

Immediate Release 7.00 am on 10 September 2003

Hill & Smith Holdings PLC

Interim results for the six months ended 30 June 2003

The Board of Hill & Smith Holdings PLC announces a further improvement in the Group's financial performance for the six months ended 30 June 2003.

Highlights:

- Profit before exceptional items, goodwill amortisation and tax up by 0.6%
- Turnover up by 21.3%
- Adjusted earnings per share up by 3.7%
- Interim dividend increased to 2.15p per share, covered 2.8 times
- Improved long-term banking facilities secured
- Disposal of non-core business for £3.0 million

Operating margin was 1% lower than last year as a result of higher raw material prices and an increase in pension costs of £0.7 million.

Chairman David Winterbottom said: "Our core businesses supplying the building, construction and transport infrastructure markets continued to make progress. The increased spending in public sector projects and the strength of the construction market has provided a healthy level of demand for our products.

"During the period, we benefited from the integration of the businesses that we acquired last year and from a number of major contracts including the supply of reinforced steel bar for London Heathrow's Terminal 5. We also completed the disposal of SI Pressure Instruments Limited and closed the loss-making Wombwell Foundry Limited as indicated in our 2002 Annual Report.

"We have recently replaced the bank facilities arranged three years ago to fund the acquisition of Ash & Lacy Plc, with new facilities for five years, on terms more advantageous to the Group.

"Subject to there being no adverse change in trading conditions, we look forward to another satisfactory outcome for the full year".

Ends

Further information:

Hill & Smith Holdings PLC		
David Grove	Chief executive	0121 704 7430 07973 325667
Quantum PR plc		
Edward Carter	Quantum PR plc	0121 633 7775

## Chairman's Statement

The results for the six months ended 30 June 2003 represent further progress in the Group's financial performance.

Turnover of £121.1 million was 21% ahead of the comparable period in 2002. A substantial increase in steel prices between the two periods resulted in material increases in both selling prices and the cost of raw materials. This, plus an increase in pension costs of £0.7 million, led to a fall of 1% in our operating margins leaving a profit before exceptional items and goodwill amortisation of £5.1 million (2002: £5.0 million). Adjusted earnings per share of 5.93p were 3.7% ahead of the same period last year.

### Operations

Our core businesses supplying the building, construction and transport infrastructure markets continued to make progress overall and benefited from the contribution of the acquisitions made in 2002. The increased spend in public sector projects has provided a healthy level of demand for our products.

The Industrial Products division contributed 5% of our operating profits and continues to be managed as a portfolio of non-core businesses. The loss-making Wombwell Foundry Limited was closed during the period as indicated in the 2002 Annual Report. The disposal of SI Pressure Instruments Limited was completed during the period for a price approximately equivalent to turnover.

### Cash Flow and Gearing

As anticipated, net debt increased moderately during the period to £47.8 million from £44.9 million at 31 December 2002. This represents gearing of 130% (December 2002: 125%) with interest cover of 3.6 times (year ended December 2002: 3.5 times).

Cash absorbed from operating activities before exceptional items was £0.2 million. This was due primarily to the unwinding effect of a set of one-off factors mentioned in last year's Annual Report, including advance payments received in connection with our Terminal 5 Joint Venture and a special extended supplier payment situation due to a contractual dispute, which has since been satisfactorily resolved.

In 2000 a bank facility was put in place to fund the acquisition of Ash & Lacy Plc. This facility has recently been replaced by a new five year facility on more advantageous terms.

### Dividend

An interim dividend of 2.15p per share has been declared by the Board for the six month period ended 30 June 2003 (2002 2.10p). Based on adjusted earnings per share, this dividend is covered 2.8 times. In the absence of unforeseen circumstances, the Board expects to be in a position to sustain a prudently progressive dividend policy now that cover has been satisfactorily rebuilt.

### Outlook

The second half of the current financial year has started in line with our expectations and our order intake remains steady. Subject to there being no adverse change in trading conditions, we look forward to another satisfactory outcome for the full year.

