Stock Code: HILS

www.hsholdings.com

Hill & Smith Holdings PLC

2014

Infrastructure and Galvanizing

Annual Report for the year ended 31 December 2014

Mission Statement

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

V&S's galvanized steel framework on the Capital Wheel, located on the Potomac River, Oxon Hill just outside Washington DC, USA.

Hill & Smith Holdings PLC

‘Rise’, galvanized by Joseph Ash, stands just over 6m high. The sculpture is made from thousands of galvanized steel plates and is sited at Meadowside Square, at the Glasgow Harbour development next to the River Clyde.

Contents

See further information online at hsholdings.com

Front Cover Images

Top - VMS’s signs on the M42.

Middle - Fencing pales emerging from molten zinc at Joseph Ash’s Bilston plant.

Bottom - Zoneguard barrier manufactured and galvanized at our site in Telford.

Forward Looking Statement

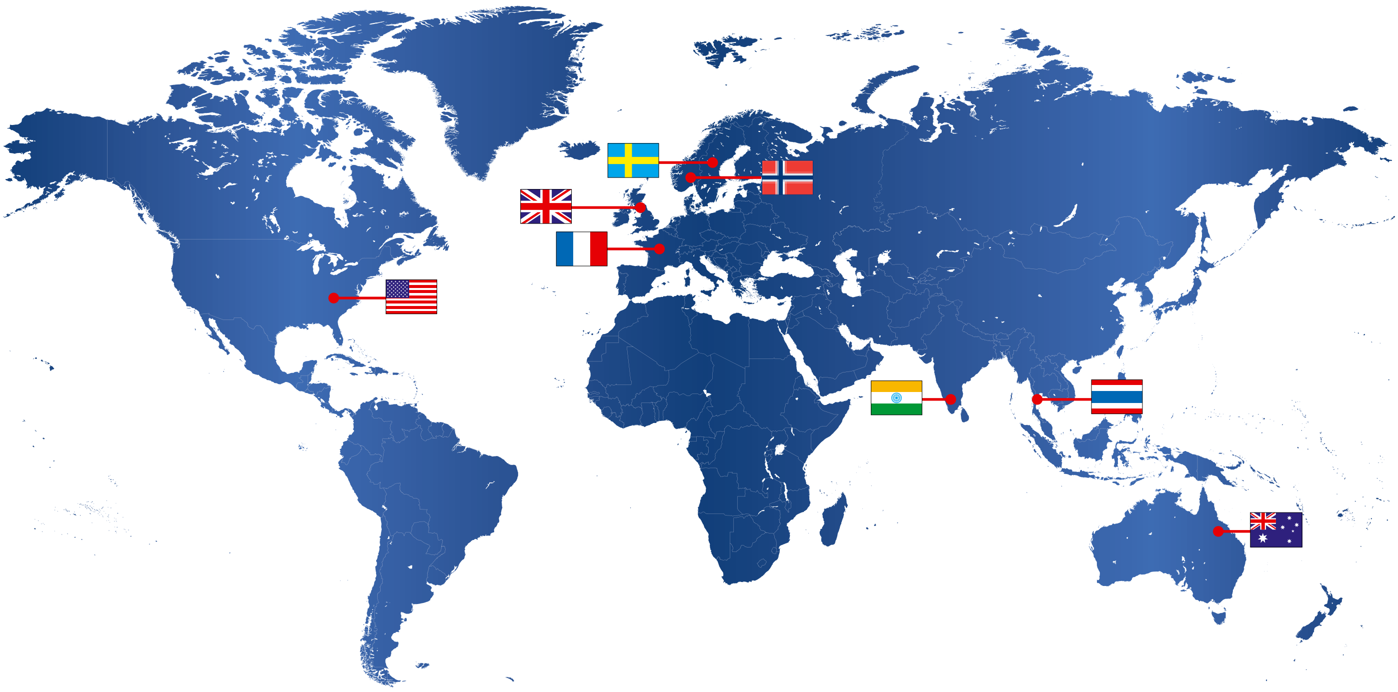
This Annual Report contains forward looking statements which are made in good faith based on the information available at the time of its approval.

It is believed that the expectations reflected in these statements are reasonable but they may be affected by a number of risks and uncertainties that are inherent in any forward looking statement which could cause actual results to differ from those currently anticipated.

At a Glance

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

We operate from facilities in Australia, France, India, Norway, Sweden, Thailand, the UK and the USA.



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

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

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

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

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

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

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

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.

Infrastructure Products

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

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

- Operating in international territories with the prospect of sustained long term investment in infrastructure.
- Focused on engineered products for the roads and utilities markets.
- Accounts for 71% (2013: 71%) of the Group's revenue and 46% (2013: 43%) of the Group's underlying* operating profit.

Galvanizing Services

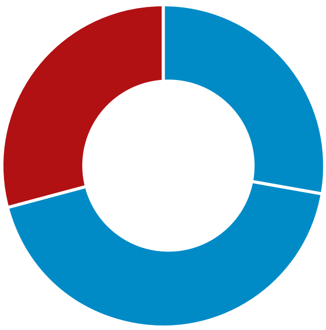
Providing zinc and other coating services for a wide range of products including fencing, lighting columns, structural steelwork, bridges, agricultural and other products for the infrastructure and construction markets.

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

- Geographical diversity - France 10 plants; UK 8 plants; USA 7 plants.
- Strong market positions in the chosen territories and with a reputation for service and quality.
- Accounts for 29% (2013: 29%) of the Group's revenue and 54% (2013: 57%) of the Group's underlying* operating profit.
- Total volume of production from all plants 457,000 tonnes in 2014, up 7% (2013: 426,000).

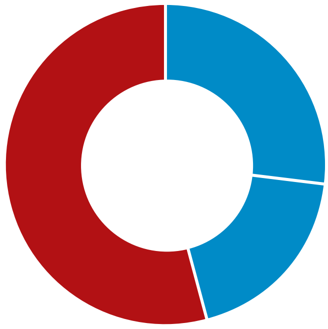
2014 Revenue of £454.7m - by segment

- Infrastructure - 71%
  - *Roads - 28%*
  - *Utilities - 43%*
- Galvanizing - 29%



2014 Underlying* operating profit of £49.2m - by segment

- Infrastructure - 46%
  - *Roads - 27%*
  - *Utilities - 19%*
- Galvanizing - 54%



Percentage of 2014 revenue £454.7m shown by end market geography

- UK - 48%
- Europe - 21%
- N America - 25%
- M East - 2%
- Asia - 3%
- ROW - 1%

Percentage of 2014 underlying* operating profit £49.2m shown by location of the operating site

- UK - 44%
- Europe - 15%
- N America - 41%

*** All underlying profit measures exclude certain non-operational items, which are as defined in the section of the Financial Statements headed "Group Accounting Policies" on page 90. References to an underlying profit measure throughout this Annual Report are made on this basis.**

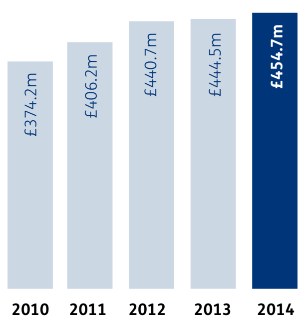
2014 Performance

Asset International's M.A.S.S. (Multi Application Safety System) providing carriage and footway safety solutions for the multi-billion pound Manchester Metrolink.

	2014	2013	Change %
Revenue	**£454.7m**	**£444.5m**	+ 2.3
Underlying operating profit	**£49.2m**	**£44.5m**	+ 10.6
Underlying operating margin	**10.8%**	**10.0%**	+ 80 bps
Underlying profit before tax	**£46.0m**	**£41.2m**	+ 11.7
Profit before tax	**£36.9m**	**£30.6m**	+ 20.6
Underlying earnings per share	**45.0p**	**40.4p**	+ 11.4
Dividend per share	**18.0p**	**16.0p**	+ 12.5
Net debt	**£96.0m**	**£87.2m**	

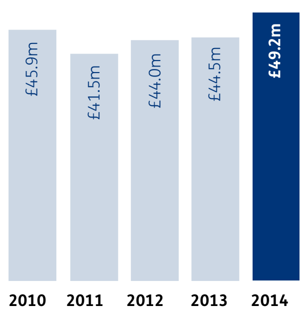
Revenue

£454.7m
up 2.3%



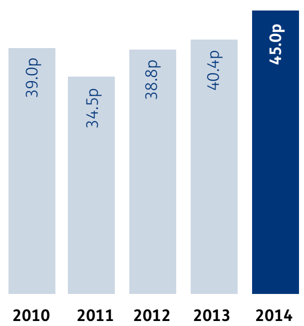
Underlying operating profit

£49.2m
up 10.6%



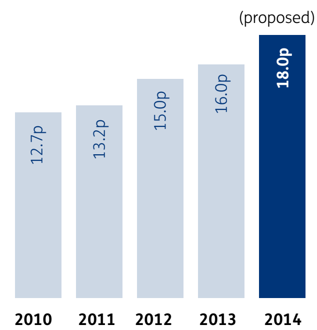
Underlying earnings per share

45.0p
up 11.4%



Dividend per share

18.0p
up 12.5%



Strategic Report

Chairman's Statement

"I am pleased to report a record performance for the Group in 2014."

Bill Whiteley
Chairman

Overview

I am pleased to report a record performance for the Group in 2014. The international diversity and strength of our businesses within their respective markets, together with strategic and operational actions taken in the year, have led to good organic revenue and profit growth and improved returns. Against a backdrop of difficult European market conditions and headwinds created by adverse movements in exchange rates, the business has delivered an outstanding result.

In 2014 our reported revenues increased by 2% to £454.7m (2013: £444.5m) or by 5% at constant currency. Underlying operating profit increased to £49.2m (2013: £44.5m), an improvement of 11% or 15% at constant currency. All our divisions have contributed to the increase in profits, which is testament to the strong positions that we hold in the markets in which we operate.

During 2014 we made capital investments at double the normal rate to take advantage of the growing markets both in the USA and the UK, where a total of 85% of our profits are now generated. These investments, which will drive future organic growth, include:

- Completion of the new V&S Galvanizing plant in Memphis, Tennessee, USA, strategically located on a major intersection leading to the south and north-east to provide galvanizing services to the steel fabricators in the Memphis area; and
- Manufacture of an additional 95km of temporary road safety barriers to fulfil anticipated demand following the planned significant increase in investment in the UK road network over the next five years.

As part of our strategy of active portfolio management the following actions were taken during the year:

- In July we acquired Variable Message Signs Limited to complement and strengthen our product and service offering to the UK Highways Agency. The acquired business will be integrated with our existing message sign business, Techspan, to create the UK market leader in this sector. Consolidation of our leading UK market positions remains a core feature of our acquisition strategy.
- In August we disposed of our interests in the non-core operations of Bromford Iron & Steel and JA Envirotanks, both of which were unable to deliver the returns that we target from our businesses, and in December we announced the closure of our UK galvanizing plant in Hereford. Our strategy is to hold strong positions in our chosen markets and we will dispose of, or restructure, underperforming businesses where necessary.

Earlier in the year we successfully completed an 'amend and extend' debt refinancing, extending our key debt financing facility through to 2019 on more favourable terms. The facility affords us significant headroom to continue to pursue our strategic growth objectives.

Performance highlights

The Board is pleased with the Company's financial performance for 2014, the highlights of which are shown below:

			Change %	
	2014	2013	Reported	Constant currency
Revenue	**£454.7m**	£444.5m	+ 2	+ 5
Underlying[1]:				
Operating profit	**£49.2m**	£44.5m	+ 11	+ 15
Profit before tax	**£46.0m**	£41.2m	+ 12	+16
Earnings per share	**45.0p**	40.4p	+ 11	+16

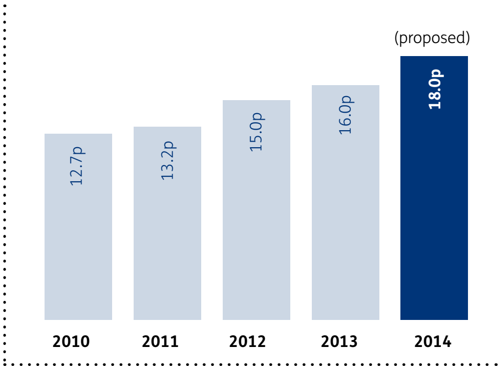
[1] Underlying profit measures exclude certain non-operational items, which are as defined in the section of the Financial Statements headed "Group Accounting Policies" on page 90.

Dividends

In view of the strong performance the Board is recommending a final dividend of 11.6p per share (2013: 10.0p per share) making a total dividend for the year of 18.0p per share (2013: 16.0p per share) an increase of 12.5%.

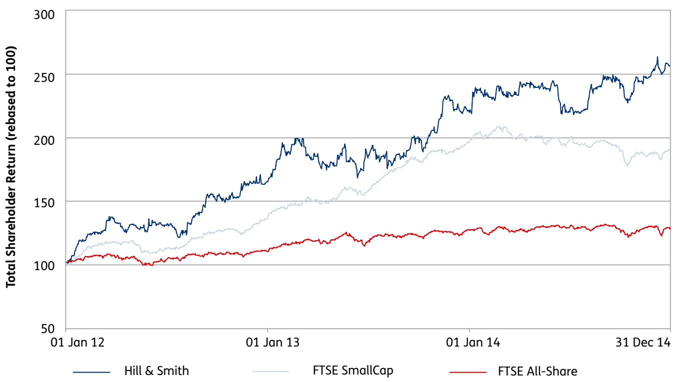
We continue to perform at a level that enables us to maintain a progressive dividend policy and which has resulted in twelve years of uninterrupted dividend growth. Underlying dividend cover remains a healthy 2.5 times (2013: 2.5 times). The final dividend, if approved, will be paid on 3 July 2015 to those shareholders on the register at the close of business on 29 May 2015.

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



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 2012 to 31 December 2014. Over the period the Board is pleased with the progress made but we remain focused on further improvement through implementation of our strategy.



The Board

During 2014 the Board reviewed its succession plans and its composition. In December I was delighted to welcome Annette Kelleher to the Board as a Non-executive Director. Annette is the Group Human Resources Director for Johnson Matthey PLC and a member of its group management committee. Her depth of experience will give us a fresh perspective as we develop our presence in the global infrastructure and galvanizing markets.

After ten successful years with the Group, John Humphreys decided to retire from his position as Group Company Secretary on 31 December 2014. John had dedicated himself to the service of the Group and I would like to take this opportunity to thank him for his steadfast and longstanding commitment. His ability to provide well-considered counsel to both the main Board and subsidiary Directors has been invaluable. John has been succeeded by Alex Henderson, formerly Company Secretary at Halfords Group plc.

Governance

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 have set out explanations of our business model, strategy, 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.

We trust that you will find this information helpful in understanding how we can, and do, achieve increased value for our shareholders.

AGM

We will hold our AGM on 14 May 2015 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.

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 three quarters of revenue and 85% of underlying operating profit from its UK and US operations, the Group principally operates in industrial markets where the overall economic outlook remains favourable.

Notwithstanding severe weather conditions experienced in north east USA early in 2015, galvanizing volumes are expected to benefit from both the strong US economy and commencement of production at our new plant in Memphis, which we opened at the end of 2014. Together with the UK galvanizing operations, the US and UK are expected to more than offset any potential weakness from our French operations, where economic conditions remain challenging.

With the exception of a weaker Pipe Supports order book, activity levels in the Utilities division remain healthy and, in our UK and US niche market sectors, the outlook is positive. The immediate outlook for Pipe Supports remains difficult, with the lower demand levels currently being experienced, partly as a result of lower oil prices, exacerbated by the recent poor US weather conditions. The longer term market dynamics in the pipe supports arena remain positive.

The announcement by the UK government of its Road Investment Strategy in late 2014, sets out its largest ever investment plan in the UK strategic road network up to and including 2020/21. The Group's roads product portfolio is ideally placed to benefit from the investment plans and demand to date has been strong. Accordingly, we have confidence in the short and medium term growth prospects for our UK roads business.

Overall, although some markets remain challenging, 2015 is again expected to be a year of good growth. Beyond 2015, the prospects for our infrastructure and galvanizing businesses are encouraging and we are well positioned to continue to deliver sustainable growth and shareholder value.

Bill Whiteley
Chairman

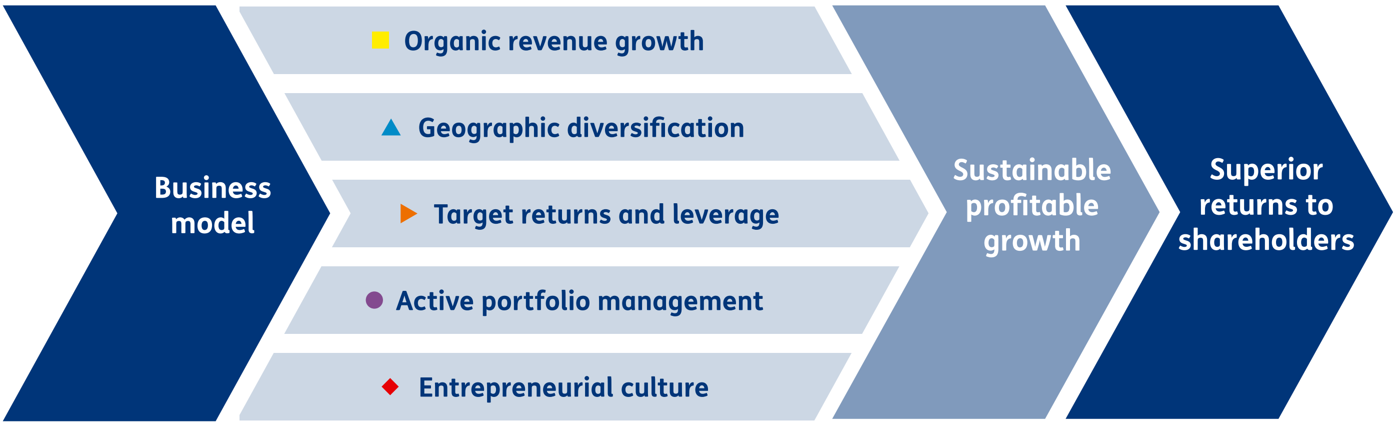
10 March 2015

Business Model and Strategy

Business model

To hold leading positions in the niche markets of infrastructure and galvanizing, diversified over different geographies, with a focus on service, margins and product development.

Strategic drivers



Strategy in action 2014

- Completion of £16m investment in an additional 95kms of temporary road safety barrier, bringing our total fleet to 265kms.
- Completion of our £9.4m investment in a new V&S Galvanizing plant in Memphis, Tennessee, USA, with further expansion investment being reviewed in 2015.
- Acquisition of Variable Message Signs Limited and planned integration with Techspan, to support the Highways Agency with its signage requirements.
- Disposal of Bromford Iron & Steel Company Limited, JA Envirotanks and Staco Redman, all non-core operations.
- Completion of the integration of Telford based Access Design business into Lionweld Kennedy, Middlesbrough.
- Opportunities have been identified in the renewable energy sector for our Weholite large diameter pipes.

Strategy Implementation

Balanced profitable growth
Our strategy is to deliver sustainable profitable growth through the supply of Infrastructure Products and Galvanizing Services. 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. A strong focus on cash generation supports this growth strategy and enables a progressive dividend policy.

In the 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.

For Utilities, our focus is on the power generation, oil and gas and water sectors, capitalising primarily on the growing demand for new power generation in emerging markets and the replacement of ageing infrastructure in developed economies.

For Roads, in the UK, demand for permanent and temporary barriers has been strong as the Highways Agency implements the UK Government sponsored Road Investment Strategy. In December 2014 the UK Government published its plan to invest £15.2bn in over 100 schemes across the road network between 2015 and 2021, upgrading the nation's road transport infrastructure - specifically, conversion of existing highways to the Smart Motorways scheme. Given the anticipated demand to fulfil the documented programme, we invested a total of £16m to increase our temporary barrier fleet by 95 kilometres, bringing our total temporary barrier fleet to circa 265 kilometres.

In the Galvanizing Services division, which serves external customers, as well as our own Infrastructure Products businesses, we are focused on our existing geographies of the UK, USA and France. Growth will be achieved through increasing our geographical footprint in the USA, and in November 2014 we opened our seventh US galvanizing plant in Memphis, Tennessee. We also believe that there are potential consolidation opportunities in the UK and France.

Geographic diversification
In 2013 operating profit from manufacturing plants located overseas reached 67%. This reduced in 2014 with 56% of operating profits coming from overseas, mainly as a result of improvements in UK profitability. Our overall geographic mix will be dictated by a focus on developing opportunities in our major developed markets, together with the performance of our businesses in emerging markets.

Target returns and leverage
Operating margins are an integral measure of the Group's success and one which we will continue to drive for improvement through product mix and value-added customer-focused solutions, as well as high levels of operational efficiency.

Target operating margin for business units 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 a subsidiary level. At a Group level we monitor our performance using return on invested capital ('ROIC'), see page 13.

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.

Active portfolio management
Our strategic objective is to develop more substantial businesses in each of our chosen sectors through both organic and acquisitive 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. In 2014 we took the decision to dispose of Bromford Iron & Steel Company Limited, JA Envirotanks and Staco Redman and also to close our galvanizing plant in Hereford.

Our acquisition strategy is to buy businesses in markets we understand through our existing activities. The majority of 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 allows 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 distressed businesses from a distance effectively.

In 2014, to further our strategy in the key area of road transport infrastructure, we acquired the trade and assets of Variable Message Signs Limited ('VMS') on 11 July 2014 for £0.3m. VMS, an established operator in this field, faced financial constraints due to the current hiatus in demand. The acquisition of VMS, and its subsequent integration with Techspan, will allow the Group to support the Highways Agency with its signage requirements in its roll-out of Smart Motorways over the next five to ten years.

We continue to actively manage our corporate portfolio through the acquisition of targets that match our strategic objectives and meet our targeted operating returns and through the disposal, or rationalisation, of operations that are either non-core to our market strategy, incapable of achieving our target returns, or insufficiently cash generative.

Entrepreneurial culture
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. This 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 Group, opportunities are identified and taken through Group collaboration.

Priorities in 2015
- Selective acquisitions to consolidate our market position or increase our geographical representation.
- Investing in increased capacity and product development to capture potential opportunities.
- Continuation of the structural and operational improvements in both Infrastructure Products and Galvanizing Services.

The Strategic Report on pages 2 to 39 has been approved by the Board of Directors on 10 March 2015.

Strategic Report

Case Studies

Acquisition of Variable Message Signs Limited
In July 2014 we acquired VMS, the market leader in variable message signs, who specialise in the design, manufacture and installation of a comprehensive range of LED based light technology solutions to the UK highway and rail markets.

During 2014, VMS supplied over 200 signs and signals to the Highways Agency's M25 Smart Motorways - All Lane Running project. This is the Highways Agency's latest initiative to provide capacity improvements to the English strategic roads network by utilising technology and is a feature of their current strategy for existing and new road schemes. VMS' work scope included the design, manufacture, installation and commissioning of signs and signals and was completed on time and to budget.

As part of VMS' involvement in the rail market it has recently worked with Network Rail to adopt its rail signs. This has allowed Network Rail to achieve cost savings, whilst maintaining high levels of safety and performance. This new system of support structures and lightweight signals achieved full Network Rail approval in March 2014.

Largest ever Weholite Modular Tank

Asset International Ltd invested in a new machine enabling them to produce their trademark Weholite large diameter HDPE pipes as flat panels. The new product, known as Weholite Modular, can be used to construct combined stormwater overflow control chambers, pumping stations, flow control chambers, ventilation chambers, retention tanks and other strategic water management products. Individual chambers are designed and manufactured according to customer specifications to include hatches, pipe supports, ladders and more, whilst taking into account traffic loads, groundwater pressure and soil loads.

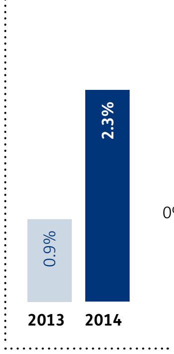
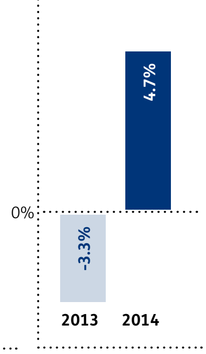
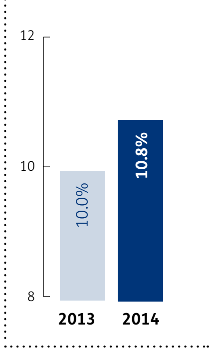
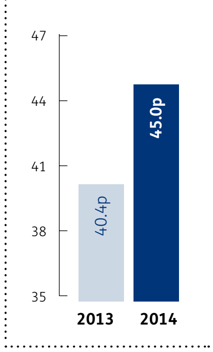
This new technology was utilised to deliver a large Weholite Modular tank to Anglian Water's Cambridge Water Recycling Centre, to form part of the inter-process pumping for the plant's ongoing £21 million upgrade.

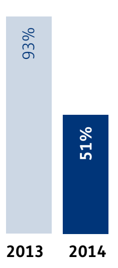
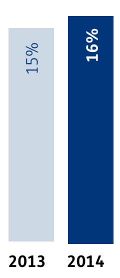
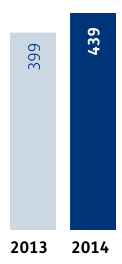
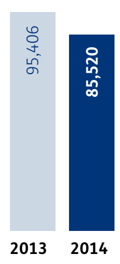
Measuring Our Performance

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.
2014 performance	**Total growth**  **Organic growth** 	**Up 80 bps** 	**11.4% growth** 
Comment	Organic revenue growth of 4.7% was achieved across all segments but particularly in Roads, reflecting demand in the UK for the Group's temporary barrier fleet. Total growth was marginally lower as a result of foreign exchange headwinds and strategic disposals.	The Group's underlying operating profit of £49.2m represents a 10.8% return on sales, an 80bps improvement on prior year. Utilities delivered an improved margin performance while Galvanizing Services margins remained strong, particularly in the US.	The Group's UEPS for 2014 is 45.0p, an increase of 11.4% compared with 2013. 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.
Down 42%  	**Up 1%**  	**Up 10.0%**  	**CO_2e emissions down 10.4%** 
The Group achieved an underlying cash conversion rate of 51% in 2014 (2013: 93%). Capital expenditure of £35.9m represents a multiple of depreciation and amortisation of 2.4 times (2013: 1.5 times) as the Group invested in significant capital projects in Roads and Galvanizing Services during the year. Working capital remained steady at around 14% of annualised sales.	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 2014 the Group achieved ROIC of 16% (2013: 15%), the improvement largely reflecting increases in underlying operating margins during the year.	During 2014 we saw an increase in the number of reported accidents. This increase mainly resulted from a better understanding of safety behaviours and reportable accidents within our Infrastructure businesses, both in the UK and USA. Accidents reported within our Galvanizing businesses were down 10.9%. For more details see page 37.	We continue to improve and refine our monitoring and management of CO_2e emissions. In 2014 we were able to compare emissions across the Group for the first time and we were pleased to see that Group-wide initiatives that had been put in place resulted in a 10.4% fall in our greenhouse gas emissions. More information can be found on pages 33 and 34.

