

9 August 2010

Hill & Smith Holdings PLC

(“Hill & Smith” or the “Group”)

INTERIM RESULTS (UNAUDITED) FOR 6 MONTHS ENDED 30 JUNE 2010

Hill & Smith Holdings PLC, the international group with leading positions in the supply of infrastructure products, galvanizing services and building and construction products to global markets, today announces its interim results for the six months ended 30 June 2010.

Group Results

	30 June 2010	30 June 2009	Change
Revenue	£193.5m	£196.8m	- 1.7%
Underlying operating profit*	£23.5m	£23.1m	+ 1.7%
Underlying profit before taxation*	£21.5m	£20.5m	+ 4.9%
Underlying earnings per share*	19.2p	18.0p	+ 6.7%
Dividend per share	5.2p	4.7p	+ 10.6%
Net debt reduced by £11.2m to £76.4m, a 12.8% reduction on the year-end level of £87.6m.			

**Non-underlying items represent business reorganisation costs, property items, amortisation of acquisition intangibles, impairments, gains on disposal of available for sale financial assets, changes in the value of financial instruments and net financing return on pension obligations.*

Key points:

- Robust results in muted economic conditions reflect strong niche positions in a diverse range of markets and territories
- Group operating margin improved to 12.1%, driven by a combination of selective market positioning and continued focus on the cost base
- Underlying earnings per share up 6.7% to 19.2p
- Dividend increased 10.6% to 5.2p per share
- Strong financial position provides scope for acquisitive growth

Derek Muir, Chief Executive, said:

“The Group has again delivered earnings growth in generally challenging macro economic conditions. The performance in the period continues to demonstrate the benefits of the niche market positioning and widening geographical spread of the Group’s businesses.

The significant reduction in indebtedness over the past 18 months will facilitate development of the Group’s strategy of targeting growth through acquisitions in new geographical markets.

Whilst cognisant of the general economic environment and UK government spending plans, the Board remains confident in its business model to deliver shareholder value over the longer term.”

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Notes to Editors

Hill & Smith Holdings PLC is an international group with leading positions in the design, manufacture and supply of infrastructure products and galvanizing services to global markets. It serves its customers from facilities principally in the UK, France, USA, Thailand and China.

The Group's operations are organised into three business segments:

Infrastructure Products which supplies products and services such as permanent and temporary road safety barriers, street lighting columns, bridge parapets, gantries, temporary car parks, "GRP" railway platforms, variable road messaging solutions, traffic data collection systems, plastic drainage pipes, pipe supports for the power and liquid natural gas markets, energy grid components and security fencing.

Galvanizing Services which provides zinc and other coatings for a wide range of products including fencing, lighting columns, structural steel work, bridges, agricultural and other products for the infrastructure and construction sectors.

Building and Construction Products which supplies roofing systems, safety handrails and flooring, lintels and doors in steel and, increasingly, composite materials. The range of uses for these products includes large infrastructure projects involving schools and other public buildings.

Headquartered in the UK and quoted on the London Stock Exchange (LSE: HILS.L), Hill & Smith Holdings PLC employs some 3,000 staff across 52 sites, principally in 5 countries. In the year to 31 December 2009, it generated revenues of £389.7m.

HILL & SMITH HOLDINGS PLC

INTERIM RESULTS (UNAUDITED) FOR 6 MONTHS ENDED 30 JUNE 2010

1. INTRODUCTION

The Group delivered a robust performance in the first half of 2010 against a background of generally improving but still muted macro economic conditions. The international scale and diversity of the business, with over 50% of operating profit being generated from our operations in USA, France, Thailand and China continues to be a key driver of our success.

Whilst revenue (excluding prior year disposals) was similar to the prior year period, the impact of continued focus on closely managing the cost base together with other actions on taxation costs, ensured that we maintained our strategic objective of delivering growth in underlying earnings per share. Particularly pleasing was the further reduction in net debt despite the adverse impact of higher commodity prices and additional investment in capital expenditure.

2. RESULTS

Revenue decreased 1.7% to £193.5m (2009 : £196.8m) including an adverse currency translation impact of £1.1m. Adjusting for 2009 business disposals, organic growth was £1.7m. Underlying operating profit increased by 1.7% to £23.5m representing organic growth of £0.4m. Underlying operating margin improved by 0.4% to 12.1% (2009 : 11.7%).

Underlying profit before taxation at £21.5m was 4.9% ahead of the previous year (2009 : £20.5m). Profit before taxation was in line with 2009 at £20.2m.

Underlying earnings per share at 19.2p rose 6.7% compared to the previous year (2009 : 18.0p). Basic earnings per share at 18.0p were 0.6% below the previous year (2009 : 18.1p).

