0m).

Infrastructure Products

	£m		+/-	Constant Currency
	2015	2014	%	%
Revenue	**325.5**	322.9	+1	+1
Underlying operating profit	**26.5**	22.5	+18	+16
Underlying operating margin %	**8.1**	7.0		

The division is focused on supplying engineered products to the Roads and Utilities markets in geographies where there is a prospect of sustained long term investment in infrastructure. In 2015 the division accounted for 70% (2014: 71%) of the Group's revenue and 47% (2014: 46%) of the Group's underlying operating profit.

Overall revenues increased marginally to £325.5m (2014: £322.9m) including a £0.8m positive impact from exchange rate movements. Organic revenue growth was £5.1m, or 2% at constant currency. Underlying operating profit was £26.5m (2014: £22.5m), an increase of £4.0m, with a positive currency translation impact of £0.3m. Underlying operating margin improved to 8.1% (2014: 7.0%).

Roads

	£m		+/-	Constant Currency
	2015	2014	%	%
Revenue	**131.6**	127.7	+3	+7
Underlying operating profit	**16.0**	13.3	+20	+21
Underlying operating margin %	**12.2**	10.4		

Our Roads division designs, manufactures and installs temporary and permanent safety products for the roads market together with intelligent transport systems ('ITS') which collect data and provide information to road users. We principally serve the UK market, with an international presence in selected geographies with a growing demand for tested safety products. Roads represents 29% (2014: 27%) of the Group's underlying operating profit, and 28% (2014: 28%) of revenues in 2015.

Revenues increased by 3% to £131.6m (2014: £127.7m). Underlying operating profit of £16.0m was £2.7m higher than the prior year (2014: £13.3m). There were no material net effects from acquisitions and currency movements.

UK

In December 2014, the UK Government published its Road Investment Strategy ('RIS') setting out investment plans in the UK road network through to 2020/21. Subsequently, in April 2015, Highways England was formed (previously the Highways Agency) as a Government owned company with the objective of delivering the 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 are at the core of the Group's product offering in the UK. Overall, the implementation of the RIS progressed as planned in the first half of the year but slowed in the second half, as three Smart Motorway and other programmes were delayed into 2016. Pleasingly, the Smart Motorway programmes are now underway and we have commenced supply of our temporary safety barrier.

Demand for permanent and temporary safety barriers was very strong in the first half of the year. However, as expected, the utilisation of the temporary safety barrier rental fleet was lower in the second half as Smart Motorway projects were delayed. Utilisation rates are expected to increase throughout 2016 as further Smart Motorway programmes commence. Good performances were achieved from our BEBO concrete structures and our UK bridge parapet products. Both business units entered 2016 with a strong backlog and we expect further improvement during the year. Our Brifen wire rope safety fence system had a strong second half shipping a large 180km project to the Middle East. At the end of 2015 we secured an additional order of 200km to supply the second phase of the project, which will be shipped in the first quarter of 2016. As part of our continuing investment in product testing, we successfully tested a high containment anti-terrorist perimeter fence to achieve minimal penetration. The product was launched in the second half and early signs are encouraging, with two projects protecting power stations completed, also in the Middle East.

The integration of Variable Message Signs ('VMS'), acquired in July 2014, was successfully completed and the combined organisation is able to provide a wider and more competitive product offering to support Highways England in its roll out of the Smart Motorway programme. Product development initiatives have added to our offering and include remote control roadworks taper signs. The business delivered an excellent performance in 2015 and entered 2016 with a strong backlog. In November, we purchased for minimal consideration the trade and assets of one of VMS's major suppliers, Tegrel, which manufactures the aluminium enclosures for the variable message signs. This business has been integrated into VMS, vertically integrating our supply chain and increasing our capacity to satisfy the growing demand from Highways England and Transport Scotland.

Despite the completion of a number of our PFI projects, our lighting column business delivered an exceptional result with profitability ahead of 2014. The strategy of diversifying both products and markets continues to deliver significant benefits. We will however see completion of the remaining PFIs in 2016 and therefore expect volumes to reduce.

Non-UK

Our Scandinavian business enjoyed a good year with profitability ahead of 2014 despite adverse currency movements impacting on the competitiveness of safety barrier products imported from the UK. The outlook for the Scandinavian market remains favourable and during the year we expanded our temporary safety barrier rental fleet to further enhance the product offering. We continue to look at opportunities to strengthen the range of products.

In France our lighting column business performed well and despite the competitive marketplace and subdued demand, we were able to increase our market share. Investment in automation has enabled us to reduce operational costs and we are on target to become the lowest cost, fully integrated producer of lighting columns in France.

In our other international businesses we are working hard to introduce our tried and tested products into new markets by promoting their benefits through lower cost and efficient installation. These products, including Brifen wire rope safety fence and Zoneguard, our temporary safety barrier, are taking longer to gain penetration than we initially envisaged. With further approvals gained in the USA market and an expanded, more focused sales organisation, we expect Zoneguard to return a stronger performance in 2016. In India, after a difficult period pre and post national elections, project funding now appears to be forthcoming in the roads market and we anticipate an increase in momentum in the market for wire rope during the coming year. Pleasing progress has been made in Australia where, despite the weakness of the Australian Dollar hindering competitiveness, we have captured a number of orders including a supply contract for 19km of our Zoneguard temporary safety barrier to a major project in Sydney. We expect an improved performance from our international roads businesses in 2016.

Overall, the demand for our products, both in the UK and overseas, remains encouraging and 2016 is expected to be a year of further progress in our respective markets.

Utilities

	£m		+/-	Constant Currency
	2015	2014	%	%
Revenue	**193.9**	195.2	-1	-3
Underlying operating profit	**10.5**	9.2	+14	+9
Underlying operating margin %	**5.4**	4.7		

Our Utilities division provides industrial flooring, plastic drainage pipes, security fencing and steel products for energy creation markets across the Globe. The requirements for new power generation in emerging economies and replacement of ageing infrastructure in developed countries provide excellent opportunities for the Group's utilities businesses. Utilities represents 19% (2014: 19%) of the Group's underlying operating profit and 41% (2014: 43%) of revenues.

Revenues fell to £193.9m (2014: £195.2m), but after adjusting for disposals in the prior year and currency impacts, reflected an organic improvement of £1.8m or 1% primarily due to a stronger performance from our UK utilities businesses. Underlying operating profit increased by £1.3m to £10.5m (2014: £9.2m), a constant currency growth of 9%. Underlying margins improved 70bps to 5.4% (2014: 4.7%).

Creative Pultrusions, our composites company in the USA, delivered a robust performance by increasing sales of its waterfront protection products and its own electrical distribution products of GRP Poles and Crossarms. OEM customer volumes were lower year on year however profitability remained at prior year levels on a higher margin product mix. Development of new products continues to be the focus and in January 2016 we completed the acquisition of the trade and assets of E.T. Techtonics, Inc. ('ETT'), a leading designer of composite bridges for pedestrian, equestrian and light vehicle applications. The company has a patented design and has engineered and installed over 700 walkway systems using their PRESTEK® system. Cash consideration of $1.8m was paid at acquisition with a further $0.2m due in 2016. ETT will be integrated into the Creative Pultrusions business and furthers our strategy of enhancing our product offering to end users within infrastructure markets.

Our USA based transmission structures and substation utility business entered 2015 with an improved backlog for larger substation structures. Stronger revenues were experienced throughout the year, notably from our customers within framework agreements, which now account for 50% of our revenue. Increased penetration in our packaging work, supplying both structural galvanized steel structures together with the required electrical components, also improved profitability. The order backlog remains healthy, although revenues are expected to be marginally lower than 2015 as lower material prices work their way through the pricing structure in framework agreements.

Operational and Financial Review (continued)

Our pipe supports business in the USA experienced disruption in the first quarter due to poor weather conditions in the north east. During the year the market improved for engineered products and we signed a Master Product Agreement with Bechtel Power for the supply of engineered pipe supports for their combined cycle gas plants. Three projects are currently under construction and we enter 2016 with a strengthened backlog. The industrial pipe hanger business remains very competitive with lower margins experienced across our network of branches. Construction activity in the major cities is encouraging, which should result in increased demand in 2016 for our products. 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 for a net consideration of £1.8m. Novia will extend the product offering of our US pipe supports business and, having been successfully integrated, has performed well in the period since acquisition.

Outside the US, our Indian business gained traction with new leadership and we supplied engineered pipe supports and hanger rods for Larsen & Toubro and Doosan on multi-boiler coal-fired power stations, resulting in a successful year. During the year we won further work for our Thailand plant from India for the supply of cryogenic pipe supports for large LNG terminals in Dahej and Mundra in the Gujarat province. The outlook in India remains strong with a large programme to build both coal and gas fired power plants together with LNG receiving terminals. Our pipe supports businesses in Thailand and the UK entered the year with a lower order backlog than we would usually expect, due to our Japanese EPC framework customers completing power projects for which we had already supplied pipe supports in the previous year. After a disappointing first half performance, we entered the second half with an improved order book and expectations of a significant improvement in profitability. However, with the fall in oil and gas pricing, the wider power and energy market continued to be challenging and order intake has been weaker than expected, both in terms of volume and pricing. Consequently, the UK and Thailand based businesses performed below our expectations in the second half of the year incurring further losses. The outlook for our markets outside India is expected to remain challenging over a reasonable time horizon. Following a strategic review of the business we have announced our plan to engage in a consultation process regarding the closure of, and our exit from, our manufacturing sites in the UK and Thailand and also our sales office in China. To the extent possible, work will be transferred to our Indian manufacturing facility, which will become the centre of excellence for the manufacture of pipe support products. Following completion of the restructuring, it is expected that the Group will seek a buyer for the Indian business. A non-underlying restructuring charge of approximately £10m will be reported in the 2016 results of which cash costs (after realisation of property and working capital) are expected to be in the region of £4m.

In the UK our utilities businesses have performed strongly year on year due to increased infrastructure spending. The industrial flooring operation successfully completed a number of projects for new train maintenance depots and this work is set to continue into 2016 helping to offset the lower activity from oil and gas projects in the North Sea. Demand for our products in new Energy from Waste and Biomass plants increased in the period and the demand for these plants is increasing. AMP6 had a slow first year despite increased bidding activity, however it is expected that the second year of the five year programme, which starts in April 2016, will see the award and supply of a number of projects for galvanized steel handrails, flooring and walkway bridges.

Our plastic pipe business benefitted throughout the year from strong demand in the UK housing sector for storm attenuation tanks for the flood alleviation market. Enquiry levels for AMP6 were at record levels, however few orders were placed in the first year of the plan. Recent record levels of rainfall and increased flooding should result in this market gaining momentum over the next year or so. Efficiency gains within the business and capital expenditure on automated fabrication equipment allowed us to increase productivity and improve returns. The business is well placed for future growth.

The Birtley and Expamet range of building products continued to perform ahead of our expectations with increased penetration of both brands to independent builders and national merchants. Focus to improve efficiencies within the composite residential door business increased our throughput by over 50%, which satisfied the increased demand from the major housebuilders. As part of our strategy to supply composite doors to the retail and social housing sectors, in December we acquired the Bowater Doors business from the VEKA Group for a cash consideration of £0.3m. The Bowater brand is synonymous with the national direct-to-consumer sector and manufacturing has been transferred to the Birtley door factory in the north east. This acquisition is part of the vision to become a major supplier of residential doors across all sectors of the industry.

Our solar frame business had another successful year despite the abandonment of the UK Renewable Obligation scheme for projects over 5MW at the end of March 2015. Given the phase out of the tax incentives, we do not anticipate much activity after the end of March 2016.

Ongoing investment in the UK rail network and the protection of critical infrastructure sites has provided higher volumes for our security fencing operation. The innovative product development of high security fencing over the past few years is now leading to our systems being specified by a number of utilities, who are reviewing their perimeter security in light of the increased terrorist threats both in the UK and overseas. During the year we completed a large contract to supply 6km of fencing to increase border security in Calais, France.

Galvanizing Services

	£m		+/-	Constant Currency
	2015	2014	%	%
Revenue	**142.0**	131.8	+8	+9
Underlying operating profit	**29.5**	26.7	+10	+8
Underlying operating margin %	**20.8**	20.3		

The Galvanizing Services division offers corrosion protection services to the steel fabrication industry with multi-plant facilities in the UK, France and USA. The division accounts for 30% (2014: 29%) of the Group's revenue and 53% (2014: 54%) of the Group's underlying operating profit.

Reported revenue increased by 8% to £142.0m (2014: £131.8m), with growth at constant currency at 9%. Underlying operating profit improved to £29.5m (2013: £26.7m), a constant currency growth of 8%. Underlying operating margins remained strong and improved by 50bps to 20.8% (2014: 20.3%) despite the adverse zinc pricing impact in Sterling and Euro of a stronger US Dollar. Overall galvanizing volumes were 3% ahead of 2014 principally as a result of a strong performance in the USA.

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

Volumes for the year were 29% higher year on year. Adjusting for the new plant in Memphis, underlying volumes from the existing plants were up 15%. Bridge and highway products are a key volume underpin and therefore it was pleasing to see in December 2015 a new $305bn five-year highway bill approved. The first long term surface transportation bill funded for longer than two years in as many decades will provide funding for the repair of the ageing infrastructure in the USA. The alternative energy market remains strong, notably solar products. It was anticipated that 2016 would be the final year of substantial investment in the industry, however a five-year extension to the tax credit regime should see investment remain at 2016 levels through to 2021.

Our new plant in Memphis, Tennessee had its first full year of trading and experienced a steady increase in production volumes throughout the year resulting in a profitable second half. We now have an established and growing customer base and we look forward to further developing the business this year.

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

The business continues to perform well in a difficult economic climate. Volumes fell 9% year on year but due to action in flexing the cost base taken early by the highly experienced team, we were able to minimise the effect on profitability. The large structural steel galvanizing plants in the north of the country experienced a significant downturn in volumes whilst the smaller, jobbing galvanizing plants in the south continued to perform well in the environment. We plan to reorganise one of our structural plants to become a jobbing plant early in the new year to improve the efficiency of this plant and our structural steel bath located nearby.

UK
Our galvanizing businesses are located on ten sites, four of which are strategically adjacent to our Infrastructure Products manufacturing facilities.

Overall volumes were down 6% year on year with the principal driver being our decision to close our Hereford plant, the smaller of our two structural steel galvanizing plants. The closure was completed to plan and, encouragingly, we 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 our facilities. Excluding the impact of the Hereford plant closure, volumes were similar to the prior year. The lower cost base more than offset the reduced volumes resulting in profitability ahead of last year. Further investment is underway at our Medway and Walsall plants in order to create additional capacity and improve operational efficiency.

On 25 November, we acquired Premier Galvanizing Limited ('Premier') for a net cash consideration of £15.0m. Purchased from private shareholders, Premier has two plants located in Hull and Corby, areas not covered by our existing plant network. With a reputation for quality and service in its local areas Premier will now be able to add structural steel galvanizing to its service offering. Trading since acquisition has been in line with our expectations.

Welding taking place at our Varley & Gulliver site, Birmingham.

Case Study

Asset provide tank for housing development in Greater Manchester

Asset International Ltd, the UK's leading water management solutions company, has provided residential developer, Taylor Wimpey, with a storm water attenuation tank for its new Kings Grange housing development in Audenshaw, Greater Manchester.

The bespoke modular design, provided by Asset International, utilised large diameter Weholite pipes to suit the site requirements in order to create a massive attenuation tank, one of the largest the company has ever supplied within the United Utilities region, for a housing development.

The tank will be used to help reduce peak flow, caused by heavy rainfall, at the housing development by restricting the flow of excess water before releasing it gradually via an outfall back into the ground. This will provide invaluable protection for the site.

The installation consisted of three 3.5m diameter pipes, which were each 36.5m in length, connected at each end with a factory manufactured manifold, creating a total capacity of 1,551m^3 (approximately 1m litres). Asset's British made 3.5 metre diameter pipes are the largest of their kind in the world.

The attenuation tank will provide protection to the 200 new homes at the Taylor Wimpey Audenshaw site, which is located five miles from Manchester city centre.

"The Kings Grange project demonstrates the versatility of our Weholite product and how it can be effectively used as a solution for managing excess storm water."

Find out more about the company at: www.weholite.co.uk

Financial review

Income statement phasing

	First half	Second half	Full year
2015			
Revenue £m	**233.0**	**234.5**	**467.5**
Underlying operating profit £m	**26.3**	**29.7**	**56.0**
Margin %	**11.3**	**12.7**	**12.0**
2014			
Revenue £m	223.8	230.9	454.7
Underlying operating profit £m	22.5	26.7	49.2
Margin %	10.1	11.6	10.8

The phasing of revenue and to a greater extent underlying operating profit was again second half weighted in 2015, principally reflecting the continuing broad improvement in economic conditions in the US, together with a normal degree of seasonality across the Group's portfolio of businesses.

Reported revenue of £467.5m was £12.8m or 3% ahead of the prior year, with acquisitions and disposals completed during both 2014 and 2015 resulting in a net revenue reduction of £2.6m but a £1.0m benefit to underlying operating profit. The translation impact arising from changes in exchange rates, principally the US Dollar and Euro, reduced total revenue by £0.5m, but increased underlying operating profit by £0.9m. At constant exchange rates, organic revenue growth was £15.9m and underlying operating profit growth was £4.9m, or 3% and 10% respectively. Further details of the performance of the Group are provided in the Operational Review.

£m	Revenue	Underlying operating profit
2014	454.7	49.2
Acquisitions/disposals	(2.6)	1.0
Currency	(0.5)	0.9
Organic growth	15.9	4.9
2015	467.5	56.0

Cash generation and financing

The Group again demonstrated its cash generating abilities with strong operating cash flow of £66.1m (2014: £53.7m), despite a marginal increase in working capital of £2.5m (2014: £5.1m). The overall impact on working capital of zinc and steel commodity prices year-on-year was not material, in part due to the impact of a strengthening US Dollar on Dollar denominated zinc prices. Working capital as a percentage of annualised sales increased marginally to 14.3% at 31 December 2015 (2014: 13.9%). Debtor days were 62 days (2014: 61 days).

Capital expenditure at £16.0m (2014: £35.9m) represents a multiple of depreciation and amortisation of 1.0 times (2014: 2.4 times), a more normal level of spend following the significant investments in the prior year on our UK temporary road safety barrier fleet and the construction of our new galvanizing facility in Memphis, USA. Significant items of expenditure in the current year included £1.6m on the upgrade and expansion of our UK Galvanizing site at Chesterfield and £1.4m on completion of the Memphis plant. The Group continues to invest in organic growth opportunities where returns exceed internal benchmarks and its cost of capital.

The Group measures its operating cash flow performance based on its underlying cash conversion rate, defined as the ratio of underlying operating cash flow less capital expenditure to underlying operating profit. In 2015 the Group achieved an underlying cash conversion rate of 100% (2014: 51%, or 95% excluding major capital projects). Over the past seven years the Group has achieved an average rate of over 90%.

The Group's strong underlying operating cash flow provides the funds to invest in growth, both organic and acquisitive, to service debt, pension and tax obligations and to maintain a growing dividend stream, while a sound balance sheet provides a platform to take advantage of future growth opportunities.

Group net debt at 31 December 2015 was £91.5m, representing a year on year reduction of £4.9m before adverse exchange rate movements of £0.4m. The Group's net debt includes 19% denominated in US Dollars and 11% denominated in Euros which act as a hedge against the net asset investments in overseas businesses.

Change in net debt

	2015 £m	2014 £m
Operating profit	**37.3**	41.1
Depreciation and amortisation*	**18.0**	17.2
Working capital movement	**(2.5)**	(5.1)
Pensions and provisions	**(3.3)**	(5.5)
Other items	**16.6**	6.0
Operating cash flow	**66.1**	53.7
Tax paid	**(12.6)**	(9.3)
Interest paid (net)	**(3.0)**	(3.2)
Capital expenditure	**(16.0)**	(35.9)
Sale of fixed assets	**1.2**	0.7
Free cash flow	**35.7**	6.0
Dividends	**(14.1)**	(12.4)
Acquisitions	**(16.6)**	(0.2)
Disposals	**-**	0.5
Amortisation of refinancing costs	**(0.4)**	(0.3)
Net issue of shares	**0.3**	(2.1)
Change in net debt	**4.9**	(8.5)
Opening net debt	**(96.0)**	(87.2)
Exchange	**(0.4)**	(0.3)
Closing net debt	**(91.5)**	(96.0)

* includes £1.6m (2014: £2.1m) in respect of acquisition intangibles.

The Group's principal debt facility consists of a headline £210m multicurrency revolving credit agreement maturing in April 2019, providing the Group with significant headroom against its expected future funding requirements.

Operational and Financial Review (continued)

Maturity profile of debt facilities

	2015		2014
On demand	**£10.2m**	On demand	£9.3m
2016-2017	**£0.6m**	2015-2016	£1.3m
2018-2019	**£214.8m**	2017-2019	£212.9m

At the year end the Group had committed debt facilities available of £215.4m and a further £10.2m in overdrafts and other on-demand facilities.

The principal debt facility is subject to covenants which are tested biannually on 30 June and 31 December. The covenants require that the ratio of EBITDA (adjusted profit before interest, tax, depreciation and amortisation as defined in the facility agreement) to net interest costs exceeds four times and require the ratio of net debt to EBITDA to be no more than three times.

The results of the covenant calculations at 31 December 2015 were:

	Actual	Covenant
Interest Cover	25.0 times	> 4.0 times
Net debt to EBITDA	1.2 times	< 3.0 times

Appropriate monitoring procedures are in place to ensure continuing compliance with banking covenants and, based on our current estimates, we expect to comply with the covenants for the foreseeable future.

Net finance costs

	2015 £m		2014 £m	
Underlying net cash interest:				
Bank loans/overdrafts	**3.0**		3.1	
Finance leases/other	**-**	**3.0**	0.1	3.2
Non cash:				
Net pension interest	**0.7**		0.7	
Costs of refinancing	**0.4**	**1.1**	0.3	1.0
		4.1		4.2

Net financing costs were marginally lower than prior year at £4.1m (2014: £4.2m). The net cost from pension fund financing under IAS19 was £0.7m (2014: £0.7m) which, given its non-cash nature, continues to be treated as 'non-underlying' in the Consolidated Income Statement. Non-underlying financing costs also include £0.4m relating to the Group's amendment of the terms of its principal banking facilities in 2014, reflecting the amortisation of the costs capitalised against the loans in accordance with IAS39. The underlying cash element of net financing costs decreased by £0.2m to £3.0m (2014: £3.2m), as a result of lower levels of average net debt during the year. Underlying operating profit covered net cash interest 18.7 times (2014: 15.4 times).

The Group has approximately 26% (2014: 26%) of its gross debt of £104.4m at fixed interest rates, either through interest rate swaps or finance leases. Interest rate swaps are predominantly denominated in US Dollars, with a smaller tranche of Euros.

Return on invested capital ('ROIC')

The Group aims to maintain ROIC above its pre-tax weighted average cost of capital (currently c.11%), with a target return of 17.5%. In 2015, ROIC increased to 18% (2014: 16%) largely as a result of improvements in underlying operating margins, tight control over working capital and capital investment outflows, and the full-year impact of the disposal and restructuring of underperforming businesses in 2014. The Group measures ROIC as the ratio of underlying operating profit to average invested capital. Invested capital is defined as net assets excluding current and deferred tax, net debt, retirement benefit obligations and derivative financial instruments, and therefore includes goodwill and other acquired intangible assets.

Exchange rates

Given its international operations and markets the Group is exposed to movements in exchange rates when translating the results of international operations into Sterling. Retranslating 2014 revenue and underlying operating profit using 2015 average exchange rates would have reduced the prior year revenue by £0.5m but increased underlying operating profit by £0.9m, the movements reflecting the net impact of Sterling's appreciation against the Euro and depreciation against the US Dollar. Exchange rates continue to move in line with worldwide events and currency flows and hence are inherently difficult to predict, but will continue to have an impact on the translation of overseas earnings in 2016. Retranslating 2015 revenue and underlying operating profit using exchange rates at 3 March 2016 (inter alia £1 = $1.39 and £1 = €1.27) would increase the revenue and underlying operating profit by £18.2m (4%) and £3.2m (6%) respectively. For US Dollar, a 1 cent movement results in a £900,000 and £180,000 adjustment to revenue and underlying operating profit respectively. For the Euro, a 1 cent movement results in a £400,000 and £35,000 adjustment to revenue and underlying operating profit respectively

Non-underlying items

The total non-underlying items charged to operating profit in the Consolidated Income Statement amounted to £18.7m (2014: £8.1m) and were made up of the following:

	Income statement charge £m	Cash in the year £m	Future cash £m	Non-cash £m
Impairment of acquisition intangibles	(15.7)	-	-	(15.7)
Amortisation of acquisition intangibles	(1.6)	-	-	(1.6)
Acquisition expenses	(1.0)	(1.0)	-	-
Business reorganisation costs	(0.3)	(0.5)	-	0.2
Losses on sale of properties	(0.1)	0.4	-	(0.5)
	(18.7)	(1.1)	-	(17.6)

› The impairment charge of £15.7m (2014: £nil) 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 2015, 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, and the ongoing impact of low oil prices. As a result, an impairment review was performed during the year resulting in a full impairment of the goodwill and remaining book value of acquired intangible assets;

- Non-cash amortisation of acquired intangible fixed assets was £1.6m (2014: £2.1m);
- Acquisition related expenses of £1.0m (2014: £0.1m) reflect costs associated with acquisitions expensed to the Consolidated Income Statement in accordance with IFRS3 (Revised);
- Business reorganisation costs of £0.3m (2014: £2.6m) principally relate to redundancies and other costs associated with site restructuring. The charge includes a net release of £0.2m of provisions relating to prior year site closures following the favourable settlement of previously estimated exposures; and
- Losses on sale of properties during the year were £0.1m (2014: profit of £0.4m).

The net cash impact of the above items was an outflow of £1.1m (2014: inflow of £0.2m) with the non-cash element therefore amounting to £17.6m. The Directors continue to believe that the classification of these items as 'non-underlying' aids the understanding of the underlying business performance.

Tax
The Group's tax charge for the year was £9.1m (2014: £9.6m). The underlying effective tax rate for the Group was 23.8% (2014: 24.0%), which is lower than the weighted average mix of tax rates in the jurisdictions in which the Group operates following the successful conclusion of tax uncertainties related to prior years and the resultant provision release. Cash tax paid was £12.6m (2014: £9.3m), with the lower spend in the prior year benefitting from advanced capital allowances in connection with the Group's investment in the new Memphis galvanizing plant in the USA.

The Group's net deferred tax liability is £7.9m (2014: £7.6m). A £7.0m (2014: £8.5m) deferred tax liability is provided in respect of brand names and customer relationships acquired, the reduction in the year largely reflecting the impairment charges made in respect of The Paterson Group. A further £1.2m (2014: £1.5m) is provided on the fair value revaluation of French properties acquired as part of the Zinkinvent acquisition in 2007. These liabilities do not represent future cash tax payments and will unwind as the brand names, customer relationships and properties are amortised.

Earnings per share
The Board believes that underlying earnings per share (UEPS) gives the best reflection of performance in the year as it strips out the impact of non-underlying items, essentially one-off non-trading items and acquisition intangible amortisation. UEPS for the period under review increased by 15% to 51.7p (2014: 45.0p), driven by organic revenue growth in the Group's core markets and continuing improvements in underlying operating profit margins. The diluted UEPS was 51.3p (2014: 44.4p). Basic earnings per share was 30.9p (2014: 35.1p). The weighted average number of shares in issue was 78.1m (2014: 77.8m) with the diluted number of shares at 78.8m (2014: 78.8m) adjusted for the outstanding number of dilutive share options.

Pensions
The Group operates a number of defined contribution and defined benefit pension plans in the UK, the USA and France. The IAS19 deficit of the defined benefit plans as at 31 December 2015 was £14.6m, significantly lower than the £21.1m reported at 31 December 2014. The impact of an increase in the discount rate, in line with improving bond yields towards the end of the year, was only partly offset by marginal increases in inflation assumptions.

The Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme (the 'Schemes') remain the largest employee benefit obligations within the Group. In common with many other UK companies, the Schemes are mature having significantly more pensioners and deferred pensioners than active participating members. The Schemes are closed to new members, with future accruals ceasing in the Executive Scheme in December 2011 and in the Main Scheme in November 2012. The IAS19 deficit of the Schemes as at 31 December 2015 was £11.1m (2014: £17.7m). The Group is actively engaged in dialogue with the Schemes' Trustees in regard to management, funding and investment strategy, and has recently completed negotiations with the Trustees regarding the triennial valuation dated 5 April 2015, agreeing deficit recovery plans that require cash contributions amounting to £2.3m for a further five years to 5 April 2020. The date of the next triennial review is 5 April 2018.

Acquisitions
The Group completed the acquisition of Premier Galvanizing Limited on 25 November 2015 for a net cash consideration of £15.0m. Intangible assets arising on the acquisition comprise goodwill of £7.1m, the brand name of £0.9m and customer relationships of £7.0m. The acquired business, based in Corby and Hull, will broaden the Group's geographical representation in the UK galvanizing market.

The Group also completed three smaller acquisitions during the year:

- In April 2015 we acquired Novia Associates, Inc., a US-based business operating in a similar market to our US pipe supports operations, for a net consideration of £1.8m including £0.2m deferred until 2016.
- In November 2015 we acquired the trade and certain net assets of Tegrel Limited, a supplier to our existing variable message signs business. Consideration for this acquisition was minimal given Tegrel's distressed financial situation.
- In December 2015 we acquired Bowater Doors Limited, a UK-based business that will complement our existing building products business in Newcastle, for a consideration of £0.3m.

The integration of the acquisitions into the Group has proceeded to plan and trading has been in line with expectations.

The level of headroom that the Group maintains in its principal banking facilities enables us to continue to seek opportunities for acquisitive growth where potential returns exceed the Group's benchmark performance targets.

Treasury management
All treasury activities are co-ordinated through a central treasury function, the purpose of which is to manage the financial risks of the Group and to secure short and long term funding at the minimum cost to the Group. It operates within a framework of clearly defined Board-approved policies and procedures, including permissible funding and hedging instruments, exposure limits and a system of authorities for the approval and execution of transactions. It operates on a cost centre basis and is not permitted to make use of financial instruments or other derivatives other than to hedge identified exposures of the Group. Speculative use of such instruments or derivatives is not permitted. Liquidity, interest rate, currency and other financial risk exposures are monitored weekly. The overall indebtedness of the Group is reported on a daily basis to the Finance Director.

Going concern
The Directors have assessed the future funding requirements of the Group and the Company and compared them to the level of committed available borrowing facilities. The assessment included a review of both divisional and Group financial forecasts, financial instruments and hedging arrangements, for the 15 months from the Balance Sheet date. Major assumptions have been compared to external reference points such as infrastructure spend forecasts across our chosen market sectors, Government spending plans on road infrastructure, zinc, steel price and economic growth forecasts. The forecasts show that the Group will have sufficient headroom in the foreseeable future and the likelihood of breaching banking covenants in this period is considered to be remote.

Having undertaken this work, the Directors are of the opinion that the Group has adequate committed resources to fund its operations for the foreseeable future and so determine that it is appropriate for the Financial Statements to be prepared on a going concern basis.

Viability statement
In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 32 to 37. In making this statement, the Board is satisfied that the Group operates an effective risk management process and confirms that it has conducted a robust assessment of the principal risks, known and emerging, facing the Group. This includes those that would threaten its strategic objectives, its business as usual state, its business model, and its future performance, solvency or liquidity.

The Group has a three-year strategic planning cycle and the Directors have determined that this constitutes an appropriate period over which to provide the Board's viability statement as it is also aligned to the planning processes across all of our subsidiary companies. The output of this strategic planning cycle is used to analyse the adequacy of the Group's funding facilities, which includes an analysis of sensitivity to business risks such as changes in profit growth and working capital. The Group has further stress tested the future plans by assessing the potential financial impact of the Group's principal risks and has concluded that these risks, either individually or collectively, are unlikely to threaten its viability in this context.

In particular the Board, cognisant that 47% of underlying profits are generated by its UK operations (an additional 45% from US operations), has considered the risk of a reduction in UK Government spending and is satisfied that the Department of Transport's Road Investment Strategy 2015–2020/21 and the Government's National Infrastructure Plan 2014–2021 provide some stability of funding over the period that this viability statement covers and gives our UK businesses confidence in the future, notwithstanding decisions made in respect of the EU Referendum.

The Group's three distinct segments, all with diverse geographic markets, assist in reducing the risk of regional economic challenge and sector specific issues. With 30 subsidiaries operating from 52 sites around the world and with no reliance on any one customer, each company is able to respond flexibly to issues that affect it. This flexibility, together with the capacity of local management to adjust their own pricing structure and cost bases as market conditions or prospects change, protects the Group's viability in the face of adverse economic conditions and/or political uncertainty.

The Group currently has committed credit facilities in place until April 2019, thus covering the period of this statement, which provides substantial headroom above existing and forecast funding requirements. In making their assessment of viability, the Board noted the Group's current strong financial position and its demonstrably cash generative model, which has delivered an average underlying cash conversion rate of over 90% over the past seven years.

Based on a review of the Group's current strategic plan; its financial arrangements through to April 2019; its cash flow requirements over the next three years; its principal risks and uncertainties; and consideration of emerging risks, the Board has a reasonable expectation that the Group will be able to continue to operate and meets its liabilities as they fall due over the next three year period. Whilst the Directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe this presents users of the Annual Report with a reasonable degree of confidence whilst still providing a longer-term perspective.

Derek Muir
Group Chief Executive

Mark Pegler
Group Finance Director

9 March 2016

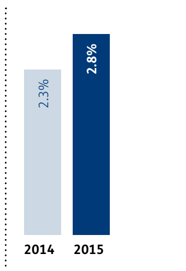
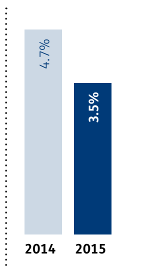
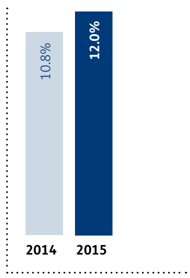
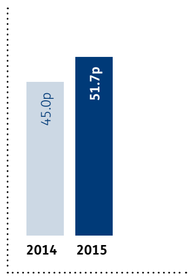
Barkers Engineering secured orders for over 6,000m of their SecureGuard358 fencing increasing border security in and around Calais and centred on the Eurotunnel hub.

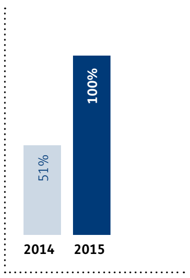
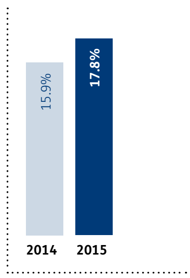
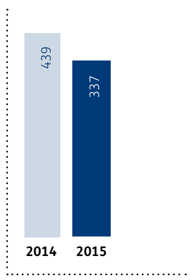
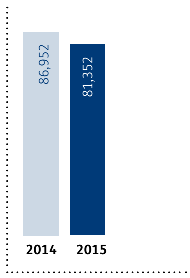
Measuring Our Performance

The Board has adopted certain financial and non-financial key performance indicators ('KPIs'). Other similar performance indicators are used at subsidiary business level and adapted to suit the diversity and variety of the Group's operations.

The Group uses a number of performance indicators to measure operational and financial activity in the business. Most of these are monitored and reviewed on a weekly or monthly basis. A comprehensive monthly management accounts pack, including profit and loss statements and key ratios, is prepared for each business. In addition, every Managing Director in the Group submits a monthly report which is the basis of regular operational meetings.

The KPIs below are used as measures of the longer-term health of the business and for monitoring progress in the implementation of the Group's strategy.

KPIs	Total revenue growth	Underlying operating profit margin	Underlying earnings per share (UEPS) growth
Link to our strategy	The Group's core strategy is to deliver sustainable profitable growth. This is achieved with the target of mid-single digit organic revenue growth and selective acquisitions.	In line with its strategy of delivering balanced profitable growth, the Group reviews underlying operating margins to assess returns achieved on revenues.	The Group considers UEPS growth to be its key indicator of the profitable growth of the Group. Achieving UEPS growth enables the Group to maintain its progressive dividend policy.
KPI definition	Annual % growth in total revenue. Annual % organic growth in revenue.	Underlying operating profit as a % of total revenue.	Underlying profit after tax for the year divided by weighted average number of ordinary shares.
2015 performance	**Total growth**  **Organic growth** 	**Up 120bps** 	**15% growth** 
Comment	Organic revenue growth in 2015 was 3.5%, with all segments delivering improvements and Galvanizing Services in particular benefiting from strength of performance in the US. Total growth was marginally lower as a result of the effect of prior year business disposals.	The Group's underlying operating profit of £56.0m represents a 12.0% return on sales, a 120bps improvement on prior year. The improvement is driven by a combination of strength in core markets and the benefits of strategic investments and divestments in the prior year.	The Group's UEPS for 2015 is 51.7p, an increase of 15% compared with 2014. Key factors were the contribution from organic revenue growth and the increase in underlying operating margins. There were no significant interest or tax impacts year on year.

Free cash flow	Return on invested capital (ROIC)	Health and safety	CO_2e emissions
The Group monitors free cash flow performance to ensure that its profits generate sufficient cash to support its acquisition strategy and to maintain progressive dividend payments.	The Group targets ROIC to ensure it maintains an efficient balance sheet and that its operations, both existing and acquired, enhance shareholder value.	The health and safety performance of each subsidiary is key to our management of the Group as a responsible employer and to our reputation in the markets in which we operate.	Cost reductions and greater efficiency, improve not only our operating margins but also the sustainability of our operations.
Underlying free cash flow divided by underlying operating profit. Underlying free cash flow is defined as operating cash flow less capital expenditure.	Underlying operating profit divided by average invested capital. Invested capital is defined as net assets excluding current and deferred tax, net debt, retirement benefit obligations and derivative financial instruments.	Number of accidents. Audit scores and benchmarkings.	Carbon usage comparison year on year and over a three year programme.
Up 49ppts 	**Up 190bps** 	**Down 23%** 	**Down 6%** 
The Group achieved an underlying cash conversion rate of 100% in 2015 (2014: 51%). Capital expenditure of £16.0m represents a multiple of depreciation and amortisation of 1.0 times (2014: 2.4 times), a more normal level of spend following significant prior year investments in UK temporary road safety barrier and US Galvanizing capacity.	The Group aims to achieve ROIC that exceeds the Group's weighted average cost of capital (currently c.11% on a pre-tax basis), with a target return of 17.5%. In 2015 the Group achieved ROIC of 17.8% (2014: 15.9%), the improvement largely reflecting increases in underlying operating margins during the year and the benefits of strategic actions taken.	For 2015 the Group received 337 injury reports from all subsidiaries during the year. This is our lowest level of such reports for five years. It is encouraging to note that initiatives have been in place to ensure all injuries are reported and that notwithstanding this, we have seen a decrease in the number of injuries by 23% compared to 2014.	Following a 10.4% reduction in CO_2e emissions in 2014, the Group continued to improve its management of these emissions throughout 2015. This included the collection of scope 3 emissions from water and waste which had previously been included in scope 1-2. Our emissions fell a further 6% in 2015. See page 39 for details.

Business Model and Strategy

Our Business model
We seek to deliver superior shareholder returns by holding leading positions in the niche markets of infrastructure and galvanizing, diversified over different geographies, with a focus on service, margins and product development.

	Business Activities		
Inputs	**Generate**	**Deliver**	**Maximise**
Our ability to achieve our goals requires inputs from key resources such as employees, finance, suppliers, customers, and shareholders - see page 20.	Generating growth from our existing operations and monitoring lower performing Group businesses to ensure overall growth targets are maintained - see page 24.	Delivering growth by acquiring sustainable businesses around the world in markets that are identical or complement our existing activities - see page 24.	Management encourages an entrepreneurial culture at business unit level, ensuring businesses are agile, responsive and competitive - see page 25.

Business Activities (cont)	**Value Creation**	
Capture		
By targeting returns at each individual business unit the Board ensures that revenue growth is achieved which flows through to sustainable profits - see page 25.	Sustainable profitable growth provides opportunities for our strategic partners to benefit from the longer-term strategies applied by the Board - see page 26.	Through sustainable profitable growth, cash generation and a progressive dividend policy the Company provides beneficial investment opportunities for shareholders - see page 27.

Our Business Model Inputs

Human Resources
Our Group businesses employ people local to those businesses, and the success of each business is reliant on the quality of management and employees. We aim to ensure that each business is resourced with a capable, engaged and productive workforce working in such a way as to ensure the health, safety and well-being of all employees.

Finance
The Group is supported by a group of banks, led by Barclays Bank plc, which has a presence in the countries in which the Group operates, with a principal debt facility consisting of a headline £210m multi-currency revolving credit agreement. This provides the Group with sufficient headroom against expected future funding requirements and, together with the Group's ability to generate cash, provides the funds to invest in growth, both organic and acquisitive, to service pensions and tax obligations and to maintain a growing dividend stream.

Customers
Across our business units we have a wide range of customers from the very large to the very small, from Government agencies to schools. Our companies win business on the strength of their people and the quality of their products and services, building up professional relationships with customers who frequently place repeat business with us as we work in partnership to meet their needs.

Suppliers
Our businesses are spread across four continents in which we have access to many different types of suppliers. Where possible, our companies support their local economies in sourcing raw materials, whilst at the same time ensuring that they receive good quality products and reasonable prices.

Shareholders
The Group has c. 2,700 shareholders, with private individuals accounting for 60%. The Company is justifiably proud of the fact that it is supported by so many individuals, whilst at the same time acknowledging that 92% of the Group's shares are held by institutions, who have been and remain supportive of the Group. Our shareholders provide us with the capital and support to continue our strategy.

Galvanizing by V&S Galvanizing on the structural frame of The Pyramid Residential Building, Manhattan, New York City, USA.

Our Business Model
Market Place

Hill & Smith Holdings PLC is an international group of companies with leading positions in the provision of galvanizing services and the design, manufacture and supply of infrastructure products. Our success is driven by our strategy of innovation, product development, portfolio management and international expansion, alongside a highly entrepreneurial management culture.

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

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 a network of UK galvanizing plants.