Risk Management and Assurance

The Group's risk management and internal controls structure is organised under a system which includes, but is not limited to:

- An annual process of preparing business plans and budgets, supported by a risk assessment undertaken at the local level which is then reviewed and supplemented by senior management inputs.
- The maintenance of a Group risk register, under the control of the Group Risk & Compliance Counsel.
- A monthly process of subsidiary management team meetings which ensures discussion on operating performance and reporting on opportunities and risks affecting the subsidiary. Any resultant actions are considered at the subsidiary level. 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.
- Regular Director visits to Group companies which occur on a scheduled, rotational basis and open access to the subsidiary board meetings is encouraged.
- The Group finance function carries out regular 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, procurement and supply chain management. A summary of all key findings is presented to the Audit Committee on a regular basis.
- The Group finance function also carries out regular 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 to 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 and the treasury function itself is subject to both internal and external audit reviews on a periodic basis. The Group Finance Director receives a monthly report on treasury activities, including a summary of compliance with 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 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 on four occasions throughout the year, although there is additional dialogue and updates provided to the Audit Committee throughout the year. In addition, the Board receives regular reports from the Audit Committee Chairman. This information and reporting is used to undertake periodic reviews of the progress of risk management initiatives and is built into the Group review of the operation of the risk assurance programme and internal controls which, from 2013 have, and will continue to take place annually.
- An updated and more formalised version of the Group's delegation of authorities structure was implemented during 2014, which now serves to define ownership and a framework within which the Group's entrepreneurial subsidiaries can engage balanced and effective risk management.
- A Group policy manual was produced during 2014 which combines and enhances existing policies and procedures and sets 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 contained within the Group policy manual. Updates and new policies will be 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 scrupulous business practices. Each call/email is investigated thoroughly and fairly. Follow-up actions are agreed in full consultation with the Board and continue to be reported until resolved.

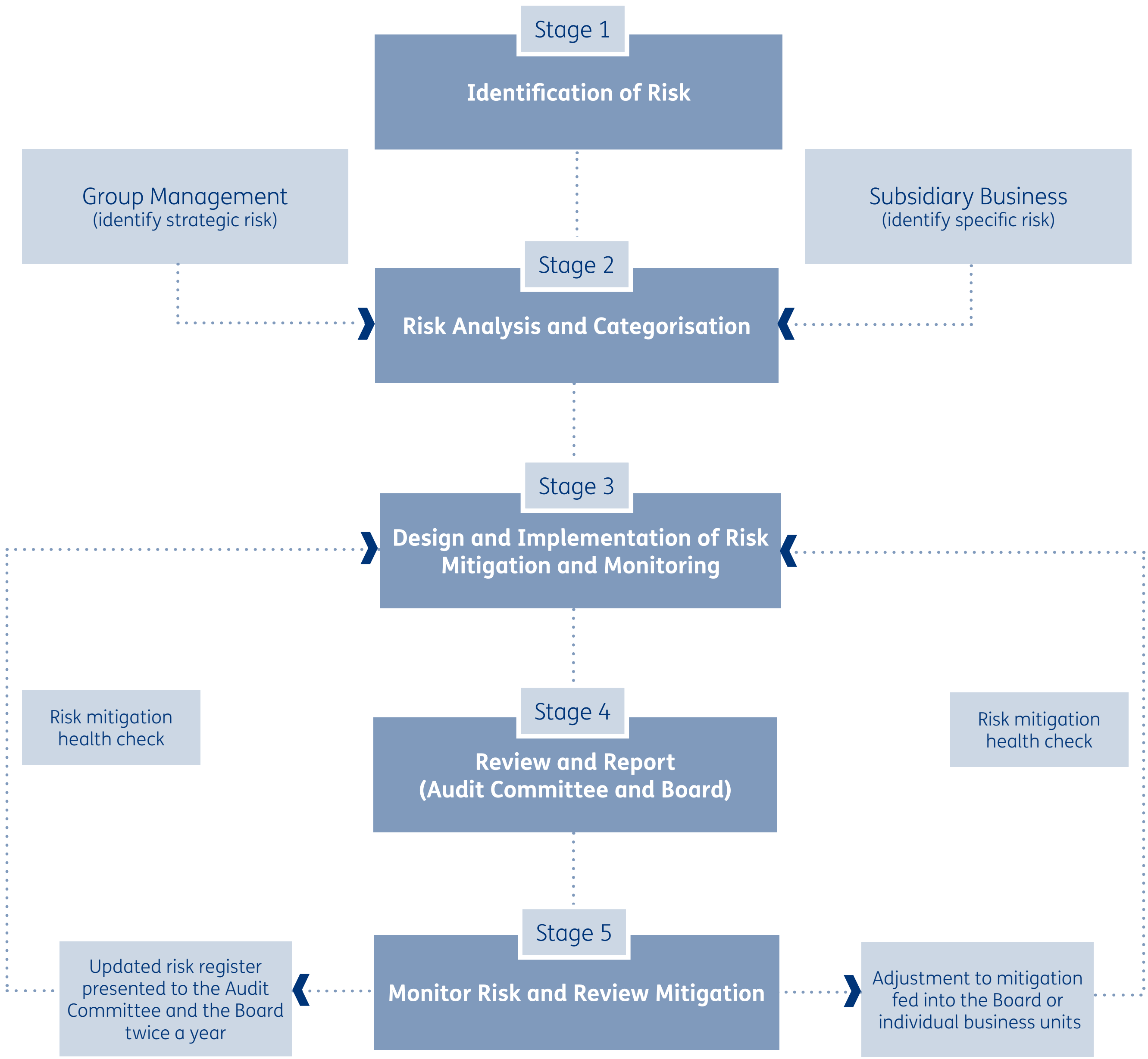
Strengthening of risk assurance programme in 2014

The Board continues to evaluate the appropriateness of the Group's risk management programme and, during 2014, supported a holistic review in order to ensure that the controls deployed remain appropriate and effective.

The risk assurance process was also strengthened in 2014 by further embedding the staged risk management process (see diagram opposite) and building a health check into the mitigation measures so that the progress of mitigation initiatives is quantifiable and can be periodically reviewed and redesigned if no longer appropriate or effective.

Risk management process

The risk management process operated in 2014 is as follows:



Risk Management and Assurance continued

2015 risk management and control

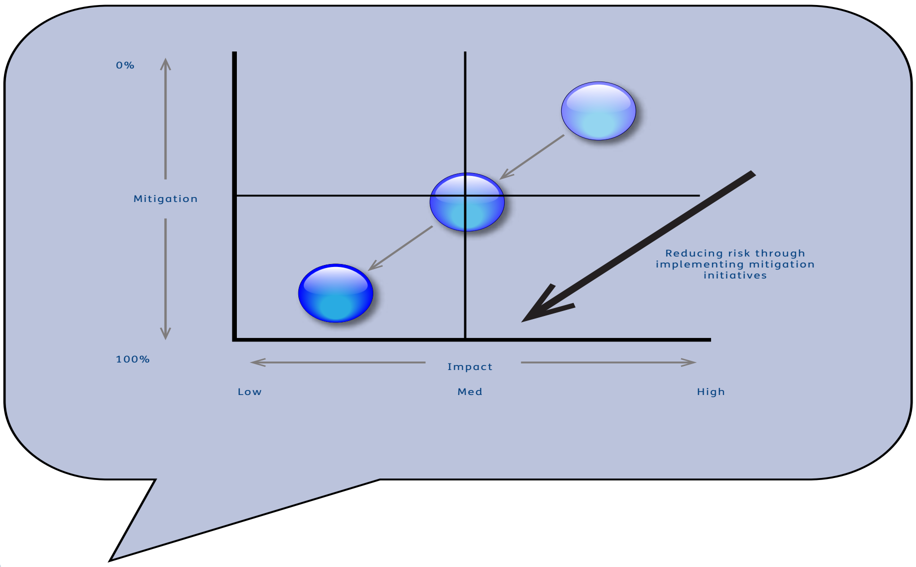
Additional layers of assurance will be built into the risk management process for the 2015 reporting year such that the Audit Committee will be able to track the pace and progress of risk mitigation initiatives, utilising standardised project management formats. These formats will serve to enhance ownership, accountability, prioritisation and resource allocation in risk management across the Group and will greatly assist the Board to further embed its chosen risk appetite and risk management culture.

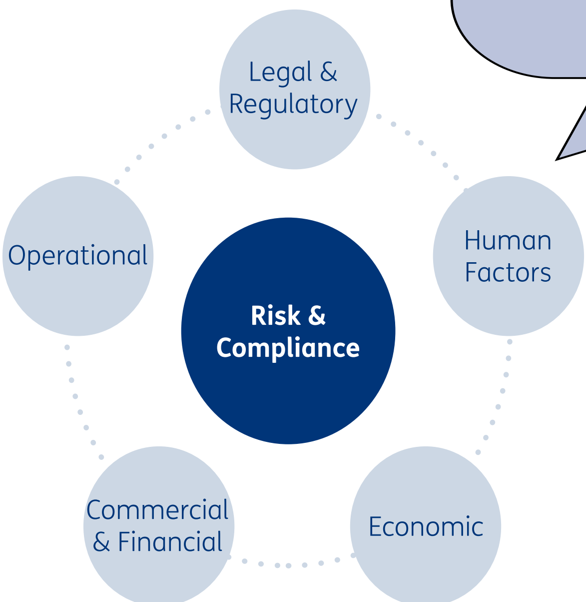
Subsidiary businesses will be encouraged by the Board to further develop their management of risk to underpin their decision-making for driving the Group strategy and business objectives. The current programme of incentives will be assessed during 2015 to ensure that they remain appropriately aligned to support the chosen culture, without adversely affecting the Group's entrepreneurial drive and spirit.

The activity undertaken by the Group in 2014 has enhanced the Group's state of readiness for the Financial Reporting Council's ('FRC') updates to the UK Corporate Governance Code. These enhanced risk reporting obligations for 2015 are being addressed through the holistic review and improvement activities undertaken in 2014, together with the use of new tools and formats in risk management and reporting such as the diagram below, which tracks the progress of risk management projects.

Principal risks and uncertainties

The principal risks and uncertainties applicable to the Group in 2014 are shown in the table opposite.





■ Organic revenue growth	▶ Target returns and leverage
● Active portfolio management	◆ Entrepreneurial culture
▲ Geographic diversification	✦ Sustainable business

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.	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. › 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 pressurise Group margins and impact Group financial performance.	› Implementation 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.	
	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 used to surpass present competitor reach.	
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.	

Principal Risks and Uncertainties continued

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.

Risk and potential impact	Mitigation	Link to strategy
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.	■ ● ▲ ▶ ◆ ✦
A failure to manage our property portfolio effectively, in the context of site planning regulations and controls which could lead to production downtime and reduce our potential for increased income generation. Downtime caused by plant failure 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, 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.	
Product failures or defects caused by production or quality failures 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.	
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 process is used to test the suitability of proposed IT system enhancements. › IT Policies are included in the Group policy manual.	
The Group's property portfolio age, its management of its leasehold obligations and the requirement to meet all environmental controls could lead to enhanced, operational and strategic costs impacting Group financial performance.	› External specialists are employed to periodically assess the use and state of repair of buildings at Group operating sites. › Group liaison with specialists on individual property management matters and strategic management of the portfolio.	

- Organic revenue growth
- Active portfolio management
- Geographic diversification
- Target returns and leverage
- Entrepreneurial culture
- Sustainable business

	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 size of the Group's available customer base, together with the risk of losing key customers 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 are undertaken. › Generation of contractual guidance and precedent documentation to preserve contractual terms. › Contracts reviewed under the delegation of authorities structure.	Organic revenue growth; Active portfolio management; Geographic diversification; Target returns and leverage; Entrepreneurial culture; Sustainable business
	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. › 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 approval for the execution of material contracts. › Certain of the Group's subsidiaries have appointed dedicated quantity surveyors and contracts managers to control their projects.	
	Poor management of a reducing pool of subcontractors could lead to quality and cost implications for the Group, increase Group risks and ultimately lead to a reduction in 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.	
	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. › Periodic reviews and assessments are undertaken in relation to foreign exchange risk from a translation perspective. › 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.	
	Greater expectations for undertaking activities in the marketplace that are not our core areas of competence.	› Enhanced third party due diligence, including requiring all third parties to obtain appropriate insurance cover. › Recruitment of appropriate expertise.	

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.	› 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.	
	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 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 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 anonymity 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 Code of Business Conduct 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. › 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.	

Organic revenue growth	Target returns and leverage
Active portfolio management	Entrepreneurial culture
Geographic diversification	Sustainable business

	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 Code of Business Conduct 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 and Entertainment policy was updated during the year. › Rolling programme of online anti-bribery and corruption training and testing undertaken by new employees. › A commercial intermediaries protocol was developed and deployed in the context of the appointment of third party representatives e.g. agents. › The Group has a whistleblowing hotline and email to allow employees to raise concerns in confidence, or anonymity 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.	

Board confirmation of principal risks and uncertainties

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

- Operational, financial and compliance internal controls;
- Ensuring that the current management process remains a suitable means of establishing the correct risk culture; and
- Ensuring that the Group's risk profile is managed and controlled.

The principal risks and uncertainties facing the Group are set out in the table on pages 17 to 21 and include detail as to how those risks are being effectively managed to accord with the Group's risk appetite, as established by the Board.

Strategic Report

France Galva were given the job of galvanizing the metal framework for the new Bordeaux stadium, France and supplied product during 2013 and the early part of 2014. The stadium, which is due to be finished in April 2015, has a capacity of 43,000 seats, will be the new home of FC Girondins de Bordeaux and is set to host 5 matches of the UEFA Euro 2016.

Design fabrication and installation of a multi-flight staircase to the digester tanks for the Mogden sewage treatment works.

Steel platform with a GRP pultruded flooring section, ready for despatch and installation on an oil and gas rig.

Working directly with Burntisland Fabrications (Bifab), who deliver solutions for offshore energy industries, Lionweld Kennedy supplied steel gratings and welded barrier handrails as a secondary metalwork package for the Cygnus AUQ Topside Platform. The Cygnus field is the largest discovery in the southern North Sea in 25 years, 150km off the coast of Lincolnshire.

Operational and Financial Review

Derek Muir
Group Chief Executive

Mark Pegler
Group Finance Director

2014 overview

2014 has been another good year for the Group resulting in record revenue generation and profitability. Following a good first half performance, trading conditions in many of our end markets continued to improve throughout the second half which, together with the implementation of strategic initiatives to increase returns, have delivered strong year on year profit growth. Infrastructure Products performed ahead of our expectations with both Roads and Utilities increasing year on year profitability. A strong performance from Galvanizing in the USA and UK more than offset any weakness in France.

The international diversity and strength of our businesses within their respective markets continues to underpin our performance. Our USA operations contributed 41% of the underlying operating profit, marginally below that in the prior year principally due to the improved performance of our UK operations as spend in the wider economy and within our niche sectors improved. The UK based businesses generated 44% of underlying operating profit compared to 33% in the prior year. Together these two geographic regions represent around 85% of our underlying operating profit. Both economies, and the markets in which we operate, have a strong outlook for 2015 and beyond.

Reported revenue for the year increased by 2% to £454.7m (2013: £444.5m). Adjusting for adverse currency impacts of £13.3m and net revenue of £2.7m from acquisitions and disposals, underlying revenue improved by £20.8m, an organic increase of 5%. Underlying operating margin improved by 80bps to 10.8% (2013: 10.0%). Underlying operating profit increased by 11% to £49.2m (2013: £44.5m) despite unfavourable exchange impacts of £1.7m, with acquisitions/disposals contributing £1.0m. The organic improvement in underlying operating profit was 13%. Underlying profit before taxation was 12% higher at £46.0m (2013: £41.2m).

Infrastructure Products

	£m		+/-	Constant Currency
	2014	2013	%	%
Revenue	**322.9**	316.9	+2	+5
Underlying operating profit	**22.5**	19.1	+18	+21
Underlying operating margin %	**7.0**	6.0		

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 2014 the division accounted for 71% (2013: 71%) of the Group's revenue and 46% (2013: 43%) of the Group's underlying operating profit.

Overall revenues increased marginally to £322.9m (2013: £316.9m) despite an £8.5m negative impact from exchange rate movements. Organic revenue growth was £15.0m, or 5% at constant currency. Underlying operating profit was £22.5m (2013: £19.1m), an increase of £3.4m, with an adverse currency translation impact of £0.5m. Underlying operating margin improved to 7.0% (2013: 6.0%).

Roads

	£m		+/-	Constant Currency
	2014	2013	%	%
Revenue	**127.7**	114.0	+12	+15
Underlying operating profit	**13.3**	11.7	+14	+16
Underlying operating margin %	**10.4**	10.3		

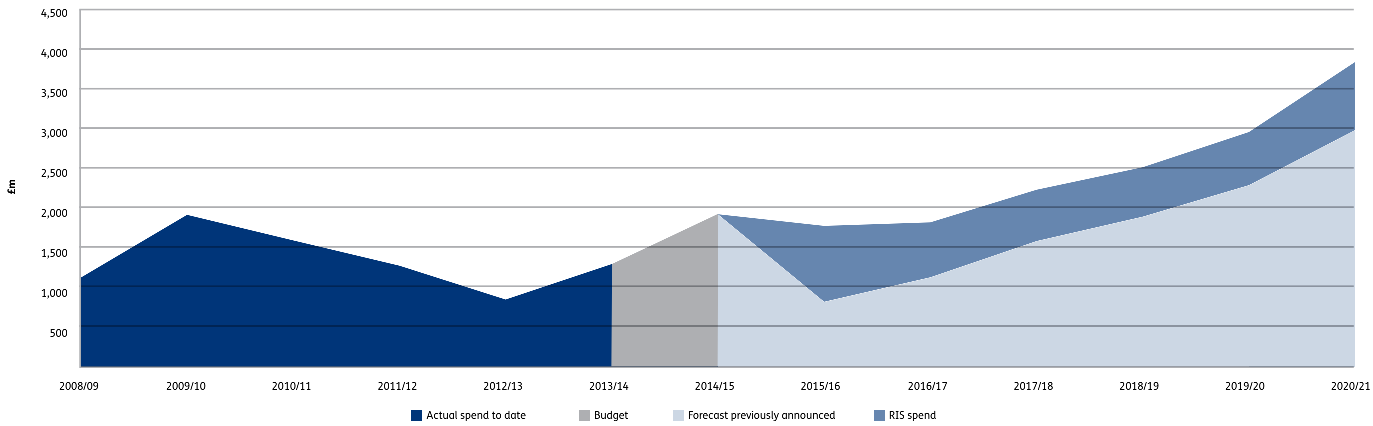
Our Roads division designs, manufactures and installs temporary and permanent safety products for the roads market together with intelligent transport systems (ITS) which collect data and provide information to road users. We principally serve the UK market, with an international presence in selected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

Revenues increased by 12% to £127.7m (2013: £114.0m). Underlying operating profit of £13.3m was £1.6m higher than the prior year (2013: £11.7m) due to the investment in, and higher utilisation of, our temporary safety barrier fleet in the UK. There were no material net effects from acquisitions and currency movements.

UK

In December 2014, the Department for Transport published their long awaited Road Investment Strategy ('RIS'). Recognising that the UK has suffered from insufficient and inconsistent investment, the transformational investment plan sets out the short and longer term vision for the UK strategic road network. The RIS aims to provide certainty of road investment funding over the period 2015/16 to 2020/21, improve connectivity and condition of the existing network and, importantly, increase capacity, with projects that will deliver 1,300 additional lane miles. The focus of the drive to add capacity will be additional 'Smart', or managed motorways, which is at the core of the Group's product offering in the UK. Significant additional funding is forecast to deliver on the strategy with a total of £15.2bn of spend for the five year period 2015/16 to 2020/2021. The December announcement contained significant additional expenditure over and above that previously announced. Legislation to create the Strategic Highways Company (previously the Highways Agency) to oversee and deliver the RIS will be put to the UK parliament in April 2015.

HA Spending profile 2008 - 2021 - Capital Renewals and Enhancements



Demand for permanent and temporary safety barriers in the year was strong as the Highways Agency commenced implementation of the RIS. Conversations with the Highways Agency over the past eighteen months, together with our market leading position and pre commitments now contained in the RIS, gave us the confidence to invest a total of £16m in additional rental fleet of Zoneguard, our temporary steel safety barrier, increasing the size of our fleet by 95km to 265km. Utilisation of the additional barrier was in line with our expectations.

During the year there was increased demand for our traditional permanent safety barrier and our bridge parapet product, as a number of new projects started construction. We enter 2015 with strong order backlogs and a good pipeline of enquiries.

In our Technology business, we won a framework agreement with Transport Scotland to supply between £5m and £10m of variable message signs over the next four years. The lower demand levels experienced in the first half of the year improved as we progressed through the second half although contracts were smaller in size than in the prior year. Profitability improved in the second half such that overall performance was modestly below prior year. To further our strategy in this key area we acquired the trade and assets of Variable Message Signs Limited ('VMS') on 11 July 2014 for £0.3m. An established operator in this field, VMS had faced financial constraints due to the current hiatus in demand. The acquisition of VMS, and its subsequent integration with Techspan, will allow the Group to support the Highways Agency with its signage requirements in its roll-out of Smart Motorways as set out in the RIS. The combined businesses, now called Variable Message Signs, have supplied a significant number of the signs currently on the UK roads network. The combination of the businesses plus improving enquiry levels will result in a stronger performance in 2015.

In December we shipped 280 units, the largest single order, of our BlackCat traffic monitoring equipment for a project in Lithuania to enable the classification of traffic flows. This order demonstrates the high quality of our equipment, which has been designed for worldwide application. During the year we launched EvoX, our new three-lane automatic number plate recognition (ANPR) camera, designed for the high end tolling and security markets.

Our lighting column business in the UK achieved record profitability for the second year running, however two of the five PFI projects were completed at the end of 2014 and therefore we expect a reduction in volumes in 2015. The general lighting market is showing signs of recovery, especially in the housing market, and the increased spend on highways over the next five years will help to offset the completion of the PFI projects.

Non-UK

In France, the local mayoral elections predictably resulted in lower spend from local councils. Since the elections we have seen an improvement in the volumes, however the marketplace remains very competitive due to over capacity and subdued demand.

Our Scandinavian business enjoyed another successful year despite adverse movements in exchange rates impacting local trading margins on products purchased from the UK. Despite the adverse exchange rate, products imported from the UK increased by 230% to £3.4m, predominantly our permanent steel safety barrier.

Operational and Financial Review continued

Sales of Zoneguard to local distributors in the USA demonstrated increased levels of acceptance of our product in key states and produced a solid result. Focus is now on generating more sales leads in new states to grow the business.

Our fledgling businesses in India and Australia provide an outlet for our tested suite of products, principally Brifen wire rope and Zoneguard. Australia started to gain some traction with a key customer and improved its profitability year on year. In India, the market remains uncertain following national elections in the first half and performance was below the exceptional first full year of operation in 2013.

Utilities

	£m		+/-	Constant Currency
	2014	2013	%	%
Revenue	**195.2**	202.9	-4	-1
Underlying operating profit	**9.2**	7.4	+24	+30
Underlying operating margin %	**4.7**	3.6		

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% of the Group's underlying operating profit, and 43% of revenues.

Revenues fell to £195.2m (2013: £202.9m), but after adjusting for disposals and currency impacts, reflected an organic improvement of £2.4m primarily due to a stronger performance from our UK utilities businesses. Underlying operating profit increased by £1.8m to £9.2m (2013: £7.4m), constant currency growth of 30%. Underlying margins improved 110bps to 4.7% (2013: 3.6%).

Creative Pultrusions, our composites company in the USA, entered 2014 with a strong backlog in orders across all product sectors including OEM customers. During 2014 we saw growing acceptance of our waterfront sheet piling and fender pile products, used in coastal and pier protection in waterways projects around the New York area, where a number of new bridges are being constructed. Strong organic revenue growth resulted in profits well ahead of 2013.

This improved profitability was offset by a lower contribution from our USA based transmission structures and substation business. A late start to the construction season, following poor weather conditions in the first quarter, led to delayed shipments in the first half of 2014. The second half returned to more normal levels and we start 2015 with an encouraging order backlog. The investment in the USA power grid is set to continue throughout the decade as renewables and gas fired power stations are connected to the grid. During 2014 we secured three framework agreements from US utility companies with their requirements being called off on a regular basis. These types of agreement now represent a healthy 40% of our total revenue.

Our pipe supports business in the USA also experienced a slow start to 2014 following the poor weather conditions. Order backlog picked up in the second and third quarters where we supplied pipe supports to new ethylene, fertilizer and a number of gas fired combined cycle power plants. The industrial pipe hanger business had a stronger second half and is benefiting from bridge building projects where pipework is suspended under the bridge structure. The bridge replacement programme benefits our composites, galvanizing and pipe supports businesses and sustains our core strategy of supplying products and services to infrastructure projects.

Outside of the US, Pipe Supports saw an improvement in profitability on the previous year with a strengthening of our operational management teams in both the UK and Thailand. The power generation market in India gained traction in the second half of 2014 and we are currently working on large projects for multi-boiler units for Larsen & Toubro and Doosan, and with one of our Japanese customers for the supply of cryogenic pipe supports for a large LNG terminal in Dahej, Gujarat. The order backlog gives good coverage for the first half of 2015 for our Indian facility. Our other Japanese EPC framework customers are currently completing power projects in Taiwan/Japan, for which we supplied pipe supports last year, and therefore it is likely to be later in 2015 before we commence production of the next tranche of projects. This has resulted in us entering 2015 with a lower order backlog in Thailand and the UK than we would usually expect. We are also conscious of the impact falling oil prices may have on future demand for new projects in the Middle East, along with capex budgets across the wider oil and gas sector.

As part of our strategy to rationalise the number of operating sites in the UK, we relocated and successfully integrated our Telford based Access Design business to the Lionweld Kennedy site in Middlesbrough. Benefits of a single site operation were realised with a strong improvement in the profitability of the Industrial Flooring group. During the year we were successful in supplying handrail and flooring products to new Crossrail train depots, offshore wind platforms and to our largest contract for the supply and installation of staircases and landing platforms for the main shaft in the Lee Valley Outfall project in London. As part of our capital investment programme, a new high speed automated forged welding machine was installed to produce industrial grating meeting European Standards and to increase our capacity and product range. We enter 2015 with a good order book including a large contract for the supply of flooring to a second platform for AMEC-Tekfen-Azfen in the Shah Deniz field in Azerbaijan.

The supply of our plastic pipe products to AMP5 was completed in the early part of 2014 and although enquiries for storm attenuation tanks for the flood alleviation market were at record levels, only a small number turned into orders. In contrast, housing market enquiries were strong and orders improved in the second half of the year. One notable change in the housing attenuation tank market is the size of tanks, which have increased by around 50% in volume to compensate for higher rainfall and an increased risk of flooding. We start 2015 with a good order backlog and enquiry levels well ahead of 2014.