3. DIVIDEND

The Board has declared an interim dividend of 5.2p per share (2009 : 4.7p) which represents an increase of 10.6% over the corresponding period last year. The dividend is covered 3.7 times (2009 : 3.8 times) by underlying earnings per share. The interim dividend will be paid on 6 January 2011 to the shareholders on the register on 26 November 2010.

4. OPERATIONAL REVIEW

Infrastructure Products

Overall revenues were up 0.8% to £100.5m (2009 : £99.7m) with no material effect from exchange movements. Underlying operating profit was down 11.7% to £10.6m (2009 : £12.0m). Margins declined to 10.5% due to the difficult conditions in the power and petrochemical markets where significant capital expenditure plans were put on hold in 2009.

HS Roads

The UK roads business performed strongly, benefitting from the Highways Agency 'Managed Motorway Scheme' and additional fiscal stimulus spend. Managed motorways provide increased capacity on the existing road network by utilising the hard shoulder at peak times. Our strategy is to provide an extensive range of product to these schemes and maximise our revenue per mile on such projects. The M1 J10 to J13 project is currently under construction and we are supplying the temporary and permanent vehicle restraint systems, bridge parapets, electronic variable message signs, journey time systems and sixty newly designed lightweight steel gantries. A further six managed motorway schemes are planned to replace the need for more expensive road widening schemes.

Zoneguard, our temporary steel vehicle restraint system developed for the US market, is currently in use on fifteen projects including a major 10km contract in West Virginia. To satisfy the growing demand for the product we have increased our rental pool by a further 10km as this new innovative safety barrier gains acceptance as an alternative to concrete. We remain confident that this product will contribute in the near term.

Our UK lighting column operation has commenced the supply of the 172,000 columns, over five years, for the South Coast and Surrey PFI's, securing long term business which will offset any potential shortfall in local authority spending.

HS Utilities

The Group's pipe supports business supplies major customers involved in building petrochemical, gas, coal and nuclear power plants around the world. The business entered 2010 with a reduced order book due to the reduction of new major project awards in 2009 and consequently produced lower revenue and profitability against the same period last year. However, recent improvements in the order book give us confidence that we will return to more normal levels in the second half of 2010. Our new factory in China is building a strong order book and we are encouraged for the future of this business.

In the USA our utilities fabrication business experienced lower demand levels, resulting in revenue and profitability being substantially below prior year. Reduced demand for electricity in the USA and the lack of available funding has forced the utility companies to cut or delay their spend on capital projects. We believe this will continue throughout 2010. There are however, an increased number of tenders for large projects, giving signs of possible improvement in 2011.

The water industry AMP4 (Asset Management Programme) projects were completed in April of this year and the new AMP5 projects have been slow to start, in line with the cycle of previous water industry capital works programmes. Enquiries for storm water attenuation systems for new housing developments have continued to improve and therefore we expect a steady performance in the second half and are encouraged for the prospects in 2011.

We are confident that the requirement for new power generation in developing countries and replacement of the ageing infrastructure in developed countries will provide us with a growth market for the foreseeable future.

HS Security

Our high security anti-terrorist product, 'Bristorm', was installed to protect a number of strategic homeland security sites. Following acceptance by The Home Office of another of our developed security products 'Stronguard' (an anti-personnel security system for perimeter fencing) we anticipate increased volumes from this product in the second half of 2010.

HS Rail

We are presently installing our lightweight GRP (Glass Reinforced Plastic) rail platform extensions on a project at Oxted railway station in Surrey. Further enquiries for these projects are being received and a number of framework contractors are currently designing platform extensions to accommodate the new longer trains. We are however cautious about the potential size of this market and will have a clearer picture when the UK Government's Spending Review is announced later this year.

Galvanizing Services

At constant currency, revenues declined 0.5% to £57.2m (2009 : £58.5m). Underlying operating profit, at constant currency, improved 20% to £12.0m (2009 : £10.2m) resulting in an improved operating margin of 21.0% (2009 : 17.4%).

Overall, volumes galvanized were broadly in line with 2009 with favourable comparatives in the UK and France offset by that of the US. The US businesses suffered earlier in the year from snowstorms on the East Coast which severely impacted their operations. Since then volumes in the US have shown a marked improvement and we remain hopeful of the current momentum continuing into the second half. Zinc costs have been reasonably volatile but have been managed through the supply chain successfully. As part of an ongoing cost management programme we closed a galvanizing facility in Oldbury, UK in June with production transferred to a sister plant in Telford, UK. Margins remained strong in all geographies benefitting from strong supply chain management, lower operational cost bases and ongoing efficiency programmes.