Sweden – location 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.

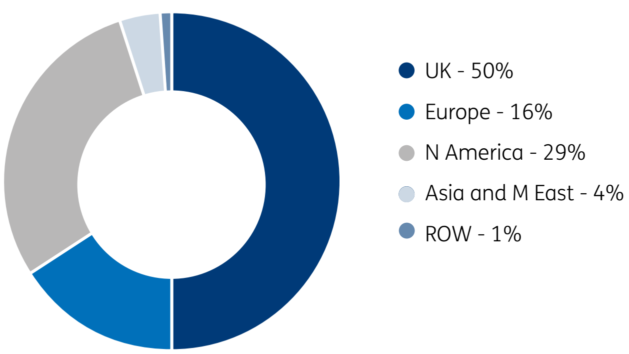
France – the base of France Galva and Conimast where we have ten galvanizing plants and a lighting column business.

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

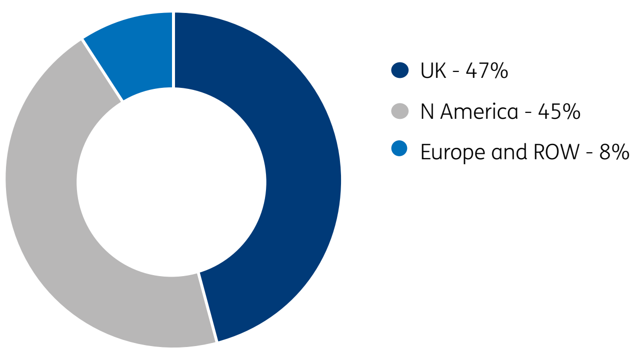
India – manufacturing facilities for pipe supports and the Hill & Smith infrastructure products business.

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

Percentage of 2015 revenue £467.5m shown by end market geography



Percentage of 2015 underlying operating profit £56.0m shown by location of the operating site



Infrastructure Products

In our Infrastructure Products division, our focus is on businesses which supply into the Utilities and Roads markets, both of which enjoy long-term growth dynamics. Our businesses have niche positions, high margins and provide us with access to global markets.

Roads

Our Roads businesses design, manufacture and supply products, including permanent and temporary road safety barriers, variable message signs, traffic data collection systems, car parking solutions, street lighting columns and bridge parapets.

Utilities

Our Utilities businesses design, manufacture and supply products and services, including security fencing, industrial platforms and flooring, glass reinforced composite railway platforms and flood prevention barriers, plastic drainage pipes, energy grid components and pipe supports for the power and liquefied natural gas markets.

Our Infrastructure businesses operate in Australia, France, India, Norway, Sweden, Thailand, the UK and the USA.

Revenue
£325.5m up 0.8%

2015	£325.5m
2014	£322.9m

Underlying operating profit
£26.5m up 17.8%

2015	£26.5m
2014	£22.5m

Key Events in 2015

See our Business Model on page 24 to 26.

Galvanizing Services

In the Galvanizing Services division, which serves external customers as well as our own Infrastructure Products division, we provide corrosion protection services in the form of zinc and other coatings to both external customers and Group companies in a wide range of industrial and commercial applications including fencing, lighting columns, structural steelwork, bridges, electricity substations and other products for the agricultural, recreational, infrastructure and construction markets.

We are focused in three major geographies with long established plants: 10 in the UK, 10 in France and 7 in the USA.

Our latest plant was opened in November 2014 in Memphis, Tennessee, USA.

Key Events in 2015

See our Business Model on page 24 to 26.

Revenue
£142.0m up 7.7%

2015	£142.0m
2014	£131.8m

Underlying operating profit
£29.5m up 10.5%

2015	£29.5m
2014	£26.7m

Our Business Model
Strategy: Generate and Deliver

Generate
Generating growth through our existing operations and active portfolio management.

Strategy
Our objective is to achieve at least mid single-digit organic revenue growth by developing substantial businesses in each of our chosen sectors through both organic and acquisitive revenue growth. Consequently, this leads us to continually examine the smaller and lower performing units within the portfolio, along with rationalisation of production facilities and business transfers.

Key activities
We continue to actively manage our corporate portfolio and dispose of or rationalise operations that are non-core to our market strategy, incapable of achieving our target returns, or insufficiently cash generative.

Key events in 2015
- Closure of Joseph Ash, Hereford completed.
- US galvanizing volumes up 15%, excluding new plants.
- UK Government's Road Investment Strategy progressing as envisaged.

Deliver
Delivering growth through geographical diversification – acquiring businesses around the world that complement or supplement our existing activities.

Strategy
Our acquisition strategy is to buy businesses in markets we understand through our existing activities. Our objective is to identify opportunities in our major developed markets of the UK, France and USA, whilst recognising that there is further potential in emerging markets. Our overall geographic mix will be dictated by developing these opportunities together with the performance of our businesses in emerging markets.

Key activities
The majority of our acquisition targets are likely to be privately owned. We also look at acquiring distressed businesses in the UK which complement our existing operations and therefore enable us to consolidate our market position. This in turn will allow us, in some instances, to develop our smaller business units into larger and more effective businesses within their markets. Overseas acquisitions must have a high quality management team in place and a proven earnings stream as it is more demanding to manage businesses from a distance effectively.

Key events in 2015
- Purchase of Premier Galvanizing Ltd, with plants in Hull & Corby (25 November 2015).
- Purchase of Bowater Doors Ltd, for integration into Birtley Group Ltd (7 December 2015).
- Purchase of Novia Associates, Inc. of Salem, New Hampshire, USA for integration into our Carpenter & Paterson business (30 April 2015).
- Purchase of Tegrel Ltd, for integration into VMS (11 November 2015).

Asset Weholite's outlet manifold being put into position in Barrow, Bristol.

Our Business Model
Strategy: Maximise and Capture

Maximise
Maximising growth via a highly entrepreneurial management structure.

Strategy
We encourage an entrepreneurial culture in our businesses through a decentralised management structure. We provide our management teams the freedom to run and grow their own businesses, supported by the resources available through being part of a larger group, whilst adhering to the levels of governance and controls appropriate for a quoted company.

Key activities
We have 30 subsidiaries operating from 52 sites in 8 countries. Each subsidiary is managed by its local board of directors who are all empowered to operate their businesses in accordance with Group-approved policies and delegated authority. This management culture ensures that decisions are made close to the market and that our businesses are agile and responsive to changes in their competitive environment and, through the international spread of the businesses, opportunities are identified and taken through Group collaboration.

Key events in 2015
- VMS acquisition successfully integrated; order book encouraging.
- Creative Pultrusions, Inc. increased sales of its waterfront protection products and its own electrical distribution products of GRP poles and crossarms.
- 180km of Brifen Wire Rope safety fence system installed in the Middle East.
- Innovative product development into high security fencing now leading to the systems being specified by a number of utilty companies.

Capture
Capturing the growth in revenues and returns.

Strategy
Capturing sustainable profitable growth through the supply of Infrastructure Products and Galvanizing Services from business units that are focused on profitable growth. Operating margins are an integral measure of the Group's success and one which we continue to drive for improvement through product mix and value-added customer-focused solutions, as well as high levels of operational efficiency. Our objective is to operate with an efficient balance sheet by maintaining debt at between 1.5 and 2.0 times EBITDA, which in turn allows us to complement balanced organic growth with value enhancing acquisitions.

Key activities
Our target operating margin for a business unit is 10%, although a lower margin profile may be acceptable if that business' Return on Capital Employed ('ROCE') is above 20%. A period of grace will be granted to business units which can demonstrate a plan for margin improvement to the targeted level. We aim to create value by consistently exceeding this 20% benchmark for ROCE at an individual business unit level. At a Group level capital returns are assessed by measuring Return on Invested Capital ('ROIC'), where invested capital includes acquired goodwill and intangible assets in order to take into account the amounts invested in acquired businesses. The Group's target ROIC is 17.5%.

Key events in 2015

Underlying operating margins	2015	Target range %
Infrastructure Products	8.1%	8 – 11
Utilities	5.4%	7 – 11
Roads	12.2%	9 – 13
Galvanizing	20.8%	18 – 21
Group	12.0%	10 - 13

ROIC	2015
Infrastructure Products	17.4%
Utilities	13.1%
Roads	22.1%
Galvanizing	18.2%
Group	17.8%

CA Traffic's 136 Evo8 ANPR camera, mounted on a traffic signal near the Angel of the North, Tyne and Wear.

Our Business Model
Sustainable Profitable Growth: Value Creation

Strategic Focus
To create long-term sustainable profitable growth and through this growth create value for all stakeholders.

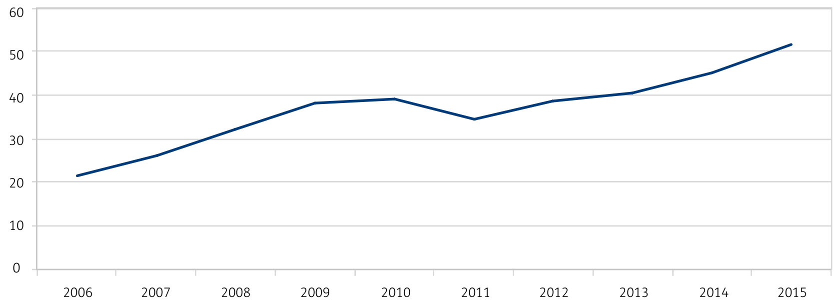
Strategy
We aim to combine organic revenue growth with selective acquisitions, thereby delivering growth in earnings per share. A strong focus on cash generation supports this growth strategy and enables a progressive dividend policy.

Key activities
We address long-term markets by focusing on markets driven by Government spend on infrastructure, particularly with strong regulatory and health and safety dynamics, and by growing demand for power generation in emerging markets and the replacement of ageing power infrastructure in developed economies. By encouraging a decentralised management structure we incentivise and enable the operators of our businesses to respond to opportunities and challenges in their markets supported by the resources of a larger group.

In order to be truly sustainable we must grow revenues and profits, whilst focusing on customer service, margins, product development, and whilst enhancing our relationships with other stakeholders, including our employees, our suppliers and the communities in which we operate, whilst at the same time being aware of the effect our operations have on the environment. More details can be found in our Corporate Responsibility Report on pages 38 to 46.

Key events in 2015
- Underlying operating profit in our Infrastructure Roads division up 23.0% largely due to UK Government's Road Investment Strategy.
- Research and development spend up 14.3%.
- UEPS up 15%. UEPS growth is considered to be a key indicator of the profitable growth of the Group.

Underlying earnings per share (pence)



Opportunities for growth
- US and UK galvanizing market opportunities through organic growth, plant investment and acquisition. The Group acquired the business of Premier Galvanizing Ltd, in the UK, for £15m in November 2015.
- Highways England announced in December 2014 a £15.2bn investment in the British road network, in particular the introduction of Smart Motorways throughout England.
- In the UK the Government's National Infrastructure Plan 2014–2021 will see £466bn of public and private investment, in water, rail, power, energy, housing and offshore.
- In the US the Group are securing new products and services. In April 2015 we acquired Novia Associates, Inc., experts in vibration isolation and seismic restraints, integrating the business into its existing Carpenter & Paterson business and in January 2016 we acquired E.T. Techtonics, Inc., a leader in the design of composite bridges. This business will trade as a division of our US composites business, Creative Pultrusions, Inc.
- In December 2015, the new $305bn five-year highway bill was approved, which will provide funding for the repair of the ageing infrastructure in the USA.

Priorities in 2016
- Selective acquisitions to consolidate our market position or increase our geographical representation.
- Investing in an increased capacity and product development to capture potential opportunities.
- Continuation of the structures and operational improvements in both Infrastructure Products and Galvanizing.

Our Business Model
Our Investment Proposition

Strategic Focus
We believe in providing superior shareholder returns by doing business in the right way in markets where we have global expertise.

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

Investment Proposition KPIs

A Globally Organised Group

We have leading positions in the niche markets of Infrastructure Products and Galvanizing Services, diversified over different geographies with a focus on service, margins and innovative product development.

30 subsidiaries
52 sites
8 countries

Organic & Acquisitive Growth

We aim to deliver consistent organic growth complemented by regular, value enhancing acquisitions in markets that supplement or complement our existing operations.

Organic revenue growth 3.5%
3 UK acquisitions
1 US acquisition

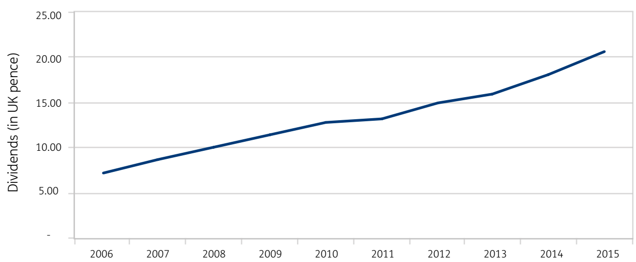
Strong Operating Free Cash Flow

Our focus on underlying cash conversion and a disciplined approach to each business unit's return on capital employed. Over the past seven years the Group has achieved an average rate of over 90% (the ratio of underlying operating cash less capital expenditure to underlying operating profit).

2015: 100%
2014: 95%(1)

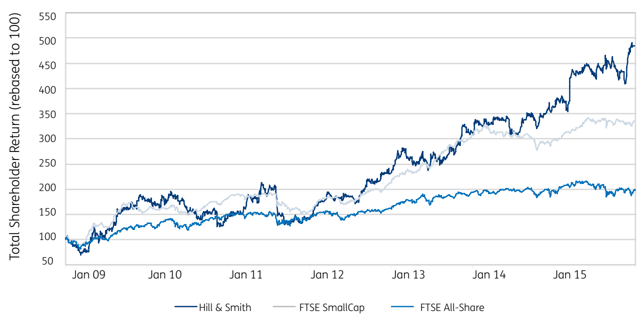
Progressive Dividend

We have increased dividend payments by a compound annual growth rate of 12.5% since 2006.



Increased Shareholder Value

In the last six years our total shareholder return has consistently outperformed the FTSE All-Share.



(1) Excluding strategic investments in UK temporary road safety barrier and the Memphis galvanizing plant.

Case Study

Zoneguard

Hill & Smith Inc., founded in 2008, is the manufacturer and supplier of the Zoneguard® steel barrier system in the United States. Since its establishment, Hill & Smith, Inc. has contributed to the continued development of the steel barrier market in America, gaining approval for Zoneguard® in nearly 40 states and attaining projects in 23 states. Manufactured and galvanized in Ohio, Zoneguard® is the only temporary steel barrier to be successfully tested to MASH (Manual for Assessing Safety Hardware) crash test standards. Impending US regulations will require portable barriers to meet MASH standards, providing Zoneguard® with a competitive advantage in the marketplace. Hill & Smith Inc. offers Zoneguard® for both purchase and hire throughout the country.

"Zoneguard saved at least two lives and a serious injury."

In Hill & Smith Inc.'s eight year history, Zoneguard® has proven its effectiveness as a life-saving positive protection device on multiple occasions.

On the morning of 16 September 2015, a construction crew for Indiana-based contractor Pioneer Associates Inc. was working behind Zoneguard® while completing a bridge deck overlay project on County Road 28 over Interstate 69, near Fort Wayne, Indiana. Two workers were on a temporary scaffold that was positioned only a few feet from the barrier and another worker was nearby.

At around 8 o'clock, the driver of a fully loaded dump truck (approximately 60,000-70,000 pounds) lost control of his vehicle and came barrelling towards the work zone. Startled by the loud sound of a collision, the workers gripped the scaffold and prepared for the worst. Fortunately, when they looked around to survey the scene, they witnessed the now damaged dump truck halting to a stop on the road's shoulder and the Zoneguard® barrier system largely unaffected and still safely positioned between them and the nearby travel lanes.

Fortunately, Zoneguard® had been installed in its Minimum Deflection System anchoring configuration, which limited the deflection to mere inches at the point of impact.

Zoneguard® had performed quite convincingly. Pioneer Associates was truly thankful, as Project Manager Aaron Jones shared, "Zoneguard saved at least two lives and a serious injury today."

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

Images

Top - Crash testing taking place during the year.

Bottom - Damaged Zoneguard immediately following the accident.

Risk Management and Assurance

The Group benefits from operating a risk management system that is integrated into its daily business activities. The Group's risk management and internal controls structure were enhanced during 2015 and these enhancements serve to ensure that Group risks are managed appropriately and within acceptable parameters. As part of the process, the Directors have carried out an assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Group's system of internal controls includes, but is not limited to the following:

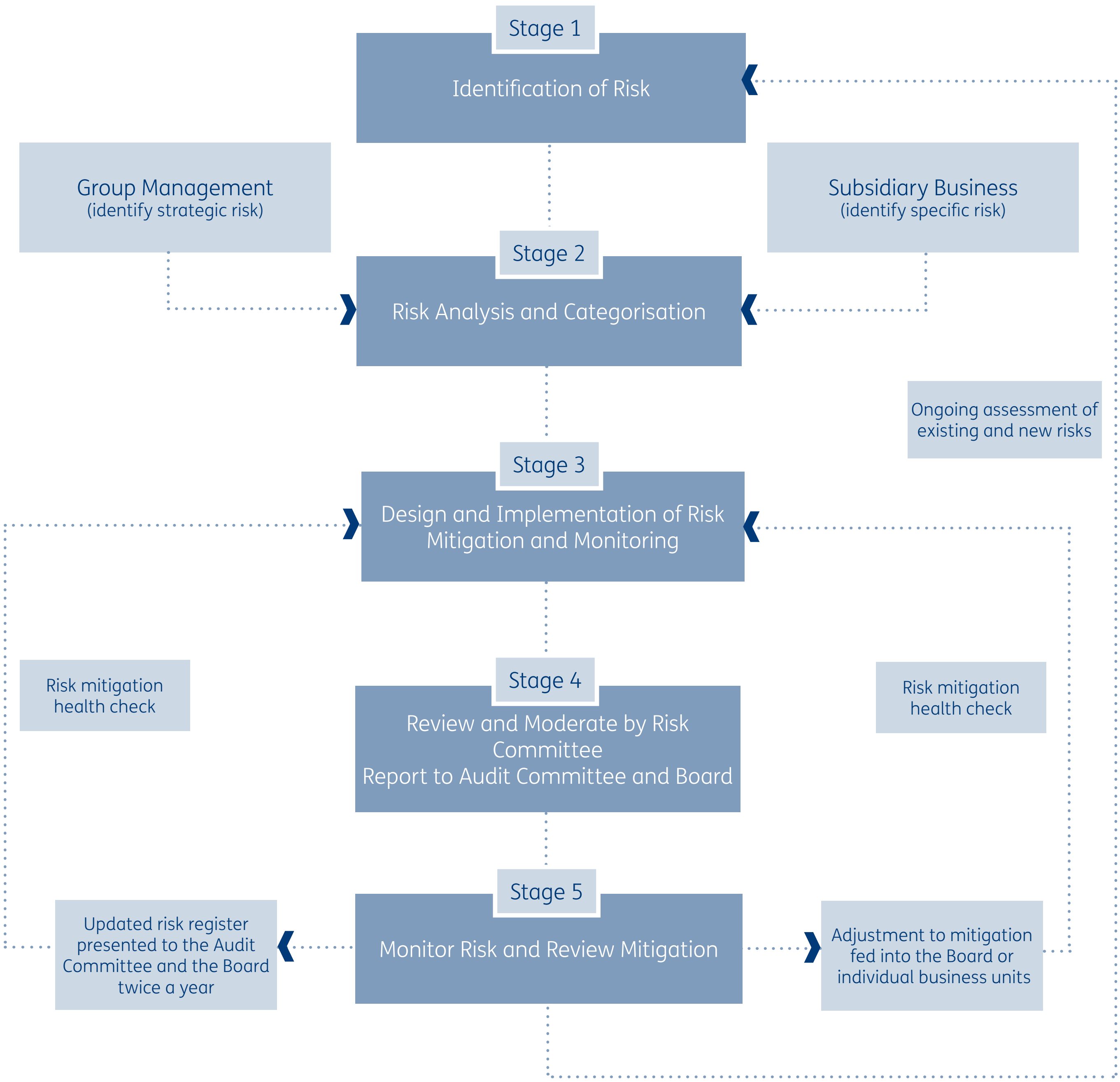
- A new Risk Assessment process was implemented across the Group in 2015, following discussion with, and input from, external advisors. This process requires all subsidiaries to identify and assess risks attributable to themselves; to develop mitigation strategies and to report to the Group Risk & Compliance Counsel on the status of these strategies.
- An annual process of preparing business plans and budgets, at subsidiary level, which is then reviewed and supplemented by Executive management inputs.
- A Risk Committee was formed in 2015 comprising the Group Risk & Compliance Counsel, the Group Financial Controller, the Group Company Secretary and the Group's Director of Corporate Development. Subsidiary Managing Directors are invited to attend meetings on a rotational basis. The Committee meets every six months to regulate the treatment and classification of Group risks and to moderate the preparation of the Group's principal risks and uncertainties by the Group Risk & Compliance Counsel. The minutes of Risk Committee meetings are circulated to the Chairman of the Audit Committee and the Executive Directors, and the output of the Risk Committee is discussed at meetings of the Audit Committee.
- The maintenance of a Group Risk Register, under the control of the Group Risk & Compliance Counsel.
- A monthly process of subsidiary management team meetings, attended on a scheduled, rotational basis by the Executive Directors, ensures discussion on operating performance and reporting on opportunities and risks affecting the subsidiary. Any resultant actions are considered at the subsidiary level. Monthly reports on operating performance and risk are also submitted to the Chief Executive Officer and Group Finance Director by the subsidiary businesses in accordance with the Group's reporting protocol.
- The Group finance function carries out commercial and operating site reviews of Group companies on a cyclical basis. The purpose of these reviews is to ensure each subsidiary has implemented sound commercial and operating controls in respect of its operations. As part of the review, key risks are identified including: sales management, credit management, contracts management, project management, and procurement and supply chain management. A summary of all key findings is presented to the Audit Committee on a regular basis and followed up by the Group finance function.
- The Group finance function also carries out financial reviews to ensure that the Group subsidiaries are implementing appropriate financial controls. These reviews include an analysis of the integrity of the financial statements and reported performance of the subsidiary business. Reports to the Board and Audit Committee are provided in respect of any significant matters.
- Subsidiary financial results and forecasts are reviewed monthly by the Group finance function. Monthly key performance metrics, for example: operating margins, return on capital employed and sales order intake information are also monitored using the financial reporting system. The financial reporting framework is designed to anticipate potential risks and prepare and implement mitigation strategies as appropriate.
- The Group treasury function operates within a framework of Board-approved treasury policies and procedures. Regular compliance reviews are carried out at both a Group and subsidiary level. The Group Finance Director receives a monthly report on treasury activities, including a summary of compliance with Group policies, whilst the overall indebtedness of the Group is monitored on a daily basis against both subsidiary cash flow forecasts and the Group's available financing facilities. The Group commissioned an external assessment of the effectiveness of its treasury function during the year which concluded that its activities were appropriate and that key controls were operating effectively.
- The Chief Executive Officer, Group Finance Director, Group Financial Controller and the Group Risk & Compliance Counsel report to the Audit Committee on all aspects of internal control at every one of the Audit Committee meetings. There is also informal dialogue with the Audit Committee Chairman who reports regularly to the Board on all matters that are discussed during the year.
- An updated and more formalised version of the Group's delegation of authorities matrix structure was implemented during 2014. Throughout 2015 it continued to serve to define both task ownership and a framework within which the Group's entrepreneurial subsidiaries can undertake business whilst ensuring the effectiveness of its risk management initiatives.
- A Group policy manual was collated during 2014 and has continued to be embedded during 2015 – combining and enhancing existing policies and procedures, setting out the duties and responsibilities of all employees within the Group in the context of law and regulation, human resources, finance and treasury, ethics and compliance and operational controls. The Directors of each Group subsidiary undertake an annual self-certification as to their continued compliance with such Group initiatives, policies and internal controls. Updates and new policies are added as necessary.
- The Group continues to operate a whistleblowing hotline and email account, which operate anonymously. This hotline acts to emphasise and support the Group's commitment to compliance and desire to uphold trusted business practices. Each call/email is investigated thoroughly and fairly. The Board is updated in respect of the types of events reported and the overall completion status of investigations.

Strengthening of the risk assurance programme in 2015

The Board continues to evaluate the appropriateness of the Group's risk management programme. Following the 2014 review of the Group's risk management process and in order to meet the requirements of the Financial Reporting Council's updates to the UK Corporate Governance Code, the Board supported the roll out of a new Risk Assessment process for the Group during 2015, as described above. Further details about the enhancements to the Group risk management programme which took place in 2015 can be found on page 30 and 31.

Risk Management and Assurance (continued)

Risk management process
The risk management process operated in 2015 is as follows:



Embedding effective risk management

The Board continues to evaluate the appropriateness of the Group's risk management programme and, during 2015, supported the roll out of an enhanced risk assessment process, stemming from the findings of the 2014 review of the Group's risk management system. Consequently, additional layers of assurance have been built into the risk management process during the 2015 reporting year such that the Audit Committee is now able to monitor and track the pace and progress of risk mitigation initiatives, utilising a new, standardised risk assessment tool. The new process serves to enhance ownership, accountability, prioritisation and resource allocation in risk management activity across the Group and has proved to assist the Board to further embed its chosen risk appetite and to instil an appropriate culture across the Group.

The new Group risk assessment tools were devised and launched with the assistance of external risk management experts. The purpose of the new tools is to collate risk information in such a way as to enable the leaders of the Group's subsidiary businesses to identify, mitigate and monitor the risks affecting their day-to-day business activities in a more formal and structured manner, whilst also providing the Board with enhanced visibility of such risks and associated mitigations. The result has been to better equip the Board to monitor and to influence the subsidiaries' approach to risk management as it deems appropriate, in line with its own risk appetite.

During the summer, the Executive Directors and the Audit Committee sponsored a meeting of all UK senior management on the subject of Corporate Governance, risk management and compliance. For a full day, the UK business leaders undertook training and participated in workshops where they discussed, identified, considered and articulated both current, known risks and emerging areas of risk affecting both their subsidiary businesses and the Group as a whole. International group business leaders had the opportunity to contribute and participate in the same manner via dedicated web based Corporate Governance, risk management and compliance sessions.

Group risk information is now gathered centrally using the new standardised risk assessment tool on a six monthly basis from:

- Each Group subsidiary business;
- Executive Directors; and
- Senior Group Management via the new Group Risk Committee.

Risks are assessed in the context of their type and extent and subsidiary businesses are required to estimate the probability of such risks materialising and the size of any impact, were such risks to occur. Central to the Group's improved risk management programme is the requirement for each subsidiary business to identify the key mitigation activities that they are adopting in the mitigation and management of each identified risk. On a six monthly basis each subsidiary business updates the status of their risk mitigation and management initiatives demonstrating the pace of and progress being made in risk reduction and management.

Progress in risk mitigation, as well as the appearance of any new areas of risk, are monitored regularly by the local management board and the Executive Directors, at six monthly intervals by the Risk Committee and by the Audit Committee at each Audit Committee meeting.

Sources of assurance and monitoring

In consolidating the Group risks on a six monthly basis, the Group Risk & Compliance Counsel seeks confirmation from the subsidiary businesses as to the treatment of risks that they have identified and these are then validated by the Risk Committee. The Executive Directors undertake a review of the principal risks and contribute any additional risks as appropriate, both before and after validation by the Risk Committee, thus ensuring that principal risks and uncertainties are also identified at a Group level.

The launch of the new Risk Assessment process and accompanying tools, together with the newly formed Risk Committee have standardised the method of subsidiary contribution to the Group risk management process. The result is more robust and meaningful risk management information and greater visibility for the Board of the Group's overall and subsidiary risk profile. This in turn has provided greater assurance to the Board.

Culture and behaviours

The implementation of the new Risk Assessment process, has helped to nurture an enhanced focus on risk management throughout the Group without diminishing entrepreneurial spirit. It is this balance which is fundamental to the Group's strategy and business model.

Through the Board's oversight, the Remuneration Committee considers that it has sufficient insight into the Group's activity, such that the exercise of its discretion in the award of incentives and benefits serves to foster an enhanced focus on effective risk management.

Principal risks and uncertainties

Following review and analysis by the newly formed Risk Committee, the Executive Directors and the Board, the principal risks and uncertainties have been debated and moderated and are set out in the following table on pages 32 to 37.

Principal Risks and Uncertainties

	Risk and potential impact	Mitigation	Link to strategy
Economic Managing the impact of those risks which we cannot eliminate or mitigate at source; e.g. global market conditions.	Competitive pressure puts downward force on revenue growth, market positioning and profitability.	› Implementation of procurement standards to help manage cost creep. › Ongoing subsidiary quality assurance improvement initiatives. › Product differentiation through product quality, delivery performance, reliability and professional customer service. › Product development and geographical expansion initiatives are used to surpass present competitor reach.	Portfolio management; Geographic diversification; Target returns and leverage; Entrepreneurial culture
	Overall market or selective geographical conditions deteriorate or there is a reduction in demand leading to a decline in Government and private sector confidence and spending, affecting Group financial performance.	› Diversification into new markets and territories. › New product development. › Close relationship between Group and subsidiary management. › Expansion into new export markets. › Intra-Group co-operation, leveraging the Group global footprint. › Contracts negotiated with customers on a Group wide basis leveraging Group size and synergies between Group companies.	
	Volatility in raw materials markets reduce availability and increase cost of raw materials putting Group margins under pressure and impacting Group financial performance.	› Use of Group procurement standards requiring dual sourcing and robust due diligence of supply chain partners. › Hedging against raw material price volatility where appropriate. › Contractual protections sought against raw material fluctuation impacts.	
	Foreign exchange rates could impact Group financial performance by potentially eroding commercial margins	› At the inception of contracts involving foreign currency cash flows, the Group uses derivative instruments including forward currency contracts to mitigate the risk of subsequent movements in foreign exchange rates.	
	**Global economic events, profound social instability or failure of national governance in any of the territories in which we operate impacting our ability to manufacture and ultimately our financial performance.	› Diversification into new markets and territories. › Pursuing opportunities in the private sector. › Maintaining close relationships with Government agencies.	

** Identified, by the enhanced risk assessment process, as a new risk in 2015.

Portfolio management
Geographic diversification
Target returns and leverage
Entrepreneurial culture

	Risk and potential impact	Mitigation	Link to strategy
Human Resources Recognising the importance of recruitment, talent management, employee engagement and employee management to our Group.	A loss of key staff and a failure to implement effective succession planning could lead to a loss of expertise, impacting technical and financial performance.	› Development and implementation of a Group succession planning model, driven by the Group Chief Executive. › Implementation of contractual protections and retentions in employment contracts. › Group policy supporting the training and development of its employees.	
	A failure to recruit employees who have the relevant skills, experience and attributes could impact the Group's ability to achieve its optimum growth potential.	› Competitive remuneration, benefits and incentive plans offered to employees and regularly benchmarked. › Development of a recruitment process including competency requirements and skills gap analysis. › Value based culture.	
	The geographical spread of management and the appointment of new management teams could compromise effective communication and responsiveness impacting the Group's strategic goals.	› Use of internal communications systems, e.g. Group intranet. › Regular international conferences held at the subsidiary level. › A formal delegation of authorities structure has enhanced ownership and control, whilst encouraging entrepreneurial drive and spirit. › Entrepreneurship is encouraged as a key tenet of the Group's business strategy and the adoption of a singular business culture is, therefore, not always possible and flexibility in the Group's management style is favoured instead. › The Group Code of Business Conduct establishes core behaviours expected of all staff.	
Operational Ensuring that we take all necessary steps to manage risk in our manufacturing plants and our installation activity both in our facilities and in the field.	A failure to manage our property portfolio effectively, could lead to production downtime and reduce our potential for increased income generation. Production capability and capacity restrictions could reduce our ability to meet demand. Downtime caused by plant failure, loss of utilities or natural catastrophe could suppress performance on an extended basis.	› Ongoing subsidiary site assessment of future space and efficiency requirements and related investment in additional capacity or equipment. › Subsidiary businesses are strengthening business continuity plans to ensure that they are equipped to handle business continuity events, including leveraging their proximity to other Group subsidiaries and working with the IT Steering Committee to mitigate systems downtime risks. › Subsidiary businesses implement local health, safety and environmental controls which are monitored by health and safety committee meetings and an external specialist.	
	Insufficient investment in research and development and/or a failure to innovate restricting organic growth and geographical diversification ultimately resulting in the longer term financial goals being compromised. Regulatory and customer approvals can delay the introduction of products which are developed by the Group, ultimately resulting in the short to medium term financial goals being compromised.	› Subsidiary discretion to engage in research and development activities, subject to budgetary constraints. › Robust quality controls in place. › Dedicated quality compliance resources in most affected subsidiaries who have conducted research and implemented controls to ensure responsiveness to regulator and customer approvals information requests and audits. › Board consideration of emerging risks including seeking external specialist support and internal identification of emerging risks at both the subsidiary and Group level. Both the onset of the risk and the potential opportunities it may generate for the Group are being considered. › Acquisition of new subsidiary businesses which have advanced IT solutions and could be applied Group-wide.	

Principal Risks and Uncertainties (continued)

	Risk and potential impact	Mitigation	Link to strategy
Operational Ensuring that we take all necessary steps to manage risk in our manufacturing plants and our installation activity both in our facilities and in the field.	Active portfolio management is a key tenet of the Group's strategy and as such, if the management of our merger and acquisitions activity, integrations and business restructuring is ineffective, the Group may not meet its strategic and business goals and financial performance targets.	› Comprehensive and structured due diligence protocols are deployed in respect of investigating target businesses and contractual assurances are sought from sellers to mitigate any identified issues or risks. › Employment contract terms and conditions are aligned post-integration between Group employees and new employees, facilitating smooth integration. › Formal Board level approvals are required in accordance with the Group's delegation of authority structure for any acquisitive activity. › A standardised and proven 100 Day Integration Plan is followed post-acquisition to streamline the integration process.	
	Inadequate and weak IT systems can affect the Group's financial performance and its ability to be responsive to its customers.	› The Group's IT Steering Committee reviews IT systems capability, suitability and integrity on a regular basis. › The capital expenditure approval process is used to test the suitability of proposed IT system enhancements. › IT policies are included in the Group policy manual.	
	Supply chain failures through performance, cost and/or solvency issues could destabilise production capability and ultimately lead to a reduction in sales performance.	› Implementation of Group procurement standards requiring dual sourcing and robust due diligence of supply chain partners. › Robust contractual protections sought. › Dedicated procurement functions at subsidiary level. › Regular interaction with key suppliers helps maintain relationships and understand supplier capacity, performance and financial status.	
	**Project delay or cancellation (internal or external factors) including a reduction in government spending, inclement weather or a delay in the new product approvals process.	› Diversification into new markets and territories. › Pursuing opportunities in the private sector. › Maintaining close relationships with customers.	

** Identified, by the enhanced risk assessment process, as a new risk in 2015.

Portfolio management
Geographic diversification
Target returns and leverage
Entrepreneurial culture

	Risk and potential impact	Mitigation	Link to strategy
Commercial & Financial Mitigating internal and external commercial and financial trading risks in our day to day business activities.	The cost of remediating product failures or defects caused by production or quality issues can lead to claims for loss and damage, adverse customer perceptions, reputational and financial consequences for the Group.	› Regulatory approvals, testing and accreditations obtained. › Rigorous quality control protocols are fully implemented and enhanced whenever possible. › Policies in respect of handling product failures have been strengthened. › Contractual controls help mitigate the economic impacts. › Insurance cover is provided globally by insurers of repute. › Litigation is managed by external legal specialists from reputable firms.	
	The size of the Group's available customer base, together with the risk of losing key customers, changes in customer buying behaviours or significant worsening of contractual terms could result in Group financial under performance.	› Products and geographical markets diversification. › Ongoing monitoring of the timing and trends in government funding for road and infrastructure spending. › Generation of contractual guidance and precedent documentation to preserve contractual terms. › Contracts reviewed under the delegation of authorities structure.	
	An inability to collect cash in accordance with customer payment terms, obtain credit insurance or an increase in anticipated bad debts would result in an inability to plan financially with any certainty and achieve the Group's financial ambitions.	› Subsidiary cash management is monitored by the Group finance function. › Standardisation of payment terms. › The delegation of authorities process results in contractual payment terms being centrally reviewed and approved. › Credit ratings agencies continue to be used as a source of risk assessment and credit insurance is effectively deployed.	
	The Group's ability to ensure it does not accept unduly onerous contractual commitments is central to its commercial risk management and to mitigate the risks of poor performance due to factors within or outside of its control. This, together with ineffective contracts management post award, could pressurise margins and increase liabilities ultimately impacting the Group's financial performance and reputation.	› Contract precedents and guidance have been produced and new standard terms produced for certain subsidiary businesses. Further work ongoing in this sphere during 2016. › Advice in respect to contractual risk is available to the Group, together with legal, commercial and financial support from the central team. › The operation of the delegation of authorities process requires Group senior management and/or Executive Director approval for the execution of material contracts. › Roll out of contracts training in the UK and US during 2015, further training to be held during 2016. › Certain of the Group's subsidiaries have appointed dedicated quantity surveyors and contracts managers to control their projects.	
	Future investment projects and the growth in foreign earnings for the Group are adversely affected. The Group is affected by the short term risk that its earnings may be impacted by certain financial risks e.g. credit and liquidity risks and foreign exchange volatility. The Group operates in a range of different jurisdictions, political and fiscal regimes, which present operating and cultural risks.	› From a transactional perspective, Group companies operate a common set of reporting policies and procedures. An internal audit programme underpins compliance and further requirements are communicated via the Group intranet and directly to the financial professionals around the Group. › The Group benefits from centralised cash and banking controls and the Group Financial Controller acts to govern and monitor all financial controls applicable across the Group. › Regular monitoring of tax developments in relevant jurisdictions assists to ensure that the Group utilises the most appropriate tax structures. › Specialist and/or local independent tax advice is sought as appropriate from reputable accounting practices.	

Principal Risks and Uncertainties (continued)

	Risk and potential impact	Mitigation	Link to strategy
Legal & Regulatory Ensuring compliance with the laws and regulations which govern the operations in the territories in which we operate.	The impact of regulatory changes such as green initiatives (including carbon footprint results) acts to create additional process steps, enhanced procurement requirements and increases costs and administrative effort, ultimately impacting margins. This could also result in the non-achievement of Group environmental aspirations.	› These requirements are managed by specialists through agreed Group initiatives including: economies of bulk purchasing, site usage monitoring and reporting, energy market intelligence and carbon commitment management.	
	The dilution of the Group's valuable intellectual property can result in lost earnings, particularly via the copying of product in the Asia-Pacific region. Insufficient Intellectual Property Rights ('IPR') monitoring could lead to a loss of brand protection, patent protection and increase competitive pressures.	› Use of patent attorneys with global remit. › Use of in-region IPR specialist legal advice. › Central IPR register and management of renewals, authorised uses and assignments. › Contractual protections obtained to protect Group IPR where possible. › Monitoring of IP registrations to ensure consistent protection.	
	A violation of competition/anti-trust laws could result in downtime, fines, penalties and adverse reputational consequences for the Group by both customers and investors. There may also be personal consequences for the Group's Directors.	› The Group Code of Business Conduct ('CBC') requires that the Group conducts its business in an open, vigorous and competitive fashion. › Competition compliance manual implemented by each Group subsidiary. › Online competition training and testing undertaken globally by all key employees, including the Board. › Simulated dawn raids are undertaken each year to audit subsidiary compliance. › Competition assessments are included in material contract reviews. › The Group has a whistleblowing hotline and email to allow employees to raise concerns in confidence, or anonymously if preferred. › A direct reporting relationship between the Group Risk & Compliance Counsel and the Chief Executive and Audit Committee emphasises the commitment to further strengthening the Group's compliance culture.	
	A violation of international import and export non-compliance (including trading, restricted parties and sanctioned countries compliance) can result in the denial of export privileges, the imposition of fines and penalties, diverted management time and personal implications for the violators together with adverse implications for Group financial performance, facilities and reputation.	› The Group CBC requires that the Group must trade in accordance with all valid international economic sanctions and legal requirements for the import and export of goods, technology and services. › Restricted party screening software and procedures have been globally implemented by the Group. › An International Trade Compliance Policy was issued in response to the changing legislative and financing landscape surrounding sanctions. › Central analysis and advice is provided in respect to the administration of trade with both routine and less routine countries and territories.	
	A violation of health, safety and environmental laws and regulations or the impact of health, safety and environmental accidents and incidents affects employees, communities and operations and impacts Group reputation and financial performance.	› Robust health and safety policies and procedures are deployed. › Use of the health and safety cloud monitoring and reporting framework - see page 42. › Retention of an external health, safety and environmental consultant. › Open relationship with regulatory bodies. › Health and safety committee monitoring. › A culture of zero tolerance in respect of health and safety violations is promoted by the Board.	

	Risk and potential impact	Mitigation	Link to strategy
Legal & Regulatory Ensuring compliance with the laws and regulations which govern the operations in the territories in which we operate.	Were any member of the Group to commit a violation of Anti-Bribery & Corruption laws, (including breach by a commercial intermediary appointed by the Group, such as an agent or distributor), the resultant consequences could include fines, adverse publicity, claims from customers, loss of management time and personal consequences for those found to be in violation of the same, ultimately impacting Group financial performance and conformance with its strategic plans.	› The Group CBC requires that the Group apply the Group's Anti-Bribery & Corruption Policy and expressly prohibits improper payments in all business dealings, in every country around the world. › The Group Gifts & Entertainment policy tightly controls how we give or receive business gifts, entertainment and hospitality. › A rolling programme of online anti-bribery and corruption training and testing is undertaken by new employees. › A commercial intermediaries protocol operates in the context of the appointment of third party representatives e.g. agents and distributors. › The Group has a whistleblowing hotline and email to allow employees to raise concerns in confidence, or anonymously if preferred. › A direct reporting relationship between the Group Risk & Compliance Counsel and the Chief Executive and Audit Committee emphasises the commitment to further strengthening the Group's compliance culture.	
	Non-compliance with employment laws.	› Group policies on employees' rights in the workplace. › The Group CBC requires that the Group comply with local laws including employment laws and regulations. › All subsidiary businesses have access to local, dedicated employment law expertise. › Whistleblowing hotline allows for reporting of potential non-compliance with local employment laws.	
	** Fraudulent conduct by employees or external parties.	› The Group CBC continues to be the central focus for setting out ethical behaviours. › Close monitoring by the Group finance team of monthly financial information. › Whistleblowing hotline allows for reporting of potential fraudulent conduct by employees.	

