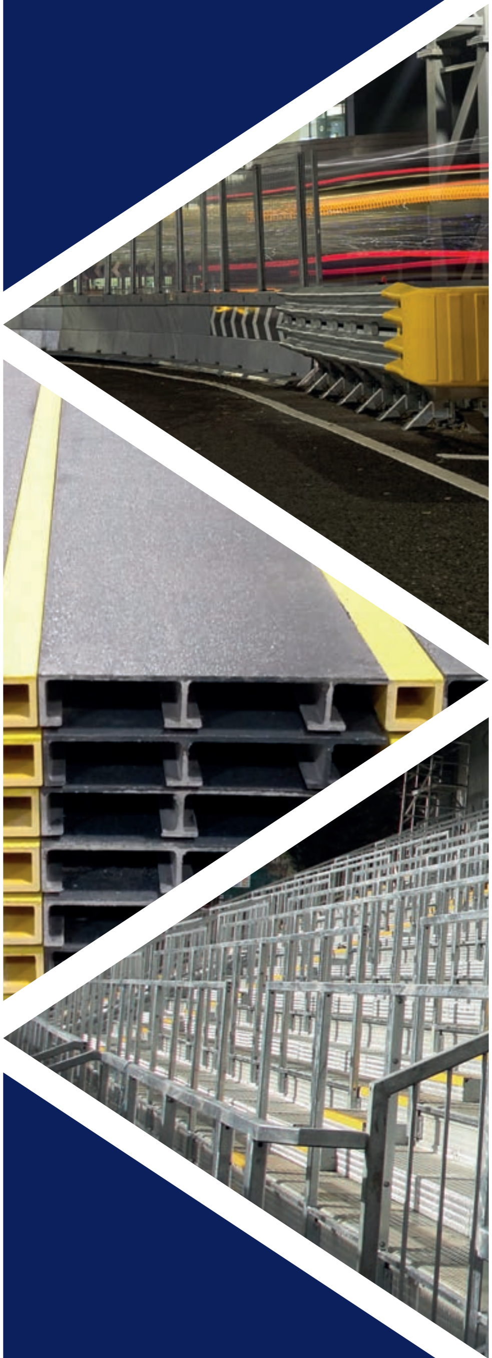
Hill & Smith Holdings PLC



Delivering intelligent protection solutions

2019

Annual Report for the year ended 31 December 2019

Stock code HILS

A steel bear sculpture by Scottish artist Andy Scott, unveiled in Dunbar, East Lothian. The welded artwork standing 16ft tall was hot dip galvanized at one of the Group's plants and then painted. The work of art is a tribute to Scottish conservationist John Muir. Born in Dunbar in 1838, Muir emigrated from Scotland in 1849 and played a key role in the development of America's national parks. The bear is symbolic of his travels through America's wild places.

Our mission is to deliver sustainable profitable growth through the supply of Infrastructure Products and Galvanizing Services.

Our sectors

- Infrastructure – Roads
- Infrastructure – Utilities
- Galvanizing Services
- Group

Hill & Smith Holdings PLC

Strategic Report

Governance Report

Financial Statements

Shareholder Information

To find out more about Hill & Smith Holdings visit our website hsholdings.com

Front cover images:

Top: Zoneguard with fence and QuadGuard crash cushion installed at Heathrow Airport.

Middle: Fibre reinforced polymer stair treads for use at the Great Wolf Lodge Waterpark in Scottsdale, Arizona, USA.

Bottom: Galvanized stand at Maidstone FC, galvanized by Joseph Ash Limited's Chesterfield plant.

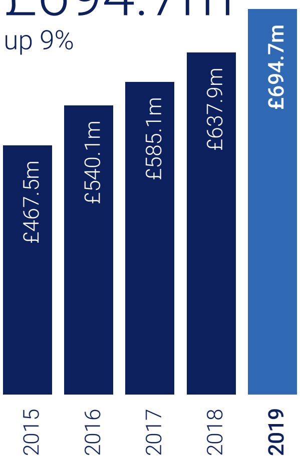
Group Highlights

- Strong US performance driven by investment in ageing infrastructure and new construction projects.
- Infrastructure spend underpinning demand in UK markets, despite cautious investment environment.
- Strong operating cash flow: net debt £215.3m, 1.6x EBITDA; borrowing facilities expanded and extended.
- Proposed full year dividend increased by 6% to 33.6p.

Revenue

£694.7m

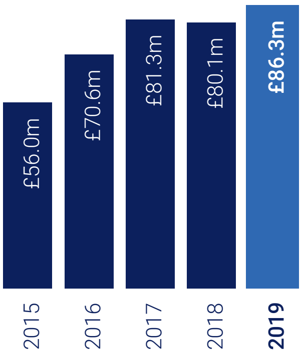
up 9%



*Underlying operating profit

£86.3m

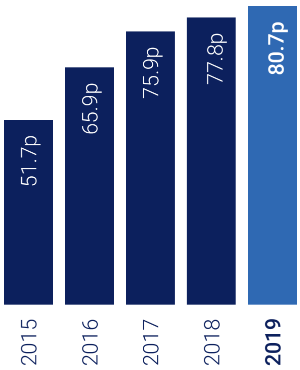
up 8%



*Underlying earnings per share

80.7p

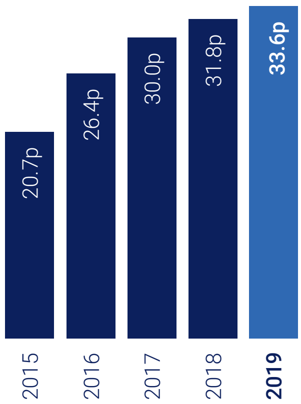
up 4%



Dividend per share

33.6p

up 6%



	31 December 2019	31 December 2018	Change %
Revenue	**£694.7m**	£637.9m	+9
Underlying*:			
• Operating profit	**£86.3m**	£80.1m	+8
• Operating margin	**12.4%**	12.6%	-20bps
• Profit before taxation	**£79.4m**	£76.3m	+4
• Earnings per share	**80.7p**	77.8p	+4
Statutory:			
• Operating profit	**£69.2m**	£65.2m	+6
• Profit before taxation	**£61.8m**	£59.8m	+3
• Basic earnings per share	**61.1p**	59.9p	+2
Dividend per share	**33.6p**	31.8p	+6
Net debt	**£215.3m**	£132.9m	

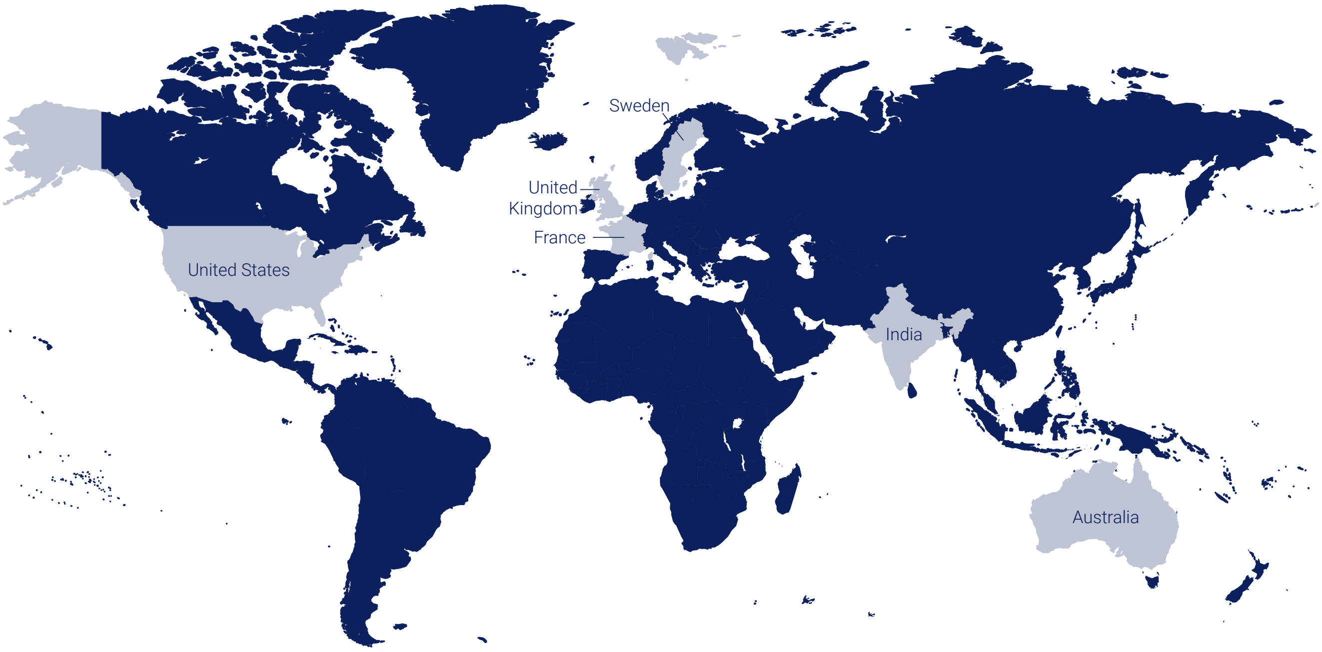
* All underlying measures exclude certain non-underlying items, which are as defined in note 3 on page 127 to the Financial Statements and described in the Operating and Financial Review. References to an underlying profit measure throughout this report are made on this basis and, in the opinion of the Directors, aid the understanding of the underlying business performance as they exclude items whose quantum, nature or volatility would otherwise distort the underlying performance of the business. Underlying measures are presented on a consistent basis over time to assist in comparison of performance.

Where we make reference to constant currency amounts, these are prepared using exchange rates which prevailed in the current year rather than the actual exchange rates that applied in the prior year. Where we make reference to organic measures we exclude the impact of currency translation movements, acquisitions, disposals and closures of subsidiary businesses. In respect of acquisitions, the amounts referred to represent the amounts for the period in the current year that the business was not held in the prior year. In respect of disposals and closures of subsidiary businesses, the amounts referred to represent the amounts for the period in the prior year that the business was not held in the current year.

Who We Are and Where We Operate

We are an international group with leading positions in the supply of infrastructure products and galvanizing services to global markets. Through a focus on leading positions in niche markets we aim to consistently deliver strong returns and shareholder value.

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



Infrastructure – Roads

Our Roads businesses are located as follows:

UK: Nine, based mainly in the Midlands and the north east of England;

US: One. The head office is in Columbus, Ohio, with sites in Delaware, Florida, Illinois and Texas; and

Rest of the World: Three. One based in central France; one in Stockholm, Sweden; and a sales office in Brisbane, Australia.

Infrastructure – Utilities

Our Utilities businesses are located as follows:

UK: Four, based mainly in Wales and the north east of England;

US: Six. The Compsite Group has four companies. Two in Pennsylvania and one in Ohio and Maine; V&S Utilities is based in Ohio and Oaklahoma; and Pipe Supports Group is based in New Orleans and Boston; and

Rest of the World: One. A Pipe Supports manufacturing site near Chennai, India.

Galvanizing Services

Our Galvanizing plants are located as follows:

UK: 10 plants, based mainly in the Midlands and the north east of England;

US: Eight plants, based mainly in the north east of the United States, with one in Memphis, Tennessee.

France: 10 plants located throughout France, six in the north and four in the south.

Chairman's Letter

Dear Shareholder,

I first joined the Board of Hill & Smith in October 2017 and I was delighted to take on the role of Chairman towards the end of 2019. The Group has a robust business model and a clear and focused strategy around the provision of products and services into niche infrastructure markets. It is this, combined with the dedication and professionalism of our employees, which makes me confident about the long term growth potential of your company.

Performance Highlights

Revenue for the year was £694.7m (2018: £637.9m) and underlying operating profit was £86.3m (2018: £80.1m). This reflects a strong performance across both our UK and US businesses, set against more challenging trading conditions in certain of our smaller international businesses, notably Scandinavia. Underlying operating margin was 12.4% (2018: 12.6%), while underlying profit before taxation was £79.4m (2018: £76.3m). Reported profit before taxation was £61.8m (2018: £59.8m), and is shown after taking account of certain non-underlying items, principally relating to the restructuring of our Scandinavian operations. Cash generation was once again strong throughout the year. The results are explained in detail in the Operational & Financial Review on pages 20 to 28.

We continue to operate within highly fragmented markets where strategic acquisitions provide the opportunity to drive improved operating margins; to provide access to new customers; and to expand the Group's range of products. Key resources, both in terms of people and finance, are made available to ensure that we can deliver on this acquisition strategy. During 2019 we completed three acquisitions, for a total cash consideration of £43.9m. Our pipeline of acquisition opportunities going into 2020 remains strong, allowing us to be highly selective about those we wish to pursue.

At the same time, the Board's focus is very much on reviewing the performance and strategic relevance of our existing portfolio, to ensure that the overall mix of businesses is capable of delivering the Group's targeted returns. This has resulted in one non-core disposal during the year, and a number of internal restructuring actions to improve performance where needed.

Following the acquisitions of ATG Access and Parking Facilities we made the strategic decision that, from January 2020, we would bring all our security-focused businesses together within an expanded Hill & Smith Roads & Security Division. This is an exciting development for the Group and will help drive revenue in the high growth international security products market.

People

All companies are reliant on the commitment of their employees to pursue their strategy successfully, and Hill & Smith is no exception. At 31 December 2019, we had approximately 4,600 employees, including c. 200 who joined the Group with the acquisitions that we completed during the year. On behalf of the Board, I would like to thank all of our employees for their individual and collective contributions to the Group's performance over the last 12 months.

During the year we undertook a worldwide employee engagement survey. We also established two Workforce Advisory Panels. I was pleased to have the opportunity to attend the meetings of both panels, one in the UK and one in the US. Between them, these panels had attendees representing all our UK and US businesses and our intention is to continue this successful two-way communication mechanism during 2020.

The Group will continue to encourage employee shareholder participation wherever practical and we currently have 871 of our UK-based employees enrolled in our Save as You Earn ('SAYE') schemes. Schemes such as this foster an important link between our employees and the Group's performance, and we are proud to offer a scheme in which so many employees participate.

A C B Giddins
Chairman

Succession planning remains an important priority for the Board as a whole, and for me personally as Chairman. This includes ensuring that the Board has appropriate visibility of senior level succession, as well as ensuring that the Group has in place appropriate training and development for the key managers coming up through the business.

Board Changes

This year has seen a number of changes to the Board. After 10 years as a Non-executive Director, including the last two years as Chairman, Jock Lennox stepped down from the Board on 30 September 2019. On behalf of the Board and shareholders, I would like to thank Jock for his significant contribution to the Group's success.

I took over as Chairman on 1 October and, in compliance with the UK Corporate Code, stepped down from the Audit Committee and was appointed Chairman of the Nomination Committee.

Mark Pegler stepped down from the Board in April 2019 and Hannah Nichols joined as Chief Financial Officer in September, having previously spent 14 years in a range of senior finance and commercial roles at BT, both in the UK and internationally. I have been hugely impressed by Hannah's contribution to the Group over the last five months. I would also like to thank Mark Else, Group Financial Controller, for taking on the role of Interim Group Finance Director prior to Hannah joining.

In December, Tony Quinlan and Pete Raby joined the Board as Non-executive Directors. Tony was formerly Chief Executive Officer of Laird PLC and has joined the Board as the Senior Independent Director. Pete is Chief Executive Officer of Morgan Advanced Materials PLC. Both bring a wealth of operational, technical and financial experience to the Board, and I am extremely pleased that we have been able to attract two such high quality individuals.

Your Board is cognisant of the outcome of the Hampton-Alexander Review, which set a 33% target for women in senior leadership positions in the FTSE 350. I am personally committed to ensuring that we make the Board of Hill & Smith compliant with the Review's recommendations, whilst at the same time ensuring that the Board has the right balance of skills and experience needed to deliver the Group's strategy.

Purpose & Values

We have continued our work on purpose and values during the year, more information on which can be found on pages 6, 18 and 19. Hill & Smith is a collection of well-run entrepreneurial businesses and, inevitably and importantly, the culture within each individual company is different. However, work is underway to align all of our businesses with the Group's values.

This year, as required by the UK Corporate Governance Code, we have prepared a Section 172 Statement ('s172'), in accordance with Section 172 of the Companies Act 2006, for the first time, which you can find on page 17, and there are also a number of relevant case studies throughout this report, demonstrating how your Board has approached key decisions and considered the interests of our various stakeholders.

Health & Safety

Your Board continues to place significant emphasis on ensuring that we make our sites safe places for our employees to work and for others to visit. The Board receives regular analyses of incidents, both actual and near misses, and seeks to ensure that we have a consistency of reporting across the Group. For the incidents reported, attention is on looking for root causes so that learnings can be made and shared across our businesses.

Health & Safety Forums are held quarterly and provide an opportunity for our Health & Safety professionals to review new subsidiary or Group-led initiatives, share best practice, interpret new guidance or legislation, and review performance. The minutes of these forums are presented to your Board.

We continue to use independent third parties to undertake our Health & Safety audits, and the results of these are reviewed by the Board. Detailed reporting around health & safety is contained within the Corporate Responsibility report on pages 40 to 52.

Environment

Your Board and management team takes its environmental responsibilities extremely seriously, and we have been reporting on our impact on the environment for a number of years.

This year we completed our reporting under phase 2 of the UK Government's Energy Saving Opportunity Scheme, the results of which will help improve the energy efficiency of our operations. Additionally, we have initiated Energy Forums in the UK, where representatives from our subsidiaries meet to discuss and share innovative ways to reduce our energy consumption. It is our intention to roll these forums out across the wider Group during 2020.

I am encouraged by the improvements we have achieved in our energy consumption during the year. This demonstrates the impact of bringing environmental issues onto the agenda and encouraging employees at all levels to think about and reflect on how they can contribute to improving our environmental footprint.

The detailed results of our work in this area are included in the Corporate Responsibility Report on pages 40 to 52.

Dividend and Annual General Meeting

The Board has proposed a 6% increase in the final dividend to 23.0p which, if approved, would result in a full year dividend also up 6% at 33.6p. Dividends are an important part of shareholder returns and this will be our 17th successive year of increase, a testament to the Group's cash generative business model.

The Annual General Meeting is to be held at the Company's registered office, Westhaven House, Arleston Way, Solihull B90 4LH on 23 June 2020. The meeting is an ideal forum for raising any questions you may have of your Board and I hope that many of you will take the opportunity to do so. I very much look forward to meeting you there.

Looking Ahead

Over the last three years the Group has had to operate against varying degrees of uncertainty in the UK linked to Brexit. While the negotiations over trading arrangements will continue through 2020, we take some level of encouragement from the new Government's commitment to invest in UK infrastructure. In our other core market, the US, 2019 was another year of strong growth and investment, and our expectation is that this will continue through 2020, despite it being a presidential election year.

While I am very conscious of the geopolitical and coronavirus ('COVID-19') related health risks, which may impact global growth in the short term, I remain positive about our core end markets going into 2020. I believe that the Group is strategically well constituted, is ably managed by high quality teams across our businesses and, as a result, is well positioned to take advantage of market opportunities as they present themselves.

A C B Giddins
Chairman

4 March 2020

Corporate Strategy & Business Model

Hill & Smith Holdings PLC

OUR PURPOSE

Our purpose is to deliver innovative solutions in infrastructure products and galvanizing services, for the benefit of our shareholders, customers and employees.

OUR CORPORATE STRATEGY

Our strategy is to deliver sustainable profitable growth through product development, innovation and international expansion. We target geographies with high levels of infrastructure investment driven either by regulation, health & safety, security or environmental concerns, or by emerging economic growth, or both. Growth is achieved organically and through acquisition, and we actively manage our portfolio of companies.

Our four strategic objectives are:

Revenue growth and targeted returns

The Board ensures that revenue growth is achieved at each individual business unit alongside appropriate targets for margins, return on invested capital and cash conversion, which in turn flows through to sustainable profitable growth at Group level.

Geographical expansion

We have a major presence in the UK and the US. From that strong base, we target further geographies where infrastructure is either being upgraded or is being invested in, where our existing solutions can readily and profitably be introduced, and where businesses can be acquired to enhance our market position.

Entrepreneurial culture

We encourage and incentivise our individual business units to exercise agility and entrepreneurialism, and we allow them room to do so. This approach ensures that decisions are made close to the market and that our businesses can respond rapidly both to opportunities and to changes in their competitive environment.

Portfolio management

We manage our portfolio of companies proactively. We supplement organic growth with acquisitions that complement our existing activities and create new growth opportunities, but we also closely monitor all our businesses to ensure that they are capable of contributing to the attainment of the Group's overall growth targets. Where this is not the case prompt action is taken, whether through restructuring or divestment.

Our businesses serve a wide range of industries, including road, rail, utilities, power generation and construction, supplying infrastructure products as well as corrosion protection services. Our largest markets are the UK and US, but we also have businesses in Scandinavia, France, India and Australia. For more information see pages 8 to 10.

OUR BUSINESS MODEL & CULTURE

Our business model is designed to deliver long-term sustainable growth in the niche markets of infrastructure products and galvanizing services and we do this by managing business units that operate in the markets of infrastructure products – roads; infrastructure products – utilities; and galvanizing services. Within these businesses, we encourage a high degree of entrepreneurialism at business unit level, supported by the resources of a larger group and within a disciplined framework of clear strategic priorities, whilst at the same time applying the appropriate level of corporate governance and reporting. For more details see pages 32 to 39 and 54 to 88.

Hill & Smith Holdings PLC – Our Group in 2019

- **Roads**
  - UK
  - USA
  - RoW
- **Utilities**
  - UK
  - USA
  - Pipe Supports
- **Galvanizing**
  - UK
  - USA
  - France

Infrastructure – Roads

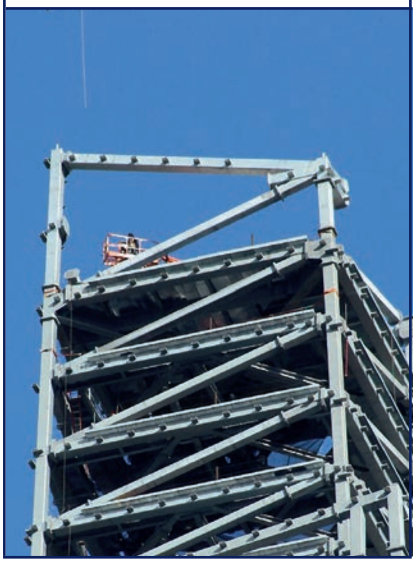
Our Roads businesses design, manufacture and install temporary and permanent safety products for the roads markets including permanent road safety barriers and other vehicle restraint solutions, temporary work zone protection products, hostile vehicle mitigation products, street lighting columns, car park and bridge parapets, and variable road message systems.

Infrastructure – Utilities

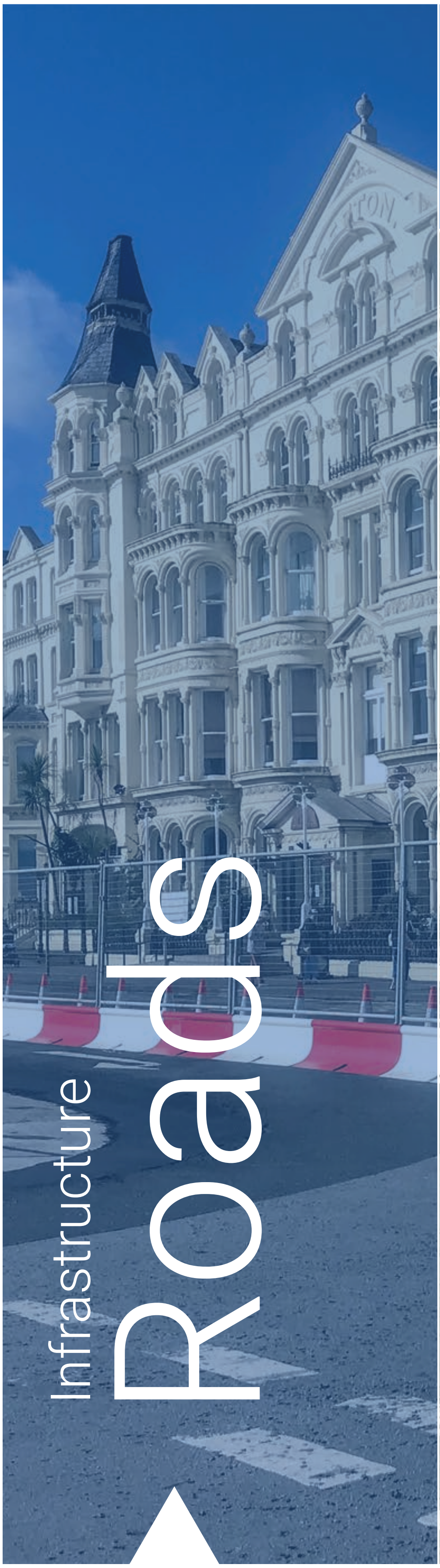
Our Utilities businesses design, manufacture and supply products and services for the power generation, liquefied natural gas, renewables, utilities, construction and other industrial sectors. These include pipe supports, electricity transmission structures, energy components, perimeter security, industrial flooring and access systems, and fibre-reinforced polymer ('FRP') composite products.

Galvanizing Services

The Galvanizing Services division provides corrosion protection services, in the form of hot dip zinc galvanizing and other coatings, for metal products used in a wide range of infrastructure and other industrial applications. It serves external customers, as well as the Group's infrastructure product companies, through a network of facilities in the UK, France and the USA.

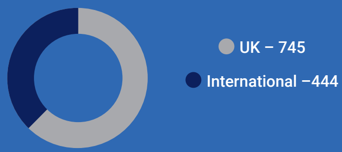


Our Business Segments in 2019



Locations

Employees



Market drivers

- Government road investment initiatives in the UK and the US:
  - Next phase of UK Road Investment Strategy due to be announced, with expected increased funding through to 2025.
  - Implementation of US Administration's Fixing America's Surface Transportation (FAST') Act through to 2021.
- Ongoing heightened terror threat, driving demand for hostile vehicle mitigation systems for buildings and areas at risk of attack.

Strategy

- Maintaining market-leading positions in vehicle restraint systems ('VRS') and other road safety products including signposts and lighting columns.
- Developing and delivering new industry-leading barrier and hostile vehicle mitigation systems through market analysis and technical development.
- Aligning our businesses as key and sustainable supply chain partners with our clients.
- Continuing to investigate the horizontal market integration of our manufacturing capabilities.
- Identifying further acquisition opportunities to extend our product offer and further strengthen our market positions.

Progress

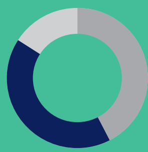
- Growing international acceptance of temporary steel barrier safety products. More US states now approving temporary steel barrier for use on their roads.
- Investment in additional steel and concrete temporary safety barrier in the UK, US and Australia.
- Continued development and deployment of new hostile vehicle mitigation products at high-profile, security-sensitive UK locations.

Performance in 2019

- Revenues up 18% to £246.3m (2018: £208.5m)
- Underlying operating margin of 9.1% (2018: 11.6%).
- ROIC of 10.6% (2018: 17.3%)

Locations

Employees



Market drivers

- Investment in US electricity distribution forecast to continue over medium term.
- Requirement for new power generation in emerging economies and replacement of ageing infrastructure in developed countries.
- UK investment in new-build housing, to address long-term housing shortage.
- Government and departmental guidelines for critical infrastructure protection.
- Environmental benefits of fibre-reinforced polymer ('FRP') products.

Strategy

- Expansion of FRP technical solutions into wider infrastructure markets.
- Developing engineered solutions, both in our core product range and in adjacent and complementary areas, which can be delivered through existing supply chains.
- Identifying further acquisition opportunities to extend our product offering, increase penetration of existing products and further strengthen our market positions.
- Aligning ourselves as key and sustainable supply chain partners with our clients.

Progress

- Development of a US 'Composites Group' allowing customers to benefit from advanced manufacturing methods.
- Improved profitability within V&S Utilities following the expansion of its plant at Burton, Ohio.
- Strong demand for industrial hangers in a robust US economy.
- Our building products business brings online a capital investment programme to increase capacity and improve efficiency in order to benefit fully from growth in UK new-build housing market.
- Attractive opportunities emerging in both local and export markets for our protection solutions for critical infrastructure sites – first-time deployment at large data centres in Europe.

Performance in 2019

- Revenues up 5% to £251.3m (2018: £239.0m)
- Underlying operating margin of 8.8% (2018: 7.7%).
- ROIC of 18.5% (2018: 17.6%)

Our Business Segments in 2019 (continued)

Locations

Employees

Market drivers

- Ongoing high levels of investment in transport infrastructure, utilities, security, construction, agriculture and other sectors in our chosen geographies.
- US imposition of tariffs on imported fabricated steel products, and an Executive Order to 'Buy American' on all infrastructure projects with federal financial assistance.
- High barriers to entry due to the high capital cost of new facilities.

Strategy

- Differentiation through high service levels and value adding opportunities, enabled by well invested facilities and strategically located plant networks.
- Increasing focus on lower-volume but higher-margin work.
- Provide high level of support to, and thereby increase competitiveness of, the Group's infrastructure business segments.
- Continue process of geographic infill through acquisitions and greenfield investment.

Progress

- US performance driven by strong day-to-activity across a range of sectors, and despite absence of large one-off projects as also experienced in 2018.
- Opening of our eighth US galvanizing plant.
- UK performance benefited from a strategic decision to focus on lower volume but higher margin work from smaller customers.
- Galvanizing volumes up at France Galva.

Performance in 2019

- Revenues up 4% to £197.1m (2018: £190.4m).
- Underlying operating margin of 21.2% (2018: 19.7%).
- ROIC of 19.7% (2018: 18.5%).

A steel, hot-dip galvanized bridge located in Chicago Avenue over the Chicago River. Opened in February 2019, this is an interim bridge having two eastbound lanes and one westbound lane and will remain in situ until a new permanent bridge is built in 2021.

Strategic Value Creation

Our strategy is one of carefully targeted profitable growth through product development, innovation, acquisition and international expansion, all driven by highly entrepreneurial management teams throughout the organisation. This all takes place within:

- a disciplined framework of agreed Group KPIs (see pages 30 to 31). We achieve a strong operating cash flow by focusing on underlying cash conversion and a disciplined approach to each business unit's return on capital employed. Over the last 10 years the Group has achieved an average underlying cash conversion rate of 82%. In 2019 this was 67% (2018: 78%) or 95% excluding strategic capital expenditure; and
- a progressive dividend policy under which dividend payments have increased by a compound annual growth rate of 11.4% over the last 10 years. In July 2020 we will be paying a final dividend of 23.0p per share which, with the interim dividend of 10.6p paid in January 2020, will amount to a full dividend paid in respect of the financial year ended 31 December 2019 of 33.6p (2018: 31.8p), up 6%.

We create value for our stakeholders by providing appropriately paid, highly skilled employment and the potential for career development and socio-economic mobility for our employees; buying and selling the right quality products delivered on time and to the correct specification and treating all our business relationships with respect; by working locally in the communities in which we operate; and delivering significant economic benefits to those communities. All this against the backdrop of a focused and well-balanced group capable of generating sustainable profitable growth and superior total shareholder returns through operating profit growth, cash generation and increasing dividends.

For our employees, we are committed to ensuring that we provide employment in successful sustainable businesses:

- by providing the right environment in which to work, where we insist that people connected with the Group work safely, are trained correctly, behave in the right way, and comply with all local legal and regulatory requirements;
- by engaging in initiatives that ensure the sustainability of the business as well as the environment and the communities in which we operate;.
- by implementing the correct policies and procedures relating to our people and the environment;
- by successfully delivering an effective Health & Safety system; and
- by encouraging our businesses to engage with their local communities.

See pages 40 to 52 for more details.

For existing and potential customers we maintain a highly customer-focused group of businesses, committed to operational excellence; delivering innovative solutions; manufacturing capability; and the highest quality customer service. We seek to ensure that we have a portfolio of products that meets the needs of current and future customers. We do this by acquiring businesses that complement our existing divisions and that our individual business units exercise agility and entrepreneurialism, seeking out opportunities in their markets and responding through innovation in product development.

For our investors, we aim to deliver superior shareholder returns by building leading positions in the niche markets of infrastructure products and galvanizing services, in geographies where the underlying drivers of infrastructure spending are robust. We operate in six different geographies and, as such, we are not dependent on one economy for our success. We are focused on territories where there are either existing high levels of investment, driven by the need to upgrade or replace existing ageing infrastructure, or where emerging economic growth is driving the need for new infrastructure spending. As at the date of this report we operate from 79 sites in 6 countries. Our overall objective is to generate sustainable profitable growth and shareholder returns.