Birtley and Expamet continue to perform ahead of expectations with the synergies of offering both brands to the local independent builders' merchants, as well as to national merchants, proving very successful. The business has benefitted from the increased demand for new build homes which is set to continue in 2015.

As part of our continuous product application development programme, we have been seeking out new markets for the use of our Weholite large diameter plastic pipe. In the renewable energy sector anaerobic digestion, for the food and agricultural markets, was identified as a suitable opportunity. In the final quarter of the year we secured a large order of £0.4m for the supply of sixteen storage tanks with a further two projects of a similar size being secured for the first half of 2015. This again demonstrates the entrepreneurial strength within the Group.

Our solar frame business had its most successful year as the demand for large scale UK solar frames increased in the south of England. We had expected volumes to reduce at the end of March 2015 as the Renewables Obligation scheme was to be scrapped for projects over 5MW, however the grace period for installation of these larger schemes has now been extended for a further year to March 2016, which should result in similar volumes for 2015.

Our security fencing business experienced improved market conditions as demand for our Stronguard product increased to protect power stations, railways and sites of critical infrastructure. Additional demand from the solar farm market also contributed to year on year growth. During the year we acquired plant, equipment and inventory from the receiver of one of the largest manufacturers of palisade fencing who had entered administration. The assets were absorbed into our own facility which resulted in improved efficiency and profitability on the higher volumes. These proactive measures further endorse our strategy of consolidating the local market to improve returns on sales and invested capital.

Galvanizing Services

	£m 2014	£m 2013	+/- %	Constant Currency %
Revenue	**131.8**	127.6	+3	+7
Underlying operating profit	**26.7**	25.4	+5	+10
Underlying operating margin %	**20.3**	19.8		

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 29% (2013: 29%) of the Group's revenue and 54% (2013: 57%) of the Group's underlying operating profit.

Reported revenue increased by 3% to £131.8m (2013: £127.6m), although growth at constant currency was 7%. Underlying operating profit improved to £26.7m (2013: £25.4m), constant currency growth of 10%. Underlying operating margins remained strong and improved to 20.3% (2013: 19.8%) despite a rising zinc commodity price and the adverse zinc pricing impact in Sterling and Euro of a stronger US$.

Overall galvanizing volumes were 7% ahead of 2013 principally as a result of improved economic conditions in the USA and UK.

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.

Overall volumes for the year were 14% higher with second half production particularly strong at 25% year on year growth, significantly ahead of the first half which returned growth of 3%. Weather patterns were a significant contributor to the phasing, with the poor weather in the north east in the early part of the year being compensated for by favourable conditions toward the year end. Key markets including bridge & highway, alternative energy and OEM equipment all performed ahead of expectations which, together with our focus on productivity and business improvement initiatives, returned a record result for the operation.

The construction of our seventh plant, strategically located in Memphis, Tennessee was completed on schedule at a cost of £9.4m and the plant commenced production at the end of November. Built to our own proven design, production has started satisfactorily and we are building our reputation and customer base in this regionalised market. Early performance has been in line with expectations and we remain excited about the longer term opportunities this investment will afford.

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 macro-economic environment in France remains challenging and thus the business performed very credibly in reporting volumes in line with the prior year. The first half of the year was buoyed by completion of the Bordeaux Stadium project ahead of the 2016 European Football Championship and overall volumes were 3% ahead of the prior year. An absence of large projects in the second half of the year resulted in volumes 4% below prior year. Increased competition from non-domestic galvanizers resulted in lower overall market pricing and although we did not lose market share our profitability was marginally lower year on year.

The business, a market leader run by a highly experienced team, continues to perform well in a difficult market with a focus on price and cost management pending an improvement in the French and wider European economies.

UK

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

Overall, volumes improved by 9% year on year with the strong 17% growth experienced in the first half reducing to 1% in the second half of the year as the business faced much tougher comparatives given the improving economy. Growth in the first half of the year was supported by the inclusion of Medway volumes in the period January to April given the acquisition in the prior year on 30 April. The additional four months of trading contributed 6% of the 17% first half reported growth. Our own internally generated volumes from the Roads and Utilities businesses were strong throughout the year. Our focus on targeting higher margins resulted in a significant increase in profitability. Contributions from the Arkinstall transaction (December 2013), the full year impact of the Medway acquisition and a strategy of winning and servicing smaller customers outside of our normal geographic areas all assisted in increasing margins.

In furtherance of our strategy of active portfolio management, on 1 December we announced the closure of our galvanizing site in Hereford. In need of substantial capital expenditure to upgrade the facility, market volumes and the financial returns available could not justify the investment. The cost of closure, amounting to £2.9m, has been included in non-underlying items. Production ceased on 6 February 2015. A reasonable proportion of the volume will be absorbed into our other structural steel galvanizing facility in Chesterfield.

Operational and Financial Review continued

"The Group's strong underlying operating cash flow provides the funds to invest in growth."

Tapered down end section of the Zoneguard product, H&S Inc.

Financial review

Income statement phasing

	First half	Second half	Full year
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**
2013			
Revenue £m	221.6	222.9	444.5
Underlying operating profit £m	20.2	24.3	44.5
Margin %	9.1	10.9	10.0

Reported revenue of £454.7m was £10.2m or 2% ahead of the prior year, with acquisitions and disposals completed during both 2013 and 2014 contributing a net £2.7m additional revenue and £1.0m underlying operating profit. The translation impact arising from changes in exchange rates, principally the US Dollar and Euro, reduced total revenue by £13.3m and underlying operating profit by £1.7m. At constant exchange rates, organic revenue growth was £20.8m and underlying operating profit growth was £5.4m, or 5% and 13% respectively. Further details of the performance of the Group are provided in the Operational Review.

The phasing of revenue and to a greater extent underlying operating profit was again second half biased in 2014, principally reflecting the growing levels of demand in the UK Roads market and the generally improving economic conditions in the US, together with a normal degree of seasonality.

Cash generation and financing

The Group again demonstrated its cash generating abilities with strong operating cash flow of £53.7m (2013: £54.2m), despite an increase in working capital of £5.1m (2013: £1.9m reduction). The overall impact on working capital of zinc and steel commodity prices year on year was not material. Working capital as a percentage of annualised sales held steady at 13.9% at 31 December 2014 (2013: 13.9%). Debtor days were unchanged from the prior year at 61 days.

Capital expenditure at £35.9m (2013: £22.1m) represents a multiple of depreciation and amortisation of 2.4 times (2013: 1.5 times). As previously reported, the Group has made a significant investment in its UK temporary road safety barrier fleet with a total cash spend of £14.3m during the year, and has completed the construction of its new galvanizing facility in Memphis, USA at a cost in the year of £7.4m. Other significant items of expenditure included £1.5m on further development and equipment for the Industrial Flooring manufacturing facility in Middlesbrough following the closure and relocation of the Telford operation in 2013, and £1.2m of development expenditure in relation to the Group's suite of products for the UK roads market. Whilst the Group expects capital investment to fall to more normalised levels in 2015, it 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 2014 the Group achieved an underlying cash conversion rate of 51% (2013: 93%). Excluding the strategic investments in UK temporary road safety barrier and the Memphis galvanizing plant during the year, underlying cash conversion was 95%. Over the past six years the Group has achieved an average rate of 90% despite a number of other major capital projects being undertaken during that time.

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, whilst a sound balance sheet provides a platform to take advantage of future growth opportunities.

Group net debt at 31 December 2014 was £96.0m, representing a year on year increase of £8.5m before adverse exchange rate movements of £0.3m. The Group's net debt includes 23% denominated in US Dollars and 13% denominated in Euros which act as a hedge against the net asset investments in overseas businesses.

Change in net debt

	2014 £m	2013 £m
Operating profit	**41.1**	34.5
Depreciation and amortisation*	**17.2**	16.9
Working capital movement	**(5.1)**	1.9
Pensions and provisions	**(5.5)**	0.4
Other items	**6.0**	0.5
Operating cash flow	**53.7**	54.2
Tax paid	**(9.3)**	(15.3)
Interest paid (net)	**(3.2)**	(3.4)
Capital expenditure	**(35.9)**	(22.1)
Sale of fixed assets	**0.7**	3.0
Free cash flow	**6.0**	16.4
Dividends	**(12.4)**	(11.6)
Acquisitions	**(0.2)**	(6.6)
Disposals	**0.5**	-
Amortisation of refinancing costs	**(0.3)**	-
Net issue of shares	**(2.1)**	2.0
Change in net debt	**(8.5)**	0.2
Opening net debt	**(87.2)**	(86.8)
Exchange	**(0.3)**	(0.6)
Closing net debt	**(96.0)**	(87.2)

* includes £2.1m (2013: £2.2m) in respect of acquisition intangibles.

The Group's principal debt facility consists of a headline £210m multicurrency revolving credit agreement. In May 2014 the Group extended the term of the then-existing facility from April 2016 to April 2019, providing the Group with significant headroom against its expected future funding requirements for an additional three years, whilst also taking advantage of favourable market conditions to reduce costs and amend key terms. Costs associated with the amendment of £1.5m were deducted from the carrying value of the loans and will be amortised over the life of the facility, as required by accounting standards.

Operational and Financial Review continued

Maturity profile of debt facilities

	2014		2013
On demand	**£9.3m**	On demand	£16.4m
2015-2016	**£1.3m**	2014-2015	£1.3m
2017-2019	**£212.9m**	2016	£210.9m

At the year end the Group had committed debt facilities available of £214.2m and a further £9.3m in overdrafts and other on-demand facilities.

The principal debt facility is subject to covenants which are tested semi-annually 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 2014 were:

	Actual	Covenant
Interest Cover	20.6 times	> 4.0 times
Net debt to EBITDA	1.5 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

		2014 £m		2013 £m
Underlying net cash interest:				
Bank loans / overdrafts	**3.1**		3.2	
Finance leases / other	**0.1**	**3.2**	0.1	3.3
Non cash:				
Net pension interest	**0.7**		0.6	
Costs of refinancing	**0.3**	**1.0**	-	0.6
		4.2		3.9

Net financing costs were marginally higher than prior year at £4.2m (2013: £3.9m). The net cost from pension fund financing under IAS19 was £0.7m (2013: £0.6m), the increase of £0.1m reflecting the higher net pension deficit at the end of 2013 compared with 2012. Given its non-cash nature the pension interest charge continues to be treated as 'non-underlying' in the Consolidated Income Statement. Non-underlying financing costs also include £0.3m relating to the Group's amendment of the terms of its principal banking facilities during the year, reflecting the amortisation of the costs capitalised against the loans in accordance with IAS39. The underlying cash element of net financing costs decreased by £0.1m to £3.2m (2013: £3.3m), as a result of marginal reductions in bank interest rates. Underlying operating profit covered net cash interest 15.4 times (2013: 13.5 times).

The Group has approximately 26% (2013: 38%) of its gross debt of £102.7m 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. The Sterling swap held at 31 December 2013 was terminated in 2014 as part of the amendment to the principal debt facility.

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 2014, ROIC increased to 16% (2013: 15%) largely as a result of improvements in underlying operating margins and active portfolio management, including the disposal and restructuring of under-performing businesses. 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 2013 revenue and underlying operating profit using 2014 average exchange rates would have reduced the prior year revenue and underlying operating profit by £13.3m and £1.7m respectively. Exchange rates continue to move in line with worldwide events and currency flows and hence are inherently difficult to predict. Movements in exchange rates will continue to have an impact on the translation of overseas earnings in 2015. Retranslating 2014 revenue and underlying operating profit using exchange rates at 3 March 2015 (inter alia £1 = US$1.54 and £1 = €1.37) would increase the revenue and underlying operating profit by £2.1m and £0.8m respectively. For US Dollar, a 1 cent movement results in a £140,000 adjustment to underlying operating profit and for the Euro, a £60,000 adjustment.

Non-underlying items

The total non-underlying items charged to operating profit in the Consolidated Income Statement amounted to £8.1m (2013: £10.0m) and were made up of the following:

	Income statement charge £m	Cash in the year £m	Future cash £m	Non-cash £m
Business reorganisation costs	(2.6)	(0.6)	(1.5)	(0.5)
Losses on sale of subsidiaries	(3.7)	0.5	0.5	(4.7)
Amortisation of acquisition intangibles	(2.1)	-	-	(2.1)
Acquisition expenses	(0.1)	(0.1)	-	-
Profit on sale of properties	0.4	0.4	-	-
	(8.1)	0.2	(1.0)	(7.3)

- Business reorganisation costs of £2.6m (2013: £9.2m) principally relate to redundancies and other costs associated with site restructuring. The charge is net of a release of £0.9m of unutilised provisions relating to prior year site closures following the favourable settlement of previously estimated exposures. The charge also includes asset impairments of £1.4m;
- Losses on disposal of subsidiaries of £3.7m (2013: £nil) represent the net losses arising from the disposal of the Group's interests in the non-core businesses of Staco Redman, Bromford Iron & Steel and JA Envirotanks during the year, further details of which are set out below;
- Non-cash amortisation of acquired intangible fixed assets was £2.1m (2013: £2.2m);
- Acquisition related expenses of £0.1m (2013: £0.4m) reflect costs associated with acquisitions expensed to the Consolidated Income Statement in accordance with IFRS3 (Revised); and

- Profits on sale of properties during the year were £0.4m (2013: £1.8m).

The net cash impact of the above items was an inflow of £0.2m (2013: outflow of £3.1m) with a further £1.0m net spend expected in 2015. The non-cash element therefore amounted to £7.3m. 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 £9.6m (2013: £7.6m). The underlying effective tax rate for the Group was 24% (2013: 24%), 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 of £9.3m (2013: £15.3m), although broadly in line with the income statement charge, benefitted from advanced capital allowances in connection with the Group's investment in the new Memphis galvanizing plant in the USA. Cash tax paid in the prior year included the cash settlement of certain one-off deferred tax liabilities in France.

The Group's net deferred tax liability is £7.6m (2013: £9.5m). An £8.5m (2013: £8.7m) deferred tax liability is provided in respect of brand names and customer relationships acquired. A further £1.5m (2013: £1.9m) 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 11% to 45.0p (2013: 40.4p), with organic growth in revenue and improvements in underlying operating profit margins more than compensating for the adverse movements in exchange rates. The diluted UEPS was 44.4p (2013: 39.8p). Basic earnings per share was 35.1p (2013: 29.6p). The weighted average number of shares in issue was 77.8m (2013: 77.6m) with the diluted number of shares at 78.8m (2013: 78.6m) 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 2014 was £21.1m, marginally higher than the £20.2m reported at 31 December 2013. The impact of a reduction in the discount rate, in line with falling bond yields in the latter part of the year, was largely offset by reductions in inflation assumptions and an improvement of £5.6m in underlying asset values.

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 2014 was £17.7m (2013: £17.6m). The Group has agreed deficit recovery plans in place that require cash contributions over and above the current service accrual amounting to £2.5m for the three years to April 2016, followed by payments of £2.3m for a further seven years.

Deficit contributions of £3.6m in 2014 include an additional £1.1m crystallising on cessation of trade in businesses sold or closed. The date of the next triennial review is 5 April 2015. The Group is actively engaged in dialogue with the Trustees with respect to management, funding and investment strategy.

Acquisitions

On 11 July 2014 the Group acquired the trade and certain assets of Variable Message Signs Limited, a manufacturer and distributor of electronic variable message signs for the UK road and rail markets, for £0.3m including costs and the assumption of outstanding debt. The business will be merged with the Group's existing variable message sign business, Techspan Systems, to create the UK market leader in this sector. The combined business will be known as Variable Message Signs.

Disposals

On 18 August 2014 the Group disposed of its interests in the non-core businesses of Bromford Iron & Steel Company Limited, a producer of rolled steel, and JA Envirotanks, a small niche market supplier of storage tanks for industrial applications. Total consideration was £1.3m, of which £0.5m is deferred for a period of up to two years, resulting in a loss on disposal of £3.8m.

On 23 April 2014 the Group disposed of its interest in Staco Redman Limited, a small producer of steel floor grating, for a consideration of £0.3m resulting in a profit on disposal of £0.1m.

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.

Derek Muir
Group Chief Executive

Mark Pegler
Group Finance Director

10 March 2015

Strategic Report

Creative Pultrusions supplied 113 GRP fender piles for the replacement of the Boca Grande North Swing Bridge Fender System in Florida, USA.

Welding taking place at our Bergen Pipe Supports business in India.

Exterior glass panel cladding installed by Berry Systems on the new Banbury railway station multi-storey car park. Berry also supplied and installed capping panels, soffits, internal perforated metal infill panels, link bridge security and access gate, rail side security mesh and their vehicle safety barriers, with anti-climb mesh and integral pedestrian handrail.

Corporate Responsibility

Board level responsibility and accountability

The Group continues to be committed to delivering its strategic objectives in an ethical and responsible manner.

Derek Muir, 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 Group policies, primarily through:

› Communication across the businesses;

› Implementation of supporting principles; and

› Monitoring performance and improvements.

Our operating directors, supported by the Group's employees, are encouraged to contribute positively to the communities and environment in which we do business. We recognise that acting responsibly in all our operations, towards our employees and all other stakeholders, not only benefits them but also allows us to deliver sustainable profit growth and through it, shareholder value.

CR initiatives in 2014

› Reduction in water, waste and energy consumption.

› Further commitment to packaging reduction.

› To collect and monitor landfill waste data and to identify opportunities for recycling.

› Development of the audit programme to include environmental issues.

› Extension of the Safety Cloud to include international sites.

› To improve the collection of water usage data and develop water management programmes.

› Further improvement in the management of site safety and accident reduction.

CR responsibility drivers

Sustaining the environment

Our people

Other stakeholders

Community

Sustaining the environment

Managing the environment around our businesses and monitoring the effect they have on the local communities and on our staff is important to the Group. We do this by measuring the use of energy and water; monitoring waste disposal and by implementing policies and procedures around how we operate our business. During 2014 the Group developed a system of monitoring waste, water usage and recycling within the manufacturing businesses.

Energy

The Group operates an Energy Policy, which can be found in the CSR section on the website. Each Group company has appointed an Energy Champion and employees are encouraged to report all energy savings and recycling ideas to their local Energy Champion.

Our UK operations are committed to working towards compliance with the ISO 14001:2004 standard, awarded to companies that operate to an accepted environmental government standard. Part of this process involves the UK operations carrying out an independent environmental audit programme. This will continue to operate for 2015, with companies continuing to monitor their environmental impact on an on-going basis.

During 2015 the Group are due to launch an online Energy Forum, to allow all Energy Champions to share their ideas collectively within the Group. This forum will meet to discuss energy efficiency schemes and ideas, which will be adopted across all Group companies.

Greenhouse gas emissions ('GHG')

The Group recognises the importance of monitoring its greenhouse gas emissions, with the aim of continuing its programme of cost effective, environmentally friendly energy management to create long term value for shareholders.

To demonstrate this commitment to reducing greenhouse gas emissions we participate in the Carbon Disclosure Project ('CDP') Climate Change Programme, disclosing our annual emissions. The Climate Change Score showed an improvement rising from 51E for 2013 to 65E in 2014. Emissions will continue to be disclosed through the Climate Change Programme.

CDP
DRIVING SUSTAINABLE ECONOMIES

The Group reports on its UK greenhouse gas emissions in compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013; Defra Environmental Guidelines ('DEG') updated in June 2014; and the UK government conversion factors for company reporting, which set the rules measuring UK data. In respect of our overseas companies we utilise data provided by the International Energy Agency ('IEA').

The GHG emissions, reported in the following tables, are for scopes 1, 2 and 3 of the DEG, as defined below. Data reporting for scope 3 has been reported for waste sent to landfill and water consumption as actuals.

Scope 1: Direct emissions - these include all emissions that an organisation directly causes or controls from combustion of fossil fuels and emissions of HFC's (hydrofluorocarbons) previously used in refrigeration units.

Scope 2: Indirect emissions - these are generated by imported utilities, such as electricity. Emissions from electricity transmission losses, which consist of transportation and distribution losses, would normally be reported under scope 3. For our reporting these have been included in scope 2, as "indirect" as they relate directly to the electricity usage, but are beyond the Group's direct control.

Scope 3: Indirect emissions that an organisation causes to occur, but does not control. This includes emissions attributed to the use of water, waste disposal to landfill, emissions from transport by aircraft, train and in vehicles owned by other parties including those used for commuting by staff, or emissions from outsourced activities and from the supply chain.

Corporate Responsibility continued

For both 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.

Subsidiary emissions comparison

Group total emissions by scope for 2014	UK emissions	Overseas emissions	Total emissions
Scope 1 (tCO_2e)	19,690	42,103	61,793
Scope 2 (tCO_2e)	12,754	10,973	23,727
tCO_2e	32,444	53,076	85,520
Total turnover (£m)*	244.2	210.5	454.7
IR	0.13	0.25	0.19

* Turnover based on geographical area of manufacture.

Global emissions comparison

Group emissions comparison 2013 - 2014	2014	2013
Scope 1 (tCO_2e)	61,793	72,859
Scope 2 (tCO_2e)	23,727	22,547
tCO_2e(1)	85,520	95,406
Total turnover (£m)	454.7	444.5
IR	0.19	0.21

Going forward the UK Government has responded to Article 8 of the EU Energy Efficiency Directive by introducing an Energy Savings Opportunity Scheme ('ESOS'). Article 8 calls for mandatory energy audits in areas of significant energy consumption. During 2015 these audits will cover UK sites that consume at least 90% of our total energy use. Saving opportunities identified will be shared across other Group companies in France, the US, Canada, Sweden, India and Thailand.

Water consumption

The Group has undertaken a review of the water usage throughout its UK companies, having used the services of CMR Consultants Ltd ('CMR'), a professional energy consultancy company, to carry out the surveys.

CMR have identified how water is currently being used, what steps can be taken to use water more efficiently and how businesses can improve the monitoring of their water usage. This information will be shared across the Group through the energy forum.

During the year our UK businesses consumed 45.8k cubic metres. We will continue to monitor water usage on an on-going basis throughout 2015, to ensure that water saving steps identified in CMR's surveys lead to lower consumption and economic savings.

Where possible Group companies investigate improvements within the manufacturing process to avoid the use of water, or alternatively to use pre-used water to carry out the process. Medway Galvanising has achieved this and now uses pre-used water in its rinse process.

Other initiatives include the adoption of rainwater harvesters in many areas of the Group. This project is to be extended as a potential savings opportunity to other Group businesses, where it is viable and safe to install such systems.

The aim is to further reduce water usage within the manufacturing businesses and it has been recognised that where rainwater is harvested, there has been a reduction in water usage, in addition to increased environmental sustainability and economic benefits.

Our objective for 2015 will be to continue to improve water efficiency, resource sustainability and cost saving.

Waste management

The UK operations of the Group comply with the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 (as amended). This means they are fully aware of their legal and environmental responsibilities to help reduce the amount of packaging going to landfill and encourages reductions, recycling and recovering of packaging material. By securing evidence of recycling through its compliance scheme, Wastepack, the Group is contributing towards meeting the recycling and recovery targets set by Defra, as part of the European Union Directive.

WASTEPACK making compliance easier

Waste management data has been collected from all UK sites, enabling us to identify waste by-products, with a view to lowering waste output and developing new opportunities to improve the manufacturing processes.

Wherever possible, these waste products are sold to be reused in other manufacturing processes, avoiding the need to use virgin material. For example, Asset Weholite use the waste disposal services of an operator, who turn its plastic, paper and food waste into new plastic, recyclable plastic pellets and alternative bio-energy sources.

Waste sent to landfill is continually reviewed by all companies and during the year opportunities for improvement were identified to reduce waste sent to landfill sites, using expert waste disposal companies.

UK generated waste

Liquid waste	5,181 litres
Recycled waste	14,765 tonnes
Waste to landfill	170 tonnes
Total	14,935 tonnes

Environment-based policies

The Group's environment-based policies covering the environment and energy can be found in the CSR section on our website.

People

We know that to be a business that successfully delivers its business model we need to employ and retain the right quality of staff and provide them with a safe and pleasant environment in which to work.

Training and development

We provide the appropriate resources and support to maintain the standards of performance and conduct expected by our employees. This is achieved through training and career development opportunities to help promote a forward thinking, proactive and creative working environment that will engage and motivate employees.

Employees are provided with a range of development opportunities, including:

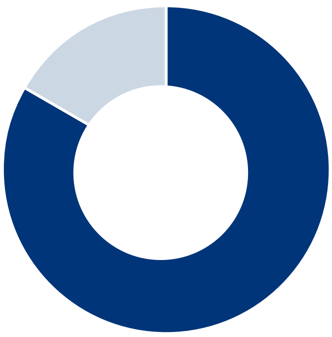
- Compliance with the Bribery Act, international competition and the Group's CBC;
- Training for a specific management or supervisory role;
- Support with education, leading to a professional or academic qualification;
- Health and safety training; and
- Programmes to provide the enhancement of the employees' knowledge and skill for their positions, together with the provision of knowledge and skills for new procedures or standards.

Guidance is through each employee's immediate line management and the delivery of training is provided through internal resources, predominantly in the work place. External providers are used where required.

Reward and involvement
Share ownership is encouraged by the Group through the 2005 Employee Sharesave Scheme, which currently has circa 375 UK employees participating.

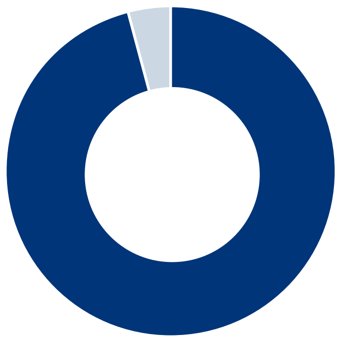
Employees are encouraged to communicate through the Group's website and intranet site. Group communication is also effected through the development of centralised programmes.

Diversity and inclusion
The charts below show the number of male and female employees throughout the Group, including the main Board, senior management and all other employees.



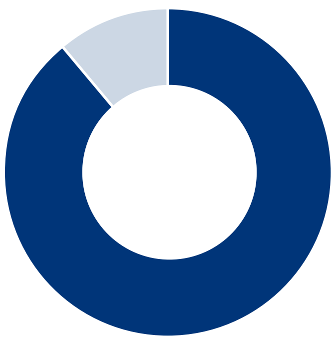
Number of PLC Board Directors: Male & Female split

Male 5
Female 1



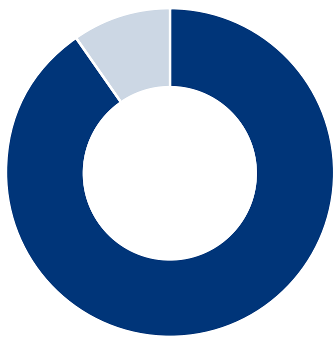
Number of subsidiary Directors: Male & Female split

Male 74
Female 3



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

Male 196
Female 24



Number of employees in the Group: Male & Female split

Male 3,156
Female 331

Our policies, practices and regulations for recruitment, training and career development promote equality of opportunity, while being appropriate for the relevant market sector and country of operation. A culture in which all employees have the opportunity to develop to their fullest potential is encouraged, and this also meets the needs of the Group.