DAVID WINTERBOTTOM  
Chairman  
10 September 2003

# Group Profit and Loss Account

	Notes	6 months ended 30 June 2003			6 months ended 30 June 2002		Year ended 31 December 2002	
		Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	Total £'000	Before exceptional items and goodwill amortisation £'000	Total £'000	Before exceptional items and goodwill amortisation £'000	Total £'000
Turnover	1	121,081	-	121,081	99,856	99,856	212,740	212,740
Operating profit	1,2	7,020	(1,082)	5,938	6,981	6,202	14,008	11,348
Profit on sale of business	2	-	540	540	-	-	-	-
Profit on sale of fixed assets		-	135	135	-	218	-	223
Loss on termination of operations	2	-	(1,504)	(1,504)	-	-	-	(1,098)
Profit on ordinary activities before interest		7,020	(1,911)	5,109	6,981	6,420	14,008	10,473
Net interest payable		(1,965)	-	(1,965)	(1,970)	(1,970)	(3,989)	(3,989)
Profit before taxation		5,055	(1,911)	3,144	5,011	4,450	10,019	6,484
Tax on profit	3	(1,416)	360	(1,056)	(1,523)	(1,523)	(2,809)	(2,543)
Profit after taxation		3,639	(1,551)	2,088	3,488	2,927	7,210	3,941
Minority interest		10	-	10	1	1	3	3
Profit for the period		3,649	(1,551)	2,098	3,489	2,928	7,213	3,944
Dividends	4			(1,324)		(1,282)		(2,760)
Retained profit for the period				774		1,646		1,184
Earnings per share	5	5.93p	(2.52p)	3.41p	5.72p	4.80p	11.79p	6.45p
Diluted earnings per share	5	5.90p	(2.51p)	3.39p	5.70p	4.78p	11.75p	6.42p

# Group Balance Sheet

	30 June 2003 £'000	30 June 2002 £'000	31 December 2002 £'000
Fixed assets			
Intangible assets	27,771	27,651	30,350
Tangible assets	41,877	44,093	42,748
Investments	25	125	125
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	69,673	71,869	73,223
Current assets			
Properties held for resale	430	-	1,365
Stocks	24,461	17,700	23,410
Debtors	63,069	54,784	55,745
Cash and deposits	11,516	7,776	12,811
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	99,476	80,260	93,331
Creditors: amounts falling due within one year			
Borrowings and finance leases	(10,300)	(18,872)	(10,377)
Other creditors	(67,017)	(52,419)	(65,774)
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	(77,317)	(71,291)	(76,151)
Net current assets	22,159	8,969	17,180
Total assets less current liabilities	91,832	80,838	90,403
Creditors: amounts falling due after one year			
Borrowings and finance leases	(48,971)	(36,976)	(47,304)
Provisions for liabilities and charges	(6,199)	(7,771)	(7,208)
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Net assets	36,662	36,091	35,891
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Share capital and reserves			
Called up share capital	15,394	15,265	15,391
Share premium	3,371	3,370	3,367
Capital redemption reserve	238	238	238
Revaluation reserve	733	733	733
Other reserves	4,313	4,088	4,313
Profit and loss account	12,580	12,352	11,806
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Equity shareholders' funds	36,629	36,046	35,848
Equity minority interests	33	45	43
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	36,662	36,091	35,891
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# Group Cash Flow Statement

	Notes	6 months ended 30 June 2003 £'000	6 months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Net cash (outflow)/inflow from operating activities	6i	(366)	8,996	26,145
Returns on investments and servicing of finance		(1,753)	(1,287)	(4,383)
Taxation		(818)	347	(432)
Capital expenditure and financial investment	6ii	(971)	(2,762)	(5,545)
Acquisitions and disposals		2,732	-	(5,455)
Equity dividends paid		(1,282)	(1,281)	(2,044)
Cash flow before financing		(2,458)	4,013	8,286
Financing:				
Issue of new shares		7	51	49
Increase/(decrease) in borrowings		1,156	(952)	(188)
Increase/(decrease) in cash in the period		(1,295)	3,112	8,147
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash		(1,295)	3,112	8,147
Cash (inflow)/outflow from borrowings		(1,156)	952	188
Change in net debt resulting from cash flows				
New finance leases		(2,451)	4,064	8,335
Loan notes issued as part of acquisition		(434)	-	(180)
Movement in net debt in the period		(2,885)	4,064	7,266
Net debt at the start of the period		(44,870)	(52,136)	(52,136)
Net debt at the end of the period		(47,755)	(48,072)	(44,870)

## Statement of Group Total Recognised Gains and Losses

	6 months ended 30 June 2003 £'000	6 months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Profit for the period	2,098	2,928	3,944
Currency translation differences on overseas net investments	-	-	(84)
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Total recognised gains and losses relating to the period	2,098	2,928	3,860
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## Reconciliation of Movement in Group Shareholders' Funds

	6 months ended 30 June 2003 £'000	6 months ended 30 June 2002 £'000	Year ended 31 December 2002 £'000
Profit for the period	2,098	2,928	3,944
Dividends	(1,324)	(1,282)	(2,760)
	-----	-----	-----
	774	1,646	1,184
Other recognised net gains and losses relating to the period	-	-	(84)
New ordinary share capital issued	7	52	400
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Net increase in shareholders' funds	781	1,698	1,500
Opening shareholders' funds	35,848	34,348	34,348
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Shareholders' funds at the end of the period	36,629	36,046	35,848
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# Notes to the Financial Statements