** Identified, by the enhanced risk assessment process, as a new risk in 2015.

Board confirmation of principal risks and uncertainties

The Board is satisfied that the Group operates an effective risk management process and confirms that it has conducted a robust assessment of the principal risks facing the Group. It considers that the risks identified in the above table correctly summarise the principal risks and uncertainties facing the Group together with the remediation and mitigation activities that are being used to address such risks.

The Board has overall responsibility for the Group's risk management programme including implementing and monitoring the following:

- Operational, financial and compliance internal controls;
- Ensuring that the current risk management process remains a suitable means of establishing the correct risk culture;
- Ensuring that the Group's risk profile is managed and controlled; and
- Ensuring that there is consideration as to how much risk the Group is willing to take in pursuit of the strategic objectives and ensuring that such risks are managed appropriately and within acceptable parameters.

The principal risks and uncertainties facing the Group, set out above, include detail as to how these risks are being effectively managed to accord with the Group's risk appetite, as established by the Board. This appetite being the amount of risk that the Board is willing to take in pursuit of its strategic objectives as outlined on pages 18 to 27.

Portfolio management
Geographic diversification
Target returns and leverage
Entrepreneurial culture

Corporate Responsibility

Hill & Smith's ultimate goal is to generate value for our shareholders. We recognise however, that to be successful in achieving our strategy of sustainable profitable growth it is essential that we act responsibly in all our businesses and towards all people who are stakeholders in them: Our employees, our customers and suppliers and the communities in which we operate.

The Group is committed to implementing the correct policies and procedures relating to the sustainability of the environment and to the successful delivery of an effective health and safety system, as well as ensuring that the people connected with the Group behave in the right way, complying with all local legal and regulatory requirements.

Board level responsibility
Derek Muir, the Chief Executive, is the Director responsible for the Corporate Responsibility ('CR') performance of the Group and is supported by the operating Directors in achieving compliance with the Group's policies, primarily through:

› Communication across the businesses;

› Implementation of supporting principles; and

› Monitoring performance and improvements.

Our operating Directors are supported in this by the Group's employees, who are encouraged to contribute positively to the communities and environment in which we do business.

Sustainability and the environment
The Group places a high priority on meeting its environmental sustainability responsibilities within the geographies in which it operates. Each business has an appointed 'Energy Champion' who is responsible for ensuring that the Group's policies on energy and the environment are promoted throughout its operations. All employees are encouraged to report energy savings and recycling ideas to their local energy champion.

In 2015, the Group has continued to measure its water and energy usage and monitor the disposal of its waste products, paying particular attention to the recycling of materials. Different geographies have different attitudes to waste disposal and recycling and the Group is committed to seeking ways to motivate its businesses to adopt an environmentally-friendly approach to these activities. In the UK we utilise the services of CMR Consultants ('CMR') an independent energy management consultancy who help to collect, collate and verify the data.

The Group contributes information and data to the Carbon Development Project a programme designed to tackle climate change and as a result of work we have done over the last two years we have improved our ranking by 29 places.

CDP™
DRIVING SUSTAINABLE ECONOMIES

A programme of environmental audits is carried out on a regular cycle, by an independent third-party, to monitor individual company performance and to assist the Group in reducing its environmental impact on an ongoing basis. In addition, during the year our UK-based Group companies conducted energy audits at their premises, in accordance with the Energy Saving Opportunities Scheme.

Recommendations were made following these audits and we plan to use an internal quarterly Energy Forum to review and implement the recommendations throughout the Group. This Forum will be used to develop actions to identify energy savings opportunities; to drive forward their implementation; and to act as centre for excellence for energy, environmental and other CR initiatives.

Perimeter and ramp barriers, installed by Berry Systems, for the new multi-storey car park at Terminal 2, London Heathrow Airport.

Our UK operations are also committed to working towards compliance with the ISO 14002:2004 standard, which is awarded to companies that operate to an accepted environmental government standard. A programme of audits has been agreed for our UK businesses, some of which were completed during 2015. These will continue throughout 2016, with companies continuing to monitor their environmental impact on a day-to-day basis.

In France, France Galva supported the "Let's save water" campaign run by the Rhone, Mediterranée and Corse Water Agency. A water treatment system was built to ensure that rain water contaminated with metals and other materials did not reach the river system. The system delivers protection for the wider environment and the local community - see page 41 for further details.

In the UK, the Group introduced and promoted the Cycle2Work programme, run in conjunction with Halfords, which encouraged employees to purchase bicycles to be used as an alternative transport to work rather than carbon based fuel alternatives.

Green house gas ('GHG') emissions

The Group's GHG emissions continue to be constantly monitored, so that we can improve upon our use of energy, water, recyclable and non-recyclable resources, ensuring long-term environmental and business sustainability and creating long-term value for shareholders and other stakeholders.

We recognise that our business can have a direct and indirect effect upon the environment. The data provided below illustrates how our carbon footprint is created by our businesses, allowing us to monitor the impact of our operations on the environment and make improvements where feasible.

Group total emissions by scope	UK emissions		Overseas emissions		Total emissions		Change %
	2015	2014	2015	2014	2015	2014	
Gas and oil usage	12,697.8	15,623.5	38,791.2	38,111.8	51,489.0	53,735.3	-5.9
Commercial and business miles driven	3,401.3	3,366.8	3,725.4	3,991.2	7,126.7	7,358.0	-3.1
Purchased electricity	9,785.0	14,855.4	13,361.7	10,972.8	23,146.7	25,858.2	-10.5
Water and waste	233.2	-	256.9	-	490.1	-	n/a
Total tCO_2e	26,117.3	33,845.7	56,135.2	53,075.8	82,252.5	86,951.5	-6.4
Total turnover (£'m)	245.4	244.2	221.1	210.5	467.5	454.7	
Intensity Ratio	0.11	0.14	0.25	0.25	0.18	0.19	-10.5

For the UK and overseas data, the Group has decided to measure the GHG emissions using the Group total turnover, as the intensity ratio ('IR'). The IR is measured as: the total tonnage of emissions, stated as carbon dioxide equivalent ('CO_2e') per £1,000 turnover.

Corporate Responsibility (continued)

Water consumption

During the year, the recommendations identified by CMR during the 2014 UK water audits, contributed a 2,840m^3 reduction in our overall water consumption. These recommendations included urinal controls, waste water abatement and leak repairs. The Group will continue to closely monitor water usage in 2016 and explore further opportunities for water savings throughout the year through the Energy Forum's quarterly meetings.

In the past the Group has only been able to report water consumption for its UK operations. New reporting requirements were put in place in 2015 covering both UK and overseas sites and we are now able to disclose Group-wide water consumption data. In the 2016 report we will provide comparative figures.

Group water usage

Commodity	2015 volume
UK water usage	27,681 m^3
Overseas water usage	59,239 m^3
Total usage	86,920 m^3

Waste management

During the year the Group significantly improved its management and reporting of waste disposal at its UK sites and introduced the same practices into certain non-UK sites where such activities were commercially viable. The information received will be reviewed to determine how waste output can be reduced or recycled and to identify new opportunities to improve our manufacturing processes.

This collation of data has not only enabled us to improve the recycling opportunities presented to the Group, but also to lower waste output.

Waste quantities

Commodity	UK volume (ltrs) 2015	Overseas volume (ltrs) 2015
Liquid waste	56,992	20,303
Acidic waste	3,776,000	2,630,280
Waste to landfill	1,065	1,126
Recycled waste	11,625	13,161
Total waste (inc. landfill)	12,690	14,287

The waste taken to landfill in the UK and the US is 8.4% and 7.9% respectively, of the total waste created by operations in those geographies.

The Group discourages waste to landfill, using expert waste disposal companies to dispose of such waste and to recycle it wherever possible. For example, some of our plastic waste is recycled into new products and alternative bio-energy sources and a large proportion of our waste acid is reprocessed and recycled into other waste treatment processes.

Within the UK, the Group comply with the Producer Obligations (Packaging Waste) Regulations 2007 (as amended) in compliance with the European Union Directive. The Group provides evidence to Wastepack, an organisation that provides confirmation to the UK government that the Group is continuing to meet UK recycling and recovery standards set by Defra.

Case Study

France Galva protects the environment

France Galva has invested in a rainwater treatment plant at its Plan d'Organ factory, near the Durance river, in the Department Bouches-du-Rhône, to remove any impurities that may be absorbed as rain collects on the site.

This is the culmination of two years of work in response to the EU Framework Directive on Water, which establishes a Europe-wide approach to the implementation of water management measures for inland surface waters, transitional waters, coastal waters and groundwater with the aim to improve the overall quality of European water bodies. It sets ambitious targets to improve overall water quality and the removal of contaminants is part of this overall plan. The work was supported by Agence de l'eau Rhône-Méditerranée et Corse, the regional water agency.

Fatuga El Mesaoudi, Specialist Operations Manager, Economic Activities - Agence de l'eau Rhône-Méditerranée et Corse tells us about the project.

Find out more about the company at www.galva.fr

"Rainwater discharge from the France Galva site at Plan d'Organ could have polluted the water in the Durance River. This rainwater would mainly be contaminated with zinc, but with other trace metals present and France Galva therefore had to recover it, store it, and treat it before it could be discharged. The project was a two-part process which began in 2013. Firstly, it was necessary to ensure that there was no contaminated discharge at all and this was done by arranging for the site's five outlet points to be directed into one and then into a newly installed waste water storage tank. The next step which commenced in 2014 was for France Galva to build the treatment plant for this waste water. The Rhône Méditerranée et Corse water agency was able to support these two investments with a €110,000 subsidy as part of its tenth "Let's save water" programme, aiming to prevent accidental pollution, and specifically the treatment of rain water. This type of action lets us eliminate the discharge of these contaminated waters into the Durance River and satisfies the water quality improvement objectives defined in the European Framework Directive."

How does it work?

- The rainwater is stored in tanks.
- It is pumped towards a coagulation and neutralisation tank, where it is treated with soda.
- The water then passes into a flocculation tank.
- The water treated in this way precipitates into the decanter to create two phases. A solid phase, which is the sludge that falls to the bottom of the decanter. And a liquid phase, at the top, consisting of the treated water, which is non-polluting and will be discharged safely into the environment.
- The sludge is then evacuated into another storage tank, and is later emptied out and treated by a specialist service provider.

Corporate Responsibility (continued)

Health and safety

The Group is committed to ensuring that its employees have a safe working environment and a system of control and monitoring of health and safety issues. Sites continue to work alongside Three Spires Safety Ltd, our external health and safety consultant.

This health and safety control system includes third-party support, regular audits and a reporting suite that is supported by dedicated health and safety representatives within the Group. In the UK, these representatives meet at quarterly safety forums to discuss health and safety issues and best practices. The reporting suite or 'Safety Cloud' is an online database management system, which is used as a tool to track accident reports and compliance issues and it also functions as a central communication tool, containing safety bulletins, alerts and various safety messages. Guidance documents relating to health and safety standards are also made available.

Part of the management process involves a continuous programme of external audits, run on a global basis, having been extended to the USA and Sweden in 2015. The process is supported throughout the subsidiary businesses, with a quarterly health and safety self-assessment being carried out by a nominated subsidiary director.

Summary of health and safety objectives and achievements in 2015

Introduction of a safety culture assessment tool to enable a more positive measure of health and safety performance across our operations.	A safety culture tool has been acquired and an advertising campaign agreed to encourage a high rate of completed surveys. The full survey is being rolled out initially across our UK sites in the first part of 2016, with overseas sites to follow.
The continuation of the external audit programme, with current levels to be maintained or improved, as appropriate.	The UK audit programme has continued with the average weighted score being maintained at the level it was for 2014. Three US sites were also audited. Action plans have been drawn up to address identified improvements.
Further roll out of the Safety Cloud to the remaining non-UK sites and further development of the Safety Cloud to enable us to pilot a 'Safer Driving' initiative.	Discussions have been held with the US subsidiaries as to how the Safety Cloud can be integrated alongside other IT solutions for HR reporting. The Safer Driving initiative for the UK has been agreed and following some further development work will be launched in early 2016 via the Safety Cloud.
Realigning 'health' requirements with 'safety' requirements to ensure that for those hazards which create a direct health concern, appropriate controls and monitoring arrangements are in place.	The Safety Cloud is now formally tracking occupational health requirements for operatives. A number of sites have also reviewed their arrangements for controlling hand arm vibration. The drugs and alcohol initiative within Joseph Ash continues to be effectively monitored.
Using information from the ongoing environmental compliance audit programme, and developing a set of environmental management standards to help assist sites address their environmental risks in a consistent manner.	The audit programme for the UK sites has continued and are now being reassessed in a second cycle of visits. A number of sites continue to maintain ISO 14001 certification.

Our Group companies work actively to effectively manage health and safety, evidenced by the following initiatives:

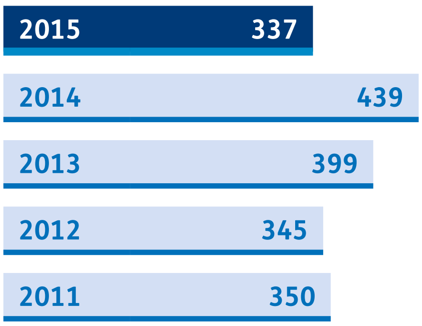
- Attainment of OHSAS 18001 certification by Hill & Smith Ltd, Variable Message Signs, Mallatite Ltd, France Galva and Asset Varioguard (VRS);
- Joseph Ash successfully extended their OHSAS 18001 certification with another two sites due to follow in 2016. Asset Weholite have formally started their OHSAS 18001 certification programme, due to be completed in early 2016;
- Joseph Ash and Lionweld Kennedy were, once again, awarded RoSPA Gold Medals in recognition of their safety performance;
- A number of subsidiaries continued to maintain their Achilles supplier HSE UK accreditation, a national registration scheme allowing companies to pre-qualify for work to carry out infrastructure projects;
- V&S Galvanizing continue to operate their observation and recognition programme, which rewards operatives who have demonstrated a high level of safety behaviours;
- Joseph Ash have been working with a nationally recognised training company to help promote safer lifting and manual handling through a DVD and a 'train the trainer' programme, recognising that musculo-skeletal injuries (back injury, muscle strains etc.) pose a risk to many physically demanding jobs; and
- Asset Weholite has fully reviewed its controls over hand arm vibration associated with the fabrication of plastic pipes. With significant investments in automation of the cutting process, this has dramatically reduced exposure levels, as well as leading to other improvements in quality of work, reduction in waste and higher volumes. The site is particularly proud of the way in which everyone has come together to come up with solutions to a difficult and complex issue.

Progress and accident rates

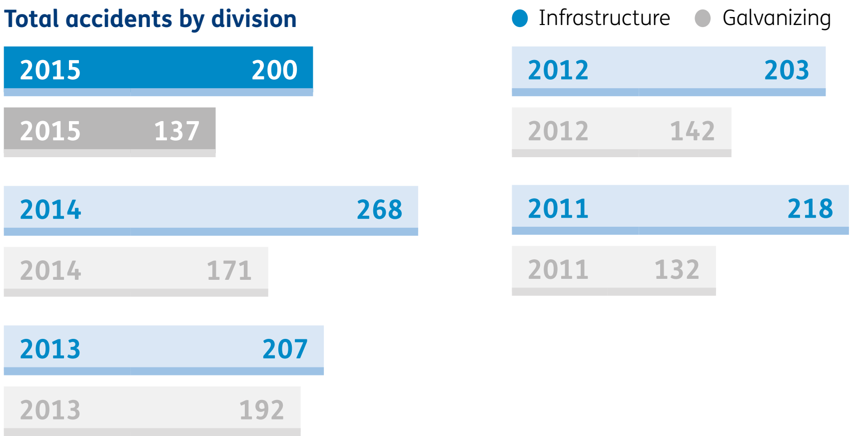
As a Group, we continue to focus on the open and active reporting of any accidents and incidents. The importance of near miss reporting has been discussed as part of the UK's health and safety forum agenda and sites are being encouraged to have an open and honest culture towards reporting these types of events.

Over the last four years, we have been working hard to ensure that each site has an effective incident reporting regime in place. The use of the Safety Cloud as a repository for accident reports has helped the UK sites to implement a more consistent approach and contributed to the improved reporting of incidents to the Group Board.

Total accidents 2011 - 2015



Total accidents by division



For 2015 the Group received 337 injury reports from subsidiaries during the year. This is our lowest level of such reports for five years. It is encouraging to note that initiatives have been in place to ensure all injuries are reported and that notwithstanding this, we have seen a decrease in the number of injuries by 23% compared to 2014. Where incidents have occurred, sites adopt a thorough investigation process to identify underlying causes and to ensure action plans to address any improvements are put in place.

Recognising the importance of promoting good health to our employees as well as good safety, an occupational health strategy is now being implemented across our UK sites using the Safety Cloud. This is helping to identify, at an earlier stage, any situations where intervention is required. We continue to ensure that our occupational health providers work towards the UK's Safe Effective Quality Occupational Health Service ('SEQUOSH') certification standard.

The health and safety audit programme has also shown that sites continue to demonstrate a high level of health and safety management. Many sites are now addressing some of the more behavioural/employee related matters through awareness, near miss reporting and training programmes.

2016 health and safety objectives

In the forthcoming year, our efforts in promoting a safe and secure workplace will continue with specific focus on:

› The introduction of a safety culture assessment tool to enable a more positive measure of health and safety performance across our operations. Collation of the data to enable local initiatives and improvements plans is to be set up;

› The continuation of the external audit programme, with current levels to be maintained or improved, as appropriate;

› A drive to encourage better reporting of near misses and non-injury related events and initiatives which recognise employees who go 'above and beyond' normal safe practices; and

› A review of the way accident data is collated to provide a more meaningful measure based on employment ratios.

Corporate Responsibility (continued)

Our people

Employees

The Group recognises the need for successful businesses to deliver a good service and product and this can only be done by developing, supporting and maintaining the right staff to provide this. Appropriate resources and support to maintain the required standards of performance and conduct expected of employees are provided. This is only achieved through the provision of training and career development opportunities, promoting a forward thinking, proactive and creative working environment to engage and motivate employees. A culture of employees being able to develop to their fullest potential is adopted across the business.

Engagement and opportunity is provided through:

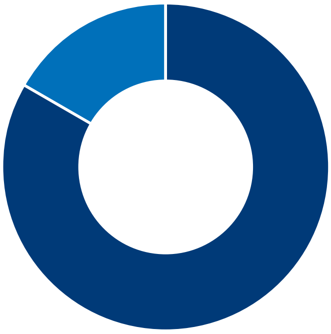
- Offering share ownership within the Group through the Employee Sharesave Schemes, which currently has circa 460 employees participating;
- Support with education, leading to recognised professional and academic qualifications;
- Health and safety training;
- Anti-bribery, international competition and the Group's Code of Business Conduct ('CBC') training;
- Opportunities to enhance individual knowledge and skill required for the employee's position, which includes new procedures and policies;
- Communication through the Group's website and intranet site; and
- Management development opportunities provided by the Institute of Directors.

Diversity and inclusion

The Group is committed to equal opportunities and fairness and to policies, practices and regulations for promotion of equal opportunities in recruitment, training and career development. As the Group has a global presence, these are appropriate for the local areas of operation. This includes a no tolerance approach to discrimination, bullying and harassment. All our policies promote the principles of fairness and equal opportunities and if these are not followed, employees can use the whistleblowing hotline to report adverse behaviours.

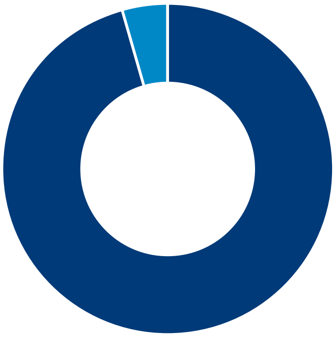
The current policy on diversity can be found on the CR section of the website.

As at 31 December 2015, the Group-wide split of male and female employees are shown in the charts opposite.



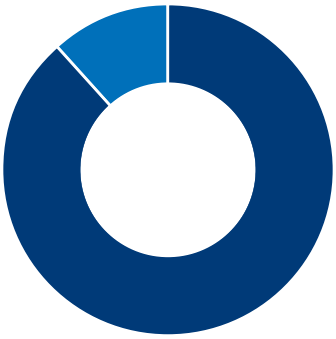
Number of PLC Board Directors: Male & Female split

Male	5
Female	1



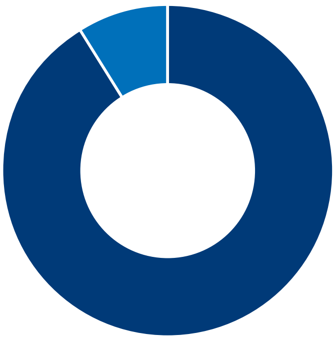
Number of other Directors: Male & Female split

Male	68
Female	3



Number of senior managers in the Group: Male & Female split

Male	192
Female	25



Number of employees in the Group: Male & Female split

Male	3,671
Female	351

Behaving correctly
The Group is committed to conducting its business activities responsibly, ethically and in accordance with the laws and regulations applicable to the jurisdictions in which we operate. The Board has introduced training and education programmes for employees, relating to compliance including export controls and economic sanctions and competition/antitrust legislation. Our CBC sets down the guidelines by which we expect our business to be conducted and this is supported by a set of global policies issued through the Group intranet and internal communications.

The CBC presides over areas such as health and safety, fair honest and ethical business practice, gifts and entertainment, conducting international business, protection of individuals, resources and assets and at a high level summarises the Group's legal and compliance responsibilities in areas such as anti-bribery and corruption, export laws and regulations and international fair and open competition. The CBC also extends to the handling and minimisation of conflicts of interest and the protection of the Group's valuable intellectual property rights.

The Group's written policy states that if any employee has reasonable grounds to believe that the Group's CBC policy or internal Group policy is not being adhered to by any person or group of people, he or she is able to contact Senior Management, the Group Risk & Compliance Counsel or, if necessary, the Company Secretary or the Chairman of the Audit Committee. Should individuals wish to raise concerns anonymously they are able to do so via a compliance hotline and email facility (the 'Reporting System'). The Reporting System is operated in conjunction with a whistleblowing policy annually approved by the Audit Committee. The policy gives assurance that issues will be investigated and resolved in accordance with the principles of the CBC.

The CBC is designed to ensure that as a Group, all subsidiary companies act ethically, honestly, with integrity and in a legally compliant manner, in their business activities and applies to everyone who is engaged by the Group anywhere in the world, whether they are employees or third parties. Consequently, as part of the CBC the Group has implemented a set of procurement standards, which seeks to ensure that the Group and its subsidiaries mitigate any risk stemming from its supply chain and is able to leverage the economies of scale a group of its size, composition and structure can hope to expect. During 2016 these will be revisited in the light of the Modern Slavery Act 2015.

The CBC is not designed to supersede detailed Group policies but rather to supplement and summarise the Group's compliance initiatives, its behavioural and ethical standards, as well as to give the relevant assurances in respect of the Group's key corporate, legal and social responsibilities.

As in previous years, each business is required to certify its compliance with the policies issued by the Group during the year and in particular with the CBC.

Human rights
The Group is committed to treating all people, whether employed directly by the Group or its subsidiaries or employed in its supply chain fairly and equitably and we are committed to upholding their human rights. The Group recognises all individuals' basic human rights and is committed to respecting the Universal Declaration for Human Rights in the design of diversity practice and its ethical approach to employees, suppliers and customers. The Group and all its worldwide subsidiaries respect the human rights of all those working for or with us, and of the people in the communities where we operate. We will not knowingly do business with companies, organisations or individuals that we believe are not working to at least basic human rights standards. Our Group companies will also comply with all applicable wage and working-time laws and other laws or regulations affecting the employer/employee relationship and the workplace.

We oppose the exploitation of all workers, particularly children and young people and we will not tolerate forced labour, or labour which involves physical, verbal or psychological harassment or intimidation of any kind and we will not employ child labour in any of our operations. Nor will we permit the exploitation of, or discrimination against, any vulnerable group. We support fair and reasonable rewards for workers, with wages reflecting local norms and they must meet or exceed any legal minimum wage levels.

The Board is aware of the Modern Slavery Act 2015 and is committed to taking the necessary steps to ensure that slavery and human trafficking are not taking place in our Group businesses and to gaining the same level of transparency within our supply chain. We shall report further on these activities in our next Annual Report.

The Group is also committed to maintaining a safe and productive environment, free from harassment in which all individuals are treated with respect and dignity and we expect all our employees and individuals that work on our sites to follow our health and safety policies and procedures and be free from substance abuse at all times.

Regulatory compliance
The Group deploys an Anti-Bribery & Corruption Programme which includes policies, training and due diligence of all third parties with whom the Group engages. The provision and receipt of gifts and entertainment is tolerated within considered parameters which align with the Group's legal obligations. Procedures and controls are deployed to monitor such activity across the Group.

The Group benefits from a Competition Law compliance programme which includes a manual, on-line training and auditing via simulated dawn raids, to which the whole Group is subject. The programme is based on requirements of UK law with local adaptations applied to non-UK businesses.

The Group continues to operate a Sanctioned Countries Policy in line with its legal and financial obligations using Restricted Party Screening software. Additional protocols have also been provided to certain subsidiaries to ensure they meet all international obligations when trading in sensitive geographical areas.

Procurement controls
The Group is further developing its procurement systems to enhance and embed best practices in purchasing activity and during 2016 will also be looking at how the Modern Slavery Act impacts upon its supply chain.

Community
Although the Group does not have a Group-wide programme in place to support specific charities or communities, it remains committed to encouraging its local Group subsidiary companies to fully engage with their local communities. The Group values its relationship with the local stakeholders and the support it receives from them.

During the year, support has been given to the Breast Cancer 'Wear it Pink' campaign, the Three Peak Challenge on behalf of the British Heart Foundation, the Macmillan cancer charity and Comic Relief.

Employees have also raised funds for local charities including Autism Puzzles, the Cystic Fibrosis Trust, the Geoff Thomas Leukaemia Foundation and Butterfly Giving, a charity aimed at research projects specifically aimed at teenage cancer.

Company activities in the UK included staff at Birtley Group Ltd participating in a charity bike ride raising funds for the charity Cash For Kids, which supports local children who are disabled, disadvantaged or suffering abuse or neglect. Riders and two support vehicles left Birtley's site destined for South Shields docks. They took the ferry to North Shields to pick up the coastal route to Bamburgh – a total ride distance of around 70 miles raising £1,000 for the charity.

In the USA two of our Carpenter & Paterson staff, based at our Saddle Brook branch took part in the 1st annual 'Tunnel to Tower Climb' challenge and both completed the 90 story (2,066 steps) climb in less than 40 minutes. The challenge is in memory of two FDNY first responders who were killed on 9/11 trying to rescue people from the World Trade Center. The $740 raised will go towards building high-tech homes for veterans of war. The charity has built 30 homes for veterans, with over 40 more under construction.

In addition, some of the Group's products have been used in a rhino rescue project in Africa. Asset International supplied a number of its large diameter Weholite plastic pipes to the Mpumalanga Tourism and Parks Agency in South Africa, a governmental organisation responsible for preserving nature reserves within the Mpumalanga region. The current rhino population on the southern side of Loskop Dam Nature Reserve is stranded due to a dam wall that was raised many years ago. As a result of years of grazing and the limited management of animal numbers, the southern side has become over grazed, thereby putting pressure on the rhinos that cannot swim across river to find better grazing. The plastic pipes were used to create a raft that could transport the stranded and starving rhinos across the dam to food and safety.

Case Study

Birmingham New Street Redevelopment

Established in 1857, Joseph Ash operated from a single plant in Birmingham. Now with eight plants across the country, the company provides steel finishing services to all types of customers and companies, many of which service the UK rail industry. Core services include galvanizing, spin galvanizing, shot blasting and powder coating, enhancing the appearance and prolonging the life of steel fabrications.

Joseph Ash Galvanizing is a complete one-stop-shop steel finishing service.

One recent project was the redevelopment of Birmingham New Street, which was in progress for five years. The first part of the £550 million redevelopment opened in April 2013 and the final part, which makes the station three and a half times bigger than before, opened in September 2015.

The project, commissioned by Network Rail, with support from Birmingham City Council, has improved the old station with a modern façade and much more space on the concourse and platforms for the 35 million passengers that use it every year.

Joseph Ash Galvanizing worked on the massive redevelopment, galvanizing different pieces of structural steel that range from large beam and column fabrications, to smaller ancillary steelwork and fittings. The project is especially significant for Joseph Ash Galvanizing due to its roots in Birmingham and the West Midlands.

With almost 60 years of service under its belt, a railway project that contains steel that Joseph Ash has treated is never far away.

Find out more about the company at:
www.josephash.co.uk

Top - A spiral staircase being dipped into the galvanizing bath.

Bottom - Birmingham New Street station, built with steel galvanized by Joseph Ash.


riff
1PM- 6AM
£ 3·00 £ 1·80
£ 5·50 £ 3·80
£ 10·00 £ 6·60
£ 11·00 £ 8·60
£ 11·00 £ 8·60

Governance Report

Governance Report

Images

Above - Asset VRS's M.A.S.S. (Multi Application Safety System) on the 4.8km Heysham to M6 link.

Left - The new dynamic LED toll price sign by VMS, on the A5/A460 junction near the M6 Toll.

See further information at hsholdings.com

Jones of Oswestry's bespoke drainage, made from stainless steel and totalling 55m in length, creates a dynamic focal point to the landscape at Arena Square, Wembley.

Chairman's Introduction to Governance

Bill Whiteley
Chairman

Dear Shareholder,

This section of the Annual Report sets out how we approach governance and the implementation of our principles and compliance with formal governance codes.

The Board is collectively responsible for upholding high standards of corporate governance and this means managing the business effectively and in a way that is honest, transparent and accountable. This transparency is key to the delivery of the Group's strategy and value creation for our shareholders.

The Board has ultimate responsibility for the Group's performance and for overseeing the management of risk, and in 2015 following the introduction of the FRC's updates to the UK Corporate Governance Code we have implemented an improved Group-wide risk assessment process. This is set out on pages 29 to 31.

As Chairman, it is my role to provide leadership to enable the Board to discharge its responsibilities effectively. Such effectiveness is normally assessed internally and, set out on pages 56 to 58, are the results of that assessment.

Clive Snowdon, Senior Independent Director and Chairman of the Remuneration Committee reports in his introduction on page 66, the approach taken to executive remuneration and the work carried out during the year on this high profile topic.

The Board has a responsibility to lead the way and in particular, for ensuring that all employees and everyone associated with the Group are aware of their responsibility to act lawfully and conduct themselves in accordance with high standards of business integrity. Our Code of Business Conduct sets out our standards and is required reading for everyone working for, or on behalf of the Group. It includes instructions not only on how we expect business to be conducted with the local, national and international supply chain but also on how we interact with the people that we employee and that work within our supply chain, including their human rights (see page 45) and their safety (see page 22).

I look forward to meeting you at our Annual General Meeting on Tuesday 17 May 2016.

Bill Whiteley
Chairman

9 March 2016

Board of Directors

W H Whiteley BSc, FCMA
Chairman and Non-executive (67)

Bill spent the majority of his career at international engineering group Rotork plc, where he was Chief Executive from 1996 to 2008. He is Chairman of Spirax Sarco Engineering plc, Brammer plc and Chairman of the Nomination Committee.

Appointed to the Board

1 January 2010

Committee Membership

Nomination (c)

D W Muir BSc, CEng, MICE
Group Chief Executive (55)

Derek joined the Company in 1988 and was appointed to the Board in 2006. He served as Group Managing Director of the core Infrastructure Products segment from 2001 and has been a Senior Manager within the Hill & Smith group for 28 years, having first been a Managing Director of Hill & Smith Limited, one of the Group's principal subsidiaries.

Appointed to the Board

21 August 2006

Committee Membership

Nomination

M Pegler BCom, FCA
Group Finance Director (47)

Mark joined the Company as Finance Director designate on 7 January 2008 and was appointed to the Board on 11 March 2008. He has extensive experience on an international level having been Group Finance Director of Whittan Group Limited, a private equity backed business, between 2002 and 2007. After qualifying with Price Waterhouse, he spent several years in various corporate and operational roles in international manufacturing businesses.

Appointed to the Board

11 March 2008

Committee Membership

n/a

J F Lennox LLB, CA
Independent Non-executive (59)

Jock is a Non-executive Director of A&J Mucklow Group plc, Dixons Carphone PLC and EnQuest PLC. He is also Senior Independent Director at Oxford Instruments plc and Chairman of the Trustees of the Tall Ships Youth Trust. Jock was formerly a partner of Ernst & Young where he began his career in 1977, becoming a partner in 1988. Jock is Chairman of the Audit Committee.

Appointed to the Board

12 May 2009

Committee Membership

Audit (c), Remuneration and Nomination

C J Snowdon BA, FCA
Senior Independent Non-executive (62)

Clive is Chairman of the Midlands Aerospace Alliance and Trustee of the Stratford Town Trust. He is also the Aerospace Industrial advisor to Cooper Parry Corporate Finance. Clive retired from Umeco plc in June 2011 having been Chief Executive since April 1997 and ceased to be Executive Chairman of Shimtech Industries Group Limited in May 2015, when the business was sold. Clive is the Senior Independent Director and Chairman of the Remuneration Committee.

Appointed to the Board

11 May 2007

Committee Membership

Audit, Remuneration (c), Nomination

A M Kelleher MSc, BA
Non-executive (49)

Annette has broad senior management experience in the international industrials sector and is currently Group Human Resources Director of Johnson Matthey PLC, as well as a Trustee of the Johnson Matthey Pension Scheme. Prior to joining Johnson Matthey PLC, she held a number of senior human resource roles in Pilkington and NSG Group. From 2006 to 2009, Annette was an independent director of Tribunal Services, part of the UK's Ministry of Justice.

Appointed to the Board

1 December 2014

Committee Membership

Audit, Remuneration, Nomination

Governance Report

Statement of compliance with UK Corporate Governance Code
The UK Corporate Governance Code published by the Financial Reporting Council in September 2014 applies to the Group and the Board confirms that for the period ended 31 December 2015 it complied fully with the requirements of the UK Corporate Governance Code 2014 (the 'Code'). This report outlines how we have complied with the five main principles of the Code: leadership, effectiveness, accountability, remuneration and relations with shareholders.

Leadership
Details of the Group's business model and strategy can be found on pages 18 to 27.

Leadership framework
The Hill & Smith Holdings PLC Group consists of the Company and the principal subsidiary companies, listed on pages 146 to 148, and operates in eight different countries. The Group's businesses are directly supervised by local operating boards and monitored at divisional level.

The two Executive Directors of the Board review divisional and individual operating company performance and regularly liaise with selected senior executives and subsidiary company directors.

The Group's subsidiary companies hold monthly board meetings and these are often attended by the Executive Directors and there is regular liaison across divisions to ensure, where appropriate, the consistent application of governance, operational procedures and Group policies and practices. The two Executive Directors are accountable to the Board for the operational application of these controls.

The Board is collectively responsible for ensuring that the business acts in the best interests of its shareholders and ensures that the Group delivers sustainable profitable growth through the supply of Infrastructure Products and Galvanizing Services; generating sustainable value for shareholders, whilst preserving the interests of its customers, employees and other stakeholders. The main facets of this responsibility comprise: consideration of the long-term direction and strategy of the Company; the values and standards within the business; subsidiary company management performance; resources; health and safety; risk management and internal controls.

Board structure
During 2015 the Board constituted three Board committees as described below. Each committee reports to the Board.

W H Whiteley - *Chairman*

D W Muir - *Group Chief Executive*

M Pegler - *Group Finance Director*

J F Lennox - *Non-executive Director*

C J Snowdon - *Non-executive and Senior Independent Director*

A M Kelleher - *Non-executive Director*

***Company Secretary* - C A Henderson (appt 1 Jan 2015)**

Audit Committee

The Audit Committee has responsibility for planning and reviewing the Company's interim and preliminary reports and accounts, its internal controls and risk management assurance.

Chairman
J F Lennox

Other members
C J Snowdon
A M Kelleher

Secretary
C A Henderson

Remuneration Committee

The Remuneration Committee is responsible for creation, approval and implementation of the Company's Remuneration Policy in respect of Executive Directors, Company Secretary and Senior Executives.

Chairman
C J Snowdon

Other members
J F Lennox
A M Kelleher

Secretary
C A Henderson

Nomination Committee

The Nomination Committee has responsibility for assisting the Board with succession planning and with the selection of a new Executive, Non-executive Director or Chairman.

Chairman
W H Whiteley

Other members
J F Lennox
D W Muir
C J Snowdon
A M Kelleher

Secretary
C A Henderson

The Code provides that at least half the Board, excluding the Chairman, should comprise the Non-executive Directors and that for smaller companies[1] there should be at least two independent Non-executive Directors. As the Board comprises;

- W H Whiteley (Chairman) - independent on appointment;
- D W Muir (Group Chief Executive) and M Pegler (Group Finance Director) - Executive Directors;
- C J Snowdon (Senior Independent Director); and
- J F Lennox and A M Kelleher - both independent Non-executive Directors;

the Board confirms its adherence to the Code in this respect.

[1] A small company is one that is below the FTSE 350 throughout the year immediately prior to the reporting year.

Directors' terms and conditions
The service agreements and letters of appointment for the Executive Directors and Non-executive Directors respectively, are detailed on pages 73 and 75 of the Directors' Remuneration Report.

Board meeting attendance
During the year attendance by Directors at Board and Committee meetings was as follows:

	Board	Audit	Nomination	Remuneration
Bill Whiteley	9	4*	2	3*
Derek Muir	9	4*	2	1*[1]
Mark Pegler	9	4*	1*	-
Jock Lennox	9	4	2	3
Clive Snowdon	9	4	2	3
Annette Kelleher	9	4	2	3
Total meetings	9	4	2	3

* indicates attendance of whole or part of the meeting by invitation.

[1] The Executive Directors are not present when elements of their remuneration are being discussed.

All Directors of the Board attended the AGM and the strategy meetings.

The Non-executive Directors meet independently without the Chairman present and also meet with the Chairman, independent of management.

The Chief Executive maintains a programme of visits to the Group's subsidiary businesses, throughout the world. The Group Finance Director, Mark Pegler regularly visits the US and France and in 2015 also visited Thailand and India.

Chairman and Chief Executive
There is a clear division of responsibilities between the Chairman and the Chief Executive which is set out in writing and available at www.hsholdings.com. The Chairman is responsible for the leadership and effective working of the Board. The small size of the Board ensures all Directors contribute fully to the discussions and decisions. The Chairman drives the Board agenda and determines how the Board should use the time available to it during Board meetings. The Chief Executive is responsible for the management of the Company, executing the Group's strategy and development, meeting financial objectives, implementing policies and maintaining controls. The Executive Directors provide information to the Board via their regular written reports and the presentation of proposals for Board approval.

Board support
The Board is supported by the Company Secretary who, under the direction of the Chairman, ensures that communication and information flows between Board members. The Company Secretary is also responsible for assisting the Chairman in all matters relating to corporate governance, including the Board evaluation process. Directors are able to take independent professional advice, when necessary, at the Company's expense.

From time to time, other members of the management team attend Board meetings to present annual budgets, updates and proposals relating to their areas of responsibility and reporting on regulatory compliance, risk management and internal controls.

The Directors and management of the Group businesses are also supported by the central function which includes risk management, treasury, taxation, acquisitions and corporate development.

Conflicts
The Companies Act 2006 sets out Directors' general duties concerning conflicts of interest and related matters. The Board has agreed an approach and adopted guidelines for dealing with conflicts of interest and has added responsibility for authorising conflicts of interest under the schedule of matters reserved for the Board. The Board confirmed that it was not aware of any situations that conflicted with the interests of the Company, other than those that may arise from Directors' other appointments, as disclosed in their biographies on pages 52 and 53.

In accordance with the Articles, the Board authorised the Company Secretary to receive notifications of conflicts of interest on behalf of the Board and to make recommendations as to whether the relevant matters should be authorised by the Board. The Company has complied with these procedures.

Governance Report (continued)

Effectiveness

How the Board operates

The Board manages the overall control of the Group's affairs with reference to a formal schedule of matters reserved for the Board for decision, including the review and approval of key policies.

In particular, the Board makes decisions on, reviews and approves:

- Group strategy and operating plans;
- Business development, including acquisitions and divestments, major investments and disposals;
- Risk management;
- Financial reporting and audit, including announcements for year end and interim results and trading updates;
- Financing, treasury and taxation;
- Corporate governance;
- Compliance with laws, regulations and the Company's Code of Business Conduct ('CBC');
- Corporate sustainability and responsibility, ethics, health and safety, the environment; and
- Pension benefits and liabilities.

In addition to its normal business, which is included in the table below, the Board reviewed and approved the following, during 2015 and up to the date of this report:

- The schedule of matters reserved for the Board;
- The Group's delegated authority matrix;
- Acquisition integration plans;
- Anti-bribery & Corruption compliance;
- Diversity and equal opportunities policy;
- Dividend policy;
- Goodwill and Intangible Asset carrying values;
- Pension schemes merger;
- Pension scheme master trust arrangements;
- Viability Statement; and
- Corporate activity including the acquisitions of Novia Associates, Inc., Premier Galvanizing Ltd, Bowater Doors Ltd and Tegrel Ltd.