Capital Discipline

Our strategy takes place within a disciplined capital management framework delivering a strong operating cash flow that allows the Group to grow both organically and by acquisition, expand production facilities by investing in new sites or new machinery and pay increased dividends.

Maintain a strong balance sheet	Reinvest for growth	Acquire businesses that meet our strategic objectives	Provide regular returns to shareholders
• A target net debt to EBITDA ratio of 1.5 to 2.0 times. • Maintain debt facilities that provide headroom to pursue growth opportunities.	• Strategic capital investment in higher return end markets. • Focus on product development and innovation. • Target return on invested capital of 17% - 20%.	• Supplement organic growth in existing and adjacent niche markets of infrastructure and galvanizing services.	• Maintaining a progressive dividend policy.
Debt facilities expanded and extended in 2019: • Revolving credit facility +£50m, maturity in 2024; and • New $70m senior unsecured notes, maturity 2026/2029.	In 2019 capital expenditure amounted to £47.9m: • £23.8m strategic investment in UK temporary rental barrier fleet and new galvanizing plant, in Owego, NY; • £2.1m in productivity and efficiency improvements; and • £22.0m in ongoing maintenance.	In 2019 we acquired: • ATG Access Ltd, specialising in the development, manufacture and installation of hostile vehicle mitigation perimeter security solutions; • Parking Facilities Ltd, specialising in the design, manufacture and supply of a market-leading range of parking and access control products; and • Signpost Solutions Limited, specialising in the supply of traffic signs, passive sign masts, and signs and masts that are vandal and impact resistant.	In 2019 the Board has proposed an increase of 6% in the full dividend to 33.6p (2018: 31.8p).
Net Debt: EBITDA 1.6 times (2018: 1.3 times)	ROIC 15.9% (2018: 17.9%)	Acquisitions £43.9m (2018: £47.4m)	Full-year dividend 33.6p (2018: 31.8p)

Construction of V&S Galvanizing's eighth plant at Owego, New York State, USA.

Strategic Progress in 2019 and 2020

Infrastructure – Roads

Following the acquisitions of ATG Access Ltd in February and Parking Facilities Ltd in September, the Board has considered the other companies in the Group that also have security products in their portfolio, and agreed that from 1 January 2020 the business segment of Infrastructure – Roads will become Infrastructure – Roads & Security and will include the existing 'Roads' businesses, the recent acquisitions and the businesses of Barkers Engineering Ltd and Technocover Ltd, that were previously part of the Utilities segment.

Infrastructure – Utilities

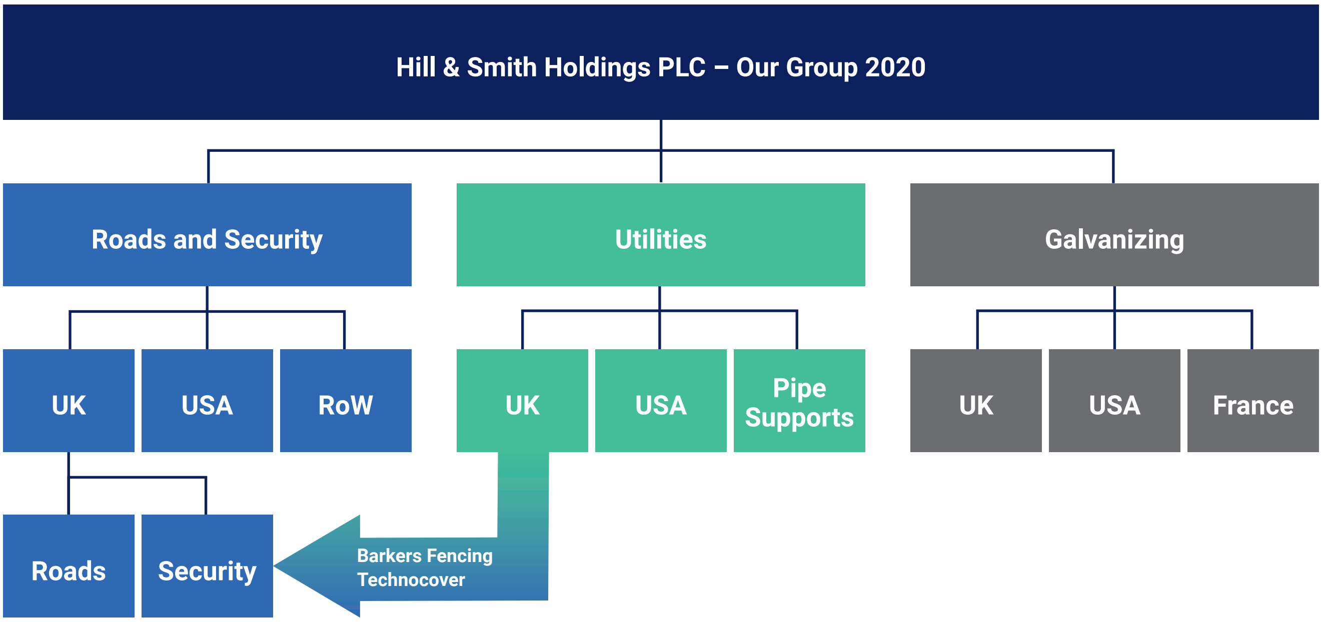
Following various acquisitions in the USA, the Group has consolidated the US Utilities group in two areas – Composites and Utilities.

Composite products, manufactured from fibre-reinforced polymers ('FRP') have many benefits, not least of which is that they are environmentally friendly in that they do not rust, spall or rot. They are lightweight and have a high tensile strength. The Group now has four companies manufacturing FRP products: Creative Pultrusions Inc., in Alum Bank, Pennsylvania; Kenway Composites, Augusta, Maine; Tower Tech, Oklahoma City, Oklahoma; and Composite Advantage, Dayton, Ohio.

Galvanizing Services

V&S Galvanizing Inc. opened their eighth galvanizing facility in December 2019. Located in Owego, NY, the site will service the state of New York as well as supporting its sister plants in Perth Amboy, NJ; Lebanon, PA; and New Castle, DE.

Over the last few years we have acquired businesses in the UK Roads market that have within their product portfolios a large number of security products such as hostile vehicle mitigation products and perimeter security solutions including bollards, road blockers, barriers and gates. These products complement the existing security products supplied by Barkers Engineering Ltd and Technocover Ltd. The Board has, therefore, taken the decision to create a Roads & Security divison from 1 January 2020 and will report on this division during 2020. At the same time, having acquired a third composites business in the US in October 2018, your Board has taken the decision to create a Composite Group in the US comprising Creative Pultusions, Kenway Composites, Tower Tech and Composite Advantage. We will continue to report their results under the Utilities division.



One of 32 Creative Pultrusions' prefabricated FRP bridges installed on behalf of the Nevada DOT around Lake Tahoe. These FRP bridges provided an ideal solution to the unique demands of the region's rocky uneven slopes for several reasons: including lack of safe access; the impact of erosion on water quality; and the area's fragile ecosystem.

Stakeholder Engagement

We engage with a wide range of stakeholders, both at Group and subsidiary level. Understanding how these relationships work is crucial to ensuring our Group's continued sustainability and ensuring we are able to adapt and make businesses fit for the future.

Investors	Employees	Customers
Our Chairman, CEO & CFO engage with our investors through a series of meetings, site visits and presentations, ensuring that they set out our strategy for delivering long term sustainable profit growth. Investors also feed back their views on the major corporate governance issues of the day.	As an employer committed to providing the right environment in which to work, we insist that the Group's employees can work safely, are trained correctly, behave in the right way, and comply with all local legal and regulatory requirements, thus ensuring the sustainability of the business.	Our subsidiaries engage with their customers on an individual business unit basis. Most businesses are accredited with a number of ISO quality standards to provide comfort to our customers that we are able to deliver solutions which meet their exacting requirements.
What matters to investors • Long-term sustainable growth capable of supporting a growing dividend and long term share price growth • Operational efficiency • Robust corporate governance and business ethics.	**What matters to employees** • Brand • Safe working environment • Wellbeing • Job security and remuneration • Career development.	**What matters to customers** • Quality products delivered on time and to the correct specification • A strong health & safety culture • Being treated with respect • Working as a partnership.
What we did in 2019 The Board held a Capital Markets Day in December 2019 to help educate investors and analysts on the Group's strategy and to provide an exposure to the broader senior management team within the Group.	**What we did in 2019** The Group has c. 4,600 individuals employed by 33 subsidiaries across six countries. In 2019 we conducted our first 'all-employee' engagement survey in which 56% of the work force participated. For more details see pages 44 to 50.	**What we did in 2019** Part of the Group's strategy is to develop leading positions in the niche markets of infrastructure products. With infrastructure security becoming of increasing concern to Governments, the Board took a decision to acquire ATG Access Ltd. For more details see page 41.
Suppliers	**Local Communities**	**Governments & Industry**
We actively engage with our suppliers, working closely to ensure that they provide the right quality of raw materials and services to support our commitment to quality products and to maintaining fair creditor terms.	Subsidiaries engage with their local communities on a business-by-business basis, supporting local charities as well as engaging with local authorities when seeking to develop their businesses.	We engage with Governments and our peers by participating in industry bodies and meetings to discuss emerging policy, regulation, innovation and threats in relation to infrastructure markets.
What matters to suppliers • Fair and transparent business dealings • Long term relationships • Fair financial terms.	**What matters to local communities** • Environmental issues • Sustainable employment • Health & Safety.	**What matters to Governments & Industry** • Development of long term infrastructure • Sustainable products • Environmentally friendly solutions.
What we did in 2019 Subsidiaries across the Group held supplier days where existing and potential suppliers visited our facilities to understand what they do. Although most engagement is through the procurement teams by phone and email, these supplier days provide an opportunity for our suppliers to understand the business' ambitions and initiatives and hopefully to add value to the relationships.	**What we did in 2019** V&S Galvanizing Inc. opened a new plant in Owego, New York State, in December 2019, having taken into account the site's environmental impact and potential pool of local labour when deciding on this location. Our subsidiaries also engaged with their local communities, including supporting local charities, making local community donations and providing work experience to local school students.	**What we did in 2019** Representatives of our subsidiaries sat on a number of different Government and Industry safety and product committees, including the British Standards Institute; the Vehicle Restraint Manufacturers Association; the Perimeter Security Suppliers Association; and the Transport Research Board in the USA. Representing our Composite Group, its Managing Director attended a Congressional Hearing to advocate the use of composites in the Government's future infrastructure spend.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006, ("the Act")

The Board considers that it is suitably composed, with an appropriate range of pertinent skills and experience and the Directors consider that they have acted, both individually and together, in good faith and in ways which would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to stakeholders and matters set out in s172 (1) (a-f) of the Act.

Our aim is to deliver long-term profit growth from a sustainable business model. The Board is also collectively responsible for upholding high standards of corporate governance and leadership, on meeting our environmental and social responsibilities, whilst continuing to deliver value to all of our stakeholders: employees; customers; suppliers; investors; local communities; and Government. Effective risk management is also critical to the achievement of our strategy, and our risk management processes are integrated into daily business activities. For more information see pages 32 to 39 and 40 to 52.

The Board has implemented new policies, systems and procedures or updated existing ones, to inform and assist its strategic planning, management and decision-making in line with its values.

In particular, during the year under review and the period up to the date of this report we have:

- Engaged with our employees:
  - conducted our first ever all-employee engagement survey. This surveyed all c. 4,600 employees across seven countries and five languages;
  - held two Workforce Advisory Panel meetings, where representatives of our subsidiaries in both the UK and the US could meet with members of the Hill & Smith Holdings PLC Board, both formally and informally;
  - engaged with our employees via the Group's intranet, publishing news of activities and initiatives going on in the subsidiaries;
  - continued to develop and deliver on a range of management leadership courses;
  - continued the development of our apprenticeship programmes; and
  - carried out Health & Safety audits across a number of sites.
- Engaged with suppliers and customers:
  - met with major suppliers one or more times annually;
  - exhibited at a number of different tradeshows; and
  - taken action to prevent involvement in modern slavery, bribery & corruption and breaches of competition law.
- Engaged with local communities
  - our subsidiaries have supported local or national charitable endeavours of our employees and customers;
  - considered employee and environmental factors, with local agencies, when looking to open a new galvanizing plant; and
  - complied with environmental legislation and pursued energy & waste-saving opportunities and reacted promptly to local community concerns.
- Engaged with Government and industry bodies
  - representatives sit on Government and industry bodies supporting product development and safety;
  - liaised with Government departments to support funding and export initiatives; and
  - met with Government bodies to advocate product development.
- Engaged with investors
  - our Chairman, CEO and Remuneration Committee Chair have held meetings with various shareholders and analysts; and
  - a Capital Markets Day attended by c.80 individuals from across the shareholder, analyst and advisory community was held in December 2019.

For more information please see pages 29, 41 and 60.

Our Values

At the heart of everything we do, our values underpin the behaviours of our people and of our businesses across the Group.

Our Values

Protecting people and our communities

We practise the highest standards of health & safety, promote wellbeing for our people, both inside and outside of work, and seek to offer protection to the communities in which we work through our products and services.

This means that we:

- do not cut corners in pursuit of lowering cost or increasing efficiency, if it prejudices the health, safety or wellbeing of our employees and customers;
- understand that all employees have a duty to each other to keep themselves safe from harm or injury;
- abide by our own safety policies and procedures; and
- will consider the impact of our actions on the community, our customers and each other.

Acting with integrity

We do the right thing, for our people, our customers and all stakeholders. We do what we say we will do, expect the same of each other and speak up when there is a problem. We place importance on relationships internally and externally, treating everyone we come into contact with, with respect, honesty, openness and care.

This means that we:

- treat our colleagues and customers with respect, even in challenging situations;
- deliver solutions which meet the exacting requirements of our customers;
- do what we say we will do, when we say it and, if we can't, we will communicate in good time;
- raise our concerns with senior management if we suspect wrongdoing; and
- care for our colleagues and the communities in which we work.

Innovating and developing

We encourage collaboration both internally across the worldwide Hill & Smith Group and externally with regulators, suppliers and customers to deliver the right solutions to protect our communities. We are committed to developing our people to ensure that our businesses have the right skills and talents for now and in the future.

This means that we:

- will always seek to meet our customers' needs;
- will continue to work in partnership with our customers, to develop our understanding of the markets in which we both operate;
- will take risks that are within our approved risk appetite in order to develop the business;
- understand we all have a shared responsibility to develop ourselves and others; and
- develop in-house talent in order to support both the business and the career aspirations of our employees.

Operational excellence

We work alongside our customers, stakeholders and partners to deliver solutions which add value, increase efficiency and solve their problems, whilst offering the highest standards of customer service and behaviours, utilising superior manufacturing capabilities and a well-trained and knowledgeable workforce.

This means that we:

- continually ask ourselves 'is this what our customers want?';
- treat all our customers and their requirements with respect;
- act ethically in everything we do;
- continually review our manufacturing processes to ensure they are as efficient and as environmentally considerate as possible; and
- invest in customer service training for staff in order to ensure they deliver a first-class experience.

Accountability

We take accountability for our own work. We take the initiative, seek clarity and transparency and demand high standards from ourselves, our colleagues and our leaders.

This means that we:

- respond to changing circumstances with agility and make decisions quickly and with accuracy;
- communicate our decisions to colleagues and customers with clarity;
- achieve what we set out to achieve and learn from our mistakes;
- actively seek out opportunities for continuous development; and
- foster a culture where our employees feel able to challenge our leadership.

Operational & Financial Review

2019 overview

Hill & Smith has delivered a performance in 2019 in line with Board expectations. Our strategy of developing businesses with market leading positions in niche infrastructure markets, combined with active management of our portfolio and a focused capital investment approach, has again delivered a year of revenue and profit growth.

The Group's UK and US operations generated 83% of our revenue and 96% of our underlying operating profit and principally operate in niche infrastructure markets where the overall market outlook remains positive. Revenues in these two core geographies grew by 12% (2% organic) with underlying operating profit increasing by 18% (9% organic), primarily due to strong year-on-year growth in our US businesses driven by investment in both ageing infrastructure and the construction of new infrastructure projects. Results from our UK businesses were ahead of the prior year, despite the cautious investment environment, with infrastructure spend continuing to underpin demand in our chosen markets.

As previously reported, our smaller international operations experienced more mixed outcomes in 2019. Our Scandinavian roads business, which for context represents around 5% of Group revenue, experienced difficult market conditions and operational challenges resulting in the business reporting operating losses in the year. We have taken a number of actions to restructure the Scandinavian business including strengthening the management team, closing underperforming depots and exiting the smaller Norway operation. Whilst we believe that the business is now better aligned to its core markets we remain cautious over its short term outlook.

Our acquisition strategy continues to focus on key growth markets and, during the year, we completed three acquisitions, all in the UK. The largest of these was ATG Access Limited, which provides a platform for the Group to expand its presence in the growing perimeter security market, increasing our range of solutions and services and enhancing our global distribution network. Having also disposed of one UK business in the year, the total net cash outlay across the portfolio was £42.6m.

We continue to invest capital in organic growth opportunities in our higher return markets. During the year we further expanded our temporary road safety barrier rental fleet in the UK, adding 72km of steel barrier and 10km of concrete barrier with a combined investment of £15.2m. In addition, we have now completed the build of a new galvanizing facility in New York state with an outlay of £8.6m in 2019 and an expected total cost of £11.7m. The facility became fully operational in January 2020 and we are pleased with progress to date.

During 2019, the Group completed an amendment to its principal debt facility, extending the term to January 2024 and increasing the size by £50m to *c.*£280m. In addition, we signed an agreement with an institutional investor for a private placement of $70m new senior unsecured notes. These changes provide us with extended certainty of funding and increase the headroom available for the Group to pursue further growth opportunities. Group net debt at 31 December 2019 was £215.3m, including £40.0m relating to the adoption of IFRS 16 Leases.

			Change %	
	2019	2018	Reported	Constant currency
Revenue	**£694.7m**	£637.9m	+ 9	+ 8
Underlying(1):				
Operating profit	**£86.3m**	£80.1m	+8	+6
Profit before tax	**£79.4m**	£76.3m	+4	+2
Earnings per share	**80.7p**	77.8p	+4	+2
Reported:				
Operating profit	**£69.2m**	£65.2m	+6	
Profit before tax	**£61.8m**	£59.8m	+3	
Basic earnings per share	**61.1p**	59.9p	+2	

(1) Underlying measures exclude certain non-underlying items, which are detailed in note 3 to the Financial Statements.

Annual revenue increased by 9% to £694.7m (2018: £637.9m) including a translational currency benefit of £6.7m or 1%. After adjusting for net additional revenue of £41.6m from acquisitions/disposals, organic revenue growth was 1%. Underlying operating profit increased by 8% to £86.3m (2018: £80.1m), which included a currency translation benefit of £1.4m. The net underlying operating profit contribution from acquisitions/disposals was £4.8m. Underlying operating margin was 12.4% (2018: 12.6%), while underlying profit before taxation was 4% higher at £79.4m (2018: £76.3m). Reported operating profit was £69.2m (2018: £65.2m), an increase of 6% on the prior year. Reported profit before tax was £61.8m (2018: £59.8m). The principal reconciling items between underlying and reported operating profit are an impairment charge of £7.0m and restructuring costs of £1.9m, both relating to the Scandinavian operations, the amortisation of acquisition intangibles of £6.2m and acquisition related expenses of £1.8m.

£m	Revenue	Underlying operating profit
2018	637.9	80.1
Acquisitions & disposals	41.6	4.8
Currency	6.7	1.4
Organic growth	8.5	-
2019	694.7	86.3

Dividend

The Group continues to generate good levels of profitability and benefits from a cash generative business model. The Board is recommending an increase of 6% in the final dividend to 23.0p per share (2018: 21.8p per share) making a total dividend for the year of 33.6p per share (2018: 31.8p per share), an increase of 6% on the prior year. Underlying dividend cover remains a conservative 2.4 times (2018: 2.4 times). Reported dividend cover is 1.8 times (2018: 1.9 times).

Our long-term performance and outlook give us the confidence to maintain a progressive dividend policy which has resulted in 17 years of uninterrupted dividend growth. The final dividend, if approved, will be paid on 7 July 2020 to those shareholders on the register at the close of business on 29 May 2020.

Corporate Responsibility

We have for many years recognised that in combination with a robust financial performance we have a responsibility to our employees, our supply chain, our customers, the environment and wider stakeholders, and we take these responsibilities seriously. The Group continues to take specific actions to improve its Environmental, Social and Governance ('ESG') credentials, many of which are detailed in our Annual Report.

Brexit

The United Kingdom left the European Union on 31 January 2020 with a planned transition period running until 31 December 2020. We have plans in place to ensure that we are prepared for the final outcome of the negotiations and the Group continues to closely monitor and mitigate the related operational and financial risks, which include possible supply chain disruption to UK imports and translation exposure arising from currency fluctuations. We continue to believe that our strategy of international diversification, along with our exposure to longer term Government funded infrastructure investment programmes, will help limit any potential negative impact on the Group.

COVID-19

The global outbreak of the COVID-19 virus is a developing situation, and at this stage we are not in a position to speculate on the duration nor its future impact on the Group. Presently we have seen no material impact on our business, however we continue to monitor the situation closely and will update the market if appropriate.

Outlook

Our outlook for 2020 remains unchanged and whilst we may see some short-term delays in the commencement of UK roads projects under the Road Investment Strategy programme ('RIS 2'), we expect a year of good progress for the Group. The Group continues to benefit from its leading positions in niche infrastructure markets, predominantly in the UK and the US, its clear business model and financial strength. Together these create the platform from which the Group is capable of delivering long term and sustainable growth.

In Roads, we have confidence that the Group's road product portfolio is well placed to continue to benefit from increased investment in road infrastructure in both the UK and the US. In October 2018, the UK Government confirmed funding for RIS 2 which follows on from the completion of RIS 1 in April 2020 and runs for five years. Overall investment is planned to increase to £25.3bn under RIS 2, a 66% increase compared with RIS 1. Following a short delay due to the General Election in December 2019, we expect details of the RIS 2 schemes to be released by Highways England in March 2020. Whilst this delay has created some short-term uncertainty over the timing of scheme commencements in 2020, we remain confident that we are well placed to benefit from the additional investment that RIS 2 will deliver. Recently we have seen positive signals that the UK Government will continue to support spending on infrastructure overall, which is encouraging. In the US, spend on road infrastructure continues to be robust, with increased transportation investment from all levels of Government.

In Security, we are seeing growth in both the UK and international markets for perimeter security and Hostile Vehicle Mitigation ('HVM') solutions. In response to this growing demand, at the end of 2019 we realigned our Group structure to form the Roads & Security division, effective from 1 January 2020. This brings together our strong portfolio of security products and will allow the Group to further benefit from security market growth opportunities.

In Utilities, our US activities continue to benefit from the significant investment in replacing ageing infrastructure and new infrastructure projects. In addition, we are seeing a growing interest in the use of composite materials, supported by global trends such as sustainability and total life cycle cost management. In UK utilities, the investment environment has been more cautious, however we are starting to see signs of recovery.

In Galvanizing, wider market conditions, supported by healthy levels of infrastructure activity, remain favourable and we expect our businesses to continue to consolidate their strong market positions and to take advantage of opportunities, with performance being supported by our strategy of focussing on lower volume, higher margin work.

Infrastructure Products – Roads

	£m		+/- %	Constant Currency %
	2019	2018		
Revenue	**246.3**	208.5	+18	+18
Underlying operating profit	**22.3**	24.2	-8	-8
Underlying operating margin %	**9.1**	11.6		
Reported operating profit	**7.7**	20.3		

Our Roads business designs, manufactures and installs temporary and permanent safety products for the roads market. We principally serve the UK with a growing presence in the US and smaller operations in other selected geographies that have a demand for innovative tested safety products. Roads represented 35% (2018: 33%) of the Group's revenue in 2019, and 26% (2018: 30%) of underlying operating profit. Revenues increased by 18% to £246.3m (2018: £208.5m). Organic revenue growth was 1%, after a £0.3m negative currency impact and £35.4m contribution from acquisitions. Underlying operating profit of £22.3m was £1.9m lower than the prior year (2018: £24.2m), including a £3.1m contribution from acquisitions, with the reduction reflecting the challenges in our Scandinavian operations and a lower year-on-year outturn in our Australian business.

Operational & Financial Review (continued)

Reconciliation of Reported to Underlying Operating Profit	£m 2019	£m 2018
Reported operating profit	**7.7**	20.3
Restructuring actions	**1.9**	-
Profit on disposal of asset held for sale	**(0.5)**	-
Past service pension costs	**-**	0.3
Impairment of assets	**7.0**	-
Acquisition costs and amortisation	**6.2**	3.6
Underlying operating profit	**22.3**	24.2

UK

During the period we saw high levels of demand for our temporary safety barrier rental products, largely driven by the high volume of RIS 1 Smart Motorway scheme activity, particularly in the second half of the year. In order to meet the additional demand, we added a further 72km of steel barrier and 10km of concrete barrier to our existing fleet for a total investment of £15.2m. 2019 was a record year for the UK temporary barrier business and, whilst utilisation levels in the early part of the year have continued to be strong, we are awaiting clarity on the timing of the RIS 2 scheme commencements in 2020.

Our portfolio of permanent road products includes vehicle restraint systems, bridge parapets, variable message signs, lighting columns and street furniture. Sales of vehicle restraint systems and bridge parapets were lower than previous years, mainly due to local and national authorities placing less emphasis on maintenance spend and more focus on capital projects. However, we have recently seen a number of maintenance upgrade schemes being released and as a result, we enter 2020 with an improved order book. As detailed in the Group's interim results in August 2019, our variable message signs business faced lower demand levels due to the phasing of large motorway schemes and, whilst activity improved in the second half, the outturn for the year was below 2018. In the early part of 2020 we have taken action to restructure the cost base in this business and we expect an improved performance in the coming year. Demand for our lighting columns and street furniture has been more robust, and to further our presence in this market, we acquired Signpost Solutions Limited on 3 December 2019 for a net cash consideration of £6.4m. The business is a distributor and manufacturer of products for the highway industry and is being integrated into our existing signage business. Trading to date has been encouraging.

We continue to see strong demand for our range of HVM products, which include temporary and permanent solutions in both steel and concrete. Significant projects serviced during the year include the NATO Summit, the State Opening of Parliament and the US Presidential visit. Security at high profile events is becoming an increasing priority globally and our products and expertise have also seen strong demand internationally, for example we have supplied products for Expo Dubai 2020.

In recognition of the growth potential of the HVM and perimeter security market, we made two acquisitions during the year to further strengthen our security capability. In February 2019 we completed the acquisition of ATG Access Limited ('ATG') for a net consideration of £23.5m. ATG specialises in the development, manufacture and installation of HVM perimeter security solutions including bollards, blockers, barriers and gates and has a global distribution network that provides a platform for further expansion in both UK and international markets. In September 2019, we acquired Parking Facilities Limited for a net cash consideration of £14.0m. The business specialises in the design, manufacture and supply of a market-leading range of parking and access control products that complement our existing HVM and related security product offering. Both businesses traded in line with expectations in 2019.

Following these acquisitions and in response to the growing international and UK demand for solutions to combat some of today's hostile threats, in particular those posed by the use of vehicles as weapons, in December 2019 the Group realigned its operating structure to form a Roads & Security division, effective from 1 January 2020. Within this, HS Security brings together our group of companies which provide products to protect people, buildings and infrastructure from attack and includes our fencing and security access cover businesses that were previously part of the Utilities division. HS Security sits alongside and is closely aligned with our Roads business. The formation of the new division allows our management teams to increase sales activity through greater product innovation, co-ordinated marketing and access to a global distribution network and to benefit from shared manufacturing cost efficiencies.

USA

Demand for our range of work zone safety solutions, which includes temporary safety barriers, crash attenuators, temporary variable message signs and traditional traffic control products, has been strong and has benefited from the broadened product range and wider distribution network acquired with the Work Area Protection Corp. ('WAPCO') business in May 2018. We have successfully integrated WAPCO with our existing temporary safety barrier business and are now realising the benefits of the expected synergies, enabling us to increase our market share and drive operational efficiencies across the combined businesses. Overall we are excited by the future growth potential in the US roads market and continue to invest in products and service offerings to strengthen our portfolio further.

Other International

Our smaller international roads businesses have experienced mixed results during the year. Demand for our lighting columns in France has been good with revenue and margins ahead of the prior year, as local authorities across the country develop urban areas ahead of municipal council elections in 2020. In contrast, conditions in our Scandinavian business, which for context represents around 5% of Group revenues, have been challenging, with price competition eroding margins, project delays impacting the early part of the year and the business experiencing some operational challenges. Consequently, the business reported operating losses in the year. To date, we have taken a number of actions to address the situation, including strengthening the local management team, closing underperforming depots in Sweden and exiting the smaller Norwegian operation, and whilst we believe these actions better position the business to focus on its core markets in Sweden, we remain cautious over the short-term outlook. In Australia, despite ongoing investment in the country's road infrastructure, sales of our temporary safety barrier were lower than in the prior year, as local contractors focused on utilisation of their existing product fleet before committing to new investment.

Infrastructure Products – Utilities

	£m 2019	£m 2018	+/- %	Constant Currency %
Revenue	**251.3**	239.0	+5	+3
Underlying operating profit	**22.2**	18.3	+21	+18
Underlying operating margin %	**8.8**	7.7		
Reported operating profit	**20.9**	9.0		

Our Utilities segment provides industrial flooring, security fencing, steel and composite products for a wide range of infrastructure markets including energy creation and distribution, rail, water and housing. The requirements for new power generation in emerging economies and replacement of ageing infrastructure in developed countries provide excellent opportunities for the Group's businesses. Revenues increased by 5% to £251.3m (2018: £239.0m) including a currency translation benefit of £4.5m and a £6.2m net contribution from recent acquisitions and disposals. Organic revenue growth was 1%. Underlying operating profit was £22.2m (2018: £18.3m), including a positive currency impact of £0.5m and a net contribution from acquisitions and disposals of £1.7m. The organic underlying operating profit growth was 9%.

Reconciliation of Reported to Underlying Operating Profit	£m **2019**	2018
Reported operating profit	**20.9**	9.0
Restructuring actions	**-**	0.7
Impairment charges	**-**	6.1
Past service pension costs	**-**	0.4
Loss on disposal of subsidiary	**0.7**	-
Acquisition costs and amortisation	**0.6**	2.1
Underlying operating profit	**22.2**	18.3

UK
The performance of our UK utilities businesses in the year was mixed, in part due to the cautious UK investment environment, with overall profitability at similar levels to the prior year.

In our utility security businesses, the access cover operation saw an improved performance with results ahead of the prior year. Activity levels in the water market have increased as key water utility customers endeavour to meet security spend requirements ahead of the completion of the current Asset Management Period ('AMP6'), which ends in March 2020. Demand for our security enclosures across non-water markets has been lower, but we are developing relationships with new customers across various sectors in the transport and energy industries. Our fencing operation continues to focus on engineering higher-security solutions for the protection of critical infrastructure sites including large data centres, military facilities and airfields and, although we have seen fewer large projects in 2019, we remain encouraged by the opportunities for our growing range of tested products, both in the UK and overseas.

Our building products business, supplying composite residential doors, steel lintels and builders' metalwork, saw a slowdown in regional house building activity and consumer confidence in the second half of the year and overall, results were similar year-on-year. Growth in residential door sales was encouraging and we expect our investment in the automation of steel lintel production to deliver future efficiencies. The industrial flooring business continued its restructuring actions during the course of the year and is focusing on its core manufacturing activities, with significant projects in 2019 including the regeneration of the Battersea Power Station in London, where we are designing and supplying riser products in composite materials.

Having undertaken a strategic assessment of the outlook for Weholite Limited, our non-core plastic drainage pipe operation, we concluded that divestment was appropriate and on 5 August 2019 completed its disposal to SDS Limited for a net consideration after costs of £2.0m. In the period prior to disposal the business reported revenues of £5.4m and an underlying operating loss of £0.4m.

USA
Our US utilities businesses have continued their momentum from 2018 and delivered strong organic improvements in both revenues and profitability.

Activity levels in our composite products markets are high and we have seen good demand for our wide range of composite solutions including marine protection, bridge structures, walkways and protective cover boards. We have seen a growing acceptance of composite systems for infrastructure applications and significant projects in 2019 included the provision of protective covers for the Canarsie Tunnel repair project in New York and the construction of new fibreglass walkways in California to allow access to the electricity power lines. The three acquisitions made in the composites market in recent years provide further breadth to the product portfolio and we have successfully realised the planned operational synergies.