The Group is committed to equal opportunities, employing a diverse range of people throughout Group operations and a commitment to fairness and equal opportunity is central to the Group's employment policy.

A statement on equal opportunities, discrimination and diversity policy was issued by the Group's Board of Directors in 2014. The Group will continue to commit to these and update policies for the future.

The Group has a policy of non-discrimination and it does not tolerate bullying or harassment. The policy promotes the operation of these principles and offers a whistleblowing hotline for use by employees if they feel they have suffered from adverse behaviours.

During the year the Group published its updated statement on diversity. This ensures that employees are recruited on merit, regardless of age, disability, marital or civil partner status, pregnancy, race, colour, nationality, ethnicity or national origin, religion or belief, gender or sexual orientation. Full consideration is provided to all applications of employment from disabled persons, where that person can meet the job requirements. In the event of an existing employee becoming disabled, where practicable, the Group will provide continued employment.

Corporate Responsibility continued

Health and safety

The Group is committed to ensuring a safe working environment is upheld, and maintains a system of control and monitoring of health and safety issues.

This system is directed by an external health and safety consultant and managed through dedicated health and safety representatives within the Group, who meet at quarterly safety forums (within the UK subsidiaries), to discuss health and safety issues. Guidance documents (e.g. health and safety standards) are produced, with key risks and hazard registers being kept. Documentation is maintained through the safety cloud management system, an online database which is used to track accident reporting and compliance issues. Bulletins, alerts and safety issues are communicated through this management system.

External audits are carried out under the Group's audit programme. This is further supported by nominated subsidiary directors completing a quarterly health and safety self-assessment.

2014 health and safety objectives

Objective	Result achieved
The continuation of the external audit programme, with current levels to be maintained or improved, as appropriate.	The programme of auditing UK operations continued for all sites during 2014. The average weighted score rating remained the same as 2013 and showed that, considering the nature of some site risks, a consistent performance is being achieved. Some improvements were identified for the US sites, audited in 2013; action plans have been implemented and progress continues to be made. Our Swedish operations were re-audited in 2014 and showed a 13% improvement in the overall weighted rating. Audits of site installation and construction related works continued with a good level of performance against the Construction Industry Training Board ('CITB') HSE audit tool.
Further roll out of the Safety Cloud to all remaining non-UK sites not using it.	There have been further discussions with our non-UK operations regarding the refinement of the Safety Cloud to suit their local operations and regulatory requirements. Towards the end of 2014, our sites in Sweden began to populate the Safety Cloud and it is intended that during 2015 further work will be undertaken to encompass other non-UK operations on the Safety Cloud.
Implementation of the occupational health strategy through a new module on the Safety Cloud.	Sites are now able to clearly map the occupational health requirements for employees. This mapping exercise on the Safety Cloud started during 2014 and has helped to ensure the right level of medical surveillance and health monitoring is established. We have worked with a number of our external health providers who are now able to record the results of their health monitoring regimes on the system.
To carry out environmental compliance audits.	For our UK operations, we have completed our review of environmental compliance across our sites. The results were encouraging and in general terms, environmental compliance was seen to be of a high standard. All sites are working towards improvement, which will address any issues raised through the environmental compliance audits.
To review the PLC health and safety management standards to ensure they are applicable on a global scale.	The PLC's health and safety management standards are based on OHSAS 18001, the global standard for the management of occupational safety and health. They have been reviewed and remain relevant to our global operations.

Health and safety achievements in 2014

Group companies continue to work actively to effectively manage health and safety. This is evidenced in 2014 by the following initiatives:

› Hill & Smith, Mallatite, France Galva and Asset VRS maintained their OHSAS 18001 certification;

› Techspan Systems expanded their OHSAS 18001 certification to include CA Traffic;

› Joseph Ash Galvanizing started a longer term OHSAS 18001 implementation initiative across the Joseph Ash group, with their Bilston site attaining the standard in late 2014;

› Joseph Ash Galvanizing and Lionweld Kennedy were awarded a RoSPA Gold Medal;

› A number of subsidiaries continued to maintain their Achillies supplier HSE accreditation; and

› Medway Galvanising, who joined the Group in 2013, have significantly reduced their accident injury rate through better awareness, training and monitoring of work practices.

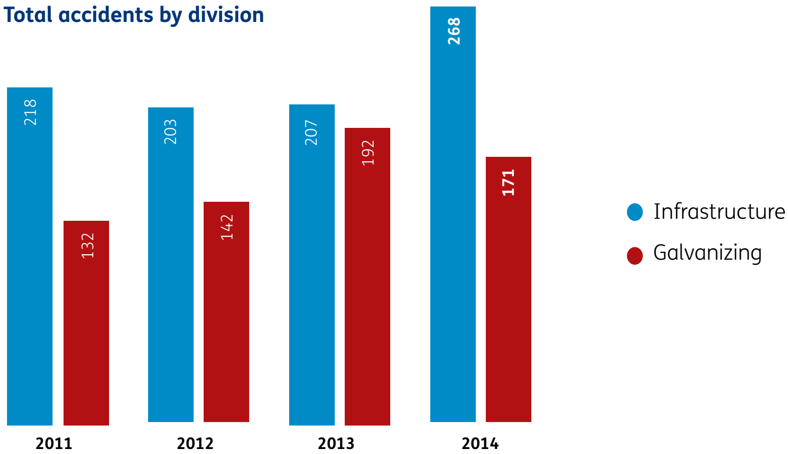
Accident rates

As a Group, we continue to focus on the open and active reporting of accidents and incidents. Over the last four years, we have been working hard to ensure that all sites have an effective incident reporting regime in place. Reporting to the Group via the Safety Cloud has helped UK sites implement a consistent approach and by using this system, safety alerts and bulletins are quickly circulated following any adverse incidents.

During 2014 we received 439 accident reports, compared to 399 in 2013, from all subsidiaries. This increase represents the results from an improved reporting regime from our sites. Our employees also have a greater understanding of the need for better safety behaviours within their business and the necessity to report all incidents, however minor. We believe that this 'safer' attitude amongst staff accounts for the year-on-year increase in the overall total number of reports. We also recognise the need for improved comparative data based on total number of employees/hours worked across the Group, and we continue to capture and analyse data in this format.

Total accidents 2011 - 2014

Total accidents by division



As we encourage staff to work safely, adopt safe behaviours and investigate reported incidents, sites are beginning to understand the root causes of accidents. Where injuries have occurred through employee errors or omissions, we are trying to achieve practical solutions which overcome some of the 'human error' aspects of many workplace injuries.

As well as managing the health and safety environment within the Group, we actively audit sites to ensure compliance and risk management. As our audit programme enters its fifth year, we are seeing that across many areas, key safety risks are being well managed. As one would expect however, due to the operational nature of our site activities, as we audit to a greater depth, more 'fine tuning' of our existing controls is being identified.

Occupational health

In the UK, we have had a number of reported cases of Hand Arm Vibration Syndrome, which whilst being dealt with locally on the site, has highlighted that there is need for further monitoring and assessment of work practices. In response to these kinds of risks an Occupational Health Strategy has been piloted across our UK sites and is being implemented through a new module on the Safety Cloud. The number of external health providers has been reviewed and reduced to a core of key competent providers, most of whom are working towards accreditation to the UK's Safe Effective Quality Occupational Health Service standard.

2015 health and safety objectives

- Introduction of a safety culture assessment tool to enable a more positive measure of health and safety performance across our operations.
- The continuation of the external audit programme, with current levels to be maintained or improved, as appropriate.
- 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.
- 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.
- 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.

People-based policies

The Group's people-based policies can be found in the CSR section on our website.

Corporate Responsibility continued

Other stakeholders
We place high standards of behaviour on ourselves, our suppliers and customers and consider our relationships with these stakeholders to be of particular importance to our business. This is evidenced by the reputation the Group has for its business ethics, integrity and fairness in its dealings.

Supply chain partners are selected on the basis that the business operates similar values to the Group. This benefits the business, as it promotes and maintains stable long-term relationships to deliver continued improvement, increasing business performance, viable environmental benefits and sustainable long-term growth.

During 2014 the Group continued to use the procurement standards for its purchasing activity that had been implemented in 2013, in order to ensure that it mitigates risks stemming from its supply chain. The standards ensure the Group maintains best practice in all areas of the supply chain, for example, commercial risk mitigation, ethical standards and denied party screening.

Code of Business Conduct
The Group has implemented a Code of Business Conduct ('CBC'). This 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. The CBC applies worldwide to all those employed within the Group and to all third parties engaged by the Group, acting on behalf of the Group.

The CBC governs health and safety, fair honest and ethical business practice, gifts and entertainment, conducting international business, protection of individuals, resources and assets. At its top level, it 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 further covers the handling and minimisation of conflicts of interest and the protection of the Group's intellectual property rights.

The CBC can be obtained on the Hill & Smith Group intranet for those engaged or employed by the Group and on the Company website, for public and shareholder review and assurance.

Non-compliance with any Group policy is taken very seriously. Concerns can be reported to the Group Risk & Compliance Counsel or via a compliance hotline, which is operated in conjunction with a whistleblowing policy, approved annually by the Audit Committee. This policy also gives assurance that issues will be investigated and resolved in accordance with the principles of the CBC. Such matters may be dealt with in a manner that ensures anonymity.

The Group's written policy states that if any employee has reasonable grounds to believe that the Group's CBC is being breached by any person or group of people, he or she is able to contact the Group Risk & Compliance Counsel with full details, or if necessary the Company Secretary or the Chairman of the Audit Committee.

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

Ethics
The Company sources components, materials and services for its manufacturing processes from a number of countries. We appreciate that there are local and national differences in standards in relation to many aspects of the manufacturing and wider business environment. However, we also recognise that there are a number of minimum standards that must be achieved by all. We are involved in many countries around the world where cross-board activity is not unusual. In 2014, to support the global contracting-nature of our businesses, we introduced denied parties compliance software to all Group subsidiaries. This allows Group companies to screen all actual and prospective customers to ensure they are not on any worldwide, EU or UK sanctions lists and to take appropriate action and advice as necessary. All Group companies are expected to screen potential new customers before accepting any orders.

Policies
The policies that govern our dealings with suppliers and customers can be found in the CSR section on our website.

Society and community
The Group does not have a group-wide programme in place to support specific charities or communities, rather, all subsidiaries are actively encouraged to support their local communities. Such activities range from the active support of local sports teams, to local and national charities, and helping with the process of supporting art and sculpture, through to providing material to build municipal buildings. Some examples during the year were:

- ATA, based in Sweden, supported both the local women's football team, Bollstanas and an ice hockey team, Vasby.
- Barkers Engineering provided galvanized steel section construction materials to the Community Sutherland Project to build a municipal shelter at the main entrance of their community centre. This has provided support to a number of local organisations that have used the building.

- Asset International contributed a number of their large diameter plastic Weholite pipes to an award winning garden designer for use at The RHS Royal Hampton Court Palace Flower Show. The garden was created by designer Katerina Rafaj and explored the idea of gluttony, as part of the show's wider 'Seven Deadly Sins' theme. The garden was entered into the 'Conceptual Garden' category, where it won gold. The design highlights the huge amount of food that is being consumed, and wasted, every day in the UK, through the use of eye-catching oversized sculptures of tinned goods, created from Weholite's large diameter pipes.

- Creative Pultrusions, Inc. participated in the Annual Easter Seals Softball fundraising event in August 2014. The CP team (who have played in the tournament for four years, and included employees, family and friends) won the event.

- Hill & Smith Ltd sponsored Sutton Coldfield Rugby Football Club Under 15's.

CR priorities for 2015

- Extension of the Safety Cloud management system to include international audits.
- Continued improvement to health and safety performance.
- Further identification of waste and water management efficiency schemes.
- To carry out the ESOS surveys in the UK.
- Greater efficiency on energy savings.
- Improvement in the environmental and sustainability policy.
- Continued commitment to waste packaging reduction throughout the Group.

Strategic Report

V&S Galvanizing's new plant north of Memphis, Tennessee, USA. The new facility features one of the largest galvanizing kettles in North America.

Governance Report

See further information online at hsholdings.com

Governance Report

Galvanizing by Galva Gaillard (part of France Galva) at the 3 Valleys Savoie ski resort in the French Alps.

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.

Good governance is about managing the business effectively and in a way that is honest, open and accountable. It is key to the delivery of the Group’s strategy and sustained generation of shareholder value.

The Board has ultimate responsibility for the Group’s performance and for overseeing the management of risk (see pages 14 to 16). 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 48 to 49 , are the results of that assessment.

Clive Snowdon, Senior Independent Director and Chairman of the Remuneration Committee reports in his introduction on page 58, 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. Following the introduction of the Code of Business Conduct, an international competition law manual and relevant online training, we have also introduced denied parties screening software across the Group during 2014.

I look forward to meeting you at our Annual General Meeting on Thursday 14 May 2015.

Bill Whiteley
Chairman

10 March 2015

Board of Directors

W H Whiteley BSc, FCMA
Chairman and Non-executive (66)

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, C Eng, MICE
Group Chief Executive (54)

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 over 27 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 (46)

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 CA, LLB
Independent Non-executive (58)

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 (61)

Clive is an Executive Chairman of Shimtech Industries Group Limited, Chairman of the Midlands Aerospace Alliance and Trustee of the Stratford Town Trust. Clive retired from Umeco plc in June 2011 having been Chief Executive since April 1997. 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 (48)

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 2012 applies to the Group and is available on the FRC website at www.frc.org.uk. The revised UK Corporate Governance code published in September 2014 applies to reporting periods beginning after 1 October 2014 and as such the Board will report against the provisions of the revised code in its next Annual Report.

The Board confirms that for the period ended 31 December 2014 it complied fully with the requirements of the UK Corporate Governance Code 2012 (the 'Code') and this report outlines how we have complied with the five main principles of the Code: leadership, effectiveness, accountablity, remuneration and relations with shareholders.

Leadership
Details of the Group's business model and strategy can be found on pages 8 and 9.

Leadership framework
The Hill & Smith Holdings PLC Group consists of the Company and the principal subsidiary companies, listed on pages 134 to 136, 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 has a structure of monthly subsidiary company board meetings (which are attended by the two Executive Directors) and regular liaison across divisions to ensure, where appropriate, consistent application of governance, operational procedures and Group policies and practices. The two Executive Directors are accountable to the Board for the divisional and subsidiary company governance and controls.

The Board is collectively responsible for ensuring that the business acts in the best interests of the Group to deliver 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; risk management and internal controls.

Board structure
During 2014 the Board constituted three Board committees as described below and each committee reports to the Board.

W H Whiteley - *Chairman and Non-executive*

D W Muir - *Group Chief Executive*

M Pegler - *Group Finance Director*

J F Lennox - *Non-executive*

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

A M Kelleher - *Non-executive*

***Company Secretary* - J C Humphreys (retired 31 Dec 2014)**
C A Henderson (appt 1 Jan 2015)

Audit Committee

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

Chairman
J F Lennox

Other members
C J Snowdon
W H Whiteley (res. 16 Dec 2014)
A M Kelleher (app. 16 Dec 2014)

Secretary
J C Humphreys

Remuneration Committee

The Remuneration Committee is responsible for the design, approval and implementation of the Company's remuneration policy in relation to Executive Directors, Company Secretary and senior executives.

Chairman
C J Snowdon

Other members
J F Lennox
W H Whiteley (res. 16 Dec 2014)
A M Kelleher (app. 16 Dec 2014)

Secretary
J C Humphreys

Nomination Committee

The Nomination Committee has responsibilty for assisting the Board with succession planning and with the selection of a new Director or Chairman.

Chairman
W H Whiteley

Other members
J F Lennox
D W Muir
C J Snowdon
A M Kelleher (app. 16 Dec 2014)

Secretary
J C Humphreys

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 and Non-executive) - 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 65 and 66 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 [1]	9	5	4	4
Derek Muir	9	5*	4	3*[3]
Mark Pegler	9	5*	1*	1*[3]
Jock Lennox	9	5	4	4
Clive Snowdon	9	5	4	4
Annette Kelleher [2]	1	1	1	1
Total meetings	9	5	4	4

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

(1) In line with best practice W H Whitely resigned from the Audit and Remuneration Committees on 16 December 2014 and attended the meetings on that date by invitation.

(2) A M Kelleher was appointed to the Board on 1 December 2014, and to the three other Board Committees on 16 December 2014.

(3) Neither of the Executive Directors is 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 2014 also visted ATA, Sweden.

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 page 44.

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, reviews and approves:

- Group strategy and operating plans;
- Business development, including acquisitions and disinvestments, major investments and disposals;
- Risk management;
- Financial reporting and audit, including announcements for year end and interim results and trading updates;
- Taxation;
- Financing and treasury;
- 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 the normal business associated with the above, during 2014 and up to the date of this report, the Board reviewed and approved the following:

- The schedule of matters reserved for the Board;
- Group Delegated Authorities;
- Group Company Secretary appointment;
- Group policy manual;
- International competition compliance and online training;
- Diversity and equal opportunities policy;
- A three-year extension to the Group's banking facilities;
- Group tax strategy and policy;
- New rules for the Hill & Smith Long-Term Incentive Plan, Executive Share Option Scheme and Sharesave scheme; and
- Corporate activity including the sale of Bromford Iron & Steel and JA Envirotanks, the purchase of Variable Message Signs and the closure of Joseph Ash's Hereford galvanizing plant.

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

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 operations and 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 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 has 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 page 44, 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. In 2013 the evaluation concluded that the areas identified as requiring more Board time in 2014 were:

- How the Board measures its aims and objectives;
- How the Board operates;
- The monitoring and communication of strategic risks;
- The increased application of risk management throughout the organisation;
- The further development of the levels of assurance, from the internal audit processes; and
- The development of the policy on diversity throughout the organisation and at Board level.

The Board have responded to these matters by:

- Agreeing KPIs;
- Ensuring the right balance of 'altitude' strategy discussions and 'detailed' business as usual discussions;
- Strengthening the risk assurance process in 2014 by embedding a staged risk management process of monitoring and mitigation initiatives;
- Continuing to evaluate the appropriateness of the Group's risk management programme and in 2014 introduced a holistic approach to ensure mitigation was appropriate and effective. The Board have introduced a new risk management process in January 2015 in response to the guidance on Risk Management issued in September 2014;
- Confirming, via the Audit Committee, that a plan of commercial and operating reviews has been approved. This will ensure that all subsidiaries are audited by the Group's internal audit function or external providers over a two year period; and
- Communicating across the Group a policy on Equal Opportunities, Discrimination & Diversity and in December 2014 the Group appointed its first female Non-executive Director.

The 2014 evaluation focused on the following factors:

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

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 desired improvements identified in 2013 had been implemented, including improved risk management processes, a focus on commercial, financial and compliance auditing of subsidiaries and policies on equal opportunities and diversity.

The 2014 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 2015 were:

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

Following this internal evaluation the Chairman met with each Director, on a one-to-one basis, to consider the effectiveness of the evaluation process and its conclusions. The Chairman also met 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, met in the absence of the Chairman to review his performance.

Appointments to the Board
Annette Kelleher was appointed as Non-executive Director on 1 December 2014. Korn Ferry were engaged by the Company to conduct a search for a suitable candidate and shortlisted several individuals. Feedback from these meetings was then given to the Chairman. The Nomination Committee subsequently met to discuss the potential appointment. The Board had requested that an individual with international human resources experience be recruited, and the Committee, in considering this requirement and the existing balance of skills, knowledge and experience on the Board, the merit and capabilities of the candidates and the time they were able to devote to the role in order to promote the success of the Company, recommended the appointment of Annette to the Board.

Following her appointment Annette met with the Executive Directors and Group Company Secretary and visited major companies within the Group's UK-based Roads, Utilities and Galvanizing businesses as part of her induction.

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 this page.

Following the formal evaluation of the performance of the Board in 2014, Annette Kelleher is being proposed for election and the other Directors for re-election at the 2015 AGM. Biographies for each Director can be found on page 44 and 45.

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 54 and 58 respectively. A report on the Nomination Committee is given below. 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 54.

Audit Committee composition
During the year the Committee comprised Jock Lennox as Chairman, the Non-executive Director and Senior Independent Director Clive Snowdon, the Group Chairman Bill Whiteley (who resigned from the Committee on 16 December 2014) and Annette Kelleher (appointed to the Committee on 16 December 2014). The Committee met five times in the financial period under review, with all members of the Committee being present on each occasion. The Chief Executive, 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 Oxford Instruments plc, EnQuest PLC and A&J Mucklow Group plc and is a member of the Audit Committee for Dixons Retail 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 54 to 57.

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 2014, 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 2014, 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 January 2015, of a new risk management process in response to the guidance on risk management issued in September 2014.

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. The Board considered its appetite for risk, determining that the risks and mitigating actions were appropriate to the level of risk that was both acceptable to, and incumbent within, a business of our size.

More information on the Group's key risks and uncertainties is shown on page 17 to 21.

The Remuneration Committee
Please see the Remuneration Committee Chairman's letter to shareholders on page 58.

Remuneration Committee composition
During the year the Committee comprised the Non-executive Director and Senior Independent Director Clive Snowdon as Chairman, Jock Lennox Non-executive Director, the Group Chairman Bill Whiteley (who resigned from the Committee on 16 December 2014) and Annette Kelleher (appointed to the Committee on 16 December 2014). The Committee met four times 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 58 to 67. A brief summary of the Company's Remuneration Policy, approved at last years' AGM, can be found on pages 67 to 71.

The Nomination Committee
Dear Shareholder,

During 2014 the Committee has considered Board diversity and effectiveness. The Group's overall approach to diversity is that we aim to reflect the business operation of the companies with the Group. We do not have specific diversity targets and appointments are made, with reference to our Diversity Policy, on merit and against objective criteria.

The Board's effectiveness continues to be evaluated annually and more details of the process followed can be found on page 49.

Bill Whiteley
Chairman, Nomination Committee

10 March 2015

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 (appointed on 16 December 2014), and the Group Chief Executive, Derek Muir. The Committee met four times 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 that Clive Snowdon had served in excess of six years, and in order to ensure succession and refreshing of the Board, the Committee engaged Korn Ferry to recruit a new Non-executive Director. This resulted in the Committee recommending to the Board the appointment of the Company's first female Non-executive Director.
- Board best practice - recommending that the Chairman of the Company should not be a member of the Audit and Remuneration Committees.
- Board evaluation - a summary of the process and key matters arising from the 2014 Board evaluation, led by the Chairman and internally facilitated by the Company Secretary, is contained on page 49.

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, including 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 to ensure development of the Group, implementation of its strategy and sound governance. Having appointed its first female Non-executive Director in 2014, 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 UK-based strategy and international expansion of the Group.

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 2014
Bill Whiteley	1 January 2010	5 years
Clive Snowdon	11 May 2007	7 years 7 months
Jock Lennox	12 May 2009	5 years 7 months
Annette Kelleher	1 December 2014	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 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 Birtley Group, Lionweld Kennedy Flooring, Hill & Smith and Joseph Ash, 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.
- 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.

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.

Governance Report continued

Compliance and ethics programme

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 within each market and how we expect our business to be conducted. Our revised CBC issued in 2013 is supported by a set of global policies issued through the Group intranet and internal communications.

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.

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, inter alia, the handling and minimisation of conflicts of interest and the protection of the Group's valuable intellectual property rights.

The CBC is accessible on the Hill & Smith Group intranet for those engaged by the Group and on the Company website www.hsholdings.com for public and shareholder review and assurance.

The Group has also 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.

The enhanced anti-bribery and corruption policies, the procedures for gifts and entertainment and related guidelines issued in previous years, continue to be applied with consistency and diligence.

In order to bolster the Group's policy on conducting international business, as set out in the CBC, the Group launched an international competition law compliance policy manual and developed a complementary training programme during 2013 and this continued into 2014, where we undertook a review of our subsidiaries' knowledge of competition law. The outcome indicated a good awareness of competition law across the subsidiaries, together with adherence to the Group's compliance policies.

During 2014, in continued support of the Group's compliance and ethics programme we introduced denied parties compliance software to all Group subsidiaries. This allows companies to screen all actual and prospective customers to ensure they are not on any worldwide, EU or UK sanctions lists and to take appropriate action and advice as necessary.

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.

On behalf of the Board

Bill Whiteley
Chairman

10 March 2015

Asset Zoneguard on A14 Morgan Sindall contra flow works N2 W2 system.

Asset International's BEBO T94 installed on the Heysham to M6 link Milestone Canal Bridge. This is the largest precast over-filled arch constructed in the world.

Constant effort pipe supports supplied to the Sadara petrochemical project in Saudi Arabia.

Audit Committee Report

Jock Lennox
Chairman, Audit Committee

Dear Shareholder

During the year the Audit Committee has built upon the risk management process that was implemented, paying particular attention to guidance issued during the year to focus the Board on the Group's principal risks. The Committee also reconsidered the Group's approach to internal controls; introducing a new risk-based approach to the audits of its subsidiaries that included the self-assessment, by the subsidiaries, of compliance with Group policies and a more in-depth investigation by the internal audit team, into each company's approach to the internal control environment around its commercial and operating 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 2014 accounts;
- Internal controls;
- Risk management;
- 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 questions that you might have and I look forward to seeing you at our AGM in May 2015.

Jock Lennox
Chairman, Audit Committee

10 March 2015

Joseph Ash galvanized these steel horses by artist Andy Scott. There were five horses in total - a stallion and four galloping horses - ranging from 2.5 to 3.5 metres tall and were galvanized at the Telford plant. Due to their complex shapes and intricate forms, they were handled extremely carefully and dipped in their entirety to ensure an even galvanized coating.

Composition and responsibilities of the Committee

Composition

During the year the Audit Committee consisted of Jock Lennox as Chairman, Clive Snowdon, Bill Whiteley (resigned on 16 December 2014), and Annette Kelleher (appointed on 16 December 2014). 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 2014 met on five 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 January, September and December to review risk and the Board's appetite for risk, review the internal audit activities and reports and the internal audit plan for the year ahead.

Attendees at each of the meetings are the Committee's members as well as, by invitation, 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 47.

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 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, which they may contain;
- Advising the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model, strategy and risks;
- 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 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 2014 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 80 to pages 120. 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 £110.5m at 31 December 2014. 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 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 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.

Defined benefit pension scheme valuation

Net defined benefit pension obligations under IAS19 amount to £21.1m at 31 December 2014. 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 Revenues & 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 considered a revised internal audit approach in 2014 and approved a plan that replaced internal audit peer reviews with subsidiary level commercial and operating reviews. The plan was assessed on the basis of providing responses to some of the key risks faced by the Group, as identified on the Group's risk register. Subsidiary businesses were required to self-assess their compliance with Group-wide policies; these assessments were validated by a combination of external auditor and internal auditor activity. The internal audit team took a more risk-based approach to the internal control environment. This included contract and project management, procurement and supply chain management, sales and credit management, compliance and financial reporting, 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. Additional areas of review were added to the plan as required, where circumstances gave rise to an increased level of risk.