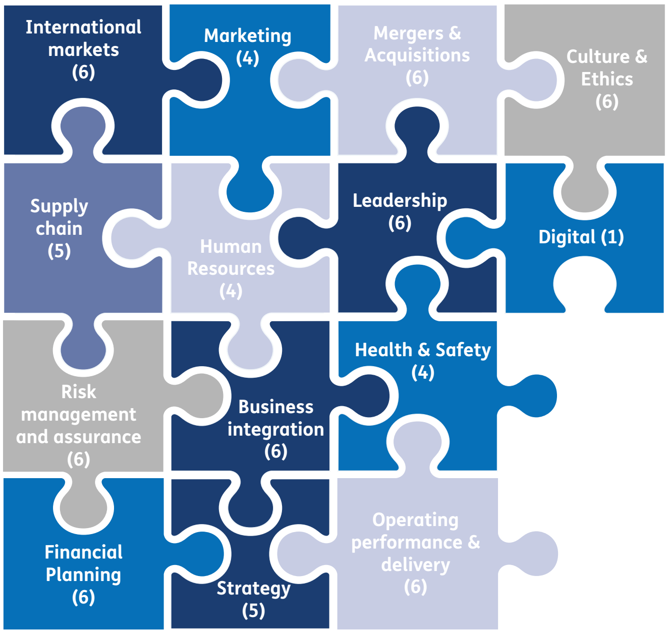
The Board also received presentations from the management of the Bergen Pipe Supports Group and the V&S Group as well as visiting the V&S Galvanizing plant in Columbus, Ohio, USA.

The Board has established processes designed to help maximise its performance. These processes operate from the following framework:

Operation of the Board	› Board meetings are scheduled to ensure adequate time for discussion of each agenda item.
	› Board discussions are held allowing for questions, scrutiny and constructive challenge where appropriate.
	› Full debate allows decisions to be taken by consensus (although any dissenting views would be minuted accordingly).
	  › Other members of senior group management regularly attend and give presentations at Board meetings.
	  › Local managers may also attend when matters of particular significance or country relevance are proposed or being reviewed.

Strategic focus	› The development of strategy is led by the Chief Executive Officer together with the Group Finance Director, and with input, challenge, examination and ongoing testing from the Non-executive Directors. › Group strategy is regularly addressed by the Board, with strategic matters being reviewed and updated as appropriate at each main meeting. In addition, the Board holds at least one annual strategy meeting. The Board has particular responsibility for ensuring that the business strategies proposed are fully discussed and critically reviewed. › The Executive Directors and members of the senior management team draw on the collective experience of the Board.
Board information	› Comprehensive reporting packs are provided to the Board, which are designed to be clear, accurate and analytical, whilst avoiding excessive and unnecessary information. › Reporting packs are normally distributed electronically five working days in advance of Board meetings, enabling them to be as up-to-date as possible, whilst allowing sufficient time for their review and consideration in advance of the meeting. › Clarification or amplification of reports or proposals are sought in advance of, or at, meetings as appropriate. › Management accounts with commentary are distributed to the Board on a monthly basis.
Board knowledge	› The Board regularly reviews its appetite for, and the management of, risk in the context of the strategy and the periodic review of the Group risk register. › The Chief Executive Officer and Group Finance Director have a programme of visits to the Group's business locations to review the operational performance and to engage and support local management. › In the financial year, at least one Hill & Smith Holdings PLC Board meeting is held at the operational site of a subsidiary, if considered appropriate. › All Directors have open access to the Group's key advisors, senior management and the Company Secretary.

Skills and competencies
The Directors are experienced and influential individuals from varied commercial industries, professional backgrounds and international involvement. Their diverse and balanced mix of skills and business experience, as shown below, are key elements to the effective functioning of the Board and its Committees, ensuring matters are fully and effectively debated and challenged and no individual or group dominates the Board's decision-making processes.



Taking into account the provisions of the Code, the Board has determined that during the year under review none of the Non-executive Directors had any relationship or circumstance which would affect their performance and the Board considers all of the Non-executive Directors to be independent in character and judgement.

The biographies of the Directors of the Board are shown on pages 52 and 53, along with any significant other commitments and appointments they may have.

Training and advice
All Directors are provided with the opportunity and are encouraged to attend regular training to ensure they are kept up-to-date on relevant legal developments or changes, best practice and changes to commercial and financial risks. Typical training experience for Directors includes attendance at seminars, forums, conferences and working groups, as well as the provision of information from the Company Secretary. In order to fulfil their duties, procedures are in place for Directors to seek both independent advice and the advice and services of the Company Secretary.

Evaluation of the performance of the Board
The Board recognises that a performance evaluation is important to optimise Board effectiveness and that the evaluation should be appropriate to both the size of the Board and the Company. When not facilitating an external evaluation, a bespoke online questionnaire is used to conduct an internal Board evaluation.

The 2014 evaluation process concluded that the Board and its Committees remained effective in fulfilling their responsibilities appropriately and that each Director continued to demonstrate a valuable contribution. Areas identified as requiring more Board time in 2015 were:

- Development of managerial capability at subsidiary business level;
- Succession planning; and
- Increased KPI reporting.

The Board have responded to these matters by:

- Undertaking a comprehensive review of the managerial capabilities and succession planning at all UK subsidiaries. This review was supported using external advice;
- Identifying succession opportunities at both Non-executive and Executive Director level; and
- Reviewing additional KPIs.

The 2015 evaluation, conducted via an internal questionnaire, focused on the following factors:

- Leadership – strategy, performance and talent;
- Board composition;
- Board dynamics and behaviour;
- Board processes, including shareholder communications; and
- Board skills and experience.

The evaluation was facilitated by the Company Secretary, under the direction of the Chairman, with subsequent interviews undertaken by the Chairman, on a one-to-one basis.

The results of the evaluation demonstrated that progress had been made on implementing the improvements identified in 2014. KPI reporting had been increased; succession plans had been identified across the Group; and plans for the future development of potential leaders within the Group had been agreed.

The 2015 evaluation process concluded that the Board and its Committees remain effective in fulfilling their responsibilities appropriately and that each Director continues to demonstrate a valuable contribution. Areas identified as requiring more Board time in 2016 were:

- Monitoring the development of managerial capability at subsidiary business level;
- A review of the Board's approach to the Group's geographical diversification guidelines;
- The Group's 2017–2019 strategic plan; and
- A continual review of the balance of skills and expertise present on the Board.

Following this internal evaluation, the Chairman will meet with each Director, on a one-to-one basis, to consider the effectiveness of the evaluation process and its conclusions. The Chairman will also meet with the Non-executive Directors, in the absence of the Executive Directors, to discuss the performance of the Executive Directors and the Non-executive Directors, led by the Senior Independent Director, will meet in the absence of the Chairman to review his performance.

Governance Report (continued)

Annual re-election of Directors
In compliance with the Code and the Company's Articles of Association, Directors retire at every AGM and, if deemed appropriate by the Board, Directors are proposed for re-appointment by shareholders at the forthcoming AGM. In reaching its decision to propose re-election, the Board acts on the advice of the Nomination Committee, taking account of the results of the Board evaluation referred to on page 57.

Clive Snowdon will not be seeking re-election at the forthcoming 2016 AGM as he will have served on the Board for nine years as at the date of the AGM. All other Directors will be offering themselves for re-election at the 2016 AGM. Biographies for each Director can be found on pages 52 and 53.

Accountability
Committees of the Board
The Board has three Committees - Audit, Nomination and Remuneration. The composition, responsibilities and activities of each of these Committees are described below. In addition, both the Audit and Remuneration Committee Chairman have given separate reports on pages 61 and 66 respectively. A report on the Nomination Committee is given on page 59. With the exception of the Chairman, each of the Non-executive Directors are members of each Committee.

The Company Secretary acts as Secretary to all of these Committees. The terms of reference of the Committees are available on the Company's website at www.hsholdings.com.

The Audit Committee
Please see the Audit Committee Chairman's letter to shareholders on page 61.

Audit Committee composition
During the year the Committee comprised Jock Lennox as Chairman, Clive Snowdon and Annette Kelleher. The Committee met four times in the financial period under review, with all members of the Committee being present on each occasion. The Group Chief Executive, Group Finance Director, Group Risk & Compliance Counsel and Group Financial Controller attend by invitation.

Jock Lennox was designated as the member of the Audit Committee with recent and relevant financial experience, being a chartered accountant and former partner of Ernst & Young. He is also chair of the Audit Committees of Dixons Retail plc, Oxford Instruments plc, EnQuest PLC and A&J Mucklow Group plc.

Principal activities
The role of the Audit Committee and details of its work during the year are contained in the Audit Committee Chairman's Report on pages 61to 65.

Internal control and risk management
Overall responsibility for the system of internal control, reviewing its effectiveness and ensuring that there is a process to identify, evaluate and manage any significant risks that may affect the achievement of the Group's strategic objectives lies, with the Board.

The Board and the Audit Committee have reviewed the effectiveness of the Group's risk management and internal control systems in accordance with the Code for the period ended 31 December 2015, and up to the date of approving the Annual Report and Financial Statements. The risk management and internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The assessment and control of risk are considered by the Board to be fundamental to achieving corporate objectives. An ongoing process for identifying, evaluating and managing the significant risks faced by the Group and assessing the effectiveness of related controls has been established by the Board to ensure an acceptable risk/reward profile across the Group.

The process has been in place throughout 2015, and up to the date of approving the Annual Report and Financial Statements, and the key elements of this process are:

- A comprehensive system of monthly reporting from key executives, identifying performance against budget;
- Analysis of variances, major business issues, key performance indicators and regular forecasting;
- Well-defined policies governing appraisal and approval of capital expenditure and treasury operations;
- Regular meetings to identify and discuss key risks and mitigations with a broad sample of the senior management team and the Executive Directors;
- Review of the corporate risk register in terms of completeness and accuracy with the senior management team and the Executive Directors;
- Audit Committee discussion of the corporate risk register and the risk management system with subsequent reports to the Board; and
- The introduction, in 2015, of a new Risk Committee to monitor, validate and report on the group-wide risk assessment process.

Our process for identifying, evaluating and managing the significant risks faced by the Group and assessing the effectiveness of related controls routinely identifies areas for improvement, but the Board has neither identified nor been advised of any failings or weaknesses which it has determined to be material or significant.

More information on the Group's key risks and uncertainties is shown on pages 32 to 37.

The Remuneration Committee
Please see the Remuneration Committee Chairman's letter to shareholders on page 66.

Remuneration Committee composition
During the year the Committee comprised the Non-executive Director and Senior Independent Director Clive Snowdon as Chairman, Jock Lennox and Annette Kelleher. The Committee met on three occasions in the financial period under review, with all members of the Committee being present on each occasion.

Principal activities
The role of the Remuneration Committee, and details of how it implements the Company's Remuneration Policy, is set out on pages 66 to 76. A brief summary of the Company's Remuneration Policy, approved at the Company's 2014 AGM, can be found on pages 77 to 80.

The Nomination Committee
Dear Shareholder,

During 2015 the Committee has considered Group and Subsidiary Management succession planning. In appointing individuals to Board and senior management positions the Board will consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Group's overall approach to diversity is that we aim to reflect the business operations of the companies within the Group and we do not set specific diversity targets.

The Board's effectiveness continues to be evaluated annually and more details of the process followed can be found on page 57.

Bill Whiteley
Chairman, Nomination Committee

9 March 2016

Nomination Committee composition
The Committee comprises the Group's Chairman Bill Whiteley as Committee Chairman, the Non-executive Directors Clive Snowdon, Jock Lennox and Annette Kelleher, and the Group Chief Executive, Derek Muir. The Committee met twice in the financial period under review with all members of the Committee being present on each occasion.

Principal activities
During the year, and the period up to the date of this report, the Committee considered:

- Board succession and diversity - recognising the desire to maintain the right balance of expertise both at Executive Director and Non-executive Director level, the Committee discussed and planned for any forthcoming changes over the next two years.
- Subsidiary management succession and diversity - recognising the need to develop the capabilities of existing senior and mid-level management to create a pool of talented managers that could work across the Group.
- Board evaluation - a summary of the process and key matters arising from the 2015 Board evaluation, led by the Chairman and internally facilitated by the Company Secretary, is contained on page 57.

The role of the Nomination Committee is to assist the Board in the key areas of Board composition, performance, succession planning and recruitment. Having the appropriate range of high calibre Directors on our Board is key to determining and achieving the Group's strategic objectives and ensuring that success is sustained over the long term.

All Non-executive Directors, as well as the Chairman and the Group Finance Director, were selected through externally facilitated recruitments. All Non-executive Directors are independent, as is the Chairman on appointment (although not counted as such under the Code following appointment). The Board believes this has created an effective group of Executive and Non-executive Directors able to provide the required range of skills, knowledge and experience (see page 57) to ensure development of the Group, implementation of its strategy and sound governance. The Committee will continue to monitor any need to make any further changes to the composition of the Board, in the context of the Company's strategy of geographical diversification and portfolio management.

Following an initial three-year term, the terms of Non-executive Directors are reviewed annually, in line with their annual retirement at the AGM. The letters of appointment for the Non-executive Directors are available for inspection at the Company's registered office and the AGM.

	Date of appointment	Length of service at 31 December 2015
Bill Whiteley	1 January 2010	6 years
Clive Snowdon	11 May 2007	8 years 7 months
Jock Lennox	12 May 2009	6 years 7 months
Annette Kelleher	1 December 2014	1 year 1 month

Non-executive Directors' letters of appointment set out the time commitments normally required. Such time commitments can involve peaks of activity at particular times and all Directors are expected to be flexible in managing these. Any significant changes to their other commitments are notified to the Board before they arise. The Board remains satisfied as to the time availability and commitment of the Non-executive Directors.

More information on the Nomination Committee's terms of reference can be found on the Company's website.

Relations with shareholders
The Board is managing the Group ultimately on behalf of its shareholders and it undertakes this responsibility in such a way as to maximise shareholder value over the long-term and to advance the interests of all of the Group's stakeholders. In this respect:

- The Chief Executive Officer and Group Finance Director meet with institutional shareholder representatives regularly during the year, including days at Hill & Smith Ltd and Joseph Ash Ltd, to discuss strategic and other issues as well as to give presentations on the Group's results.
- The Board receives reports from the Company's brokers and financial public relations agency on feedback from institutional shareholders following the Executive Directors' presentations.
- The Chairman of the Remuneration Committee consults with major shareholders before any significant changes in Executive remuneration are implemented, the results of which are reported to the Remuneration Committee.
- The Company's Annual Report and Notice of AGM are published as soon as the time required for their printing allows, to provide the maximum time in advance of the AGM for feedback, which is shared with the Board of Directors.
- A presentation is given to shareholders attending the Company's AGM at which shareholder participation is encouraged. All Directors are present and questions and feedback are invited.
- The Secretary engages with shareholders and the investor community as and when required.
- Proxy votes of shareholders for the AGM are tabulated independently by the Company's registrars, provided at the AGM and published on the website shortly after the conclusion of that meeting.

Governance Report (continued)

All Directors are available to meet with shareholders to discuss matters and can be contacted through the Company Secretary. The Chairman and Senior Independent Director are available to meet with shareholders concerning corporate governance issues, if so required.

Copies of all major press releases, trading updates and Interim and Annual Reports are posted on the Company's website, together with details of major contracts and projects, key financial and shareholder information, governance, statements, Group policies and corporate and organisational structure.

On behalf of the Board

Bill Whiteley
Chairman

9 March 2016

E.T. Techtonics, Inc.'s composite bridge at Hopewell Dam - French Creek State Park, Pennsylvania, USA.

Audit Committee Report

Jock Lennox
Chairman, Audit Committee

Dear Shareholder

During the year the Audit Committee has continued to build upon the risk management processes that was implemented in 2014. A new risk assessment methodology was implemented across the Group in 2015, together with the forming of a new Risk Committee which comprises the Risk & Compliance Counsel, the Group Financial Controller, the Group Company Secretary and the Group's Director of Corporate Development. The Committee also reconsidered the Group's approach to internal controls with a view to introducing an internal audit plan that aligns with the Group's identification of risks and mitigating controls, and also assesses conformance against the compliance and policy initiatives that the Group has issued, together with a more in-depth investigation by the internal audit team, into each company's approach to the internal control environment around its commercial and procurement risks.

This Audit Committee report explains how the Committee has discharged its responsibilities, and takes into account the specific areas of:

- Primary areas of judgement considered by the Committee in relation to the 2015 accounts;
- Internal controls;
- Risk assessment, management and mitigation;
- Assessment of effectiveness of external audit; and
- Whistleblowing.

I trust you find this report helpful as an insight into the activities undertaken on your behalf. I should be delighted to answer any questions you might have and I look forward to seeing you at our AGM in May 2016.

Jock Lennox
Chairman, Audit Committee

9 March 2016

Audit Committee Report (continued)

Composition and responsibilities of the Committee

Composition

During the year the Audit Committee consisted of Jock Lennox as Chairman, Clive Snowdon and Annette Kelleher. Having been a former partner of Ernst & Young, Jock Lennox is considered by the Board to have recent and relevant financial experience and so the requisite experience to Chair the Committee. The Committee meets according to the requirements of the Company's financial calendar and during 2015 met on four occasions; in March and August to consider the Annual Report and Financial Statements and the interim results report, respectively, together with the external audit findings, and in September and December to review the internal audit activities and reports; approve the internal audit plan for the year ahead; approve the external auditors' plan and approve their fees. Reports on the Group's principal risks and uncertainties, including updates on the risk management process were reviewed at each of the meetings.

Attendees at each of the meetings are the Committee's members as well as, by invitation, the Chairman, the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Group Risk & Compliance Counsel and the external auditor, KPMG. A record of the meeting attendance by Committee members is set out on page 55.

Each meeting allows time for the Committee to speak with the external auditors without the presence of the Executive management.

As the Audit Committee Chairman, Jock Lennox maintains regular contact with the external audit partner outside of Committee meetings and without the management of the business present. In these meetings a wide range of matters are discussed, including the change in financial reporting and governance landscape, the Company's readiness to accommodate these developments, the external auditor's approach to auditing activities, especially outside the UK, and the robustness of our assurance approach generally.

Responsibilities

To ensure governance and control over the Group's financial reporting and risk management processes with assurance provided by internal activities and external auditors by:

- Reviewing financial results announcements, associated financial statements and any significant financial reporting issues and judgements that they may contain;
- Advising the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable;
- Advising the Board on whether it is appropriate to adopt the going concern basis of accounting in preparing the Group's Financial Statements;
- Advising the Board on whether, given an assessment of the Company's current position and principal risks, the Board can approve its viability statement;
- Ensuring compliance with applicable accounting standards and reviewing the appropriateness of accounting policies and practices in place;
- Assessing the adequacy of the internal control environment and the processes in place to monitor this, including reviewing the performance of the internal audit activity;
- Reviewing both the key risks and risk management processes, in the context of proportionality and the adequacy of the actions being taken to reduce the risk exposure of the Group;
- Overseeing the relationship with the external auditors, reviewing their performance and advising the Board on their appointment and remuneration;
- Ensuring appropriate safeguards are in place for individuals to raise issues with the Board where a breach of conduct or compliance, including where any financial reporting irregularity, is suspected; and
- Reviewing and approving of the Group's whistleblowing policy and subsequent consideration of any matters raised.

The Committee's terms of reference can be found on the Company's website.

Primary areas of judgement considered by the Committee in relation to the 2015 accounts

In order to discharge its responsibility to consider accounting and financial reporting integrity, the Committee carefully considers key judgments applied in the preparation of the Consolidated Financial Statements which are set out on pages 88 to 129. The Committee's review included consideration of the following key accounting judgements:

Valuation of goodwill and indefinite life assets

The value of goodwill and indefinite life assets amounts to £107.6m at 31 December 2015. The review of such assets is based on a calculation of value in use, using cash flow projections based on financial budgets prepared by senior management and approved by the Board of Directors. The uncertain economic conditions around the world increase the risk of impairment and the Committee addresses this by receiving reports from management outlining the basis for the assumptions used for cash generating units. The Committee also considers management's assessment of the sensitivities to these assumptions and the impact that those sensitivities may have, and also considers the disclosures made in respect of sensitivities, in particular in respect of France Galva SA, in note 10 to the Financial Statements on page 101. Business plans are signed off by the Board and assessment models are reviewed as part of the audit, for which the external auditor, KPMG, provides reporting to the Committee.

The calculation of value in use for the goodwill and indefinite life intangible assets relating to the Group's acquisition of The Paterson Group in 2011 indicated that the value in use was not sufficient to support the carrying values of those assets. Despite a marginal improvement in performance in 2015, the 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. Accordingly an impairment charge of £15.7m has been recognised during the year, comprising £8.2m in respect of goodwill, £4.0m in respect of indefinite life intangible assets and £3.5m in respect of other intangible assets that arose on the acquisition.

Defined benefit pension scheme valuation

Net defined benefit pension obligations under IAS19 amount to £14.6m at 31 December 2015. The Committee reviews benchmarks and assumptions that are provided by the Group's actuaries and used to value the pension liabilities for the Group's defined benefit schemes. The underlying assumptions based on market conditions and the characteristics of the schemes are reviewed by management and the external auditors and reported on to the Committee.

Taxation
Assessment of judgements made in relation to uncertain tax positions, regarding the outcome of negotiations with and enquiries from HM Revenue & Customs and other tax authorities in other jurisdictions. Judgements have been made by management following discussion with the Group's tax advisers and internal review. The Committee has reviewed the analysis behind these judgements and confirms its agreement that the Group's tax provisions are adequate.

Internal controls
The Committee continued to oversee the revised internal audit approach adopted in 2014 involving subsidiary level commercial and operating reviews. During 2015 the internal audit team took a more risk-based approach to the internal control environment and expanded its coverage of the Group's subsidiaries. This included contract and project management, procurement and supply chain management, sales and credit management, compliance and financial reporting. Subsidiary businesses were also required to self-assess their compliance with Group-wide policies and these assessments were validated by a combination of external auditor and internal auditor activity, thus giving the Committee a balanced overview across the Group, taking into account the level of risk and previous coverage. At meetings throughout the year, progress against this plan was reviewed and additional areas of concern were added to the plan as required. This series of activities will be concluded in March 2016.

Any changes to the approved audit plan were agreed by the Committee. The Committee received an update from the Group Financial Controller at each meeting summarising the findings of the internal audits undertaken and the progress made against actions agreed from previous audits.

Detailed updates on specific areas were provided at the request of the Committee and for the period covered by this report the following were considered.

- Treasury control and processes;
- IT infrastructure and resources update;
- Project-based capital expenditure;
- Financial controls in Bergen Pipe Supports India;
- Financial controls and KPI analysis for Bergen Pipes Support Asia;
- Appropriateness of the carrying value of goodwill and intangible assets of The Paterson Group and France Galva, SA; and
- The announcement of the proposed restructuring of the non-US pipe supports business and consideration of whether an impairment of fixed assets and working capital was necessary.

For 2016 the Committee is considering an internal audit plan that aligns with the Group's identification of risks and mitigating controls, and also assesses conformance against the compliance and policy initiatives that the Group has issued.

Risk management
The risk management process is reviewed throughout the year by the Committee to ensure that it is set up to deliver appropriate risk management across the Group. During the year, and following the publication, in September 2014, by the Financial Reporting Council ('FRC') of their Guidance on Risk Management, Internal Control and related Financial Business Reporting the Committee and the Board focused their attention on the Group's 'principal' risks and the risk management process and approved the implementation of a Group-wide risk assessment process.

The Committee believe that these improvements will further strengthen the way that the business understands and manages risk. In addition, the Committee monitors the key risks on the corporate risk register throughout the year and during the year received its first report from the newly formed Risk Committee. This Committee monitors, validates and reports on the Group-wide risk assessment process.

A detailed report is provided to the Committee from the Group Risk & Compliance Counsel, monitoring the movements in major risks and providing updates on risk mitigation activity undertaken in relation to those risks. A summary of the key risks and uncertainties to which the business is exposed, can be found on pages 32 to 37.

Assessment of effectiveness of external audit
There are a number of areas that the Committee considers in relation to the external auditor: performance in discharging the audit and interim review of the financial statements; independence and objectivity; and reappointment and remuneration.

External auditor performance
The external auditor, KPMG, provided the Committee with their plan for undertaking the 2015 year end audit during the Committee meeting in September 2015. This highlighted the proposed approach and scope of the audit for the coming year, which was similar to 2014, and identified the key issues in detail. The Committee debated, and appropriately challenged, the basis for these areas before agreeing the proposed approach and scope of the external audit.

During the year the Committee considered a report from the Group Finance Director on the effectiveness of the performance of the external auditor. This report included a detailed assessment compiled from the individual businesses and head office finance team feedback and covered, amongst other things:

- The calibre of the external auditor including size, resources, geographical representation and reputation;
- The external audit team in terms of the requisite skills, professional and industry knowledge;
- The scope of the external audit to adequately address the financial reporting risks facing the Company and the key operations;
- The approach taken in assessing the adequacy of management representations; and
- Communication and interface with internal audit activities and the Audit Committee on matters affecting critical accounting policies and treatment, governance and risk management.

The Committee debated this feedback and concluded that KPMG had continued to deliver an effective external audit of the Group's financial controls, performance reporting and risk identification and management.

The external auditor prepared a detailed report of their findings in respect of the 2015 audit. The Committee discussed the issues raised in the report, particularly in relation to the areas highlighted, at their meeting in March 2016. A similar discussion of the external auditor's report, following their informal review, is undertaken by the Committee at the half year. As part of this review the Committee question and challenge the work undertaken, the findings and the key assumptions made, with particular attention to the areas of audit risk identified.

Audit Committee Report (continued)

Auditor independence and rotation
The auditor confirmed its policies on ensuring auditor independence and provided the Committee with a report on their own audit and quality procedures. This report was reviewed during the period under review and the Committee remained satisfied of the auditor's independence and with the rotation of the external audit personnel, which complied with the professional guidelines.

To maintain auditor independence the Group has a policy whereby, before any former employee of the external auditor may be employed by the Group, careful consideration is given to whether the independence of the auditor will be adversely affected and approval of the Audit Committee is required.

KPMG have been the Group's auditors since 1999, having been appointed following a competitive tender process. The external auditors are required to rotate the lead partner every five years. Such changes are carefully planned to ensure business continuity without undue risk or inefficiency. The partner responsible for the Group audit completes his fifth year in the year ending 31 December 2015. A partner change has been recommended by KPMG and following Board and Committee discussion and taking up personal references the recommendation was approved by the Audit Committee in September 2015 and the allocated partner will shadow the 2015 year-end process.

The EU Audit Directive on audit tendering now takes effect from June 2016 and its key aspects include:

› Audit firms will have a maximum tenure of ten years, although the UK Government proposes to allow an extension of (i) up to an additional ten years where a public tender is carried out after ten years; or (ii) by an additional 14 years where more than one audit firm is appointed to carry out the audit;

› Audit firms are to be prohibited from providing certain non-audit services and where non-audit services are provided they will be subject to a fees cap; and

› A restriction in any contract limiting a company's choice of auditor will be prohibited.

The Group has therefore adopted a policy that no external auditor appointed after June 2016 can remain in post for longer than twenty years and there will be a tendering process every ten years, and that KPMG, as the currently appointed external auditor, may remain so until the completion of the 2023 annual audit. However the Committee will continue to consider annually the need to tender the audit for audit quality or independence reasons. There are no contractual obligations in place that restrict our choice of statutory auditor. The Committee also has a 'Non-Audit Services' policy that it approves annually, which restricts the use of the external auditor for activities including compiling accounting records, certain aspects of internal audit, IT consultancy, tax services except in exceptional circumstances, and advice to the Remuneration Committee.

For any non-audit services (which are not excluded under the policy), the policy provides for approval, by the Group Finance Director, of expenditure below £50,000 and above that figure, approval by the Audit Committee Chairman. A report is also submitted to the Audit Committee of any non-audit services carried out by the external auditor, irrespective of value the aggregated spend with the external auditor will not exceed 70% of the audit fee.

Where the Committee believes it is cost effective for non-audit services to be provided by the external auditor, such as those relating to merger and acquisition due diligence work, it will consider the engagement of the external auditor, subject to application of the principles of the policy, including the financial limits.

During 2015, there were fees of £298,000 (2014: £34,000) paid to the auditor for non-audit services. The fees paid covered due diligence on acquired businesses and aborted acquisition costs £112,000 (2014: £6,000), pension advice £161,000 (2014: £7,000), an interim review £16,000 (2014: £21,000) and £9,000 for UK GAAP conversion work. Audit fees for 2015 were c.£635,000, representing a 1:2 ratio between non-audit and audit fees (2014: 1:18). Further details of these amounts are included in note 6 of the accounts.

Whistleblowing
The Group has a written policy which states that if any employee in the Group has reasonable grounds to believe that the Group's Code of Business Conduct is being breached by any person or group of people, they are able to contact the Group Risk & Compliance Counsel with full details, or if necessary, the Company Secretary or the Chairman of the Audit Committee.

During the year the Committee received nine individual reports from the Group Risk & Compliance Counsel on matters reported under the Group's whistleblowing policy. The incidents were reported through the whistleblowing helpline and related to individual employment terms or working relationships with other employees and were resolved by local management.

Fair, balanced and understandable
As part of the governance process with the Company, the Committee, at the request of the Board, has considered whether, in its opinion, the 2015 Annual Report and Accounts is fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Prior to recommending to the Board that they were able to sign the Annual Report and Accounts the Committee reviewed a report received from the management responsible for the preparation of the Annual Report detailing how the report was fair, balanced and understandable.

The document was fair: In that the information given represents the whole story of the business' performance in 2015 and does not mislead the reader by excluding appropriate bad news. That the disclosures of the Group's business segments and key messages are consistently delivered throughout the document, KPIs are clear and appropriate and linked to both the Group's strategy and remuneration incentives.

The document was balanced: In that it was a suitable document to inform both existing and prospective shareholders about the financial and non-financial performance of the business, with the messages delivered in the Directors' Report, including the Operating and Financial Review and the Financial Statements being balanced and consistent and that the report set out a detailed and fair representation of the Group's activities and performance and that certain matters have been identified and discussed between management, the Audit Committee and KPMG in order to correctly disclose the performance, controls and prospects of the Group.

Finally the document was understandable: In that it allows shareholders to follow the whole story of the Group's financial and non-financial performance in 2015 and allows them to get a clear and understandable picture of the Group's business model, key drivers and commercial operations.

Following the review, the Committee confirmed that the Annual Report was fair, balanced and understandable.

Summary
We aim to continue to develop responsibilities for financial reporting and the related governance and assurance and we will continue to make improvements to our risk management processes and approach to our internal control environment.

Jock Lennox
Independent Non-executive Director
Chairman, Audit Committee

9 March 2016

Asset International Structures designed, supplied and installed their precast BEBO arch using 44 sections to create a 80.42m bypass tunnel on the Clyst Honiton Bypass, at the foot of Exeter Airport's runway.

Remuneration Committee Report

Clive Snowdon
Chairman, Remuneration Committee

Dear Shareholder,

On behalf of the Board I am pleased to present the Company's Annual Remuneration Report. This report shows how the Company's Remuneration Policy, approved by members at the Company's AGM in 2014, was applied throughout 2015.

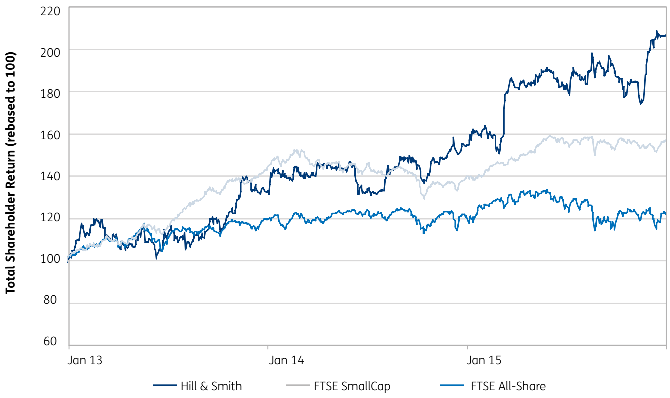
Remuneration policy
The Company's Remuneration Policy was put before members at our AGM in May 2014 and was approved by 97.73% of our shareholders. During the year, the Committee reviewed the remuneration arrangements and the approved Remuneration Policy and concluded that its policy continued to be appropriate.

Performance
Our Remuneration Policy, whilst providing a fair and stable framework for Executive remuneration, is designed to have a significant proportion of Executive pay linked to achievement of demanding performance targets. The Company has performed strongly in 2015, despite there being challenges in some of the economies and markets in which we operate. Underlying profit before tax (at budgeted exchange rates) was up 14% year-on-year and the annual growth in underlying earnings per share ('UEPS') was 15%. These two measures, together with underlying operating margins and internal return on capital ('ROC'), are the performance conditions used to determine any awards under the 2015 Annual Bonus scheme and each is weighted equally.

During the year the Company has performed well against these measures, exceeding the on-budget targets, at which 60% of bonus can be earned. Growth in UEPS was 15%, underlying operating margin was 12%, and at budgeted exchange rates underlying profit before tax was £51.8m and internal return on capital ('ROC') was 15.3%. The Remuneration Committee was satisfied that this performance reflected the underlying performance of the Company and that 100% of salary should vest as a bonus.

Awards were made in 2015 in respect of the Long-Term Incentive Plan 2014 ('LTIP'), see page 71 for more details. This plan was introduced with 25% of the award vesting at median Total Shareholder Return ('TSR') performance as opposed to 30% on historic plans. The Committee remains of the opinion that these types of plan incentivise Executive Directors to achieve high returns for shareholders over a three-year period.

During the year the LTIP award made in 2013 vested, the last under the Long-Term Incentive Plan 2007 rules, with the strong results in 2015 contributing to the Company's performance over the last three years (to 31 December 2015); with underlying profit before tax increasing 31.2%, UEPS rising by 33.2% and the Company's share price gaining 358p, an increase of 89.7%. On the back of these results 97.9% of the LTIP 2013 award vested as shares.



Annual Remuneration 2016
The Committee approved base salary increases of 3% in December 2015 for the Executive Directors, which is comparable to the increases awarded to the wider group population and is considered by the Committee to be appropriate and in line with the Group's 2015 performance. For completeness there has been no change in the quantum of the annual bonus or LTIP in 2016.

The activities of the Committee during 2015, including deliberating on the LTIP and annual bonus performance conditions, are outlined on page 67. The Committee also discussed specific strategies being applied during 2016 and has approved bonus arrangements for 2016 aligned to these goals, believing that these best suit the Board's short-term strategy for the forthcoming year - see page 76.

Throughout the year, and to the date of this report, the Committee has maintained dialogue with its advisors, Deloitte LLP. The Committee will continue to discuss changing governance matters ahead of any policy changes to be made in 2017, but remains of the belief that the current approved Remuneration Policy ensures a continued alignment of business strategy, executive remuneration and shareholder value.

I trust you find this report helpful as an insight into the activities undertaken on your behalf. I should be delighted to answer questions that you might have and I look forward to seeing you at our AGM in May 2016.

Clive Snowdon
Senior Independent Non-executive Director
Chairman, Remuneration Committee

9 March 2016

Directors’ Remuneration Report

Policy and strategy

The Company’s strategy is explained in detail on pages 18 to 27. The Company’s Remuneration Policy, which can be found in summary form on pages 77 to 80, and in complete form on the Company’s website, was approved at the Annual General Meeting (‘AGM’) on 14 May 2014, permits the payment of base salary, benefits and pension to help recruit and retain Executive Directors. Additional variable amounts of pay in respect of annual bonuses and Long-Term Incentive Plans (‘LTIP’) are made to reward achievement of the annual financial and/or strategic business objectives and the achievement of higher returns for shareholders in the longer term, as indicated below.

<table>
<tr><th>Strategic drivers</th><th colspan="2">Measured by annual bonus targets of:</th><th>Leads to:</th><th>Measured by Long-Term Incentive Plan targets of:</th></tr>
<tr><td>Organic revenue growth</td><td>Our objective is to achieve at least mid-single digit organic revenue growth, which combined with selective acquisitions, will deliver growth in earnings per share.

Operating margins are an integral measure of the Group’s success. Our target operating margin for a business unit is 10%, although a lower margin profile may be acceptable if the business’ return on capital employed is above 20%.</td><td>UEPS
ROC[1]
Operating margins</td><td rowspan="5">Shareholder value</td><td rowspan="5">50% of any award is based on growth in the absolute UEPS that is in excess of RPI plus a specific target, over the three-year performance period;
and
50% of the award is based on TSR performance over the three-year performance period relative to the FTSE SmallCap.</td></tr>
<tr><td>Geographical diversification</td><td>The international diversity of the markets in which we operate continues to underpin our performance.</td><td>Budgeted profit</td></tr>
<tr><td>Entrepreneurial culture</td><td>We encourage an entrepreneurial culture in our businesses ensuring that they are agile and responsive to changes in their competitive environment.</td><td>Budgeted profit
ROC[1]
Margins</td></tr>
<tr><td>Active portfolio management</td><td>Our strategic objective is to develop more sustainable businesses in each of our chosen sectors through organic and acquisitive growth.</td><td>Budgeted profit</td></tr>
<tr><td>Sustainable profitable growth</td><td>Our objective is to deliver balanced profitable growth through both organic growth and acquisition opportunities.</td><td>UEPS</td></tr>
</table>

[1] ROC represents an internal return on capital calculated as return on average invested capital at cost, adjusted for property ownership.

The extent to which payments and awards have been made under the Annual Bonus and LTIP arrangements can be found on pages 70 and 71.

Committee activity

The Committee

During the year, and the period to the date of this report, the Remuneration Committee (the ‘Committee’) consisted of Clive Snowdon, Chairman, together with Jock Lennox and Annette Kelleher. All members of the Committee are Non-executive Directors of the Company and are regarded as independent. They do not participate in any form of performance related pay or pension arrangements.

During this time the Committee:

- Reviewed the Company’s Remuneration Policy approved by shareholders at the AGM in May 2014, and was satisfied that it remains appropriate;
- Measured the performance conditions of the Company’s LTIP in respect of awards granted in 2012, confirming that 100% of the TSR portion and 85.4% of the UEPS portion of the original award vested;
- Measured the performance conditions of the Company’s LTIP in respect of awards granted in 2013, confirming that 95.8% of the Total Shareholder Return (‘TSR’) portion of the original award would vest and 100% of the UEPS portion of the original award would vest;
- Approved grants under the Company’s LTIP;
- Measured the performance condition for awards granted under the rules of the Company’s 2007 ESOS, determining that the performance condition had been met and that awards made in 2012 would vest in full;
- Approved grants under the rules of the Company’s 2014 ESOS;
- Approved the award of a new SAYE scheme, to run from December 2015 for a three or five year period. Options to be awarded with the maximum discount of 20% allowable under HMRC rules;
- Reviewed the base salaries of the Executive Directors and approved a 3% increase, with effect from 1 January 2016. This was in line with the increase elsewhere in the Group;
- Reviewed the updated provisions of the UK Corporate Governance Code relating to clawback and determined that any introduction of a post-vesting clawback provision in the annual bonus and LTIP would be considered as part of an evaluation, ahead of the 2017 AGM, of the Group’s Remuneration Policy.

Directors' Remuneration Report (continued)

- Approved the annual bonus calculation and payment for the financial years 2014 and 2015 and the performance measure and targets for 2016;
- Reviewed and approved the Company's Annual Remuneration Report for inclusion in the Company's 2015 Annual Report and Accounts; and
- Considered and approved the Committee's terms of reference.

The terms of reference for the Remuneration Committee can be found at the Group's website www.hsholdings.com.

No Director or Executive plays a part in any discussion about his own remuneration.

Advisors
Deloitte LLP is retained to provide independent advice to the Remuneration Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte were appointed by the Committee and provided share scheme advice, pension advice and corporation tax advice to the Group. Their fees for providing remuneration advice to the Committee amounted to £11,200 for the year ended 31 December 2015. The Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account the Remuneration Consultants Group Code of Conduct when reviewing Deloitte's ongoing appointment. The Chief Executive Officer also attends Remuneration Committee meetings to provide advice and respond to specific questions, but he is not in attendance when his own remuneration is discussed. The Company Secretary acts as Secretary to the Remuneration Committee.

Statement of voting at the last AGM
The Group remains committed to on-going shareholder dialogue and takes an active interest in voting outcomes. The Company's Remuneration Policy was put before members at our AGM in May 2014 and was approved by 97.73% of shareholders.

% of votes	For	Against	Withheld votes
Remuneration Policy Report	97.73%	2.00%	329,276 votes were withheld in relation to this resolution (<0.5%)

At the Company's AGM in May 2015 the Annual Remuneration Report was approved by 93.04% of shareholders

% of votes	For	Against	Withheld votes
Annual Remuneration Report	93.04%	6.96%	695,933 votes were withheld in relation to this resolution (<0.5%)

The following parts of the Remuneration Report are subject to audit other than elements explaining the application of the 2016 policy
How the Remuneration Policy was implemented in 2015 – Executive Directors
Single remuneration figure for 2015

	Base Salary[1]	Taxable Benefits[2]	Annual Bonus[3]	LTIP (vested in respect of performance period ended 2015)[4]	Pension	Total 'Single Figure' 2015
D W Muir	464,500	52,114	464,500	796,305	116,125	1,893,544
M Pegler	297,200	21,000	297,200	509,062	74,300	1,198,762
Total	761,700	73,114	761,700	1,305,367	190,425	3,092,306

Single remuneration figure for 2014

	Base Salary[1]	Taxable Benefits[2]	Annual Bonus[3]	LTIP (vested in respect of performance period ended 2014)	Pension	Total 'Single Figure' 2014
D W Muir	451,000	58,360	451,000	761,628	112,750	1,834,738
M Pegler	288,500	20,400	288,500	485,650	72,125	1,155,175
Total	739,500	78,760	739,500	1,247,278	184,875	2,989,913

(1) The amount of base salary received in the year.

(2) The taxable value of benefits that can be received in the year: membership of the Company's healthcare scheme, income protection scheme, personal accident insurance, car (or cash allowance), ill health and life assurance. A total of £24,400 (2014: £31,461) was paid to D W Muir in the form of subsistence which is subject to PAYE and NIC deduction.

(3) Annual Bonus is the value of the bonus earned in respect of the financial period under review. A description of how the bonus pay-out was determined can be found on page 70.

(4) For the year ended 31 December 2015 the growth in UEPS over the three year performance period commencing 1 January 2013 and ending 31 December 2015 was 33.2%, 27.6 ppts above RPI growth for the same period, therefore 100% of this portion of the LTIP award vests. The Company's TSR was positioned in the second quartile relative to the FTSE SmallCap for the same period and consequently 95.8% of this portion of the LTIP award vests. This resulted in a total of 97.9% of the LTIP vesting in March 2016, giving D W Muir the benefit of 95,650 shares and M Pegler the benefit of 61,146 shares. The face value of the vested shares is based on the closing share price of 762 price in pencep/share as at 4 March 2016. The value of dividends receivable in respect of vesting LTIPs was for D W Muir £51,302 and for M Pegler £32,803, which in both cases was taken in Company shares 8,852 shares for D W Muir and 5,660 shares for M Pegler.