The power transmission substation business delivered another impressive performance, growing strongly against challenging prior year comparatives. During 2019 we saw growth in projects for the upgrade of old infrastructure, particularly centred around the north eastern corridor of the USA and we are carrying a strong order book into 2020. With investment programmes across key US utility markets remaining positive and forecast to grow in the medium term, the prospects for further progress are encouraging.

Pipe Supports
Whilst demand levels across our pipe supports operations were lower than the prior year, our focus on operational efficiencies and management of the cost base led to increased profitability and further improvements in operating margins.

In our US business, the requirement for engineered pipe supports in the power sector has been subdued due to a lack of sustained activity in the construction of larger industrial power facilities. In contrast, our industrial hangers business delivered a strong performance, benefitting from a robust commercial construction market, particularly in the north east of the country, and from the realisation of operational efficiencies arising from cost base restructuring and rationalisation of the facility footprint over the last two years.

In India, both the local and international power markets for our engineered pipe supports remain encouraging and we have supplied a number of coal and gas projects across India, the Middle East and Asia during the period. The new cryogenic products that we developed in 2018 have also now started to gain traction and we have delivered projects for both domestic and international customers, with the order book showing encouraging signs for the coming year.

Galvanizing Services

	£m			Constant
	2019	2018	+/- %	Currency %
Revenue	**197.1**	190.4	+4	+2
Underlying operating profit	**41.8**	37.6	+11	+9
Underlying operating margin %	**21.2**	19.7		
Reported operating profit	**40.6**	35.9		

The Galvanizing Services division offers corrosion protection services to the steel fabrication industry with multi-plant facilities in the USA, France and the UK. The division accounts for 28% (2018: 30%) of the Group's revenue and 48% (2018: 47%) of underlying operating profit. Revenue increased by 4% to £197.1m (2018: £190.4m) which included a currency translation benefit of £2.5m. Organic revenue growth was 2%. Underlying operating profit of

Operational & Financial Review (continued)

£41.8m (2018: £37.6m) included a £0.9m currency benefit. The organic profit growth was £3.3m or 9%. Underlying operating margin was 21.2% (2018: 19.7%), the improvement reflecting an increase in average selling prices and the benefit of lower zinc input costs during the year.

Reconciliation of Reported to Underlying Operating Profit	£m 2019	£m 2018
Reported operating profit	**40.6**	35.9
Acquisition amortisation	**1.2**	1.3
Past service pension costs	**-**	0.4
Underlying operating profit	**41.8**	37.6

UK

Our galvanizing businesses are located on 10 sites, four of which are strategically adjacent to our infrastructure products manufacturing facilities.

Whilst overall volumes galvanized in the year were 2% lower than prior year, our strategy of focussing on higher margin work from smaller customers continues to be successful and, alongside an improvement in average selling prices and lower zinc input costs, we delivered both profit and margins ahead of prior year.

USA

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

Infrastructure investment across a wide range of sectors is robust, with a growing exposure to commercial construction supporting demand in the business's more traditional Original Equipment Manufacturer ('OEM') and Bridge & Highway markets. Although volumes were 3% below the same period in 2018, generally reflecting the sectoral spread of projects, the trend away from large structural work has resulted in an increase in average selling prices which, together with further improvements in plant efficiency, delivered growth in profit and margins during the year.

Construction of our new facility in Owego, New York State was completed at the end of 2019 and the plant became operational in January 2020. The facility is strategically adjacent to a number of key existing customers, which has provided a baseload of activity on commencement of production and we are pleased with progress to date. We are now actively assessing sites for further greenfield expansion.

France

France Galva has 10 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.

After a weaker first half, volumes recovered strongly in the second half of the year and overall were 3% above the prior year. Competition remains strong in many sectors and regions and, although the smaller customer market continues to be healthy, there remains a lack of larger construction activity across the country. Despite these factors, we have been successful in maintaining selling prices and the continued focus on the cost base has helped to maintain operating margins.

Financial review

Cash generation and financing

The Group again demonstrated its cash generating abilities with strong cash generated by operations of £98.9m (2018: £87.7m).

The increase in working capital in the year was £12.9m (2018: £6.3m), with the ratio of working capital to annualised sales at 31 December 2019 remaining similar to the prior year at 17.4% (2018: 17.0%). The increase in inventories was £2.4m and predominantly reflects investment in the inventories of recently-acquired businesses. The increase in receivables was minimal at £0.4m, with debtor days remaining in line with the prior year at 61 days. The outflow from movements in payables was £10.1m, generally reflective of variances in the timing of payments to key suppliers compared with the prior year.

Capital expenditure at £47.9m (2018: £32.8m) represents a multiple of depreciation and amortisation of 2.3 times (2018: 1.7 times). The Group invested a total of £16.3m in its fleet of steel and concrete temporary road safety rental barriers during the year, including £15.2m in the UK to meet strong demand from the Government's Road Investment Strategy, and spent £8.6m on construction of the new US galvanizing plant in New York State. Other significant items of expenditure in the year included £2.1m of equipment upgrades that will improve efficiency and productivity in a number of our operations. The Group continues to invest in organic growth opportunities where returns exceed internal benchmarks and our 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 2019 the Group achieved an underlying cash conversion rate of 67% (2018: 78%), or 95% excluding the impact of the £23.8m investments in the UK temporary barrier rental fleet and US galvanizing plant, which will support future growth. Over the past 10 years the Group has achieved an average cash conversion rate of 82%.

	Reported £m	Non-underlying items £m	Underlying £m
Operating profit	69.2	17.1	86.3
Non-cash items	45.8	(13.4)	32.4
Net movement in working capital	(12.9)	(1.0)	(13.9)
	102.1	2.7	104.8
Capital expenditure (net)	(45.6)	(1.3)	(46.9)
Adjusted operating cash flow*	56.5	1.4	57.9
Operating profit	69.2		86.3
Cash conversion %	82%		67%

*Adjusted to include net capital expenditure and to exclude movements in provisions/pensions.

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

Aberdeen Bypass – Hill & Smith Tranzflex connecting into Varley & Gulliver VGSN 1008 parapet, with Flexbeam on the main line below.

Operational & Financial Review (continued)

Group net debt at 31 December 2019 was £215.3m, representing a year-on-year increase of £46.4m including favourable exchange rate movements of £2.9m and after adjusting for the impact of IFRS 16 'Leases', which increased reported net debt at the beginning of the year by £36.0m. The Group's net debt (excluding lease liabilities under IFRS 16) includes 27% denominated in US Dollars and 10% denominated in Euros, which act as a hedge against the net asset investments in overseas businesses.

Change in net debt

	2019 £m	2018 £m
Operating profit	**69.2**	65.2
Depreciation and amortisation*	**37.5**	24.3
Working capital movement	**(12.9)**	(6.3)
Pensions and provisions	**(3.2)**	(2.4)
Other items	**8.3**	6.9
Operating cash flow	**98.9**	87.7
Tax paid	**(14.4)**	(13.3)
Net financing costs paid	**(5.9)**	(3.9)
Capital expenditure	**(47.9)**	(32.8)
Sale of fixed assets	**2.3**	1.2
Free cash flow	**33.0**	38.9
Dividends	**(25.1)**	(23.6)
Acquisitions & disposals	**(46.5)**	(45.8)
Refinancing costs	**-**	(1.0)
New leases and lease remeasurements	**(11.1)**	-
Interest on lease liabilities	**(0.9)**	-
Net issue of shares	**1.3**	(1.2)
Change in net debt	**(49.3)**	(32.7)
Exchange	**2.9**	(3.3)
Opening net debt	**(132.9)**	(96.9)
Effect of adopting IFRS 16	**(36.0)**	-
Closing net debt	**(215.3)**	(132.9)

* Includes £6.2m (2018: £4.8m) in respect of acquisition intangibles and £10.2m (2018: £nil) in respect of right-of-use assets.

The Group made two changes to its principal debt facilities during the period:

- On 10 January 2019 we amended our syndicated revolving credit facility, extending the maturity date from April 2021 to January 2024 and increasing the size by £50m to c.£280m, with no significant impact on costs and no changes to financial covenants.
- On 25 June 2019 we signed an agreement with an institutional investor for a private placement of $70m new senior unsecured notes. The issue consists of two equal tranches with maturities of seven and 10 years respectively. Key covenants are consistent with those in the existing syndicated credit facility.

These changes provide us with extended certainty of funding and further increase the headroom available to the Group in order to pursue growth opportunities. Following the changes, at the year end the Group had committed debt facilities available of £330.9m and a further £13.7m in overdrafts and other on-demand facilities.

Maturity profile of debt facilities

	2019		2018
On demand	**£13.7m**	On demand	£11.3m
2020-2023	**£1.6m**	2019-2020	£0.8m
2024	**£276.3m**	2021	£231.9m
2026	**£26.5m**		
2029	**£26.5m**		

Both the syndicated revolving credit facility and the senior unsecured notes are subject to covenants which are tested biannually on 30 June and 31 December. The covenants require that the ratio of EBITDA (adjusted profit before interest, tax, depreciation and amortisation as defined in the facility agreement) to net interest costs exceeds four times and require the ratio of net debt to EBITDA to be no more than three times. The results of the covenant calculations at 31 December 2019 were:

	Actual	Covenant
Interest Cover	17.9 times	> 4.0 times
Net debt to EBITDA	1.6 times	< 3.0 times

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

Net finance costs

	2019 £m		2018 £m	
Underlying net cash interest:				
Loans/overdrafts	**6.0**		3.8	
Lease liability unwind	**0.9**	**6.9**	-	3.8
Non underlying:				
Net pension interest	**0.5**		0.6	
Refinancing items	**-**	**0.5**	1.0	1.6
		7.4		5.4

Net financing costs in the year were £7.4m (2018: £5.4m). The net cost from pension fund financing under IAS 19 was £0.5m (2018: £0.6m) which, given its non-cash nature, continues to be treated as 'non-underlying' in the Consolidated Income Statement. Non-underlying financing costs also include items relating to refinancing activities, comprising £0.9m amortisation of costs capitalised against the relevant borrowings and a £0.9m modification gain arising in accordance with IFRS 9. The underlying cash element of net financing costs increased by £2.2m to £6.0m (2018: £3.8m), the change reflecting higher average interest rates in the US compared with 2018, higher levels of average net debt resulting from acquisitions and capital investment programmes, and higher borrowing rates on the senior unsecured notes entered into during the year. The adoption of IFRS 16 results in a non-cash financial expense of £0.9m, representing the unwind of the discount of the Group's future lease liabilities. Underlying operating profit covered underlying cash interest 14.4 times (2018: 21.1 times). Reported operating profit covered total reported interest 9.4 times (2018: 12.1 times).

Return on invested capital ('ROIC')

The Group aims to maintain ROIC above its pre-tax weighted average cost of capital with a long term target return of 20%. In 2019, Group ROIC was 15.9% (2018: 17.9%), the reduction largely reflecting the impact of acquisitions, which are generally dilutive in the year of purchase, significant capital investment projects undertaken during the year, and the impact of adopting IFRS 16, which reduces ROIC by 90 basis points as a result of the addition of right-of-use assets to the asset base. 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, provisions, retirement benefit obligations and derivative financial instruments, and therefore includes goodwill and other acquired intangible assets. On a reported basis, ROIC was 12.8% (2018: 14.6%).

	Group ROIC	Reported ROIC
Operating profit (£m)	86.3	69.2
Average invested capital (£m)	541.7	541.7
ROIC %	15.9%	12.8%

Exchange rates

Given its geographical spread, the Group is exposed to movements in exchange rates when translating the results of overseas operations into Sterling. Retranslating 2018 revenue and underlying operating profit using 2019 average exchange rates would have increased the prior year revenue by £6.7m and increased underlying operating profit by £1.4m, the movements primarily reflecting the impact of Sterling's depreciation against the US Dollar compared with the prior year. Exchange rates continue to move in line with worldwide events and currency flows and hence are inherently difficult to predict, but will continue to have an impact on the translation of overseas earnings in 2020. Retranslating 2019 revenue and underlying operating profit using exchange rates at 25 February 2020 (inter alia £1 = $1.30 and £1 = €1.20) would reduce the revenue and underlying operating profit by £9.8m (1%) and £0.9m (1%) respectively. For the US Dollar, a 1 cent movement results in a £2.2m adjustment to revenue and a £0.4m adjustment to underlying operating profit, while the equivalent impacts for a 1 cent movement in the Euro are £0.6m and £0.1m respectively.

Non-underlying items

The total non-underlying items charged to operating profit in the Consolidated Income Statement amounted to £17.1m (2018: £14.9m) 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	(1.9)	(0.1)	(0.6)	(1.2)
Impairment charges	(7.0)	-	-	(7.0)
Amortisation of acquisition intangibles	(6.2)	-	-	(6.2)
Acquisition-related expenses	(1.8)	(2.0)	-	0.2
Gain on disposal of property held for sale	0.5	1.3	-	(0.8)
Loss on disposal of subsidiary	(0.7)	2.0	-	(2.7)
	(17.1)	1.2	(0.6)	(17.7)

- Business reorganisation costs of £1.9m and impairment charges of £0.2m in respect of right-of-use assets relate to actions taken in Scandinavia following the disappointing performance in 2019. In Sweden we have announced the closure of underperforming depots and restructured the management team, while in Norway we have announced the closure of the business and our exit from that geography. The total costs of £2.1m include £0.1m of cash spend in the year, £0.6m of cash costs that will be incurred in 2020 and £1.4m of non-cash asset write-downs.
- The remaining impairment charge of £6.8m includes a full impairment of the goodwill and intangible assets relating to the Group's acquisitions in Sweden, which comprise the acquisition of ATA Bygg-Och Markprodukter AB in 2011 and the smaller bolt-on acquisitions of FMK Trafikprodukter AB and Signalvakter Syd, in 2016 and 2018 respectively, all of which were integrated into a single business unit. Despite reasonable outturns in recent years, albeit marginally below expectations, in 2019 the combined business has experienced a significant deterioration in its results due principally to changes in market conditions, notably price erosion as a result of strong competition. Consequently, an impairment review was performed at 31 December 2019 resulting in a full impairment of the goodwill and remaining book value of acquired intangible assets, reflecting a short/medium-term outlook for the business that is materially below that anticipated at the time of the acquisitions.
- Non-cash amortisation of acquired intangible fixed assets was £6.2m (2018: £4.8m), the increase reflecting the acquisitions made by the Group during the current and prior year.
- Acquisition related expenses of £1.8m (2018: £2.2m) reflect costs associated with acquisitions, including a net credit of £0.2m relating to future consideration payments to previous owners of the acquired businesses, the terms of which require those costs to be treated as a post-acquisition employment expense in accordance with IFRS 3 (Revised).
- During the period the Group completed the disposal of a property that had been held for sale at 31 December 2018, for consideration of £1.3m resulting in a gain of £0.5m.
- In August 2019, following a strategic review the Group completed the disposal of Weholite Limited, a non-core plastic drainage pipe operation, for a net consideration (after costs) of £2.2m. Net assets disposed were £2.9m resulting in a loss on disposal of £0.7m.

The net cash impact of the above items was an inflow of £1.2m in the year, a £0.6m outflow expected in 2020 and a non-cash element therefore amounting to £17.7m. 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 £13.4m (2018: £12.6m). The underlying effective tax rate for the Group was 19.5% (2018: 19.6%), which is lower than the weighted average mix of tax rates in the jurisdictions in which the Group operates as a result of the benefit of tax efficient financing arrangements, the successful conclusion of tax uncertainties related to prior years and adjustments to anticipated withholding tax charges relating to the unremitted earnings of operations in France. Cash tax paid was £14.4m (2018: £13.3m), broadly in line with the Group's current tax charge for the year of £15.1m (2018: £13.6m).

The Group's net deferred tax liability is £7.7m (2018: £6.3m). A £7.9m (2018: £8.6m) deferred tax liability is provided in respect of brand names, customer relationships and other contractual arrangements acquired, while a further £0.3m (2018: £0.6m) 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, contractual arrangements and properties are amortised.

Operational & Financial Review (continued)

Earnings per share

The Board believes that underlying earnings per share ('UEPS') gives the best reflection of performance in the year as it takes out the impact of non-underlying items (as described in note 3). UEPS for the period under review increased by 4% to 80.7p (2018: 77.8p). The diluted UEPS was 80.3p (2018: 77.2p). Basic earnings per share was 61.1p (2018: 59.9p). The weighted average number of shares in issue was 79.2m (2018: 78.8m) with the diluted number of shares at 79.6m (2018: 79.5m) adjusted for the outstanding number of dilutive share options.

Pensions

The Group operates a number of defined contribution and defined benefit pension plans both in the UK and overseas. The IAS 19 deficit of the defined benefit plans as at 31 December 2019 was £19.9m, a reduction of £3.1m compared to 31 December 2018 (£23.0m). The reduction in the overall deficit relates principally to the UK scheme and was largely driven by investment outperformance and deficit recovery payments during the year, which more than offset the effect of an 80 basis point reduction in the discount rate, in line with movements in bond yields.

The Group's UK defined benefit pension scheme, The Hill & Smith 2016 Pension Scheme (the 'Scheme'), remains the largest employee benefit obligation within the Group. In common with many other UK companies, the Scheme is mature having significantly more pensioners and deferred pensioners than active participating members and is closed to new members. The IAS 19 deficit of the Scheme as at 31 December 2019 was £14.8m (2018: £17.6m). The gross assets and liabilities of the Scheme were each reduced by £1.4m during the year as a result of transfer values taken by members.

The Group remains actively engaged in dialogue with the Scheme's Trustees with regard to management, funding and investment strategy. A formal actuarial valuation of the Scheme as at April 2019 was finalised early in 2020, alongside an update to the investment strategy, resulting in the Group agreeing a deficit recovery plan with the Trustees that requires an increase in cash contributions to £3.7m per annum (previously £2.5m per annum) until September 2027. The next triennial valuation will be as at April 2022.

Acquisitions

The Group completed three acquisitions in 2019:

- In February 2019 we acquired ATG Access Limited for a net cash consideration of £23.5m. Intangible assets arising on the acquisition amounted to £28.5m, comprising customer relationships of £5.2m, patents and intellectual property of £4.2m, brands of £3.6m and residual goodwill of £15.5m.
- In September 2019 we acquired Parking Facilities Limited for a net consideration of £14.0m. Intangible assets arising on the acquisition amounted to £11.8m, comprising customer relationships of £9.1m, brands of £0.9m and residual goodwill of £1.8m.
- In December 2019 we acquired Signpost Solutions Limited for a net consideration of £6.4m. Intangible assets arising on the acquisition amounted to £5.1m, comprising customer relationships of £1.2m and residual goodwill of £3.9m.

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

New International Financial Reporting Standards

IFRS 16 'Leases' is applicable to reporting periods beginning on or after 1 January 2019, and has therefore been adopted by the Group. The standard, which replaces IAS 17, requires lessees to recognise a lease liability reflecting the discounted value of future lease payments and a right-of-use asset, for all applicable lease contracts. The Group has a portfolio of leases that are affected by this change, predominantly relating to properties that are leased for manufacturing and distribution activities together with items of plant, machinery and vehicles. The introduction of the new standard has resulted in an increase in the Group's underlying operating profit in 2019 of £1.2m and an increase in financial expense of £0.9m, with no material impact on underlying earnings per share. The Group's net debt at 31 December 2019 also increased by £40.0m. The Group has chosen to adopt the modified retrospective approach on transition, meaning that comparative information for prior periods has not been restated. Further information explaining the impact of the new standard on the Group's results for the period is set out in the Group Accounting Policies on page 116.

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.

Derek Muir
Group Chief Executive

Hannah Nichols
Group Chief Financial Officer

4 March 2020

Case Study

Consideration of s172 and the Board's decisions on the impact of the Group's operations on the community and the environment and the desirability of the Group to maintain a reputation for high standards of business conduct.

1. During the Board's consideration of a potential acquisition of a company operating in the US in markets well known to the Group, management presented its due diligence findings which highlighted certain environmental risks that could have had adverse impact on the community in which the business was based and an adverse reputational impact on the Group. The Board considered the importance of the Group's reputation with its customers, employees and the local community and notwithstanding the financial benefits of undertaking the acquisition, it concluded that it was best for the long-term success of the Group not to proceed with the acquisition.

2. During the Board's consideration of developing a new galvanizing plant, management presented a business case for a new build in Tioga County, New York State. Meetings were held with the Tioga County Dept. of Economic Development & Planning to understand the area and its economic environment. After much discussion management identified a property that they considered was the right location for our next galvanizing operation. Due diligence indicated that the construction of the factory would involve 150 construction jobs over a twelve month period and that when complete the facility would employ 40 – 50 full time jobs. In considering this location, management considered the access to employment opportunities that would arise for the local community, where 83% were between the ages of 25 and 54, with 8.4% not having a high school diploma and 11.2% living below the poverty level. The Board considered the benefits of developing this site in Owego as opposed to other potential areas and considered that it was in the bests interests of the community and local environment of Tioga County and in maintaining and fostering business relationships with new and existing suppliers and customers, concluding that the investment in an eighth plant for V&S Galvanizing in Owego was in the best long term interests and promoted the success of the Group and therefore approved the business case. The new plant opened in December 2019.

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

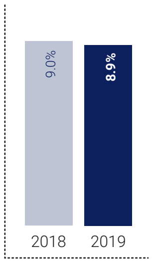
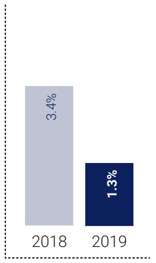
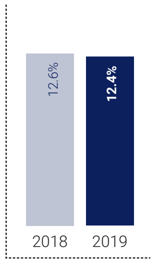
The first ever dip at V&S Galvanizing's eighth plant in Owego, NY, USA.

Measuring Our Performance

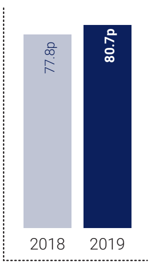
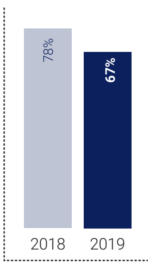
The Board has adopted certain financial key performance indicators ('KPIs'). Other similar performance indicators are used at subsidiary business level and adapted to suit the diversity and variety of the Group's operations. Other non-financial KPIs can be found on pages 40 and 52.

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**
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.
KPI definition	Annual % growth in total revenue. Annual % organic growth in revenue.	Underlying operating profit as a % of total revenue.
2019 performance	Total growth  Organic growth 	Down 20bps 
Comment	Organic revenue growth in 2019 was 1.3% with contributions from all three of the Group's segments. Total growth was higher at 8.9%, mainly as a result of acquisitions made during the current and prior year.	The Group's underlying operating profit of £86.3m represents a 12.4% return on sales, with the reduction from 2018 (12.6%) reflecting challenges in the Group's Scandinavian operations.

Strategic Report
Governance Report
Financial Statements
Shareholder Information

Underlying earnings per share ('UEPS') growth	Free cash flow	Return on invested capital ('ROIC')
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.	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.
Underlying profit after tax for the year divided by weighted average number of ordinary shares.	Underlying free cash flow divided by underlying operating profit. Underlying free cash flow is defined as underlying 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, provisions, retirement benefit obligations and derivative financial instruments.
4% growth 	Down 11ppts 	Down 2ppts 
The Group's UEPS for 2019 is 80.7p, an increase of 4% compared with 2018. Key factors were the contribution from organic revenue growth and acquisitions completed during the current/prior year.	The Group achieved an underlying cash conversion rate of 67% in 2019 (2018: 78%), or 95% after excluding strategic capital investment programmes undertaken during the year. Working capital increased by £12.9m during the year, while capital expenditure at £47.9m represented a multiple of depreciation and amortisation of 2.3 times (2018: 1.7 times).	The Group aims to achieve ROIC that exceeds its weighted average cost of capital, with a target range of 17% to 20%. In 2019 the Group achieved ROIC of 15.9% (2018: 17.9%), the change largely reflecting acquisitions during the year and the impact of strategic capital investments made to support future growth prospects. The adoption of IFRS 16 has also reduced ROIC by 90bps.

Risk Management and Assurance

Responsibilities

Effective risk management is critical to the achievement of our strategic objectives of portfolio management, geographical diversification, entrepreneurial management and targeted growth returns. All our subsidiaries hold leading positions in the provision of galvanizing services, or the design, manufacture and supply of infrastructure and security products and the Group benefits from a risk management system that is integrated into the daily business activities of these subsidiaries.

Whilst the Board has delegated the review of risk to the Audit Committee, the Board is responsible for the overall stewardship of our system of risk management and internal control. It has established the level of risk that is acceptable to our businesses in the pursuit of our strategic objectives. It has also set delegated authority levels to provide the framework for assessing risks and ensuring that they are escalated to the appropriate levels of management, including up to the Group Board where appropriate, for consideration and approval.

Risk Appetite

The Group operates a tiered approach to risk management, with risk registers at each subsidiary linked to the appropriate strategic objectives and flows of risk appetite, information and assurance as outlined in Figure 1.

In common with every successful company, the Board accepts risk in pursuit of its strategic objectives. Hill & Smith Holdings PLC assesses the risk of action (or inaction) as part of every decision and does not allow the Company to take risks that would harm the long-term interests of its strategy, shareholders and stakeholders, including the environment.

In practice, this might mean:

- pursuing or not pursuing an acquisition, or requiring greater assurance and comfort before proceeding through our robust due diligence process;
- not entering geographic locations where bribery and corruption is accepted or tolerated; or
- not using certain chemicals or treatments (or changing existing treatments) that are harmful to the environment.

A single statement signifying the risk appetite of the Group is difficult to articulate due to its diverse nature, geographic locations, markets and products. The Board will be giving further thought to this during 2020. However, the Board believes that it effectively demonstrates its risk appetite by the decisions it has made during the course of the year.

Risk Framework

The Risk Management Framework is, by definition, only an outline of the approach to risk management across the Group and its elements are summarised in Figure 2. It wraps around the implementation of specific compliance programmes and internal controls and is supported by the internal and external audit programmes and a range of external accreditation schemes. In addition, the Group's entrepreneurial management culture at subsidiary level means that individual businesses are able to add additional elements. This ensures risk management is effectively embedded in a way that fits each particular operating environment and risk horizon. Within this framework the following roles and responsibilities exist.

The Group Board:

- retains overall ownership and accountability for risk management;
- ensures the Directors have the appropriate skills, knowledge and experience to effectively assess the Group Principal Risks and carry out their duties effectively;
- establishes the Group Principal Risks and oversees the management of these;
- establishes the Group risk appetite; and
- leads on the external reporting of risk and viability.

Figure 1
Approach to risk management

Figure 2 Risk Management Framework

Governance

Culture and strategy | Risk appetite | Reporting and assurance

Core risk management

Identify → Assess and quantify → Manage → Monitor

Infrastructure

Tools, systems and data | Policies and procedures | Roles and responsibilities

The Audit Committee supports the Group Board by:

- monitoring and testing the Risk Management Framework, appetite and associated internal controls;
- ensuring there is a link between the Group Principal Risks and the Group's internal and external audit programme;
- reviewing sufficient internal and external sources of assurance and information to enable it to recommend to the Group Board where changes may be needed to the Risk Management Framework or Group Principal Risks; and
- reviewing in detail all external reporting.

The Risk Committee:

- acts as a conduit between the Group and subsidiary risk registers, supporting the dissemination of the Risk Management Framework and appetite down to the subsidiaries and flow of assurance up to the Group Board;
- supports the executive team to embed the Risk Management Framework by designing and implementing supporting systems, procedures, tools and training;
- proactively analyses and challenges the assessment, management and monitoring of subsidiary risk registers and day-to-day risk management; and
- ensures the Group Board and Audit Committee are provided with sufficient information in order to discharge their responsibilities effectively.

The executive team:

- ensures each subsidiary is effectively embedding the Group Risk Management Framework and is maintaining a current live risk register that is actively managed; and
- oversees completion of all required Group reporting of risk with escalation of any significant matters to the Risk Committee in a timely manner.

Externally and Internally Operable Access Covers, supplied by Technocover Ltd to the Cardiff Bay Barrage.

Risk Management and Assurance (continued)

Risk in 2019

Risk Committee

The Risk Committee receives reports from the subsidiaries on their individual risks. The Committee met formally three times during the year and comprises the Group Company Secretary, the Group Financial Controller, the Assistant Company Secretary, the Group Internal Audit Manager, the Group's Director of Corporate Development and, since her appointment, Hannah Nichols, our Group Chief Financial Officer, as well as three representatives from our subsidiaries.

The Committee reviews and validates the subsidiary reports, before presenting a Group-wide report to the Audit Committee for discussion on both subsidiary risk and Group risk. Challenging feedback is provided by the Audit Committee to further question the validity and mitigations of the risks presented and to identify others not already considered. This process ensures that risks are not just the product of a bottom-up approach but are also examined from a top-down perspective via an integrated senior management approach, which is closely aligned with the Group's strategy.

Additionally, as part of our commitment to continuously evaluate our strategy and product offering, the Risk Committee has thoroughly considered the issue of 'emerging risk' in the context of future threats and opportunities to the Group's business model and strategy.

During discussions, the Committee considered the increased use of technology in our products to support driverless vehicles and 'smart motorways', different methods of treating metal to increase their longevity and how the Group can address the increasing focus on maintaining high environmental standards.

Furthermore, the Board received an external presentation as part of their strategy assessment which discussed the identification and management of emerging risk. This presentation reviewed the Group's strategy through the lens of emerging risk and the technological advancements that the Group could take advantage of in the future which would complement our existing suite of products, including new safety and security products, more efficient safety checks and developments for autonomous vehicles.

The Risk Committee will continue to evaluate emerging risk during 2020 and make appropriate recommendations to the Audit Committee, if necessary.

Risk Analysis

As part of the challenging validation approach and due to the changing political environment in the UK, Europe and the US, the Board reviewed in depth feedback from the subsidiaries and the Risk Committee on the Group's Principal Risks.

Following detailed debate, the Board concluded that the Group's Principal Risk Register continued to reflect the principal risks the business faced.

No changes were proposed to the scoring of the risks, with the exception of:

'Failure to recruit and retain employees' as this was highlighted by a number of subsidiaries as a key risk in 2019. However, this risk is mitigated by the diverse spread of businesses across the world and within each country. Therefore, the profile of the risk is only 'slightly higher' than in 2018; and

'Changes in Global outlook and geoploitical environment' where the Board considered the continuing increase in geopolitical and trade tensions across the world. More recently, the Board has also considered the impact of COVID-19. The outbreak is a developing situation, and at this point the Board is not in a position to speculate on the duration nor its future impact on the business. However, although the Group has seen no material impact to the business, and will continue to monitor the situation closely, the Board determined that when taking this issue into account with other uncertain political matters around the World, that the profile of the risk is 'slightly higher' than in 2018.

The Committee discussed at length the effect of Brexit. While the UK has now formally left the European Union, the issue is unlikely to be settled in the immediate future. Our assessment therefore remains, that Brexit is an event that increases the probability and/or impact of the Group's 12 principal risks rather than existing as its own risk. Specifically:

- an increase in competitive pressure as raw material prices increase due to a weakening in Sterling;
- an increase in competitive pressure as raw material prices increase due to a change in import tariffs;
- an increase in supply chain failure as a "no deal" Brexit might have implications on supply and warehousing capacity;
- an increase in supply chain failure as transportation and bureaucracy cause import delays;
- a change to Government spending plans may impact UK-based investment decisions, although we would expect infrastructure spend to increase in the event that the wrong or "no Brexit" deal causes uncertainty in the UK economy; and
- changes in global outlook and political environment as concern grows that different safety standards may be applicable between the UK and the EU.

Risk Activities

Other activities undertaken to enhance the Group's approach to risk generally in 2019 included:

- delivering in-depth face-to-face training to all subsidiaries in the UK and USA on the identification of risk and opportunities arising from their strategic plans;
- strategy meetings and risk seminars for our subsidiaries, and visits to those subsidiaries who requested additional training;
- in-depth discussions within the Risk Committee on the individual subsidiary risk submissions;
- increasing best practice sharing and resources available for the subsidiaries to manage risks; and
- continuously working to improve Board reporting, developing reporting tools for our subsidiaries to help them embed risk identification and articulation into their business processes.

Risk in 2020

The key focus during 2020 will include:

- implement new risk management software and embed this within our subsidiaries during H1 in order to improve the efficiency of reporting to the Group from our subsidiaries;
- continued assessment of the principal risks facing the Group and subsidiaries including those that might threaten the Group's business model, future performance, solvency and liquidity;
- continual on site work with all subsidiaries to align risks with strategy;
- in-depth review of mitigation activities and the concept of controls and assurance. Paying particular attention to the levels of assurance available at subsidiary level;
- further work to mature the risk management processes within our subsidiaries, particularly by increasing the range of methods used to assess the effectiveness of risk mitigations using Key Risk Indicators (KRIs);
- continued evaluation of emerging risks that might disrupt the business models and strategies of our subsidiaries; and
- assessment of methods in risk management and internal controls to ensure that our approach remains up to date and appropriate for a Premium Listed issuer.