Audit Committee Report continued

Any changes to the agreed 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.

- The control environment at Medway Galvanising Ltd (acquired April 2013);
- Foreign currency hedging arrangements;
- Project-based capital expenditure; and
- Commercial and financial management of the operations based in Thailand and India.

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 the risk management improvements made in 2013 were further consolidated with new anti-bribery and corruption processes around commercial intermediaries being introduced; the roll out of online competition law training and live testing of compliance and the introduction of denied party screening procedures.

The publication, in September 2014, by the Financial Reporting Council ('FRC') of their Guidance on Risk Management, Internal Control and related Financial Business Reporting will focus the Board's attention on the Group's 'principal' risks and the risk management process has been updated further to reflect the broader scope of these new requirements introduced in 2015.

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. 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 17 to 21.

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 2014 year end audit during the Committee meeting in September 2014. This highlighted the proposed approach and scope of the audit for the coming year, which was similar to 2013 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 debates 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 2014 audit. The Committee discussed the issues raised in the report, particularly in relation to the areas highlighted at the meeting in March 2015. 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.

Auditor independence and rotation

The auditor confirmed its policies on ensuring audit 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.

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.

The comply-or-explain provision in the UK Corporate Governance Code has effectively been superseded by the UK Competition Commission's final report and recent developments in Europe. EU legislation requires mandatory rotation of audit firms every ten years, extendable, if there is a tender process, up to 20 years. The transitional rules under the EU legislation will require an initial change of audit firm no later than for the 31 December 2024 year-end audit.

The Competition Commission had previously proposed mandatory audit tenders at least every ten years with different transitional rules, but has now announced a delay in its implementation programme to consider fully the implications of the EU rules on its proposals. There is therefore uncertainty as to whether the Group will be required to tender the audit prior to 2024.

Until this uncertainty is resolved, 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 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.

As part of the standard Committee agenda, a review of the Group's policy on the use of the external auditor to carry out non-audit services was undertaken. This policy review forms part of the terms of reference of the Committee and will be reviewed again in 2015 in light of the aforementioned EU directive. Included within the current policy are activities which the external auditor cannot undertake, such as those for compiling accounting records, certain aspects of internal audit, IT consultancy and advice to the Remuneration Committee.

For any non-audit services (which are not excluded under the policy), the policy provides 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.

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 2014, there were fees of £34,000 (2013: £200,000) paid to the auditor for non-audit services. The fees paid covered due diligence on acquired businesses and aborted acquisition costs £6,000 (2013: £171,000), pension advice £7,000 (2013: £19,000) and an interim review £21,000, which this year included additional work in respect of India and Thailand (2013: £10,000). Audit fees for 2014 were c.£600,000, representing a 1:18 ratio between non-audit and audit fees (2013: 1:3). 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 CBC is being breached by any person or group of people, he/she is 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 2014 Annual Report and Accounts is fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the Group's 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' record performance in 2014 and does not mislead the reader by excluding appropriate bad news. That the disclosures of the Company's business segments and key messages are consistently delivered throughout the document, KPIs are clear and appropriate and linked to both the Company'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 Company'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 Company's financial and non-financial performance in 2014 and allows them to get a clear and understandable picture of the Company's key drivers and business 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. We are aware that under section 2.2 of the Corporate Governance Code 2014 in respect of 2015 we will be required to make a broader statement about the Company's viability, based on a robust assessment of the Company's principal risks and the Company's current position. We will continue to make improvements to our risk management processes and approach to our internal control environment in order to comply with this code.

Jock Lennox
Independent Non-executive Director
Chairman, Audit Committee

10 March 2015

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 last year's AGM, was applied throughout 2014.

Remuneration policy
The Company's Remuneration Policy was put before members at our AGM in May 2014 and I'm pleased to report that it 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.

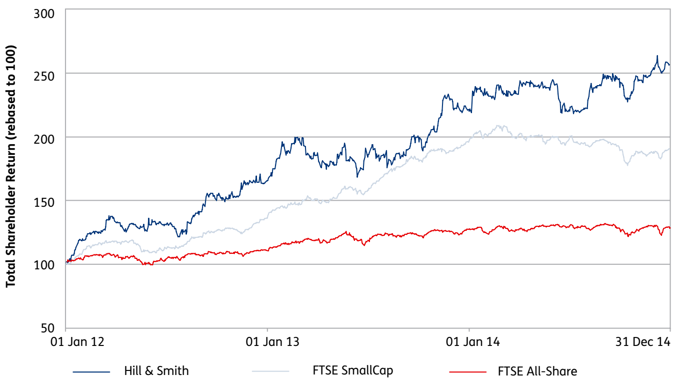
Performance
Our Remuneration Policy, whilst providing a fair and stable framework for Executive remuneration, is designed to have a significant proportion of Executive pay linked to achievement of demanding performance targets. The Company has performed strongly in 2014, despite there being challenging market conditions in some of the economies in which we operate. Underlying profit before tax was up 11.7% year-on-year and the annual growth in underlying earnings per share ('UEPS') was 11.4%.

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 Annual Bonus scheme and each is weighted equally.

During the year the Company has performed well against these measures, exceeding all the targets set. Growth in UEPS was 11.4%, profit before tax of £46.0m, an underlying operating margin of 10.8% and internal return on capital ('ROC') of 14.5%. The Remuneration Committee was satisfied that this performance reflected the underlying performance of the Company and the maximum bonus of 100% of salary vested.

A new Long-Term Incentive Plan was introduced in 2014, and cognisant of shareholder concerns it 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.

The strong results in 2014 have contributed to the Company's performance over the last three years (to 31 December 2014); with underlying profit before tax increasing 23.0%, UEPS rising by 30.4% and the Company's share price gaining 331.5p, an increase of 132%; resulting in 92.7% of the LTIP 2012 award vesting as shares.



Annual Remuneration 2015
The Committee approved base salary increases of 3% in December 2014 for the Executive Directors, which is in line with the increase awarded to the wider group population and is considered by the Committee to be appropriate and in line with the Group's 2014 performance. For completeness there has been no change in the quantum of the annual bonus or LTIP in 2015.

The activities of the Committee during 2014, including deliberating on the LTIP and annual bonus performance conditions, are outlined on page 59. Throughout the year, and to the date of this report, the Committee has maintained dialogue with its advisors, Deloitte, particularly in relation to remuneration guidance issued in the revised UK Corporate Governance Code. The Committee will continue to discuss such changing governance matters, 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 2015.

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

10 March 2015

Directors' Remuneration Report

Policy and strategy

The Company's strategy is explained in detail on pages 8 to 39. The Company's Remuneration Policy, which can be found in summary form on pages 68 to 71, 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.

Strategic drivers	Measured by annual bonus targets of:		Leads to:	Measured by Long-Term Incentive Plan targets of:
Organic revenue growth	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.	UEPS	Shareholder value	50% of any award is based on growth in the absolute UEPS that is in excess of RPI, 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.
Geographical diversification	The international diversity of the markets in which we operate continues to underpin our performance.	Budgeted profit		
Target returns and leverage	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%.	ROC(1) Operating margins		
Active portfolio management	Our strategic objective is to develop more sustainable businesses in each of our chosen sectors through organic and acquisitive growth.	Budgeted profit		
Entrepreneurial culture	We encourage an entrepreneurial culture in our businesses ensuring that they are agile and responsive to changes in their competitive environment.	Budgeted profit ROC(1) Operating margins		
Sustainable profit growth	Our objective is to deliver balanced profitable growth through both organic and acquisition opportunities.	UEPS		

(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 60 and 62.

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, Bill Whiteley and Annette Kelleher, (who joined the Committee on 16 December 2014) following her appointment as a Non-executive Director on 1 December 2014. 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. In line with best practice, Bill Whiteley stepped down from the Committee on 16 December 2014.

During this time the Committee:

- Approved the continued approach to Executive Directors' shareholding and the retention of at least 25% of any vesting LTIP award;
- Reviewed the Company's Remuneration Policy approved by shareholders at the AGM in May 2014, and was satisfied that it remains appropriate;
- Adopted new rules for the Company's LTIP, Executive Share Option Scheme ('ESOS') and the Sharesave Scheme approved by shareholders at the Company's AGM in 2014;
- Measured the performance conditions of the Company's LTIP in respect of awards granted in 2011, confirming that 100% of the Total Shareholder Return ('TSR') portion of the original award would vest and none of the UEPS portion of the original award would vest;
- 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 would vest;
- Approved grants under the Company's LTIP;
- Reviewed the base salaries of the Executive Directors and approved a 3% increase, with effect from 1 January 2015. This was in line with the increase elsewhere in the Group.
- Approved the annual bonus calculation and payment for the financial years 2013 and 2014 and the performance measure and targets for 2015;
- Reviewed and approved the Company's Annual Remuneration Report for inclusion in the Company's 2014 Annual Report and Accounts; and
- Considered and approved the Committee's terms of reference.

Directors' Remuneration Report continued

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 £11,500 for the year ended 31 December 2014. 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 and Finance Director also attended Remuneration Committee meetings to provide advice and respond to specific questions, but are not in attendance when their 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 following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Policy Report and Annual Remuneration Report at the Company's AGM held on 14 May 2014.

% 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%)
Annual Remuneration Report	99.36%	0.38%	22,204 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 policy for 2015
How the Remuneration Policy was implemented in 2014 – Executive Directors

Single remuneration figure for 2014

	Base Salary[1]	Taxable Benefits[2]	Annual Bonus[3]	LTIP (due in respect of performance period ended 2014)[4]	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

Single remuneration figure for 2013

	Base Salary[1]	Taxable Benefits[2]	Annual Bonus[3]	LTIP (due in respect of performance period ended 2013)[5]	Pension	Total 'Single Figure' 2013
D W Muir	438,000	49,773	71,832	414,800	109,500	1,083,905
M Pegler	280,000	19,800	45,920	268,335	70,000	684,055
Total	718,000	69,573	117,752	683,135	179,500	1,767,960

(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 £31,461 (2013: £23,563) 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 62.

(4) For the year ended 31 December 2014 the growth in UEPS over the three year performance period commencing 1 January 2012 and ending 31 December 2014 was 30.4%, 22.8 ppts above RPI growth for the same period, therefore 85.4% of this portion of the LTIP award vests. The Company's TSR was positioned in the upper quartile relative to the FTSE SmallCap for the same period and consequently 100% of this portion of the LTIP award vests. This resulted in a total of 92.7% of the LTIP vesting in March 2015, giving D W Muir the benefit of 115,959 shares and M Pegler the benefit of 73,941 shares. The face value of the vested shares is based on the closing share price of 594.0p/share as at 6 March 2015. The value of dividends receivable in respect of vesting LTIPs was for D W Muir £54,955 and for M Pegler £35,042, which in both cases was taken in Company shares (12,261 shares for D W Muir and 7,818 shares for M Pegler).

(5) For the year ended 31 December 2013 the growth in UEPS over the three year performance period commencing 1 January 2011 and ending 31 December 2013 was 3.6% and the Company's TSR was positioned in the upper quartile relative to the FTSE SmallCap for the same period. Therefore, 50% of the total LTIP award of 18 March 2011 vested, giving D W Muir the benefit of 68,495 shares and M Pegler the benefit of 43,724 shares, both 50 per cent of the total award. The face value of the vested shares is based on the closing share price of 540.50p/share at the vesting date 10 March 2014. The value of dividends receivable in respect of vesting LTIPs was for D W Muir £30,079 and for M Pegler £19,201, which in both cases was taken in Company shares (8,052 shares for D W Muir and 5,140 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.

	2014 base salary	2015 base salary	Increase
D W Muir	£451,000	£464,500	3.0%
M Pegler	£288,500	£297,200	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 2014	£126,297
Transfer value of accrued pension at 31 December 2014	£3,470,000
Change in accrued pension of 2013 excluding increase for inflation	nil
Normal retirement date	6 July 2020

The increase in the transfer value calculated for D W Muir (£2,829,000 as at 31 December 2013) is a result of changes in financial conditions over the period from 31 December 2013 to 31 December 2014. The 0.8% reduction in corporate bond yields has had the largest impact, slightly offset by the reduction in market expectations of inflation.

As noted last year in the 2013 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 2014. 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.

The pension input amounts relating to D W Muir's membership of the executive scheme over the last six years were:

Year Ending	Pension input amount £000s
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 amount in respect of the scheme for the years ending 31 December 2012, 31 December 2013 and 31 December 2014 are £nil.

Directors' Remuneration Report continued

D W Muir receives a cash payment in lieu of any pension contribution, equal to 25% of his base salary amounting to £112,750 for the year ended 31 December 2014 (2013: £109,500).

M Pegler receives a payment of 25% of his base salary as a defined contribution to his own private pension arrangement amounting to £72,125 for the year ended 31 December 2014 (2013: £70,000).

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 2014 that was operated in 2013.

2014 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, however the Committee considers this inappropriate given that such disclosure would provide information relating to the Company's approach to annual budgeting. The targets of underlying profit before tax ('PBT'), UEPS, operating margins and returns on capital are based on commercially sensitive information that the Board believes could negatively impact the Company's competitive position by providing competitors with insight into our business plans and expectations, resulting in significant risk to future profitability and shareholder value. The Committee will however, review this annually, and may disclose some details on a retrospective basis, where it considers it appropriate to do so. We are committed to providing as much information as we are able to, in order to assist our investors in understanding how our incentive payouts relate to the performance delivered. The performance conditions for the year ended 31 December 2014 that applied in equal measure and the actuals achieved were:

	Maximum pay out per performance measure	Actual performance	Actual pay out per performance measure
Growth in UEPS	25%	11.4%	25.0%
Budgeted underlying profit before tax	25%	£46.0m	25.0%
Underlying operating margins	25%	10.8%	25.0%
Achievement of budgeted internal ROC	25%	14.5%	25.0%

The Remuneration Committee considers that these performance measures continue to reflect the Group's strategy and the direction for 2015.

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. An additional award of up to £30,000 can be made under the tax advantaged part of the Hill & Smith Executive Share Option Scheme 2014 ('ESOS') and to the extent these option awards are exercised at a gain, the LTIP awards will be forfeited to the same value to ensure the total pre-tax value delivered remains unchanged. Awards are not pensionable and may not generally be assigned or transferred.

Awards vesting in respect of the three-year performance period ended 31 December 2014, 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 the award is based on TSR performance over the three-year performance period relative to the FTSE SmallCap.

	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.

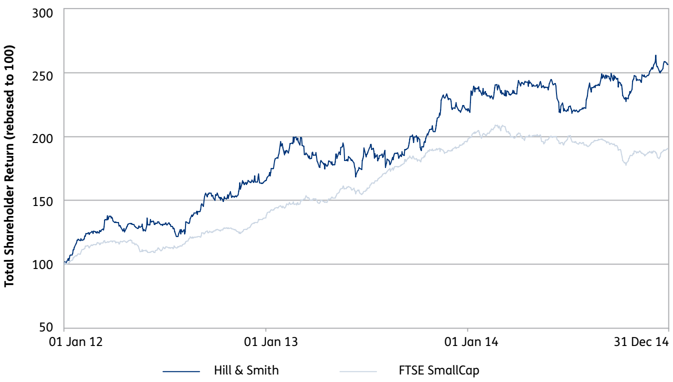
The Committee determined that the measurement of relative growth for half of the award would complement the absolute growth targets to ensure that an award could only fully vest if the Group's performance is superior to a majority of the companies in the FTSE SmallCap index.

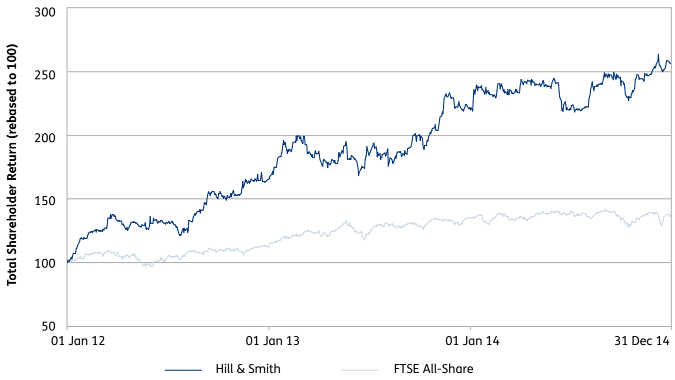
Based on TSR performance in the three-year performance period ended 31 December 2014, Hill and Smith's TSR performance was within the upper quartile of the comparator group and therefore 100% of the portion of the TSR element of the award is expected to vest. UEPS growth over the same period was 22.8 ppts above RPI and therefore 85.4% of the UEPS element of the award is expected to vest.

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.





The following parts of the Remuneration Report are subject to audit, other than elements explaining the application of the policy for 2015

Share awards granted during the year

During the year 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	Threshold vesting (% of target award)	Performance period
D W Muir	20 May 2014	nil cost option	80,752	£451,000	25%	1 January 2014 – 31 December 2016
M Pegler	20 May 2014	nil cost option	51,656	£288,500	25%	1 January 2014 – 31 December 2016

Both D W Muir and M Pegler also received market value options up to a maximum of £30,000, which 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.

Following changes to the Company's Remuneration Policy, approved at the AGM in May 2014, the LTIP 2014 performance conditions will continue to be growth in UEPS and TSR, relative to the FTSE SmallCap (and will continue to have 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 out performance. The performance conditions for the awards granted in 2014 in respect of the three-year performance period ending 31 December 2016 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.

Directors' Remuneration Report continued

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 2014
D W Muir	Shares[1]	143,742	n/a	303,538[4]	n/a	447,280
	Market value options[2]	n/a	-	5,371	-	5,371
	SAYE options[3]	n/a	-	n/a	9,415	9,415
M Pegler	Shares[1]	51,398	n/a	193,873[4]	n/a	245,271
	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 below.

(4) On 6 March 2015 the Remuneration Committee approved the vesting of 92.7% of the 2012 LTIP award, being 115,959 and 73,941 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 2014	143,742	51,398
Current value (based on share price on 31 December 2014)	£833,704	£298,108
Current % of salary	185%	103%

These figures include those of their spouse or civil partner and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. At the date of this report, D W Muir and M Pegler held an additional 67,956 and 43,332 shares respectively, being the net amount of shares vested on 6 March 2015 in respect of the 2012 LTIP award.

Share options

The interests of Directors, who served during 2014, in options for ordinary shares in the Company, granted under the 2005 sharesave scheme, together with options granted and exercised during 2014, are included in the following table:

Executive	Grant Price	Awards held 31 December 2013	Granted during the year	Exercised during the year	Awards held 31 December 2014	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
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

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.

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

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.

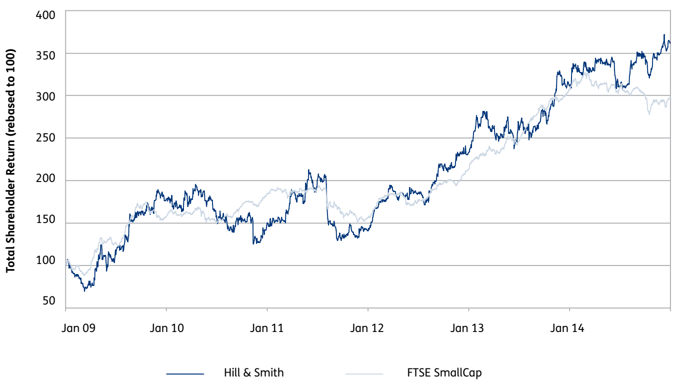
Percentage increase	Chief Executive Officer	Wider Workforce
Salary	3.0%	3.3%
Taxable benefits	17.2%	-
Annual bonus	527.9%	30.2%

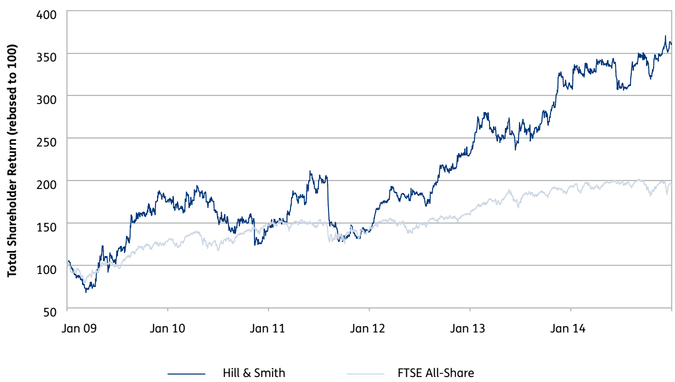
For salary purposes the comparator grouping was taken as all senior executives in the Group, including senior finance executives. The bonus figures were taken from those senior executives operating on similar incentivised arrangements and capable of influencing the Group's performance, as well as their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

Relative importance of spend on pay

	2014	2013	% change
Dividends paid in respect of the financial year	£14.0m	£12.4m	12.9
Overall spend on pay	£119.6m	£116.0m	3.1

Chief Executive remuneration pay compared to performance
The following graphs show the TSR performance of the Company over the six year period to 1 January 2015 compared to the FTSE All-Share and 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 six 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
Chief Executive's single figure (£'000)	1,059	851	690	941	1,084	1,835
Annual bonus (% of maximum)	95	14	30	85	16	100
LTIP vesting (% of maximum number of shares)	100	100	-	-	50	92.7

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 to (including any bonus accrued up until the date of termination – not withstanding 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.

The following parts of the Remuneration Report are subject to audit, other than elements explaining the application of the policy for 2015
Loss of office payments
There were no payments made to past Directors during the year ended 31 December 2014.

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 2014.

Directors' Remuneration Report continued

How the Remuneration Policy was implemented in 2014 – Non-executive Directors

Non-executive Director single figure comparison £000's

Director	Role	Board Fees	Taxable Benefits	Annual Bonus	LTIP	Pension	Total 'Single Figure' 2014	Total 'Single Figure' 2013
W H Whiteley	Chairman	135,000	-	-	-	-	135,000	131,000
C J Snowdon[(1)]	Senior Independent Director and Remuneration Committee Chairman	49,600	-	-	-	-	49,600	48,150
J F Lennox[(2)]	Audit Committee Chairman	49,000	-	-	-	-	49,000	47,550
A M Kelleher[(3)]	NED	3,625	-	-	-	-	3,625	-
Total		237,225	-	-	-	-	237,225	226,700

(1) Clive Snowdon received a base fee of £43,500 plus an additional £1,600 as the Senior Independent Director and £4,500 as Chairman of the Remuneration Committee.
(2) Jock Lennox received a base fee of £43,500 plus an additional £5,500 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.

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.

Non-executive Director shareholding

Director	2014	2013
W H Whiteley	22,100	22,100
C J Snowdon	28,930	38,930
J F Lennox	5,000	5,000
A M Kelleher	-	-

These figures include those of their spouses, civil partners and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. There was no change in these beneficial interests between the 31 December 2014 and 10 March 2015. 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.

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

How the Remuneration Policy will be implemented for 2015 – Executive Directors

Salary

Base salaries were reviewed in December 2014 and as from 1 January 2015 will be as follows:

Chief Executive	£464,500
Finance Director	£297,200

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 2015 for the financial year 2016.

Annual bonus

The annual bonus opportunity for 2015 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

The Remuneration Committee is aware that some shareholders wish to see detailed retrospective disclosure of bonus targets, however the Committee considers this inappropriate given that such disclosure would provide information relating to the Company's approach to annual budgeting. The Committe can however, disclose that for the 2015 financial year the annual bonus targets will be equally weighted towards;

- Growth in UEPS;
- Budgeted profit;
- Operating margins; and
- Return on capital;

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

Share plans
Following shareholder approval at the 2014 AGM the Company has adopted three share plans: The Hill & Smith Sharesave Scheme; the Hill & Smith Executive Share Option Scheme ('ESOS'), a market value share option plan; and the Hill & Smith Long-term Incentive Plan ('LTIP').

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 2015 in respect of the performance period 1 January 2015 – 31 December 2017 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 Derek Muir in lieu of pension contributions, equal to 25% of his base salary and a payment to Mark Pegler of 25% of his base salary as a defined contribution into his own private pension arrangement.

How the Remuneration Policy will be implemented for 2015 – 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 2014 the Board approved a 3% increase in all fees as from 1 January 2015.

	2014	2015
Chairman	£135,000	£139,000
Non-executive Director	£43,500	£44,800
Senior Independent Director	£1,600	£1,675
Audit Committee Chairman	£5,500	£5,650
Remuneration Committee Chairman	£4,500	£4,625

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

10 March 2015

Directors' Remuneration Report continued

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 14 May 2015.

	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.

	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.

Directors' Remuneration Report continued

	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.

	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 2014 the principal activities of the Group comprised the manufacture and supply of:

- Infrastructure Products (Roads and Utilities)
- Galvanizing Services

Pages 2 to 31 contain further details of these areas of the business and the principal subsidiaries operating within them are set out on pages 134 to 136.

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 2 to 39.

Statement on corporate governance
The Directors' Report for the year ended 31 December 2014 comprises sections of the Annual Report referred to under 'Strategic Report', and 'Governance Report', and are incorporated into the Directors' Report by reference.

Results
The Group profit before taxation for the year amounted to £36.9m (2013: £30.6m). Group revenue at £454.7m was 2.3% higher than the prior year. Operating profit at £41.1m was 19.1% higher than for the previous year (2013: £34.5m).

Details of the results for the year are shown on the Consolidated Income Statement on page 80 and the business segment information is given on pages 91 to 92.

Dividends
The Directors recommend the payment of a final dividend of 11.6p per ordinary share (2013: 10.0p per ordinary share) which, together with the interim dividend of 6.4p per ordinary share (2013: 6.0p per ordinary share) paid on 6 January 2015, makes a total distribution for the year of 18.0p per ordinary share (2013: 16.0p per ordinary share). Subject to shareholders approving this recommendation at the AGM, the final dividend will be paid on 3 July 2015 to shareholders on the register at the close of business on 29 May 2015. The latest date for receipt of Dividend Re-investment Plan elections is 12 June 2015.

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 2014		77,767,837
Total new ordinary shares issued during the year		104,683
Issued share capital 31 December 2014		77,872,520
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 112 and 113 of the Group Financial Statements.

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 2014 AGM and will be limited by the resolution to be put to the 2015 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 14 May 2014 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 15 August 2015.

Substantial shareholdings
As at 31 December 2014, 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
Henderson Global Investors	4,943,914	6.35
Charles Stanley, Stockbrokers	4,673,310	6.00
Schroder Investment Managers	4,457,100	5.72
Unicorn Asset Management	3,779,675	4.85
Blackrock	3,360,297	4.32
Legal & General Investment Management	2,682,715	3.45
F&C Asset Management	2,596,121	3.33
NFU Mutual	2,405,496	3.09

During the period from 31 December 2014 to 9 March 2015 Schroder Investment Management notified the Company that their holding had fallen to 2.31%.

Directors
The names of the Directors of the Company who served throughout the year, including brief biographies, are set out on pages 44 and 45.

Directors' interests
The interests of the Directors in the share capital of Hill & Smith Holdings PLC as at 31 December 2014 are set out in page 64 and 66.