Salary
Basic salaries for Executive Directors are reviewed by the Committee on an annual basis or when a material change of responsibility occurs. The Remuneration Committee does not however have a formal positioning policy for base salary as it is acutely aware of the issues around setting pay solely by reference to a benchmark reference point.

During the period under review the Committee reviewed the salaries of the Executive Directors and other senior executives, in the context of previous benchmarking exercises, the current performance of the Company and the levels of pay increases applied throughout what is now a large group of international businesses. This approach is consistent with that taken in prior years. Accordingly, the following salary increases have applied to the Executive Directors, which are in line with the wider workforce.

	2015 base salary	2016 base salary	Increase
D W Muir	£464,500	£478,500	3.0%
M Pegler	£297,200	£306,000	3.0%

In approving these salary increases the Committee also took into account the overall performance of the Group, the continued development of the international scale of the Group and the management of the Group's net debt.

Benefits
The taxable value of benefits that can be received during the year are: membership of the Company's healthcare scheme, income protection scheme, personal accident insurance, car (or cash allowance), ill health and life assurance. D W Muir receives an amount for subsistence which is subject to PAYE and NIC deductions.

Total pension entitlements
Under his pension arrangement, as an active member, D W Muir's pension benefit was based upon an accrual of 1/30th of the earnings cap (applying prior to 6 April 2006 and increased in line with the rules of the Scheme) for each year of pensionable service calculated from 1 October 1998.

Following cessation of his defined benefit scheme active membership (and future accrual) D W Muir has, with effect from 1 November 2011, been in receipt of a salary supplement of 25% of his basic salary in lieu of any form of pension contribution and as compensation for his becoming a deferred member of the defined benefit scheme. D W Muir's deferred pension is subject to statutory increases in line with inflation.

The details of D W Muir's pension accrued in the defined benefit scheme are shown below:

Accrued pension at 31 December 2015	£126,297
Transfer value of accrued pension at 31 December 2015	£3,617,000
Change in accrued pension of 2014 excluding increase for inflation	£nil
Normal retirement date	6 July 2020

The increase in the transfer value calculated for D W Muir (from £3,470,000 as at 31 December 2014) is mainly a result of him now being one year closer to retirement, hence an increase in the transfer value due to the unwinding of the discount rate. The assumptions basis used to calculate the transfer value has also been reviewed and updated since the previous year end, with the main changes being the introduction of an inflation risk premium deduction of 0.25% p.a. to the RPI inflation assumption and an update to the mortality assumption to reflect a more recent mortality base table and future improvement in longevity projections. These changes offset each other and therefore have little impact on D W Muir's transfer value.

As noted last year in the 2014 year end accounts, D W Muir had ceased benefit accrual in 2011 and had then received a cash supplement amount in lieu of Company pension contributions. D W Muir has not had any further benefit accrual within the defined benefit scheme in 2015. Any inflationary increases that have occurred over the year are in line with statutory requirements and these increases have already:

- Been accrued by D W Muir;
- Been funded for in the executive defined benefit scheme; and
- Had the associated cost of accrual reported in the Group's accounts in previous years under IAS19.

Directors' Remuneration Report (continued)

In addition, these Regulations also require information on the aggregate pension input amount across all pension schemes in which the Director accrues benefits, calculated using a specific method, broadly in line with Section 229 of the Finance Act 2004 for the last 5 financial years (ultimately increasing to the last 10 years). The figures are:

Year Ending	Pension input amount £000s
31/12/2015	nil
31/12/2014	nil
31/12/2013	nil
31/12/2012	nil
31/12/2011	99
31/12/2010	26
31/12/2009	67

As D W Muir ceased accrual in the executive scheme during 2011, the pension input amounts in respect of the scheme for the years ending 31 December 2012, 31 December 2013, 31 December 2014 and 31 December 2015 are £nil.

D W Muir receives a cash payment in lieu of any pension contribution, equal to 25% of his base salary amounting to £116,125 for the year ended 31 December 2015 (2014: £112,750).

M Pegler receives a cash payment in lieu of any pension contribution , equal to 25% of his base salary amounting to £74,300 for the year ended 31 December 2015 (2014: £72,125).

Other than as stated above, there are no other pension arrangements in place for Executive Directors.

The Remuneration Committee intends to operate the same pension provision for 2016 that was operated in 2015.

Annual bonus

Executive Directors are eligible for an annual performance related cash bonus, designed to pay the maximum of 100% of base salary only in circumstances where stretching performance targets have been satisfied. The Remuneration Committee is aware that some shareholders wish to see detailed retrospective disclosure of bonus targets, and the Committee has considered the appropriateness of such disclosures and has concluded that the Company's strategic plan and business model is now well understood and that, therefore:

- In the Directors' Remuneration Report relating to the year in respect of which a bonus is earned, the actual performance and pay out by performance measures will be disclosed (i.e. as shown below in relation to the 2015 bonus); and
- In the Directors' Remuneration Report for the year following the year in respect of which a bonus is earned, further detail will be given as to the range of performance targets (i.e. as shown on page 71 in relation to the 2014 bonus), provided those performance targets are no longer considered commercially sensitive.

2015 Annual bonus

The performance metrics for 2015, which were the same as those used in 2014 were:

- Underlying profit before tax ('PBT');
- UEPS;
- Operating margins; and
- Returns on capital.

The performance conditions for the year ended 31 December 2015 applied in equal measure and the performance levels achieved and bonuses earned by reference to that performance were as follows:

	Maximum pay out per performance measure	Actual performance	Actual pay out per performance measure
Growth in UEPS	25%	15%	25%
Underlying profit before tax (at budgeted exchange rates)	25%	£51.8m	25%
Underlying operating margins	25%	12.0%	25%
Achievement of budgeted internal ROC (at budgeted exchange rates)	25%	15.3%	25%
Total	100%		100%

2014 Annual bonus

The performance conditions for the year ended 31 December 2014 applied in equal measure and the targets, performance levels achieved and bonuses earned by reference to that performance are shown below:

	Maximum pay out per performance measure (% of base salary)	Target performance: 2014 on target performance	Target performance: Bonus payable for on target performance (%of base salary)	Stretch performance: 2014 stretch performance	Stretch performance: Bonus payable for stretch performance (% of base salary	Actual performance	Actual pay out per performance measure (% of base salary
Growth in UEPS	25%	8.0%	15%	11.3%	25%	11.4%	25.00%
Underlying profit before tax	25%	£42.6m	15%	£44.7m	25%	£46.0m	25.00%
Underlying operating margins	25%	10.5%	15%	10.8%	25%	10.8%	25.00%
Achievement of budgeted internal ROC	25%	13.4%	15%	13.9%	25%	14.5%	25.00%
Totals	100%		60%		100%		100.00%

Long-Term Incentive Plans

The Hill & Smith Long-Term Incentive Plans 2007 and 2014 provide for the grant of conditional share awards. No new awards will be made under the 2007 LTIP rules and, in line with the approved Remuneration Policy, any future awards will be made under the 2014 LTIP rules. Awards are generally made to Executive Directors, and senior members of the Company's management team, at the discretion of the Committee, on an annual basis, with the level of vesting determined by reference to stretching performance conditions. Under normal circumstances the maximum market value of shares pursuant to an award to any Director or senior manager, in respect of any financial year, is 100% of that Director's or employee's base salary.

Awards vesting in respect of the three-year performance period ended 31 December 2015, which were granted under the 2007 LTIP rules, are subject to the following performance conditions:

Firstly, 50% of the award is based on growth in the absolute UEPS that is in excess of RPI, over the three-year performance period.

	Absolute UEPS growth over three years	Vesting amount
Below threshold	less than RPI + 10%	0%
Threshold	RPI + 10%*	0%
Maximum	RPI + 25%*	100%

* Straight line vesting will apply between these two points.

Secondly, 50% of any award is based on growth in the absolute UEPS that is in excess of RPI plus a specific target, over the three-year performance period.

Vesting amount	Company TSR relative to FTSE SmallCap	Vesting amount
Below threshold	Below median	0%
Threshold	Median*	30%
Maximum	Upper quartile*	100%

* Straight line vesting will apply between these two points.

The Committee determined that the measurement of relative growth for half of the award would complement the absolute growth targets to ensure that an award could only fully vest if the Group's performance is superior to a majority of the companies in the FTSE SmallCap index.

Based on TSR performance in the three-year performance period ended 31 December 2015, Hill and Smith's TSR performance was within the second quartile of the comparator group and therefore 95.8% of the portion of the TSR element of the award is expected to vest. UEPS growth over the same period was 27.6 ppts above RPI and therefore 100% of the UEPS element of the award is expected to vest.

Share awards granted during the year

During the year to 31 December 2015 the Committee approved awards to the Executive Directors under the LTIP 2014 rules as follows:

	Date of award	Type of award	Number of shares	Maximum face value of award[1]	Threshold vesting (% of target award)	Performance period
D W Muir	13 March 2015	nil cost option	72,805	£464,500	25%	1 Jan 2015 – 31 Dec 2017
M Pegler	13 March 2015	nil cost option	46,583	£297,200	25%	1 Jan 2015 – 31 Dec 2017

(1) Calculated by reference to a share price of £6.38, being the average of the mid-market prices for the three trading days prior to the grant date.

Directors' Remuneration Report (continued)

Following changes to the Company's Remuneration Policy, approved at the AGM in May 2014, the LTIP 2015 performance conditions remain growth in UEPS and TSR, relative to the FTSE SmallCap (and with an equal weighting). In setting the absolute UEPS targets the Committee has taken into consideration forecasts and market expectations for the Group and considers that the proposed targets are sufficiently challenging and provide an appropriate balance between setting suitably stretching performance conditions to act as an appropriate incentive for the Executives and to deliver sustained business performance, without encouraging excessive risk.

The Committee will continue to monitor these targets to ensure they remain appropriately stretching and Executives only receive substantial reward for significant outperformance. The performance conditions for the awards granted in 2015 in respect of the three-year performance period ending 31 December 2017 are:

Vesting amount	Absolute UEPS growth over three years	TSR
0% Vesting	Less than 15%	Below median
25% Vesting	15%*	Median*
Maximum vesting	30%*	Upper quartile*

* Straight line vesting will apply between these two points.

Share options

The interests of Directors, who served during 2015, in options for ordinary shares in the Company, granted under the Company's sharesave schemes, together with options granted and exercised during 2015, are included in the following table:

Executive	Grant Price	Awards held 31 December 2014	Granted during the year	Exercised during the year	Awards held 31 December 2015	Period that option is exercisable From	To
D W Muir	2.38	4,855	-	-	4,855	1 January 2016	1 July 2016
	3.55	1,064	-	-	1,064	1 June 2018	1 December 2018
	4.29	3,496	-	-	3,496	1 August 2019	1 February 2020
	5.60	-	2,003	-	2,003	1 January 2021	1 July 2021
M Pegler	3.55	4,225	-	-	4,225	1 June 2018	1 December 2018
	4.29	2,097	-	-	2,097	1 August 2017	1 February 2018

Statement of Executive Directors' shareholding and interest in shares

Executive	Type	Owned outright	Vested but unexercised	Unvested: Subject to performance conditions	Unvested: Not subject to performance conditions	Total as at 31 December 2015
D W Muir	Shares(1)	210,752	n/a	251,252(4)	n/a	462,004
	Market value options(2)	n/a	-	5,371	-	5,371
	SAYE options(3)	n/a	-	n/a	11,418	11,418
M Pegler	Shares(1)	70,000	n/a	160,692(4)	n/a	230,692
	Market value options(2)	n/a	-	5,371	-	5,371
	SAYE options(3)	n/a	-	n/a	6,322	6,322

(1) To provide alignment with shareholders' interests and to promote share ownership, each Executive Director is required to hold shares acquired through the LTIP until the value of their total shareholding is equal to their annual salary - see table below.

(2) The Market Value options were granted under the tax-advantaged part of the ESOS and subject to the same performance conditions as the LTIP award. The ESOS options have an exercise price of 558.5p per share (being the market value on the date of grant). If the ESOS option is exercised at a gain then LTIP awards will be forfeited to the same value to ensure that the total pre-tax value delivered to participants remains unchanged. Once vested the options are exercisable until the tenth anniversary of the date of grant.

(3) A breakdown of SAYE awards is provided above.

(4) On 4 March 2016 the Remuneration Committee approved the vesting of 97.9% of the 2013 LTIP award, being 95,650 and 61,146 shares for D W Muir and M Pegler respectively.

Shareholding guidelines

	D W Muir	M Pegler
Shareholding requirement	100%	100%
Current shareholding as at 31 December 2015	210,752	70,000
Current value (based on share price on 31 December 2015)	£1,595,393	£529,900
Current % of salary	343%	178%

These figures include those of their spouse or civil partner and infant children, or stepchildren. At the date of this report, D W Muir and M Pegler held an additional 60,079 and 38,407 shares respectively, being the net amount of shares vested on 4 March 2016 in respect of the 2013 LTIP award.

Non-executive Director shareholding

Director	2015	2014
W H Whiteley	22,100	22,100
C J Snowdon	28,930	28,930
J F Lennox	5,000	5,000
A M Kelleher	2,164	-

These figures include those of their spouses, civil partners and infant children, or stepchildren. There was no change in these beneficial interests between 31 December 2015 and 9 March 2016. The Non-executive Directors do not hold any share awards or share options.

Non-executive Directors do not have a shareholding guideline but they are encouraged to buy shares in the Company.

Spend on pay
The Committee is aware of the importance of pay across the Group in delivering the Group's strategy and of shareholders' views on Executive remuneration. See page 74 for more information.

Loss of office payments
There were no payments made to past Directors during the year ended 31 December 2015.

Payments to former Directors
There were no payments made to past Directors during the period in respect of services provided to the Company as a Director.

Transaction with Directors
There were no material transactions between the Group and the Directors during 2015.

How the Remuneration Policy was implemented in 2015 – Non-executive Directors
Non-executive Director single figure comparison £000's

Director	Role	Board Fees	Taxable Benefits	Annual Bonus	LTIP	Pension	Total 'Single Figure' 2015	Total 'Single Figure' 2014
W H Whiteley	Chairman	139,000	-	-	-	-	139,000	135,000
C J Snowdon(1)	Senior Independent Director and Remuneration Committee Chairman	51,100	-	-	-	-	51,100	49,600
J F Lennox(2)	Audit Committee Chairman	50,450	-	-	-	-	50,450	49,000
A M Kelleher(3)	Non-executive Director	44,800	-	-	-	-	44,800	3,625
Total		285,350	-	-	-	-	285,350	237,225

(1) Clive Snowdon received a base fee of £44,800 plus an additional £1,675 as the Senior Independent Director and £4,625 as Chairman of the Remuneration Committee.
(2) Jock Lennox received a base fee of £44,800 plus an additional £5,650 as Chairman of the Audit Committee.
(3) Annette Kelleher was appointed to the Board on 1 December 2014 and received 1/12th of the base £43,500 fee to the year ended 31 December 2014.

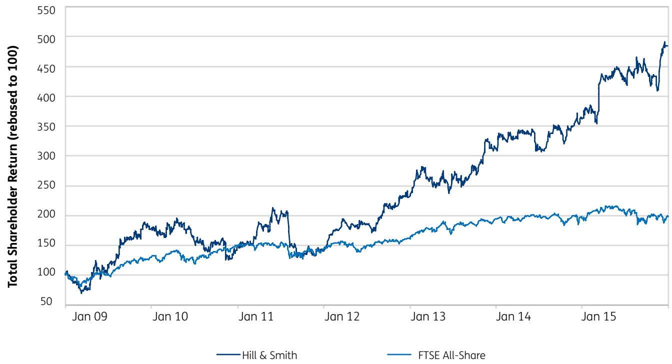
The Non-executive Directors do not have service contracts, only letters of appointment, and fees for Non-executive Directors are determined by the Executive Directors in light of market best practice and with reference to the time commitment and responsibilities associated with the role. The Non-executive Directors do not participate in any decision in relation to the determination of their fees and are not eligible for performance related bonuses or the grant of awards under any Group incentive scheme. No pension contributions are made on their behalf.

Directors' Remuneration Report (continued)

The following parts of the Remuneration Report are not subject to audit

TSR performance graph

The following graphs shows the TSR performance of the Company since 2012, against the FTSE SmallCap index and the FTSE All-Share index. TSR was calculated by reference to the growth in share price, as adjusted for reinvested dividends.



Changes in remuneration of the Chief Executive Officer compared to the wider workforce

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in pay for D W Muir compared to the wider workforce between 2014 and 2015.

Percentage increase	Chief Executive Officer	Wider workforce
Salary	3.0%	3.3%
Taxable benefits	-10.7%	-
Annual bonus	3.0%	5.4%

For salary purposes the comparator grouping was taken as all senior executives in the Group, including senior finance executives. The bonus figures were taken from those senior executives operating on similar incentivised arrangements and capable of influencing the Group's performance, as well as their own individual businesses' performance.

Relative importance of spend on pay

	2015	2014	% change
Dividends paid in respect of the financial year	£16.1m	£14.1m	14.2%
Overall spend on pay	£121.8m	£119.6m	1.8%

Chief Executive remuneration pay compared to performance

The following graphs show the TSR performance of the Company over the seven year period to 1 January 2016 compared to the FTSE SmallCap Index. The FTSE SmallCap Index has been chosen as the comparator group in order to illustrate the Company's TSR performance against broad equity indices of similar UK companies.

The following table summarises the Chief Executive's single figure for the past seven years and outlines the proportion of annual bonus paid as a percentage of the maximum opportunity and the proportion of LTIP awards vesting as a percentage of the maximum opportunity. The annual bonus is shown based on the year to which performance related and the LTIP is shown for the last year of the performance period.

	2009	2010	2011	2012	2013	2014	2015
Chief Executive's single figure (£'000)	1,059	851	690	941	1,084	1,835	1,894
Annual bonus (% of maximum)	95	14	30	85	16	100	100%
LTIP vesting (% of maximum number of shares)	100	100	-	-	50	92.7	97.9%

Outside appointments

Executive Directors may accept one external appointment as a Non-executive Director of another company and retain any related fees paid to them, provided that such external appointment is not considered by the Board to prevent or reduce the ability of the Executive Director to perform their role to the required standard. Such appointments are seen as a way in which Executive Directors can gain a broader business experience and, in turn, benefit the Company. Currently, the Chief Executive and the Finance Director do not hold any external Non-executive Directorships.

Service contracts and loss of office payments

The Company's policy in relation to contractual terms on termination, and any payments made, is that they should be fair to the individual, the Company and shareholders. In the case of termination by the Company the Director will be given twelve months' notice, including where there is a change of control. The Director will give not less than six months' notice, except where there is a change of control when it will be ninety days. Where a Director receives a payment in lieu of notice this will include base salary and benefits, to which the Executive Director is entitled (including any bonus accrued up until the date of termination – notwithstanding that the date of termination may be prior to the date the bonus is actually paid). The Remuneration Committee also has discretion to incorporate payments under the performance-linked elements of the package under 'good leaver' scenarios. More details can be found in the Company's Remuneration Policy on the website.

How the Remuneration Policy will be implemented for 2016 – Executive Directors

Salary

Base salaries were reviewed in December 2015 and as from 1 January 2016 are:

Chief Executive	£478,500
Finance Director	£306,000

This represents an increase of 3% which is in line with the increase to other employees within the Group. Salaries will next be reviewed in December 2016 for the financial year 2017.

Annual bonus

The annual bonus opportunity for 2016 will remain unchanged as follows:

Chief Executive	› Maximum opportunity of 100% of base salary › Paid in cash
Finance Director	› Maximum opportunity of 100% of base salary › Paid in cash

Directors' Remuneration Report (continued)

The Committee can disclose that for the 2016 financial year the annual bonus targets will be equally weighted towards;

- Growth in UEPS;
- Budgeted profit;
- Operating margins; and
- The delivery of specific strategic objectives.

The Remuneration Committee will determine an appropriate performance range for each measure used.

The Committee considers that the performance targets are commercially sensitive and so will not be disclosed prospectively. However the Committee will disclose performance against these measures and their targets retrospectively in future reports on a similar basis to the disclosures on page 71 and 70 of the 2014 and 2015 bonuses.

Share plans
For the Executive Directors the Committee intends to continue to grant awards under the LTIP of 100% of base salary. For awards to be made in 2016 in respect of the performance period 1 January 2016 – 31 December 2018, the performance conditions remain as:

Vesting amount	Absolute UEPS growth over three years	TSR
0% Vesting	Less than 15%	Below median
25% Vesting	15%*	Median*
Maximum vesting	30%*	Upper quartile*

* Straight line vesting will apply between these two points.

For the avoidance of doubt the TSR performance condition will remain as threshold vesting for median performance against the FTSE SmallCap and maximum vesting for upper quartile performance. In line with best practice, the level of vesting at threshold performance for both the UEPS and TSR elements will be aligned at 25% of the maximum opportunity for each element. No changes are proposed to the normal maximum incentive opportunity which will remain at 100% of salary.

Benefits
The Company will continue to provide benefits of membership of the Company's healthcare scheme, income protection scheme, personal accident insurance, car (or cash allowance), ill health and life assurance.

Pensions
The Company will continue to make a cash payment to D Muir and M Pegler in lieu of pension contributions, equal to 25% of their base salary.

How the Remuneration Policy will be implemented for 2016 – Non-executive Directors
Fees
The fees of Non-executive Directors shall be reviewed regularly to ensure they are in line with the market and so the Company can attract and retain individuals of the highest calibre. Any change to these fees will be approved by the Board as a whole, following a recommendation from the Chief Executive. In December 2015, the Board approved a 3% increase in all fees as from 1 January 2016.

	2015	2016
Chairman	£139,000	£143,170
Non-executive Director	£44,800	£46,144
Senior Independent Director	£1,675	£1,725
Audit Committee Chairman	£5,650	£5,820
Remuneration Committee Chairman	£4,625	£4,764

Clive Snowdon
Senior Independent Non-executive Director
Chairman, Remuneration Committee

9 March 2016

Remuneration policy

The Company's Remuneration Policy was placed before members at the Company's AGM held on 11 May 2014 and was approved by 97.73% of shareholders. The Policy, set out in tabular form, is replicated below. It does not form part of the Annual Remuneration Report and will not be subject to a vote at the Company's AGM on 17 May 2016.

	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	Help recruit and retain Executive Directors. Provides fixed remuneration for the Executive Directors, which reflects the individual's experience and the size and scope of the Executive's responsibilities.	Normally reviewed annually and fixed for twelve months. Salaries are determined by the Remuneration Committee taking into account a range of factors, including but not limited to: › the size and scope of the role; › individual and group performance; › average change in broader workforce salary; › total organisational salary budgets; and › pay levels for comparable roles in companies of a similar size and complexity. However, increases may be above this level in certain circumstances. Any salary increases may be implemented over such time as the Remuneration Committee deems appropriate.	Ordinarily salary increases will not exceed the range of salary increases to other employees in the Group. However, salary increases may be above this level in certain circumstances as required, for example, to reflect: › increase in scope or responsibility; › performance in role; or › an Executive Director being moved to market positioning over time. No maximum salary opportunity has been set out in this Policy Report to avoid setting expectations for Executive Directors.	Not applicable.
Benefits	Help recruit and retain Executive Directors. Ensures the overall package is competitive. Participation in the SAYE scheme promotes staff alignment within the Group and a sense of ownership.	Executive Directors are entitled to a range of benefits, including but not limited to, membership of the group's healthcare scheme, personal accident insurance, ill health, life assurance and car (or equivalent cash allowance). Other benefits may be provided based on individual circumstances. Such benefits may include but are not limited to expatriate, housing or relocation allowances. The SAYE scheme is a HM Revenue & Customs approved monthly savings scheme facilitating the purchase of shares at a discount up to a maximum of 20%.	Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors receive, the value of benefits is set at a level which the Remuneration Committee considers is appropriately positioned against companies of a similar size and complexity in the relevant market and at rates competitive in the area of life, accident and health insurance. SAYE scheme contribution as permitted in accordance with the relevant legislation and HMRC rules.	Not applicable.

Directors’ Remuneration Report (continued)

	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Pension	Help recruit and retain Executive Directors. To provide competitive post-retirement benefits and reward sustained contribution to the performance of the Group.	The Group may make payment either into a defined contribution plan or as a separate cash allowance. Group contributions are determined as a percentage of base salary and set at a level which the Remuneration Committee considers to be appropriately positioned against comparable roles in companies of a similar size and complexity.	Contribution rates (or cash allowances) are up to a maximum of 25% of base salary. The Company closed, with effect from October 2011, its defined benefits pension scheme to any future accrual. D W Muir, who is a deferred member, continues to receive benefits only in accordance with the terms of the scheme.	Not applicable.
Annual bonus	Rewards the achievement of annual financial and/or strategic business objectives.	Performance measures and targets are reviewed and set annually by the Remuneration Committee. Bonus pay-out is determined by the Remuneration Committee after the relevant year end, based on audited performance against those targets. The Remuneration Committee has the discretion to amend the bonus pay-out should any formulaic outputs not produce a fair result for either the Executive Director or the Company, taking account of overall business performance.	The maximum bonus opportunity is up to 100% of base salary.	The bonus will be based on the achievement of targets related to key business objectives, with the performance measures and respective annual weightings, dependent on the Group’s strategic priorities. The performance measures will include at least two of the following: › growth in underlying earnings per share (‘UEPS’); › budgeted profit; › operating margins; › return on capital; or › other performance metrics that the Remuneration Committee considers appropriate. At least 50% of the bonus will be based on EPS and budgeted profit. The Remuneration Committee will determine an appropriate performance range for each measure used. Below the threshold level of EPS performance 0% of maximum opportunity will pay-out and a straight line entitlement will usually apply between this and the maximum performance. Up to 60% of the maximum opportunity will be earned for target performance and 100% for maximum performance. There is usually straight line vesting between these performance points. For all other measures, at a threshold level of performance up to 25% of the maximum opportunity will be earned.

	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Long-Term Incentive Plan ('LTIP')	Incentivises Executive Directors to achieve higher returns for shareholders over a longer time frame. A claw back applies to unvested awards enabling the Company to mitigate risk.	The Remuneration Committee plans to make long term incentive awards under the new 2014 LTIP which will be put to shareholders for approval at the 2014 Annual General Meeting. The key features of the new 2014 LTIP are noted below: The Remuneration Committee may grant awards over conditional share awards, nil cost share options or forfeitable shares or such other form as has the same economic effect. Awards are typically granted annually and vesting is subject to achievement of performance measures normally over at least three years. LTIP awards may vest early on a change of control (or other relevant events) subject to the satisfaction of performance conditions and pro-rating for time, although the Remuneration Committee has discretion to increase the extent of vesting having due regard to performance over the period to vesting. LTIP awards may also vest early in 'good leaver' circumstances. At its discretion the Remuneration Committee may award dividend equivalents to reflect dividends that would have been paid over the vesting period on shares that vest. This dividend payment may be in the form of additional shares or a cash payment equal to the value of those additional shares. LTIP awards and vesting are subject to a claw back provision such that, at the discretion of the Remuneration Committee, unvested awards may lapse for material errors or the misstatement of results or information coming to light which, had it been known, would have affected the award or vesting decision or reputational damage to the Group. The Remuneration Committee may at its discretion structure awards as approved LTIP awards comprising both an HMRC approved option granted under the Executive Share Option Scheme ('ESOS') and an LTIP award. Approved LTIP awards enable the participant and the Company to benefit from HMRC approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. The approved LTIP awards may be structured either as an approved option for the part of the award up to the HMRC limit (currently £30,000) with an unapproved option for the balance and a 'linked award' to fund the exercise price of the approved option OR as an approved option and an LTIP award with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the ESOS option. Other than to enable the grant of £30,000 in value of the HMRC approved options as an approved LTIP award, the Company will not grant awards to Executive Directors under both the ESOS and LTIP in the same grant period.	The annual LTIP maximum opportunity is 100% of base salary in respect of each financial year. Shares subject to an approved option granted as part of an approved LTIP award are not taken into account for the purposes of this limit because, as referred to in the column under the heading 'Operation', either (i) the unapproved LTIP option is scaled back at exercise to reflect the gain made on the exercise of the approved option; or (ii) the full value of the award is reflected in the unapproved option and 'linked award'.	Awards vest subject to the achievement of performance measures assessed over more than one financial year (normally three years). The performance measures are reviewed annually to ensure they remain relevant and aligned to the Group's strategy. Performance measures will be based on financial measures and/or share price growth related measures. For 2014, the performance measures and weightings will be: › 50% based on EPS performance; and › 50% based on relative total shareholder return (TSR). For achievement of the threshold level of performance (the minimum level of performance for vesting to occur) up to 25% of the maximum opportunity will vest for each element. For achievement of maximum performance 100% of the maximum opportunity will vest; there is straight line vesting between the performance points of 25% and 100%. Where an option under the ESOS is granted as part of an approved LTIP award, the same performance condition applies to the ESOS option as applies to the LTIP award.

Directors' Remuneration Report (continued)

	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Shareholding guidelines	Promotes alignment to shareholders interests and share ownership	Each Executive Director is required to hold shares acquired through the LTIP until the value of their total shareholding is equal to their annual base salary.	Not applicable.	Not applicable.
Chairman and Non-executive Director fees	Sole element of Non-executive Director remuneration are fees, set at a level that reflects market conditions and sufficient to attract individuals with appropriate knowledge and experience.	Fees are reviewed periodically and are determined by the Board. The fee structure is as follows: › the Chairman is paid a single consolidated fee; › the Non-executive Directors are paid a basic fee plus additional fees for Chairmanship of a Committee; › the Senior Independent Director also receives an additional fee in respect of this role; and › fees may be paid wholly or partly in shares. The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any pension contributions. Non-executive Directors may be eligible to benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.	Fees are subject to an overall cap as set out in the Company's Articles of Association. Fees are based on the time commitment and responsibilities of the role. Fees are appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market.	

Directors' Report (other statutory information)

Principal activities and strategic report
The Company acts as a holding company to all the Group's subsidiaries.

During 2015 the principal activities of the Group comprised the manufacture and supply of:

- Infrastructure Products (Roads and Utilities)
- Galvanizing Services

Pages 3 to 37 contain further details of these areas of the business and the principal subsidiaries operating within them are set out on pages 146 to 148.

The Chairman's Statement and the Directors' Strategic Report include:

- An analysis of the development and performance of the Company's business during the financial year;
- Key performance indicators used to measure the Group's performance;
- The position of the Company's business at the end of the financial year;
- A description of the principal risks and uncertainties faced by the Group; and
- Main trends and factors likely to affect the future development, performance and position of the Company's business.

Future development
An indication of likely future developments in the Group is given in the Strategic Report on pages 3 to 46.

Statement on corporate governance
The Directors' Report for the year ended 31 December 2015 comprises sections of the Annual Report referred to under 'Strategic Report', and 'Governance Report', which are incorporated into the Directors' Report by reference.

Results
The Group profit before taxation for the year amounted to £33.2m (2014: £36.9m). Group revenue at £467.5m was 2.8% higher than the prior year. Operating profit at £37.3m was 9.2% lower than for the previous year (2014: £41.1m).

Details of the results for the year are shown on the Consolidated Income Statement on page 88 and the business segment information is given on pages 99 to 100.

Dividends
The Directors recommend the payment of a final dividend of 13.6p per ordinary share (2014: 11.6p per ordinary share) which, together with the interim dividend of 7.1p per ordinary share (2014: 6.4p per ordinary share) paid on 4 January 2016, makes a total distribution for the year of 20.7p per ordinary share (2014: 18.0p per ordinary share). Subject to shareholders approving this recommendation at the AGM, the final dividend will be paid on 1 July 2016 to shareholders on the register at the close of business on 27 May 2016. The latest date for receipt of Dividend Re-investment Plan elections is 10 June 2016.

Share capital
There are no restrictions on the transfer of shares in the Company provided they are fully paid up and the Company does not hold any lien over them and as the shares rank equally none of them carry any special rights with regards to control of the Company. Such equal rights apply to shares acquired through any of the Company's employee share schemes and those shares so acquired carry no lesser or greater rights than shares acquired in the Company in any other way. Accordingly there are no restrictions on voting rights attaching to any shares, whether relating to the level of shareholding or otherwise.

The Company is not aware of any arrangements between shareholders of the Company that may result in restrictions on the transfer of ordinary shares or voting rights.

In relation to the purchase by the Company of its own shares the rules relating thereto are set out in the Company's Articles of Association which state that the Directors' powers to authorise such purchase by the Company are subject to the provisions of the relevant statutes and also the UK Listing Authority requirements, as the Company's shares are listed on the London Stock Exchange.

No shares were held in treasury.

Share capital summary

Exchange trade	The Company's ordinary shares are listed on the Main Market of the London Stock Exchange	
Class	Single class of ordinary shares of 25p each	
Issued share capital 1 January 2015		77,872,520
Total new ordinary shares issued during the year		365,204
Issued share capital 31 December 2015		78,237,724
Rights and obligations	All issued shares rank equally. Rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association	

Further details can be found in note 21 on pages 121 and 122 of the Group Financial Statements.

Directors' Report (other statutory information) (continued)

Articles of Association
The rules relating to amendment of the Company's Articles of Association are that any change must be authorised by a special resolution of the Company in a general meeting.

Accordingly the following resolutions are to be put to the members of the Company at the Company's AGM each year:

- The authority for making market purchases of shares greater than 5% of the Company's then issued share capital is limited by the resolution of the 2015 AGM and will be limited by the resolution to be put to the 2016 AGM. The prices to be paid for such purchases must be a minimum price of 25 pence per ordinary share (the nominal value) and a maximum price of 5% above the average of the middle market quotations for ordinary shares derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which any such purchase takes place.
- The Companies (Shareholders' Rights) Regulations 2009 provide that a company can reduce the notice period for calling meetings to the shorter period of 14 clear days on two conditions: firstly that the company offers a facility for shareholders to vote by electronic means and secondly that there is an annual resolution of shareholders approving such reduction in the required minimum notice period. Approval to the calling of general meetings other than AGM's on 14 clear days notice was approved at the AGM on 11 May 2015 to assist the Company in conducting its business and subject to any necessary matters being put to shareholders promptly. This approval remains effective until the earlier of the Company's next following AGM or 11 August 2016.

Substantial shareholdings
As at 29 February 2016, the Company had been notified in accordance with Rule 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority of the following voting rights of the Company:

Shareholder	Number of ordinary shares	% of issued share capital
FIL Investment International	4,041,153	5.15
Henderson Global Investors	3,698,914	4.71
Charles Stanley	3,218,923	4.10
JPMorgan Asset Mgt	3,093,500	3.94
BlackRock Investment Mgt	3,078,127	3.92
NFU Mutual Investment Mgrs	2,853,390	3.63
Legal & General Investment Mgt	2,623,889	3.34
Hargreave Hale	2,443,629	3.11

Directors
The names of the Directors of the Company who served throughout the year, including brief biographies, are set out on pages 52 and 53.

Directors' interests
The interests of the Directors in the share capital of Hill & Smith Holdings PLC as at 31 December 2015 are set out on page 72 and 73.

Appointment and replacement of Directors
The appointment and replacement of Directors of the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Acts and related legislation. Directors can be appointed by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such Director will hold office until the next AGM and shall then be eligible for election at that meeting.

Conflicts
Under the Companies Act 2006 and the provisions of the Company's Articles of Association, the Board is required to consider potential conflicts of interest. The Company has established formal procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the Directors may have and for the authorisation of such conflict matters by the Board. To this end the Board considers and, if appropriate, authorises any conflicts, or potential conflicts, of interest as they arise and reviews any such authorisation annually. New Directors are required to declare any conflicts, or potential conflicts, of interest to the Board at the first Board meeting after his or her appointment. The Board believes that the procedures established to deal with conflicts of interests are operating effectively.

Directors' and officers' liability
The Company maintains an appropriate level of Directors' and Officers' insurance whereby Directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act 2006.

Financial instruments
The financial risk management objectives and policies are detailed in note 20 on pages 115 to 120.

Research and development
During the year, the Group spent a total of £1.6m (2014: £1.4m) on research and development.

Political and charitable donations
Charitable donations amounting to £36,000 (2014: £30,000) were made in the year principally to local charities serving the communities in which the Group operates. There were no political contributions.

Employment policies
Details of the Group's employment policies are available on the Company's website.

Change of control/significant agreements
There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a change of control, other than revised notice periods and termination payments for D W Muir and M Pegler set out in the Directors' Remuneration Report on page 75.

The Group has a multi-currency revolving credit facility which includes a change of control provision. Under this provision, a change in ownership/control of the Company could result in withdrawal of these facilities.

All of the Company's share schemes contain provisions relating to a change in control. Outstanding options and awards normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time.

The Directors consider that there are no contractual or other arrangements, such as those with major suppliers, which are likely to materially influence, directly or indirectly, the performance of the business and its values. Furthermore, there are no contracts of significance subsisting during the financial year between any Group undertaking and a controlling shareholder or in which a Director is or was materially interested.

Disclosure of information to auditor
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware: there is no relevant audit information of which the Company's auditor is unaware; each Director has taken all the steps that he ought to have taken as a Director to make themselves aware of any relevant audit information and has established that the Company's auditor are aware of that information.

Events since 31 December 2015
On 20 January 2016, the Group acquired E.T. Techtonics, Inc. ('ETT'), a US based designer of composite bridge products, for a consideration of £1.2m. ETT will be integrated into Creative Pultrusions, Inc. our existing US composite products business.

On 9 March 2016, following a strategic review of its non-US Pipe Supports business the Group announced its plan to engage in a consultation process regarding the closure of, and its exit from, its manufacturing sites in the UK and Thailand and also its sales office in China. To the extent possible, work will be transferred to the Group's Indian manufacturing facility, which will become the centre of excellence for the manufacture of pipe support products. Following completion of the restructuring, it is expected that the Group will seek a buyer for the Indian business. A non-underlying restructuring charge of approximately £10m will be reported in the 2016 results.

Annual General Meeting
The Annual General Meeting of the Company will be held at 11.00 a.m. on Tuesday 17 May 2016 at The Village Hotel, The Green Business Park, Shirley, Solihull, B90 4GW. Notice is sent to shareholders separately with this Report, together with an explanation of the special business to be considered at the meeting and is also available on the Company's website at www.hsholdings.com.

Other important dates can be found in the Financial Calendar on page 144.

By order of the Board

Alex Henderson
Company Secretary

9 March 2016

Statement of Directors' Responsibilities

In respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

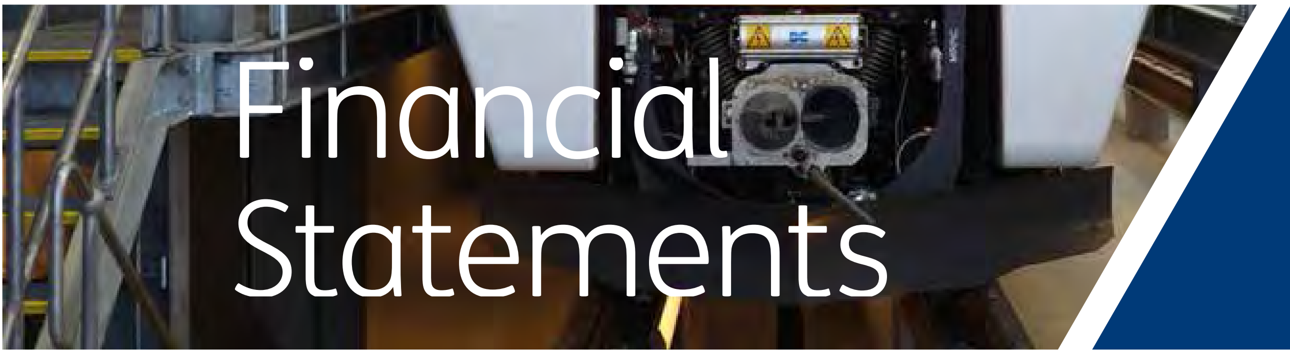
- the Financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Alex Henderson
Company Secretary

9 March 2016



Financial Statements

Financial Statements

Image

Above - Access Design and Engineering designed, manufactured and installed all the steel and GRP access products at the Three Bridge train depot in Crawley, West Sussex for the £300m investment Thameslink Programme.

See further information at hsholdings.com

Independent Auditor's Report

To the members of Hill & Smith Holdings PLC

Opinions and conclusions arising from our audit

1. Our opinion on the Financial Statements is unmodified

We have audited the Financial Statements of Hill & Smith Holdings PLC for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet and Company Statement of Changes in Equity and the related notes. In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the Financial Statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Valuation of goodwill and indefinite life intangible assets (£107.6m)

Refer to page 62 (Audit Committee Report), page 93 (Accounting Policy) and pages 106 to 110 (Financial Disclosures).

The risk

The value of goodwill and indefinite life intangible assets is dependent on the future profitability and cash flows of the various Cash Generating Units ('CGU') within the Group with the key external influences being global investment in power generation, infrastructure expenditure and industrial activity in the Group's various markets. An impairment assessment of goodwill and indefinite life intangible assets is carried out annually and when there is an indicator of impairment using a net present value of forecast cashflows of the cash generating unit. The value in use of each CGU is calculated using entity specific assumptions around discount rates, growth rates and cash flow forecasts. Given the relative size of the goodwill and indefinite life intangible assets balance in the Consolidated Balance Sheet and inherent uncertainty involved in forecasting and discounting future cash flows, relatively small changes in these assumptions could give rise to material changes in the assessment of the carrying value of goodwill.