Completed in July 2019, the Ayrshire Roads Alliance underwent an extensive realignment scheme in Glenbuck using over 1000m of Hill & Smith's SPR4 Vehicle Restraint System on the A70.

Principal Risks and Uncertainties

Economic

Risk: Changes in Government spending plans

Trend: No change

Link to strategy

Description and potential impact

The Group generates the majority of its revenues from its operations located in the UK and the USA. A reduction in UK or US Government infrastructure spending, particularly in relation to national roads infrastructure in the UK, could reduce demand for our products and services. This includes the impact of Brexit which remains difficult to determine.

The financial burden on both Governments from economic downturn may lead to reduced spending in the principal markets in which the Group operates.

Mitigation

- Our existing entity portfolio contains a diversity of product, market and territory and we will continue with this approach. External strategy review completed in 2018 and mitigating opportunities identified.
- Market and product development initiatives.
- Co-operation between Group businesses, leveraging the Group's size/international footprint and exploiting synergies.
- Monitoring of UK businesses and the effects of Brexit.
- Exposure to longer term infrastructure investment programmes.

Economic

Risk: Changes in global outlook and geopolitical environment

Trend: Slightly higher

Link to strategy

Description and potential impact

The Group operates in a range of end-user markets around the world and may be affected by political, economic or regulatory developments in any of these countries.

Material adverse changes in the political and economic environments in the countries in which we operate, have the potential to put at risk our ability to execute our strategy.

As an international group operating in six countries and selling into numerous others the impact of Brexit is difficult to quantify.

The global outbreak of the COVID-19 virus is a developing situation, and at this stage we are not in the position to speculate on its future impact on the business.

Mitigation

- The Group has a diverse portfolio of businesses with exposure to a range of markets and geographies, limiting exposure to any one country or market sector.
- Current and future financial performance is continuously monitored, facilitating rapid response to changes in market conditions.
- The Group is closely monitoring on a business-by-business basis, the identified operational and financial risks arising from the UK's exit from the EU.
- In respect of the COVID-19 virus, Group companies had purchased raw materials ahead of the Chinese New Year and this offers some mitigation in the short term. Companies have also been provided with a list of actions to implement to mitigate any issues.

Commercial & Financial

Risk: Increase in competitive pressure

Trend: No change

Link to strategy

Description and potential impact

Increased volatility, uncertainty and slowdown in our markets could result in increased prices and the emergence of new technologies, leading to a loss of customers and/or pricing pressure and as a consequence a loss of sales and reduced profits.

The impact of Brexit may lead to a change in trade tariffs and/or a weakening of sterling, causing a resultant increase in prices for raw materials and this will be unknown until the end of the 'transition period' on 31 December 2020.

Mitigation

- The holding of leading positions in niche markets of infrastructure products and galvanizing services with high barriers to entry.
- In line with our entrepreneurial model, our decisions are made close to our markets and our businesses are agile and responsive to changes in their competitive landscape.
- Regular subsidiary Board meetings that review market and customer activity.
- Our subsidiary businesses aim to provide superior products and high service levels to customers, whilst aiming to ensure there is no dependency on any one particular customer.

Portfolio management   Geographic expansion   Target returns and leverage   Entrepreneurial culture

Commercial & Financial

Risk: Product failure

Trend: No change

Link to strategy

Description and potential impact

The Group operates in infrastructure markets where it is critical that its products meet customer and legislative requirements and where the consequences of product failure are potentially serious.

Significant product failure arising from component defects or warranty issues may require remediation including the replacement of defective components or complete products, resulting in direct financial costs to the Group and/or wider reputational risk.

Mitigation

- Products tested, approved and accredited by regulatory bodies.
- Quality control protocols fully implemented and continuously monitored.
- Contractual controls in place to minimise economic impacts.
- Insurance cover maintained globally with insurance partners.
- Litigation supported/managed by external legal specialists.
- Thematic review recommendations made in 2019 for prioritisation during 2020.

Commercial & Financial

Risk: Contractual failure

Trend: No change

Link to strategy

Description and potential impact

The Group delivers its commitments to its customers through a variety of contractual arrangements of both a short and medium-term nature.

Weaknesses in the contract tendering process, inappropriate pricing, misalignment of contract terms, ineffective contract management or failure to comply with contractual conditions could result in loss of revenues, pressure on operating margins and wider reputational damage to the Group.

The availability of debt finance to some of our markets sectors may change as lenders' appetite for risk decreases.

Mitigation

- Group material contract review process ensures specialist central oversight of key contractual arrangements.
- Contracts training for key staff.
- Dedicated quantity surveyors and contracts managers embedded in subsidiary management structures to control projects.
- Litigation supported/managed by external legal specialists.
- Insurance cover maintained globally with insurance partners.

Operational

Risk: Supply chain deficiency

Trend: No change

Link to strategy

Description and potential impact

The Group's businesses depend on the availability and timely delivery of raw materials and purchased components, which could be affected by disruption in its supply chain. A small number of businesses use supply chains from both the Far East and the USA.

Supply chain failures as a result of performance, cost, quality and/or insolvency may have an adverse impact on the Group's production capacity and lead to an inability to meet customer requirements, resulting in reduction in revenues, potential loss of market share and possible reputational damage.

Mitigation

- Group procurement standards in place, including robust due diligence of supply chain partners and requiring dual sourcing where available.
- Maintenance of relationships with key suppliers through regular interaction and assessment of performance/ financial status.
- Oversight of material procurement contracts ensuring robust contractual protections.
- Goods inwards and stock management processes in place to reduce the likelihood of defects in or shortage of raw materials.
- Contingency plans are in place within the relevant businesses and throughout the supply chain to mitigate these risks, such as purchasing additional stock of key raw materials and securing additional supply chain capacity.

Portfolio management | Geographic expansion | Target returns and leverage | Entrepreneurial culture

Principal Risks and Uncertainties

Operational

Risk: Weakness in IT systems

Trend: No change

Link to strategy

Description and potential impact

The Group relies on the information technology systems used in the daily operations of its subsidiaries.

A failure or impairment of those systems or any inability to effectively implement new systems could cause a loss of business and/or damage to the reputation of the Group, together with significant remedial costs.

Breakdowns in controls and security procedures could cause the Group to become susceptible to cyber risks.

Mitigation

- External specialist support with the development and oversight of IT system change programmes.
- Disaster recovery plans documented, tested and monitored by Group businesses.
- The Group's Policy Manual incorporates IT policies in respect of system back-up procedures and hardware/software protection.
- The Board maintains a watching brief on IT risks, particularly cyber risk, and commissioned a project of improvement for 2019.
- Report recommended the formalisation of an IT infrastructure.
- Separate IT systems within each of the businesses means that any illegal external activity is focused on a subsidiary rather then the Group as a whole.

Operational

Risk: Acquisition strategy failure

Trend: No change

Link to strategy

Description and potential impact

The Group's growth strategies include the acquisition of businesses around the world that complement or supplement its existing activities.

Failure to execute an effective acquisition and integration programme would have a significant impact on the Group's ability to generate sustainable profitable growth for shareholders.

Mitigation

- External strategy review completed in 2018, providing a road map for future M&A activity, and acted upon during 2019.
- Board approval required for Group acquisitions, in line with the Group Board's Schedule of Matters Reserved.
- Due diligence protocols deployed in relation to assessment of target businesses, including financial, commercial, legal and others where appropriate.
- Contractual protections and assurances sought from sellers to mitigate subsequent identification of risks.
- '100 Day' post-acquisition integration plan established for all material acquisitions with regular performance monitoring and reporting to the Board.

Operational

Risk: Lack of product development and innovation

Trend: No change

Link to strategy

Description and potential impact

The Group operates in global infrastructure markets where continuous innovation is integral to the Group's product offering and where a failure to innovate could result in product obsolescence, the entry of new competitors and/or loss of market share.

The development of new products and technologies carries risk including the failure to develop a commercially viable offering within an acceptable timeframe.

Mitigation

- Entrepreneurial culture established through a decentralised management structure, ensuring that Group businesses are agile and responsive to changes in their competitive environments. The Group actively encourages and supports research and development programmes at subsidiary level where knowledge of the market and needs of our customers is greatest.
- Executive Board approval of product development proposals within the Group's capital spend approval policies. Active Intellectual Property management, by individual business units overseen by Group. Dedicated quality compliance resources in place across Group businesses, ensuring responsiveness to regulator and/or customer approval requirements.
- Board monitoring of emerging risks alongside external specialist support, where both the risks identified and the potential opportunities arising are considered.

Portfolio management | Geographic expansion | Target returns and leverage | Entrepreneurial culture

Human Resources

Risk: Failure to recruit and retain employees

Trend: Slightly higher

Link to strategy

Target returns and leverage; Portfolio management; Geographic expansion

Description and potential impact

The Group encourages an entrepreneurial culture through a decentralised management structure.

The changing nature of the demographics from which we source our employees and the ways in which they like to work can make it difficult to attract and retain both skilled and unskilled labour as well as hampering our ability to attract, develop and retain high-quality individuals in key positions and could affect the long term success of the Group.

Mitigation

- Implementation of contractual protections and retentions in employment contracts of senior management and other key employees.
- Training and development of employees, which includes a programme of IOD and ILM courses for senior management and identified potential successors, and apprenticeship and other vocational courses for specialist and technical roles.
- Appropriate remuneration and benefits, together with bonus opportunities and incentive plans offered to employees.
- Recruitment process developed to include competency requirements and skills gap analysis.

Legal & Regulatory

Risk: Failure to comply with applicable health and safety legislation

Trend: No change

Link to strategy

Target returns and leverage; Entrepreneurial culture

Description and potential impact

The Group operates a number of manufacturing facilities around the world.

A failure in the Group's health and safety procedures could lead to environmental damage or to injury to or death of employees or third parties, with a consequential impact on operations and the increased risk of regulatory or legal action being taken against the Group. Any such action could result in both financial damages and damage to reputation.

Mitigation

- Regular health and safety monitoring, supported by an external independent health, safety and environmental consultant, both in the UK & the US. Use of an online 'safety cloud' reporting framework.
- UK & US Health & Safety Forums monitor performance and share best practice.
- Culture of zero tolerance in respect of health & safety violations promoted by the Board and disseminated throughout Group businesses supported with appropriate HR policies and the Business Code of Conduct.
- External health and safety accreditations and relationships maintained with regulatory bodies.
- Health and safety as a priority area of focus for new acquisitions.
- Any incident with serious outcomes is followed up and investigated thoroughly and improvement recommendations are implemented to minimise any reoccurrence.

Legal & Regulatory

Risk: Violation of applicable laws and regulations

Trend: No change

Link to strategy

Target returns and leverage; Entrepreneurial culture

Description and potential impact

The Group's global operations must comply with a range of national and international laws and regulations including those related to anti-bribery and corruption, human rights and employment, GDPR, trade/export compliance and competition/anti-trust.

A failure to comply with any applicable laws and regulations could result in civil or criminal liabilities and/or individual or corporate fines and could also result in debarment from Government-related contracts, restrictions on ability to trade or rejection by financial counterparties as well as reputational damage.

Mitigation

- Group Code of Conduct sets out required approach for all staff.
- Staff training provided on Anti-Bribery and Corruption and Competition Compliance.
- Programme of audits undertaken on a cyclical basis to review subsidiary compliance with regulatory requirements, including for example simulated 'dawn raids'.
- Software solutions implemented globally to ensure compliance with trade and export legislation.
- Externally hosted whistleblowing hotline available to all employees to allow them to raise concerns in confidence or anonymously, if preferred.
- Modern Slavery compliance programme continued through 2019.
- Toolkits issued to all UK subsidiaries to aid compliance with local GDPR and continued training provided throughout 2019.

Portfolio management | Geographic expansion | Target returns and leverage | Entrepreneurial culture

Corporate Responsibility

Responsibility

We recognise that to be successful in achieving our strategy of sustainable profitable growth it is essential that we act responsibly in all our businesses and towards all people who are stakeholders in them: our employees, our customers and suppliers and the communities in which we operate.

The Group is increasingly aware of its shareholders' interest in the way we manage our Corporate Responsibility or Environmental, Social and Governance ('ESG') risk across our business and how we act as a corporate citizen. We are committed to implementing the correct policies and procedures relating to the sustainability of the environment and to the successful delivery of an effective health and safety system, as well as ensuring that the people connected with the Group behave in the right way, complying with all local legal and regulatory requirements.

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

- Communication across the businesses;
- Implementation of supporting principles; and
- Monitoring performance and improvements.

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

Whilst we are conscious of the work done by the United Nations and the development of their sustainable development goals, we have chosen to report our work in the area of Corporate Responsibility within the parameters of ESG whilst we continue to review our approach to sustainability and the benefits we can and do bring to our employees, our customers, our environment and to other stakeholders.

Environmental

The Group places a high priority on meeting its environmental sustainability responsibilities within the geographies in which it operates and is aware that its products can also contribute to protecting the environment.

Biodiversity

Our Composites Group in the US use fibre-reinforced polymers to manufacture bicycle, equestrian, light vehicle and pedestrian bridges that offer both environmentally sensitive and aesthetic solutions for demanding trail bridge requirements. These bridges are lightweight and portable and can be carried into National and State parks without the need to deliver into these areas using vehicular transport and can be installed by hand, negating the need to bring heavy machinery into the parks and thereby avoiding damage to sensitive environments and animal habitats.

The Group also manufactures structures used for berthing, mooring and the approach to mooring for boats, ships and ferries. Traditionally, wood has been the material of choice for such structures. However, the Group produces these structures from FRP as, unlike wood and steel, it is resistant to the rot caused by constant exposure to sun and water and cannot be inhabited or damaged by marine life, nor is it impacted by corrosion from water, salt or chemicals. These structures or 'dolphins' are also easier to install at less cost to the customer and to the environment.

Climate change

Each business has an appointed 'Energy Champion' who is responsible for ensuring that the Group's policies on energy and the environment are promoted throughout its operations and these Champions are brought together in an Energy Forum twice a year. All employees are encouraged to report energy savings and recycling ideas to their local Energy Champion, and the Group contributes information and data to the Carbon Development Project, a programme designed to tackle climate change.

As in previous years, the Group continues to measure its water and energy usage and monitor the disposal of its waste products, paying particular attention to the recycling of materials. Different geographies have different attitudes to waste disposal and recycling and the Group is committed to seeking ways to motivate its businesses to adopt an environmentally friendly approach to these activities. During 2019 we utilised the services of CMR Consultants ('CMR'), an independent energy management consultancy who help to collect, collate and verify the data.

Case Study

Consideration of s172 and the Board's decisions on the need to foster the company's business relationship with customers, suppliers and others and the impact of the Group's operations on the community and the environment.

During the Board's consideration of the acquisition of ATG Access Ltd ('ATG'), management presented the rationale behind the potential acquisition in terms of its product portfolio. ATG is a market leader in hostile vehicle mitigation perimeter security solutions focussing principally on bollards (automated, static, impact and non-impact tested) with ancillary products including road blockers, barriers and gates that could be offered to the Group's existing customer base as well as the Group's current products that could be sold by ATG to their existing customers. The Board also noted that the majority of manufacture was subcontracted to UK suppliers.

The Board also considered the position of the Group in the rapidly developing hostile mitigation market ('HVM') and determined that ATG would provide the Group with a good platform to expand its global HVM business contributing to the security of both our customers, suppliers, the community and the environment of demand for security in the towns and cities in which we operate.

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

High-security rising and bespoke static bollards, supplied and installed by ATG Access Ltd, providing anti-terrorist protection at Horseguards Parade, London, UK.

Corporate Responsibility (continued)

A programme of environmental audits is carried out on a regular cycle, by an independent third-party, to monitor individual company performance and to assist the Group in reducing its environmental impact on an ongoing basis. In addition, during the year our UK-based Group companies completed their reporting under phase 2 of the Energy Saving Opportunities Scheme, reporting their findings in October 2019, ahead of the December deadline.

Recommendations were made following these surveys and these have been followed up by the Energy Champions in conjunction with their contemporaries at other subsidiaries who they meet at the Group's Energy Forum where they share experiences and best practice and discuss initiatives that might identify energy savings opportunities.

Our UK operations are also committed to working towards compliance with the ISO 14002:2004 standard, which is awarded to companies that operate to an accepted environmental standard. A programme of audits has been agreed for our UK businesses, with companies monitoring their environmental impact on a day-to-day basis.

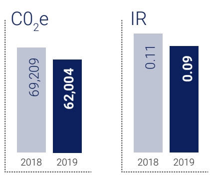
Greenhouse gas ('GHG') emissions
The Group's GHG emissions continue to be constantly monitored, so that we can improve upon our use of energy, water, recyclable and non-recyclable resources, ensuring long-term environmental and business sustainability and creating long-term value for shareholders and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

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

Group total emissions by scope

	Group emissions 2019	Group emissions 2018	Group emissions 2017	Group emissions 2016	Group emissions 2015
Gas & oil usage	**41,722.42**	44,231.49	44,995.94	45,346.72	40,662.05
Purchased electricity	**19,803.37**	24,448.78	22,599.19	21,950.87	23,146.75
Water & waste	**478.35**	528.90	472.20	869.10	466.07
Total tCO_2e	**62,004.24**	69,209.17	68,067.33	68,166.69	64,274.87
Total revenue	**£694.7m**	£637.9m	£585.1m	£540.1m	£467.5m
Intensity ratio	**0.089**	0.108	0.116	0.126	0.137

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

KPIs	**Link to our strategy**	**KPI definition**	**2019 performance**	**Comment**
CO_2e emissions	Cost reductions and greater efficiency, improve not only our operating margins but also the sustainability of our operations.	Carbon usage comparison year on year and over a three-year programme.		The Group has continued to focus on energy saving opportunities and these initiatives have resulted in a 10% reduction in total tCO_2e between 2019 and 2018. Group activities have also increased throughout the year with the result that the Group's intensity ratio fell by 17.6%.

Pollution and resources

The Group believes that its products and services can contribute to the sustainability of the environment. Galvanizing is a unique process where steel is immersed into molten zinc, and a series of zinc-iron alloy layers are formed by a metallurgical reaction between the iron and zinc, providing a robust coating, which is an integral part of the steel. This coverage both externally and internally within hollow sections offers an environmentally sustainable protection as it is capable of self-repairing when damaged, sacrifices itself to protect the base metal, and has a maintenance-free life of 50 years. It neither pollutes the atmosphere nor requires the use of scarce resources for continued maintenance.

The Group has recently been marketing the benefits of galvanized steel temporary work zone barrier for use in the US Roads market, where there is a preference for concrete. However, in a market where products are transported large distances by road, the differences in weight of the two products means that 7x more steel barrier, by length, than concrete barrier can be carried by one lorry, resulting in c. 700% less CO_2 emissions per load.

Water security and waste management

Water consumption rose in 2019 by c. 3,700 m^3 allowing for the full year effect of the three acquisitions made throughout 2018, which added six new sites to the Group's portfolio. The initiatives put in place in 2016-2017 to manage water consumption in the Group remain in place and further work will be done as part of the Energy Forums being planned for 2020.

Group water usage

	2019 volume	2018 volume	2017 volume
UK water usage	**42,188 m^3**	36,896 m^3	36,001 m^3
Overseas water usage	**48,964 m^3**	50,589 m^3	55,475 m^3
Total usage	**91,152 m^3**	87,485 m^3	91,476 m^3
Ratio per £1,000 of Group turnover	**0.131**	0.137	0.156

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

Waste quantities

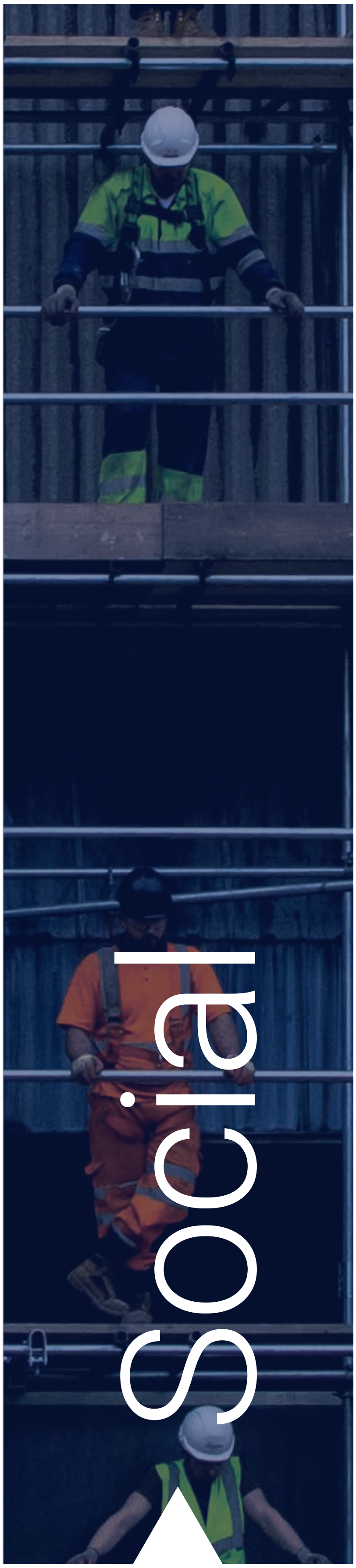
	2019 volume	2018 volume	2017 volume
Liquid waste	**14,479 m^3**	11,727 m^3	12,083 m^3
Acidic waste (like-for-like)	**9,238 m^3**	10,471 m^3	10,475 m^3
	2019 tonnes	2018 tonnes	2017 tonnes
Waste to landfill	**4,678**	5,038	4,404
Recycled waste	**22,514**	28,779	20,736
Total waste (inc. landfill)	**27,192**	33,817	25,410

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

Visit www.hsholdings.com

To see the Company's Energy and Environmental policies.

Corporate Responsibility (continued)



Social

Our people and the community

The Group recognises the need for successful businesses to deliver a high quality service and product and this can only be done by sourcing, developing, supporting and retaining the right people. Appropriate resources and support to maintain the required standards of performance and conduct expected of employees are in place across the subsidiaries. This is achieved through the provision of training and career development opportunities, and promoting a forward thinking, proactive and creative working environment to engage and motivate employees. Investing in our people development framework helps ensure we create a skilled and motivated workforce that will lead our businesses effectively and positively impact on our future success. Our aim is to continually develop our Group leadership and management capabilities across the organisation, enabling all our managers to effectively manage and motivate the teams in their business.

Our Group provides appropriately paid, highly skilled employment and the potential for career development and socio-economic mobility across the communities in which it operates. We are an integral stakeholder in the communities in which we operate and deliver significant economic benefits to those communities, as well as partnering with schools and sponsoring local sports clubs, and recruiting locally.

We are committed to investing in and promoting our people and a number of our subsidiary Managing Directors have progressed their careers within the organisation, while team members at all levels in our organisation have achieved long service. Our current Group Chief Executive, Derek Muir, has been with the business for 32 years, having commenced employment at Asset International Ltd in 1988. He is a prime example of the commitment we have made to the development of our people.

Succession planning

We are in the fifth year of our Succession Planning and Talent Management ('SPTM') programme for managers across all subsidiaries, to identify those senior managers within the Group who have the potential to become directors, as well as sourcing talented individuals from outside the organisation. In 2019, across the Group, we reached the position of identifying successors for approximately half of our business critical roles and our aim is to extend the succession planning work throughout the organisation while seeking opportunities to attract talented individuals from other sectors and from under-represented groups, and encouraging our subsidiaries to offer horizontal career moves across the Group.

Learning and development

In the UK a number of management and leadership programmes have been co-ordinated since the SPTM launch;

- an executive-level development programme, for 22 employees, culminating in the IOD Corporate Director qualification;
- a senior management leadership programme involving 25 employees; and
- a first-line management development programme involving 17 employees and sponsored by the Institute of Leadership and Management ('ILM').

All these management programmes are underpinned by Group-wide programmes in specialist topics at supervisory and team leader level and enable managers to achieve accredited qualifications as part of their studies.

In the US programmes have been designed to ensure our next level of supervisors/managers are developing their skills in line with the senior manager. Delivering consistent messages from management levels across the businesses on leadership, goal setting, accountability, giving feedback, managing change, influencing others, handling resistance and performance coaching. The initiatives include:

- a bespoke development programme for Supervisory roles involving 10 employees; and
- a Supervisors Development Programme, developed as a five-month programme, delivered as a combination of face-to-face and virtual workshops.

24 employees have now participated in the Management Development Programme. Sessions were delivered at various different sites across the US, incorporating site tours providing an opportunity for managers to improve their understanding of our different businesses and to network effectively with their peers.

Alongside these management development programmes, individuals are encouraged to undertake appropriate specialist/technical and personal development appropriate to their roles and aspirations and in line with organisational strategy.

Apprenticeships
We have invested materially in our Apprenticeship Schemes in the UK and over two years, we have taken on 30 new apprentices and provided related training to 70 individuals across our UK subsidiaries.

Our UK sites are taking advantage of utilising their apprenticeship levy in a variety of areas; however, the greatest impact is through Business Improvement Techniques launched across numerous companies this summer. Through 5S Lean Development and Kaizen projects, businesses are looking to see major improvements in their manufacturing processes as well as taking on apprentices across a variety of areas: Business Administration, Electrical Engineering, Design/Draughtsperson, Health & Safety, Welding, Warehousing, Sales and Accounting.

Engagement
In September 2019, we ran the first Group-wide Employee Engagement Survey encompassing c. 4,600 employees in every subsidiary in all our geographies. The survey solution was based on the Aon Hewitt 'Say, Stay, Strive' Methodology, and Kincentric (a former Aon Hewitt company) was chosen to partner with us on the survey implementation process.

The survey, which was translated into five languages, contained 52 questions and the respondents also had the opportunity to provide narrative comments in relation to the question, 'What one suggestion could you offer to make our organisation a better place to work?'.

The questions were themed and it was noted, across the majority of subsidiaries, that the top five areas which our employees care most about improving are Brand; Career Development; Enabling Infrastructure; Talent & Staffing; and Senior Leadership.

The participation rate was 56% and the engagement level was 48%. There were six questions embedded in the survey which informed this engagement figure. The participation rate was affected by the requirement for paper as well as electronic surveys and although the engagement level is 17 points behind the Kincentric benchmark, this is now a position to work from. Action plans are being developed by each subsidiary against which they and the Group can meet this challenge.

One of the Group's responses to the recommendations set out in the updated UK Corporate Governance Code, was to begin a pilot for Workforce Advisory Panels ('WAPs') in the UK and the US and the survey results informed the agenda for these meetings. In November, 19 representatives of the US-based subsidiaries, and in December, 21 representatives of the UK-based subsidiaries, met with the Chairman, the CEO, the CFO, the Group's HR Director and the Group Company Secretary to discuss the breadth of the Group's activities, the 2019 half-year performance, the future strategy of the Group and the results of the engagement survey. The representatives were encouraged to share their experiences with colleagues in their business units.

Employees are also encouraged to immerse themselves in the work of their sites and subsidiaries, to collaborate across the subsidiaries through communications initiatives, and to engage in Group news and announcements through the Group's intranet.

Employees in the UK can participate in the success of the Group through the employee SAYE scheme and this currently has over 850 participants.

Diversity and inclusion
The Group is committed to equal opportunities and fairness and to having in place the appropriate policies, and contemporary practices to underpin equal opportunities in recruitment, training and career development. As the Group has a global presence, these policies are appropriate for meeting the regulations in the countries concerned. This includes a zero-tolerance approach to discrimination, bullying and harassment.

All our policies promote the principles of fairness and equal opportunities and if these are not followed, employees can use an externally hosted whistleblowing service, which is a confidential email or telephone based 'hotline' to report their concerns about a broad range of matters. The Board has overall responsibility for the Company's Equal Opportunities, Discrimination and Diversity Policy.

As at 31 December 2019, the Group-wide split of male and female employees is shown in the charts below.

Number of PLC Board Directors:

Male & Female split

- Male 5
- Female 2

Number of Subsidiary Directors:

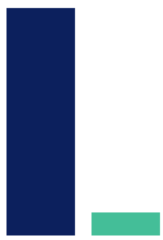
Male & Female split

- Male 79
- Female 3

Number of senior managers in the Group:

Male & Female split

- Male 215
- Female 50



Total number of employees in the Group:

Male & Female split

- Male 4,161
- Female 430

Visit www.hsholdings.com

To read the Board's Statement on Diversity and the Group's Equal Opportunities Policy.

Corporate Responsibility (continued)

Gender pay

Gender pay reporting legislation in the UK requires employers with 250 or more employees to publish information every year indicating the pay gap between their male and female employees. This legislation currently affects three of our UK subsidiaries: Birtley Group Ltd, a galvanizer and construction business; Joseph Ash Ltd, a galvanizing business; and Hill & Smith Ltd, a roads barrier manufacturer.

The gender pay gap indicates the percentage difference in the mean and median base and bonus pay between all men and women in the workforce. The data for each of the above companies can be found on their websites via www.hsholdings.com.

In 2019, as in 2018, the Group extended the analysis to include all our UK subsidiaries and recorded a mean gender pay gap of 12.7%, (2018: 12.5%). However, the median pay gap has changed year on year from a 3.9% gap in favour of male employees to 3.2% gap in favour of female employees. The Group data can be found on our website www.hsholdings.com along with some narrative about the pay gap reports for the three subsidiaries.

Wellbeing

During 2019, the Group continued to partner with Lifeworks to deliver an Employee Assistance Programme ('EAP') to its UK employees. This programme includes 24/7/365 access to advice and support; EAP-appropriate counselling sessions; unlimited routine telephone critical & significant incident support; phone apps; and support for dependants. This third-party support was supplemented by Mental Health at Work learning initiatives, which help managers and supervisors to identify the signs of mental health difficulties, to be able to begin a discussion with an individual whom they are concerned about, and to help them refer that individual for appropriate information and advice. During 2020 we will continue to monitor and support the mental health of our employees through day-to-day engagement and the assistance of third-party expertise. Our employee survey included a question about how effectively we look after the mental health of our employees and so we can respond to that feedback on a company by company basis and share information about what works well.

Community

Although the Group does not have a Group-wide programme in place to support specific charities or communities, it remains committed to encouraging its subsidiary companies to fully engage with their local communities. The Group values its relationship with the local stakeholders and examples where business units have engaged with local communities include:

- Bergen Pipe Supports India, who engaged in an infrastructure project to improve the level of sanitation facilities in a nearby community school, "Thondur Society Mandal Parishad Primary School" located at Thondur, Varadiapalem Mandal, Chittoor District, Andhra Pradesh an area where many of the employees also come from. The initiatives taken in the school included improvement in sanitation facilities by constructing new toilet blocks for boys and girls; construction of a hand wash area and providing other student teaching aids. The Company also took part in the World Environmental Day Celebration, planting 100 trees in the vicinity of their manufacturing site, near Chennai, India;
- Lionweld Kennedy, in Middlesbrough, conducted a number of work experience initiatives with local schools, holding continuing professional development sessions with the teaching staff at Ingleby Manor School to help them understand the requirements of the Gatsby Benchmarks and the Labour Market Information for the region. This led to work experience being provided for pupils who are planning to pursue a career in engineering. Time was spent in Lionweld's structural design department to work with 3D modelling tools and 2D drawing packages and students also spent time with various departments such as quality assurance, and sales and purchasing to gain an understanding of various trades in the business, whilst also taking a guided tour of the factory to witness the production processes. Northfield School and Sports College sent 20 students and Thornaby Academy sent 16 students, all interested in manufacturing and engineering, for a half day workplace visit;
- Technocover Ltd, Oswestry surveyed, supplied and installed, free of charge a High Security Twin Skin Access Cover that was urgently required for the Low Wood Scout Activity Centre. The Scout Activity Centre Committee in Keighley took over the site in a poor condition and through the help and assistance of several organisations, including Technocover they managed to totally refurbish the main club house, and also refurbished the sewerage treatment works and the water supply system. Technocover's help in the protection of the mains water supply and general security of the storage of water was greatly appreciated by the Scout's Deputy District Commissioner; and
- V&S Galvanizing liaised with Watkins Elementary, a Columbus city school, on a project to support the use of the schools consumable resources, donating over $5,500 of school supplies.