Building & Construction Products

After adjusting for the disposal of Ash & Lacy Perforators in 2009, revenues of £35.8m were £1.1m ahead of the same period in the prior year. Underlying operating profit of £0.9m was similar to the first half of 2009 and materially ahead of the result in the second half of 2009 of £0.2m, highlighting improved sentiment and outlook in the general construction market.

Recovery in the UK housing market provided additional volumes in our steel lintel and residential door business which combined with the lower operational cost base, increased profitability markedly. Volumes in the roofing division improved, albeit from a low base, producing increased profitability. Industrial flooring, whilst still profitable, produced lower returns than expected and the prior year as a result of reduced order intake and pricing competition.

5. FINANCIAL REVIEW

Cash generation and financing

Cash generated from operations during the period was £25.0m (2009 : £35.2m) despite a £4.1m increase in working capital (2009 : £5.4m decrease) which was principally driven by an increase in commodity prices for materials used throughout the Group. A payment of £1.0m (2009 : £0.4m) was also made to the Group's pension scheme following the disposal of Ash & Lacy Perforators in late 2009 and finalisation of the triennial actuarial valuation. Capital expenditure amounted to £6.4m (2009 : £4.7m) which, as a multiple of depreciation and amortisation, was 0.9 times (2009 : 0.7 times). Full year capital expenditure is expected to be c.£16m, around 1.2 times depreciation and amortisation.

Group net debt at 30 June 2010 was £76.4m (2009 : £106.1m), a reduction of £11.2m from the 31 December 2009 position of £87.6m, driven by net cashflow of £10.1m and a favourable movement on exchange of £1.1m. At 30 June 2010, the Group had committed facilities available of £167.0m and a further £26.6m in overdrafts and other on demand facilities. The Group's principal debt facility is a £150m multi currency facility signed in June 2007 and which runs to June 2012. Funding available under this facility at 30 June 2010 amounted to £136.9m. The facility amortises throughout its existence with a further £8.9m and £21.2m falling due for repayment in 2010 and 2011 respectively.

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Change in net debt			
Operating profit	22.3	22.9	44.9
Non-cash items	8.1	7.0	15.5
Operating cash flow before movement in working capital	30.4	29.9	60.4
Net movement in working capital	(4.1)	5.4	11.8
Change in provisions and employee benefits	(1.3)	(0.1)	(1.2)
Operating cash flow	25.0	35.2	71.0
Tax paid	(3.1)	(5.3)	(9.6)
Net financing costs paid	(2.5)	(1.9)	(3.7)
Capital expenditure	(6.4)	(4.7)	(11.7)
Sale of fixed assets	-	0.1	0.6
Free cash flow	13.0	23.4	46.6
Dividends paid (Note 10)	(3.6)	(3.2)	(7.5)
Purchase of shares for employee benefit trust	(0.4)	-	-
Disposals	0.3	5.6	6.4
Acquisitions	-	-	0.7
Issue of new shares	0.8	0.1	0.7
Net debt decrease	10.1	25.9	46.9
Effect of exchange rate fluctuations	1.1	14.2	11.7
Net debt at the beginning of the period	(87.6)	(146.2)	(146.2)
Net debt at the end of the period	(76.4)	(106.1)	(87.6)

The net debt to EBITDA* ratio under the key banking covenant improved to 1.2 times compared to 1.7 times at 30 June 2009 and 1.3 times at 31 December 2009. The facilities at the Group's disposal provide significant headroom against its expected funding requirements.

Tax

The tax charge for the period was £6.4m (2009 : £6.5m). The underlying effective tax rate for the period was 31.4% (2009 : 33.5%) which is our estimated effective rate for the full year.

Finance costs

Net financing costs decreased by £0.6m to £2.1m principally reflecting lower levels of net debt over the same period prior year. The cash element of net financing costs is £2.0m (2009 : £2.6m). Underlying operating profit covered net cash interest 11.8 times (2009 : 8.9 times).

* Rolling 12 months

6. PRINCIPAL RISKS AND UNCERTAINTIES

The Group has a process for identifying, evaluating and managing the principal risks it faces. Details of these principal risks are contained on page 17 of the Group's Annual Report & Accounts for the year ended 31 December 2009. It is the Directors' opinion that these are the risks that could impact on the performance of the Group and that they are also applicable to the current financial year.

The new UK coalition Government, elected in May 2010, has announced a review of public expenditure which will include, inter alia, infrastructure spending. The UK Government ultimately funds the purchase of a number of the Group's products in the UK. Although the percentage of total revenue funded by the UK Government has fallen in recent years, the impact on the Group of the outcome of the expenditure review is still unclear. The Directors will continue their strategy of increased geographical diversity and providing higher value added infrastructure products to niche markets to limit the potential impact.