Our response

Our procedures included assessing through consideration of our business understanding and broader audit procedures whether any trigger events had arisen which would indicate a possible impairment of intangible assets. Considering the recoverable amounts of the Group's CGUs by critically assessing the key assumptions applied in determining the value in use of these CGUs. We evaluated the appropriateness and year-on-year consistency of underlying assumptions in determining the cash flows including considering the appropriateness of the growth assumptions applied with reference to historical forecasting accuracy, comparison of forecast cash flows to those currently being achieved by the CGU's, and challenging the Group where such future cash flows are significantly higher than current levels or do not reflect known or probable changes in the business environment. We also challenged, including appraisal by our own specialists, the key inputs used in the calculation of the discount rates used by the Group, including comparisons with external data sources and comparator Group data. We performed our own sensitivity analysis, with particular focus on the CGUs with lower levels of headroom, principally, France Galva S.A., including a reasonably possible reduction in assumed growth rates, discount rates and cash flows to compare to the sensitivity analysis prepared by the Group. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions appropriately reflected the risks inherent in the valuation of goodwill and indefinite life intangible assets, and that the impairment loss recognised in respect of The Paterson Group is appropriately disclosed.

UK post retirement benefits obligation (gross liabilities £80.1m, net liability £11.1m)

Refer to page 62 (Audit Committee Report), page 93 (Accounting Policy) and pages 123 to 128 (Financial Disclosures).

The risk

The valuation of the UK post-retirement benefit obligation involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective, particularly in light of current macroeconomic volatility. Furthermore, small changes in the assumptions and estimates used to value the Group's net pension deficit could have a significant effect on the results and financial position of the Group.

Our response

In this area our audit procedures included agreement of the valuation and completeness of scheme assets to external supporting documentation. With the support of our own actuarial specialists, we challenged the key assumptions applied to determine the Group's net deficit, being the discount rate, inflation rate and mortality/life expectancy. This included a comparison of these key assumptions against externally derived data. We also considered the adequacy of the Group's disclosures.

3. Our application of materiality and an overview of the scope of our audit

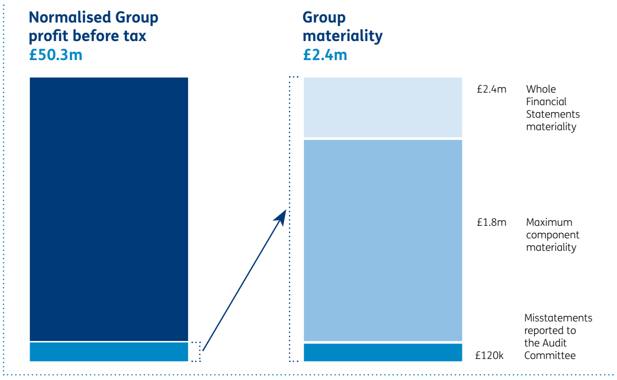
Materiality for the Group Financial Statements as a whole was set at £2.4m, determined with reference to a benchmark of Group profit before taxation, normalised to exclude specific non-underlying items as detailed in note 3, being net costs in respect of business reorganisations, acquisition costs, losses on disposal of properties and an impairment charge of goodwill and acquired intangible assets. Normalised Group profit before tax is calculated as £50.3m, of which materiality represents 4.8%.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £120,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 54 reporting components, we subjected 34 to audits for Group reporting purposes.

These audits covered 86.4% of total Group revenue; 97.8% of underlying Group profit before taxation; and 89.5% of total Group assets.

The remaining 13.6% of total Group revenue, 2.2% of Group profit before tax and 10.5% of total Group assets is represented by 20 reporting components, none of which individually represented more than 5% of any of total Group revenue, Group profit before tax or total Group assets. For these remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.



The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back to the Group audit team. The Group audit team approved the component materialities, which ranged from £0.1m to £1.8m, having regard to the mix of size and risk profile of Group entities across the components. The audit of 5 of the 34 components was performed by component auditors and the remainder by the Group audit team.

Telephone conference meetings were held with all of the component auditors. At these meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor. The Group audit team also visited component locations in France.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Statement of Viability on page 14, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the 3 years to December 2018; or
- the disclosures in the Group Accounting Policies on page 93 concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the Financial Statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' Statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statements, set out on page 84, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 49 to 83 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 84, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this Report as if set out in full and should be read to provide an understanding of the purpose of this Report, the work we have undertaken and the basis of our opinions.

Michael Steventon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham, B4 6GH

9 March 2016

Consolidated Income Statement

Year ended 31 December 2015

	Notes	2015 Underlying £m	2015 Non-underlying* £m	2015 Total £m	2014 Underlying £m	2014 Non-underlying* £m	2014 Total £m
Revenue	1, 2	**467.5**	**-**	**467.5**	454.7	-	454.7
Trading profit		**56.0**	**-**	**56.0**	49.2	-	49.2
Amortisation of acquisition intangibles	3	**-**	**(1.6)**	**(1.6)**	-	(2.1)	(2.1)
Business reorganisation costs	3	**-**	**(0.3)**	**(0.3)**	-	(2.6)	(2.6)
Loss on disposal of subsidiaries	3	**-**	**-**	**-**	-	(3.7)	(3.7)
Impairment of intangible assets	10	**-**	**(15.7)**	**(15.7)**	-	-	-
Acquisition costs	3	**-**	**(1.0)**	**(1.0)**	-	(0.1)	(0.1)
(Loss)/profit on sale of properties	3	**-**	**(0.1)**	**(0.1)**	-	0.4	0.4
Operating profit	1, 2	**56.0**	**(18.7)**	**37.3**	49.2	(8.1)	41.1
Financial income	5	**0.5**	**-**	**0.5**	0.5	-	0.5
Financial expense	5	**(3.5)**	**(1.1)**	**(4.6)**	(3.7)	(1.0)	(4.7)
Profit before taxation		**53.0**	**(19.8)**	**33.2**	46.0	(9.1)	36.9
Taxation	7	**(12.6)**	**3.5**	**(9.1)**	(11.1)	1.5	(9.6)
Profit for the year attributable to owners of the parent		**40.4**	**(16.3)**	**24.1**	34.9	(7.6)	27.3
Basic earnings per share	8	**51.7p**		**30.9p**	45.0p		35.1p
Diluted earnings per share	8	**51.3p**		**30.6p**	44.4p		34.7p
Dividend per share – Interim	9			**7.1p**			6.4p
Dividend per share – Final proposed	9			**13.6p**			11.6p
Total	9			**20.7p**			18.0p

* The Group's definition of non-underlying items is included in the Group Accounting Policies on page 98.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 £m	2014 £m
Profit for the year		**24.1**	27.3
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations		**1.8**	1.2
Exchange differences on foreign currency borrowings denominated as net investment hedges		**(0.4)**	(0.1)
Effective portion of changes in fair value of cash flow hedges		**(0.1)**	(0.1)
Transfers to the income statement on cash flow hedges		**0.4**	0.3
Taxation on items that may be reclassified to profit or loss		**(0.1)**	-
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit pension schemes	23	**5.0**	(3.6)
Taxation on items that will not be reclassified to profit or loss	7	**(1.2)**	0.8
Other comprehensive income for the year		**5.4**	(1.5)
Total comprehensive income for the year attributable to owners of the parent		**29.5**	25.8

Consolidated Statement of Financial Position

Year ended 31 December 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Intangible assets	10	**126.4**	126.1
Property, plant and equipment	11	**129.2**	128.7
Other receivables		**-**	0.3
		255.6	255.1
Current assets			
Assets held for sale	12	**-**	1.5
Inventories	14	**57.7**	57.9
Trade and other receivables	15	**98.8**	92.7
Cash and cash equivalents	16	**12.9**	6.7
		169.4	158.8
Total assets	1	**425.0**	413.9
Current liabilities			
Trade and other liabilities	17	**(87.8)**	(87.7)
Current tax liabilities		**(8.7)**	(8.9)
Provisions for liabilities and charges	19	**(0.2)**	(1.4)
Interest bearing borrowings	17	**(0.3)**	(1.1)
		(97.0)	(99.1)
Net current assets		**72.4**	59.7
Non-current liabilities			
Other liabilities	18	**(0.2)**	(0.2)
Provisions for liabilities and charges	19	**(2.7)**	(2.8)
Deferred tax liability	13	**(7.9)**	(7.6)
Retirement benefit obligation	23	**(14.6)**	(21.1)
Interest bearing borrowings	18	**(104.1)**	(101.6)
		(129.5)	(133.3)
Total liabilities		**(226.5)**	(232.4)
Net assets		**198.5**	181.5
Equity			
Share capital	21	**19.6**	19.5
Share premium		**32.8**	31.7
Other reserves		**4.6**	4.5
Translation reserve		**2.3**	0.9
Hedge reserve		**(0.2)**	(0.4)
Retained earnings		**139.4**	125.3
Total equity		**198.5**	181.5

Approved by the Board of Directors on 9 March 2016 and signed on its behalf by:

D W Muir
Director

M Pegler
Director

Company Number: 671474

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Share capital £m	Share premium £m	Other reserves† £m	Translation reserves £m	Hedge reserves £m	Retained earnings £m	Total equity £m
At 1 January 2014		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 year		-	-	-	1.1	0.2	(2.8)	(1.5)
Transactions with owners recognised directly in equity								
Dividends	9	-	-	-	-	-	(12.4)	(12.4)
Credit to equity of share-based payments	21	-	-	-	-	-	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	7	-	-	-	-	-	0.2	0.2
Shares issued	21	0.1	0.2	-	-	-	-	0.3
At 31 December 2014		**19.5**	**31.7**	**4.5**	**0.9**	**(0.4)**	**125.3**	**181.5**
Comprehensive income								
Profit for the year		**-**	**-**	**-**	**-**	**-**	**24.1**	**24.1**
Other comprehensive income for the year		**-**	**-**	**-**	**1.4**	**0.2**	**3.8**	**5.4**
Transactions with owners recognised directly in equity								
Dividends	**9**	**-**	**-**	**-**	**-**	**-**	**(14.1)**	**(14.1)**
Credit to equity of share-based payments	**21**	**-**	**-**	**-**	**-**	**-**	**0.9**	**0.9**
Satisfaction of long term incentive payments		**-**	**-**	**-**	**-**	**-**	**(1.8)**	**(1.8)**
Own shares held by employee benefit trust		**-**	**-**	**-**	**-**	**-**	**0.9**	**0.9**
Transfers between reserves		**-**	**-**	**0.1**	**-**	**-**	**(0.1)**	**-**
Tax taken directly to the Consolidated Statement of Changes in Equity	**7**	**-**	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Shares issued	**21**	**0.1**	**1.1**	**-**	**-**	**-**	**-**	**1.2**
At 31 December 2015		**19.6**	**32.8**	**4.6**	**2.3**	**(0.2)**	**139.4**	**198.5**

† Other reserves represent the premium on shares issued in exchange for shares of subsidiaries acquired and £0.2m (2014: £0.2m) capital redemption reserve.

In 2014 the Group purchased 230,000 of its own shares, which were held in an employee benefit trust for the purposes of settling awards granted to employees under equity-settled share based payment plans. The cost of these shares, amounting to £1.4m, was included within retained earnings at 31 December 2014. In March 2015, 143,268 of these shares were issued in settlement of awards to employees at a cost of £0.9m. There are 86,732 shares remaining at 31 December 2015 with a cost of £0.5m.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 £m	2015 £m	2014 £m	2014 £m
Profit before tax			**33.2**		36.9
Add back net financing costs	5		**4.1**		4.2
Operating profit	1, 2		**37.3**		41.1
Adjusted for non-cash items:					
Share-based payments	4, 21	**0.9**		1.2	
Loss on disposal of subsidiaries	3	**-**		3.7	
Gain on disposal of non-current assets	6	**-**		(0.3)	
Depreciation	6, 11	**15.5**		14.2	
Amortisation of intangible assets	6, 10	**2.5**		3.0	
Impairment of non-current assets	6, 10, 11	**15.7**		1.4	
			34.6		23.2
Operating cash flow before movement in working capital			**71.9**		64.3
Decrease/(increase) in inventories		**1.1**		(4.3)	
Increase in receivables		**(3.0)**		(2.7)	
(Decrease)/increase in payables		**(0.6)**		1.9	
Decrease in provisions and employee benefits		**(3.3)**		(5.5)	
Net movement in working capital			**(5.8)**		(10.6)
Cash generated by operations			**66.1**		53.7
Income taxes paid			**(12.6)**		(9.3)
Interest paid			**(3.5)**		(3.7)
Net cash from operating activities			**50.0**		40.7
Interest received		**0.5**		0.5	
Proceeds on disposal of non-current assets		**1.2**		0.7	
Purchase of property, plant and equipment		**(14.8)**		(34.6)	
Purchase of intangible assets		**(1.2)**		(1.3)	
Acquisitions of subsidiaries	10	**(16.6)**		-	
Disposals of subsidiaries		**-**		0.5	
Net cash used in investing activities			**(30.9)**		(34.2)
Issue of new shares	21	**1.2**		0.3	
Purchase of shares for employee benefit trust		**(0.9)**		(2.4)	
Dividends paid	9	**(14.1)**		(12.4)	
Costs associated with refinancing of revolving credit facility		**-**		(1.5)	
New loans and borrowings		**46.0**		39.2	
Repayment of loans and borrowings		**(45.0)**		(32.7)	
Repayment of obligations under finance leases		**(0.1)**		(0.3)	
Net cash used in financing activities			**(12.9)**		(9.8)
Net increase/(decrease) in cash			**6.2**		(3.3)
Cash at the beginning of the year			**6.7**		10.0
Effect of exchange rate fluctuations			**-**		-
Cash at the end of the year	16		**12.9**		6.7

Group Accounting Policies

Hill & Smith Holdings PLC is a company incorporated in the UK.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards, as adopted by the EU ('Adopted IFRSs'). The Company has elected to prepare its Parent Company Financial Statements in accordance with FRS 101; these are presented on pages 130 to 140.

The Accounting Policies set out below have, unless otherwise stated, been applied consistently in all periods presented in these Group Financial Statements.

Judgements made by the Directors in the application of these Accounting Policies that have a significant effect on the Group Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

Going concern and liquidity risk
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 6 to 14. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 11 to 14. In addition, note 20 to the Group Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The businesses of the Group have long established relationships with customers and suppliers which, together with the Group's current financial strength, provide a solid foundation. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current bank facilities, of which the Group's principal debt facility is a multi-currency agreement with a value of £213.1m at 31 December 2015, expiring in April 2019. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

New IFRS standards and interpretations adopted during 2015
In 2015 the following amendments had been endorsed by the EU, became effective and therefore were adopted by the Group:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions.
- Annual Improvements to IFRSs – 2010-2012 Cycle.

The adoption of these standards and amendments has not had a material impact on the Group's Financial Statements.

The following standards and interpretations which are not yet effective and have not been early adopted by the Group will be adopted in future accounting periods:

- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016).
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016).
- Amendments to IAS 27 - Equity Method in Separate Financial Statements (effective 1 January 2016).
- Annual Improvements to IFRSs – 2012-2014 Cycle (effective 1 January 2016).
- Disclosure Initiative – Amendments to IAS 1 (effective 1 January 2016).
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2017).
- IFRS 9 'Financial Instruments' (effective 1 January 2018).
- IFRS 16 'Leases' (effective 1 January 2019).

The impact of IFRS 16, which was issued in January 2016, is currently being assessed. None of the other standards or amendments above are expected to have a material impact on the Group.

Group Accounting Policies (continued)

Measurement convention
The Group Financial Statements are prepared on the historical cost basis except where the measurement of balances at fair value is required as explained below.

Intangible assets
IFRS3 was revised in 2010 such that acquisition costs cannot be capitalised for investments made on or after 1 January 2010. Acquisitions prior to this date have had these costs included with the purchase consideration and as such the goodwill on acquisition of subsidiaries comprises the excess of this fair value of the purchase consideration over the Group's share of the fair value of the identifiable assets and liabilities acquired. On an ongoing basis the goodwill is measured at cost less impairment losses (see accounting policy 'Impairment of assets'). Fair value adjustments are always considered to be provisional at the first year end date after the acquisition to allow the maximum time to elapse for management to make a reliable estimate.

Goodwill prior to 1 October 1998 was written off to reserves. Goodwill from 1 October 1998 to 31 December 2003 was amortised in line with UK GAAP. From 1 January 2004 this goodwill is subject to annual impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Brands and customer lists that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses (see accounting policy 'Impairment of assets'). Cost reflects management's judgement of the fair value of the individual intangible asset calculated by reference to the net present value of future benefits accruing to the Group from the utilisation of the asset, discounted at an appropriate discount rate.

Certain US brands are considered to have an indefinite life and therefore are subject to annual impairment testing (see accounting policy 'Impairment of assets'). For other brands and customer lists, amortisation is provided equally over the estimated useful economic life of the assets concerned, currently up to 20 years.

Expenditure on development activities is capitalised if the product or process is considered to be technically and commercially viable and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Consolidated Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is provided equally over the estimated useful economic life of the assets concerned, currently up to seven years.

Trade licences are amortised over the specific term granted to each individual licence.

Property, plant, equipment and depreciation
Depreciation is provided to write off the cost or deemed cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	5 to 50 years
Leasehold buildings	life of the lease
Plant, machinery and vehicles	4 to 20 years

No depreciation is provided on freehold land.

The Group has chosen to take the first time adoption exemption available under IFRS1 to use a previous revaluation for certain land and buildings as its deemed cost at the transition date. All other items of property, plant and equipment are stated at cost unless it is felt that this value should be impaired.

Assets held for sale
A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year. On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to the income statement. The same applies to gains and losses on subsequent remeasurement.

Financial instruments
Financial assets and liabilities are recognised on the Group's Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

The Group's investments in equity securities and certain debt securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Trade receivables and trade payables are initially measured at fair value. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments of the Group are used to hedge its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments, as follows:

- Derivative financial instruments are stated at fair value. The unhedged gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Income Statement.
- The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the year end date, taking into account current interest rates and the current creditworthiness of the swap counterparties.
- The fair value of foreign exchange contracts is the estimated amount that the Group would receive or pay to terminate such contracts at the year end date, taking into account the forward exchange rates prevailing at that date.

Where derivative financial instruments are used to hedge cash flow risk, such as interest rate swaps, the effective part of any gain or loss on the fair value of cash flow hedges is recognised in the Consolidated Statement of Comprehensive Income and in the hedge reserve, while any ineffective part is recognised immediately in the Consolidated Income Statement. Amounts recorded in the hedge reserve are subsequently reclassified to the Consolidated Income Statement when the interest expense is actually recognised.

To qualify for hedge accounting the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, at hedge inception and on a half yearly basis, as to whether the derivatives that are used in hedging transactions have been, and are likely to continue to be, effective in offsetting changes in fair value or cash flows of hedged items.

Interest bearing borrowings are recognised initially at fair value. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Any gain or loss on translation of monetary foreign currency assets and liabilities arising from a movement in exchange rates subsequent to initial measurement is included as an exchange gain or loss in the Consolidated Income Statement.

The assets and liabilities of overseas subsidiary undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the closing exchange rate. Income statements and cash flows of such undertakings are translated into Sterling at weighted average rates of exchange, other than substantial transactions that are translated at the rate on the date of the transaction. The adjustments to period end rates are taken to the cumulative translation reserve in equity and reported in the Consolidated Statement of Comprehensive Income. When an overseas operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in equity and reported in the Consolidated Statement of Comprehensive Income, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in the translation reserve is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Group Accounting Policies (continued)

The principal exchange rates used were as follows:

	2015		2014	
	Average	**Closing**	Average	Closing
Sterling to Euro (£1 = EUR)	**1.38**	**1.36**	1.24	1.28
Sterling to US Dollar (£1 = USD)	**1.53**	**1.48**	1.65	1.56
Sterling to Thai Bhat (£1 = THB)	**52.49**	**53.50**	53.50	51.32
Sterling to Swedish Krona (£1 = SEK)	**12.90**	**12.50**	11.30	12.07

Inventories

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the FIFO or average cost method is used. Cost for work in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of attributable overheads.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised as an obligation arises.

The estimated cost of returning properties held under leases to their original condition in accordance with the terms of specific lease contracts is recognised as soon as such costs are able to be reliably estimated.

Impairment of assets

The carrying amounts of the Group's non-financial assets, other than inventories (see accounting policy 'Inventories') and deferred tax balances (see accounting policy 'Deferred taxation'), are reviewed at each year end date to determine whether there is an indication of impairment. Impairment reviews are undertaken at the level of each significant cash generating unit, which are no larger than operating segments as defined in IFRS8 – Segmental reporting. If such an indication exists, the relevant asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount.

For goodwill and intangible assets that have an indefinite life, the recoverable amount is assessed at each year end date and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Leases

Leases for which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases and the leased assets are not recognised on the Group's Consolidated Statement of Financial Position. Payments made under operating leases are recognised in the Consolidated Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental income from operating leases is recognised as revenue in the Consolidated Income Statement on an accruals basis.

Revenue
Revenue from the sale of goods and services represents the amount (excluding value added tax) invoiced to third party customers, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably. In the Galvanizing Services segment this is generally considered to be on completion of the galvanizing process when products are made available for customer collection. In the Infrastructure Products segments products are often bespoke and customer contracts more complex. As such, there are a number of conditions which must be satisfied before revenue can be recognised. These can include: legal, contractual ownership; passing internal quality control testing; dispatch from manufacturing sites; installation at customer sites; customer inspection both before and after installation; and/or, ultimately, customer acceptance. Given these conditions, a greater degree of consideration is given as to whether the terms of sale have been met and whether revenue can be recognised for each product.

Contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to work performed. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Government grants
Government grants are recognised as a liability in the Consolidated Statement of Financial Position and credited to operating profit over the estimated useful economic life of the relevant assets or the length of employment specified in the grant.

Guarantees
The Group's policy is to not give external guarantees.

Retirement benefits
The Group operates pension schemes under which contributions by employees and by the sponsoring companies are held in trust funds separated from the Group's finances.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the Consolidated Income Statement as incurred.

The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at the year end date on AA rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method. Scheme assets are valued at bid price.

Current and past service costs are recognised in operating profit within the Consolidated Income Statement. Also in the Consolidated Income Statement, the interest cost on the net defined benefit obligations is included in financial expense.

All actuarial gains and losses in calculating the Group's obligation in respect of defined benefit schemes are recognised annually in reserves and reported in the Consolidated Statement of Comprehensive Income.

Share-based payment transactions
The fair value of shares/options granted is recognised as an employee expense, with a corresponding increase in equity reserves. The fair value is calculated at the grant date and spread over the period during which the employees become unconditionally entitled to the shares/options. The Black–Scholes model has been adopted as the method of evaluating the fair value of the options where vesting is based on non-market conditions, while a Monte Carlo Simulation is used where vesting is based on market conditions. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

The fair value of amounts payable to employees in respect of share appreciation rights settled in cash is recognised as an employee expense and corresponding increase in liabilities. The fair value of the liability is remeasured at each reporting date and spread over the period during which employees become unconditionally entitled to the payment.

Financial income and expense
Financial income comprises interest income on funds invested and gains on the fair value of financial assets and liabilities at fair value through profit or loss. Interest income is recognised as it accrues in the Consolidated Income Statement using the effective interest method.

Financial expense comprises interest expense on borrowings, interest cost on net pension scheme obligations, unwinding of discounts, losses on the fair value of financial assets and liabilities at fair value through profit or loss, the interest expense component of finance lease payments and financial expenses related to refinancing. All borrowing costs are recognised in the Consolidated Income Statement using the effective interest method with the exception of those meeting the criteria for capitalisation set out in IAS 23.

Group Accounting Policies (continued)

Non-underlying items

Non-underlying items are non-trading items 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 in note 3 to the Financial Statements.

Income tax

Income tax on the profit or loss for the year represents the sum of the tax currently payable and deferred tax. Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items either recognised in Other Comprehensive Income or directly in equity.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the year end date, and any adjustments to tax payable in respect of previous years.

Deferred taxation

Deferred tax is provided in full using the Consolidated Statement of Financial Position liability method and represents the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities not resulting from a business combination that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Ordinary dividends

Dividends are recognised as a liability in the period in which they are approved by the Company's shareholders.

Own shares held by Employee Benefit Trust ('EBT')

Transactions of the Group-sponsored EBT are included in the Group Financial Statements. In particular, the Trust's purchases of shares in the Company are debited directly to equity.

Notes to the Consolidated Financial Statements

1. Segmental information

Business segment analysis

The Group has three reportable segments which are Infrastructure Products - Utilities, Infrastructure Products - Roads 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 on the basis of the following economic characteristics:

- The Infrastructure Products - Utilities segment contains a group of businesses supplying products characterised by a degree of engineering expertise, to public and private customers involved in the construction of facilities serving the Utilities markets or in the maintenance of such facilities;
- The Infrastructure Products - Roads segment contains a group of companies supplying permanent and temporary safety products to customers involved in the construction or maintenance of national roads infrastructure; 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.

Income Statement

	2015			2014		
	Revenue £m	**Result £m**	**Underlying result* £m**	Revenue £m	Result £m	Underlying result* £m
Infrastructure Products - Utilities	**193.9**	**(7.1)**	**10.5**	195.2	5.4	9.2
Infrastructure Products - Roads	**131.6**	**15.6**	**16.0**	127.7	12.5	13.3
Infrastructure Products - Total	**325.5**	**8.5**	**26.5**	322.9	17.9	22.5
Galvanizing Services	**142.0**	**28.8**	**29.5**	131.8	23.2	26.7
Total Group	**467.5**	**37.3**	**56.0**	454.7	41.1	49.2
Net financing costs		**(4.1)**	**(3.0)**		(4.2)	(3.2)
Profit before taxation		**33.2**	**53.0**		36.9	46.0
Taxation		**(9.1)**	**(12.6)**		(9.6)	(11.1)
Profit after taxation		**24.1**	**40.4**		27.3	34.9

* Underlying result is stated before non-underlying items as defined in the Accounting Policies on page 98, 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 £5.2m (2014: £5.9m) revenues to Infrastructure Products - Roads and £1.6m (2014: £1.8m) revenues to Infrastructure Products - Utilities. Infrastructure Products - Utilities provided £3.0m (2014: £3.6m) revenues to Infrastructure Products - Roads. These internal revenues, along with revenues generated from within their own segments, have been eliminated on consolidation.

Capital expenditure and amortisation/depreciation

	2015		2014	
	Capital expenditure £m	**Impairment losses, amortisation and depreciation £m**	Capital expenditure £m	Impairment losses, amortisation and depreciation £m
Infrastructure Products - Utilities	**2.5**	**19.4**	4.7	5.0
Infrastructure Products - Roads	**3.8**	**6.8**	17.9	6.0
Infrastructure Products - Total	**6.3**	**26.2**	22.6	11.0
Galvanizing Services	**8.3**	**7.5**	14.1	7.6
Total Group	**14.6**	**33.7**	36.7	18.6
Property, plant and equipment (note 11)	**13.5**	**15.5**	35.4	15.6
Intangible assets (note 10)	**1.1**	**18.2**	1.3	3.0
Total Group	**14.6**	**33.7**	36.7	18.6

The impairment losses, amortisation and depreciation amounts above relating to the Infrastructure Products - Utilities segment include impairment losses of £15.7m (2014: £nil) relating to The Paterson Group (see note 3).

Notes to the Consolidated Financial Statements (continued)

1. Segmental information continued

Geographical analysis

Revenue (irrespective of origin)

	2015 £m	2014 £m
UK	**235.8**	220.4
Rest of Europe	**73.4**	95.1
North America	**135.0**	113.7
The Middle East	**7.2**	6.4
Asia	**13.3**	14.7
Rest of World	**2.8**	4.4
Total Group	**467.5**	454.7

Total assets

	2015 £m	2014 £m
UK	**175.5**	154.3
Rest of Europe	**88.3**	95.9
North America	**144.3**	147.2
Asia	**15.5**	14.4
Rest of World	**1.4**	2.1
Total Group	**425.0**	413.9

Capital expenditure

	2015 £m	2014 £m
UK	**8.7**	21.2
Rest of Europe	**2.9**	4.5
North America	**2.8**	10.7
Asia	**0.2**	0.3
Total Group	**14.6**	36.7

2. Operating profit

	2015 £m	2014 £m
Revenue	**467.5**	454.7
Cost of sales	**(300.6)**	(296.9)
Gross profit	**166.9**	157.8
Distribution costs	**(23.2)**	(22.9)
Administrative expenses	**(107.6)**	(95.0)
Other operating income	**1.2**	1.2
Operating profit	**37.3**	41.1

3. Non-underlying items

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

- Amortisation of acquired intangible fixed assets of £1.6m (2014: £2.1m).
- Acquisition expenses of £1.0m (2014: £0.1m) principally relating to acquisitions made by the Group during the year.
- Losses on disposal of properties of £0.1m (2014: profit of £0.4m).
- Net costs in respect of business reorganisations of £0.3m (2014: £2.6m), reflecting costs associated with restructuring of certain of the Group's subsidiaries together with the net release of provisions made in previous years in respect of site closures following a favourable settlement during the year of the exposures identified.
- An impairment charge of £15.7m in respect of goodwill and acquired intangible assets. As set out in the Operational and Financial Review on page 12, 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 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 during the year 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 £15.7m, allocated to the goodwill (£8.2m) and the remaining book value of acquired intangible fixed assets (£7.5m) arising on acquisition. The basis for determining the Value in Use, including the discount rate (13.1% on a pre-tax basis) and rate of future growth, was consistent with that used in the annual impairment review performed as at 31 December 2014.

Non-underlying items in 2014 also included a net loss on disposal of subsidiaries of £3.7m, as 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 expense represent the net financing cost on pension obligations of £0.7m (2014: £0.7m) and a £0.4m (2014: £0.3m) charge in respect of amortisation of costs associated with refinancing.

Notes to the Consolidated Financial Statements (continued)

4. Employees

	2015 No.	2014 No.
The average number of people employed by the Group during the year		
Infrastructure Products - Utilities	**1,646**	1,591
Infrastructure Products - Roads	**674**	662
Infrastructure Products - Total	**2,320**	2,253
Galvanizing Services	**1,503**	1,445
Total Group	**3,823**	3,698

	£m	£m
The aggregate remuneration for the year		
Wages and salaries	**100.6**	99.0
Share-based payments	**1.2**	1.2
Social security costs	**17.3**	17.0
Pension costs	**2.7**	2.4
	121.8	119.6

Details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 67 to 76.

5. Net financing costs

	Underlying £m	Non-underlying £m	2015 £m	Underlying £m	Non-underlying £m	2014 £m
Interest on bank deposits	**0.5**	**-**	**0.5**	0.5	-	0.5
Financial income	**0.5**	**-**	**0.5**	0.5	-	0.5
Interest on bank loans and overdrafts	**3.5**	**-**	**3.5**	3.7	-	3.7
Interest on finance leases and hire purchase contracts	**-**	**-**	**-**	-	-	-
Total interest expense	**3.5**	**-**	**3.5**	3.7	-	3.7
Financial expenses related to refinancing	**-**	**0.4**	**0.4**	-	0.3	0.3
Interest cost on net pension scheme deficit (note 23)	**-**	**0.7**	**0.7**	-	0.7	0.7
Financial expense	**3.5**	**1.1**	**4.6**	3.7	1.0	4.7
Net financing costs	**3.0**	**1.1**	**4.1**	3.2	1.0	4.2

6. Expenses and auditor's remuneration

	2015 £m	2014 £m
Income statement charges		
Depreciation of property, plant and equipment:		
Owned	**15.5**	14.0
Leased	**-**	0.2
Operating lease rentals:		
Plant and machinery	**2.2**	2.3
Other	**3.5**	3.5
Research and development expenditure	**0.5**	0.2
Amortisation of acquisition intangibles	**1.6**	2.1
Amortisation of development costs	**0.8**	0.7
Amortisation of other intangible assets	**0.1**	0.2
Impairment losses	**15.7**	1.4
Loss on disposal of non-current assets	**0.1**	0.1
Income statement credits		
Profit on disposal of non-current assets	**0.1**	0.4
Rental income	**9.7**	9.8

A detailed analysis of the Auditor's Remuneration worldwide is as follows:

	£m	£m
Hill & Smith Holdings PLC		
Audit of the Company's Annual Accounts	**0.1**	0.1
Audit of the Company's subsidiaries	**0.5**	0.5
Other assurance services	**0.2**	-
Services relating to corporate finance transactions	**0.1**	-
	0.9	0.6

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 61 to 65 and includes an explanation of how auditor objectivity and independence is safeguarded when non audit services are provided by the auditor.

Notes to the Consolidated Financial Statements (continued)

7. Taxation

	2015 £m	2014 £m
Current tax		
UK corporation tax	**4.0**	3.6
Overseas tax at prevailing local rates	**10.1**	8.7
Adjustments in respect of prior periods	**(2.4)**	(1.8)
	11.7	10.5
Deferred tax (note 13)		
UK deferred tax	**0.3**	0.1
Overseas tax at prevailing local rates	**(3.7)**	(0.1)
Adjustments in respect of prior periods	**0.1**	(0.9)
Effect of change in tax rate	**0.7**	-
Tax on profit in the Consolidated Income Statement	**9.1**	9.6
Deferred tax (note 13)		
Relating to defined benefit pension schemes	**1.2**	(0.8)
Relating to financial instruments	**0.1**	-
Tax on items taken directly to Other Comprehensive Income	**1.3**	(0.8)
Current tax		
Relating to share-based payments	**(0.3)**	-
Deferred tax (note 13)		
Relating to share-based payments	**(0.1)**	(0.2)
Tax taken directly to the Consolidated Statement of Changes in Equity	**(0.4)**	(0.2)

The tax charge in the Consolidated Income Statement for the period is higher (2014: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £m	2014 £m
Profit before taxation	**33.2**	36.9
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 20.25% (2014: 21.5%)	**6.7**	7.9
Expenses not deductible/income not chargeable for tax purposes	**(0.5)**	0.2
Non-deductible goodwill impairment	**1.6**	-
Local tax incentives	**(0.9)**	(0.7)
Utilisation of brought forward tax losses not recognised	**(0.4)**	(0.1)
Overseas profits taxed at higher/(lower) rates	**3.7**	4.3
Overseas losses not relieved	**0.4**	0.4
Withholding taxes	**0.1**	0.3
Impact of rate changes	**0.7**	-
Adjustments in respect of prior periods	**(2.3)**	(2.7)
Tax charge	**9.1**	9.6

The Group carries tax provisions in relation to uncertain tax positions arising from the possible outcome of negotiations with and enquiries from the UK and other overseas tax authorities. Such provisions are a reflection of the geographical spread of the Group's operations and the variety of jurisdictions in which it carries out its activities.

8. Earnings per share

The weighted average number of ordinary shares in issue during the year was 78.1m (2014: 77.8m), diluted for the effects of the outstanding dilutive share options 78.8m (2014: 78.8m). Underlying earnings per share have been shown because the Directors consider that this provides valuable additional information about the underlying performance of the Group.

	2015		2014	
	Pence per share	£m	Pence per share	£m
Basic earnings	30.9	24.1	35.1	27.3
Non-underlying items*	20.8	16.3	9.9	7.6
Underlying earnings	51.7	40.4	45.0	34.9
Diluted earnings	30.6	24.1	34.7	27.3
Non-underlying items*	20.7	16.3	9.7	7.6
Underlying diluted earnings	51.3	40.4	44.4	34.9

* Non-underlying items as detailed in note 3.

9. Dividends

Dividends paid in the year were the prior year's interim dividend of £5.0m (2014: £4.6m) and the final dividend of £9.1m (2014: £7.8m). Dividends declared after the year end date are not recognised as a liability, in accordance with IAS10. The Directors have proposed the following interim dividend and final dividend for the current year, subject to shareholder approval:

	2015		2014	
	Pence per share	£m	Pence per share	£m
Equity shares				
Interim	7.1	5.5	6.4	5.0
Final	13.6	10.6	11.6	9.0
Total	20.7	16.1	18.0	14.0

Notes to the Consolidated Financial Statements (continued)

10. Intangible assets

	Goodwill £m	Brands £m	Customer lists £m	Capitalised development costs £m	Licences £m	Total £m
Cost						
At 1 January 2014	99.8	18.7	13.3	10.5	1.9	144.2
Exchange adjustments	0.3	0.4	(0.1)	-	-	0.6
Acquisitions	-	0.4	-	0.2	-	0.6
Additions	-	-	-	1.2	0.1	1.3
At 31 December 2014	**100.1**	**19.5**	**13.2**	**11.9**	**2.0**	**146.7**
Exchange adjustments	**0.8**	**0.5**	**0.3**	**-**	**-**	**1.6**
Acquisitions	**8.3**	**0.9**	**7.3**	**-**	**-**	**16.5**
Additions	**-**	**-**	**-**	**1.1**	**-**	**1.1**
At 31 December 2015	**109.2**	**20.9**	**20.8**	**13.0**	**2.0**	**165.9**
Amortisation and impairment losses						
At 1 January 2014	-	2.1	7.1	7.9	0.4	17.5
Exchange adjustments	-	(0.1)	0.2	-	-	0.1
Amortisation charge for the year	-	0.5	1.6	0.7	0.2	3.0
At 31 December 2014	**-**	**2.5**	**8.9**	**8.6**	**0.6**	**20.6**
Exchange adjustments	**0.3**	**0.1**	**0.3**	**-**	**-**	**0.7**
Impairment losses	**8.2**	**5.6**	**0.8**	**-**	**1.1**	**15.7**
Amortisation charge for the year	**-**	**0.5**	**1.1**	**0.8**	**0.1**	**2.5**
At 31 December 2015	**8.5**	**8.7**	**11.1**	**9.4**	**1.8**	**39.5**
Carrying values						
At 1 January 2014	99.8	16.6	6.2	2.6	1.5	126.7
At 31 December 2014	100.1	17.0	4.3	3.3	1.4	126.1
At 31 December 2015	**100.7**	**12.2**	**9.7**	**3.6**	**0.2**	**126.4**

10. Intangible assets continued

2015

On 25 November 2015 the Group acquired the share capital of Premier Galvanizing Limited. Details of this acquisition are as follows:

Premier Galvanizing Limited	Pre acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible assets	-	7.9	7.9
Property, plant and equipment	1.2	-	1.2
Inventories	0.6	(0.2)	0.4
Current assets	2.2	-	2.2
Cash and cash equivalents	3.3	-	3.3
Total assets	**7.3**	**7.7**	**15.0**
Current liabilities	(2.2)	(0.2)	(2.4)
Deferred tax	(0.1)	(1.3)	(1.4)
Total liabilities	**(2.3)**	**(1.5)**	**(3.8)**
Net assets	**5.0**	**6.2**	**11.2**
Consideration			
Consideration in the year			**18.3**
Goodwill			**7.1**
Cash flow effect			
Consideration			**18.3**
Deferred consideration			**(0.3)**
Cash and cash equivalents received in the business			**(3.3)**
Net cash consideration shown in the Consolidated Statement of Cash Flows			**14.7**

Brands and customer relationships have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Policy alignment and fair value adjustments principally relate to harmonisation with Group IFRS accounting policies, including the provisional application of fair values on acquisition.

Post acquisition the acquired business has contributed £0.7m revenue and £0.2m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2015, the Group's results for the year would have shown revenue of £475.7m and underlying operating profit of £58.3m.

Notes to the Consolidated Financial Statements (continued)

10. Intangible assets continued

2015

The Group has also made three other smaller acquisitions during the year:

- The share capital of Novia Associates, Inc., acquired in April 2015;
- The trade and certain assets of Tegrel Limited, acquired in November 2015; and
- The share capital of Bowater Doors Limited, acquired in December 2015.

Details of these acquisitions are set out below:

	Novia Pre acquisition carrying amount £m	Tegrel Pre acquisition carrying amount £m	Bowater Pre acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible assets	-	-	-	0.3	0.3
Property, plant and equipment	0.1	0.1	0.1	0.1	0.4
Inventories	0.1	0.2	0.5	(0.1)	0.7
Current assets	0.4	0.4	-	-	0.8
Cash and cash equivalents	0.1	-	-	-	0.1
Total assets	**0.7**	**0.7**	**0.6**	**0.3**	**2.3**
Current liabilities	(0.2)	(0.3)	(0.3)	(0.4)	(1.2)
Deferred tax	-	-	-	(0.1)	(0.1)
Total liabilities	**(0.2)**	**(0.3)**	**(0.3)**	**(0.5)**	**(1.3)**
Net assets	**0.5**	**0.4**	**0.3**	**(0.2)**	**1.0**
Consideration					
Consideration in the year					**2.2**
Goodwill					**1.2**
Cash flow effect					
Consideration					**2.2**
Deferred consideration					**(0.2)**
Cash and cash equivalents received in the business					**(0.1)**
Net cash consideration shown in the Consolidated Statement of Cash Flows					**1.9**

Customer lists have been recognised as a specific intangible asset as a result of the acquisition of Novia Associates. Policy alignment and fair value adjustments principally relate to harmonisation with Group IFRS accounting policies, including the provisional application of fair values on acquisition.

Post acquisition the acquired businesses have contributed £1.4m revenue and £0.2m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisitions had been made on 1 January 2015, the Group's results for the year would have shown revenue of £475.2m and underlying operating profit of £55.4m.

10. Intangible assets continued

2014

On 11 July 2014 the Group acquired the trade and certain net assets of Variable Message Signs Limited. Details of this acquisition are as follows:

Variable Message Signs Limited	Pre acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible assets	0.2	0.4	0.6
Property, plant and equipment	0.1	-	0.1
Inventories	0.9	-	0.9
Current assets	1.3	-	1.3
Deferred tax	-	0.1	0.1
Total assets	**2.5**	**0.5**	**3.0**
Current interest bearing liabilities	(0.2)	-	(0.2)
Current liabilities	(2.3)	(0.5)	(2.8)
Total liabilities	**(2.5)**	**(0.5)**	**(3.0)**
Net assets	**-**	**-**	**-**
Consideration			
Consideration in the year			**-**
Goodwill			**-**
Cash flow effect			
Consideration			**-**
Cash and cash equivalents received in the business			**-**
Net cash consideration shown in the Consolidated Statement of Cash Flows			**-**

Brands have been recognised as specific intangible assets as a result of the acquisition. Policy alignment and fair value adjustments principally relate to harmonisation with Group IFRS accounting policies, including the provisional application of fair values on acquisition.

Notes to the Consolidated Financial Statements (continued)

10. Intangible assets continued
Cash generating units with significant amounts of goodwill

	2015 £m	2014 £m
Infrastructure Products - Utilities		
The Paterson Group	**-**	8.0
Creative Pultrusions	**7.4**	7.1
Others <£5m individually	**6.5**	5.1
Infrastructure Products - Roads		
Others <£5m individually	**13.6**	13.6
Galvanizing Services		
France Galva SA	**25.4**	26.8
USA	**23.0**	21.8
UK	**24.8**	17.7
	100.7	100.1

Goodwill impairment reviews have been carried out at an operating segment level on all cash generating units to which goodwill is allocated.