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 106 to 112.

Research and development
During the year, the Group spent a total of £1.4m (2013: £1.2m) on research and development.

Political and charitable donations
Charitable donations amounting to £30,000 (2013: £27,000) 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 65.

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.

Directors' Report (other statutory information) continued

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 auditors

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 auditors are unaware; each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and has established that the Company's auditors are aware of that information.

Events since 31 December 2014

There were no material events since 31 December 2014 to report.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00 a.m. on Thursday 14 May 2015 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 132.

By order of the Board

Alex Henderson
Company Secretary

10 March 2015

In respect of the Annual Report and the Financial Statements

Statement of Directors' Responsibilities

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.

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 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

10 March 2015

Governance Report

Created by Conimast and the Cobalt light design agency (Lyon), the Tree Light is a stunning light that fits perfectly into its urban environment.

Financial Statements

See further information online at hsholdings.com

To the members of Hill & Smith Holdings PLC

Independent Auditor's Report

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 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Reconciliation of Movements in Shareholders' Funds 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 2014 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; 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 Group Financial Statements the risks of material misstatement that had the greatest effect on our Group audit were as follows:

Valuation of goodwill and indefinite life intangible assets (£110.5m)
Refer to page 55 (Audit Committee Report), page 85 (Accounting Policy) and pages 98 to 101 (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 earnings 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 Statement of Financial Position 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 among others, 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 by the Group in determining the recoverable amounts of these CGUs. In particular, 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 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, The Paterson Group and Conimast, including a reasonably possible reduction in assumed growth rates and cash flows to compare to the sensitivity analysis prepared by the Group. We also assessed whether the Group's disclosures (see note 10) 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.

UK post retirement benefits obligation (gross liabilities £86.3 million, net liability £17.7 million)
Refer to page 55 (Audit Committee Report), page 85 (Accounting Policy) and pages 114 to 119 (Financial Disclosures).

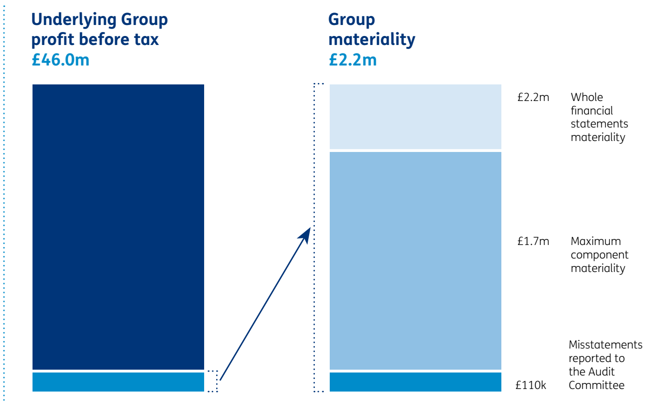
The risk
The valuation of the UK post-retirement benefit obligation involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to scheme liabilities, interest rates and mortality rates. The selection of these assumptions is inherently subjective, particularly 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, among others, agreement of scheme assets back to external supporting documentation. With the support of our own actuarial specialists, we then challenged the key assumptions applied to the data 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 (see note 23).

Our application of materiality and an overview of the scope of our audit
The materiality for the Group Financial Statements as a whole was set at £2.2m, determined with reference to a benchmark of Group profit before taxation, normalised to exclude non-underlying items as discussed in note 3, of £46.0m, of which it represents 4.8%.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £110,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 53 reporting components, we subjected 36 to audits for Group reporting purposes.



These audits covered 89.7% of total Group revenue; 90.7% of underlying Group profit before taxation; and 97.0% of total Group assets.

The remaining 10.3% of total Group revenue, 9.3% of Group profit before tax and 3.0% of total Group assets is represented by 17 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. The Group audit team approved the component materialities, which ranged from £0.1m to £1.7m, having regard to the mix of size and risk profile of the Group across the components. The work on 7 of the 53 components was performed by component auditors and the rest 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.

3. 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 Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

4. We have nothing to report on 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 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' Statement, set out on page 75, in relation to going concern;
- the part of the Corporate Governance Statement on pages 41 to 74 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement, set out on page 75, 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 accounts 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 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

10 March 2015

Year ended 31 December 2014

Consolidated Income Statement

	Notes	2014 Underlying £m	2014 Non-underlying* £m	2014 Total £m	2013 Underlying £m	2013 Non-underlying* £m	2013 Total £m
Revenue	1, 2	**454.7**	**-**	**454.7**	444.5	-	444.5
Trading profit		**49.2**	**-**	**49.2**	44.5	-	44.5
Amortisation of acquisition intangibles	3	**-**	**(2.1)**	**(2.1)**	-	(2.2)	(2.2)
Business reorganisation costs	3	**-**	**(2.6)**	**(2.6)**	-	(9.2)	(9.2)
Loss on disposal of subsidiaries	3	**-**	**(3.7)**	**(3.7)**	-	-	-
Acquisition costs	3	**-**	**(0.1)**	**(0.1)**	-	(0.4)	(0.4)
Profit on sale of properties	3	**-**	**0.4**	**0.4**	-	1.8	1.8
Operating profit	1, 2	**49.2**	**(8.1)**	**41.1**	44.5	(10.0)	34.5
Financial income	5	**0.5**	**-**	**0.5**	0.7	-	0.7
Financial expense	5	**(3.7)**	**(1.0)**	**(4.7)**	(4.0)	(0.6)	(4.6)
Profit before taxation		**46.0**	**(9.1)**	**36.9**	41.2	(10.6)	30.6
Taxation	7	**(11.1)**	**1.5**	**(9.6)**	(9.9)	2.3	(7.6)
Profit for the year attributable to owners of the parent		**34.9**	**(7.6)**	**27.3**	31.3	(8.3)	23.0
Basic earnings per share	8	**45.0p**		**35.1p**	40.4p		29.6p
Diluted earnings per share	8	**44.4p**		**34.7p**	39.8p		29.2p
Dividend per share – Interim	9			**6.4p**			6.0p
Dividend per share – Final proposed	9			**11.6p**			10.0p
Total	9			**18.0p**			16.0p

* The Group's definition of non-underlying items is included in the Group Accounting Policies on page 90.

Year ended 31 December 2014

Consolidated Statement of Comprehensive Income

	Notes	2014 £m	2013 £m
Profit for the year		**27.3**	23.0
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations		**1.2**	(1.6)
Exchange differences on foreign currency borrowings denominated as net investment hedges		**(0.1)**	(0.7)
Effective portion of changes in fair value of cash flow hedges		**(0.1)**	-
Transfers to the income statement on cash flow hedges		**0.3**	0.4
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 loss on defined benefit pension schemes	23	**(3.6)**	(5.8)
Taxation on items that will not be reclassified to profit or loss	7	**0.8**	0.4
Other comprehensive income for the year		**(1.5)**	(7.4)
Total comprehensive income for the year attributable to owners of the parent		**25.8**	15.6

Year ended 31 December 2014

Consolidated Statement of Financial Position

	Notes	2014 £m	2013 £m
Non-current assets			
Intangible assets	10	**126.1**	126.7
Property, plant and equipment	11	**128.7**	111.9
Other receivables		**0.3**	-
		255.1	238.6
Current assets			
Assets held for sale	12	**1.5**	-
Inventories	14	**57.9**	55.1
Trade and other receivables	15	**92.7**	91.2
Cash and cash equivalents	16	**6.7**	10.0
		158.8	156.3
Total assets	1	**413.9**	394.9
Current liabilities			
Trade and other liabilities	17	**(87.7)**	(85.0)
Current tax liabilities		**(8.9)**	(7.5)
Provisions for liabilities and charges	19	**(1.4)**	(3.5)
Interest bearing borrowings	17	**(1.1)**	(0.8)
		(99.1)	(96.8)
Net current assets		**59.7**	59.5
Non-current liabilities			
Other liabilities	18	**(0.2)**	(0.1)
Provisions for liabilities and charges	19	**(2.8)**	(2.8)
Deferred tax liability	13	**(7.6)**	(9.5)
Retirement benefit obligation	23	**(21.1)**	(20.2)
Interest bearing borrowings	18	**(101.6)**	(96.4)
		(133.3)	(129.0)
Total liabilities	1	**(232.4)**	(225.8)
Net assets	1	**181.5**	169.1
Equity			
Share capital	21	**19.5**	19.4
Share premium		**31.7**	31.5
Other reserves		**4.5**	4.5
Translation reserve		**0.9**	(0.2)
Hedge reserve		**(0.4)**	(0.6)
Retained earnings		**125.3**	114.5
Total equity		**181.5**	169.1

Approved by the Board of Directors on 10 March 2015 and signed on its behalf by:

D W Muir
Director

M Pegler
Director

Company Number: 671474

Year ended 31 December 2014

Consolidated Statement of Changes in Equity

	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 2013		19.3	29.6	4.5	2.1	(0.9)	107.8	162.4
Comprehensive income								
Profit for the year		-	-	-	-	-	23.0	23.0
Other comprehensive income for the year		-	-	-	(2.3)	0.3	(5.4)	(7.4)
Transactions with owners recognised directly in equity								
Dividends	9	-	-	-	-	-	(11.6)	(11.6)
Credit to equity of share-based payments	21	-	-	-	-	-	0.4	0.4
Tax taken directly to the Consolidated Statement of Changes in Equity	7	-	-	-	-	-	0.3	0.3
Shares issued	21	0.1	1.9	-	-	-	-	2.0
At 31 December 2013		**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**

† Other reserves represent the premium on shares issued in exchange for shares of subsidiaries acquired and £0.2m (2013: £0.2m) capital redemption reserve.

During the year the Group purchased 230,000 of its own shares, which are 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, is included within retained earnings at 31 December 2014.

Year ended 31 December 2014

Consolidated Statement of Cash Flows

		2014		2013	
	Notes	£m	£m	£m	£m
Profit before tax			**36.9**		30.6
Add back net financing costs	5		**4.2**		3.9
Operating profit	1, 2		**41.1**		34.5
Adjusted for non-cash items:					
Share-based payments	4, 21	**1.2**		0.5	
Loss on disposal of subsidiaries	3	**3.7**		-	
Gain on disposal of non-current assets	6	**(0.3)**		(1.8)	
Depreciation	6, 11	**14.2**		13.6	
Amortisation of intangible assets	6, 10	**3.0**		3.3	
Impairment of non-current assets	6, 10, 11	**1.4**		1.8	
			23.2		17.4
Operating cash flow before movement in working capital			**64.3**		51.9
(Increase)/decrease in inventories		**(4.3)**		2.7	
Increase in receivables		**(2.7)**		(1.3)	
Increase in payables		**1.9**		0.5	
(Decrease)/increase in provisions and employee benefits		**(5.5)**		0.4	
Net movement in working capital			**(10.6)**		2.3
Cash generated by operations			**53.7**		54.2
Income taxes paid			**(9.3)**		(15.3)
Interest paid			**(3.7)**		(4.1)
Net cash from operating activities			**40.7**		34.8
Interest received		**0.5**		0.7	
Proceeds on disposal of non-current assets		**0.7**		3.0	
Purchase of property, plant and equipment		**(34.6)**		(21.0)	
Purchase of intangible assets		**(1.3)**		(1.1)	
Acquisitions of subsidiaries	10	**-**		(6.6)	
Disposals of subsidiaries		**0.5**		-	
Net cash used in investing activities			**(34.2)**		(25.0)
Issue of new shares	21	**0.3**		2.0	
Purchase of shares for employee benefit trust		**(2.4)**		-	
Dividends paid	9	**(12.4)**		(11.6)	
Costs associated with refinancing of revolving credit facility		**(1.5)**		-	
New loans and borrowings		**39.2**		34.2	
Repayment of loans and borrowings		**(32.7)**		(31.7)	
Repayment of obligations under finance leases		**(0.3)**		(1.5)	
Net cash used in financing activities			**(9.8)**		(8.6)
Net (decrease)/increase in cash			**(3.3)**		1.2
Cash at the beginning of the year			**10.0**		8.9
Effect of exchange rate fluctuations			**-**		(0.1)
Cash at the end of the year	16		**6.7**		10.0

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 UK GAAP; these are presented on pages 121 to 129.

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 24 to 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 29 to 31. 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 £210.9m at 31 December 2014, 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 2014
In 2014 the following amendments had been endorsed by the EU, became effective and therefore were adopted by the Group:

- IFRS 10 Consolidated Financial Statements.
- IFRS 11 Joint Arrangements.
- IFRS 12 Disclosure of Interests in Other Entities.
- IAS 27 (2011) Separate Financial Statements.
- IAS 28 (2011) Investments in Associates and Joint Ventures.

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:

- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2017).
- IFRS 9 'Financial Instruments' (effective 1 January 2018).

Group Accounting Policies continued

New IFRS standards, amendments and interpretations not adopted
The IASB and IFRIC have issued additional standards and amendments which are effective for periods starting after the date of these Financial Statements. The following standards and amendments have not yet been adopted by the Group:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015).
- Annual Improvements to IFRSs – 2010-2012 Cycle (effective for annual periods beginning on or after 1 February 2015).

None of the standards or amendments above are expected to have a material impact on the Group.

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:

	2014		2013	
	Average	Closing	Average	Closing
Sterling to Euro (£1 = EUR)	**1.24**	**1.28**	1.18	1.20
Sterling to US Dollar (£1 = USD)	**1.65**	**1.56**	1.56	1.65
Sterling to Thai Bhat (£1 = THB)	**53.50**	**51.32**	48.09	54.13
Sterling to Swedish Krona (£1 = SEK)	**11.30**	**12.07**	10.19	10.59

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.

Notes to the Consolidated Financial Statements

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 purchase of shares in the Company are debited directly to equity.

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

	2014			2013		
	Revenue £m	Result £m	Underlying result* £m	Revenue £m	Result £m	Underlying result* £m
Infrastructure Products - Utilities	195.2	5.4	9.2	202.9	(2.0)	7.4
Infrastructure Products - Roads	127.7	12.5	13.3	114.0	11.2	11.7
Infrastructure Products - Total	322.9	17.9	22.5	316.9	9.2	19.1
Galvanizing Services	131.8	23.2	26.7	127.6	25.3	25.4
Total Group	454.7	41.1	49.2	444.5	34.5	44.5
Net financing costs		(4.2)	(3.2)		(3.9)	(3.3)
Profit before taxation		36.9	46.0		30.6	41.2
Taxation		(9.6)	(11.1)		(7.6)	(9.9)
Profit after taxation		27.3	34.9		23.0	31.3

* Underlying result is stated before non-underlying items as defined in the Accounting Policies on page 90, 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 £5.9m (2013: £5.0m) revenues to Infrastructure Products - Roads and £1.8m (2013: £1.6m) revenues to Infrastructure Products - Utilities. Infrastructure Products - Utilities provided £3.6m (2013: £2.2m) revenues to Infrastructure Products - Roads. These internal revenues, along with revenues generated from within their own segments, have been eliminated on consolidation.

Consolidated Statement of Financial Position

	2014		2013	
	Total assets £m	Total liabilities £m	Total assets £m	Total liabilities £m
Infrastructure Products - Utilities	115.7	(33.5)	127.1	(39.5)
Infrastructure Products - Roads	79.1	(27.4)	60.7	(19.7)
Infrastructure Products - Total	194.8	(60.9)	187.8	(59.2)
Galvanizing Services	212.4	(27.0)	197.1	(25.9)
Total segment assets/(liabilities)	407.2	(87.9)	384.9	(85.1)
Taxes	-	(16.5)	-	(17.0)
Provisions and retirement benefits	-	(25.3)	-	(26.5)
Net debt	6.7	(102.7)	10.0	(97.2)
Total Group	413.9	(232.4)	394.9	(225.8)
Net assets		181.5		169.1

Notes to the Consolidated Financial Statements continued

1. Segmental information continued

Capital expenditure and amortisation/depreciation

	2014		2013	
	Capital expenditure £m	Impairment losses, amortisation and depreciation £m	Capital expenditure £m	Impairment losses, amortisation and depreciation £m
Infrastructure Products - Utilities	**4.7**	**5.0**	6.2	5.6
Infrastructure Products - Roads	**17.9**	**6.0**	7.1	5.6
Infrastructure Products - Total	**22.6**	**11.0**	13.3	11.2
Galvanizing Services	**14.1**	**7.6**	8.3	7.5
Total Group	**36.7**	**18.6**	21.6	18.7
Property, plant and equipment (note 11)	**35.4**	**15.6**	20.5	15.3
Intangible assets (note 10)	**1.3**	**3.0**	1.1	3.4
Total Group	**36.7**	**18.6**	21.6	18.7

Geographical analysis

Revenue (irrespective of origin)

	2014 £m	2013 £m
UK	**220.4**	205.9
Rest of Europe	**95.1**	101.2
North America	**113.7**	113.2
The Middle East	**6.4**	8.2
Asia	**14.7**	12.7
Rest of World	**4.4**	3.3
Total Group	**454.7**	444.5

Total assets

	2014 £m	2013 £m
UK	**154.3**	146.1
Rest of Europe	**95.9**	102.5
North America	**147.2**	131.3
Asia	**14.4**	13.5
Rest of World	**2.1**	1.5
Total Group	**413.9**	394.9

Capital expenditure

	2014 £m	2013 £m
UK	**21.2**	9.9
Rest of Europe	**4.5**	5.0
North America	**10.7**	6.1
Asia	**0.3**	0.6
Total Group	**36.7**	21.6

2. Operating profit

	2014 £m	2013 £m
Revenue	**454.7**	444.5
Cost of sales	**(296.9)**	(297.7)
Gross profit	**157.8**	146.8
Distribution costs	**(22.9)**	(22.3)
Administrative expenses	**(95.3)**	(91.1)
Gain on disposal of non-current assets	**0.3**	-
Other operating income	**1.2**	1.1
Operating profit	**41.1**	34.5

3. Non-underlying items

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

- Business reorganisation costs of £2.6m (2013: £9.2m) – principally relating to redundancies and other net costs associated with site closures including the Joseph Ash Galvanizing plant at Hereford. The net costs include asset impairment charges of £1.4m (2013: £1.8m).
- Amortisation of acquired intangible fixed assets of £2.1m (2013: £2.2m).
- Acquisition expenses of £0.1m (2013: £0.4m) relating to acquisitions made by the Group during the year.
- Profits on disposal of properties of £0.4m (2013: £1.8m).
- A net loss on disposal of subsidiaries of £3.7m. On 23 April 2014 the Group disposed of its 50% interest in the shares of Staco Redman Limited for a consideration of £0.3m, while on 18 August 2014 the Group disposed of its subsidiary Bromford Iron & Steel Company Limited and JA Envirotanks, a trading division of Joseph Ash Limited, for a combined consideration of £1.3m. The details of these disposals are set out below:

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

Non-underlying items included in financial income and expense represent the net financing cost on pension obligations of £0.7m (2013: £0.6m) and financial expenses associated with refinancing of £0.3m (2013: £nil).

Notes to the Consolidated Financial Statements continued

4. Employees

	2014 No.	2013 No.
The average number of people employed by the Group during the year		
Infrastructure Products - Utilities	1,591	1,674
Infrastructure Products - Roads	662	564
Infrastructure Products - Total	2,253	2,238
Galvanizing Services	1,445	1,377
Total Group	3,698	3,615

	£m	£m
The aggregate remuneration for the year		
Wages and salaries	99.0	96.2
Share-based payments	1.2	0.5
Social security costs	17.0	16.9
Pension costs	2.4	2.4
	119.6	116.0

Details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 58 to 71.

5. Net financing costs

	Underlying £m	Non-underlying £m	2014 £m	Underlying £m	Non-underlying £m	2013 £m
Interest on bank deposits	0.5	-	0.5	0.7	-	0.7
Financial income	0.5	-	0.5	0.7	-	0.7
Interest on bank loans and overdrafts	3.7	-	3.7	3.9	-	3.9
Interest on finance leases and hire purchase contracts	-	-	-	0.1	-	0.1
Total interest expense	3.7	-	3.7	4.0	-	4.0
Financial expenses related to refinancing	-	0.3	0.3	-	-	-
Interest cost on net pension scheme deficit (note 23)	-	0.7	0.7	-	0.6	0.6
Financial expense	3.7	1.0	4.7	4.0	0.6	4.6
Net financing costs	3.2	1.0	4.2	3.3	0.6	3.9

6. Expenses and auditor's remuneration

	2014 £m	2013 £m
Income statement charges		
Depreciation of property, plant and equipment:		
Owned	**14.0**	13.1
Leased	**0.2**	0.5
Operating lease rentals:		
Plant and machinery	**2.3**	2.3
Other	**3.5**	3.3
Research and development expenditure	**0.2**	0.3
Amortisation of acquisition intangibles	**2.1**	2.2
Amortisation of development costs	**0.7**	1.0
Amortisation of other intangible assets	**0.2**	0.1
Impairment losses	**1.4**	1.8
Loss on disposal of non-current assets	**0.1**	-
Income statement credits		
Profit on disposal of non-current assets	**0.4**	1.8
Grants receivable	**-**	0.1
Rental income	**9.8**	6.4

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
Services relating to corporate finance transactions	**-**	0.2
	0.6	0.8

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 54 and 57 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

	2014 £m	2013 £m
Current tax		
UK corporation tax	**3.6**	2.0
Adjustments in respect of prior periods	**(1.8)**	(2.7)
Overseas tax at prevailing local rates	**8.7**	9.8
	10.5	9.1
Deferred tax (note 13)		
Current year	**0.1**	0.1
Adjustments in respect of prior periods	**(0.9)**	-
Overseas tax at prevailing local rates	**(0.1)**	(1.0)
Effect of change in tax rate	**-**	(0.6)
Tax on profit in the Consolidated Income Statement	**9.6**	7.6
Deferred tax (note 13)		
Relating to defined benefit pension schemes	**(0.8)**	(0.4)
Relating to financial instruments	**-**	0.1
Tax on items taken directly to Other Comprehensive Income	**(0.8)**	(0.3)
Current tax		
Relating to share-based payments	**-**	(0.2)
Deferred tax (note 13)		
Relating to share-based payments	**(0.2)**	(0.1)
Tax taken directly to the Consolidated Statement of Changes in Equity	**(0.2)**	(0.3)

The tax charge in the Consolidated Income Statement for the period is higher (2013: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2014 £m	2013 £m
Profit before taxation	**36.9**	30.6
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 21.5% (2013: 23.25%)	**7.9**	7.1
Expenses not deductible for tax purposes	**2.0**	1.8
Capital profits less losses and write downs not subject to tax	**(1.6)**	(0.8)
Utilisation of brought forward tax losses not recognised	**(0.1)**	(0.7)
Overseas profits taxed at higher/(lower) rates	**3.4**	3.1
Overseas losses not relieved	**0.4**	0.2
Withholding taxes	**0.3**	0.2
Deferred tax benefit of future reductions in UK corporation tax rates	**-**	(0.6)
Adjustments in respect of prior periods	**(2.7)**	(2.7)
Tax charge	**9.6**	7.6

8. Earnings per share

The weighted average number of ordinary shares in issue during the year was 77.8m (2013: 77.6m), diluted for the effects of the outstanding dilutive share options 78.8m (2013: 78.6m). Underlying earnings per share have been shown because the Directors consider that this provides valuable additional information about the underlying performance of the Group.

	2014		2013	
	Pence per share	£m	Pence per share	£m
Basic earnings	35.1	27.3	29.6	23.0
Non-underlying items*	9.9	7.6	10.8	8.3
Underlying earnings	45.0	34.9	40.4	31.3
Diluted earnings	34.7	27.3	29.2	23.0
Non-underlying items*	9.7	7.6	10.6	8.3
Underlying diluted earnings	44.4	34.9	39.8	31.3

* Non-underlying items as detailed in note 3.

9. Dividends

Dividends paid in the year were the prior year's interim dividend of £4.6m (2013: £4.5m) and the final dividend of £7.8m (2013: £7.1m). 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:

	2014		2013	
	Pence per share	£m	Pence per share	£m
Equity shares				
Interim	6.4	5.0	6.0	4.6
Final	11.6	9.0	10.0	7.8
Total	18.0	14.0	16.0	12.4

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 2013	96.6	18.0	13.2	9.6	1.7	139.1
Exchange adjustments	(0.2)	(0.1)	(0.2)	-	-	(0.5)
Acquisitions	3.4	0.8	0.3	-	-	4.5
Additions	-	-	-	0.9	0.2	1.1
At 31 December 2013	**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**
Amortisation and impairment losses						
At 1 January 2013	-	1.7	5.5	6.8	0.3	14.3
Exchange adjustments	-	-	(0.2)	-	-	(0.2)
Amortisation charge for the year	-	0.4	1.8	1.0	0.1	3.3
Impairment	-	-	-	0.1	-	0.1
At 31 December 2013	**-**	**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**
Carrying values						
At 1 January 2013	96.6	16.3	7.7	2.8	1.4	124.8
At 31 December 2013	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**

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.

The costs of acquiring the business of £0.3m comprise £0.1m of acquisition expenses and the assumption of outstanding debt of £0.2m.

Post acquisition the acquired business has contributed £4.0m revenue and £0.1m operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2014 the Group's results for the year would have shown revenue of £460.3m and underlying operating profit of £49.1m.

Notes to the Consolidated Financial Statements continued

10. Intangible assets continued

2013

On 30 April 2013 the Group acquired the issued share capital of Medway Galvanising Company Limited and on 10 December 2013 the Group acquired the trade and certain assets of Arkinstall Galvanizing Limited. Details of these acquisitions are as follows:

Medway Galvanising Company Limited and Arkinstall Galvanizing Limited	Pre acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible assets	-	1.1	1.1
Property, plant and equipment	2.7	(1.2)	1.5
Inventories	0.5	(0.1)	0.4
Current assets	1.5	-	1.5
Cash and cash equivalents	0.2	-	0.2
Total assets	**4.9**	**(0.2)**	**4.7**
Current interest bearing liabilities	(0.2)	-	(0.2)
Current liabilities	(0.9)	-	(0.9)
Deferred tax	(0.1)	(0.1)	(0.2)
Total liabilities	**(1.2)**	**(0.1)**	**(1.3)**
Net assets	**3.7**	**(0.3)**	**3.4**
Consideration			
Consideration in the year			**6.8**
Goodwill			**3.4**
Cash flow effect			
Consideration			**6.8**
Cash and cash equivalents received in the business			**(0.2)**
Net cash consideration shown in the Consolidated Statement of Cash Flows			**6.6**

Brands and customer relationships have been recognised as specific intangible assets as a result of these acquisitions. Policy alignment and fair value adjustments principally relate to harmonisation with Group IFRS accounting policies, including the application of fair values on acquisition. The goodwill arising on the Medway acquisition primarily represents the assembled workforce, market share and geographical advantages afforded to the Group.