Customer relationships

We aim to be a preferred supplier to our customers and we achieve this by being proactive and innovative and supplying quality products and information on time. This engagement starts right from the time our subsidiaries submit their offers and continues during execution of the contract. After delivery of the project the main engagement with the customer is via service departments and these ongoing relationship are very important for maintaining a good reputation with our customers. Any complaints are dealt with in a timely manner and we welcome any feedback to improve the service we offer. Many of our businesses hold ISO accreditations, including ISO 9001; ISO 14001; ISO 18001 and ISO 45001.

We also engage with Government and Industry Bodies. They specify and drive the requirements for specific projects that take place on public infrastructure projects such as bridges, highways and public buildings and we will prepare CPD presentations, product presentations and training sessions to try to educate all our stakeholders. We will also work with our industry bodies to campaign for any bigger national issues. In 2019, in the US, Creative Pultrusions represented the American Composites Manufacturers Association at a Congressional Hearing to advocate the use of composites and educate their decision makers on how important the use of composites is to the rebuilding of US infrastructure as such products are more resilient to storms and corrosion and consequently extend the life of infrastructure projects and protect the environment.

Behavioural and labour standards

The Group is committed to conducting its business activities responsibly, ethically and in accordance with the laws and regulations applicable to the jurisdictions in which we operate. The Board has introduced training and education programmes for employees, relating to compliance, including export controls and economic sanctions and competition/antitrust legislation. Our Code of Business Conduct ('CBC') sets down the guidelines by which we expect our business to be conducted and this is supported by a set of global policies issued through the Group intranet and internal communications. The CBC presides over areas such as health & safety, fair, honest and ethical business practice, gifts and entertainment, conducting international business, protection of individuals, resources and assets and at a high level summarises the Group's legal and compliance responsibilities in areas such as anti-bribery and corruption, export laws and regulations and international fair and open competition. The CBC also extends to the handling and minimisation of conflicts of interest and the protection of the Group's valuable intellectual property rights. The Group's written policy states that if any employee has reasonable grounds to believe that the Group's CBC policy or internal Group policy is not being adhered to by any person or group of people, he or she is able to contact senior managers within their business unit, the Group Company Secretary or the Chairman of the Audit Committee. Should individuals wish to raise concerns anonymously they are able to do so via a compliance hotline and email facility (the 'Reporting System').

The Reporting System is operated in conjunction with a whistleblowing policy, which is approved annually by the Board. The policy gives assurance that issues will be investigated and resolved in accordance with the principles of the CBC. During 2019 twelve such issues were reported and investigated, (2018: 11).

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 this applies to everyone who is engaged by the Group anywhere in the world, whether they are employees or third parties. Consequently, as part of the CBC the Group has implemented a set of procurement standards, which seeks to ensure that the Group and its subsidiaries mitigate any risk stemming from its supply chain and is able to leverage the economies of scale a group of its size, composition and structure can hope to expect.

The CBC is not designed to supersede detailed Group policies but rather to supplement and summarise the Group's compliance initiatives, its behavioural and ethical standards, as well as to give the relevant assurances in respect of the Group's key corporate, legal and social responsibilities. As in previous years, each business is required to certify its compliance with the policies issued by the Group during the year and in particular with the CBC.

Human rights

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

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

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

Modern Slavery

The Board is committed to the Modern Slavery Act 2015 and has continued to support a number of policies and initiatives during 2019 to supplement the Group's existing compliance controls in respect of anti-slavery and human trafficking. As we reported in 2018, during 2019, we conducted an in-depth analysis of the locations of our US-based subsidiaries' customers and suppliers and compared that against the Global Slavery Index. The analysis revealed that the vast majority, c. 99.5% of both our customers and suppliers, were based in the United States and that 0.19% of suppliers and 0.49% of customers were based in countries in the bottom 40% of the Global Slavery Index. Consequently, the risk of exposure to modern slavery in our supply and customer chains is considered to be low. However, we are taking steps to ensure that these customers and suppliers conform to the Group's CBC and Modern Slavery policy.

Corporate Responsibility (continued)

Across the Group, approximately 12% of our employees are temporary workers and during 2020 we intend to review our arrangements with the agencies that supply these staff.

Procurement controls
During 2019, the Group redeveloped and redesigned its Group Policy Manual that details all the Group's policies, including those relevant to its commercial and operational procedures. These were streamlined in order to ensure that they were pragmatic and easy to follow. The Internal Audit team will be assessing adherence to these polices as part of a future internal audit plan.

Health and safety

The health, safety and well-being of our workers continues to be a key focus across all subsidiaries. All sites actively demonstrate their commitment to minimising the risks their workers face on a daily basis, alongside ensuring that any site visitors, contractors and the public are not affected by the work being undertaken. The Group continues to adopt various measures to maintain a safe working environment, to ensure work related risks are effectively identified and controlled, that our monitoring regimes for health & safety help to spot issues at the earliest opportunity and that lessons are learned from any events that do occur.

Our external health and safety consultants (UK and US based) continue to work alongside the safety specialists in each subsidiary to assist the Group in achieving its objectives around health and safety. This enables the PLC to track various performance indicators including: the programme of external audits, the regular UK and US Safety Forum meetings, incidents and adverse events and the ongoing support offered to the subsidiaries.

Best practice continues to be regularly shared across all businesses through the Safety Forums, direct exchanges of information, shared visits and the ability to raise safety alerts and bulletins. Our relationships with customers, vendors and suppliers also allow for a flow of information between relevant parties.

This approach assists the PLC and the subsidiaries with the objectives of consistency, best practice and learning lessons from events.

Summary of Health and Safety objectives for 2019

Objectives	*Outcomes*
In the UK, ensuring the results from the safety culture assessment tool are used to form future strategy and action plans for each site.	The importance of safety culture through management commitment and empowering workers to be responsible for their behaviours continues to drive various initiatives across the UK sites. This has included: provision of Comms Boards showing health and safety information; behavioural safety workshops where workers can learn more about how their actions affect what they do around safety; and simplifying health & safety information through changes to training methods and techniques.
Firmly embedding the Safety Forum across the US subsidiaries to assist in sharing best practice, discussing common issues and agreeing the way forward for safety performance and auditing.	In 2019, two Safety Forums were held for our US subsidiaries. These were attended by Occupational Health & Safety and management representatives across all businesses, together with our US Insurance Partners. Further meetings for 2020 are planned. Our US Safety Specialist is now working closely with the US businesses and this provides the Group with a more effective and locally focussed process for audits and support.
The continuation of the external audit programme for sites in the UK, Sweden and India, with current levels to be maintained or improved, as appropriate. For the US sites, ensuring each one is audited by the newly appointed Safety Specialist and that benchmarked standards are collated accordingly to provide a baseline against which future performance can be assessed. In France, we intend to undertake a further review of their corporate health and safety arrangements to provide a benchmark against the UK/US businesses.	Audits undertaken for UK sites continue to show a consistent level of performance from previous years. The annual visit to Bergen Pipe Supports in India has again shown the site's safety arrangements continue to develop and the attainment of OHSAS18001/ISO14001 continues to embed Health & Safety management into the operations. A fact finding visit to France Galva with our UK Health & Safety Consultant was used to share best practice, benchmark the French operations against UK standards and build closer relationships across mutual areas of interest. In the US, our Safety Specialist has embarked on an audit programme which will continue into 2020. The key learnings from these audits are fed directly back in to the US Safety Forums.

Visit www.hsholdings.com/policies

To see the Board's Health & Safety Statement.

Objectives	*Outcomes*
An ongoing drive to encourage better reporting of near misses and non-injury related events and encouragement to promote the monitoring of safe/unsafe behaviours as a means for providing both positive and negative feedback.	In the UK the reporting of near misses is up over 75% on 2018 levels, meaning that over the last two years, the number of events being reported has doubled. This continues to be encouraged as it is recognised that an awareness of, and increase in, near miss reporting has a beneficial effect on the number of future accidents. A key driver for this has been the delivery of a clear message to all employees of the importance of dealing with near miss and close call events. This has been delivered through various site initiatives and awareness raising programmes. Specific examples are leading to changes in how we deal with some safety issues. For example; • Feeding back information to our galvanizing customers whenever materials are not being correctly galvanized due to hidden materials inside metal fabrications or a lack of drain holes, which can cause molten zinc to blow out of the zinc bath. • Advising lorry drivers of the importance of ensuring their loads are safely strapped down and cannot move during transit. • In the US, the key findings from the UK's near miss reporting framework have been shared and where adopted, sites are already seeing a more open culture of reporting. However, encouraging everyone to report things they think are unsafe or could have led to an injury remains a key 'cultural' challenge. • Collation of a consistent set of data points across all subsidiaries is ongoing.

Safety management
The Group companies have continued to work effectively to ensure health and safety requirements are well managed:

- A number of sites have already migrated their safety systems from the OHSAS 18001 to ISO 45001 standard with successful certification by third-party bodies.
- Other sites who already hold OHSAS 18001 certification have started to review what is required to upgrade to the ISO 45001 standard.
- UK sites with significant logistics operations continue to maintain the Fleet Operators Recognition Scheme (FORS). This is a voluntary accreditation scheme encompassing all aspects of safety, fuel efficiency, vehicle emissions and improved safety in logistics operations. Several subsidiaries are progressing to the FORS Gold standard.
- Lionweld Kennedy were awarded a RoSPA Presidents Award after 11 consecutive years of the RoSPA Gold Award. The Barriers divison of Hill & Smith Ltd also attained a Gold award.
- Asset VRS, another division of Hill & Smith Ltd, received an award from Balfour Beatty as part of the Highways Zero Harm campaign.
- A number of subsidiaries continued to maintain their adherence to third-party verification schemes, such as Fit4Nuclear and various 'safer contractor' schemes.
- In the UK, subsidiary directors and other senior managers completed the Institution of Occupational Safety & Health (IOSH) 'Safety for Executives and Directors' course.
- V&S Galvanizing created a new starter safety orientation video, in dual languages to cover English and Hispanic speaking workers.
- Following a serious transport-related incident, Joseph Ash have lead the way on the issue of how best to ensure yard staff and lorry drivers are fully aware of the best way to load lorries and secure the shipments. Alongside external training, an innovative video is almost complete and the potential utilisation of additional e-learning resources is being explored.

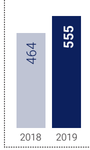
Health and wellbeing
Training from Mental Health First Aid (England) has been adopted by the UK subsidiaries to raise the profile of mental health and how to ensure everyone's wellbeing is effectively managed. Mental Health First Aiders are now able to assist whenever any issues arise and the Employee Assistance Programme is available to all. UK sites have continued with the implementation of a drugs and alcohol misuse policy and associated random testing of workers.

Incidents

Corporate Responsibility (continued)

The Group strives to ensure that there is an open and active culture of incident reporting. The increase in near miss reports and the further rollout of campaigns, during 2020, such as “Don’t Walk By”, “You’ve Been Caught” and “Good Catches” play a vital role in the PLC’s aspiration to keep people safe at work.

For 2019, the Group received, on a like-for-like basis, 555 injury reports (2018: 464, 2017: 503), although those that resulted in lost time remained at a similar level to 2018, at 119. The majority of the increase came from non-UK sites and is a result of the focus and emphasis that has been put on these sites to improve culture around minor incident and near miss reporting. In the UK, sites are starting to see the benefit of a more active reporting regime for near miss events, which should ultimately lead to fewer injury type events occurring and it is this kind of ‘near miss’ or ‘good catch’ reporting that is being actively encouraged in non-UK sites.

KPIs	Link to our strategy	KPI definition	2019 performance	Comment
Health and safety	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.	Number of accidents, including minor injuries. Number of lost time accidents. Audit scores and benchmarkings.	Incident reports  Lost-time injuries 	The focus during 2019 was on: - continuing to raise the awareness of minor injury and near-miss reporting; - improving the culture within our businesses, and helping our employees to better understand the inherent benefits from having a safe place to work; and - developing an annual audit programme for our US subsidiaries

Audits
As has been seen for several years now, the externally managed health and safety audit programme continues to show that sites are demonstrating a high level of health and safety management and adherence to safe working practices. In the UK for 2019 this showed that existing sites were maintaining a good level of performance and newly acquired sites had improved their rating by more than 50%.

In 2020, the UK audit programme will examine more deeply specific safety issues and site risks where it is known the consequences could be high (e.g. yard operations and loading of trailers) or adverse impacts are longer term (e.g. welding fume and hand arm vibration). Whilst the US audit programme will see all sites being audited by a US-based safety specialist against agreed Health & Safety criteria. This will enable meaningful benchmarking across our US operations.

Health and Safety objectives for 2020
In the forthcoming year our efforts in promoting a safe and secure workplace will continue with specific focus on:

- Continuing the drive to encourage better reporting of near misses and non-injury related events and encouragement to promote the monitoring of safe/unsafe behaviours as a means for providing both positive and negative feedback to workers and management.
- The continuation of the external audit programme for all sites and ensuring any newly acquired subsidiary undergoes a baseline audit at the earliest possible opportunity.
- Ensuring that safety culture continues to be a focal point with an option in the UK to repeat the safety climate survey last undertaken in 2018.
- In the US, continuing to embed the safety forum to assist in sharing best practice, discussing common issues and agreeing the way forward for safety performance and auditing. Agreeing a core set of US management standards with supporting OH&S framework agreement for each business to adopt. Exploring the options of an online, shared safety and compliance tool, similar to that in use in the UK.

Governance

Regulatory compliance

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

The Group benefits from a competition law compliance programme which includes a manual, online training and auditing via simulated dawn raids. The programme is based on requirements of UK law with local variations applied to non-UK businesses. The Group operates a Sanctioned Countries & Related Parties Trading Policy in line with its legal and financial obligations using restricted party screening software. Additional protocols have also been provided to certain subsidiaries to ensure they meet all international obligations when trading in sensitive geographical areas.

Corporate governance

Over the years the UK Corporate Governance Code has been revised and expanded to take account of the increasing demands in the changing corporate landscape. This year is the first in which we report under the provisions of the UK Corporate Governance Code, published in July 2018. For more details see pages 56 to 88.

Risk management

The Group has a risk management framework that identifies, evaluates and prioritises the Group's principal risks and uncertainties as well as applying mitigating activities to each risk. For more details see pages 32 to 39.

Tax transparency

In line with the Group's strategy and its values, the core principles underpinning the Tax Policy are as follows:

- All of our stakeholders stand to benefit when we achieve sustainable growth and this principle is central to the way we balance their interests in respect of the management of taxes.
- We are committed to compliance with all local tax legislation and the timely and correct filing of returns and payment of taxes due to local authorities in all jurisdictions in which we operate.
- We follow the terms of applicable double taxation treaties and OECD guidelines in dealing with such matters as transfer pricing and establishing taxable presence.
- Tax is considered in all significant business decisions. This allows us to understand and acknowledge the tax implications of such decisions and transactions.
- Our focus on costs includes consideration of tax costs. As such, we seek to conduct our business efficiently from a tax perspective, which may include:
  - responding to Government tax incentives (both domestically and internationally); and
  - structuring arrangements in a tax efficient manner.
- Where we decide to seek tax efficiencies, the risks associated with the decision and its implementation are controlled.
- We conduct our dealings with tax authorities with honesty, integrity, respect and fairness and in a spirit of co-operative compliance.
- We have the right people, processes and systems in place to uphold our principles. As part of those processes we will ensure that we maintain appropriate records and documentation to support our tax filings. Where additional support is required due to lack of in-house expertise or resource we will engage external advisors.
- We avoid any actions (or omissions) in respect of our management of taxes which could damage the Group's reputation with its key stakeholders. Where the expectations of those stakeholders conflict we seek to ensure that they are balanced responsibly.

visit https://www.hsholdings.com/policies

For the Group's Tax Strategy.

Corporate Responsibility (continued)

Non-financial information statement

We aim to comply with the Non-financial Reporting requirements contained in S414CA and S415CB of the Companies Act 2006 and the table below, and the information it refers to, is intended to help readers understand our position on key non-financial matters.

Reporting requirement	Policies and standards which govern our approach	Additional information	See page no.
Employees	• Group Code of Business Conduct* • Training and Development Policy* • Group Senior Executive Salaries Policy • Health & Safety Policy*	• Behaving correctly • Succession planning and talent management • Group learning and development • Health & Safety • Wellbeing	47 44 44 48-50 46
Human rights	• Recruitment & Selection Policy • Equal Opportunity, Discrimination and Diversity Policy* • Board Statement on Diversity* • Data Protection Policy* • Modern Slavery Policy*	• Diversity & inclusion • Gender pay • Human rights	45 46 47
The environment	• Environment Policy* • Group Energy Policy*	• Environmental • Greenhouse gases • Water & waste	40-42 42 43
Community	• Individual subsidiary approach		46
Anti-bribery and corruption	• Anti-bribery & Corruption Policy* • International Competition Law Compliance Policy • Gifts and Entertainment Policy • Whistleblowing Policy*	• Group Code of Business Conduct*	47
Description of the business model	• Our business model • Our purpose • Our values		6 6 18
Description of the principal risk and uncertainties and impact of business activities.	• Our business model • Our markets • Risk framework • Principal risks & uncertainties		6 8-10 32-35 36-39
Non-financial key performance indicators.	• Diversity • Incidents • Greenhouse gas emissions • Water & waste		45 50 42 43

Visit https://www.hsholdings.co.uk/about-us/corporate-governance/policies

Those policies marked with an asterisk can be found on the Company's website.

Governance Report

Top: ATG Access Ltd Shallow Mount Bollards at LAX Airport, USA.

Bottom: Yale Adapter Curb engineered by Novia Associates, Inc. for a science building at Yale University, Connecticut.

Board of Directors

A C B Giddins FCA

Chairman and Non-executive

Alan was formerly a Managing Partner and Global Head of Private Equity at 3i Group plc, and a member of its Executive Committee. He has extensive experience of sitting on the boards of international businesses. Prior to joining 3i, he spent 13 years in investment banking advising a broad range of quoted companies. He qualified as a chartered accountant at KPMG in 1990 and has a degree in economics.

Appointed to the Board
3 October 2017

Committee Membership
Nomination (c), Remuneration

D W Muir BSc, CEng, MICE

Group Chief Executive

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 30 years, having first been Managing Director of Hill & Smith Limited, one of the Group's principal subsidiaries.

Appointed to the Board

21 August 2006

Committee Membership

Nomination

H K Nichols MA, ACA

Group Chief Financial Officer

Hannah joined the Company in September 2019. Prior to joining Hill & Smith, Hannah had a 14-year career in BT Group plc, most recently as Chief Financial Officer, Asia Middle East and Africa for BT Global Services based in Singapore. Hannah also held a number of commercial roles at Cable & Wireless prior to joining BT. She qualified as a chartered accountant at Arthur Andersen in 1999 and has a degree from Cambridge University.

Appointed to the Board
16 September 2019

A J Quinlan BSc (Hons), ACA

Senior Independent Non-executive

Tony has had a successful international career as a plc Director in major Technology, Industrial, Energy and Retail companies. He was most recently CEO of Laird plc where he led a successful turnaround and then took it from listed to private ownership under Advent International. He has been retained by Advent International as a Non-executive Director and advisor. In addition, he has recently joined the Board of Associated British Ports and has served as Deputy Chairman for the Port of London Authority, where he also Chaired the Audit Committee. Tony qualified as a Chartered Accountant in 1991 and has a degree in Chemistry with Business Studies.

Appointed to the Board
2 December 2019

Committee Membership
Audit, Remuneration, Nomination

A M Kelleher MSc, BA

Independent Non-executive

Annette has broad senior management experience in the international industrials sector and is currently Chief Human Resources Officer of Johnson Matthey PLC. Prior to joining Johnson Matthey PLC she held a number of senior human resource roles in Pilkington Glass and NSG Group. Previously, Annette was a Non-executive Director of Tribunal Services, part of the UK's Ministry of Justice. Annette has a degree in Business Studies and a masters degree in Human Resource Management.

Appointed to the Board
1 December 2014

Committee Membership
Audit, Remuneration (c), Nomination

M J Reckitt BCom, CA

Independent Non-executive

Mark is a chartered accountant and was Group Strategy Director of Smiths Group plc from February 2011 to April 2014, Divisional President, Smiths Interconnect from October 2012 to April 2014 and Non-executive Director at JD Wetherspoon plc from May 2012 to May 2016. Prior to joining Smiths, Mark was interim Managing Director of Green & Black's Chocolate and before that he held a number of finance and strategy roles at Cadbury plc before being appointed its Chief Strategy Officer from 2004 to 2010. He is Senior Independent Non-executive Director and Chairman of the Audit Committee at Cranswick plc, where he is also a member of the Nomination and Remuneration Committees. Mark was also a Non-executive Director of Mitie Group PLC until July 2018.

Appointed to the Board

1 June 2016

Committee Membership

Audit (c), Remuneration, Nomination

P Raby

Independent Non-executive

Pete has been the Chief Executive of Morgan Advanced Materials plc since August 2015. Prior to that Pete was the President of the Communications and Connectivity sector within Cobham plc, following a nine-year career with Cobham where he held a number of senior leadership roles covering strategy, technology, business transformation, and business leadership. Prior to Cobham, Pete was a partner at McKinsey & Company in London specialising in strategy and operations in the aerospace, defence and power and gas sectors. He has a PhD in satellite navigation and an M.Eng from the Department of Electronic and Electrical Engineering at the University of Leeds.

Appointed to the Board
2 December 2019

Committee Membership
Audit, Remuneration, Nomination

Chairman's Introduction to Governance

I am delighted to introduce the Governance Report, my first as Chairman of Hill & Smith Holdings PLC. I am particularly pleased because although I was appointed Chairman in October 2019, I previously served the Group as the Senior Independent Director and I know that there is much to be proud of in this area.

Well-run, successful companies have at least one thing in common; they all have a robust corporate governance regime with a collective recognition of the value it adds to a business. We have always demanded high standards of corporate governance and we are determined to maintain these high standards during 2020 and beyond.

In this introduction, I would like to set out a summary of our progress in this area and our plans for 2020. The full report can be found on pages 58 to 88.

Basis of Report

We have used the UK Corporate Governance Code 2018 (the "Code") to assess our governance arrangements during 2019. As a premium listed issuer on the London Stock Exchange and in accordance with the listing rules, Hill & Smith Holdings PLC has assessed its application of the Code under the headings of: Board Leadership and Company Purpose; Division of Responsibilities; Composition, Succession & Evaluation; Audit, Risk & Internal Control; and Remuneration. The Board can confirm that for the financial year ended 31 December 2019, the Company complied fully with the requirements of the Code, except for the period from 1 October 2019 to 30 November 2019, when the Audit Committee consisted of only two Independent Non-executive Directors as the Group was in the process of appointing two new Non-executive Directors.

Board Dynamics

The Board leads the business in a way that is honest, transparent and accountable and is ultimately responsible for the Group's strategic delivery and for the management of risk. The Board is collectively responsible for ensuring that the business acts in the best interests of its shareholders and ensures that the Group delivers sustainable profitable growth through the supply of infrastructure products and galvanizing services; generating sustainable value for shareholders, whilst preserving the interests of its customers, employees and other stakeholders. The main facets of this responsibility comprise: consideration of the long-term direction and strategy of the Company; the values and standards within the business; subsidiary company performance management; resources; health and safety; risk management; and internal controls.

The Board comprises five Non-executive Directors, including myself, as Chairman, and two Executive Directors. Each director brings a specific set of skills and experiences to the Board discussions. This allows for an open exchange of views capable of driving clear decision making. More information on the Board's effectiveness can be found in the Governance Report on page 63.

Board Activities

During the year we saw a continued emphasis on our risk management processes, including making the risk management submissions from our subsidiaries more robust and aligned to their individual strategy. See pages 32 to 35 for more on our risk management framework and strengthening of our internal control environment. Mark Reckitt, Chair of the Audit Committee, gives more insight into this in his report on pages 71 to 77.

We also devoted Board time to addressing the Code's obligations around Company purpose and values. The Board has adopted a set of value-based principles, which all businesses should either implement or align to their current values. However, their implementation into tangible policies remains a matter for the local operating Boards. We will continue to develop this during 2020.

In June, the Board spent two days reviewing the Group's strategy, including receiving external presentations on emerging risks. Following this, the Board confirmed its belief in the continuation of the Group's strategy of developing leading positions in niche markets of infrastructure products and galvanizing services. More information on our strategy, our business model and our markets can be found on pages 6 to 19.

This is the first year that the Company is reporting against the 2018 Corporate Governance Code and provision five of the Code requires the Board to publish a Section 172 Statement ('s172'), in accordance with Section 172 of the Companies Act 2006, that demonstrates how we as Board members have considered the impact of our decisions on our shareholders and other stakeholders (see page 17 for more details). At the same time the Board increased its focus on understanding the views of our workforce better with the creation of workforce advisory panels and the undertaking of our first global employee engagement survey.

We completed an internal Board evaluation this year, the results of which were very positive. In 2020 we will undertake an external Board evaluation process in line with the requirements of the Code and I will share the outcome of this evaluation in the next Annual Report.

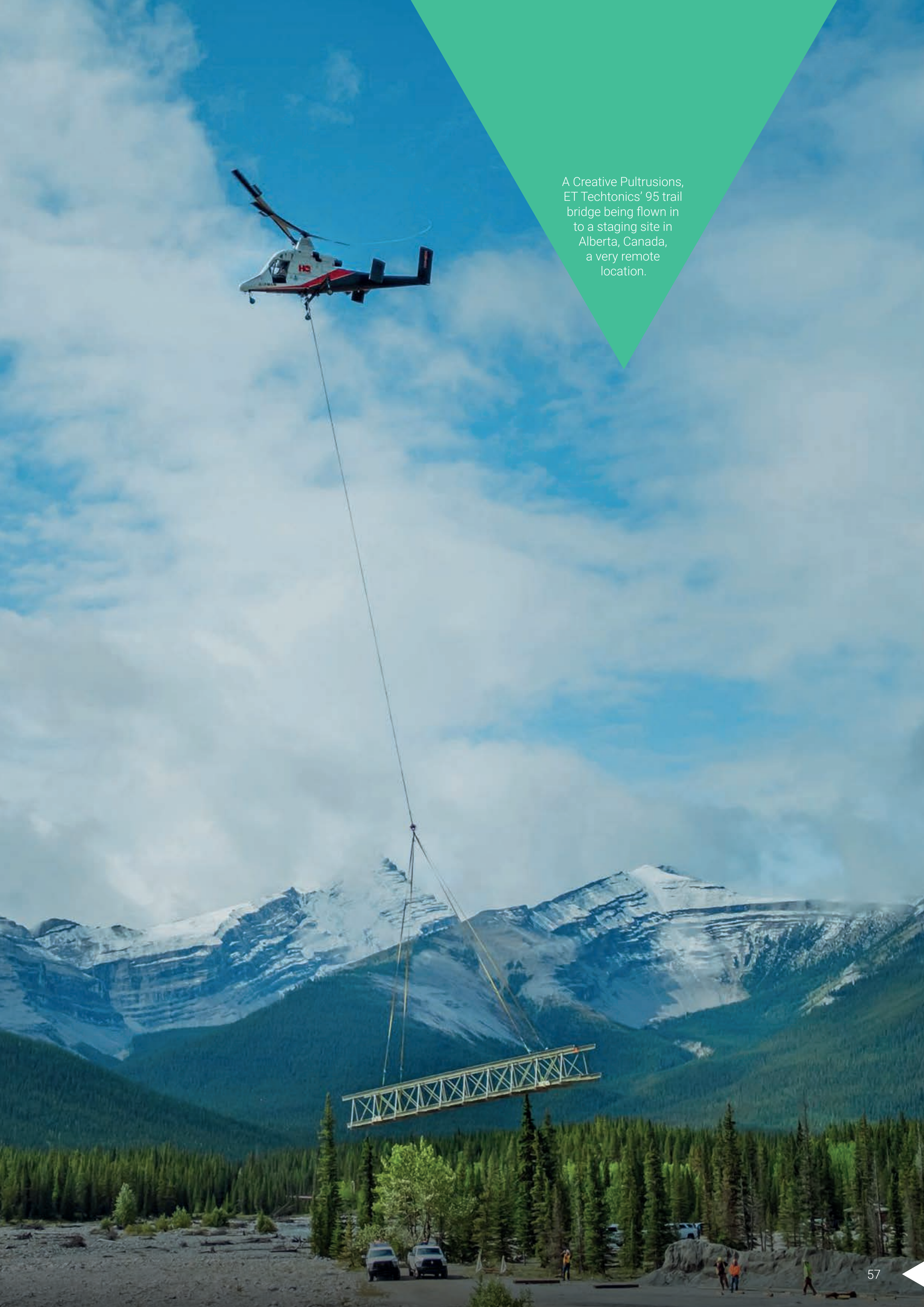
The Board has continued its consideration of executive remuneration and how best to balance the promotion of the Group's long-term success whilst supporting an appropriate remuneration structure. Annette Kelleher, Chair of the Remuneration Committee, explains more in her report on pages 78 to 88.

Looking Ahead

The Board will spend time in 2020 on building on our corporate values activity across the Group and consider further the Group's culture. It will continue to listen to our employees, as part of its newly adopted workforce advisory panels and it will consider further the impact of its business on the environment and how our environmental footprint can be minimised through business efficiencies and product development. The Board will also receive improved risk management reporting thanks to the use of newly implemented software.

We enter 2020 as we left 2019, by having a robust fit-for-purpose corporate governance regime that balances risk and reward, understands our employees and responds with agility to any risks or opportunities. 2020 will be another important year as we maintain our focus on ensuring that our governance arrangements continue to support the Group's growth.

I would like to thank my Board colleagues and all employees for their continuing efforts in developing and delivering on another year of progress for the Group.



A Creative Pultrusions, ET Techtonics' 95 trail bridge being flown in to a staging site in Alberta, Canada, a very remote location.

Governance Report

Q: What is the role of the Board?

A. The Board sets the entrepreneurial culture, within which our subsidiaries operate. The Hill & Smith Holdings PLC Group consists of the Company and the principal subsidiary companies, listed on pages 182 to 184, and during 2019 operated in seven different countries. Whilst the Group's businesses are directly supervised by local operating boards and performance is monitored at individual operating company and divisional levels, reports are received by the Group Board on a monthly basis detailing financial performance, Health & Safety activities, people activities, and risks and opportunities.

There is careful and continual oversight of the individual businesses by the Board. The Executive Directors regularly attend the subsidiary companies' monthly board meetings, and there is liaison across divisions to ensure, where appropriate, the consistent application of governance, operational procedures and Group policies and practices. There are clear lines of delegated authority and businesses are given a high degree of autonomy to promote their activities in an entrepreneurial fashion. There is regular communication between the Managing Director of the subsidiary and the Executive Directors. The two Executive Directors are accountable to the Board for the operational application of these controls.

As we move into 2020 we continue to develop our work on our Company's values. We have agreed a set of values for all Group companies to adhere to, though their implementation will be a responsibility of the individual operating Boards.

Q: What are the Board's responsibilities?

A. The Board is collectively responsible for the long-term success of the Company and is focused on ensuring its own effectiveness. The Board has established a process designed to maximise that effectiveness and this operates within a framework of Board meetings, discussions and site visits; strategic focus; information provided by the Executive Directors and senior management; and knowledge of the governance background within which the Group operates and the affairs of the subsidiaries. This enables the Board to support the Group's long-term success, whilst managing any conflicts of interest.

Q: How does the Board discharge these responsibilities?

A. 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. In particular, the Board takes decisions on and reviews: Group strategy and operating plans; business development, including acquisitions and divestments, major investments and disposals; risk management; financial reporting and audit, including announcements for year end and interim results and trading updates; Financing, treasury and taxation; Corporate governance; Compliance with laws, regulations and the Company's Code of Business Conduct; Corporate sustainability and responsibility, ethics, health & safety, the environment; and pension benefits and liabilities.

As well as these regular reviews, during 2019 the Board also received, reviewed and approved matters including: The acquisitions of ATG Access, Parking Facilities and Signpost Solutions; acquisition integration plans; strategy development plans; national distributor agreements; the annual board effectiveness review; succession planning and talent management updates; goodwill and intangible asset carrying values; the viability statement; the development of our new galvanizing plant in Owego, New York State, USA; the sale of Weholite Limited (formerly Asset International Limited); and 2020 budget presentations from our subsidiaries. Additionally, the Board reviewed the results of our worldwide Employee Engagement Survey and agreed a number of actions to address feedback that we received from our employees.

Q: How do you define the 'Company Purpose' of Hill & Smith Holdings PLC?

A. As a collection of entrepreneurial and diverse businesses, the Board considered this at length during 2019. The Board arrived at the following statement, to describe the Company's purpose:

"To be a holding company promoting and overseeing profitable, independent, entrepreneurial companies delivering innovative solutions in infrastructure products and galvanizing."

This statement is applicable to all our businesses, irrespective of geographic location, product or size and underpins the focus of all employees in manufacturing and selling high-quality products and services in our chosen markets.