Subject to the foregoing, for the six months ended 30 June 2010 there has been no significant change in the overall scope of the principal risks referred to above. As in previous years such risks are being managed and their anticipated impact mitigated. The Directors do not therefore, envisage any significant effect of these changes upon the expected performance of the Group for the remainder of 2010, notwithstanding the continuing uncertainty in the general economic environment.

7. GOING CONCERN

The Group meets its day to day working capital and other funding requirements through a combination of long term funding and short term overdraft borrowings. The Group's principal financing facility is an amortising £150m multi currency facility which expires in June 2012.

The Group actively manages its strategic, commercial and day to day operational risks and through its Treasury function operates Board approved financial policies, including hedging policies, that are designed to ensure the Group maintains an adequate level of funding headroom and effectively mitigates foreign exchange and other financial risks. During the first half of 2010, the Group remained cash generative and further reduced its net debt.

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 and therefore adopt the going concern principle.

8. OUTLOOK

The Board is pleased with the Group's overall performance in the first half of 2010, given the difficult economic conditions.

Looking ahead, a reduction in UK spending on new road projects, as part of the Government's Spending Review to be announced on 20 October 2010, seems inevitable. We believe, however, that the cost effective managed motorway programme should proceed, and that the Group is well positioned to capitalise on this through its range of products developed for such projects.

Furthermore, our increasing strategic focus on international markets will continue to reduce the proportion of the business that is reliant on the UK economy. Already, over 50% of the Group's profits are generated from overseas and it is our strategic intent to increase this further through targeted overseas acquisitions.

Therefore, whilst the overall economic environment continues to pose some challenges in the short to medium term, we remain confident in our business model and in the fundamental growth dynamics of the markets in which we are focused. We are in a strong financial position, have excellent niche positions in a diverse range of markets, and are well placed to deliver a resilient performance through the current conditions and continued growth in shareholder value in the longer term.

9. DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU;
- The interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period including any changes in the related party transactions described in the last annual report that could do so.

This report was approved by the Board of Directors on 9 August 2010 and is available on the Company's website (www.hsholdings.com).

By order of the Board

W H Whiteley
Chairman

D W Muir
Group Chief Executive

M Pegler
Group Finance Director

9 August 2010

Condensed Consolidated Income Statement

Six months ended 30 June 2010

	Notes	6 months ended 30 June 2010			6 months ended 30 June 2009			Year ended 31 December 2009		
		Underlying results £m	Non-Underlying items* £m	Total £m	Underlying results £m	Non-Underlying items* £m	Total £m	Underlying results £m	Non-Underlying items* £m	Total £m
Revenue	4, 5	193.5	–	193.5	196.8	–	196.8	389.7	–	389.7
Trading profit		23.5	0.1	23.6	23.1	–	23.1	47.0	(0.5)	46.5
Amortisation of acquisition intangibles		–	(0.4)	(0.4)	–	(0.5)	(0.5)	–	(0.9)	(0.9)
Business reorganisation costs	6	–	(0.9)	(0.9)	–	(0.7)	(0.7)	–	(1.8)	(1.8)
Gain on disposal of available for sale financial assets	6	–	–	–	–	1.0	1.0	–	1.0	1.0
Profit on sale of properties	6	–	–	–	–	–	–	–	0.1	0.1
Operating profit	4, 5	23.5	(1.2)	22.3	23.1	(0.2)	22.9	47.0	(2.1)	44.9
Financial income	7	0.2	1.7	1.9	0.3	1.7	2.0	0.7	3.4	4.1
Financial expense	7	(2.2)	(1.8)	(4.0)	(2.9)	(1.8)	(4.7)	(5.5)	(3.8)	(9.3)
Profit before taxation		21.5	(1.3)	20.2	20.5	(0.3)	20.2	42.2	(2.5)	39.7
Taxation	8	(6.8)	0.4	(6.4)	(6.9)	0.4	(6.5)	(13.2)	1.0	(12.2)
Profit for the period attributable to the equity holders of the parent		14.7	(0.9)	13.8	13.6	0.1	13.7	29.0	(1.5)	27.5
Basic earnings per share	9	19.2p		18.0p	18.0p		18.1p	38.3p		36.3p
Diluted earnings per share	9			17.9p			18.0p			35.9p
Dividend per share										
— interim	10			5.2p			4.7p			

* Non-Underlying items represent business reorganisation costs, property items, amortisation of acquisition intangibles, impairments, gains on disposal of available for sale financial assets, change in the value of financial instruments and net financing return on pension obligations.