Cash generating units with significant amounts of goodwill

	2014 £m	2013 £m
Infrastructure Products - Utilities		
The Paterson Group	**8.0**	7.6
Creative Pultrusions	**7.1**	6.7
Others <£5m individually	**5.1**	4.9
Infrastructure Products - Roads		
Conimast	**5.0**	5.3
Others <£5m individually	**13.6**	14.1
Galvanizing Services		
France	**21.8**	22.9
USA	**21.8**	20.6
UK	**17.7**	17.7
	100.1	99.8

10. Intangible assets continued

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 brand names of £10.4m (2013: £9.8m), 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 a prudent management estimate for revenue and associated cost growth. 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.

	2014		2013	
	Headroom £m	Discount rate	Headroom £m	Discount rate
The Paterson Group	1.0	13.1%	8.7	12.6%
Creative Pultrusions	22.9	13.0%	22.9	12.5%
Conimast	(0.3)	12.7%	(0.2)	14.2%
Galvanizing Services - France	16.3	14.3%	15.0	15.7%
Galvanizing Services - USA	105.0	13.5%	95.3	13.4%
Galvanizing Services - UK	29.6	12.0%	17.6	12.5%

The pre-tax discount rates detailed above equate to post-tax discount rates of between 9.75% and 10.75%, 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 2014 and 2013 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 analysis did not identify any material impairments with the exception of the goodwill attributed to The Paterson Group and Conimast cash generating units.

The Paterson Group

The key assumptions used in The Paterson Group impairment review relate to the 2015 budgeted cash flows and the future growth rate of 3% thereafter, as detailed above.

The budget for 2015 assumes growth in the US Power Generation market and increased project wins in the oil and gas-fired sector, such that budgeted revenues represent a 17% increase on the actual 2014 result and operating margins are budgeted to increase by 3.7% year on year. A reduction of 4% in the 2015 budgeted cash flows would give rise to an impairment. In the event that budgeted cash flows for 2015 do not improve from the current year performance and subsequently grow by 3%, a full impairment of the goodwill of £8.0m would arise together with a further £6.6m impairment in the carrying value of other intangible assets that arose on the acquisition of the business. Alternatively, a long-term growth rate of 8.7% would need to be assumed in order to support the carrying value of the cash generating unit.

Conimast

As can be seen in the table above, Conimast has marginal negative headroom based on the current value in use calculations, although this calculated impairment has not been recognised as the amount is considered not to be material to the Consolidated Financial Statements. Any further deterioration in the results due to macro-economic factors in the French economy [or any further capital investment] would result in a greater impairment. A sustained reduction in future cash flows of approximately 30% would result in a full impairment of the goodwill set out above.

Notes to the Consolidated Financial Statements continued

11. Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Cost			
At 1 January 2013	67.0	132.3	199.3
Exchange adjustments	(0.4)	(0.4)	(0.8)
Acquisitions	0.9	0.6	1.5
Additions	5.8	14.7	20.5
Disposals	(0.9)	(2.9)	(3.8)
At 31 December 2013	**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 (note 12)	**(3.4)**	**-**	**(3.4)**
Reclassification	**0.6**	**(0.6)**	**-**
At 31 December 2014	**77.1**	**155.5**	**232.6**
Depreciation and impairment losses			
At 1 January 2013	12.5	80.0	92.5
Exchange adjustments	-	(0.3)	(0.3)
Impairment provision	1.3	0.4	1.7
Disposals	(0.2)	(2.5)	(2.7)
Charge for the year	2.8	10.8	13.6
At 31 December 2013	**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 (note 12)	**(1.9)**	**-**	**(1.9)**
Charge for the year	**2.9**	**11.3**	**14.2**
At 31 December 2014	**17.8**	**86.1**	**103.9**
Carrying values			
At 1 January 2013	54.5	52.3	106.8
At 31 December 2013	56.0	55.9	111.9
At 31 December 2014	**59.3**	**69.4**	**128.7**

The gross book value of land and buildings includes freehold land of £14.1m (2013: £13.1m).

Included in the carrying value of plant, machinery and vehicles is £0.4m (2013: £1.6m) 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 £39.8m (2013: £29.4m) and accumulated depreciation of £20.0m (2013: £18.9m).

12. Assets held for sale

	2014 £m	2013 £m
Property, plant and equipment	**1.5**	-

The Group holds a number of properties that are currently being actively marketed for disposal and which have therefore been classified as held for sale at 31 December 2014. No loss on classification as held for sale was recognised in respect of these properties.

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 2013	(9.2)	(7.5)	0.4	4.1	1.0	(11.2)
Exchange adjustments	-	-	-	-	-	-
Acquisitions of subsidiaries	(0.2)	-	-	-	-	(0.2)
Credited/(charged) for the year in the Consolidated Income Statement (note 7)	0.7	0.7	0.7	(0.2)	(0.4)	1.5
Credited/(charged) for the year in the Consolidated Statement of Comprehensive Income (note 7)	-	-	-	0.4	(0.1)	0.3
Credited for the year in the Consolidated Statement of Changes in Equity (note 7)	-	-	-	-	0.1	0.1
At 31 December 2013	**(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 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)**

	2014 £m	2013 £m
Deferred tax assets	**2.5**	1.7
Deferred tax liabilities	**(10.1)**	(11.2)
Deferred tax liability	**(7.6)**	(9.5)

No deferred tax asset has been recognised in respect of tax losses of £16.4m (2013: £13.5m) as their future use is uncertain. There is no time limit on the carrying forward of these losses.

The reductions in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. The deferred tax balance in respect of UK entities has therefore been calculated at 20% (2013: 20%) on the basis that it will materially reverse after 1 April 2015.

14. Inventories

	2014 £m	2013 £m
Raw materials and consumables	**32.4**	30.1
Work in progress	**6.6**	6.4
Finished goods and goods for resale	**18.9**	18.6
	57.9	55.1

The amount of inventories expensed to the Consolidated Income Statement in the year was £250.1m (2013: £250.3m). The value of inventories written down and expensed in the Consolidated Income Statement during the year amounted to £nil (2013: £nil). The amount of inventories held at fair value less cost to sell included in the above was £nil (2013: £0.3m).

Notes to the Consolidated Financial Statements continued

15. Trade and other receivables

	2014 £m	2013 £m
Trade and other current receivables		
Trade receivables	**85.3**	84.4
Prepayments and accrued income	**5.6**	4.9
Other receivables	**1.7**	1.7
Fair value derivatives	**0.1**	0.2
	92.7	91.2

The charge to the Consolidated Income Statement in the year in respect of impairment of trade receivables was £0.8m (2013: £0.5m).

16. Cash and borrowings

	2014 £m	2013 £m
Cash and cash equivalents in the Consolidated Statement of Financial Position		
Cash and bank balances	**6.7**	10.0
Call deposits	**-**	-
Cash	**6.7**	10.0
Interest bearing loans and borrowings		
Amounts due within one year (note 17)	**(1.1)**	(0.8)
Amounts due after more than one year (note 18)	**(101.6)**	(96.4)
Net debt	**(96.0)**	(87.2)
Change in net debt		
Operating profit	**41.1**	34.5
Non-cash items	**23.2**	17.4
Operating cash flow before movement in working capital	**64.3**	51.9
Net movement in working capital	**(5.1)**	1.9
Changes in provisions and employee benefits	**(5.5)**	0.4
Operating cash flow	**53.7**	54.2
Tax paid	**(9.3)**	(15.3)
Net financing costs paid	**(3.2)**	(3.4)
Capital expenditure	**(35.9)**	(22.1)
Proceeds on disposal of non-current assets	**0.7**	3.0
Free cash flow	**6.0**	16.4
Dividends paid (note 9)	**(12.4)**	(11.6)
Acquisitions (note 10)	**(0.2)**	(6.6)
Disposals (note 3)	**0.5**	-
Amortisation of costs associated with refinancing revolving credit facilities	**(0.3)**	-
Purchase of shares for employee benefit trust	**(2.4)**	-
Issue of new shares (note 21)	**0.3**	2.0
Net debt (increase)/decrease	**(8.5)**	0.2
Effect of exchange rate fluctuations	**(0.3)**	(0.6)
Net debt at the beginning of the year	**(87.2)**	(86.8)
Net debt at the end of the year	**(96.0)**	(87.2)

17. Current liabilities

	2014 £m	2013 £m
Interest bearing loans and borrowings		
Current portion of long term borrowings	**1.0**	0.5
Finance lease and hire purchase obligations	**0.1**	0.3
	1.1	0.8
Trade and other current liabilities		
Trade payables	**49.4**	50.8
Other taxation and social security	**8.9**	10.5
Accrued expenses and deferred income	**23.8**	19.9
Fair value derivatives	**0.4**	0.9
Other payables	**5.2**	2.9
	87.7	85.0

18. Non-current liabilities

	2014 £m	2013 £m
Interest bearing loans and borrowings		
Long term borrowings	**101.6**	96.3
Finance lease and hire purchase obligations	**-**	0.1
	101.6	96.4
Other non-current liabilities		
Deferred government grants	**0.2**	0.1

In accordance with IAS39, the costs of £1.5m associated with the amendments to the Group's principal banking facilities during the year have been deducted from the carrying value of the loans and will be 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:

	2014			2013		
	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**	5.00	0.3	0.3
Amounts due after more than one year:						
Between one and two years	**5.00**	**0.1**	**-**	5.00	0.1	0.1
		0.1	**-**		0.1	0.1
		0.2	**0.1**		0.4	0.4
Principal liability		**0.1**			0.4	
Finance charges payable on outstanding commitments		**0.1**			-	

The unsecured bank borrowings carry a rate of interest of 1.5% above LIBOR/EURIBOR/US LIBOR subject to a ratchet as defined in the facility agreement. In the USA, borrowings that are not fixed (note 20) 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.

Notes to the Consolidated Financial Statements continued

19. Provisions for liabilities and charges

	Property related £m	Other regulatory £m	Total £m
At 1 January 2013	3.3	-	3.3
Utilised during the year	(0.5)	-	(0.5)
Charged to Consolidated Income Statement	2.8	0.7	3.5
At 31 December 2013	**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**

	2014 £m	2013 £m
Amounts due within one year	**1.4**	3.5
Amounts due after more than one year	**2.8**	2.8
	4.2	6.3

Provisions utilised during the year of £2.3m (2013: £0.5m) reflect cash spend associated with the closure of one of the Group's manufacturing plants late in 2013. Provisions released of £0.9m (2013: £nil) 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. Provisions charged of £1.1m (2013: £3.5m) relate to the closure of one of the Group's manufacturing operations in 2014. 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 peer 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.

20. Financial instruments continued

The Group's UK companies represent the majority of the trade receivable at 31 December 2014 with 58% (2013: 62%) and currently the only geographical region that does not generally insure trade receivables is North America, which represents 20% (2013: 16%) 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 2014 and 2013, 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 2014 all such debt was covered by cash and cash equivalents netting to £5.6m positive current liquidity (2013: £9.2m).

The Group's principal UK revolving credit facility is a multicurrency agreement with a value at 31 December 2014 of £210.9m (2013: £208.8m), based on year end exchange rates. In May 2014 the Group extended the term of this facility from April 2016 to April 2019. Along with various other on demand lines of credit, including bank overdrafts and finance leases, the Group has access to facilities of £223.5m. (2013: £228.6m).

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 2014 credit exposure including cash deposited did not exceed £2.0m with any single institution (2013: £4.6m).

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 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 52% (2013: 40%) of the Euro borrowings and 80% (2013: 91%) of the US Dollar borrowings under the Group's principal UK revolving credit facility. The Group also has US Dollar arrangements which are held locally, the notional amounts representing approximately 5% (2013: 10%) of the local US Dollar year end gross borrowings.

Country	Financial instrument	Maturity date	Rate excluding margin %	**2014 Notional amounts €m**	**2014 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**	**-**
USA	Swap	1 October 2015	4.800	**-**	**0.3**

Notes to the Consolidated Financial Statements continued

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 2014 and 2013, as set out in the Operational and Financial Review on page 30.

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	**-**	**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)**
Cash and cash equivalents	-	10.0	10.0	10.0
Interest bearing loans due within one year	-	(0.8)	(0.8)	(0.8)
Interest bearing loans due after more than one year	-	(96.4)	(96.4)	(96.4)
Derivative assets	0.2	-	0.2	0.2
Derivative liabilities	(0.9)	-	(0.9)	(0.9)
Other assets	-	86.1	86.1	86.1
Other liabilities	-	(73.6)	(73.6)	(73.6)
Total at 31 December 2013	(0.7)	(74.7)	(75.4)	(75.4)

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	**-**	**0.1**	**-**	**0.1**
Derivative financial liabilities	**-**	**(0.4)**	**-**	**(0.4)**
Total at 31 December 2014	**-**	**(0.3)**	**-**	**(0.3)**
Derivative financial assets	-	0.2	-	0.2
Derivative financial liabilities	-	(0.9)	-	(0.9)
Total at 31 December 2013	-	(0.7)	-	(0.7)

20. Financial instruments continued

At 31 December 2014 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 £15.2m (2013: £20.7m) and US Dollar £24.2m (2013: £20.1m) denominated interest bearing loans, which are predominantly used to fund the Group's European and United States operations and include £39.4m (2013: £40.8m) designated as a hedge of the net investment in a foreign operation. The foreign currency loss of £0.1m (2013: loss of £0.7m) 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 2014	**5.7**	**1.8**
US Dollar at 31 December 2014	**1.2**	**1.2**
Euro at 31 December 2014	**1.5**	**1.3**
Sterling at 31 December 2013	1.4	2.2
US Dollar at 31 December 2013	1.2	2.2
Euro at 31 December 2013	1.5	2.3

(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	**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)**
Secured bank borrowings	3.0	(3.0)	(0.5)	(0.4)	(0.7)	(1.4)
Unsecured bank borrowings	93.8	(98.4)	(2.0)	(2.0)	(94.4)	-
Finance lease obligations	0.4	(0.5)	(0.3)	(0.2)	-	-
Other liabilities	73.6	(73.6)	(73.6)	-	-	-
Derivative liabilities	0.9	(1.2)	(0.7)	(0.4)	(0.1)	-
Total at 31 December 2013	171.7	(176.7)	(77.1)	(3.0)	(95.2)	(1.4)

Notes to the Consolidated Financial Statements continued

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:

	2014 £m	2013 £m
Undrawn committed borrowing facilities		
Expiring after more than one year	**110.4**	115.0

(d) Fair values

The gain in the year on the interest rate swaps held by the UK Group was £0.3m (2013: 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 gain in the year on the US fixed rate interest swaps taken to the Consolidated Income Statement was £nil (2013: nil). The fair value of forward currency exchange contracts realised in the Consolidated Income Statement as part of fair value derivatives amounted to £nil (2013: nil). The fair values of the Group's other financial instruments at 31 December 2014 and 2013 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 £1.4m (2013: £1.8m) 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

	2014 £m	2013 £m
Loans and receivables	**87.3**	86.1
Cash at the end of the year	**6.7**	10.0
Total	**94.0**	96.1

At the reporting date the maximum exposure to credit risk for trade receivables, ignoring credit insurance was:

Carrying value of trade receivables by geography

	2014 £m	2013 £m
UK	**49.2**	52.4
Rest of Europe	**14.9**	15.6
North America	**16.8**	13.5
Rest of World	**4.4**	2.9
Total	**85.3**	84.4

Carrying value of trade receivables by business segment

	2014 £m	2013 £m
Infrastructure Products - Utilities	**35.9**	40.5
Infrastructure Products - Roads	**25.8**	22.2
Infrastructure Products - Total	**61.7**	62.7
Galvanizing Services	**23.6**	21.7
Total	**85.3**	84.4

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:

	2014			2013		
	Gross £m	Provisions £m	Net £m	Gross £m	Provisions £m	Net £m
Not past due	**62.0**	**(0.1)**	**61.9**	59.3	(0.1)	59.2
Past due 1–30 days	**14.5**	**(0.1)**	**14.4**	13.6	(0.1)	13.5
Past due 31–120 days	**5.8**	**(0.4)**	**5.4**	7.7	(0.7)	7.0
Past due more than 120 days	**6.0**	**(2.4)**	**3.6**	6.4	(1.7)	4.7
Total	**88.3**	**(3.0)**	**85.3**	87.0	(2.6)	84.4

The movements in provisions for impairment of trade receivables are as follows:

	£m
At 1 January 2013	2.3
Exchange adjustments	-
Charged to the Consolidated Income Statement during the year	0.5
Utilised during the year	(0.2)
At 31 December 2013	**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**

(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 £0.8m (2013: £0.6m), 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 £2.4m (2013: £2.4m) and the impact on equity would have been a gain of £18.4m (2013: £14.9m).
- 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 £2.0m (2013: £2.0m) and the impact on equity would have been a loss of £15.0m (2013: £12.5m).

Notes to the Consolidated Financial Statements continued

21. Called up share capital

	2014 £m	2013 £m
Allotted, called up and fully paid		
77.9m ordinary shares of 25p each (2013: 77.7m)	**19.5**	19.4

In 2014 the Company issued 0.2m shares under its various share option schemes (2013: 0.6m), realising £0.3m (2013: £2.0m).

Options outstanding over the Company's shares

	2014 Number of shares	2014 Option price (p)	2013 Number of shares	2013 Option price (p)	Date first exercisable	Expiry date
2014 LTIP Award (granted May 2014)*¥	**186,121**	**-**	-	-	§	§
2007 LTIP Award (granted March 2013)*	**160,148**	**-**	160,148	-	§	§
2007 LTIP Award (granted March 2012)*	**263,721**	**-**	263,721	-	§	§
2007 LTIP Award (granted March 2011)*	**-**	**-**	287,779	-	§	§
2005 Approved Executive Share Option Scheme (granted October 2005)*	**-**	**205**	26,146	205	4 October 2008	4 October 2015
2005 Unapproved Executive Share Option Scheme (granted October 2005)*	**-**	**205**	4,907	205	4 October 2008	4 October 2015
2007 grant of 2005 Approved Executive Share Option Scheme (granted April 2007)*	**44,706**	**350**	56,852	350	13 April 2010	13 April 2017
2007 grant of 2005 Unapproved Executive Share Option Scheme (granted April 2007)*	**62,148**	**350**	79,429	350	13 April 2010	13 April 2017
2012 grant of 2005 Approved Executive Share Option Scheme (granted April 2012)*	**97,370**	**316**	116,342	316	19 April 2015	19 April 2022
2012 grant of 2005 Unapproved Executive Share Option Scheme (granted April 2012)*	**157,630**	**316**	158,658	316	19 April 2015	19 April 2022
2008 grant of 2005 Savings Related Share Option Scheme (granted December 2008)*†	**-**	**246**	15,331	246	1 December 2013	1 June 2014
2010 grant of 2005 Savings Related Share Option Scheme (granted January 2011)*†	**353,373**	**238**	417,837	238	1 January 2016	1 July 2016
2013 grant of 2005 Savings Related Share Option Scheme (granted April 2013)*†	**309,953**	**355**	447,363	355	1 June 2018	1 December 2018
2014 grant of 2005 Savings Related Share Option Scheme (granted July 2014)*†	**173,296**	**429**	-	-	1 August 2017	1 February 2018
2014 grant of 2005 Savings Related Share Option Scheme (granted July 2014)*†	**160,447**	**429**	-	-	1 August 2019	1 February 2020
Outstanding at the end of the year	**1,968,913**		2,034,513			
Exercisable at the year end	**106,854**		182,665			
Not exercisable at the year end	**1,862,059**		1,851,848			
Outstanding at the end of the year	**1,968,913**		2,034,513			

* 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 2015 for the 2012 grant, 1 January 2016 for the 2013 grant and 1 January 2017 for the 2014 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. Further details are set out in the Directors' Remuneration Report on page 62.

The remaining weighted average life of the outstanding share options is 2 years 10 months (2013: 3 years 2 months).

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) 2014	Millions of options 2014	Weighted average exercise price (p) 2013	Millions of options 2013
Outstanding at the beginning of the year	**198**	**2.0**	195	2.4
Granted during the year	**287**	**0.6**	247	0.6
Exercised during the year	**(115)**	**(0.2)**	(319)	(0.6)
Lapsed during the year	**(210)**	**(0.4)**	(48)	(0.4)
Outstanding at the end of the year	**232**	**2.0**	198	2.0

The weighted average share price on the dates of exercise during the year for the above share options was 543p (2013: 461p), and the weighted average fair value of options and awards granted in the year was 199p (2013: 163p). The weighted average exercise price of outstanding options exercisable at the year end was 350p.

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.

	2014 grant of 2014 LTIP Award	2013 grant of 2007 LTIP Award	2012 grant of 2007 LTIP Award	July 2014 grant of 2005 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	December 2008 grant of 2005 Savings Related Share Option Scheme	2012 grant of 2005 Share Option Schemes	2007 grant of 2005 Share Option Schemes	2005 grant of 2005 Share Option Schemes
Fair value at measurement date (p)	556/260	443/248	337/194	93/98	83	44	3/3	41	59	34
Share price at grant date (p)	556	443	337	512	429	290	160	316	351	208
Exercise price (p)	0	0	0	429	355	238	246	316	350	205
Expected volatility (%)	23	29	28	22/21	26	21	28/24	28	22	36
Option life (years)	3	3	3	3/5	5	5	3/5	3	3	3
Dividend yield (%)	0	0.0	0.0	3.1	3.5	4.4	4.6	4.2	3.7	3.7
Risk free interest rate (%)	1.1	0.3	0.6	1.2/2.0	0.7	1.6	1.8/2.8	0.6	5.1	4.5

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:

	2014 £m	2013 £m
Equity-settled	**0.9**	0.3
Cash-settled	**0.3**	0.2
Total expensed during the year	**1.2**	0.5

22. Guarantees and other financial commitments

(a) Guarantees

The Group had no financial guarantee contracts outstanding (2013: £nil).

(b) Capital commitments

	2014 £m	2013 £m
Contracted for but not provided in the accounts	**1.5**	2.4

Notes to the Consolidated Financial Statements continued

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:

	2014		2013	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Group				
Within one year	**3.8**	**2.2**	4.3	2.3
Between one and two years	**3.6**	**1.8**	3.7	1.8
Between two and five years	**8.9**	**2.4**	9.3	2.5
After five years	**8.7**	**0.1**	10.6	-
	25.0	**6.5**	27.9	6.6

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:

	2014		2013	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Group				
Within one year	**0.4**	**12.8**	0.6	6.1
Between one and five years	**0.9**	**5.0**	1.2	4.0
After five years	**0.3**	**-**	0.5	-
	1.6	**17.8**	2.3	10.1

23. Pensions

Total

The total Group retirement benefit assets and obligations are detailed below:

	UK £m	Overseas £m	2014 £m	UK £m	Overseas £m	2013 £m
Total fair value of scheme assets	**68.6**	**2.7**	**71.3**	63.1	2.6	65.7
Present value of scheme funded obligations	**(86.3)**	**(5.9)**	**(92.2)**	(80.7)	(5.1)	(85.8)
Present value of scheme unfunded obligations	**-**	**(0.2)**	**(0.2)**	-	(0.1)	(0.1)
Retirement benefit obligation	**(17.7)**	**(3.4)**	**(21.1)**	(17.6)	(2.6)	(20.2)

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. 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 £1.6m (2013: £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.

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 2012 and was updated to 31 December 2014 by a qualified actuary.

The principal assumptions used by the actuary

	2014	2013	2012	2011	2010
Rate of increase in salaries	**n/a**	n/a	n/a	2.00%	3.50%
Rate of increase in pensions payment	**2.90%**	3.20%	2.60%	2.90%	3.30%
Discount rate	**3.50%**	4.30%	4.20%	4.90%	5.60%
Inflation - RPI	**3.0%**	3.40%	2.70%	3.00%	3.50%
Inflation - CPI	**2.0%**	2.40%	1.95%	2.00%	-
Mortality table	**116%120%**	116%120%	116%120%	116%120%	116%120%
	S1PACM12014 1%*	S1PACMI2013 1%*	S1PACMI2011 1%*	S1PAmc1%	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:

	2014	2013	2012	2011	2010
Males currently aged 45	**21.9 years**	21.7 years	21.8 years	21.6 years	21.6 years
Females currently aged 45	**24.4 years**	24.1 years	24.3 years	24.2 years	24.2 years
Males currently aged 65	**20.9 years**	20.7 years	20.8 years	20.0 years	20.0 years
Females currently aged 65	**23.1 years**	22.9 years	23.0 years	22.7 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 2014 £m	Market value 2013 £m	Market value 2012 £m	Market value 2011 £m	Market value 2010 £m
Assets					
Equities	**23.1**	21.7	21.7	16.2	19.0
Bonds	**37.5**	33.3	33.0	29.5	27.2
With profits policies	**1.1**	1.0	1.4	2.5	2.3
Hedge funds	**-**	-	5.5	5.4	5.8
Currency funds	**-**	-	-	0.9	1.9
Cash	**6.9**	7.1	0.4	0.4	0.4
Total fair value of scheme assets	**68.6**	63.1	62.0	54.9	56.6
Present value of scheme funded obligations	**(86.3)**	(80.7)	(75.8)	(69.2)	(66.1)
Retirement benefit obligation	**(17.7)**	(17.6)	(13.8)	(14.3)	(9.5)

Financial Statements

Notes to the Consolidated Financial Statements continued

23. Pensions continued

Total expense recognised in the Consolidated Income Statement

	2014			2013		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service costs	1.1	-	1.1	1.1	-	1.1
Expenses	0.2	0.3	0.5	0.4	0.1	0.5
Charge to operating profit	1.3	0.3	1.6	1.5	0.1	1.6
Interest on net pension scheme deficit	-	0.6	0.6	-	0.5	0.5
Total charged to profit before tax	1.3	0.9	2.2	1.5	0.6	2.1

Change in the present value of the defined benefit obligations

	2014 £m	2013 £m
Opening defined benefit obligations	80.7	75.8
Interest cost	3.3	3.1
Actuarial loss/(gain) arising from:		
Financial assumptions	6.1	4.8
Demographic assumptions	-	(0.6)
Experience adjustment	-	1.0
Benefits paid	(3.8)	(3.4)
Closing defined benefit obligations	86.3	80.7

Changes in fair values of scheme assets

	2014 £m	2013 £m
Opening fair value of assets	63.1	62.0
Interest income	2.7	2.6
Return on plan assets excluding interest income	3.1	(0.6)
Employer contributions	3.5	2.5
Benefits paid	(3.8)	(3.4)
Closing fair value of assets	68.6	63.1
Actual return on scheme assets	5.8	2.0
Expected employer contributions in the following year		
Defined benefit schemes	2.5	2.5
Defined contribution schemes	1.2	1.1

23. Pensions continued

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of scheme assets/ liabilities %	2014 £m	% of scheme assets/ liabilities %	2013 £m	% of scheme assets/ liabilities %	2012 £m
Return on plan assets excluding interest income	**4**	**3.1**	2	(0.6)	11	6.7
Experienced loss on scheme obligations	**0**	**-**	1	(1.0)	1	(0.5)
Changes in assumptions underlying the present value of scheme obligations	**7**	**(6.1)**	5	(4.2)	9	(6.7)
Annual amount recognised	**3**	**(3.0)**	8	(5.8)	1	(0.5)
Total amount recognised		**(34.0)**		(31.0)		(25.2)

	% of scheme assets/ liabilities %	2011 £m	% of scheme assets/ liabilities %	2010 £m
Return on plan assets excluding interest income	8	(4.3)	4	2.4
Experienced gain on scheme obligations	-	-	-	-
Changes in assumptions underlying the present value of scheme obligations	6	(3.9)	3	2.2
Annual amount recognised	12	(8.2)	7	4.6
Total amount recognised		(24.7)		(16.5)

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions:

	Balance at 31 December 2014	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+1 year) £m
Value of funded obligations	(86.3)	(87.6)	(87.3)	(89.8)
Fair value of plan assets	68.6	68.6	68.6	68.6
Deficit	(17.7)	(19.0)	(18.7)	(21.2)

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 £0.7m (2013: £0.7m).