Impairment tests on the carrying values of goodwill and certain US Galvanizing brand names of £6.9m (2014: £10.4m), which are the Group's only other indefinite life intangible assets, are performed by analysing the carrying value allocated to each significant cash generating unit against its value in use. All goodwill is allocated to specific cash generating units which are in all cases no larger than operating segments. Value in use is calculated for each cash generating unit as the net present value of that unit's discounted future cash flows. These cash flows are based on budget cash flow information for a period of one year and an average growth rate of 3% applied subsequently based on management's estimate for revenue and associated cost growth, other than where specific market or business conditions support a different outlook. Budgets are prepared taking into account past experience and the Group's overall strategic direction.

The calculated headroom between value in use and carrying value of each of the cash generating units with significant amounts of goodwill is set out below, together with the pre-tax discount rates applied.

	2015		2014	
	Headroom £m	Discount rate	Headroom £m	Discount rate
Creative Pultrusions	**21.2**	**12.6%**	22.9	13.0%
France Galva SA	**2.5**	**14.4%**	16.3	14.3%
Galvanizing Services - USA	**134.5**	**13.5%**	105.0	13.5%
Galvanizing Services - UK	**25.7**	**12.2%**	29.6	12.0%

The pre-tax discount rates detailed above equate to post-tax discount rates of between 9.4% and 10.4%, derived from a market participant's cost of capital and risk adjusted for individual cash generating units' circumstances. Similar discount rates are applied in determining the recoverable amounts of other cash generating units. The discount rates applied in determining headroom in both 2015 and 2014 are broadly consistent.

The Group has applied sensitivities to assess whether any reasonable possible changes in assumptions could cause an impairment that would be material to these Consolidated Financial Statements. The sensitivity analyses did not identify any material impairments with the exception of the goodwill attributed to France Galva SA.

France Galva SA
The key assumptions used in the France Galva SA impairment review relate to the 2016 budgeted cash flows and the future growth rates assumed thereafter.

The budget for 2016 assumes a 3% reduction in galvanizing volumes compared with 2015, driven by market conditions in France. Subsequently the calculations assume future annual growth in galvanizing volumes of between 1% and 2%, resulting in calculated headroom of £2.5m. A reduction of 1% in the 2016 budgeted volumes would reduce the headroom to zero. In the event that budgeted volumes for 2016 are achieved but that there is no subsequent growth, a goodwill impairment charge of £18.1m would arise. The carrying value of goodwill of £25.4m would be fully impaired if future volumes were assumed to fall by 1.5% per annum.

11. Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Cost			
At 1 January 2014	72.4	144.3	216.7
Exchange adjustments	0.5	-	0.5
Acquisitions	-	0.1	0.1
Disposals of subsidiaries	(0.3)	(9.7)	(10.0)
Additions	7.7	27.7	35.4
Disposals	(0.4)	(6.3)	(6.7)
Transfers to assets held for sale	(3.4)	-	(3.4)
Reclassification	0.6	(0.6)	-
At 31 December 2014	**77.1**	**155.5**	**232.6**
Exchange adjustments	**0.5**	**-**	**0.5**
Acquisitions	**0.9**	**0.7**	**1.6**
Additions	**4.3**	**9.2**	**13.5**
Transfers from assets held for sale	**1.0**	**-**	**1.0**
Disposals	**(0.8)**	**(5.2)**	**(6.0)**
At 31 December 2015	**83.0**	**160.2**	**243.2**
Depreciation and impairment losses			
At 1 January 2014	16.4	88.4	104.8
Exchange adjustments	(0.2)	-	(0.2)
Impairment provision	1.1	0.3	1.4
Disposals of subsidiaries	(0.2)	(7.9)	(8.1)
Disposals	(0.3)	(6.0)	(6.3)
Transfers to assets held for sale	(1.9)	-	(1.9)
Charge for the year	2.9	11.3	14.2
At 31 December 2014	**17.8**	**86.1**	**103.9**
Exchange adjustments	**(0.2)**	**0.1**	**(0.1)**
Disposals	**(0.4)**	**(4.9)**	**(5.3)**
Charge for the year	**2.9**	**12.6**	**15.5**
At 31 December 2015	**20.1**	**93.9**	**114.0**
Carrying values			
At 1 January 2014	56.0	55.9	111.9
At 31 December 2014	59.3	69.4	128.7
At 31 December 2015	**62.9**	**66.3**	**129.2**

The gross book value of land and buildings includes freehold land of £15.3m (2014: £14.1m).

Included in the carrying value of plant, machinery and vehicles is £0.1m (2014: £0.4m) in respect of assets held under finance lease and hire purchase contracts.

Included within plant, machinery and vehicles are assets held for hire with a cost of £40.3m (2014: £39.8m) and accumulated depreciation of £23.1m (2014: £20.0m).

12. Assets held for sale

	2015 £m	2014 £m
Property, plant and equipment	**-**	1.5

At 31 December 2014 the Group held certain properties that were then being actively marketed for disposal and which were therefore classified as held for sale at that date. In 2015 the Group disposed of one of these properties and transferred the remaining property to Property, Plant and Equipment reflecting a change in the plans for that asset.

Notes to the Consolidated Financial Statements (continued)

13. Deferred taxation

	Intangible assets £m	Property, plant and equipment £m	Inventories £m	Retirement obligation £m	Other timing differences £m	Total £m
At 1 January 2014	(8.7)	(6.8)	1.1	4.3	0.6	(9.5)
Exchange adjustments	(0.2)	-	-	(0.1)	0.1	(0.2)
Acquisitions of subsidiaries	-	-	-	-	0.1	0.1
Disposals of subsidiaries	-	0.1	-	-	-	0.1
Credited/(charged) for the year in the Consolidated Income Statement (note 7)	0.4	0.1	(0.2)	(0.3)	0.9	0.9
Credited/(charged) for the year in the Consolidated Statement of Comprehensive Income (note 7)	-	-	-	0.8	-	0.8
Credited for the year in the Consolidated Statement of Changes in Equity (note 7)	-	-	-	-	0.2	0.2
At 31 December 2014	**(8.5)**	**(6.6)**	**0.9**	**4.7**	**1.9**	**(7.6)**
Exchange adjustments	**(0.1)**	**(0.1)**	**-**	**(0.1)**	**0.1**	**(0.2)**
Acquisitions of subsidiaries	**(1.5)**	**-**	**-**	**-**	**-**	**(1.5)**
Credited/(charged) for the year in the Consolidated Income Statement (note 7)	**3.1**	**0.6**	**0.3**	**(0.2)**	**(1.2)**	**2.6**
Charged for the year in the Consolidated Statement of Comprehensive Income (note 7)	**-**	**-**	**-**	**(1.2)**	**(0.1)**	**(1.3)**
Credited for the year in the Consolidated Statement of Changes in Equity (note 7)	**-**	**-**	**-**	**-**	**0.1**	**0.1**
At 31 December 2015	**(7.0)**	**(6.1)**	**1.2**	**3.2**	**0.8**	**(7.9)**

	2015 £m	2014 £m
Deferred tax assets	**1.0**	2.5
Deferred tax liabilities	**(8.9)**	(10.1)
Deferred tax liability	**(7.9)**	(7.6)

No deferred tax asset has been recognised in respect of tax losses of £14.6m (2014: £16.4m) as their future use is uncertain. There is no time limit on the carrying forward of these losses.

The reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015. The deferred tax balance in respect of UK entities has therefore been calculated at 18% (2014: 20%) on the basis that it will materially reverse after 1 April 2020.

14. Inventories

	2015 £m	2014 £m
Raw materials and consumables	**32.3**	32.4
Work in progress	**5.6**	6.6
Finished goods and goods for resale	**19.8**	18.9
	57.7	57.9

The amount of inventories expensed to the Consolidated Income Statement in the year was £264.8m (2014: £250.1m). The value of inventories written down and expensed in the Consolidated Income Statement during the year amounted to £nil (2014: £nil). The amount of inventories held at fair value less cost to sell included in the above was £nil (2014: £nil).

15. Trade and other receivables

	2015 £m	2014 £m
Trade and other current receivables		
Trade receivables	**91.1**	85.3
Prepayments and accrued income	**6.5**	5.6
Other receivables	**1.2**	1.7
Fair value derivatives	**-**	0.1
	98.8	92.7

The charge to the Consolidated Income Statement in the year in respect of impairment of trade receivables was £0.2m (2014: £0.8m).

16. Cash and borrowings

	2015 £m	2014 £m
Cash and cash equivalents in the Consolidated Statement of Financial Position		
Cash and bank balances	**12.9**	6.7
Call deposits	**-**	-
Cash	**12.9**	6.7
Interest bearing loans and borrowings		
Amounts due within one year (note 17)	**(0.3)**	(1.1)
Amounts due after more than one year (note 18)	**(104.1)**	(101.6)
Net debt	**(91.5)**	(96.0)
Change in net debt		
Operating profit	**37.3**	41.1
Non-cash items	**34.6**	23.2
Operating cash flow before movement in working capital	**71.9**	64.3
Net movement in working capital	**(2.5)**	(5.1)
Changes in provisions and employee benefits	**(3.3)**	(5.5)
Operating cash flow	**66.1**	53.7
Tax paid	**(12.6)**	(9.3)
Net financing costs paid	**(3.0)**	(3.2)
Capital expenditure	**(16.0)**	(35.9)
Proceeds on disposal of non-current assets	**1.2**	0.7
Free cash flow	**35.7**	6.0
Dividends paid (note 9)	**(14.1)**	(12.4)
Acquisitions (note 10)	**(16.6)**	(0.2)
Disposals (note 3)	**-**	0.5
Amortisation of costs associated with refinancing revolving credit facilities	**(0.4)**	(0.3)
Purchase of shares for employee benefit trust	**(0.9)**	(2.4)
Issue of new shares (note 21)	**1.2**	0.3
Net debt decrease/(increase)	**4.9**	(8.5)
Effect of exchange rate fluctuations	**(0.4)**	(0.3)
Net debt at the beginning of the year	**(96.0)**	(87.2)
Net debt at the end of the year	**(91.5)**	(96.0)

Notes to the Consolidated Financial Statements (continued)

17. Current liabilities

	2015 £m	2014 £m
Interest bearing loans and borrowings		
Current portion of long term borrowings	0.3	1.0
Finance lease and hire purchase obligations	-	0.1
	0.3	1.1
Trade and other current liabilities		
Trade payables	48.6	49.4
Other taxation and social security	9.6	8.9
Accrued expenses and deferred income	22.8	23.8
Fair value derivatives	0.4	0.4
Other payables	6.4	5.2
	87.8	87.7

18. Non-current liabilities

	2015 £m	2014 £m
Interest bearing loans and borrowings		
Long term borrowings	104.1	101.6
Finance lease and hire purchase obligations	-	-
	104.1	101.6
Other non-current liabilities		
Deferred government grants	0.2	0.2

In accordance with IAS39, the costs of £1.5m associated with the amendments to the Group's principal banking facilities in 2014 were deducted from the carrying value of the loans and are amortised over the life of the facility.

Finance leases and hire purchase obligations and the effective interest rates for the period they mature as at the year end date are detailed below:

	2015			2014		
	Effective interest rate %	Minimum lease payment £m	Principal £m	Effective interest rate %	Minimum lease payment £m	Principal £m
Finance leases and hire purchase obligations						
Amounts due within one year	-	-	-	5.00	0.1	0.1
Amounts due after more than one year:						
Between one and two years	-	-	-	5.00	0.1	-
		-			0.1	-
		-	-		0.2	0.1
Principal liability		-			0.1	
Finance charges payable on outstanding commitments		-			0.1	

The unsecured bank borrowings carry a rate of interest of 1.3% above LIBOR/EURIBOR/US LIBOR subject to a ratchet as defined in the facility agreement. In the USA, borrowings that are not fixed are at US LIBOR +1.5% and are secured against substantially all of the assets of V&S LLC and its subsidiaries. Obligations under finance leases and hire purchase obligations are secured on the relevant assets.

19. Provisions for liabilities and charges

	Property related £m	Other regulatory £m	Total £m
At 1 January 2014	5.6	0.7	6.3
Utilised during the year	(2.2)	(0.1)	(2.3)
Released during the year	(0.7)	(0.2)	(0.9)
Charged to Consolidated Income Statement	0.7	0.4	1.1
At 31 December 2014	**3.4**	**0.8**	**4.2**
Utilised during the year	**(0.2)**	**(0.5)**	**(0.7)**
Released during the year	**(0.6)**	**-**	**(0.6)**
At 31 December 2015	**2.6**	**0.3**	**2.9**

	2015 £m	2014 £m
Amounts due within one year	**0.2**	1.4
Amounts due after more than one year	**2.7**	2.8
	2.9	4.2

Provisions utilised during the year of £0.7m (2014: £2.3m) reflect cash spend associated with the closure of one of the Group's manufacturing plants late in 2014. Provisions released of £0.6m (2014: £0.9m) reflect the amounts previously provided in respect of this closure that are no longer expected to be required, following a favourable settlement during the year of the exposures identified. The Group has sought expert valuations in relation to its property provisions where appropriate, although there are factors outside of the Group's control that give rise to uncertainties surrounding these matters. The Group does not expect to be reimbursed for any of the future costs.

20. Financial instruments

(a) Management of financial risks

Overview

The Group has exposure to a number of risks associated with its use of financial instruments.

This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. A programme of commercial, operating and third party reviews is in place to assist the Group Audit Committee with its assessment of the effectiveness of risk management and internal control procedures.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from cash and cash equivalents, derivative financial instruments and principally from the Group's receivables from customers. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

It is the Group's policy to insure a substantial part of the Group's trade receivables. Any residual risk is spread across a significant number of customers. As such the impairment losses are not significant. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Board and are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Notes to the Consolidated Financial Statements (continued)

20. Financial instruments continued

The Group's UK companies represent the majority of the trade receivable at 31 December 2015 with 56% (2014: 58%) and currently the only geographical region that does not generally insure trade receivables is North America, which represents 22% (2014: 20%) of the Group's trade receivables. Subsidiaries in North America have a policy of taking out trade references before granting credit limits and selectively insuring where it is deemed necessary by management.

The Group's policy is to not provide financial guarantees. At 31 December 2015 and 2014, no guarantees were outstanding.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

It is the Group's policy to minimise its liquidity risk in terms of limiting the amounts of borrowings maturing within the next 12 months. As at 31 December 2015 all such debt was covered by cash and cash equivalents netting to £12.6m positive current liquidity (2014: £5.6m).

The Group's principal UK revolving credit facility is a multicurrency agreement with a maturity date of April 2019 and a value at 31 December 2015 of £213.1m (2014: £210.9m), based on year end exchange rates. Along with various other on demand lines of credit, including bank overdrafts and finance leases, the Group has access to facilities of £225.6m (2014: £223.5m).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board.

Counterparty risk

A group of relationship banks provides the bulk of the banking services, with pre-approved credit limits set for each institution. Financial derivatives are entered into with these core banks and the underlying credit exposure to these instruments is included when considering the credit exposure to the counterparties. At the end of 2015 credit exposure including cash deposited did not exceed £1.9m with any single institution (2014: £2.0m).

Currency risk

The Group publishes its Consolidated Financial Statements in Sterling, but conducts business in several foreign currencies, including significant operations based in Continental Europe, North America and Asia. This results in foreign currency exchange risk due to exchange rate movements which will affect the Group's transaction costs and the translation of the results and underlying net assets of its foreign operations.

The trading currency of each operation is predominantly in the same denomination, however, the Group uses forward exchange contracts to hedge the majority of exposures that do exist. The Group does not apply hedge accounting to these derivative financial instruments.

The Group has hedged its investment in US and European operations by way of financing the acquisitions through like denominations of its multi-currency banking facility. The Group's investments in other subsidiaries are not hedged because fluctuations on translation of their assets into Sterling are not significant to the Group.

Interest rate risk

The Group adopts interest rate swaps when engaging in long-term specific investments or contracts in order to more reliably assess the financial implications of these procurements. However, the Group currently feels that using fixed interest rates for short-term day-to-day trading is not appropriate.

The UK Parent Company and certain of its UK subsidiaries hold US Dollar and Euro derivative instruments, designed to reduce the Group's exposure to interest rate fluctuations, as shown in the following table. The notional amounts represent approximately 65% (2014: 52%) of the Euro borrowings and 80% (2014: 80%) of the US Dollar borrowings under the Group's principal UK revolving credit facility.

Country	Financial instrument	Maturity date	Rate excluding margin %	**2015 Notional amounts €m**	**2015 Notional amounts $m**
UK	Swap	1 April 2016	1.148	**-**	**10.0**
UK	Swap	1 April 2016	1.130	**-**	**10.0**
UK	Swap	1 April 2016	1.133	**-**	**10.0**
UK	Swap	1 April 2016	1.544	**10.0**	**-**

20. Financial instruments continued

Insurance

The Group purchases insurance for commercial, legal and contractual reasons. The Group retains insurable risk where external insurance is not commercially viable.

Capital management

The Board maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity and the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There are financial covenants associated with the Group's borrowings, which are interest cover and EBITDA to net debt. The Group comfortably complied with these covenants in 2015 and 2014, as set out in the Operational and Financial Review on page 12.

There were no changes in the Group's approach to capital management during the year.

(b) Total financial assets and liabilities

The table below sets out the Group's accounting classification of its financial assets and liabilities and their fair values as at 31 December. 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	**-**	**12.9**	**12.9**	**12.9**
Interest bearing loans due within one year	**-**	**(0.3)**	**(0.3)**	**(0.3)**
Interest bearing loans due after more than one year	**-**	**(104.1)**	**(104.1)**	**(104.1)**
Derivative assets	**-**	**-**	**-**	**-**
Derivative liabilities	**(0.4)**	**-**	**(0.4)**	**(0.4)**
Other assets	**-**	**92.3**	**92.3**	**92.3**
Other liabilities	**-**	**(77.8)**	**(77.8)**	**(77.8)**
Total at 31 December 2015	**(0.4)**	**(77.0)**	**(77.4)**	**(77.4)**
Cash and cash equivalents	-	6.7	6.7	6.7
Interest bearing loans due within one year	-	(1.1)	(1.1)	(1.1)
Interest bearing loans due after more than one year	-	(101.6)	(101.6)	(101.6)
Derivative assets	0.1	-	0.1	0.1
Derivative liabilities	(0.4)	-	(0.4)	(0.4)
Other assets	-	87.3	87.3	87.3
Other liabilities	-	(78.4)	(78.4)	(78.4)
Total at 31 December 2014	(0.3)	(87.1)	(87.4)	(87.4)

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	**-**	**-**	**-**	**-**
Derivative financial liabilities	**-**	**(0.4)**	**-**	**(0.4)**
Total at 31 December 2015	**-**	**(0.4)**	**-**	**(0.4)**
Derivative financial assets	-	0.1	-	0.1
Derivative financial liabilities	-	(0.4)	-	(0.4)
Total at 31 December 2014	-	(0.3)	-	(0.3)

Notes to the Consolidated Financial Statements (continued)

20. Financial instruments continued
At 31 December 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 year.

The Group's financial assets, excluding short term receivables, consist mainly of cash and call deposit accounts.

Where cash surpluses arise in the short term, interest is earned based on a floating rate related to bank base rate or LIBOR/EURIBOR. Where the Group's funding requirements allow longer term investment of surplus cash, management will review available options to obtain the best possible return whilst maintaining an appropriate degree of access to the funds.

The Group's financial liabilities, excluding short term creditors, are set out below. Fixed rate financial liabilities comprise Sterling, Euro and US Dollar denominated finance leases and hire purchase agreements and bank loans. Floating rate financial liabilities comprise Sterling, Euro and US Dollar bank loans and overdrafts, and Sterling finance leases and hire purchase agreements. The floating rate financial liabilities bear interest at rates related to bank base rates or LIBOR/EURIBOR.

Each subsidiary has financial assets and liabilities which are predominantly in the same denomination as that subsidiary's functional currency. Excluding the UK Parent Company, the financial assets and liabilities not denominated in the functional currency of these entities are insignificant to the Group.

The UK Parent Company and certain of its UK subsidiaries hold Euro £11.4m (2014: £15.2m) and US Dollar £25.5m (2014: £24.2m) denominated interest bearing loans, which are predominantly used to fund the Group's European and United States operations and include £36.9m (2014: £39.4m) designated as a hedge of the net investment in a foreign operation. The foreign currency loss of £0.4m (2014: loss of £0.1m) for the effective portion was recognised directly in equity netted against exchange differences on translation of foreign operations. Any ineffective portion recognised in the Consolidated Income Statement is insignificant.

Fixed rate financial liabilities

	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Sterling at 31 December 2015	**5.5**	**1.2**
US Dollar at 31 December 2015	**1.1**	**0.3**
Euro at 31 December 2015	**1.5**	**0.3**
Sterling at 31 December 2014	5.7	1.8
US Dollar at 31 December 2014	1.2	1.2
Euro at 31 December 2014	1.5	1.3

(c) Maturity profile
The table below sets out the contractual cash flows associated with the Group's financial liabilities, including estimated interest payments, analysed by maturity:

	Carrying amounts £m	Contractual cash flows £m	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due after more than five years £m
Secured bank borrowings	**2.3**	**(2.3)**	**(0.3)**	**(0.2)**	**(0.9)**	**(0.9)**
Unsecured bank borrowings	**102.1**	**(108.4)**	**(1.7)**	**(1.7)**	**(105.0)**	**-**
Finance lease obligations	**-**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**77.8**	**(77.8)**	**(77.8)**	**-**	**-**	**-**
Derivative liabilities	**0.4**	**(0.4)**	**(0.4)**	**-**	**-**	**-**
Total at 31 December 2015	**182.6**	**(188.9)**	**(80.2)**	**(1.9)**	**(105.9)**	**(0.9)**
Secured bank borrowings	3.2	(3.2)	(1.0)	(0.2)	(0.8)	(1.2)
Unsecured bank borrowings	99.4	(108.5)	(1.9)	(1.9)	(104.7)	-
Finance lease obligations	0.1	(0.1)	(0.1)	-	-	-
Other liabilities	78.4	(78.4)	(78.4)	-	-	-
Derivative liabilities	0.4	(0.4)	(0.4)	-	-	-
Total at 31 December 2014	181.5	(190.6)	(81.8)	(2.1)	(105.5)	(1.2)

20. Financial instruments continued

(c) Maturity profile

The Group had the following undrawn committed facilities at 31 December, in respect of which all conditions precedent had been met:

	2015 £m	2014 £m
Undrawn committed borrowing facilities		
Expiring after more than one year	**110.2**	110.4

(d) Fair values

The gain in the year on the interest rate swaps held by the UK Group was £0.3m (2014: gain of £0.3m) which is recognised in the Statement of Comprehensive Income as these instruments are accounted for as cash flow hedges. Any ineffective portion of these hedges is taken to the Consolidated Income Statement and was insignificant. The fair value of forward currency exchange contracts realised in the Consolidated Income Statement as part of fair value derivatives amounted to £nil (2014: nil). The fair values of the Group's other financial instruments at 31 December 2015 and 2014 were not materially different to their carrying value. Fair values were calculated using market rates where available, otherwise cash flows were discounted at prevailing rates.

Impairment charges of £15.7m (2014: £1.4m) were recognised in respect of the carrying values of non-current assets, as detailed in notes 10 and 11.

(e) Credit risk

Exposure to credit risk

The exposure to credit risk is substantially mitigated by the credit insurance employed by the Group. In the absence of this insurance the maximum credit exposure on the carrying value of financial assets at the reporting date was:

Carrying amount

	2015 £m	2014 £m
Loans and receivables	**92.3**	87.3
Cash at the end of the year	**12.9**	6.7
Total	**105.2**	94.0

At the reporting date the maximum exposure to credit risk for trade receivables, ignoring credit insurance was:

Carrying value of trade receivables by geography

	2015 £m	2014 £m
UK	**51.4**	49.2
Rest of Europe	**12.8**	14.9
North America	**20.1**	16.8
Rest of World	**6.8**	4.4
Total	**91.1**	85.3

Carrying value of trade receivables by business segment

	2015 £m	2014 £m
Infrastructure Products - Utilities	**38.3**	35.9
Infrastructure Products - Roads	**26.2**	25.8
Infrastructure Products - Total	**64.5**	61.7
Galvanizing Services	**26.6**	23.6
Total	**91.1**	85.3

Notes to the Consolidated Financial Statements (continued)

20. Financial instruments continued

Impairment losses

The Group maintains a substantial level of credit insurance covering the majority of its trade receivables which mitigates against possible impairment losses, therefore such impairment losses are not significant.

The ageing of trade receivables at the reporting date was:

	2015			2014		
	Gross £m	**Provisions £m**	**Net £m**	Gross £m	Provisions £m	Net £m
Not past due	**61.3**	**(0.2)**	**61.1**	62.0	(0.1)	61.9
Past due 1–30 days	**19.0**	**-**	**19.0**	14.5	(0.1)	14.4
Past due 31–120 days	**8.5**	**(0.4)**	**8.1**	5.8	(0.4)	5.4
Past due more than 120 days	**5.1**	**(2.2)**	**2.9**	6.0	(2.4)	3.6
Total	**93.9**	**(2.8)**	**91.1**	88.3	(3.0)	85.3

The movements in provisions for impairment of trade receivables are as follows:

	£m
At 1 January 2014	2.6
Exchange adjustments	-
Charged to the Consolidated Income Statement during the year	0.8
Utilised during the year	(0.4)
At 31 December 2014	**3.0**
Exchange adjustments	**-**
Charged to the Consolidated Income Statement during the year	**(0.2)**
Utilised during the year	**-**
At 31 December 2015	**2.8**

(f) Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates may have an impact on consolidated earnings. At the end of the reporting periods, the effects of hypothetical changes in interest and currency rates are as follows:

- Based on average month end net debt balances that are not subject to an interest rate swap, if interest rates had varied throughout the year by 1% the positive or negative variation on the year's result would have been £0.9m (2014: £0.8m), which would directly impact on the Consolidated Income Statement.
- Based on a 10% weakening in Sterling against all currencies throughout the year, the impact on the Consolidated Income Statement would have been a gain of £2.7m (2014: £2.4m) and the impact on equity would have been a gain of £17.9m (2014: £18.4m).
- Based on a 10% strengthening in Sterling against all currencies throughout the year, the impact on the Consolidated Income Statement would have been a loss of £2.2m (2014: £2.0m) and the impact on equity would have been a loss of £14.6m (2014: £15.0m).

21. Called up share capital

	2015 £m	2014 £m
Allotted, called up and fully paid		
78.2m ordinary shares of 25p each (2014: 77.9m)	**19.6**	19.5

In 2015 the Company issued 0.3m shares under its various share option schemes (2014: 0.2m), realising £1.2m (2014: £0.3m).

Options outstanding over the Company's shares

	2015 Number of shares	2015 Option price (p)	2014 Number of shares	2014 Option price (p)	Date first exercisable	Expiry date
2014 LTIP Award (granted March 2015)*	**153,290**	**-**	-	-	§	§
2014 LTIP Award (granted May 2014)*¥	**186,121**	**-**	186,121	-	§	§
2007 LTIP Award (granted March 2013)*	**160,148**	**-**	160,148	-	§	§
2007 LTIP Award (granted March 2012)*	**-**	**-**	263,721	-	§	§
2007 grant of 2005 Approved Executive Share Option Scheme (granted April 2007)*	**34,292**	**350**	44,706	350	13 April 2010	13 April 2017
2007 grant of 2005 Unapproved Executive Share Option Scheme (granted April 2007)*	**7,708**	**350**	62,148	350	13 April 2010	13 April 2017
2012 grant of 2005 Approved Executive Share Option Scheme (granted April 2012)*	**8,072**	**316**	97,370	316	19 April 2015	19 April 2022
2012 grant of 2005 Unapproved Executive Share Option Scheme (granted April 2012)*	**10,514**	**316**	157,630	316	19 April 2015	19 April 2022
2015 grant of 2014 Approved Executive Share Option Scheme (granted August 2015)*	**144,507**	**685**	-	-	12 August 2018	12 August 2025
2015 grant of 2014 Unapproved Executive Share Option Scheme (granted August 2015)*	**265,493**	**685**	-	-	12 August 2018	12 August 2025
2010 grant of 2005 Savings Related Share Option Scheme (granted January 2011)*†	**281,902**	**238**	353,373	238	1 January 2016	1 July 2016
2013 grant of 2005 Savings Related Share Option Scheme (granted April 2013)*†	**237,284**	**355**	309,953	355	1 June 2018	1 December 2018
2014 grant of 2014 Savings Related Share Option Scheme (granted July 2014)*†	**136,950**	**429**	173,296	429	1 August 2017	1 February 2018
2014 grant of 2014 Savings Related Share Option Scheme (granted July 2014)*†	**132,065**	**429**	160,447	429	1 August 2019	1 February 2020
2015 grant of 2014 Savings Related Share Option Scheme (granted October 2015)*†	**173,111**	**560**	-	-	1 January 2019	1 July 2019
2015 grant of 2014 Savings Related Share Option Scheme (granted October 2015)*†	**148,141**	**560**	-	-	1 January 2021	1 July 2021
Outstanding at the end of the year	**2,079,598**		1,968,913			
Exercisable at the year end	**60,586**		106,854			
Not exercisable at the year end	**2,019,012**		1,862,059			
Outstanding at the end of the year	**2,079,598**		1,968,913			

* Subject to share-based payments under IFRS2 (see below).

† Options may be exercised early under the terms of this scheme if employees meet the criteria of 'good leaver', which encompasses circumstances such as retirement or redundancy.

§ Awards lapse on the earlier of the award holder ceasing their employment or the applicable performance conditions not being met. The earliest possible date for award is 1 January 2016 for the 2013 grant, 1 January 2017 for the 2014 grant and 1 January 2018 for the 2015 grant.

¥ The 2014 LTIP award includes 16,113 shares under the Group's 2014 Executive Share Option Scheme that may be awarded to participants in the Long-Term Incentive Plan.

The remaining weighted average life of the outstanding share options is 3 years 7 months (2014: 2 years 10 months).

Notes to the Consolidated Financial Statements (continued)

21. Called up share capital continued

The movement and weighted average exercise prices of share options during the year are as follows:

	Weighted average exercise price (p) 2015	Millions of options 2015	Weighted average exercise price (p) 2014	Millions of options 2014
Outstanding at the beginning of the year	**232**	**2.0**	198	2.0
Granted during the year	**521**	**0.8**	287	0.6
Exercised during the year	**(191)**	**(0.6)**	(115)	(0.2)
Lapsed during the year	**(314)**	**(0.1)**	(210)	(0.4)
Outstanding at the end of the year	**360**	**2.1**	232	2.0

The weighted average share price on the dates of exercise during the year for the above share options was 677p (2014: 543p), and the weighted average fair value of options and awards granted in the year was 184p (2014: 199p). The weighted average exercise price of outstanding options exercisable at the year end was 340p.

Share-based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of the services received is measured based on the Black–Scholes model where vesting is based on non-market conditions, or a Monte Carlo Simulation where vesting is based on market conditions. The contractual life is the life of the option in question and the growth in dividend yield is based on the best current estimate of future yields over the contractual period.

	2015 grant of 2014 LTIP Award	2014 grant of 2014 LTIP Award	2013 grant of 2007 LTIP Award	October 2015 grant of 2014 Savings Related Option Scheme	July 2014 grant of 2014 Savings Related Share Option Scheme	April 2013 grant of 2005 Savings Related Share Option Scheme	January 2011 grant of 2005 Savings Related Share Option Scheme	2015 grant of 2014 Share Option Schemes	2012 grant of 2005 Share Option Schemes	2007 grant of 2005 Share Option Schemes
Fair value at measurement date (p)	671/434	556/260	443/248	123/159	93/98	83	44	80	41	59
Share price at grant date (p)	671	556	443	691	512	429	290	700	316	351
Exercise price (p)	0	0	0	560	429	355	238	685	316	350
Expected volatility (%)	20	23	29	18/24	22/21	26	21	20	28	22
Option life (years)	3	3	3	3/5	3/5	5	5	3	3	3
Dividend yield (%)	0.0	0	0.0	2.6	3.1	3.5	4.4	2.6	4.2	3.7
Risk free interest rate (%)	0.9	1.1	0.3	0.8/1.2	1.2/2.0	0.7	1.6	1.0	0.6	5.1

The expected volatility is wholly based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options have been granted to qualifying employees in line with either HM Revenue & Customs approved or non-approved schemes, as indicated above. Other than the LTIP, the strike price for the option is made based on the market values of shares at the date the option is offered.

The total expense recognised for the period arising from share-based payments is as follows:

	2015 £m	2014 £m
Equity-settled	**0.9**	0.9
Cash-settled	**0.3**	0.3
Total expensed during the year	**1.2**	1.2

22. Guarantees and other financial commitments

(a) Guarantees

The Group had no financial guarantee contracts outstanding (2014: £nil).

(b) Capital commitments

	2015 £m	2014 £m
Contracted for but not provided in the accounts	**1.0**	1.5

22. Guarantees and other financial commitments continued

(c) Operating lease commitments

The total future minimum commitments payable under non-cancellable operating leases are analysed as follows:

	2015		2014	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Group				
Within one year	**3.6**	**1.8**	3.8	2.2
Between one and two years	**3.4**	**1.4**	3.6	1.8
Between two and five years	**9.1**	**2.3**	8.9	2.4
After five years	**6.3**	**0.2**	8.7	0.1
	22.4	**5.7**	25.0	6.5

The Group leases properties, plant, machinery and vehicles for operational purposes. Property leases vary considerably in length up to a maximum period of 99 years. Plant, machinery and vehicle leases typically run for periods of up to 5 years.

The total future minimum commitments receivable under non-cancellable operating leases are analysed as follows:

	2015		2014	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Group				
Within one year	**0.4**	**10.6**	0.4	12.8
Between one and five years	**1.1**	**5.0**	0.9	5.0
After five years	**0.1**	**-**	0.3	-
	1.6	**15.6**	1.6	17.8

23. Pensions

Total

The total Group retirement benefit assets and obligations are detailed below:

	UK £m	**Overseas £m**	**2015 £m**	UK £m	Overseas £m	2014 £m
Total fair value of scheme assets	**69.0**	**2.6**	**71.6**	68.6	2.7	71.3
Present value of scheme funded obligations	**(80.1)**	**(6.0)**	**(86.1)**	(86.3)	(5.9)	(92.2)
Present value of scheme unfunded obligations	**-**	**(0.1)**	**(0.1)**	-	(0.2)	(0.2)
Retirement benefit obligation	**(11.1)**	**(3.5)**	**(14.6)**	(17.7)	(3.4)	(21.1)

United Kingdom

The Group operates two main pension schemes in the UK. The Hill & Smith Executive Pension Scheme provides benefits on a defined benefit basis, while the other larger Hill & Smith Pension Scheme provides benefits that are on a defined contribution basis. This second scheme also contains some defined benefit liabilities. Both schemes are closed to future accrual. The assets of both schemes are administered by Trustees and are kept entirely separate from those of the Group. Independent actuarial valuations are carried out every three years. Contribution rates are determined on the basis of advice from an independent professionally qualified actuary, with the objective of providing the funds required to meet pension obligations as they fall due. There are also separate personal pension plans.

The Consolidated Income Statement for the year includes a pension charge within operating profit of £2.1m (2014: £1.6m), which includes the costs of the defined contribution scheme and the defined benefit scheme.

All actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements (continued)

23. Pensions continued

Composition of the scheme

The Group operates defined benefit schemes in the UK. A full actuarial valuation of the schemes was last carried out as at 5 April 2015 and was updated to 31 December 2015 by a qualified actuary.

The principal assumptions used by the actuary

	2015	2014	2013	2012	2011
Rate of increase in salaries	**n/a**	n/a	n/a	n/a	2.00%
Rate of increase in pensions payment	**3.00%**	2.90%	3.20%	2.60%	2.90%
Discount rate	**3.80%**	3.50%	4.30%	4.20%	4.90%
Inflation - RPI	**3.10%**	3.0%	3.40%	2.70%	3.00%
Inflation - CPI	**2.10%**	2.0%	2.40%	1.95%	2.00%
Mortality table	**116%120%**	116%120%	116%120%	116%120%	116%120%
	S1PACM12015 1%*	S1PACM12014 1%*	S1PACMI2013 1%*	S1PACMI2011 1%*	S1PAmc1%

* With the addition of the short cohort for the Hill & Smith Executive Pension Scheme, approximately 1.4 years is added to the life expectancies shown below:

The mortality assumptions imply the following expected future lifetimes from age 65:

	2015	2014	2013	2012	2011
Males currently aged 45	**21.7 years**	21.9 years	21.7 years	21.8 years	21.6 years
Females currently aged 45	**23.9 years**	24.4 years	24.1 years	24.3 years	24.2 years
Males currently aged 65	**20.7 years**	20.9 years	20.7 years	20.8 years	20.0 years
Females currently aged 65	**22.7 years**	23.1 years	22.9 years	23.0 years	22.7 years

The assumptions have been chosen by the Directors from a range of possible actuarial assumptions which, due to the timescales covered, may not be borne out in practice.

Assets and liabilities

One scheme holds assets and liabilities in respect of defined contribution benefits which are equal in value and are excluded from the following figures. The fair values of scheme assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the value of the scheme liabilities, which is derived from cash flow projections over long periods and which is therefore inherently uncertain, are as follows:

	Market value 2015 £m	Market value 2014 £m	Market value 2013 £m	Market value 2012 £m	Market value 2011 £m
Assets					
Equities	**27.0**	23.1	21.7	21.7	16.2
Bonds	**39.9**	37.5	33.3	33.0	29.5
With profits policies	**1.2**	1.1	1.0	1.4	2.5
Hedge funds	**-**	-	-	5.5	5.4
Currency funds	**-**	-	-	-	0.9
Cash	**0.9**	6.9	7.1	0.4	0.4
Total fair value of scheme assets	**69.0**	68.6	63.1	62.0	54.9
Present value of scheme funded obligations	**(80.1)**	(86.3)	(80.7)	(75.8)	(69.2)
Retirement benefit obligation	**(11.1)**	(17.7)	(17.6)	(13.8)	(14.3)

23. Pensions continued

Total expense recognised in the Consolidated Income Statement

	2015			2014		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service costs	1.4	-	1.4	1.1	-	1.1
Expenses	0.1	0.6	0.7	0.2	0.3	0.5
Charge to operating profit	1.5	0.6	2.1	1.3	0.3	1.6
Interest on net pension scheme deficit	-	0.6	0.6	-	0.6	0.6
Total charged to profit before tax	1.5	1.2	2.7	1.3	0.9	2.2

Change in the present value of the defined benefit obligations

	2015 £m	2014 £m
Opening defined benefit obligations	86.3	80.7
Interest cost	3.0	3.3
Actuarial loss/(gain) arising from:		
Financial assumptions	(2.6)	6.1
Demographic assumptions	(0.6)	-
Experience adjustment	(2.2)	-
Benefits paid	(3.8)	(3.8)
Closing defined benefit obligations	80.1	86.3

Changes in fair values of scheme assets

	2015 £m	2014 £m
Opening fair value of assets	68.6	63.1
Interest income	2.4	2.7
Return on plan assets excluding interest income	(0.4)	3.1
Employer contributions	2.2	3.5
Benefits paid	(3.8)	(3.8)
Closing fair value of assets	69.0	68.6
Actual return on scheme assets	2.0	5.8
Expected employer contributions in the following year		
Defined benefit schemes	2.8	2.5
Defined contribution schemes	1.2	1.2

Notes to the Consolidated Financial Statements (continued)

23. Pensions continued

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of scheme assets/ liabilities %	**2015 £m**	% of scheme assets/ liabilities %	2014 £m	% of scheme assets/ liabilities %	2013 £m
Return on plan assets excluding interest income	**1**	**(0.4)**	4	3.1	2	(0.6)
Experienced loss on scheme obligations	**3**	**2.2**	0	-	1	(1.0)
Changes in assumptions underlying the present value of scheme obligations	**1**	**3.2**	7	(6.1)	5	(4.2)
Annual amount recognised	**6**	**5.0**	3	(3.0)	8	(5.8)
Total amount recognised		**(29.0)**		(34.0)		(31.0)

	% of scheme assets/ liabilities %	2012 £m	% of scheme assets/ liabilities %	2011 £m
Return on plan assets excluding interest income	11	6.7	8	(4.3)
Experienced gain on scheme obligations	1	(0.5)	-	-
Changes in assumptions underlying the present value of scheme obligations	9	(6.7)	6	(3.9)
Annual amount recognised	1	(0.5)	12	(8.2)
Total amount recognised		(25.2)		(24.7)

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions:

	Balance at 31 December 2015	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+1 year) £m
Value of funded obligations	(80.1)	(81.2)	(80.9)	(83.1)
Fair value of plan assets	69.0	69.0	69.0	69.0
Deficit	(11.1)	(12.2)	(11.9)	(14.1)

The Group has considered the requirements of IFRIC 14 and concluded that there is no impact on the amounts recognised in respect of retirement benefit obligations.

Overseas

In France the Group provides certain long term benefits and operates post employment defined benefit plans which provide lump sum benefits at retirement in accordance with collective labour agreements. Some of those plans are funded with insurance companies.

In the USA Bergen Pipe Supports, Inc. operates a defined benefit pension plan comprising current and deferred pensioners such that no future benefits accrue.

The Group also operates defined contribution plans in a number of other overseas operations. The amount contributed to these plans during the year was £0.6m (2014: £0.7m).

The Consolidated Income Statement for the year includes a pension charge within operating profit of £0.6m (2014: £0.8m), which includes the costs of the defined contribution schemes and the defined benefit schemes.

All actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

Composition of the schemes

The Group operates defined benefit schemes in France and the USA. Actuarial valuations of the schemes were carried out by independent actuaries as at 31 December 2015.