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2010

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Profit for the period	13.8	13.7	27.5
Exchange differences on translation of overseas operations	1.1	(19.5)	(15.1)
Exchange differences on foreign currency borrowings denominated as net investment hedges	1.3	13.7	10.8
Effective portion of changes in fair value of cash flow hedges	(0.6)	(0.4)	(0.6)
Net change in fair value of available for sale financial assets	–	1.0	1.0
Net change in fair value of available for sale financial assets transferred to profit or loss	–	(1.0)	(1.0)
Actuarial loss on defined benefit pension schemes	–	–	(5.7)
Taxation on items taken directly to equity	0.2	–	1.8
Other Comprehensive income/(expense) for the period	2.0	(6.2)	(8.8)
Total Comprehensive income for the period	15.8	7.5	18.7
Attributable to:			
Equity holders of the parent	15.8	7.8	19.0
Minority interest	–	(0.3)	(0.3)
Total Comprehensive income for the period	15.8	7.5	18.7

Condensed Consolidated Balance Sheet

As at 30 June 2010

	Notes	30 June 2010 £m	30 June 2009 (Restated) £m	31 December 2009 £m
Non-current assets				
Intangible assets		109.8	108.5	109.8
Property, plant and equipment		102.4	105.0	105.1
Other receivables		1.0	1.1	1.1
		213.2	214.6	216.0
Current assets				
Inventories		48.5	49.7	43.8
Trade and other receivables		82.2	80.8	76.8
Cash and cash equivalents	11	37.1	35.4	41.1
		167.8	165.9	161.7
Total assets		381.0	380.5	377.7
Current liabilities				
Trade and other liabilities		(79.0)	(77.2)	(74.7)
Current tax liabilities		(11.3)	(7.6)	(8.3)
Interest bearing borrowings	11	(26.8)	(31.9)	(31.2)
		(117.1)	(116.7)	(114.2)
Net current assets		50.7	49.2	47.5
Non-current liabilities				
Other liabilities		(0.2)	(0.2)	(0.2)
Provisions for liabilities and charges		(4.8)	(6.0)	(5.0)
Deferred tax liability		(12.4)	(13.1)	(12.7)
Retirement benefit obligation		(15.5)	(11.6)	(16.7)
Interest bearing borrowings	11	(86.7)	(109.6)	(97.5)
		(119.6)	(140.5)	(132.1)
Total liabilities		(236.7)	(257.2)	(246.3)
Net assets		144.3	123.3	131.4
Equity				
Share capital		19.2	18.9	19.0
Share premium		29.1	28.0	28.5
Other reserves		4.5	4.5	4.5
Translation reserve		7.6	3.7	5.2
Hedge reserve		(1.2)	–	(0.6)
Retained earnings		85.1	68.2	74.8
Total equity attributable to equity holders of the parent		144.3	123.3	131.4

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2010

	Share capital	Share premium	Hedge reserve	Other reserves	Translation reserve	Retained earnings	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance	19.0	28.5	(0.6)	4.5	5.2	74.8	–	131.4
Total comprehensive income for the period	–	–	(0.6)	–	2.4	14.0	–	15.8
Dividends	–	–	–	–	–	(3.6)	–	(3.6)
Credit to equity of share-based payments	–	–	–	–	–	0.3	–	0.3
Satisfaction of long term incentives plans	–	–	–	–	–	(0.4)	–	(0.4)
Shares issued	0.2	0.6	–	–	–	–	–	0.8
Closing balance	19.2	29.1	(1.2)	4.5	7.6	85.1	–	144.3

Six months ended 30 June 2009

	Share capital	Share premium	Hedge reserve	Other reserves	Translation reserve	Retained earnings	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance (restated)	18.9	27.9	–	4.5	9.2	57.7	2.1	120.3
Total comprehensive income for the period	–	–	–	–	(5.5)	13.3	(0.3)	7.5
Dividends (restated)	–	–	–	–	–	(3.2)	–	(3.2)
Change in ownership interests in subsidiaries	–	–	–	–	–	–	(1.8)	(1.8)
Credit to equity of share-based payments	–	–	–	–	–	0.4	–	0.4
Shares issued	–	0.1	–	–	–	–	–	0.1
Closing balance	18.9	28.0	–	4.5	3.7	68.2	–	123.3

Year ended 31 December 2009

	Share capital	Share premium	Hedge reserve	Other reserves	Translation reserve	Retained earnings	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance	18.9	27.9	–	4.5	9.2	57.7	2.1	120.3
Total comprehensive income for the period	–	–	(0.6)	–	(4.0)	23.6	(0.3)	18.7
Dividends	–	–	–	–	–	(7.5)	–	(7.5)
Change in ownership interests in subsidiaries	–	–	–	–	–	–	(1.8)	(1.8)
Credit to equity of share-based payments	–	–	–	–	–	0.5	–	0.5
Tax taken directly to the Consolidated Statement of Changes in Equity	–	–	–	–	–	0.5	–	0.5
Shares issued	0.1	0.6	–	–	–	–	–	0.7
Closing balance	19.0	28.5	(0.6)	4.5	5.2	74.8	–	131.4

Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2010

		6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Profit before tax		20.2	20.2	39.7
Add back net financing costs		2.1	2.7	5.2
Operating profit	4, 5	22.3	22.9	44.9
Share-based payment		0.3	0.4	0.5
Movement in fair value of forward contracts		(0.1)	–	–
Loss on disposal of subsidiaries	6	–	–	0.6
Gain on disposal of available for sale financial assets	6	–	(1.0)	(1.0)
Loss/(gain) on disposal of property, plant and equipment		0.3	0.1	(0.1)
Depreciation		6.6	6.6	13.0
Amortisation of intangible assets		1.0	0.9	2.0
Impairment of non-current assets		–	–	0.5
Adjustment for non-cash items		8.1	7.0	15.5
Operating cash flows before movement in working capital		30.4	29.9	60.4
(Increase)/decrease in inventories		(5.2)	4.8	9.4
(Increase)/decrease in receivables		(6.1)	11.7	15.1
Increase/(decrease) in payables		7.2	(11.1)	(12.7)
Decrease in provisions and employee benefits		(1.3)	(0.1)	(1.2)
Net movement in working capital		(5.4)	5.3	10.6
Cash generated by operations		25.0	35.2	71.0
Income taxes paid		(3.1)	(5.3)	(9.6)
Interest paid		(2.8)	(4.5)	(4.4)
Net cash from operating activities		19.1	25.4	57.0
Interest received		0.3	2.6	0.7
Proceeds on disposal of non-current assets		–	0.1	0.6
Purchase of property, plant and equipment		(5.7)	(4.3)	(9.7)
Purchase of intangible assets		(0.3)	(0.3)	(0.7)
Disposal of available for sale financial assets	6	–	4.9	4.9
Disposal of subsidiaries	6	–	–	0.7
Deferred consideration received in respect of disposals		0.3	0.7	0.8
Refund in respect of acquisitions of subsidiaries and associates		–	–	0.7
Net cash (used in)/from investing activities		(5.4)	3.7	(2.0)
Issue of new shares		0.8	0.1	0.7
Purchase of shares for employee benefit trust		(0.4)	–	–
Dividends paid	10	(3.6)	(3.2)	(7.5)
New loans raised		8.5	16.2	16.2
Repayments of loans		(21.0)	(27.5)	(43.2)
Repayment of obligations under finance leases		(2.1)	(3.5)	(4.9)
Net cash used in financing activities		(17.8)	(17.9)	(38.7)
Net (decrease)/increase in cash		(4.1)	11.2	16.3
Cash at the beginning of the period		41.1	25.9	25.9
Effect of exchange rate fluctuations		0.1	(1.7)	(1.1)
Cash at the end of the period	11	37.1	35.4	41.1

Notes to the Condensed Consolidated Interim Financial Statements

1. Basis of preparation

Hill & Smith Holdings PLC is incorporated in the UK. The Condensed Consolidated Interim Financial Statements of the Company have been prepared in accordance with IAS34: Interim Financial Reporting, as adopted by the EU as at and for the six months ended 30 June 2010, comprising the Company, its subsidiaries and its interests in jointly controlled entities (together referred to as the 'Group').

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the Condensed Consolidated Interim Financial Statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published Consolidated Financial Statements for the year ended 31 December 2009 (these statements do not include all of the information required for full annual financial statements and should be read in conjunction with the full annual report for the year ended 31 December 2009), except for the following which became effective and were adopted by the Group:

- IAS27 (Revised) - Consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2009)
- IFRS3 (Revised) - Business Combinations (effective for business combinations taking place in annual periods beginning on or after 1 July 2009)
- Amendment to IFRS2 - Group cash-settled share based payment transactions (effective for annual periods beginning on or after 1 January 2010)

The adoption of these standards and interpretations has not had a significant impact on the results for the period.

The comparative figures for the financial year ended 31 December 2009 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

2. Financial risks, estimates, assumptions and judgements

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

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2009.