The Consolidated Income Statement for the year includes a pension charge within operating profit of £0.8m (2013: £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 2014.

The principal assumptions used by the actuaries

	2014 USA	2014 France	2013 USA	2013 France	2012 USA	2012 France	2011 France
Rate of increase in salaries	**0.00%**	**2.00%**	0.00%	2.00%	0.00%	2.00%	2.00%
Discount rate	**4.75%**	**2.50%**	5.25%	3.10%	4.50%	4.00%	5.00%
Inflation	**0.00%**	**2.00%**	0.00%	2.00%	0.00%	2.00%	2.00%
Mortality table	**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	TH 00-02, TF 00-02

Notes to the Consolidated Financial Statements continued

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 2014 £m	Market value 2013 £m	Market value 2012 £m	Market value 2011 £m	Market value 2010 £m
Assets					
Cash and other insured fixed interest assets	**2.7**	2.6	2.5	2.6	0.1
Total fair value of scheme assets	**2.7**	2.6	2.5	2.6	0.1
Present value of scheme funded obligations	**(5.9)**	(5.1)	(4.9)	(4.6)	(1.4)
Present value of scheme unfunded obligations	**(0.2)**	(0.1)	(0.1)	(0.1)	(0.1)
Retirement benefit obligation	**(3.4)**	(2.6)	(2.5)	(2.1)	(1.4)

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

	2014			2013		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service cost	**0.7**	**0.1**	**0.8**	0.7	0.1	0.8
Charge to operating profit	**0.7**	**0.1**	**0.8**	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	**0.7**	**0.2**	**0.9**	0.7	0.2	0.9

Change in the present value of the defined benefit obligation

	2014 £m	2013 £m
Opening defined benefit obligation	**5.2**	5.0
Current service costs	**0.1**	0.1
Interest cost on scheme obligations	**0.2**	0.2
Actuarial losses arising from:		
Financial assumptions	**0.6**	0.2
Experience adjustments	**-**	-
Benefits paid	**(0.1)**	(0.3)
Exchange adjustments	**0.1**	-
Closing defined benefit obligation	**6.1**	5.2

Changes in fair values of scheme assets

	2014 £m	2013 £m
Opening fair value of assets	**2.6**	2.5
Return on plan assets excluding interest income	**-**	0.2
Interest on plan assets	**0.1**	0.1
Benefits paid	**(0.1)**	(0.1)
Exchange adjustments	**0.1**	(0.1)
Closing fair value of assets	**2.7**	2.6
Actual return on scheme assets	**0.1**	0.3
Expected employer contributions in the following year		
Defined benefit schemes	**-**	-
Defined contribution schemes	**0.8**	0.8

23. Pensions continued

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of scheme assets/ liabilities %	2014 £m	% of scheme assets/ liabilities %	2013 £m	% of scheme assets/ liabilities %	2012 £m
Experienced loss on scheme obligations	**0**	**-**	0	-	2	0.1
Return on plan assets excluding interest income	**0**	**-**	7	0.2	4	0.1
Changes in assumptions underlying the present value of scheme obligations	**(10)**	**(0.6)**	(4)	(0.2)	(12)	(0.6)
Exchange rate adjustment on assets and liabilities	**0**	**-**	n/a	-	n/a	-
Amount recognised in the period		**(0.6)**		-		(0.4)
Total amount recognised		**(1.6)**		(1.0)		(1.0)

	% of scheme assets/ liabilities %	2011 £m	% of scheme assets/ liabilities %	2010 £m
Experienced loss on scheme obligations	-	-	(2)	-
Return on plan assets excluding interest income	-	-		
Changes in assumptions underlying the present value of scheme obligations	(4)	(0.2)	-	-
Exchange rate adjustment on assets and liabilities	n/a	-	n/a	-
Amount recognised in the period		(0.2)		-
Total amount recognised		(0.6)		(0.4)

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).

Notes to the Consolidated Financial Statements continued

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 and Carpenter & Paterson brands which have both 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 58 to 71. The compensation in total for each category required by IAS24 is as follows:

	2014 £m	2013 £m
Salaries and short term employee benefits	**1.6**	0.9
Non-executive Directors' fees	**0.2**	0.2
Pension costs	**0.2**	0.2
Share-based payments	**0.7**	0.2
	2.7	1.5

Year ended 31 December 2014

Company Balance Sheet

	Notes	2014 £m	2013 £m
Fixed assets			
Tangible assets	3	**0.1**	0.2
Investments	4	**312.5**	313.1
		312.6	313.3
Current assets			
Debtors	5	**35.5**	27.1
		35.5	27.1
Creditors: amounts falling due within one year			
Bank loans and overdrafts	6, 7	**(7.4)**	(6.6)
Other creditors	6	**(110.7)**	(111.3)
		(118.1)	(117.9)
Net current liabilities		**(82.6)**	(90.8)
Total assets less current liabilities		**230.0**	222.5
Creditors: amounts falling due after more than one year	7	**(64.1)**	(62.7)
Net assets		**165.9**	159.8
Share capital and reserves			
Called up share capital	9	**19.5**	19.4
Share premium	10	**31.7**	31.5
Capital redemption reserve	10	**0.2**	0.2
Profit and loss account	10	**114.5**	108.7
Equity shareholders' funds		**165.9**	159.8

Approved by the Board of Directors on 10 March 2015 and signed on its behalf by:

D W Muir
Director

M Pegler
Director

Year ended 31 December 2014

Company Reconciliation of Movements in Shareholders' Funds

	2014 £m	2013 £m
Profit for the year	**19.7**	4.0
Dividends	**(12.4)**	(11.6)
Credit to equity of share-based payments	**0.9**	0.4
Satisfaction of long term incentive plans	**(1.0)**	-
Own shares acquired by employee benefit trust	**(1.4)**	-
Shares issued in the year	**0.3**	2.0
Net increase/(decrease) in shareholders' funds	**6.1**	(5.2)
Opening shareholders' funds	**159.8**	165.0
Closing shareholders' funds	**165.9**	159.8

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
The Company's Financial Statements have been prepared in accordance with applicable UK GAAP accounting standards and under the historical cost accounting rules.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account.

Under FRS1 cash flow statements, the Company is exempt from the requirement to prepare a Cash Flow Statement, on the grounds that the Company is included in its own published Consolidated Financial Statements.

The Company has taken advantage of the exemptions contained in FRS8 Related Party Disclosures and has not disclosed transactions or balances with wholly owned subsidiaries of the Group. Related party transactions with the Company's key management personnel are disclosed in note 25 to the Group Financial Statements. The Company has adopted the requirements of FRS29 Financial Instruments Disclosures and has taken the exemption under that standard from disclosure on the grounds that the Group Financial Statements contain disclosures in compliance with IFRS7.

Investments in subsidiary undertakings
In the Company's Financial Statements, investments in subsidiary undertakings are stated at cost, less amounts written off for impairment. They are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at closing rates at the year end date and the gains or losses on translation included in the profit and loss account. Non-monetary assets and liabilities are translated into Sterling at historic rates of exchange and are not updated to closing rates at the year end date.

This policy applies to the Company's long term bank loans denominated in foreign currencies, which are monetary items, and are therefore translated into Sterling at closing rates at the year end date, with exchange differences arising passing through the Profit and Loss Account.

This policy also applies to long term amounts denominated in foreign currencies owed to subsidiary undertakings and to investments denominated in foreign currencies in intermediary holding companies.

However, the Company applies fair value hedge accounting where appropriate, in accordance with FRS26, in order to hedge loans denominated in foreign currencies against all, or part, of the foreign currency denominated investments. Therefore, foreign exchange differences arising on translation into Sterling of both the hedging loans and hedged investments using the closing rates at the year end date are taken to the Profit and Loss Account. Any unhedged investment balances continue to be held at cost as described above.

Financial instruments
The Company has adopted the requirements of FRS29 and has taken the exemption under that standard from disclosure on the grounds that the Consolidated Financial Statements contain disclosures in compliance with IFRS7 in note 20.

Financial assets and liabilities are recognised on the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

In accordance with its treasury policy, the Company 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.

Bank loans and overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, bank loans and overdrafts are stated at amortised cost with any difference between cost and redemption value being recognised in the Profit and Loss Account over the period of the borrowings on an effective interest basis.

Tangible fixed assets and depreciation
Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	life of the lease
Plant, machinery and vehicles	4 to 20 years

Notes to the Company Financial Statements

Leases
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Profit and Loss Account on a straight line basis over the period of the lease.

Pension scheme arrangements
The Company participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, as described in note 12. As the Company is unable to identify its share of the Group pension scheme assets in respect of the defined benefit sections on a consistent and reasonable basis, the schemes are accounted for as if they are defined contribution schemes, as permitted by FRS17. Contributions in respect of defined contribution schemes are charged to the Profit and Loss Account in the period to which they relate.

Share-based payments
The share option programme allows employees to acquire shares of the Company. The fair value of options granted is expensed with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity. This increase is offset in full by amounts recharged to the subsidiary, which are recognised as a reduction in the cost of investment in subsidiary.

Income tax
The charge for taxation on the profit or loss for the year represents the sum of the tax currently payable or recoverable and deferred tax. This charge is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable result for the year. The taxable result differs from net profit or loss as reported in the Profit and Loss Account because it excludes items of income or expense that are not taxable or not deductible. The Company's debtor or creditor for current tax is calculated using tax rates enacted or substantively enacted at the year end date, and any adjustments in respect of previous years.

Deferred taxation
Deferred tax is provided, without discounting, on timing differences between the treatment of items for taxation and accounting purposes as required by FRS19.

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
Where the Company enters into financial guarantee contracts to secure the indebtedness of other companies within its Group, the Company 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.

1. Profit on ordinary activities before taxation

	2014 £m	2013 £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 £4.6m (2013: £4.5m) and the final dividend of £7.8m (2013: £7.1m). 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:

	2014		2013	
	Pence per share	£m	Pence per share	£m
Equity shares				
Interim	**6.4**	**5.0**	6.0	4.6
Final	**11.6**	**9.0**	10.0	7.8
Total	**18.0**	**14.0**	16.0	12.4

3. Tangible fixed assets

	Short leasehold properties £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation			
At 31 December 2013	0.1	0.4	0.5
Additions	-	-	-
At 31 December 2014	**0.1**	**0.4**	**0.5**
Depreciation			
At 31 December 2013	-	0.3	0.3
Charge for the year	-	0.1	0.1
At 31 December 2014	**-**	**0.4**	**0.4**
Net book value			
At 31 December 2014	**0.1**	**-**	**0.1**
At 31 December 2013	0.1	0.1	0.2

4. Fixed asset investments

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Trade investments £m	Total £m
Cost				
At 31 December 2013	301.7	23.8	0.8	326.3
Exchange adjustments	(0.6)	-	-	(0.6)
At 31 December 2014	**301.1**	**23.8**	**0.8**	**325.7**
Provisions				
At 31 December 2013	11.1	1.3	0.8	13.2
Impairment	-	-	-	-
At 31 December 2014	**11.1**	**1.3**	**0.8**	**13.2**
Net book value				
At 31 December 2014	**290.0**	**22.5**	**-**	**312.5**
At 31 December 2013	290.6	22.5	-	313.1

Notes to the Company Financial Statements continued

4. Fixed asset investments continued
A list of the principal businesses owned by the Company is given on pages 134 to 136. 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

	2014 £m	2013 £m
Amounts owed by subsidiary undertakings	**34.1**	26.3
Corporation tax	**0.7**	-
Deferred tax (note 8)	**0.3**	0.2
Other debtors	**0.2**	0.4
Prepayments and accrued income	**0.2**	0.2
	35.5	27.1

6. Creditors: amounts falling due within one year

	2014 £m	2013 £m
Bank loans and overdrafts (note 7)		
Bank overdrafts	**7.4**	6.6
	7.4	6.6
Other creditors		
Trade creditors	**1.3**	1.9
Other taxation and social security	**0.1**	0.1
Corporation tax	**-**	0.7
Accruals and deferred income	**3.1**	2.2
Other creditors	**0.8**	0.3
Amounts owed to subsidiary undertakings	**105.4**	106.1
	110.7	111.3

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.

	2014 £m	2013 £m
Long term bank loans	**64.1**	62.7
	64.1	62.7

The Company's bank loans and borrowings are also analysed below into the periods in which they mature:

	2014 £m	2013 £m
Bank loans and overdraft		
Amounts due within one year (note 6)	**7.4**	6.6
Amounts due after more than one year:		
Between one and two years	**-**	-
Between two and five years	**64.1**	62.7
	64.1	62.7
	71.5	69.3

8. Deferred tax

	2014 £m	2013 £m
At 1 January	**(0.2)**	(0.2)
Credited for the year in the Profit and Loss Account	**(0.1)**	-
At 31 December	**(0.3)**	(0.2)
Other timing differences	**(0.3)**	(0.2)

9. Called up share capital

	2014 £m	2013 £m
Allotted, called up and fully paid		
77.9m Ordinary Shares of 25p each (2013: 77.7m)	**19.5**	19.4

In 2014 the Company issued 0.2m shares under its various share option schemes (2013: 0.6m), realising £0.3m (2013: £2.0m). Details of share options and related share-based payments are contained in note 21 to the Group Financial Statements.

10. Share premium and reserves

	Share premium £m	Capital redemption reserve £m	Profit and loss account £m
At 1 January 2013	29.6	0.2	115.9
Profit for the year	-	-	4.0
Dividends	-	-	(11.6)
Credit to equity of share-based payments	-	-	0.4
Satisfaction of long term incentive payments	-	-	-
Shares issued	1.9	-	-
At 31 December 2013	**31.5**	**0.2**	**108.7**
Profit for the year	**-**	**-**	**19.7**
Dividends	**-**	**-**	**(12.4)**
Credit to equity of share-based payments	**-**	**-**	**0.9**
Satisfaction of long term incentive payments	**-**	**-**	**(1.0)**
Own shares acquired by employee benefit trust	**-**	**-**	**(1.4)**
Shares issued	**0.2**	**-**	**-**
At 31 December 2014	**31.7**	**0.2**	**114.5**

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.

Notes to the Company Financial Statements continued

11. Guarantees and other financial commitments

(a) Guarantees

The Company had no financial guarantee contracts outstanding (2013: £nil).

The Company guarantees the bank loans and overdrafts of certain subsidiary undertakings. The amount outstanding at 31 December 2014 was £47.6m (2013: £47.3m).

(b) Operating lease commitments

Annual commitments under non-cancellable operating leases expire in the periods as detailed below:

	2014		2013	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Between two and five years	0.1	-	0.1	-
After more than five years	-	-	-	-
	0.1	-	0.1	-

12. Pensions

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. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, the schemes have been accounted for by the Company as if they were defined contribution schemes, as permitted by FRS17 Retirement Benefits. 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 £2.6m (2013: £2.6m), of which additional deficit contributions were £2.5m (2013: £2.5m).

Full details of the Group schemes are given in note 23 to the Group Financial Statements.

13. Related party transactions

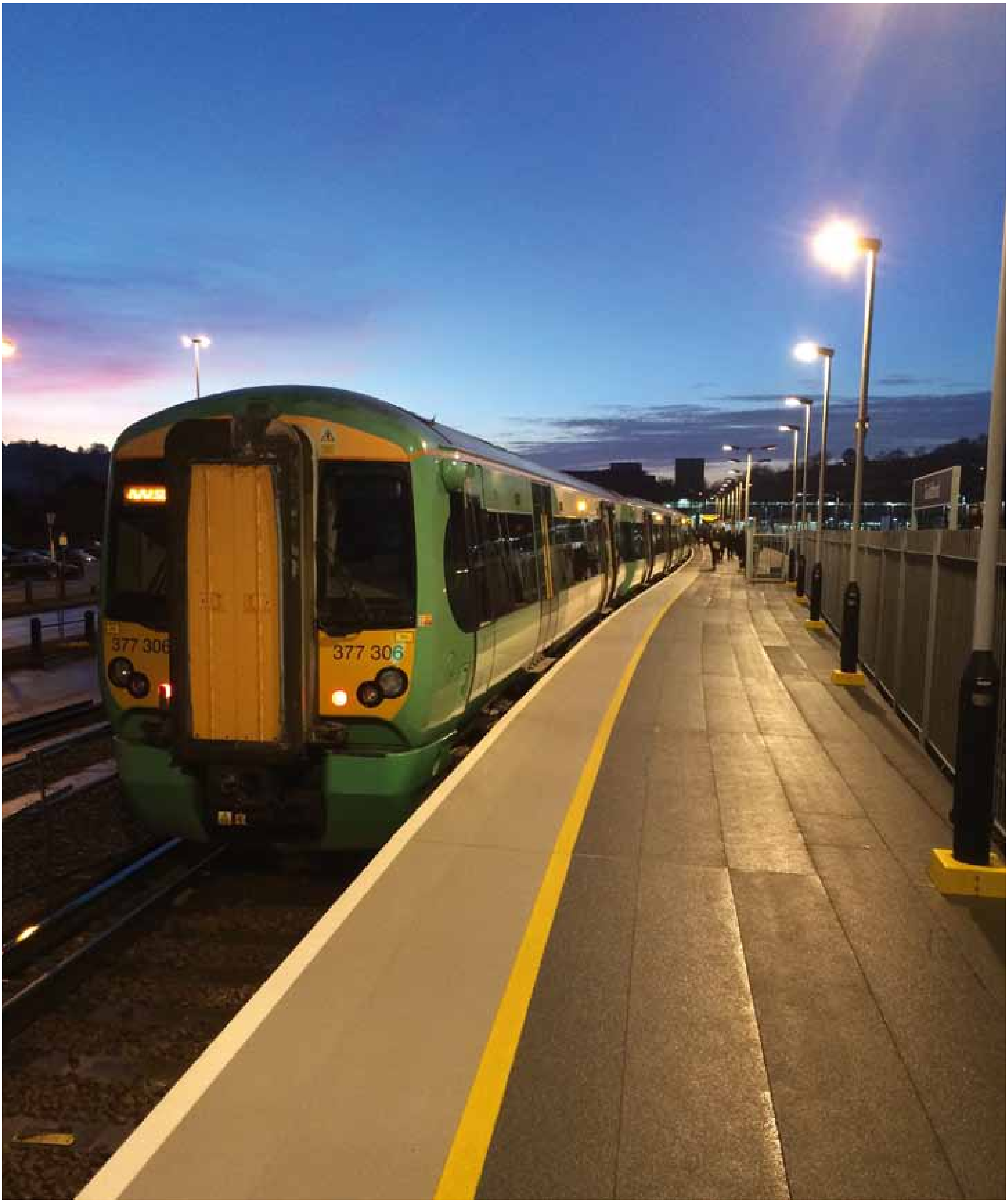
The Company related party transactions are the same as those transactions disclosed for the Group in note 25 to the Group Financial Statements.

Five Year Summary

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Revenue	**454.7**	444.5	440.7	406.2	374.2
Underlying operating profit	**49.2**	44.5	44.0	41.5	45.9
Underlying profit before taxation	**46.0**	41.2	40.4	37.4	42.2
Shareholders' funds	**181.5**	169.1	162.4	150.6	152.1

	Pence	Pence	Pence	Pence	Pence
Underlying earnings per share	**45.0**	40.4	38.8	34.5	39.0
Proposed dividends per share	**18.0**	16.0	15.0	13.2	12.7

Financial Statements



Specialists in the design, manufacture and installation of GRP products designed for the rail industry, Access Design's product on Network Rail's Wessex Line at Guildford.

Shareholder Information

See further information online at hsholdings.com

Financial Calendar

Annual General Meeting 2015	14 May 2015
Trading Update	14 May 2015
Ex-dividend date for 2014 final dividend	28 May 2015
Record date 2014 final dividend	29 May 2015
Dividend Reinvestment Plan – last date for election	12 June 2015
Final 2014 ordinary dividend payable	3 July 2015
Announcement of 2015 interim results	August 2015
Trading Update	November 2015
Payment of 2015 interim dividend	January 2016

Shareholder Information

Shareholder base

Holdings of ordinary shares at 9 March 2015

Range of Shares	Number of holders	%	Number of Shares	%
1 - 500	603	22.64	121,371	0.16
501 - 1,000	405	15.20	318,058	0.40
1,001 – 5,000	971	36.45	2,458,879	3.16
5,001 – 50,000	552	20.72	7,578,104	9.73
50,001 – 100,000	38	1.43	2,891,885	3.71
100,001 – 500,000	62	2.33	14,050,550	18.03
500,001 – 1,000,000	14	0.52	10,575,946	13.57
Above 1,000,000	19	0.71	39,927,800	51.24
Totals	**2,664**	**100.00**	**77,922,593**	**100.00**

Shareholder type

	Number of holders	%	Number of Shares	%
Individuals	1,595	59.87	5,884,497	7.55
Institutions	1,065	39.98	71,994,830	92.39
Other corporate	4	0.15	43,266	0.06
Totals	**2,664**	**100.00**	**77,922,593**	**100**

Dividend History – proposed dividends per share

	2014	2013	2012	2011	2010
Interim	**6.4**	6.0	5.8	5.4	5.2
Final	**11.6**	10.0	9.2	7.8	7.5
Total	**18.0**	16.0	15.0	13.2	12.7

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 Thursday 14 May 2015 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.eproxyappointment.com. 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 0870 703 0084.

Dividend Reinvestment Plan ‘DRIP’ (Latest date for election is 12 June 2015)

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 0870 707 1058.

Principal Group Businesses

Infrastructure Products

Asset International Limited
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

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

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

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

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*
Road safety barriers, road signage and traffic safety solutions
Incorporated in Norway

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

Barkers Engineering Limited*
Security solutions and fasteners

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

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

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

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

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

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

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

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

Mary Avenue, Birtley, County Durham,
DH3 1JF
Tel: +44 (0) 191 410 6631
Fax: +44 (0) 191 410 0650
info@birtleygroup.co.uk
www.birtleygroup.co.uk

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

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

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

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

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

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

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

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

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

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

Notes:
The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.
***** The Company's effective interest is held indirectly for these undertakings.
(D) Operating division only, not a limited company.

Infrastructure Products

Conimast International SAS*
Specialist steel lighting columns, galvanizing and steel powder coating
Incorporated in France

Z.I. La Sauniere BP70, 89600,
Saint Florentin, France
Tel: +33 (0) 3 86 43 82 00
Fax: +33 (0) 3 86 43 41 08
contact@conimast.fr
www.conimast.fr

Hill & Smith Limited
Highway and off-highway safety barriers, temporary highway barriers for workzone protection. Corrugated steel structures

Springvale Business and Industrial Park,
Bilston, Wolverhampton, WV14 0QL
Tel: +44 (0) 1902 499400
Fax: +44 (0) 1902 499419
info@hill-smith.co.uk
www.hill-smith.co.uk

Hill & Smith, Inc.*
Temporary road barrier solutions for workzone protection
Incorporated in the USA

987 Buckeye Park Road, Columbus,
Ohio, 43207, USA
Tel: +1 (614) 340 6294
Fax: +1 (614) 340 6296
info@hillandsmith.com
www.hshighway.com

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

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

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

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

Lionweld Kennedy Flooring Limited
Open steel flooring, handrailing and ancillary products

Marsh Road, Middlesbrough, TS1 5JS
Tel: +44 (0) 1642 245151
Fax: +44 (0) 1642 224710
sales@lk-uk.com
www.lk-uk.com

Mallatite Limited
Manufacture of lighting columns, bespoke support structures, traffic sign columns, posts and associated lighting products

Holmewood Industrial Estate, Hardwick
View Road, Holmewood, Chesterfield,
Derbyshire, S42 5SA
Tel: +44 (0) 1246 593280
Fax: +44 (0) 1246 593281
sales@mallatite.co.uk
www.mallatite.co.uk

Pipe Supports Limited*
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

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

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

Pipe Supports Group Trading (Jingjiang) Limited*
Materials and components trading
Incorporated in China

West End of Fuyang Road,
South Developing District, Jingjiang City,
Jiangsu Province, PRC, 214500, China
Tel: +86 (0) 523 8462 1515
Fax: +86 (0) 523 8462 1536
bps@pipesupports.com.cn
www.pipesupports.com

V&S Utilities**
Electrical utility products and services.
Incorporated in the USA

987 Buckeye Park Road, Columbus,
Ohio, 43207, USA
Tel: +1 (614) 449 8281
Fax: +1 (614) 449 8851
info@vsschuler.com
www.vsschuler.com

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

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

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

Varley & Gulliver Limited
Vehicle and pedestrian parapets, and passive sign supports

57-70 Alfred Street, Sparkbrook,
Birmingham, B12 8JR
Tel: +44 (0) 121 773 2441
Fax: +44 (0) 121 766 6875
sales@v-and-g.co.uk
www.v-and-g.co.uk

Notes:
The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.
***** The Company's effective interest is held indirectly for these undertakings.
****** Trading name for V&S Schuler Engineering, V&S Schuler Tubular Products and V&S Clark Substations, all indirectly held and all wholly owned and incorporated in the USA.
(D) Operating division only, not a limited company.

Principal Group Businesses continued

Galvanizing Services

France Galva SA*
Galvanizing and powder coaters of steel
Incorporated in France
Z.I. La Sauniere BP70, 89600
Saint Florentin, France
Tel: +33 (0) 3 86 43 82 28
Fax: +33 (0) 3 86 43 82 29
contact@galva.fr
www.francegalva.fr

Barkers Engineering Limited*
Galvanizing and power coating services
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 Limited*
Galvanizing services
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

Joseph Ash Limited*
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 Limited*
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

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

Notes:
The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.
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(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 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 Audit Plc
One 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
Wragge & Co
Two Snowhill
Birmingham
B4 6WR

Silks Solicitors
Barclays Bank Chambers
Birmingham Street
Oldbury
B69 4EZ

Financial Public Relations
MHP Communications
60 Great Portland Street
London
W1W 7RT

Shareholder Information

Hill & Smith Solar's 6.3MW/4 panel rows in a landscape orientation with a post driven foundation. The project is in the village of Blockley, a Cotswolds district of Gloucestershire, UK.

Hill & Smith Solar's 140kw/2 panel rows in a portrait orientation with double leg and concrete ballast foundation, situated in Grude, Bosnia and Herzegovina.

Shareholder Notes

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 Annual Report 2014