Q: How do s172 considerations inform the Board's strategy discussions?

A. All Board members are aware of their obligations under s172 of the Companies Act 2006 and their decisions and considerations that have s172 implications are accurately reflected in Board minutes. The Board's 2019 s172 statement can be found on page 17 of this report. Additionally, three of our largest subsidiaries are also required to make a s172 statement and these can be found within the Financial Statements for those entities. Directors of these subsidiaries have received additional support from the Group in ensuring that their decisions are fully recorded in Board minutes and received refresher training on the duties of a company director to ensure that s172 considerations were at the forefront of their mind when making decisions.

Q: Has the Board been conflicted at any time during the year?

A. 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. The Board confirmed that it was not aware of any situations that arose in 2019 that conflicted with the interests of the Company, other than those that may arise from directors' other appointments, as disclosed in their biographies on pages 54 and 55. 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.

Q: How is our Board supported by our sub-committees?

A. During 2019, the Board was supported by three committees, each reporting directly to the Board. The Nomination Committee, comprising the Chairman, the four Non-executive directors and the Chief Executive, has responsibility for assisting the Board with succession planning and with the selection of a new Executive Director, Non-executive Director or Chairman. The Audit Committee, comprising the four Non-executive Directors, has responsibility for planning and reviewing the Company's interim and preliminary reports and accounts, and its internal controls and risk management systems, (see pages 71 to 77 for more information).The Remuneration Committee, comprising the four Non-executive Directors and the Chairman, is responsible for the creation, approval and implementation of the Company's Remuneration Policy in respect of Executive Directors, the Company Secretary and senior executives.

The Audit Committee is additionally supported by the Risk Committee that comprises the Group Company Secretary; the Group Financial Controller; the Corporate Development Director; the Group Internal Audit Manager; and the Assistant Company Secretary.

Q: How frequently did our Board and sub-committees come together?

A. During 2019, the Board met on 11 occasions, the Audit Committee on four occasions, the Nomination Committee met 10 times and the Remuneration Committee met on nine occasions.

	Board Meetings	Audit Committee	Nomination Committee	Remuneration Committee[1]
Total	**11**	**4**	**10**	**9**
Jock Lennox	7	3	8	-
Alan Giddins	11	3	10	9
Derek Muir	11	-	10	-
Mark Pegler	3	-	-	-
Hannah Nichols	4	-	-	-
Annette Kelleher	11	4	10	9
Tony Quinlan	1	1	1	1
Pete Raby	1	1	1	1
Mark Reckitt	11	4	10	9

[1] No Director took part in a meeting where their salary was discussed.

Prior Committee Chair's invited non-members to attend meeting on an appropriate basis.

Q: How are changes to the Board agreed?

A. The Board has appointed a Nomination Committee, composed of a majority of independent Non-executive Directors, to oversee any changes to the Board. The Committee leads the process of Board appointments, and supports the Board in succession planning for the Board and senior management, making recommendations to the Board. The terms of reference of the Nomination Committee can be found at www.hsholdings.com and more information on the work of the Committee can be found in the Committee Chairman's report on page 69.

Q: How does our Board engage with our shareholders?

A. The Board is managing the Group ultimately on behalf of its shareholders and it undertakes this responsibility in such a way as to maximise shareholder value over the long term and to advance the interests of all of the Group's stakeholders. In this respect, during the year the Chief Executive Officer and Chief Financial Officer regularly meet with institutional shareholder representatives both in the UK and USA, and the Chairman met directly with a number of institutional shareholder representatives including holding a Capital Markets Day in December 2019. The Board also regularly receives reports from the Company's brokers and financial public relations agency on feedback from institutional shareholders following the Executive Directors' presentations.

Q: What value does the Board place on our AGM?

A. The Board is very keen that as many shareholders who wish to are able to attend the Company's AGM and ask questions of all of the Directors. 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. At the AGM our Chief Executive and Chief Financial Officer give a presentation to all shareholders in attendance and shareholder participation is encouraged, 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 our website shortly after the conclusion of that meeting.

Q: Who can shareholders turn to if they have any concerns?

A. All Directors are available to meet with shareholders to discuss matters and can be contacted through the Company Secretary at any time. The Chairman and Tony Quinlan are available to meet with shareholders concerning corporate governance issues, if so required. No concerns regarding the running of the company or any proposed action were received or recorded from shareholders in the year under review or to the date of this report.

The Company Secretary also engages with shareholders and the investor community as and when required. Copies of all trading updates and Interim and Annual Reports are posted on the Company's website, together with details of key financial and shareholder information, governance statements, Group policies and corporate and organisational structure.

Visit www.hsholdings.com
for Leadership framework.

Case Study

Below: Representatives of the Group's US-based subsidiaries meet with members of the Hill & Smith Holdings PLC Board and other senior managers.

Consideration of s172 and the Board's decisions on the interests of its employees, both past and present.

1. During the year the Board reviewed the Company's deficit contributions to the, now-closed, UK defined benefit pension scheme. The scheme currently has 262 deferred members and 610 pensioners, all of whom are or were employees of our UK subsidiaries and is managed by independent trustees who agreed the scheme's investment strategy with the Company. In discussions with the Trustees, their advisors and actuaries the Company agreed a restructuring of the scheme's liability driven investment ('LDI') strategy, as a result of which the Company also agreed to increase its contributions to the scheme by 48%.

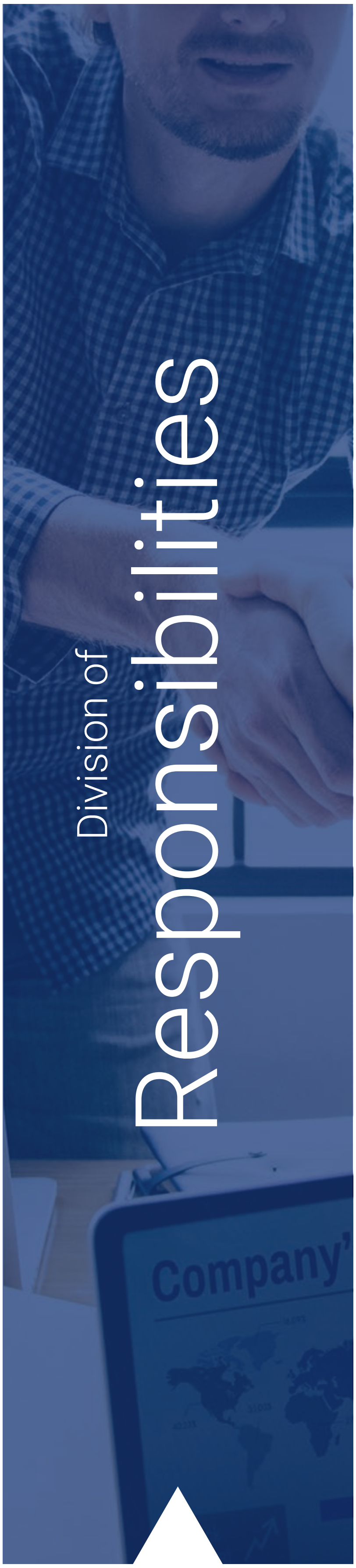
2. The Board considered how best to engage with its c. 4,600 employees in six geographies. In determining the most effective method, the Board concluded that the use of workforce advisory panels would be the most appropriate engagement tool. Initially, and in order to ascertain what most concerned the Group's employees, an inaugural employee engagement survey was organised and all employees were encouraged to take part. The result identified five main areas of concern: Brand; business infrastructure; talent and staffing; leadership; and career development.

   Following these findings two Workforce Advisory Panels ('WAPs') were convened with representatives of our UK and US businesses in attendance. These meeting gave employees the opportunity to engage with the Group's Chairman, Alan Giddins, our CEO, Derek Muir and CFO, Hannah Nichols as well as the Group's Company Secretary, Financial Controller and HR Director. The findings of the Employee Engagement Survey drove the agenda of the meeting and employees were encouraged to raise questions on any other area of interest and to give feedback to their colleagues on the issues discussed.

   The feedback received from these WAPs indicated that employees bought into the concept of meeting with Board members in both social and formal settings. "I had an extremely positive experience overall"; "I felt the leaders were engaged and cared"; and "I came back energised and feeling like I mattered". The Board is committed to maintaining this form of engagement with employees during 2020.

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

Governance Report (continued)



Q: How is the division of responsibilities defined?

A. There is a clear division of responsibilities between the Chairman and the Group Chief Executive which is set out in writing and available at www.hsholdings.com.

Q: What is the role of the Chairman and what value does he add to the Board?

A. The Chairman is responsible for the leadership and effective working of the Board. The 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, promoting a culture of openness and debate; facilitating constructive Board relations and effective contribution of Board members; ensuring directors receive accurate, timely and clear information; and providing an opportunity for the Non-executive Directors to meet without the Executive Directors present. He regularly seeks engagement with major shareholders to understand views on governance and performance against strategy.

Q: What is the role of the Chief Executive and what value does he add to the Board?

A. 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 Chief Executive has a long association with the Group, having first been appointed to the Group Board in August 2006 following a series of internal promotions and brings to the Board an in-depth knowledge of the operations of all the Group's subsidiaries. He maintains a programme of visits to the Group's subsidiary businesses, throughout the world. Along with the Chief Financial Officer, the Chief Executive provides information to the Board via their regular written reports; presentation of proposals for Board approval; and input into subsidiary budgets. These budgets are initially challenged by the Executive Directors in order to ensure that the final budgets are a realistic representation of the expected financial performance of the businesses, taking into account historical performance and future economic conditions.

Q: How do our Non-executive Directors contribute to our Board?

A. The Non-executive Directors take an active role in challenging strategy and monitoring the performance of the Company. There exists an appropriate combination of Executive and Non-executive Directors; clear divisions of responsibilities between the leadership of the Board and the executive leadership of the company's business; Non-executive Directors have sufficient time to meet their Board responsibilities and to provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The Non-executive Directors, led by our Senior Independent Director, meet independently without the Chairman present and also meet with the Chairman, independent of the Executive Directors.

More details of the Group's business model and strategy can be found on pages 6 to 17.

Governance Report (continued)

Q: Who constituted the Board during 2019?

A. 2019 saw a number of changes to the Board, which were announced during the year as they occurred. At 31 December 2019, the Board comprised:

- A C B Giddins, Chairman;
- A M Kelleher, Non-executive Director;
- M Reckitt, Non-executive Director;
- P Raby, Non-executive Director;
- A J Quinlan, Non-executive Director;
- D W Muir, Group Chief Executive Officer; and
- H K Nichols, Group Chief Financial Officer.

Their individual biographies can be found on pages 54 and 55. On 30 April 2019, Mark Pegler, Group Finance Director, stood down from the Board and on 30 September 2019, Jock Lennox stood down from the Board after 10 years (two years as Chairman).

Hannah Nichols, Chief Financial Officer, was appointed to the Board on 16 September 2019 and Peter Raby and Tony Quinlan both joined the Board as Non-executive Directors on 2 December 2019. Tony Quinlan was also appointed Senior Independent Director. All directors were in attendance at all meetings of the Board to which they were entitled, during 2019.

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. Following this evaluation of the performance of the Board, and on the recommendation of the Nomination Committee, the Board is proposing that all directors should stand for re-election at the Group's forthcoming Annual General Meeting.

Q: What is the profile of the Board?

A. Our directors are experienced individuals from varied commercial industries and professional backgrounds, and all have held senior roles within international businesses. Their diverse and balanced mix of skills and business experience (see below), are key elements to the effective functioning of the Board and its Committees, ensuring matters are fully and effectively debated and challenged and no individual or group dominates the Board's decision making processes.

Taking into account the provisions of the Code, the Board has determined that, during the year under review, none of the Non-executive Directors had any relationship or circumstance which would affect their performance and the Board considers all of the Non-executive Directors to be independent in character and judgement. Over half of the Board consists of independent Non-executive Directors. The biographies of the directors of the Board are shown on pages 54 and 55, along with any significant other commitments and appointments they may have.

Skills and business experience:	
Strategy (6)	Supply chain (3)
Leadership (7)	Marketing (3)
Operating performance & delivery (6)	Risk management and assurance (7)
Mergers & Acquisitions (6)	Information Technology (5)
Financial planning (6)	Health & Safety (5)
International markets (7)	Human Resources (5)
Business integration (6)	Culture & ethics (5)

Q: Are Board members considered independent?

A. The Board comprises five Non-executive Directors and two Executive Directors. The Non-executive Directors are considered independent as defined under the 2018 Corporate Governance Code.

Q: How is the Board supported and did any directors feel it necessary to seek independent advice during the year?

A. 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. 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 compliance, risk management, internal audit, treasury, taxation, acquisitions and corporate development. All directors have access to the advice and services of the Company Secretary and are able to take independent professional advice, when necessary, at the Company's expense, although no director felt it necessary to seek such advice in the year ended 31 December 2019.

Q: What arrangements are in place for director training and development?

A. The Chairman has discussed training and development needs with all Board members, as part of individual performance evaluations. All directors are provided with the opportunity for, 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 experiences for directors include attendance at seminars, forums, conferences and working groups, as well as the provision of information from the Company Secretary. During the year the Board received briefings on the new Code, considered in detail the Company's purpose, culture and values and agreed the implementation of 'workforce committees' in order to engage with the wider workforce. The Remuneration Committee's new duties include understanding the remuneration arrangements across the wider workforce within the Group, and were achieved through detailed analysis of the benefits and remuneration that all staff receive within our global subsidiaries. This work was useful in understanding the different geographies and contexts that our businesses operate in and has been used to inform the set of principles that is driving our Values and Purpose project.

Q: How is succession planning undertaken within the wider business?

A. Each subsidiary is required to have its own succession plan in place and this is reviewed on a regular basis by each operating Board. The Group's Nomination Committee retains overall responsibility for succession planning and it receives regular reports on progress and changes to each plan, which covers key roles within each subsidiary and is not simply limited to the top tier of management.

The Nomination Committee also regularly reviews the composition of the Board, including tenure, skills and demographic mix. This robust process ensures that the Board retains knowledge, talent and a diverse range of backgrounds and experience, yet at the same time avoids any sudden changes to the composition of the Board which might have an adverse impact on the Board's effectiveness.

Q: What is the Board's view on diversity?

A. The Board is committed to ensuring that the Company's workforce is as diverse as possible, that it has access to a wide labour market and that members of the workforce are recruited on merit, regardless of age, disability, marital or civil partner status, pregnancy and maternity, race, colour, nationality, ethnic or national origin, religion or belief, gender or sexual orientation. As part of this commitment, the Company includes in the Annual Report, details of the numbers of men and women at board level; the number of men and women who are 'managers' (i.e. those employees with authority and responsibility for planning, directing and controlling the activities of the Company); and the number of men and women across the organisation as a whole. Where appropriate, the Board will take steps to address any gender or other diversity imbalance, including by, but not limited to, ensuring that the Company's vacancies are advertised to a diverse labour market.

Q: When did you last carry out a Board evaluation?

A. Our most recent evaluation was carried out in November 2019 via an externally facilitated self-assessment questionnaire, where all members of the Board and the Company Secretary were invited to respond to questions in the following areas:

- Board Leadership and Company Purpose;
- Division of Responsibilities;
- Composition, Succession and Evaluation;
- Audit, Risk and Internal Control; and
- Remuneration.

Arising from this review, the Board agreed the following areas to focus on during 2020:

- medium and longer term strategies;
- continuation of the work on Purpose and Values;
- reviewing the appropriateness of resource allocation across the Group;
- succession planning to improve the resilience of our subsidiary businesses; and
- a review of Board diversity to ensure that the Board has the right balance of skills and is sufficiently diverse in terms of both gender and ethnicity.

Q: When did you last carry out an external Board Effectiveness Review?

A. In 2017. The Board commissioned an external Board Effectiveness evaluation, facilitated by Colin Mayer CBE FBA, Professor of Management Studies at Saïd Business School, University of Oxford, who had no other connection to the Company.

The Board has agreed that it will engage an external, independent third party to review the Board's effectiveness during 2020.

2km Rebloc RB80 installed on the M23 Gatwick Spur by Asset VRS, a division of Hill & Smith Ltd.

Audit, Risk and Internal Control

Q: How does our Board approach financial and business reporting?

A. The respective responsibilities of the directors and external auditor in connection with the Financial Statements are explained in the Statement of Directors' Responsibilities on page 101 and the Independent Auditor's Report on pages 104 to 110.

Q: What responsibility does our Board have for managing risk?

A. Overall responsibility for 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 and for internal control, and reviewing the effectiveness of these processes, lies with the Board. The process has been in place throughout 2019, and up to the date of approving the Annual Report and Financial Statements. The key elements of this process are:

- a comprehensive system of monthly reporting from key executives, identifying performance against budgets and forecasts;
- 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;
- six-monthly submissions from all subsidiaries detailing the risks they have identified and what controls and assurances they have in place to mitigate these risks;
- 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;
- the use of a Risk Committee to monitor, validate and report on the Group-wide risk assessment process;
- Audit Committee discussion of the corporate risk register and the risk management system with subsequent reports to the Board; and
- the embedding of a senior management top-down approach to complement the work of the Risk Committee.

More details of the risk management process can be found on pages 32 to 39.

Q: What responsibility does our Board have for embedding key controls?

A. The respective responsibilities of the directors in connection with the key controls in the business include:

- ensuring maintenance of a sound system of internal control and risk management ;
- reviewing the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Board shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- consideration and approval of the half-yearly report, any other interim management statements and any preliminary announcement of results;
- approval of the dividend policy;
- declaration of the interim dividend and recommendation of the final dividend;
- approval of any significant changes in accounting policies or practices; and
- approval of treasury policies including foreign currency exposure and the use of financial derivatives.

Q: How does our Internal Audit function support the work of our Board?

A. During 2019 the Audit Committee reviewed the annual internal audit plans for 2020, as prepared by the Group Internal Audit Manager and recommended the plans to the Board. The 2019 plan focused on core baseline controls and key policy compliance, along with thematic reviews covering strategic and operational risks. This approach was considered successful both by the Audit Committee and the subsidiaries and will continue into 2020.

Governance Report (continued)

Q: How does our Board ensure that our risk management and internal control systems are effective?

A. 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 2019, 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. This routinely identifies areas for improvement, but the Board has neither identified nor been advised of any failings or weaknesses that it has determined to be material or significant.

Q: How has the Board assessed the short term financial requirements of the Group?

A. The Board has considered the Group's status as a going concern and 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 and steel prices and economic growth forecasts. The forecasts show that the Group will have sufficient headroom in the foreseeable future and the likelihood of breaching borrowing 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.

Q: What has the Board done in consideration of the Group's longer term sustainability?

A. Please see the Viability Statement below.

The Viability Statement

The directors have considered the prospects of the Group over the thee-year period immediately following the 2019 financial year. This longer term assessment process supports the Board's statements on both viability, as set out below, and going concern, above. A three-year period was determined as the most appropriate as it is the period covered by the Group's annual strategic planning process, which sets the long term direction of the Group and is reviewed at least annually by the directors. The Board concluded that a period of longer than three years would not be meaningful for the purpose of concluding on longer term viability. The strategic planning process considered metrics which enable assessment of the Group's key performance indicators (see pages 30 and 31) in addition to net debt, liquidity and financing requirements. In conducting the review of the Group's prospects the directors assessed the three-year plan alongside the Group's current financial position, the Group's strategy and the principal risks facing the Group (all of which are detailed in the Strategic Report on pages 36 to 39). This robust assessment considered the impact of the principal risks on the business model and on future performance, liquidity and solvency. Stress tests were applied to the Group's three-year plan, whereby risks associated with the economic risks faced by the Group were applied to the plan in a number of different scenarios.

The developed scenarios were designed to be plausible, yet severe:

- a decrease in the UK Government's road infrastructure spend;
- a fall in galvanizing volumes across all geographies;
- a reduction in revenues in the Group's Utilities businesses in the UK and USA; and
- a reduction in revenues across a range of the Group's UK businesses to reflect the possible impacts on macro-economics conditions of a 'no-deal' Brexit.

In making this viability statement the directors considered the mitigating actions that would be taken by the Group in the event that the principal risks of the Company become realised. The Directors also took into consideration the Group's financial position at 31 December 2019 with an undrawn committed facility headroom of £125.5m and a history of strong cash generation, and noted that the Company's principal financing facilities are committed until at least 2024, thus covering the period of review. The directors have assessed the viability of the Group and, based on the procedures outlined above in addition to activities undertaken by the Board in its normal course of business, confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2022.

Q: What has the Board done to ensure that the Annual Report represents a fair, balanced and understandable assessment of the Group's position and prospects?

A. The Board received a recommendation from the Audit Committee that the Group's position and prospects had been assessed and reported on in the Annual Report in a way that was fair, balanced and understandable. Prior to making the recommendation to the Board the Committee reviewed a report received from the management responsible for the preparation of the Annual Report detailing how the report had been compiled. The Committee considered the information laid out in the Annual Report and concluded:

- that the process by which the allocation of responsibility for the preparation of certain sections of the Annual Report to individuals in the head office team and their review by external advisors was fit for purpose;
- that the information given represented the whole story of the business' performance in 2019 and did not mislead the reader by excluding appropriate bad news. That the disclosures of the Group's business segments and key messages are consistently delivered throughout the document, KPIs are clear and appropriate and linked to both the Group's strategy and remuneration incentives;
- that it was a suitable document to inform both existing and prospective shareholders about the financial and non-financial performance of the business, with the messages delivered in the Directors' Report, including the Operating and Financial Review and the Financial Statements being balanced and consistent and that the report set out a detailed and fair representation of the Group's activities and performance and that certain matters have been identified and discussed between management, the Audit Committee and KPMG in order to correctly disclose the performance, controls and prospects of the Group; and
- that the document allowed shareholders to follow the whole story of the Group's financial and non-financial performance in 2019 giving them a clear and understandable picture of the Group's business model, key drivers and commercial operations.

Q: What is the purpose of our remuneration policy?

A. The purpose of our remuneration policy is to be able to recruit and retain executive directors of sufficient calibre to develop and deliver our business strategy and create shareholder value; to ensure remuneration arrangements are in the best interests of the Group, in line with the wider workforce and do not pay more than is appropriate; and does not pay for failure. More information on the Group's Remuneration Policy is available on pages 89 to 97.

Q: Has our remuneration policy operated as intended?

A. We believe that the policy has operated as intended. Our Executive Directors pay arrangements are made up of three fundamental elements: salary, an annual bonus with a 20% deferred bonus and a three-year longer term incentive arrangement. Whilst in 2019 we have achieved record revenues and underlying operating profit the short term bonus will only pay out 43% of maximum opportunity (2018: 19%), and the Long Term Incentive Plan incentivising three-year growth of the company will pay out at 31.15% of maximum. More information is available on pages 82 and 83 of the Group's Remuneration Report.

Q: How has the Board considered pay increases for the Executive Directors relative to the wider workforce for 2020?

A. In deciding on the annual increase of 2.9% for the Executive Directors, the Remuneration Committee received information on the average increases being given across the Group's 33 subsidiaries located in six countries. More information is available on pages 86 and 87 of the Group's Remuneration Report.

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Find out more detail in the Directors' Remuneration Report on pages 78 to 88.

Decked by Composite Advantage, the West Thames pedestrian bridge provides access over the busy West Street in Lower Manhattan, New York.

Varley & Gulliver H4a parapet on a bridge spanning the River Dee on the A90 Aberdeen Western Peripheral Route.

Nomination Committee Report

A C B Giddins
Chairman

Committee Membership

During the year the Committee comprised, at various times, Jock Lennox , Chairman 1 January 2019 – 30 September 2019, myself as the Group's Chairman, the Non-executive Directors Annette Kelleher, Tony Quinlan, Pete Raby and Mark Reckitt and the Group Chief Executive, Derek Muir. The Committee met 10 times in the financial period under review with all eligible members of the Committee being present on each occasion.

Committee Membership

	Date of appointment	Length of service at 31 December 2019
Alan Giddins	3 October 2017	2 years 3 months
(as Chairman)	1 October 2019	3 months
Annette Kelleher	1 December 2014	5 years 1 month
Tony Quinlan	2 December 2019	1 month
Peter Raby	2 December 2019	1 month
Mark Reckitt	1 June 2016	3 years 7 months

For information on the balance of skills and experience see page 62.

Non-executive Directors

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.

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.

Role of the Committee

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 over the long term. The Committee will consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board. All Non-executive Directors, as well as myself, were selected through externally facilitated recruitments and are independent. The Board believes that the Group has 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. The Committee will continue to monitor the need to make any further changes to the composition of the Board, in the context of the Group's strategy.

The work of the Committee during the year

During the year, and the period up to the date of this report, the Committee considered the need to maintain the right balance of expertise both at Executive Director and Non-executive Director level and specifically the Committee:

- discussed and planned for any forthcoming changes, and in this regard the Committee has overseen the succession planning and discussions with Mark Pegler, Group Finance Director, resulting in the announcement on 6 March 2019 that Mark would step down from the Board on 30 April 2019;
- completed the search for a new Group Chief Financial Officer, appointing Hannah Nichols to the role from 16 September 2019;
- reviewed the provisions in relation to the Chairman as contained in the new UK Corporate Governance Code and in relation to the results of the AGM, concluding that, with other changes planned for the Board, it was appropriate to consider appointing a new Chairman. It was resolved that I, Alan Giddins, the then Senior Independent Director, be appointed Chairman;
- completed the search for additional Non-executive Directors with the skills to support the Company through the next stage of its strategy, appointing Tony Quinlan, ex-CEO of Laird PLC, and Pete Raby, CEO of Morgan Advanced Materials PLC, to the roles from 2 December 2019;
- considered the Hampton-Alexander Review requirement that at least 33% of the Board should be women. Noting that whilst cognisant of diversity in its broadest sense, in appointing Tony Quinlan and Peter Raby, who were the individuals with the best skills and experience to support the Company's strategy, the Company would not meet the guidelines, being that the Board would comprise 28.7% women. However, the Committee considered these appointments to be in the best interest of the Company;
- evaluated Board succession and diversity and the Subsidiary succession planning and talent management plans; and
- recommended to the Board the approval of the Committee's revised terms of reference.

Plans for the year ahead

The Committee intends to remain focused on succession planning and talent management, both at Board and Subsidiary level. We have 33 entrepreneurial subsidiaries across six geographies and the identification of high calibre individuals within these businesses and their successful transition into senior management roles, along with the introduction of new skills into these businesses, is of utmost importance to the delivery of the Group's long-term strategy.

A C B Giddins
Chairman

4 March 2020

One Vanderbilt, the tallest office tower in Midtown Manhattan, topped with a 100-foot architectural spire. Floors 60 upwards consist of 3,200 US tons of structural steel, galvanized by V&S Lebanon.

Audit Committee Report

Mark Reckitt
Chair, Audit Committee

Dear Shareholder

It is a pleasure to make my report as Chair of the Audit Committee of Hill & Smith Holdings PLC and to explain how your Audit Committee and the Company's senior management team have continued to develop and enhance our risk management processes and internal audit programmes. Having appointed our first Group Internal Audit Manager in September 2017, we have during 2019 enlarged the department to provide the Group with improved resources to allow us to focus on internal controls within our subsidiary businesses. A new Group Head of Risk & Internal Audit was appointed in January 2020, as the incumbent took another role elsewhere in the Group.

The Committee was pleased with the effectiveness of the strengthened internal audit function and the reviews it produced, including reports covering Group-wide thematic reviews into supply chain failure risk and working capital management. Multiple subsidiary level reviews focussed on subsidiary compliance with the Group's corporate policies and the strength of core, baseline internal controls. In December 2019, the Committee approved an internal audit plan for 2020 with a wider scope of work at subsidiary level.

As promised in last year's report the Committee has carried out a tender process to replace KPMG, as the Group's external auditor. KPMG has been the Group's auditor since 1999. As a result of this process EY have been recommended as the Group's auditors for the year ending 31 December 2020 and a resolution to appoint EY will be put before the shareholders at the Company's AGM in June 2020. More details are set out on page 76.

The Executive team, supported by the Audit Committee, has continued to build upon the risk assessment methodology which was implemented across the Group. Further training sessions on risk identification, definition and mitigation actions were delivered to all senior executives across the Group, and the Committee approved the investment in improved online reporting software that businesses can use to embed risk management within their operational processes. Its implementation, configuration and utilisation will be monitored by the Group's Risk Committee.

The Risk Committee has met on four occasions in 2019 and comprised the Group Company Secretary, the Group Financial Controller, the Assistant Company Secretary, the Group Internal Audit Manager, the Group's Director of Corporate Development and since her appointment, Hannah Nichols, our Group Chief Financial Officer. During these meetings the Committee has reviewed information on risks that were apparent across all subsidiaries and that might affect the Group's ability to deliver its strategic plan.

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

- Primary areas of judgement considered by the Committee in relation to the 2019 accounts;
- Internal controls;
- Risk assessment, management and mitigation; and
- Assessment of effectiveness of external audit.

I trust you will find this report a helpful insight into the activities undertaken on your behalf. I should be delighted to answer any questions you might have and I look forward to seeing you at our AGM in June 2020.

Mark Reckitt
Chair, Audit Committee

4 March 2020

Audit Committee Report (continued)

The role and meetings of the Committee

The Audit Committee reviews the Group's accounting policies and procedures, its Annual and Interim Financial Statements before submission to the Board and its compliance with statutory requirements. It monitors the integrity of the Group's Financial Statements and announcements relating to financial performance and reviews the significant reporting judgements contained therein. It also reviews the scope, remit and effectiveness of the risk management and internal control systems and internal audit function. The Committee's terms of reference can be found on the Company's website.

During the year the Audit Committee comprised:

- Mark Reckitt;
- Alan Giddins (resigned 30 September 2019);
- Annette Kelleher;
- Tony Quinlan (appointed 2 December 2019); and
- Pete Raby (appointed 2 December 2019)

During the period 1 October to 30 November, a period in which there were no Audit Committee meetings, the Committee did not comply with part of provision 24 of the UK Corporate Governance Code 2018 as it only had two independent Non-executive Directors as members.

Mark Reckitt has been specifically identified, in keeping with the provisions of the UK Corporate Governance Code, as the Committee member having recent and relevant financial experience. He is a qualified Chartered Accountant and has previously held the positions of Group Strategy Director at Smiths Group plc from February 2011 to April 2014 and Chief Strategy Officer at Cadbury plc from 2004 to 2010. He is currently the Audit Committee Chairman and Senior Independent Director at Cranswick plc.

The Committee meets according to the requirements of the Company's financial calendar and during 2019 met on four occasions: in February to consider the draft Annual Report together with the external audit findings, receive feedback from the external auditor on the FRC AQR review, and receive a report from PwC on the Group's approach to cyber risk; in July to consider the half-year results, the audit tender approach and further discussions on cyber risk; in September to consider the subsidiaries' 2019 risk registers, receive updates on Internal Audit work and the External Audit tender, approve the external auditor's plan for 2019 and approve their fees; and in December to approve the internal audit plan for 2020, approve the Group's principal risks & uncertainties and make recommendations to the Board on the appointment of an external auditor. Attendees at each of the meetings included by invitation, the Chairman; the Group Chief Executive; the Group Chief Financial Officer; the Group Financial Controller; the Group Internal Audit Manager; the external auditor, KPMG and, where appropriate, other advisors. Time is also allowed for the Committee to speak with the external auditor and the Group Internal Audit Manager without the presence of the executive management.

As Chair of the Audit Committee, Mark Reckitt has maintained regular contact with the external audit partner and the Group Internal Audit Manager outside Committee meetings and without the management of the business present. In these meetings a wide range of matters are discussed, including specific issues encountered in their work across the Group as well as changes in financial reporting and governance landscape, the Company's readiness to accommodate these developments, the approach to auditing activities undertaken by KPMG and the internal audit function and our approach to managing risk and assurance generally.

Responsibilities of the Committee

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

During the year and to the date of this report the Committee considered the following items: Financial Statements and Reports; Risk Management; Internal Audit; and External Audit and non-Audit Work.

Financial Statements and Reports
• Reviewed the 2019 Annual Report, and the 2019 Interim Report;
• Reviewed the disclosures made in the 2019 Annual Report in respect of the effectiveness of the Group's risk management and internal controls;
• Advised the Board on whether it is appropriate to adopt the going concern basis of accounting in preparing the Group's Financial Statements (see page 66);
• Advised the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable (see page 66); and
• Reviewed areas of the accounts which require particular judgement including the carrying value of goodwill and indefinite life assets; the defined benefit pension scheme valuation; and taxation (see below).