## 1. Segmental Information

	6 months ended 30 June 2003			6 months ended 30 June 2002			Year ended 31 December 2002		
	Turnover £'000	Operating Profit* £'000	Net Assets £'000	Turnover £'000	Operating Profit* £'000	Net Assets £'000	Turnover £'000	Operating Profit* £'000	Net Assets £'000
Building and construction products	101,038	6,659	48,103	73,794	5,994	41,281	162,743	13,305	38,136
Industrial products	20,043	361	14,923	26,062	987	21,857	49,997	703	18,475
Total operations	121,081	7,020	63,026	99,856	6,981	63,138	212,740	14,008	56,611
Tax and dividends			(9,567)			(7,874)			(8,939)
Long-term debtors and other provisions			3,187			1,248			2,739
Net borrowings			(47,755)			(48,072)			(44,870)
Goodwill			27,771			27,651			30,350
Total Group			36,662			36,091			35,891

\* Operating profit is stated before exceptional items and goodwill amortisation.

## 2. Exceptional items and goodwill amortisation

The charge against operating profit comprises £840,000 of goodwill amortisation and £242,000 for business reorganisation costs. The profit on sale of business relates to the sale of the business and certain assets and liabilities of SI Pressure Instruments Limited. The loss on termination of operations relates primarily to the closure of Wombwell Foundry Limited as announced in the annual report for 2002.

## 3. Taxation

Tax has been provided on the profit before exceptional items and goodwill at the estimated effective rate for the full year.

## 4. Dividends

The Directors have declared an interim dividend for the current year of 2.15p per share (six months to 30 June 2002: 2.1p) which will be paid on 9 January 2004 to shareholders on the register on 5 December 2003.

## 5. Earnings per share

The weighted average number of shares in issue during the period was 61,573,940, diluted for the effect of outstanding share options 61,860,162 (six months ended 31 June 2002: 61,005,960 and 61,261,813 diluted).

Earnings per share have been calculated on profits of £2,098,000 (six months ended 30 June 2002: £2,928,000) and earnings per share before exceptional items and goodwill amortisation on earnings of £3,649,000 (six months ended 30 June 2002: £3,489,000).

Earnings per share before exceptional items and goodwill amortisation have been shown because the Directors consider that this gives a more meaningful indication of the underlying performance of the Group.

## 6. Notes to the Cash Flow Statement

### i. Reconciliation of operating profit to net cash flow from operating activities

	6 months ended 30 June 2003			6 months ended 30 June 2002		Year ended 31 December 2002	
	Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	Total £'000	Before exceptional items and goodwill amortisation £'000	Total £'000	Before exceptional items and goodwill amortisation £'000	Total £'000
Operating profit	7,020	(1,082)	5,938	6,981	6,202	14,008	11,348
Income on investment properties	-	-	-	(130)	(130)	-	-
Depreciation	2,744	-	2,744	3,010	3,010	6,114	8,085
Amortisation of goodwill	-	840	840	-	779	-	1,744
Payments on the termination of business (Profit) on sale of fixed assets	-	-	-	-	-	-	(193)
Change in working capital:							
Stocks	(1,721)	328	(1,393)	(915)	(915)	(4,654)	(4,696)
Debtors	(8,554)	1,166	(7,388)	(754)	(754)	(299)	(299)
Creditors and provisions	331	(1,438)	(1,107)	804	804	12,085	10,220
	(9,944)	56	(9,888)	(865)	(865)	7,132	5,225
Net cash (outflow) / inflow from operating activities	(180)	(186)	(366)	8,996	8,996	27,190	26,145

### ii. Capital expenditure

Purchase of tangible fixed assets	(2,141)	(3,917)	(7,146)
Sale of fixed assets	1,170	1,155	1,601
	(971)	(2,762)	(5,545)

## 7. Financial Information

The results for the half years ended 30 June 2003 and 2002 are unaudited and do not constitute statutory accounts within the meaning of s240 of the Companies Act 1985. The financial information for the year ended 31 December 2002 has been extracted from the statutory accounts for that year which have been filed with the Registrar of Companies and on which the auditors have given an unqualified opinion.

Copies of the interim report will be sent to shareholders and will be available from Hill & Smith Holdings PLC office at:

2 Highlands Court  
Cranmore Avenue  
Shirley  
Solihull, B90 4LE

## Directors and Financial Calendar

### Directors:

D.S. Winterbottom FCA, FCT (Chairman)  
D.L. Grove BA, FCA (Deputy Chairman and Chief Executive)  
C.J. Burr FCA (Finance Director)  
H.C. Everett BSc, CA (Executive Director and Company Secretary)  
H.C. Marshall MSc, BSc (Non-Executive)  
R.E. Richardson FCMI (Non-Executive)

### Secretary:

H.C. Everett BSc, CA

### Financial Calendar

Payment of interim dividend (ex dividend date 3 December 2003)	9 January 2004
Preliminary announcement of results for the year to 31 December 2003	March 2004
Annual General Meeting 2004	May 2004