3. Exchange rates

The principal exchange rates used were as follows:

	6 months ended 30 June 1010		6 months ended 30 June 2009		Year ended 31 December 2009	
	Average	Closing	Average	Closing	Average	Closing
Sterling to Euro (£1 = €)	1.15	1.22	1.12	1.17	1.12	1.13
Sterling to US Dollar (£1 = \$)	1.52	1.50	1.50	1.65	1.57	1.61
Sterling to Thai Baht (£1 = Baht)	49.62	48.51	52.62	56.12	53.72	53.87

4. Segmental information

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

Income Statement — Continuing

	6 months ended 30 June 2010			6 months ended 30 June 2009		
	Segment revenue	Segment result	Underlying	Segment revenue	Segment result	Underlying
			segment result*			segment result*
	£m	£m	£m	£m	£m	£m
Infrastructure Products	100.5	10.3	10.6	99.7	11.9	12.0
Galvanizing Services	57.2	11.1	12.0	58.5	10.5	10.2
Building and Construction Products	35.8	0.9	0.9	38.6	0.5	0.9
Total Group	193.5	22.3	23.5	196.8	22.9	23.1
Net financing costs		(2.1)	(2.0)		(2.7)	(2.6)
Profit before taxation		20.2	21.5		20.2	20.5

	Year ended 31 December 2009		
	Segment revenue	Segment result	Underlying
			segment result*
	£m	£m	£m
Infrastructure Products	202.5	23.5	24.5
Galvanizing Services	113.2	21.2	21.4
Building and Construction Products	74.0	0.2	1.1
Total Group	389.7	44.9	47.0
Net financing costs		(5.2)	(4.8)
Profit before taxation		39.7	42.2

* Underlying segment result is stated before Non-Underlying items as defined on the Condensed Consolidated Income Statement, and is the measure of segment profit used by the Chief Operating Decision Maker. The Segment result columns are included as additional information.

Infrastructure Products provided £0.1m revenues to Building and Construction Products (six months ended 30 June 2009: £nil, the year ended 31 December 2009: £0.7m). Galvanizing Services provided £3.3m revenues to Infrastructure Products (six months ended 30 June 2009: £2.2m, the year ended 31 December 2009: £4.8m) and £1.0m revenues to Building and Construction Products (six months ended 30 June 2009: £0.9m, the year ended 31 December 2009: £1.8m). Building and Construction Products provided £0.1m revenues to Infrastructure Products (six months ended 30 June 2009: £0.1m, the year ended 31 December 2009: £0.5m). These internal revenues, along with revenues generated from within their own segments, have been eliminated on consolidation.

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

	6 months	6 months	Year
	ended	ended	ended
	30 June	30 June	31 December
	2010	2009	2009
	£m	£m	£m
UK	113.6	101.8	207.5
Rest of Europe	43.8	46.8	93.8
Asia and the Middle East	5.4	11.0	21.8
North America	27.6	33.8	59.0
Rest of the World	3.1	3.4	7.6
Total Group	193.5	196.8	389.7

5. Operating Profit

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Revenue	193.5	196.8	389.7
Cost of sales	(127.6)	(134.1)	(262.0)
Gross profit	65.9	62.7	127.7
Distribution costs	(10.4)	(9.6)	(20.0)
Administrative expenses	(33.2)	(30.3)	(63.5)
(Loss)/profit on sale of fixed assets	(0.3)	(0.1)	0.1
Other operating income	0.3	0.2	0.6
Operating profit	22.3	22.9	44.9

6. Non-Underlying items

Six months ended 30 June 2010

Non-Underlying items in the six months ended 30 June 2010 principally comprise reorganisation and redundancy costs of £0.9m. Amounts included within financial income and expense represent the net financing expense on pension obligations of £0.1m (six months ended 30 June 2009: £0.2m).

Year ended 31 December 2009

Non-Underlying items in the year ended 31 December 2009 include a gain of £1.0m in relation to the disposal of the Group's ultimate minority interest in Neholl BV which was held as an available for sale financial asset:

	£m
Available for sale financial asset	5.7
Minority interest	(1.8)
Shareholder's equity	3.9
Consideration:	
Cash consideration	5.0
Expenses	(0.1)
Total net proceeds	4.9
Profit on disposal	1.0
Cash flow effect:	
Cash consideration	5.0
Expenses	(0.1)
Net cash consideration shown in the Consolidated Statement of Cash Flows	4.9

Notes to the Condensed Consolidated Interim Financial Statements

6. Non-Underlying items continued

The Group realised a loss on the disposal of Ash & Lacy Perforators Limited as follows:

	£m
Property, plant and equipment	1.1
Inventories	0.2
Current assets	1.4
Cash and cash equivalents	2.1
Current liabilities	(1.2)
Net assets	3.6
Consideration:	
Cash consideration	2.9
Deferred consideration	0.2
Expenses	(0.1)
Total net proceeds	3.0
Loss on disposal	(0.6)
Cash flow effect:	
Cash consideration	2.9
Cash left in the business	(2.1)
Expenses	(0.1)
Net cash consideration shown in the Consolidated Statement of Cash Flows	0.7

Also included are a £0.1m gain on the sale of land, reorganisation and redundancy costs of £1.2m and intangible amortisation and impairment charges of £1.4m. Amounts included within financial income and expense represent the net financing return on pension obligations of £0.5m cost and the gain on the fair value of financial instruments of £0.1m. Tax on Non-Underlying items includes a charge of £0.1m resulting from a change in the UK tax legislation preventing the recoverability of Industrial Buildings Allowances.