Primary areas of judgement considered by the Committee in relation to the 2019 accounts

In order to discharge its responsibility to consider accounting and financial reporting integrity, the Committee carefully considers key judgements applied in the preparation of the Consolidated Financial Statements, which are set out on pages 111 to 164. 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 £160.0m at 31 December 2019. The review of such assets is based on a calculation of value in use, using cash flow projections based on financial budgets and strategic plans prepared by senior management and approved by the Board of Directors. The uncertain economic conditions around the world increase the risk of impairment and the Committee addresses this by receiving reports from management outlining the basis for the assumptions used for cash generating units. The Committee also considers and challenges management's assessment of the sensitivities to these assumptions and the impact that those sensitivities may have, and further considers the disclosures made in respect of sensitivities, in particular in respect of France Galva SA, in note 10 to the Financial Statements on pages 140 and 141. Business plans are signed off by the Board and assessment models are reviewed and challenged as part of the audit, for which the external auditor, KPMG, provides reporting to the Committee. As part of this review, the Committee considered cash flow projections for the ATA Sweden business and following challenge of those projections concluded that impairment of the goodwill and intangible assets relating to that business was appropriate.

Defined benefit pension scheme valuation
Net defined benefit pension obligations under IAS19 amount to £19.9m at 31 December 2019. 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 auditor and reported on to the Committee.

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

Risk management
• Reviewed the outputs from the Group's risk management process to ensure that subsidiaries were identifying, articulating, evaluating and mitigating risks; • Reviewed reports made via the Group's whistleblowing process and the conclusions from any investigations, ensuring that lessons learned were implemented; and • Advised the Board on whether, given an assessment of the Company's current and forecast position and principal risks, the Board can approve its viability statement (see page 66).

Risk management

The risk management process is continually kept under review to ensure that outcomes from the subsidiaries' risk submissions provide the necessary information for the Audit Committee to carry out a robust assessment of the risks affecting the Group as a whole. Subsidiary management are continually monitored and supported to ensure their risk management policies and risk mitigations are suitable to meet the Board's appetite for the risks identified.

Risk management process
Every year the Committee seeks to improve the Group's risk management processes to ensure that the Group's principal risks and uncertainties are correctly identified by virtue of a top-down/bottom-up approach utilising the experiences of the Audit Committee and the Group's 33 subsidiaries. In this, the Audit Committee is supported by the Group's Risk Committee, which includes Group Company Secretary, the Group Financial Controller, the Assistant Company Secretary, the Group Internal Audit Manager, the Group's Director of Corporate Development and since her appointment, Hannah Nichols, our Group Chief Financial Officer, plus representatives of the Group's three business segments and by invitation the Group's CEO.

The Risk Committee oversees the risk management process, which is one of continual improvements and during the year a programme of training for senior management was delivered across the Group, through face-to-face seminars in the UK and USA and through a training manual to the other international jurisdictions. These sessions complement the work already done on risk management and focused further on the concept of risk mitigation – controls and assurance.

The Risk Committee reviews, discusses and validates the risk submission data received from the subsidiaries. Any risks submitted by subsidiaries that do not align with the Group's principal risks are individually reviewed and taken into account in current and subsequent reviews of the Group principal risks. The Audit Committee has monitored the resultant key risks on the corporate risk register and during the year received reports and minutes from the Risk Committee, detailing the Group-wide risk assessment process and the movements in major risks and providing updates on subsidiaries' risk mitigation activity. More information on the activities of the Risk Committee and the Group's principal risks and uncertainties can be found on pages 32 to 39.

Whistleblowing
The Group has a written policy which states that if any employee in the Group has reasonable grounds to believe that the Group's Code of Business Conduct is being breached by any person or group of people, they are able to report such incidents through an externally hosted internet reporting system and/or a telephone based whistleblowing hotline or if necessary, to the Company Secretary or the Chairman of the Audit Committee. This policy can be found on the Group website.

Any incidents reported, whether through the whistleblowing hotline or direct to the Company Secretary or any other member of Group-level management, are investigated under the supervision of the Company Secretary and resolved appropriately. The Committee receives reports from the Group Company Secretary on these cases, on the investigative process, the conclusions, and any lessons to be learned from these events.

Audit Committee Report (continued)

Internal audit
• Assessed the adequacy of the internal control environment and the processes in place to monitor this, including reviewing the performance of the internal audit activity;
• Monitored the performance of the Group Internal Audit Manager and reviewed the work of the Group's Internal Audit function, concluding that it is operating effectively and was appropriately resourced; and
• Evaluated and approved the Internal Audit Plan for 2020, confirming the appropriateness of its focus and scope with reference to the risk management reporting process.

Internal audit

The Audit Committee and Hill & Smith executive management ensure that the Group Internal Audit Manager, who reports to the Group Chief Financial Officer and the Chair of the Audit Committee, has free access to the businesses, information and management within the Group.

Internal audit function
The internal audit function is overseen by the Group Internal Audit Manager. The Audit Committee annually reviews and approves the Internal Audit Charter that sets out:

- the function's purpose: to independently and objectively evaluate the effectiveness of internal controls, risk management and governance processes; and
- how the function will discharge its responsibility, primarily by preparing and executing a risk based audit plan, identifying opportunities to improve internal control, risk management and governance processes and by verifying that improvements agreed with management are implemented within a reasonable timeframe.

In accordance with the Internal Audit Charter, the Audit Committee and executive management ensure that the internal audit function has free and unrestricted access to the Group's records, physical properties and personnel pertinent to carrying out its activities, and remains free from inappropriate management influence or other restrictions on its ability to perform its work in an objective and effective manner.

The 2019 Internal Audit Plan balanced the focus of the function between Group-wide principal risks and subsidiary-level risks. It included Group-wide thematic reviews of supply chain failure risk and working capital management, and multiple subsidiary-level reviews, focused on Group subsidiaries' compliance with Group policy and the strength of core, baseline internal controls.

Where internal audit work did find instances of control weakness, or non-compliance with Group policy, the findings have been discussed at the Audit Committee, and the resulting audit actions have either been implemented, or are in the process of being addressed in accordance with agreed timelines. However, as noted on pages 6 to 17, Hill & Smith Holdings PLC operates a decentralised business model where significant accountability is devolved to subsidiary operational and financial management. Control weaknesses identified at subsidiary level are taken seriously and management and the Audit Committee seek to ensure that their cause is understood and mitigating actions are taken to limit the potential for recurrence. In view of the work of internal audit, external audit and Group management it is considered unlikely that a weakness at an individual subsidiary would have a material impact when taken in the context of the Group as a whole.

A new Group Head of Risk & Internal Audit was appointed in January 2020, as the incumbent took another role within the Group.

Internal control
The Audit Committee is responsible for ensuring that the Group's system of internal control is embedded within all subsidiary companies. The Committee monitors the adequacy and effectiveness of the Group's internal control processes through review and discussion of:

- the proposed internal audit plan ensuring that it was aligned to the principal risks of the business and received regular progress updates on the delivery of the objectives of the plan;
- the 16 internal audit reports and findings presented throughout the year together with the progress by management in addressing the issues identified on a timely basis;
- executive management reports and presentations including updates on specific areas provided at the request of the Committee. In the period covered by this report this included the implementation of new accounting standards including IFRS 16 'Leases';
- accounting judgements including the carrying value of goodwill and intangible assets of France Galva SA, and ATA;
- external audit reports and findings at the half-year and year end audit phases; and
- reports from the Group's external professional advisors as commissioned which, in 2019, included reports on the Group's health and safety arrangements and cyber security control environment.

Effectiveness of internal audit
The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Group's internal audit function.

As noted above the Audit Committee reviewed and approved the risk based audit plan and monitored progress with its completion. Changes to the plan arising in the year, including the completion of additional work, were discussed and approved by the Audit Committee.

Throughout the year the Audit Committee discussed the internal audit function's outputs with the Group Internal Audit Manager and executive management. The Audit Committee was satisfied that the Internal Audit function is operating effectively and that the level of experience within the department was appropriate to meet the Group's needs during the year.

External audit and non-audit work
• Considered, along with the external auditor, the significant risks to the audit and their approach to these risks – risk of fraud in revenue recognition; fraud risk from management override of controls; valuation of goodwill in relation to France Galva S.A.; provisions for uncertain income tax positions; and UK post-retirement benefits obligations;
• Reviewed, considered and agreed the methodology of the 2019 audit work to be undertaken by the external auditor;
• Oversaw the relationship with the external auditor, reviewing their performance and advising the Board on their appointment and remuneration;
• Evaluated the independence and objectivity of the external auditor;
• Reviewed the level and nature of non-audit services provided by the external auditor during 2019 noting that KPMG, the Company's external auditor had, along with other major audit firms, decided to provide only audit and related services to their audit clients with effect from November 2018;
• Reviewed and approved updates to the Non-audit Services Policy and the Procedure for the External Auditor Policy; and
• Concluded a tender process for the appointment of a new external auditor.

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 2019 year-end audit during the Committee meeting in September 2019. This highlighted the proposed approach and scope of the audit and identified the key issues in detail, being the impact of uncertainties from Britain leaving the European Union; the risk of fraud in revenue recognition; fraud risk from management override of controls; valuation of goodwill in relation to France Galva S.A; provisions for uncertain income tax positions and UK post-retirement benefits obligations. The Committee debated, and appropriately challenged, the basis for these areas before agreeing the proposed approach and scope of the external audit.

In December 2019, the Committee considered a report from the Group's Chief Financial Officer 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 its 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 reviewed this feedback together with the 2018 Audit Quality Inspection review undertaken by the FRC on KPMG, and discussed the broader topic of the perceived quality and effectiveness of external audits generally. Following this discussion the Committee 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 2019 audit. The Committee discussed the issues raised in the report, particularly in relation to the areas highlighted, at their meeting in February 2020. A similar discussion of KPMG's review of the half-year accounts, is undertaken by the Committee in August. The Committee questioned and challenged 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 external auditor confirmed its policies on ensuring auditor independence and provided the Committee with a report on their own audit and quality procedures. This report was reviewed during the period under review and the Committee remained satisfied of the auditor's independence and with the rotation of the external audit personnel, which complied with the professional guidelines. To maintain auditor independence the Group has a policy whereby, before any former employee of the external auditor may be employed by the Group, careful consideration is given to whether the independence of the auditor will be adversely affected and approval of the Audit Committee is required.

On 16 September 2019, Hannah Nichols was appointed Chief Financial Officer of Hill & Smith Holdings PLC. Hannah's spouse, Paul Nichols, is an audit partner for KPMG, based in their London office. Under the provisions of the FRC Ethical Standard, in such circumstances Paul Nichols is required to be precluded from any role which would enable him to influence the conduct and outcome of the audit of the Company. KPMG have confirmed to the Committee that measures have been taken to ensure he does not have any ability to influence the conduct and outcome of the audit. KPMG also confirm that having considered the threats to their independence that might arise from this relationship and, taking into account the relative seniority of Darren Turner, KPMG's lead partner for Hill & Smith Holdings PLC, as compared to Paul Nichols, are satisfied that they can be safeguarded for the following reasons:

Audit Committee Report (continued)

- they will ensure that Paul Nichols has no involvement with the Hill & Smith audit;
- Paul Nichols will be based out of the London office whilst Darren Turner is based out of the Birmingham office and the audit of Hill & Smith Holdings PLC is undertaken from their Birmingham office;
- Paul Nichols will not have any mutual clients or other responsibilities with Darren Turner, nor will he have any responsibility for any other audits undertaken out of KPMG's Birmingham office; and
- Paul Nichols will not have any performance management responsibilities for any member of the Hill & Smith Holdings PLC audit team.

In light of the measures taken by KPMG to maintain their independence, the Committee accepted that KPMG remained independent for the purposes of conducting the 2019 year-end audit of the Company.

KPMG have been the Group's auditor 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 last partner rotation occurred in December 2016 when Darren Turner, recommended by KPMG and approved by the Audit Committee took over for the 31 December 2016 year-end audit. This year's audit will be his fourth. However, as reported in last year's report the Committee has considered that it would be prudent to prepare for new auditors for the 2020 year-end. As such, a tender process was commenced in the second half of 2019. There are no contractual obligations in place that restrict our choice of statutory auditor.

As reported above and in last year's Audit Committee Report a tender process for the appointment of a new external auditor was undertaken in the second half of the year. KPMG, as the Company's current auditors and Deloitte, as the Company's preferred tax advisors were excluded from the tender process.

Appointment of an external auditor
Consistent with the FRC 'Audit Tenders Note on Best Practice' issued in February 2017, the tender process was not limited to the 'Big 4' and EY, PwC, BDO and Grant Thornton were invited to tender. Grant Thornton did not respond to the invite.

Kick-off meetings were held with EY, PwC and BDO to discuss the Group's strategy and business segments; the Group's financial priorities; and the Audit Committee's expectations of the Company's auditor. These meetings were led by the chair of the Audit Committee, Mark Reckitt and included the Chief Financial Officer, Group Financial Controller and the Group Reporting Manager ('the Selection Sub-committee').

Following confirmation from all three firms that they were able and willing to be involved in the tender process, the Selection Sub-committee reviewed and approved Request for Proposal documentation to be issued to all three firms.

The firms then had the opportunity to meet with various Head Office management team individuals as well as spending time with the management teams of the Group's larger businesses, notably Hill & Smith Limited in the UK and V&S Galvanizing LLC, in the USA. This enabled the firms to gain a more detailed understanding of the Group and existing management processes and challenges to better inform their tender submissions. These meetings included time with the Chief Financial Officer, Group Financial Controller, Group Reporting Manager, Group Company Secretary, the Group Internal Audit Manager; and the Managing Directors and Finance Directors of Hill & Smith Limited and V&S Galvanizing LLC.

The Company also set up a dataroom, managed by Gowling WLG the Company's legal advisors, which contained information historical information on the Group and its structure and on the trading subsidiaries within the Group (see pages 6 to 17 and pages 182 to 184). In addition responses to additional requests for information from any firm were shared with the other participants.

The bids submitted were reviewed by the Selection Sub-committee and all three firms were invited to present their proposals to the Audit Committee, the Chairman, the CEO, the other members of the Selection Sub-committee and the Group Company Secretary. During these presentations, all Company individuals present reviewed the tender submissions, asked questions relevant to the submissions and using an evaluation matrix provided by Group Finance, scored and independently assessed the quality and relevant sector experience of the proposed team; the depth of the team in the context of the wider organisation; their understanding of the Company's key risks; their transition plans; and their use of technology to improve the efficiency and effectiveness of the audit.

Following consideration of the submissions and the comments provided to the Audit Committee by the Chairman, the CEO, other members of the Selection Sub-committee and the Group Company Secretary, the Audit Committee, in accordance with its terms of reference, recommended EY as the preferred external auditor for the Company. The Board ratified the decision of the Audit Committee and announced the decision to the London Stock Exchange in January 2020. A resolution to formally appoint EY as the Group's external auditor will be put before the AGM in June 2020.

Non-audit fees
The Committee reviewed its Non-audit Services Policy in December 2019 to ensure it meets the detailed requirements of the EU Audit legislation, which restricts the use of the external auditor for activities including compiling accounting records, certain aspects of internal audit, IT consultancy, tax services except in exceptional circumstances, and advice to the Remuneration Committee.

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

Where the Committee believes it is cost effective for non-audit services to be provided by the external auditor, such as those relating to acquisition due diligence work, it will consider, on an exceptional basis, the engagement of the external auditor, subject to application of the principles of the policy, including the financial limits. During 2019, there were fees of £12,000 (2018: £248,000) paid to the auditor for non-audit services. The fees paid covered due diligence on acquired businesses and aborted acquisition costs £Nil (2018: £238,000) and assurance reviews £12,000 (2018: £10,000). Audit fees for 2019 were £1,104,000, representing a 1:92 ratio between non-audit and audit fees (2018: 1:4). Further details of these amounts are included in note 6 of the accounts on page 129.

In November 2018, KPMG announced that, in order to remove the perception of any conflict of interest arising from the provision of non-audit services to audited entities, they would be discontinuing the provision of all non-audit services (other than those closely related to the audit) to all FTSE 350 companies. Any contracted non-audit services that had commenced before the date of the announcement (or were in discussion at that date) that had not been completed would be delivered in line with contractual commitments.

Summary

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

Mark Reckitt
Chair, Audit Committee

4 March 2020

Remuneration Committee Report

Dear Shareholder,

I would like to present our 2019 Directors' Remuneration Report. At our AGM in May 2017, shareholders approved our Directors' Remuneration Policy with 93% of the votes in favour of it. Our new Remuneration Policy is set out on pages 89 to 97, and will be proposed to shareholders at the 2020 AGM. Subject to shareholder approval, the new policy, will apply for 2020.

Our revised Directors' Remuneration Policy

Having considered the Company's strategy, and carried out a review of the remuneration arrangements currently in place, we believe the existing remuneration framework continues to effectively support the delivery of the business strategy and the continued creation of shareholder value. Therefore, we are not proposing any structural changes to our executive remuneration arrangements. However, we are changing the way in which the Policy will operate to take account of best practice and governance developments and to support the business needs, in particular succession planning, over the next three years. We consulted with shareholders in relation to the proposed Policy and have finalised our proposals having regard to the feedback we received. These changes are summarised as follows:

Pension provision – alignment with the workforce	The pension contribution for all Executive Directors appointed since 1 January 2019 (including H K Nichols) is aligned with the wider workforce pension contribution, currently 6.5%. D W Muir, our longstanding CEO, has a pension entitlement of 25%, however, recognising the change in the pension landscape, Derek has agreed to have his pension amount frozen at the 2019 value. The CEO's pension contribution will be aligned to the wider workforce by 2022 in line with shareholder expectations.
Variable pay	For the CEO, increases will be made to the Policy maximum for annual bonus, from 125% of salary to 150% of salary, and LTIP, from 150% of salary to 175% of salary. This increased headroom will only be used to support CEO succession planning, and will be balanced with the Policy changes noted below. For the CFO, the overall Policy maximum will remain at 125% of salary for the annual bonus and 150% of salary for the LTIP. The 2020 awards for D W Muir and H K Nichols will be either 125% of salary (in the case of D W Muir) or 100% of salary (in the case of H K Nichols) as regards the annual bonus, and up to 125% of salary for each as regards the LTIP. Should the increased headroom be utilised within the three-year life of the Policy, we will balance those increases by: • reducing the bonus earned at target (from 60% of the opportunity to 50% of the opportunity); • reducing the LTIP vesting for threshold performance (from 25% of salary to 20% of salary); and • increasing the bonus deferral from 20% of any bonus earned to 50% of any bonus earned. We strongly believe that it is important to have the additional flexibility in the Policy to ensure we can recruit talent of the calibre necessary to implement the Company's strategy going forward – use of this additional headroom will not be automatic, reflecting our prudent approach historically where we have not used headroom available to us under the current Policy. If there is any increase in quantum, we would also review the performance conditions attaching to variable pay awards to ensure there is an appropriate level of stretch, taking into account business plans and economic conditions.
Shareholder alignment	We have retained the shareholding guideline during employment of 200% of salary and have introduced a post-employment shareholding requirement. This post-employment requirement will require the retention of shares with a value equal to 200% of salary for the first year after employment and 100% of salary for a further year.

Executive Director Appointments

Hannah Nichols was appointed as Chief Financial Officer in September 2019, and her remuneration package is as follows.

Base salary	£330,000 (less than the salary of the former Group Finance Director).
Pension	A company contribution of 6.5% of salary, in line with the contribution rate for the wider workforce.
Annual Bonus	Up to 125% of salary, although the opportunity for 2019 was 100% of salary (pro-rated to reflect the period of service) and the opportunity for 2020 will remain 100% of salary.
LTIP	Up to 125% of salary, although no LTIP was granted in 2019.
Relocation allowance	Up to £50,000.
Notice period	12 months from either side.

Corporate Governance Change

The Remuneration Committee is very mindful of the revised UK Corporate Governance Code ('the Code'), as published in July 2018. This Code expanded the remit of the Remuneration Committee to consider and review workforce remuneration and related policies. To this end the Committee has reviewed and discussed the levels of pay and benefits across the Group's subsidiaries and in considering the Executive Directors' annual salary increases in December 2019, reflected on the level of increases being awarded elsewhere in the Group. See page 86 for more information.

The Committee also studied the results of the Group's gender pay work, noting that data had been collected and collated from 11 UK subsidiaries, three of whom are large enough businesses to have to publish their own gender pay statement. The overall UK Group's mean gender pay gap is calculated for 2019 at 12.7% and this is driven by a large population of our senior management team being male. As we develop our succession plans over the next few years to meet the Group's strategic plans we shall endeavour to ensure that the women we employ are encouraged to develop their managerial potential.

This year, for the first time, we have disclosed the comparison of our CEO's single figure with those of our 25th, 50th and 75th percentile employee. The median CEO pay ratio is 39:1, and more information can be found on page 86.

2019 performance and remuneration

Against a backdrop of uncertain political and macro-economic conditions the Company reports record revenues of £694.7m, up 9% year-on-year as well as record underlying operating profit of £86.3m, up 7.7%. More details about the Company's operational and financial performance can be found on pages 20 to 28.

The incentive remuneration outcomes for the year are aligned with our 2019 performance. Detailed information in relation to the 2019 annual bonus is included on page 82. However, in summary, based on the Company's performance in 2019, D W Muir and H K Nichols earned bonuses of 53.4% and 42.7% respectively of base salary, of which 20% will be deferred into shares for two years. The performance period for the LTIP award granted in 2017 ended on 31 December 2019. Two criteria were applied to this award, 50% being a performance condition based on Total Shareholder Return ('TSR') growth compared to the FTSE 250 (excluding Investment Trusts and Financial Services companies), and 50% being growth in Underlying Earnings Per Share ('UEPS'). Following an assessment of the performance conditions over the three years, carried out by the Committee's advisors, Deloitte LLP, 31.15% of the award vested. This reflects the profit growth of the Group over the three-year performance period from 1 January 2017. More information is given on page 83.

Looking forward to 2020

Our usual practice is to review Executive Directors' salaries on an annual basis, with increases typically in line with the increases awarded to the wider workforce. For 2020, the Committee having reflected on the general level of increases given across the Group, determined that both our Executive Directors will receive salary increases of 2.9%.

The new policy increases the maximum annual bonus and LTIP opportunity for our CEO, and both the current and new policies include higher opportunities for the CFO than we currently award. However, for 2020 the maximum opportunities for D W Muir will remain unchanged at 125% of base salary for both his annual bonus and LTIP award. For H K Nichols, the maximum opportunities will remain unchanged at 100% of base salary for the annual bonus and 125% of base salary for the LTIP.

Further information in relation to the 2020 bonus and LTIP arrangements is set out on page 88. We do not intend to grant the 2020 LTIP awards until after the approval of the Policy at the 2020 AGM. We are currently reviewing the performance measures and targets to ensure that these remain appropriate in light of strategy and market conditions. Further information is included on page 88. We will confirm the measures and targets when the awards are granted.

The Non-executive Director fees have been increased by 2.5% with effect from 1 January 2020. See page 88 for more details.

I believe our remuneration policy for the past three years has enabled us to fairly reflect the Company's performance and success in the delivery of our strategy. Moving forward, we have shaped our new policy to enable long-term sustainable growth while ensuring a responsible approach to executive pay.

Annette Kelleher
Chair, Remuneration Committee

4 March 2020

Directors' Annual Remuneration Report

Policy and strategy

The Company's strategy is explained in detail on pages 6 to 17. Both the Company's Remuneration Policy, approved by shareholders in 2017 and the Remuneration Policy, which will be proposed to shareholders at the 2020 AGM, support the delivery of this strategy.

The Policy provides for the payment of base salary, benefits and pension with variable amounts of pay in respect of annual bonuses and Long-Term Incentive Plans ('LTIP') 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. The table below sets out how variable remuneration is linked to the Company's strategic drivers and business objectives.

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

Operating margins are an integral measure of the Group's success. Our target operating margin for a business unit is 10%, although a lower margin profile may be acceptable if the business' return on capital employed is above 20%.</td><td>UEPS
ROIC
Operating margins</td><td rowspan="5">Shareholder Value</td><td rowspan="5">50% of any award is based on growth in the absolute UEPS, over the three-year performance period;

and

50% of the award is based on TSR performance over the three-year performance period relative to an appropriate comparator group.</td></tr>
<tr><td>Geographical diversification</td><td>The international diversity of the markets in which we operate continues to underpin our performance.</td><td>Budgeted profit</td></tr>
<tr><td>Entrepreneurial culture</td><td>We encourage an entrepreneurial culture in our businesses, ensuring that they are agile and responsive to changes in their competitive environment.</td><td>Budgeted profit
ROIC
Operating margins</td></tr>
<tr><td>Active portfolio management</td><td>Our strategic objective is to develop more sustainable businesses in each of our chosen sectors through organic and acquisitive growth.</td><td>Budgeted profit
ROIC
Operating margins</td></tr>
<tr><td>Sustainable profitable growth</td><td>Our objective is to deliver balanced profitable growth through both organic growth and acquisition opportunities.</td><td>UEPS</td></tr>
</table>

The extent to which amounts have been earned under the annual bonus and LTIP arrangements can be found on pages 82 and 83.

Committee activity

The Committee
During the year, and the period to the date of this report, the Remuneration Committee (the 'Committee') consisted of Annette Kelleher, Chair, together with Mark Reckitt, Tony Quinlan, Pete Raby and Alan Giddins (with Tony Quinlan and Pete Raby having joined the Committee on their appointment to the Board on 2 December 2019). All members of the Committee are Non-executive Directors of the Company and are regarded as independent. They do not participate in any form of performance related pay or pension arrangements.

During this time the Committee:

- approved the annual bonus calculation and payment for the financial years 2018 and 2019 – further information on the 2019 bonus is given on page 82;
- measured the performance conditions of the LTIP awards granted in 2016, confirming that 100% of the TSR portion and 100% of the UEPS portion of the awards vested, as reported in the 2018 Directors' Remuneration Report;
- approved the 2019 grants under LTIP;
- measured the performance conditions of the LTIP awards granted in 2017, confirming that the TSR portion of the original award would lapse and 62.3% of the UEPS portion of the original award would vest – further information is given on page 83;
- approved the award of a new SAYE scheme, to run from December 2019 for a three or five year period. Options to be awarded with the maximum discount of 20% allowable under HMRC rules;
- approved payments to Mark Pegler for loss of office on his leaving the business on 30 April 2019. (See page 85 for further details);
- approved a remuneration package for the new Chief Financial Officer, appointed in September 2019, a summary of which is included in the Committee Chair's introduction on page 79;
- reviewed the base salaries of the Executive Directors and approved a 2.9% increase, with effect from 1 January 2020, in line with the increases awarded to the wider workforce;
- approved the annual bonus performance measures and targets for the Executive Directors for 2020;
- reviewed reports on the Group's approach to the gender pay gap in UK subsidiaries where this was appropriate, approving the Gender Pay statements for inclusion on the relevant websites;
- considered remuneration and benefits data from around the Group's subsidiaries;
- reviewed the Company's Remuneration Policy approved by shareholders at the AGM in May 2017, and considered changes to this Policy. A new Remuneration Policy will be put before members at the Company's AGM in June 2020;
- approved the Company's Annual Remuneration Report for inclusion in the Company's 2019 Annual Report and Accounts; and
- considered and approved new Committee terms of reference taking into account the requirements of the new Corporate Governance Code.

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

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 that group's Code of Conduct in relation to executive remuneration consulting in the UK.

Deloitte were appointed by the Committee and provided remuneration advice, share scheme advice, pension advice and corporation tax advice to the Group. Their fees for providing remuneration advice to the Committee amounted to £29,350 for the year ended 31 December 2019. The Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account the Remuneration Consultants' Group Code of Conduct when reviewing Deloitte's ongoing appointment. The Chief Executive Officer also attends Remuneration Committee meetings to provide advice and respond to specific questions, but is not in attendance when his own remuneration is discussed. The Company Secretary acts as Secretary to the Remuneration Committee but is similarly not in attendance when his own remuneration is discussed.

Statement of shareholder voting
The Group remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The Company's 2018 Remuneration Report was put before members at our AGM in May 2019 and the Company's current Remuneration Policy was put before members at the 2017 AGM, with shareholder approval of each as follows.

% of votes	For	Against	Withheld votes
Annual Remuneration Report (2018 AGM)	99.12%	0.88%	187,798 votes were withheld in relation to this resolution (0.33%)
Remuneration Policy Report (2017 AGM)	93.44%	6.56%	826,027 votes were withheld in relation to this resolution (1.52%)

The following parts of the Remuneration Report are subject to audit other than elements explaining the application of the policy in 2020.

How the Remuneration Policy was implemented in 2019 – Executive Directors

Single remuneration figure for 2019

	Base Salary(1)	Taxable Benefits(2)	Pension	**Total Fixed Pay**	Annual Bonus(3)	LTIP (vested in respect of performance period ended 2019)(4)	**Total Variable Pay**	**2019 Total 'Single Figure'**
D W Muir	520,000	45,841	130,000	**695,841**	277,680	213,695	**491,375**	**1,187,216**
M Pegler	121,383	7,426	30,333	**159,142**	-	116,335	**116,335**	**275,477**
H K Nichols	96,462	3,746	6,270	**106,478**	41,208	-	**41,208**	**147,686**
Total	737,845	57,013	166,603	**961,461**	318,888	330,030	**648,918**	**1,610,379**

Single remuneration figure for 2018

	Base Salary(1)	Taxable Benefits(2)	Pension	**Total Fixed Pay**	Annual Bonus(3)	LTIP (vested in respect of performance period ended 2018)(4)	**Total Variable Pay**	**2018 Total 'Single Figure'**
D W Muir	507,800	52,180	126,950	**686,930**	122,380	697,085	**819,465**	**1,506,395**
M Pegler	355,500	22,279	88,875	**466,654**	85,675	445,792	**531,467**	**998,121**
Total	863,300	74,459	215,825	**1,153,584**	208,055	1,142,877	**1,350,932**	**2,504,516**

1) The amount of base salary received in the year.
(2) The taxable value of benefits 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 £16,340 (2018: £22,679) 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, including the amount deferred into shares. A description of how the bonus payout was determined can be found on page 82.
(4) LTIP is the value of LTIPs vested in respect of a performance period ended in 2019. A description of the basis on which awards vested and the value can be found on page 83.
(5) M Pegler left the business on 30 April 2019. In the 2019 table above, remuneration earned to that date is included. Other payments made to him are disclosed on page 85.
(6) H K Nichols was appointed on 16 September 2019.

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 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 the current performance of the Company and the levels of pay increases applied throughout the Group's national and international businesses. This approach is consistent with previous years.

Directors' Remuneration Report (continued)

2019 annual bonus

D W Muir was eligible to earn a bonus of up to 125% of his salary for 2019 and H K Nichols was eligible to earn a bonus of up to 100% of her salary, the latter being pro-rated from 16 September 2019, the date of appointment, with 20% of any bonus earned delivered in shares that are deferred for two years. M Pegler did not earn a bonus in respect of 2019 but an amount in respect of bonus was included in the payment made to him pursuant to his contractual entitlements under his Service Agreement, as referred to on page 85.

The extent to which the CEO's bonus was earned is summarised below:

		Target Performance		Stretch Performance			
	Maximum payout per performance measure (% of base salary)	2019 on target performance	Bonus payable for on target performance (% of base salary)	2019 stretch performance	Bonus payable for stretch performance (% of base salary)	Actual performance	Actual payout per performance measure (% of base salary)
Growth in underlying EPS	31.25%	78.4p	18.75%	80.9p	31.25%	80.7p	30.30%
Underlying profit before tax	31.25%	£81.2m	18.75%	£85.3m	31.25%	£76.7m	-
Underlying operating margins	31.25%	12.3%	18.75%	12.6%	31.25%	12.4%	23.10%
Achievement of budgeted internal ROIC	31.25%	17.9%	18.75%	18.4%	31.25%	15.8%	-
Total	125%				125%		53.40%

The extent to which the CFO's bonus was earned is summarised below:

		Target Performance		Stretch Performance			
	Maximum payout per performance measure (% of base salary)	2019 on target performance	Bonus payable for on target performance (% of base salary)	2019 stretch performance	Bonus payable for stretch performance (% of base salary)	Actual performance	Actual payout per performance measure (% of base salary)
Growth in underlying EPS	25%	78.4p	15.00%	80.9p	25%	80.7p	24.24%
Underlying profit before tax	25%	£81.2m	15.00%	£85.3m	25%	£76.7m	-
Underlying operating margins	25%	12.3%	15.00%	12.6%	25%	12.4%	18.50%
Achievement of budgeted internal ROIC	25%	17.9%	15.00%	18.4%	25%	15.8%	-
Total	100%				100%		42.74%

20% of the bonus earned by each Executive Director will be deferred into an award of shares which will vest following the end of a deferral period of two years, subject, ordinarily, to continued employment but to no additional performance conditions. The cash bonus and deferred bonus earned by each Executive Director is as follows.