The principal assumptions used by the actuaries

	USA	**2015 France**	USA	2014 France	USA	2013 France	USA	2012 France
Rate of increase in salaries	**0.00%**	**2.00%**	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
Discount rate	**4.60%**	**2.00%**	4.75%	2.50%	5.25%	3.10%	4.50%	4.00%
Inflation	**0.00%**	**2.00%**	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
Mortality table	**2014 SOA**	**TH 00-02, TF 00-02**	94 GAR Proj. 2002	TH 00-02, TF 00-02	94 GAR Proj. 2002	TH 00-02, TF 00-02	94 GAR Proj. 2002	TH 00-02, TF 00-02

23. Pensions continued

Assets and liabilities

The fair values of scheme assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the value of the scheme liabilities, which is derived from cash flow projections over long periods and which is therefore inherently uncertain, are as follows:

	Market value 2015 £m	Market value 2014 £m	Market value 2013 £m	Market value 2012 £m	Market value 2011 £m
Assets					
Cash and other insured fixed interest assets	**2.6**	2.7	2.6	2.5	2.6
Total fair value of scheme assets	**2.6**	2.7	2.6	2.5	2.6
Present value of scheme funded obligations	**(6.0)**	(5.9)	(5.1)	(4.9)	(4.6)
Present value of scheme unfunded obligations	**(0.1)**	(0.2)	(0.1)	(0.1)	(0.1)
Retirement benefit obligation	**(3.5)**	(3.4)	(2.6)	(2.5)	(2.1)

Cash and other insured fixed interest assets – where assets are held in cash or a policy with a fixed interest asset allocation, the expected long term rate of return is taken to be the yields generally prevailing on such assets as at the year end date.

Total expense recognised in the Consolidated Income Statement

	2015			2014		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service cost	**0.6**	**-**	**0.6**	0.7	0.1	0.8
Charge to operating profit	**0.6**	**-**	**0.6**	0.7	0.1	0.8
Interest on net pension scheme deficit	**-**	**0.1**	**0.1**	-	0.1	0.1
Total charged to profit before tax	**0.6**	**0.1**	**0.7**	0.7	0.2	0.9

Change in the present value of the defined benefit obligation

	2015 £m	2014 £m
Opening defined benefit obligation	**6.1**	5.2
Current service costs	**-**	0.1
Interest cost on scheme obligations	**0.1**	0.2
Actuarial losses arising from:		
Financial assumptions	**-**	0.6
Experience adjustments	**-**	-
Benefits paid	**(0.1)**	(0.1)
Exchange adjustments	**-**	0.1
Closing defined benefit obligation	**6.1**	6.1

Changes in fair values of scheme assets

	2015 £m	2014 £m
Opening fair value of assets	**2.7**	2.6
Return on plan assets excluding interest income	**-**	-
Interest on plan assets	**-**	0.1
Benefits paid	**(0.1)**	(0.1)
Exchange adjustments	**-**	0.1
Closing fair value of assets	**2.6**	2.7
Actual return on scheme assets	**-**	0.1
Expected employer contributions in the following year		
Defined benefit schemes	**-**	-
Defined contribution schemes	**0.6**	0.8

Notes to the Consolidated Financial Statements (continued)

23. Pensions continued

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of scheme assets/ liabilities %	2015 £m	% of scheme assets/ liabilities %	2014 £m	% of scheme assets/ liabilities %	2013 £m
Experienced loss on scheme obligations	**4**	**0.2**	0	-	0	-
Return on plan assets excluding interest income	**0**	**-**	0	-	7	0.2
Changes in assumptions underlying the present value of scheme obligations	**4**	**(0.2)**	(10)	(0.6)	(4)	(0.2)
Exchange rate adjustment on assets and liabilities	**0**	**-**	0	-	n/a	-
Amount recognised in the period		**-**		(0.6)		-
Total amount recognised		**(1.6)**		(1.6)		(1.0)

	% of scheme assets/ liabilities %	2012 £m	% of scheme assets/ liabilities %	2011 £m
Experienced loss on scheme obligations	2	0.1	-	-
Return on plan assets excluding interest income	4	0.1	-	-
Changes in assumptions underlying the present value of scheme obligations	(12)	(0.6)	(4)	(0.2)
Exchange rate adjustment on assets and liabilities	n/a	-	n/a	-
Amount recognised in the period		(0.4)		(0.2)
Total amount recognised		(1.0)		(0.6)

The Group considers that any reasonable sensitivities applied to the overseas scheme assumptions would not have a material impact on the Consolidated Statement of Financial Position.

24. Accounting estimates, assumptions and judgements

The principal accounting estimates, assumptions and judgements employed in the preparation of these Consolidated Group Financial Statements which could affect the carrying amounts of assets and liabilities at the year end date are as follows:

Actuarial assumptions on pension obligations

In determining the valuation of the defined benefit pension deficit, certain assumptions about the scheme have been made, notably the expected return on assets, inflation, discount rates, mortality and pension increases. The factors affecting these assumptions are largely outside the Group's control (note 23).

Impairment of goodwill

The determination of whether goodwill and other indefinite life intangible assets should be impaired requires the estimation of future cash flows and growth factors adopted by each cash generating unit. Furthermore, discount rates applied to these cash flows are determined by reference to the markets in which they operate and are risk adjusted to reflect risks and opportunities existing for each cash generating unit. These factors are all affected by prevailing market and economic factors outside the Group's control. Further information on this issue is included in note 10.

Share-based payments

In valuing the share-based payments charged in the Group's accounts, the Company has used the Black–Scholes calculation model where vesting is based on non-market conditions or a Monte Carlo simulation where vesting is based on market conditions. Both models make various assumptions about factors outside the Group's control, such as share price volatility and risk free interest rates. Details of the options and assumptions used in deriving the share-based payments are disclosed in note 21.

Environmental and dilapidation provisions

Estimated environmental and dilapidation costs have been derived on the basis of the most recent assessments of the likely cost. Certain factors concerning these costs are outside the Group's control. In making this assessment the Group has sought the aid of independent experts where appropriate. Further information is included in note 19.

Taxation

The assessments made in respect of uncertain tax positions relating to the outcome of negotiations with and enquiries from tax authorities are made following discussion with the Group's tax advisers, taking into account past experience.

Deferred taxation has been estimated using the best information available, including seeking the opinion of independent experts where applicable (note 13).

Valuation of intangible assets
Where an acquisition is of a significant size, it is reviewed by independent experts to assess the specific intangibles arising from the acquisition. Brands and customer lists have been identified as part of this process and are disclosed in note 10. The reasons for the residual excess of consideration over net asset value are then identified to identify the reasons for goodwill arising, which in the case of recent acquisitions, has resulted mainly from assembled workforce, technical expertise, know-how, market share and geographical advantages.

Brands have been valued based on estimated royalty rates discounted over their useful lives, which is normally 20 years, but considered indefinite for the US Voigt & Schweitzer brand which has been successfully trading for over 50 years. Customer relationships have been valued based on discounted forecast turnover rates and have been deemed to have useful economic lives of between five and ten years based upon the average expected length of relationships with customers.

Construction contracts
In determining the revenue and costs to be recognised each year for work done on construction contracts, estimates are made in relation to final out-turn on each contract. On major construction contracts, it is assessed, based on past experience, that their outcome cannot be estimated reliably during the early stages of the contract, but that costs incurred will be recoverable. Once the outcome can be estimated reliably the estimates of final out-turn on each contract may include cost contingencies to take account of the specific risks within each contract that have been identified during the early stages of the contract. Management continually reviews the estimated final out-turn on contracts and makes adjustments where necessary.

25. Related party transactions
The key management are considered to be the Board of Directors of Hill & Smith Holdings PLC, whose remuneration can be seen in the Directors' Remuneration Report on pages 66 to 80. The compensation in total for each category required by IAS24 is as follows:

	2015 £m	2014 £m
Salaries and short term employee benefits	**1.6**	1.6
Non-executive Directors' fees	**0.3**	0.2
Pension costs	**0.2**	0.2
Share-based payments	**0.7**	0.7
	2.8	2.7

26. Post balance sheet events
On 20 January 2016, the Group acquired E.T. Techtonics, Inc. ('ETT'), a US based designer of composite bridge products, for a consideration of £1.2m. ETT will be integrated into Creative Pultrusions, Inc. our existing US composite products business.

On 9 March 2016, following a strategic review of its non-US Pipe Supports business the Group announced its plan to engage in a consultation process regarding the closure of, and its exit from, its manufacturing sites in the UK and Thailand and also its sales office in China. To the extent possible, work will be transferred to the Group's Indian manufacturing facility, which will become the centre of excellence for the manufacture of pipe support products. Following completion of the restructuring, it is expected that the Group will seek a buyer for the Indian business.
A non-underlying restructuring charge of approximately £10m will be reported in the 2016 results.

Company Balance Sheet

Year ended 31 December 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Tangible assets	3	**0.1**	0.1
Investments	4	**362.3**	312.5
		362.4	312.6
Current assets			
Debtors	5	**52.7**	35.6
		52.7	35.6
Creditors: amounts falling due within one year			
Bank loans and overdrafts	6, 7	**(2.9)**	(7.4)
Other creditors	6	**(95.1)**	(110.7)
		(98.0)	(118.1)
Net current liabilities		**(45.3)**	(82.5)
Total assets less current liabilities		**317.1**	230.1
Creditors: amounts falling due after more than one year	7	**(54.2)**	(64.1)
Provisions for liabilities			
Pension liabilities	9	**(0.2)**	(0.4)
Net assets		**262.7**	165.6
Share capital and reserves			
Called up share capital	10	**19.6**	19.5
Share premium		**32.8**	31.7
Capital redemption reserve		**0.2**	0.2
Profit and loss account		**210.1**	114.2
Equity shareholders' funds		**262.7**	165.6

Approved by the Board of Directors on 9 March 2016 and signed on its behalf by:

D W Muir
Director

M Pegler
Director

Company Statement of Changes in Equity

Year ended 31 December 2015

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2014	19.4	31.5	0.2	108.7	159.8
Effect of change in accounting policy	-	-	-	(0.3)	(0.3)
Balance at 1 January 2014	19.4	31.5	0.2	108.4	159.5
Comprehensive income					
Profit for the year	-	-	-	19.7	19.7
Other comprehensive income for the year	-	-	-	-	-
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 plans	-	-	-	(1.0)	(1.0)
Own shares acquired by employee benefit trust	-	-	-	(1.4)	(1.4)
Issue of shares	0.1	0.2	-	-	0.3
At 31 December 2014	**19.5**	**31.7**	**0.2**	**114.2**	**165.6**
Comprehensive income					
Profit for the year	**-**	**-**	**-**	**110.0**	**110.0**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**
Transactions with owners recognised directly in equity					
Dividends	**-**	**-**	**-**	**(14.1)**	**(14.1)**
Credit to equity of share-based payments	**-**	**-**	**-**	**0.9**	**0.9**
Satisfaction of long term incentive payments	**-**	**-**	**-**	**(1.8)**	**(1.8)**
Own shares held by employee benefit trust	**-**	**-**	**-**	**0.9**	**0.9**
Shares issued	**0.1**	**1.1**	**-**	**-**	**1.2**
At 31 December 2015	**19.6**	**32.8**	**0.2**	**210.1**	**262.7**

Details of share options and related share-based payments are contained in note 21 to the Group Financial Statements.

Transactions of the Group sponsored Employee Benefit Trust ('EBT') are included in the Company Financial Statements. In particular, the EBT's purchase of shares in the Company to satisfy shares awarded under the Long-Term Incentive Plan is debited directly to equity.

Company Statement of Cash Flows

	Notes	2015 £m	2015 £m	2014 £m	2014 £m
Loss before tax			**(9.2)**		(8.3)
Add back net financing costs			**3.0**		3.5
Operating loss			**(6.2)**		(4.8)
Adjusted for non-cash items:					
Share-based payments		**0.7**		1.0	
Depreciation		**-**		0.1	
Impairment of non-current assets	4	**1.0**		-	
			1.7		1.1
Operating cash flow before movement in working capital			**(4.5)**		(3.7)
(Decrease)/increase in receivables		**(0.2)**		0.2	
Increase in payables		**0.4**		0.5	
Change in amounts due to/from Group undertakings		**(6.5)**		0.4	
Net movement in working capital			**(6.3)**		1.1
Cash used in operations			**(10.8)**		(2.6)
Income taxes paid			**(3.3)**		(1.7)
Interest paid			**(2.3)**		(2.4)
Net cash used in operating activities			**(16.4)**		(6.7)
Interest received		**0.1**		0.1	
Dividends received		**31.5**		18.0	
Investments in subsidiaries		**(0.5)**		-	
Net cash from investing activities			**31.1**		18.1
Issue of new shares	10	**1.2**		0.3	
Purchase of shares for employee benefit trust		**(0.9)**		(2.4)	
Dividends paid	2	**(14.1)**		(12.4)	
Costs associated with refinancing of revolving credit facility		**-**		(1.5)	
New loans and borrowings		**46.0**		33.8	
Repayment of loans and borrowings		**(42.4)**		(30.0)	
Net cash used in financing activities			**(10.2)**		(12.2)
Net increase/(decrease) in cash			**4.5**		(0.8)
Cash at the beginning of the year			**(7.4)**		(6.6)
Effect of exchange rate fluctuations			**-**		-
Cash at the end of the year			**(2.9)**		(7.4)

Company Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements, except as noted below.

Basis of preparation
These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 13.

As the Consolidated Financial Statements include the equivalent disclosures, the Company has taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group settled share based payments; and
- The effects of new but not yet effective IFRSs.

The Company proposes to adopt the reduced disclosure framework of FRS 101 in its next Financial Statements.

The Accounting Policies set out on pages 133 to 135 have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements and in preparing an opening FRS 101 Balance Sheet at 1 January 2014 for the purposes of the transition to FRS 101.

Measurement convention
The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale, investment property and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Investments in subsidiary undertakings
In the Company's Financial Statements, investments in subsidiary undertakings are carried at cost, less impairment.

Foreign currencies
Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Financial instruments
Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Company Principal Accounting Policies (continued)

Fair value hedges
Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the Profit and Loss Account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

Provisions
A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	life of the lease
Plant, machinery and vehicles	4 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

Leases
Operating lease payments
Payments (excluding costs for services and insurance) made under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Profit and Loss Account as an integral part of the total lease expense.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Pension scheme arrangements
Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The Company's employees are members of Group-wide defined benefit schemes. The net defined benefit cost of the plans is allocated to participating entities based on the contracting entity of the participating employees of the scheme. The contributions payable by the participating entities are determined on the same basis.

Share-based payments
Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each Balance Sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Ordinary dividends
Dividends payable are recognised as a liability in the period in which they are approved by the Company's shareholders. Dividends receivable are accounted for on a cash accounting basis.

Financial guarantees contracts
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of subsidiary companies, the Company considers these to be insurance contracts and treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Company Financial Statements

1. Profit on ordinary activities before taxation

	2015 £m	2014 £m
The profit on ordinary activities is stated after charging:		
Operating lease rentals – land and buildings	**0.1**	0.1

Fees paid to KPMG LLP and its associates for audit and non-audit services to the Company itself are not disclosed in the individual Financial Statements of Hill & Smith Holdings PLC because the Group Financial Statements are required to disclose such fees on a consolidated basis.

2. Dividends

Dividends paid in the year were the prior year's interim dividend of £5.0m (2014: £4.6m) and the final dividend of £9.1m (2014: £7.8m). Dividends declared after the year end date are not recognised as a liability. The Directors have proposed a final dividend for the current year, subject to shareholder approval, as shown below:

	2015		2014	
	Pence per share	£m	Pence per share	£m
Equity shares				
Interim	**7.1**	**5.5**	6.4	5.0
Final	**13.6**	**10.6**	11.6	9.0
Total	**20.7**	**16.1**	18.0	14.0

3. Tangible fixed assets

	Short leasehold properties £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation			
At 31 December 2014	0.1	0.4	0.5
Additions	-	-	-
At 31 December 2015	**0.1**	**0.4**	**0.5**
Depreciation			
At 31 December 2014	-	0.4	0.4
Charge for the year	-	-	-
At 31 December 2015	**-**	**0.4**	**0.4**
Net book value			
At 31 December 2015	**0.1**	**-**	**0.1**
At 31 December 2014	0.1	-	0.1

4. Fixed asset investments

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Trade investments £m	Total £m
Cost				
At 31 December 2014	301.1	23.8	0.8	325.7
Additions	51.4	-	-	51.4
Exchange adjustments	(0.6)	-	-	(0.6)
At 31 December 2015	**351.9**	**23.8**	**0.8**	**376.5**
Provisions				
At 31 December 2014	11.1	1.3	0.8	13.2
Impairment	1.0	-	-	1.0
At 31 December 2015	**12.1**	**1.3**	**0.8**	**14.2**
Net book value				
At 31 December 2015	**339.8**	**22.5**	**-**	**362.3**
At 31 December 2014	290.0	22.5	-	312.5

4. Fixed asset investments continued

A list of the businesses owned by the Company is given in note 14. All of the Company's subsidiaries are wholly owned.

The Company also holds a trade investment of 19.5% in an unlisted company whose fair value cannot be accurately measured and is fully written down.

5. Debtors

	2015 £m	2014 £m
Amounts owed by subsidiary undertakings	**49.1**	34.1
Corporation tax	**2.7**	0.7
Deferred tax (note 8)	**0.4**	0.4
Other debtors	**0.3**	0.2
Prepayments and accrued income	**0.2**	0.2
	52.7	35.6

6. Creditors: amounts falling due within one year

	2015 £m	2014 £m
Bank loans and overdrafts (note 7)		
Bank overdrafts	**2.9**	7.4
	2.9	7.4
Other creditors		
Trade creditors	**2.0**	1.3
Other taxation and social security	**0.1**	0.1
Accruals and deferred income	**2.5**	3.1
Other creditors	**1.0**	0.8
Amounts owed to subsidiary undertakings	**89.5**	105.4
	95.1	110.7

7. Creditors: amounts falling due after more than one year

The Company's interest bearing loans and borrowings are detailed below. Further information on the Company's exposure to interest rate and foreign currency risk is provided in note 20 of the Group Financial Statements.

	2015 £m	2014 £m
Long term bank loans	**54.2**	64.1
	54.2	64.1

The Company's bank loans and borrowings are also analysed below into the periods in which they mature:

	2015 £m	2014 £m
Bank loans and overdraft		
Amounts due within one year (note 6)	**2.9**	7.4
Amounts due after more than one year:		
Between one and two years	**-**	-
Between two and five years	**54.2**	64.1
	54.2	64.1
	57.1	71.5

Notes to the Company Financial Statements (continued)

8. Deferred tax

	2015 £m	2014 £m
At 1 January	**(0.4)**	(0.2)
Credited for the year in the Profit and Loss Account	**-**	(0.2)
At 31 December	**(0.4)**	(0.4)
Other timing differences	**(0.4)**	(0.4)

9. Pension liabilities

The Company contributes to two Group pension schemes, one providing benefits accruing in the future on a defined benefit basis and a second scheme providing benefits that are on a defined contribution basis. Details of the schemes and their most recent actuarial valuations are contained in note 23 to the Group Financial Statements. There are also separate personal pension plans.

The pension cost for the year includes contributions payable by the Company to the fund and amounted to £2.8m (2014: £2.6m), of which additional deficit contributions were £2.5m (2014: £2.5m).

10. Called up share capital

	2015 £m	2014 £m
Allotted, called up and fully paid		
78.2m Ordinary Shares of 25p each (2014: 77.9m)	**19.6**	19.5

In 2015 the Company issued 0.3m shares under its various share option schemes (2014: 0.2m), realising £1.2m (2014: £0.3m). Details of share options and related share-based payments are contained in note 21 to the Group Financial Statements.

11. Guarantees and other financial commitments

(a) Guarantees

The Company had no financial guarantee contracts outstanding (2014: £nil).

The Company guarantees the bank loans and overdrafts of certain subsidiary undertakings. The amount outstanding at 31 December 2015 was £62.2m (2014: £47.6m).

(b) Operating lease commitments

Annual commitments under non-cancellable operating leases expire in the periods as detailed below:

	2015		2014	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Between two and five years	**0.1**	**-**	0.1	-
	0.1	**-**	0.1	-

12. Related party transactions

The Company has related party relationships with its key management personnel and with its subsidiaries (either directly or indirectly controlled).

The related party transactions with key management personnel are considered by the Company to be the same as those of the Group and are set out in note 25 to the Group Financial Statements.

The transactions with subsidiaries are summarised below.

Transactions with other Group companies

	Highest during the year £m	**Balance at 31 December 2015 £m**	Highest during the year £m	Balance at 31 December 2014 £m
Amounts due from subsidiaries	**49.1**	**49.1**	34.1	34.1
Amounts due to subsidiaries	**(109.5)**	**(89.5)**	(114.1)	(105.4)

Transactions with other Group companies typically comprise management and interest charges, dividend receipts and other recharges of administrative expenses.

The disclosure of the year end balance and the highest balance during the year is considered to provide a meaningful representation of transactions between the Company and fellow Group undertakings during the year. The highest balance due is generally at the end of each financial year as this is the time at which the Company levies its management and interest charges.

Related party transactions reported in the Income Statement

	2015 £m	2014 £m
Dividends received	**116.3**	26.0
Recharge of operating expenses	**5.2**	5.1
Net interest expense	**(0.7)**	(1.2)

Notes to the Company Financial Statements (continued)

13. Explanation of transition to FRS 101 from old UK GAAP

As stated in the Accounting Policies, these are the Company's first Financial Statements prepared in accordance with FRS 101. The Accounting Policies set out in pages 133 to 135 have been applied in preparing the Financial Statements for the year ended 31 December 2015, the comparative information presented in these Financial Statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 Balance Sheet at 1 January 2014 (the Company's date of transition). In preparing its FRS 101 Balance Sheet, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position is set out in the following table.

Reconciliation of equity	1 January 2014			31 December 2014		
	UK GAAP £m	Effect of transition to FRS 101 £m	FRS 101 £m	UK GAAP £m	Effect of transition to FRS 101 £m	FRS 101 £m
Fixed assets						
Tangible assets	0.2	-	0.2	0.1	-	0.1
Investments	313.1	-	313.1	312.5	-	312.5
	313.3	-	313.3	312.6	-	312.6
Current assets						
Amounts owed by Group undertakings	26.3	-	26.3	34.1	-	34.1
Corporation tax	-	-	-	0.7	-	0.7
Other debtors	0.4	-	0.4	0.2	-	0.2
Prepayments and accrued income	0.2	-	0.2	0.2	-	0.2
Deferred tax asset	0.2	-	0.2	0.3	0.1	0.4
	27.1	-	27.1	35.5	0.1	35.6
Creditors: amounts due within one year						
Bank loans and overdrafts	(6.6)	-	(6.6)	(7.4)	-	(7.4)
Trade creditors	(1.9)	-	(1.9)	(1.3)	-	(1.3)
Amounts owed to Group undertakings	(106.1)	-	(106.1)	(105.4)	-	(105.4)
Taxation and social security	(0.8)	-	(0.8)	(0.1)	-	(0.1)
Other creditors	(0.3)	-	(0.3)	(0.8)	-	(0.8)
Accruals and deferred income	(2.2)	-	(2.2)	(3.1)	-	(3.1)
	(117.9)	-	(117.9)	(118.1)	-	(118.1)
Net current liabilities	(90.8)	-	(90.8)	(82.6)	0.1	(82.5)
Creditors: amounts falling due after more than one year						
Bank loans and overdrafts	(62.7)	-	(62.7)	(64.1)	-	(64.1)
	(62.7)	-	(62.7)	(64.1)	-	(64.1)
Provisions for liabilities						
Pension liability	-	(0.3)	(0.3)	-	(0.4)	(0.4)
	-	(0.3)	(0.3)	-	(0.4)	(0.4)
Net assets	159.8	(0.3)	159.5	165.9	(0.3)	165.6
Capital and reserves						
Called up share capital	19.4	-	19.4	19.5	-	19.5
Share premium account	31.5	-	31.5	31.7	-	31.7
Capital redemption reserve	0.2	-	0.2	0.2	-	0.2
Profit and loss account	108.7	(0.3)	108.4	114.5	(0.3)	114.2
Shareholders' equity	159.8	(0.3)	159.5	165.9	(0.3)	165.6

The adjustments shown above relate to the change of accounting treatment for the Group defined benefit scheme. Under old UK GAAP, there was a multi-employer exemption for Group defined benefit schemes under FRS 17. There is no such exemption under FRS 101 and this has resulted in a change in disclosure to recognise an appropriate proportion of the Group scheme.

14. Subsidiaries

Incorporated in the UK
AMF Galvanisers Limited (D)
Access Design & Engineering Limited (D)
ALSIPI Limited (D)
Ash & Lacy Limited (H)*
Ash & Lacy Manufacturing Limited (H)
Ash & Lacy Overseas (Holdings) Limited (D)
Ash & Lacy Services Limited (H)
Ash Plastic Products Limited (D)
Asset International Limited (U)*
Bainbridge Engineering Limited (D)*
Barkers Engineering Limited (U, G)
Barkers Fencing Systems Limited (D)*
Bergen Pipe Supports Group Limited (U)*
Bergen Pipe Supports Limited (U)
Berry Safety Systems Limited (D)*
Berry Systems Limited (D)
Bettles & Company Limited (D)
Bipel Group plc (D)
Bipel Ltd (D)
Birtley Group Limited (U, G)
Bowater Doors Limited (U)
British Industrial Engineering Co. (Staffs) Limited (D)
Bromford Reinforcements Limited (D)
Bromford Steel Limited (D)
Brownhills Galvanizing Limited (D)
Bytec Limited (D)
C I C Ralphs Limited (D)
C I Pension Trustees Limited (D)
C. I. Properties Limited (D)
C.I.C. Engineering (Finance) Limited (D)
CA Traffic Limited (R)*
Carrington Packaging Limited (D)
Cooper Industries Limited (D)
Cooper Securities (Dudley) Limited (D)
Cooper Securities Limited (D)
Counters & Accessories Limited (D)
Eurogrid Limited (D)
Exmet Building Products Limited (D)
Expamet Building Products Limited (D)
Expamet Limited (D)
Expandel Limited (D)
Foremost Moulding Limited (D)
Gem (Ashfix) Limited (D)
Hawkshead Properties Limited (H)
Hill & Smith (Americas) Limited (H)
Hill & Smith (France) Limited (H)*
Hill & Smith (Treasury) Limited (H)*
Hill & Smith (USA) Limited (H)
Hill & Smith Galvanized Products Limited (H)
Hill & Smith Holdings PLC (H)
Hill & Smith Infrastructure Products Group Limited (D)
Hill & Smith Limited (R, U)*
Hill & Smith Overseas Limited (H)*
Hill & Smith Pension Trustees Limited (D)
IMAS Technology Limited (D)
J & F Pool Limited (D)
Jevons Tools Limited (D)
Joliso Limited (D)
Jones of Oswestry Limited (D)
Joseph Ash Chesterfield Limited (D)
Joseph Ash Limited (G)
Kinclear Limited (D)
Lamben Galvanizers 85 Limited (D)
Leech, Brain and Co Limited (D)
Lenchs (Birmingham) Limited (D)
Lionweld Kennedy Flooring Limited (U)*
London Galvanizers Limited (D)
Mallatite (Scotland) Limited (D)
Mallatite Limited (R)*
Mallatite Powder Coatings Limited (D)
MB Tech Limited (D)
Meads Cooper Limited (D)
Medway Galvanising Company Limited (G)
Northern Galvanizing Limited (D)*
Optimum Barrier Systems Limited (D)
Pipe Supports Overseas Limited (H)*
Premier Galvanizing Limited (G)
Premier Safety Products Limited (D)*
RBM Reinforcements Limited (D)*
Redman Architectural Metalwork Limited (D)
Redman Fisher Engineering Limited (U)
Royston Steel Fencing Limited (D)
Seniors Reinforcement (Northern) Limited (D)*
Seniors Reinforcement Limited (D)*
Smeaton Lime Works Limited (D)
South Wales Galvanisers Limited (D)*
Staffs Premier Galvanizers Limited (D)*
Staffs Premier Powdercoaters Limited (D)*
Techspan Systems Limited (D)*
Telford Galvanizers Limited (D)
The Albion Galvanizing Company Limited (D)
The Birmingham Galvanizing Company Limited (D)
The Globe Tank and Foundry (Wolverhampton) Limited (D)
Theta Systems Limited (D)
Variable Message Signs Limited (D)
Varley & Gulliver Limited (R)*
Visionmaster International Limited (D)
Vista Galvanizing (UK) Ltd (D)
Walkers Galvanizers Limited (D)
West Midlands Galvanizers Limited (D)*
Western Galvanizers Limited (D)
Wombwell Foundry Limited (D)
Zonestar Limited (D)

Incorporated in Australia
Hill & Smith Pty Limited (R)

Incorporated in Belgium
Vista BVBA (H)

Incorporated in Canada
Process Pipe Supports, Inc (U)

Incorporated in China
Bergen Pipe Supports (Jiangsu) Limited (U)
PSG Trading (Jingjiang) Limited (U)

Incorporated in France
Conimast International SAS (R)
Europeenne de Galvanisation SAS (G)
France Galva SA (G)
France Galva Lorraine SAS (G)
Galvacier SAS (G)
Galva Gaillard SAS (G)
Galvalandes SAS (G)
Galvanisation de l'Artois (G)
Galvanisation du Cambresis (G)
Galvamed SAS (G)
Societe Nantaise de Galvanisation SAS (G)

Incorporated in Germany
Zinkinvent GmbH (H)*

Incorporated in India
Bergen Pipe Supports (India) Private Limited (U)
Hill & Smith Infrastructure Products India Private Limited (R)

Incorporated in Ireland
Redman Fisher Limited (U)

Incorporated in Norway
ATA Hill & Smith AS (R)

Incorporated in Singapore
Bergen Pipe Supports Singapore Pte. Limited (D)

Incorporated in Sweden
ATA Bygg-och Markprodukter AB (R)
Hill & Smith Sweden AB (H)

Incorporated in Thailand
Bergen Pipe Supports Asia Limited (U)

Incorporated in the USA
Bergen Pipe Supports, Inc (U)
Carpenter & Paterson, Inc. (U)
Creative Pultrusions, Inc (U)
Hill & Smith Group Holdings, Inc (H)
Hill & Smith Holdings LLC (H)
Hill & Smith, Inc. (R)
Novia Associates, Inc. (U)
V&S Amboy Galvanizing LLC (G)
V&S Columbus Galvanizing LLC (G)
V&S Delaware Galvanizing LLC (G)
V&S Detroit Galvanizing LLC (G)
V&S Lebanon Galvanizing LLC (G)
V&S Memphis Galvanizing LLC (G)
V&S Schuler Engineering, Inc. (U)
V&S Schuler Tubular Products LLC (U)
V&S Taunton Galvanizing, LLC (G)
Voigt & Schweitzer LLC (H)

All of the above subsidiaries have a year end date of 31 December, with the exception of Bergen Pipe Supports (India) Private Limited and Hill & Smith Infrastructure Products India Private Limited, which each have a year end of 31 March. All of the subsidiaries listed above are included in the consolidated results of the Group. The Company holds 100% of the share capital of all businesses, either directly or indirectly.

(U) Utilities
(R) Roads
(G) Galvanizing
(D) Dormant
(H) Holding company
* Directly held by Hill & Smith Holdings PLC

Five Year Summary

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Revenue	**467.5**	454.7	444.5	440.7	406.2
Underlying operating profit	**56.0**	49.2	44.5	44.0	41.5
Underlying profit before taxation	**53.0**	46.0	41.2	40.4	37.4
Shareholders’ funds	**198.2**	181.5	169.1	162.4	150.6

	Pence	Pence	Pence	Pence	Pence
Underlying earnings per share	**51.7**	45.0	40.4	38.8	34.5
Proposed dividends per share	**20.7**	18.0	16.0	15.0	13.2

Shareholder Information

Shareholder Information

Image

Above - The completed Bordeaux Stadium in France, with galvanizing on the metal framework by France Galva.

See further information at hsholdings.com

Financial Calendar

Annual General Meeting 2016	17 May 2016
Trading Update	17 May 2016
Ex-dividend date for 2015 final dividend	26 May 2016
Record date 2015 final dividend	27 May 2016
Dividend Reinvestment Plan – last date for election	10 June 2016
Final 2015 ordinary dividend payable	1 July 2016
Announcement of 2016 interim results	4 August 2016
Trading Update	November 2016
Payment of 2016 interim dividend	January 2017

Shareholder Information

Shareholder base

Holdings of ordinary shares at 8 March 2016

Range of Shares	Number of holders	%	Number of Shares	%
1 - 500	646	23.42	132,713	0.17
501 - 1,000	454	16.46	352,490	0.45
1,001 – 5,000	978	35.46	2,440,383	3.10
5,001 – 50,000	544	19.72	7,547,629	9.61
50,001 – 100,000	34	1.23	2,626,883	3.35
100,001 – 500,000	66	2.39	14,808,993	18.87
500,001 – 1,000,000	17	0.63	12,746,391	16.24
Above 1,000,000	19	0.69	37,846,981	48.21
Totals	**2,758**	**100**	**78,502,463**	**100**

Shareholder type

	Number of holders	%	Number of Shares	%
Individuals	1,568	56.85	5,517,719	7.03
Institutions	1,184	42.93	72,921,256	92.89
Other corporate	6	0.22	63,488	0.08
Totals	**2,758**	**100**	**78,502,463**	**100**

Dividend History – proposed dividends per share

	2015	2014	2013	2012	2011
Interim	**7.1**	6.4	6.0	5.8	5.4
Final	**13.6**	11.6	10.0	9.2	7.8
Total	**20.7**	18.0	16.0	15.0	13.2

Communication with shareholders and analysts

Directors meet with major shareholders and potential investors following interim and final results, and at other times if requested. Presentations for analysts are also held on the day of these announcements and we keep in regular contact with analysts throughout the year.

Corporate information

The Annual and Interim Reports are the main forms of communication with our shareholders. We have updated our website to supplement these reports with additional information. The website address is www.hsholdings.com and includes share price information, investor relations information and contact details.

Annual General Meeting ('AGM')

The AGM will be held on Tuesday 17 May 2016 at 11.00 a.m. at The Village Hotel, The Green Business Park, Shirley, Solihull, B90 4GW. Full details are contained within the Notice of AGM. A proxy card is also enclosed with this statement for voting. Alternatively you can vote electronically as explained in the next paragraph.

Electronic proxy voting

To lodge your proxy vote via the internet, log on to www.investorcentre.co.uk/eproxy. You will need the Control number, Shareholder Reference number ('SRN') and PIN number printed on your Form of Proxy where you will find the full instructions.

Shareholding online

Computershare Investor Centre gives access to view your holdings online. To register click on Investor Centre on the Computershare home page www.computershare.com and follow the instructions. You will be able to:

- View all your holding details for companies registered with Computershare.
- View the market value of your portfolio.
- Update your contact address and personal details online.
- Access current and historical market prices.
- Access trading graphs.
- Add additional shareholdings to your portfolio.

Share dealing

Share dealing services are available through Computershare Investor Services PLC. Log on to www.computershare.com/sharedealingcentre for internet share dealing and for telephone dealing ring 0370 703 0084.

Dividend Reinvestment Plan 'DRIP' (Latest date for election is 10 June 2016)

The Company offers shareholders the facility to reinvest their cash dividends to buy more shares in the Company.

- The service allows you to increase your shareholding in an easy and convenient way.
- Online application process enables you to participate easily and securely; www.investorcentre.co.uk.
  - Click on 'Register' to sign up to the Investor Centre. This will allow you to carry out a number of share related transactions online, including opting for the DRIP.
  - You will be required to fill in your SRN and your postcode, together with your email address. You will also be asked to select a user name (ID) and password of your choice.
  - Once registered select 'Dividend Plans' from the left hand menu and amend your current cash dividend instruction, confirming acceptance of the DRIP terms and conditions.
- New shares will be purchased as soon as possible on or after the dividend pay date.

Shareholder helpline number

There is a helpline for shareholders who have enquiries about their shareholdings. The dedicated helpline number is 0370 707 1058.

Principal Group Businesses

Infrastructure Products - Roads

United Kingdom

Hill & Smith Ltd
Highway and off-highway safety barriers

Springvale Business and Industrial Park,
Bilston, Wolverhampton, WV14 0QL
Tel: +44 (0) 1902 499400
Fax: +44 (0) 1902 499419
info@hill-smith.co.uk
www.hill-smith.co.uk

Asset International Structures (D)
Manufacturer of structural solutions including corrugated steel Multiplate, Stren-Cor, Precast arches & VSoL retained earth systems for Highway & Rail construction sectors
www.assetint.co.uk

Asset VRS (D)
Permanent and temporary solutions for vehicle restraints
www.asset-vrs.co.uk

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

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

Tegrel Ltd (D)
Design and manufacture of bespoke metal fabrications and enclosures
www.tegrel.co.uk

Variable Message Signs (D)
Design, manufacture and installation of LED based light technology solutions
www.vmstech.co.uk

CA Traffic Ltd
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
enquiries@c-a.co.uk
www.ca-traffic.com

Mallatite Ltd
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
sales@mallatite.co.uk
www.mallatite.co.uk

Varley & Gulliver Ltd
Vehicle and pedestrian parapets, and passive sign supports

57-70 Alfred Street, Sparkbrook,
Birmingham, B12 8JR
Tel: +44 (0) 121 773 2441
Fax: +44 (0) 121 766 6875
sales@v-and-g.co.uk
www.v-and-g.co.uk

Rest of the World

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

Staffans väg 7, 192 78,
Sollentuna, Sweden
Tel: +46 (0) 8 98 80 70
Fax: +46 (0) 8 29 25 15
ata@ata.se
www.ata.se

*ATA Hill & Smith AS****
Incorporated in Norway
www.ata.no

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, 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.hillandsmith.com

Hill & Smith Infrastructure Products India Pvt Ltd*
Wire rope safety barrier 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 Ltd*
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

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 - Utilities

United Kingdom

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

Stephenson Street, Newport,
South Wales, NP19 4XH
Tel: +44 (0) 1633 273081
Fax: +44 (0) 1633 290519
sales@weholite.co.uk
www.weholite.co.uk

Barkers Engineering Ltd*
Security solutions and fasteners

Duke Street, Fenton, Stoke-on-Trent,
Staffordshire, ST4 3NS
Tel: +44 (0) 1782 319264
Fax: +44 (0) 1782 599724
sales@barkersengineering.com
www.barkersengineering.com

Birtley Group Ltd*
Galvanized lintels, construction fittings, composite doors, Expamet builders metalwork & plasterers accessories

Mary Avenue, Birtley, County Durham,
DH3 1JF
Tel: +44 (0) 191 410 6631
Fax: +44 (0) 191 410 0650
info@birtleygroup.co.uk
www.birtleygroup.co.uk

Lionweld Kennedy Flooring Ltd
Open steel 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

United States of America

Creative Pultrusions, Inc.*
Manufacture of fibre reinforced composite profiles

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

E.T. Techtonics, Inc. (D)
Design and construction of composite bridges
www.ettechtonics.com

V&S Utilities**
Fabrication of electrical transmission and substation structures and supplier of substation packaging services

987 Buckeye Park Road, Columbus,
Ohio, 43207, USA
Tel: +1 (614) 449 8281
Fax: +1 (614) 449 8851
info@vsschuler.com
www.vsschuler.com

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

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

Carpenter & Paterson, Inc.*
Industrial pipe hangers, metal framing channel and fasteners

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

Novia Associates, Inc. (D)
Vibration and seismic control manufacturer
www.noviaassociates.com

Pipe Supports

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

Unit 22, West Stone, Berry Hill Industrial
Estate, Droitwich, Worcestershire, WR9 9AS
Tel: +44 (0) 1905 795500
Fax: +44 (0) 1905 794126
psl@pipesupports.com
www.pipesupports.com

Bergen Pipe Supports Asia Ltd*
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 Ltd*
Incorporated in India

Plot No.12, Ground Floor,
“RADHA”, Mangala Nagar Main Road,
Porur, Chennai, 600116
Tel: +91 8576 305 666
bpsi@pipesupports.com
www.pipesupports.com

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

United Kingdom

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

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

Premier Galvanizing Ltd*
Galvanizing and power coating services
Unit 25, Stoneferry Business Park
Foster Street, East Riding of Yorkshire,
HU8 8BT
Tel: 01482 587587
Fax: 01482 588599

Darwin Road, Willowbrook Industrial Estate,
Corby, Northants, NN7 5XZ
Tel: 01536 409818
Fax: 01536 409722
www.premiergalvanizing.co.uk

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

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

United States of America

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

France

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

Notes:
The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.
***** The Company's effective interest is held indirectly for these undertakings.
(D) Operating division only, not a limited company.

Directors, Contacts & Advisors

Directors

W H Whiteley BSc, FCMA
(Chairman and Non-executive)

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

M Pegler BCom, FCA
(Group Finance Director)

J F Lennox LLB, CA
(Non-executive)

C J Snowdon BA, FCA
(Non-executive)

A M Kelleher MSc, BA
(Non-executive)

Contacts

Hill & Smith Holdings PLC
Registered Office
Westhaven House
Arleston Way
Shirley, Solihull
West Midlands
B90 4LH

Tel: +44 (0) 121 704 7430
Fax: +44 (0) 121 704 7439

Registration Details
Registered in England and Wales
Company Number: 671474

Company Website
www.hsholdings.com

Company Secretary
Alex Henderson FCIS

Professional Advisors

Auditors
KPMG LLP
1 Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Brokers and Financial Advisers
Investec Investment Banking
2 Gresham Street
London
EC2V 7QP

Principal Bankers
Barclays Bank Plc
Midlands Corporate Banking Centre
PO Box 3333
1 Snowhill
Snow Hill Queensway
Birmingham
B3 2WN

Lawyers
Gowling WLG
Two Snowhill
Birmingham
B4 6WR

Silks Solicitors
Barclays Bank Chambers
Birmingham Street
Oldbury
B69 4EZ

Financial Public Relations
MHP Communications
6 Agar Street
London
WC2N 4HN

Shareholder Notes

Hill & Smith Holdings PLC
Westhaven House, Arleston Way, Shirley,
Solihull, B90 4LH, United Kingdom

Tel: +44 (0) 121 704 7430
Fax: +44 (0) 121 704 7439

www.hsholdings.com

Hill & Smith Holdings PLC

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