7. Net financing costs

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Interest on bank deposits	0.2	0.2	0.7
Interest on other loans	–	0.1	–
Total interest income	0.2	0.3	0.7
Change in fair value of financial assets and liabilities	–	0.1	0.1
Expected return on pension scheme assets	1.7	1.6	3.3
Total other income	1.7	1.7	3.4
Financial income	1.9	2.0	4.1
Interest on bank loans and overdrafts	1.9	2.5	4.8
Interest on finance lease and hire purchase contracts	0.3	0.2	0.5
Interest on other loans	–	0.2	0.2
Total interest expense	2.2	2.9	5.5
Expected interest cost on pension scheme obligations	1.8	1.8	3.8
Total other expense	1.8	1.8	3.8
Financial expense	4.0	4.7	9.3
Net financing costs	2.1	2.7	5.2

8. Taxation

Tax has been provided on the underlying profit at the estimated effective rate of 31.4% (2009: 33.5%) for existing operations for the full year.

9. Earnings per share

The weighted average number of ordinary shares in issue during the period was 76.8m, diluted for the effect of outstanding share options 77.2m (six months ended 30 June 2009: 75.7m and 76.3m diluted, the year ended 31 December 2009: 75.8m and 76.5m diluted).

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

	6 months ended 30 June 2010		6 months ended 30 June 2009		Year ended 31 December 2009	
	Pence per share	£m	Pence per share	£m	Pence per share	£m
Basic earnings	18.0	13.8	18.1	13.7	36.3	27.5
Non-Underlying items	1.2	0.9	(0.1)	(0.1)	2.0	1.5
Underlying earnings	19.2	14.7	18.0	13.6	38.3	29.0
Diluted earnings	17.9	13.8	18.0	13.7	35.9	27.5
Non-Underlying items	1.2	0.9	(0.1)	(0.1)	2.0	1.5
Underlying diluted earnings	19.1	14.7	17.9	13.6	37.9	29.0

10. Dividends

Dividends paid in the period were the prior year's interim dividend of £3.6m (2009: £3.2m). The final dividend for 2009 of £5.3m (2009: £4.3m) was paid on 9 July 2010. Dividends declared after the Balance Sheet date are not recognised as a liability, in accordance with IAS10. The Directors have proposed an interim dividend for the current year of £4.0m, 5.2p per share (2009: £3.6m, 4.7p per share).

The Group previously had a policy of recognising dividends when they were committed, however, subsequent to the amendment of IAS10 - Events after the accounting period, this policy has been aligned so that dividends are now recognised when they are declared. This has resulted in the restatement of the 2009 Interim Condensed Consolidated Balance Sheet. The effect of this restatement is reflected in the Consolidated Statement of Changes in Equity and increases the opening retained earnings as at 1 January 2009 by £3.2m. The dividend in 2009 is reduced by £1.1m to £3.2m and the dividend accrual of £4.3m as at 30 June 2009 has been removed.

Notes to the Condensed Consolidated Interim Financial Statements

11. Analysis of net debt

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Cash and cash equivalents	37.1	35.4	41.1
Interest bearing loans and borrowings due within one year	(26.8)	(31.9)	(31.2)
Interest bearing loans and borrowings due after one year	(86.7)	(109.6)	(97.5)
Net debt	(76.4)	(106.1)	(87.6)
	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Change in net debt			
Operating profit	22.3	22.9	44.9
Non-cash items	8.1	7.0	15.5
Operating cash flow before movement in working capital	30.4	29.9	60.4
Net movement in working capital	(4.1)	5.4	11.8
Change in provisions and employee benefits	(1.3)	(0.1)	(1.2)
Operating cash flow	25.0	35.2	71.0
Tax paid	(3.1)	(5.3)	(9.6)
Net financing costs paid	(2.5)	(1.9)	(3.7)
Capital expenditure	(6.4)	(4.7)	(11.7)
Sale of fixed assets	–	0.1	0.6
Free cash flow	13.0	23.4	46.6
Dividends paid (Note 10)	(3.6)	(3.2)	(7.5)
Purchase of shares for employee benefit trust	(0.4)	–	–
Disposals	0.3	5.6	6.4
Acquisitions	–	–	0.7
Issue of new shares	0.8	0.1	0.7
Net debt decrease	10.1	25.9	46.9
Effect of exchange rate fluctuations	1.1	14.2	11.7
Net debt at the beginning of the period	(87.6)	(146.2)	(146.2)
Net debt at the end of the period	(76.4)	(106.1)	(87.6)