Executive Director	Total bonus earned	Bonus paid in cash	Bonus paid as an award of deferred shares
D W Muir	277,680	222,144	55,536
M Pegler	-	-	-
H K Nichols	41,208	32,967	8,241

LTIP awards vesting in respect of 2019

D W Muir and M Pegler were each granted an LTIP award on 16 May 2017 which vested subject to the achievement of performance conditions based on absolute UEPS growth over the three-year performance period ended 31 December 2019 (as regards 50% of the award) and TSR relative to the FTSE 250 excluding investment trusts and financial services companies (as regards 50% of the award). The extent to which the awards vested and the value included in the single figure of remuneration table as a result is set out below:

Performance Targets		Vesting	Actual Performance	Actual Vesting		Shares subject to the Award (3)	Vesting Shares	Vested Value(2)
UEPS	Threshold: 15% growth Maximum: 30% growth	25% 100%	UEPS growth of 22.5%	UEPS: 31.15% of maximum	D W Muir	46,863	15,621	£213,695
TSR	Median Upper Quartile	25% 100%	TSR ranked 83 (out of 149)	TSR: 0% of maximum	M Pegler (1)	25,514	8,504	£116,335

(1) Mark Pegler left the business on 30 April 2019, part way through the three-year performance period and as such the number of shares subject to his award and the number of vesting shares he is entitled to acquire are stated after a pro-rata reduction to reflect his period of service during the performance period.

(2) The value of shares is calculated by reference to the share price on 27 February 2020, being £13.68. In accordance with the rules of the LTIP, each of Messrs Muir and Pegler is entitled to a further benefit by reference to the dividends paid over the period from grant to vesting, amounting to £14,022 in the case of D W Muir and £7,634 and in the case of M Pegler, delivered as additional shares, being 1,025 and 558 respectively.

(3) Each of Messrs Muir and Pegler was also granted a tax qualifying option over 2,281 shares at an exercise price of £13.15 per share. On exercise of the option, the number of shares in respect of which the LTIP can be exercised will be reduced to reflect any gain made on the exercise of the option. Accordingly, the value of the option is disregarded for the purposes of this calculation.

The following table sets out the amount of the value attributable to the share price at the grant of the awards (£13.15) and the amount that is attributable to the growth in the share price to £13.68 at vesting.

	Total value	Value attributable to share price at grant of £13.15	Value attributable to growth in share price to £13.68 on 27 February 2020	Value attributable to dividends paid over the period from grant to vesting
D W Muir W	213,695	191,937	7,736	14,022
M Pegler	116,335	104,490	4,211	7,634

Pension contributions

D W Muir received a cash payment in lieu of any pension contribution, equal to 25% of his base salary amounting to £130,000 for the year ended 31 December 2019 (2018: £126,950).

M Pegler received a cash payment in lieu of any pension contribution, equal to 25% of his base salary amounting to £30,333 for the period 1 January to 30 April 2019 (2017: £88,875 for the full year).

During the year the Remuneration Committee amended the company's pension provision to the extent that newly appointed Executive Directors would receive a pension contribution aligned to the maximum generally available to the Group's wider workforce. Consequently, H K Nichols, who was appointed Group Chief Financial Officer on 16 September 2019, received a pension contribution equal to 6.5% of her base salary.

The Committee has agreed with D W Muir that his pension contribution will be frozen at its 2019 value and that it will be aligned with the wider workforce by 2022.

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

Share awards granted during the year

During the year to 31 December 2019 the Committee approved an award to D W Muir under the LTIP as follows:

	Date of Award	Type of Award	Number of Shares	Maximum face value of Award (1)	Threshold Vesting	Performance Period (2)
D W Muir	11 March 2019	Nil cost option	56,034	£649,994	25%	1 January 2019 to 31 December 2021

(1) Calculated by reference to a share price of £11.60, being the average of the mid-market prices for the three trading days prior to the grant date and reflecting an award of 125% of base salary. (2) After the end of the performance period, the LTIP award will be subject to an additional two-year holding period before it is released to D W Muir.

The performance conditions for this award are:

Vesting amount	Absolute UEPS growth over three years (50% of the award)	TSR (50% of the award)
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.

** Relative to the FTSE 250 (excluding investment trusts and financial services companies).

Directors' Remuneration Report (continued)

Share options

The interests of Executive Directors, who served during 2019, in options for ordinary shares in the Company, granted under the Company's SAYE schemes, together with options granted and exercised during 2019, are included in the following table:

Executive	Grant Price	Awards held 31 December 2018	Granted during the year	Exercised during the year	Lapsed during the year	Awards held 31 December 2019	Period that option is exercisable From	To
D W Muir	£4.29	3,496	-	3,496 [1]	-	-	-	-
	£5.60	2,003	-	-	-	2,003	1 January 2021	1 July 2021
	£8.91	424	-	-	-	424	1 January 2022	1 July 2022
	£9.40	-	957	-	-	957	1 January 2023	1 July 2023
M Pegler	£8.91	3,367	-	-	3,367	-	1 January 2022	1 July 2022
H K Nichols	£9.40	-	3,191	-	-	3,191	1 January 2022	1 July 2023

[1] D W Muir exercised his option at £10.49 per share, a gain on exercise of £21,675.

Statement of Executive Directors' shareholding and interest in shares

	Type	Owned outright	Vested but unexercised	Unvested: Subject to performance conditions [4]	Unvested: Not subject to performance conditions	Total as at 31 December 2019
D W Muir	Shares	366,982	2,110	150,587	n/a	519,679
	Market value options [1]	-	-	2,281	-	2,281
	SAYE options [2]	-	-	n/a	3,384	3,384
M Pegler [3]	Shares	-	-	25,514	-	25,514
	Market value options [1]	-	-	2,281	-	2,281
	SAYE options [2]	-	-	-	-	-
H K Nichols	Shares	-	-	-	-	-
	Market value options [1]	-	-	-	-	-
	SAYE options [2]	-	-	-	3,191	3,191

(1) The Market Value options were granted under the tax-advantaged part of the ESOS as part of the LTIP award granted in 2017 and are subject to the same performance conditions as part of that LTIP award as set out on page 83.

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

3) M Pegler left the company on 30 April 2019 at which time his 2018 LTIP award lapsed. The figures shown relate to the 2017 LTIP award which vested as referred to on page 83, after the time based reduction as referred to on page 85.

(4) On 27 February 2020 the Remuneration Committee approved the vesting of 31.15% of the 2017 LTIP award, being 15,621 shares and 8,504 shares for D W Muir and M Pegler respectively as referred to on page 83.

Shareholding guidelines

	D W Muir	H K Nichols
Shareholding requirement	200%	200%
Current shareholding as at 31 December 2019	366,982	-
Current value (based on share price on 31 December 2019 of £14.78)	5,423,994	-
Current % of salary (based on salary at 31 December 2019)	1043%	-

These figures include those of their spouse or civil partner and infant children, or stepchildren. At the date of this report, D W Muir is interested an additional 455 shares received on 8 January 2020 through the Company's Dividend Re-Investment Plan.

H K Nichols will be required to retain at least 50% of any shares earned under the LTIP and the deferred bonus scheme until the shareholding guideline is achieved.

Non-executive Director shareholding

Director	2019	2018
J F Lennox (1)	11,000	11,000
A C B Giddins	6,245	6,245
A M Kelleher	2,164	2,164
A J Quinlan	-	-
P Raby	-	-
M J Reckitt	4,000	4,000

(1) J F Lennox retired from the Board on 1 October 2019, and his number of shares for 2019 is stated as at that date.

These figures include those of their spouses, civil partners and infant children and stepchildren. There was no change in these beneficial interests between 31 December 2019 and 28 February 2020. 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.

Loss of office payments and payments to former directors
M Pegler left the business on 30 April 2019. At that date he had completed part of the notice period to which he was entitled under his Service Agreement. In accordance with his Service Agreement he received a liquidated sum of £525,498 in respect of salary and benefits to the end of his notice period, being £310,917 and £110,683 respectively, and an amount of £103,898 in relation to his bonus accrued to 30 April 2019. He also received a contribution of £3,500 in relation to any legal fees that may have been incurred. The amounts and timings of this payment were a contractual entitlement under his Service Agreement. There were no other loss of office payments or payments made to former Directors during the year ended 31 December 2019.

Transactions with directors
There were no material transactions between the Group and the Directors during 2019.

How the Remuneration Policy was implemented in 2019 – Non-executive Directors

Non-executive Director single figure comparison

Director	Role	Board Fees	Other Fees	Taxable Benefits	Annual Bonus	LTIP	Pension	Total 'Single Figure' 2019	Total 'Single Figure' 2018
J F Lennox (1)	Chairman until 30 September 2019	127,000	-	-	-	-	-	127,000	165,000
A C B Giddins(2)	Chairman from 1 October 2019 Senior Independent Director until 30 September 2019	86,000	-	-	-	-	-	86,000	56,650
A M Kelleher	Chair, Remuneration Committee	58,000	-	-	-	-	-	58,000	56,650
A J Quinlan(3)	Senior Independent Director	5,000						5,000	-
P Raby(3)	Non-executive Director	4,000						4,000	-
M J Reckitt	Chair, Audit Committee	58,000	-	-	-	-	-	58,000	56,650
Total		338,000	-	-	-	-	-	338,000	334,950

(1) J F Lennox retired as Chairman on 30 September 2019.

(2) A C B Giddins, who had been the Company's Senior Independent Director until 30 September 2019, was appointed Chairman on 1 October 2019.

(3) A J Quinlan and P Raby were appointed as Non-executive Directors of the Company on 2 December 2019, and A J Quinlan was also appointed the Company's Senior Independent Director on the same date.

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

Directors' Remuneration Report (continued)

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

TSR performance graph

The following graphs show the TSR performance of the Company since January 2017 against the FTSE SmallCap index and the FTSE 250.

Remuneration of the Chief Executive Officer compared to the wider workforce

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in pay for D W Muir compared to the wider workforce between 2018 and 2019.

Percentage increase	Chief Executive Officer	Wider workforce
Salary	2.4%	2.8% av.
Taxable benefits	-12.1%	-%
Annual bonus	127%	112%

For salary purposes the 'wider workforce' comparator group looked at the increases awarded across the Group at all levels of the workforce, where pay awards across these businesses ranged from 2% to 7%, with the average being 2.8%. Additional increases were also made to take into account structural changes within the wider pay environment. The bonus figures were taken from those senior executives operating on similar incentivised arrangements to the CEO and capable of influencing the Group's performance, as well as their own individual businesses' performance.

Single Figure of the Chief Executive Officer compared to the wider workforce

For the period commencing 1 January 2019, the Department for Business, Energy & Industrial Strategy ('BEIS') introduced Pay Ratio regulations requiring companies to disclose single figure remuneration data for the wider workforce alongside that of the CEO. The wider workforce is defined as data collated for the 25th, 50th (median) and 75th percentile employees and the regulations suggested three ways of calculating the data in relation to these employees.

The Company has opted to use option B of the Pay Ratio regulations, and to utilise its most current gender pay gap information, which has recently been collated to meet our Gender Related Pay Gap ('GRPG') reporting requirements for 2019/20, to identify the three relevant employees. The rationale behind adopting this option is that data required to meet both BEIS and GRPG regulations, in relation to our UK employees has to be collected from our UK subsidiaries and collated centrally and this option allows both to be completed efficiently and effectively in the time allowed to make any relevant public statements.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option B	43:1	39:1	38:1

Pay details for the individuals are set out below:

2019	CEO	25th percentile	Median	75th percentile
Salary	520,000	27,682	30,550	31,593
Total remuneration	1,187,216	27,682	30,550	31,593

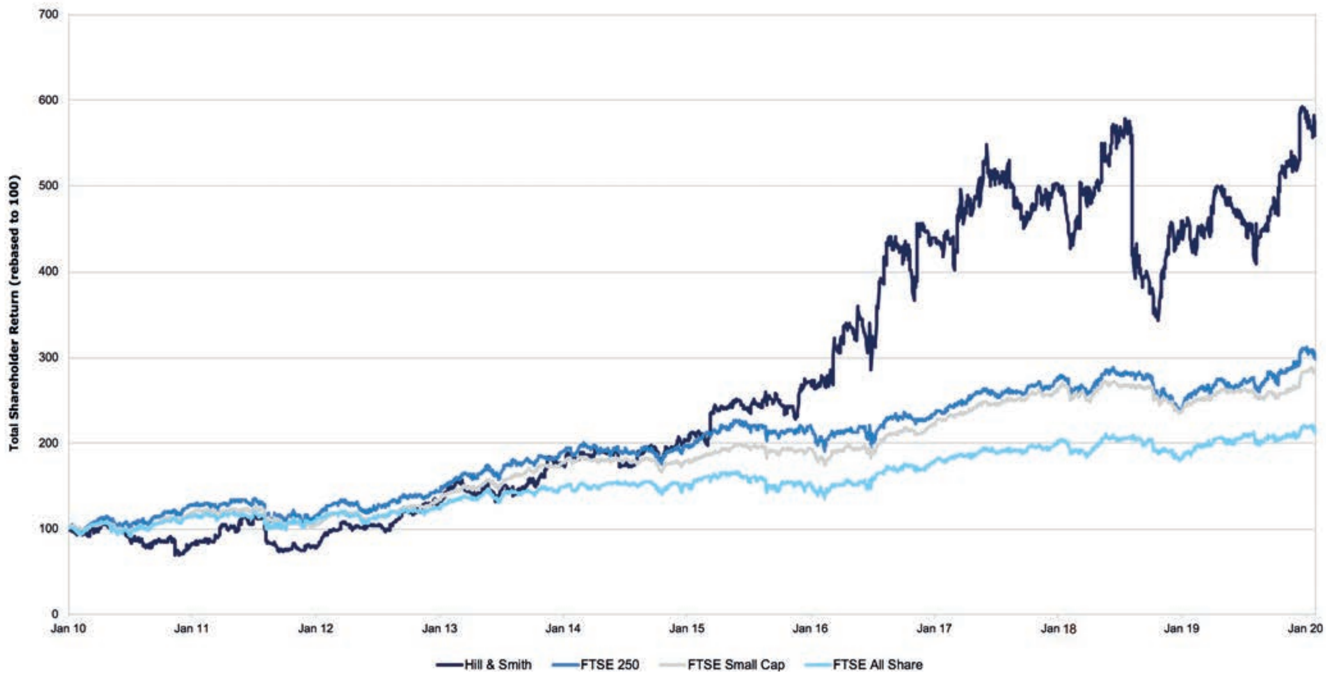
Relative importance of spend on pay

	2019	2018	% change
Dividends paid in respect of the financial year	£26.7m	£25.1m	6.4%
Overall spend on pay	£174.7m	£160.4m	8.9%(1)

(1) This includes a 7.6% increase in the average number of people employed by the Group. See note 4 to the accounts on page 128.

Chief Executive remuneration compared to performance

The graph below shows the TSR performance of the Company over the ten-year period to 1 January 2020 compared to the FTSE 250, FTSE SmallCap and FTSE All Share indices. These indices were chosen because during this time Hill & Smith Holdings PLC has been a constituent of both the FTSE 250 and the FTSE SmallCap, and together with the FTSE All Share index, they give an appropriate level of detail through which to view the Company's share price performance when comparing it against the CEO's single figure remuneration.



The table below summarises the Chief Executive's single figure for the past 10 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.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Chief Executive's single figure (£'000)	851	690	941	1,084	1,835	1,894	2,134	2,085	1,506	1,187
Annual bonus (% of maximum)	14	30	85	16	100	100	100	94	19	43
LTIP vesting (% of maximum number of shares)	100	-	-	50	92.7	97.9	100	100	100	31.2

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 Chief Financial Officer do not hold any external Non-executive Directorships.

How the Remuneration Policy will be implemented for 2020 – Executive Directors

Salary

Base salaries were reviewed in December 2019 and as from 1 January 2020 are:

Chief Executive	£535,000
Chief Financial Officer	£339,500

This represents an increase of 2.9% which is in line with the increase to other employees within the Group. Salaries will next be reviewed in December 2020 for the financial year 2021.

Pension and Benefits

As the first part of a plan to reduce the CEO's pension contributions to align with the wider workforce, the CEO's pension contribution due to be made in 2020 will be frozen at its 2019 value of £130,000. There will be no change in the provision of benefits from those provided in 2019.

Directors' Remuneration Report (continued)

Annual bonus
The annual bonus opportunity for 2020 will remain unchanged for the CEO at a maximum opportunity of 125% of base salary, whilst the CFO's maximum opportunity will be 100%, recognising her recent appointment. Any bonus earned will be paid as to 80% in cash and 20% in deferred shares.

For the 2020 financial year the annual bonus targets will be weighted towards:

- Growth in UEPS;
- Budgeted underlying operating profit;
- Underlying operating margins; and
- Achievement of budgeted internal ROIC (at budgeted exchange rates),

Together representing 75% of the maximum bonus opportunity, with each metric having equal weighting; and

- 25% towards individual performance targets linked to the Company's strategy and the individual Executive Director's key responsibilities.

The Committee considers that the performance targets are commercially sensitive and so will not be disclosed prospectively. However, the Committee will disclose performance against these measures and their targets in the Company's 2020 Annual Report.

Share plans
The Remuneration Policy for which shareholder approval will be sought at the 2020 AGM provides for the grant of LTIP awards of up to 175% of base salary for the CEO and 150% of salary for the CFO. However, awards in 2020 for D W Muir and H K Nichols will be up to 125% of base salary.

We do not intend to grant the 2020 LTIP awards until after the approval of the Policy at the 2020 AGM. Performance conditions will continue to be based on financial measures which are aligned to the Company's strategy. It is currently intended that these will continue to be based on relative TSR and UEPS growth. However, the Committee is considering whether the TSR comparator group should remain the same and whether another financial measure, such as Return On Capital Employed should be added (either as a standalone measure or as an underpin). The measures and targets will be confirmed in the announcement when the awards are granted, and also in the 2020 Directors' Remuneration Report.

After the end of the performance period, LTIP awards will be subject to an additional two year holding period before they are released to the Executive Directors.

How the Remuneration Policy will be implemented for 2020 – Non-executive Directors

Fees
The fees of Non-executive Directors are 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 2019, the Board approved an average of a 2.5% increase in the fees for the Chairman and Non-executive Directors.

	2020	2019
Chairman	£173,225	£169,000
Non-executive Director	£51,250	£50,000
Senior Independent Director	£8,200	£8,000
Audit Committee Chair	£8,200	£8,000
Remuneration Committee Chair	£8,200	£8,000

Directors' Remuneration Policy Report

The Company's previous Directors' remuneration policy was approved at the 2017 AGM (with over 93% votes in favour) and took effect from the close of that meeting. The Remuneration Committee reviewed that policy during 2019 and considers it remains broadly fit for purpose and aligned with the company's strategy. There is no substantial change to the overall remuneration structure. The changes proposed are intended to ensure that the company has sufficient flexibility to support the business needs, and recruitment over the next three years. In summary, the changes made in the proposed policy as compared to the policy approved at the 2017 AGM are as set out below.

Annual bonus

- Under the new policy, the annual bonus opportunity for the CEO increases from 125% of salary to 150% of salary, whilst the maximum opportunity for any other Executive Director remains at 125% of base salary. This increased headroom will only be used to support CEO succession planning, and will be balanced with other changes to the Policy as noted in the statement from the Committee's Chair. Use of this additional headroom will not be automatic, and if there is any increase in variable pay quantum, the Committee would also review the performance conditions attaching to variable pay awards to ensure there is an appropriate level of stretch.
- Notwithstanding the increase in the maximum opportunity, the bonus opportunities in respect of 2020 for Executive Directors in office at 1 January 2020 will be 125% of salary for the CEO and 100% for the CFO, with 60% of the opportunity earned for achieving a stretching level of on-target performance and 20% of any bonus deferred into shares. These arrangements are in line with the 2017 policy.
- The increased opportunity will be balanced as follows from 2021:
  - the 'on-target' bonus payable will be reduced to 50% (from 60%) of the maximum opportunity; and
  - deferral into shares (for two years) will be increased to 50% (from 20%) of any bonus earned.

LTIP

- Under the new policy, the maximum annual LTIP opportunity for the CEO is increased from 150% of salary to 175% of salary. As with the increase in the annual bonus headroom, this will only be used to support CEO succession planning. Any increase will be subject to the same safeguards as apply to any increase in the annual bonus opportunity. The maximum opportunity for other Executive Directors will remain at 150% of salary.
- We have balanced this by providing that from 2021, where an opportunity of 125% of salary or above is granted, no more than 20% will vest for threshold performance. Where an award is below 125% of salary, vesting at threshold will be up to 25% of the maximum, as with the 2017 policy.
- Notwithstanding the increase in the maximum opportunity, the awards made in 2020 will be up to 125% of salary for the Executive Directors in office at 1 January 2020.
- The performance measures will continue to be assessed over a three-year performance period, and the vesting shares will be released to the Executive Director after a further two-year period.

Pension

- We recognise the contents of the Corporate Governance Code in relation to the alignment of Executive Directors' pensions with those of the wider workforce and accordingly we have reduced the maximum pension contribution (or cash allowance) for any Executive Director appointed on or after 1 January 2019 (including the Company's CFO appointed in September 2019) to be aligned with the maximum contribution paid in respect of the UK-based workforce (currently 6.5% of salary).
- Our current CEO is a longstanding employee, having joined the company over 30 years ago and his 2019 pension provision of 25% of salary reflects a longstanding contractual commitment. Notwithstanding this, D W Muir agreed to freeze his pension at the 2019 value (£130,000), a decision which the Remuneration Committee supported. The pension for the Company's CEO will be aligned with that of the wider workforce by 2022.

Shareholding guidelines

- We have maintained the 200% of salary shareholding guideline during employment. Under the current policy, Executive Directors are required to retain all vesting LTIP shares (after sales to cover tax) until the guideline is met. Under the new policy, Executive Directors will be required to retain 50% of all vesting LTIP and deferred bonus shares (after sales to cover tax) until the guideline is met.

Post-employment shareholding policy

- We have introduced a post-employment shareholding policy in accordance with which each Executive Director is expected to maintain the in-service shareholding guideline (requiring the holding of shares during employment with a value equal to 200% of salary) for a period of one year after leaving, and 50% of the in-service guideline for a further year after leaving. In either case, the number of shares held at leaving must be retained if this is less than the in-service guideline.
- The post-employment requirement will apply to shares acquired pursuant to LTIP and deferred bonus awards granted in respect of 2020 and future years, but will not apply to shares purchased or acquired pursuant to all employee share plans and will not apply to LTIP or deferred bonus awards granted in respect of earlier years (including the deferred bonus award granted in respect of the 2019 bonus).

Other governance changes

- We have formally enshrined within the policy a strengthening of the malus and clawback provisions and discretion to override formulaic outturns on variable pay, in each case to take account of the updated Corporate Governance Code and to reflect the position that has applied since 2019 as referred to in the Directors' Remuneration Report for the year ended 31 December 2018.

Other minor amendments have been made to the policy as a consequence of the changes referred to above or to aid its operation or to take account of developments in practice since the policy was last approved.

Directors' Remuneration Policy Report (continued)

Directors' remuneration policy report (not audited)

This part of the Report sets out the Directors' Remuneration Policy, which, subject to shareholder approval at the 2020 AGM, shall take binding effect from the close of that meeting. The policy has been determined by the Company's Remuneration Committee. Information on how the Remuneration Committee intends to implement the policy for the current financial year is set out in the Annual Report on remuneration.

Policy table for directors base salary

Purpose and link to strategy	To 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.
Operation	Normally reviewed annually and fixed for 12 months. Salaries are determined by the Remuneration Committee taking into account a range of factors, which may include but are not limited to: • the size and scope of the role; • individual and Group performance; • the range of salary increases (in percentage terms) applied to the wider workforce; • total organisational salary budgets; and • pay levels for comparable roles in companies of a similar size and complexity. Any salary increases may be implemented over such time as the Remuneration Committee deems appropriate.
Maximum opportunity	Ordinarily salary increases will not exceed the range of salary increases awarded to other employees in the Group (in percentage of salary terms). 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.
Performance metrics	Not applicable.

Benefits

Purpose and link to strategy	To recruit and retain Executive Directors. Ensures the overall package is competitive. Participation in the SAYE promotes staff alignment with the Group and a sense of ownership.
Operation	Executive Directors are entitled to various 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, relocation allowances or overseas tax support. The SAYE is a tax qualifying monthly savings scheme facilitating the purchase of shares at a discount as permitted by the applicable legislation (currently up to a maximum discount of 20%). SAYE options may be exercised in the event of a change of control to the extent permitted by the rules of the scheme. Executive Directors may also participate in any other all employee share plan adopted by the Company, on the same basis as other qualifying employees.
Maximum opportunity	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 tax legislation. The maximum level of participation in any other all-employee share plan will be determined in accordance with the rules of that plan and will be the same for Executive Directors as for other qualifying employees.
Performance metrics	Not applicable.

Pension

Purpose and link to strategy	To recruit and retain Executive Directors and to provide post-retirement benefits.
Operation	The Group may make a payment either into a defined contribution plan or as a separate cash allowance. Group contributions or cash allowances are determined as a percentage of base salary.
Maximum opportunity	For the current CEO: contributions have been frozen at their 2019 value of £130,000 per annum. Any Executive Director appointed on or after 1 January 2019: an amount as a percentage of base salary not exceeding the maximum contribution paid in respect of the UK-based workforce (currently 6.5% of salary).
Performance metrics	Not applicable.

Annual bonus

Purpose and link to strategy	Rewards the achievement of annual financial targets and/or the delivery of strategic/individual objectives.
Operation	Performance measures and targets are reviewed and set annually by the Remuneration Committee. Bonus pay out is determined by the Remuneration Committee after the year end, based on audited performance, where appropriate, against those targets. The Remuneration Committee has the discretion to amend the bonus payout should any formulaic output not produce an appropriate result for either the Executive Directors or the Company, taking account of overall performance, or because the formulaic output is inappropriate in the context of circumstances that were unexpected or unforeseen at the start of the performance period. Where an annual bonus is earned, part of the amount earned will be delivered in the form of shares in the Company, deferred for a period of two years. For D W Muir's and H K Nichols' bonuses in respect of 2020 and in line with the 2017 policy, up to 20% of the bonus earned will be deferred. For any new Executive Director's bonus in respect of 2020, and in respect of any future years, 50% of the bonus earned will be deferred. Deferral of any bonus is subject to a de minimis limit of £5,000. At its discretion, the Remuneration Committee may award dividend equivalents to reflect dividends that would have been paid over the deferral period on shares subject to deferred bonuses. These dividend equivalents will ordinarily be paid in shares and may assume the reinvestment of dividends. Deferred bonus awards will vest in the event of a change of control. Malus and clawback provisions apply to the annual bonus as described below this table.
Maximum opportunity	The maximum bonus opportunity is up to 150% of base salary for the CEO and up to 125% of base salary for any other Executive Director. However, for 2020, the maximum opportunity will be 125% of base salary for D W Muir and 100% of base salary for H K Nichols.
Performance metrics	The bonus will be based on the achievement of targets related to key business objectives, with the performance measures and respective weightings each year dependent on the Group's strategic priorities. Financial performance measures may include, for example: • measures based on earnings per share; • budgeted profit; • operating margins; or • return on capital. At least 50% of bonus will be based on financial measures. The Remuneration Committee will determine an appropriate vesting schedule for each measure used. Subject to the Remuneration Committee's discretion to amend formulaic outputs, for target performance in respect of financial measures, up to 60% of the maximum opportunity will be earned in respect of the 2020 bonus and up to 50% of the maximum opportunity will be earned in respect of the bonus for 2021 and future years. In each case, 100% will be earned for maximum performance. There is usually straight-line vesting between these performance points. For strategic and individual performance measures, bonus will be earned between 0% and 100% of the opportunity based on the Remuneration Committee's assessment of the extent to which the relevant measure has been achieved.

Directors' Remuneration Policy Report (continued)

Long Term Incentive Plan ('LTIP')

Purpose and link to strategy	Incentivises Executive Directors to achieve higher returns for shareholders over a longer timeframe. A clawback applies to unvested awards enabling the Company to mitigate risk. The post-vesting holding period aligns the interests of Executive Directors with those of the shareholders over a further period.
Operation	The Remuneration Committee may grant awards as 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 assessed over at least three years. The Remuneration Committee has the discretion to adjust the vesting outcome should any formulaic output not reflect overall performance, or because the formulaic output is inappropriate in the context of circumstances that were unexpected or unforeseen at the grant date, or if there exists any other reason why an adjustment is appropriate. Vested shares are subject to an additional two-year holding period before they are released to the Executive Directors (so that they can exercise the award and acquire them). Alternatively, the Remuneration Committee may grant an award on the basis that the Executive Director can acquire shares following vesting but that, other than as regards sales of shares to cover tax liabilities, the Executive Director is not permitted to dispose of shares until the end of the two-year holding period. Unvested LTIP awards will vest and be released early on a change of control (or other relevant events), taking into account the extent to which the performance conditions have been satisfied and pro-rating to reflect the proportion of the performance period that has elapsed, although the Remuneration Committee has discretion not to apply time pro-rating. Vested LTIP awards which are subject to a holding period are released, to the extent vested, in the event of a change of control. At its discretion the Remuneration Committee may award dividend equivalents to reflect dividends that would have been paid over the vesting period and holding period on shares that vest. These dividend equivalents will ordinarily be paid in shares and may assume the reinvestment of dividends. Malus and clawback provisions apply to the LTIP as described below this table. The Remuneration Committee may, at its discretion, structure awards as approved LTIP awards comprising both a tax qualifying 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 tax qualifying option treatment in respect of part of the award, without increasing the pre-tax value delivered to the participant. The approved LTIP awards consist of a tax qualifying 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 tax qualifying option. Other than to enable the grant of £30,000 in value of HMRC approved options as part of an approved LTIP award, the Company will not grant awards to Executive Directors under the ESOS. Malus and clawback provisions and the discretion to adjust the vesting outcome will apply to the tax qualifying option element of an approved LTIP award to the extent permitted by the relevant tax legislation.
Maximum opportunity	The annual LTIP maximum in respect of any financial year is: • CEO: 175% of base salary; and • any other Executive Director: 150% of base salary For 2020, the maximum opportunity will be up to 125% of base salary for D W Muir and H K Nichols. Shares subject to a tax qualifying 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 box under the heading 'Operation', the unapproved LTIP option is scaled back to reflect the gain made on the exercise of the tax qualifying ESOS option.
Performance metrics	Awards vest subject to the achievement of performance measures assessed over the performance period (normally three financial 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 metrics, and/or share price growth related metrics, and/or strategic metrics. Subject to the Remuneration Committee's discretion to amend formulaic outputs, 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 if the award granted is less than 125% of salary; and • up to 20% of the maximum opportunity will vest if the award granted is equal to or more than 125% of salary. For achievement of maximum performance 100% of the maximum opportunity will vest; there is usually straight-line vesting between threshold and maximum performance. 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, save as required by the applicable tax legislation.

Shareholding guidelines

Purpose and link to strategy	Promotes alignment to shareholders' interests and share ownership.
Operation	Each Executive Director is required to hold 50% of the shares acquired through the LTIP and any deferred bonus award (after sales to cover tax and any exercise price) until the value of their total shareholding is equal to 200% of their base salary. Shares subject to deferred bonus awards and vested shares subject to awards under the LTIP which are subject to a holding period count towards the shareholding requirement on a net of assumed tax basis. Shares subject to LTIP awards which are capable of exercise count towards the limit on a net of assumed tax basis.
Maximum opportunity	Not applicable.
Performance metrics	Not applicable.

Post-employment Shareholding Policy

Purpose and link to strategy	Maintains the alignment of Executive Directors' interests with shareholders' interests and the performance of the Company for a period after employment.
Operation	The Post-employment Shareholding Policy will apply only to shares acquired pursuant to LTIP and deferred bonus awards granted in respect of 2020 and future years, but will not apply to shares purchased or acquired pursuant to all employee share plans and will not apply to LTIP or deferred bonus awards granted in respect of earlier years. Post-employment each Executive Director is expected to maintain such of their shares which are subject to the Post-employment Shareholding Policy as have a value equal to the in-service shareholding guideline (which requires the holding of shares during employment with a value equal to 200% of salary) for a period of one year after leaving, and such of those shares as have a value equal to 50% of the in-service guideline for a further year after leaving. In either case, the number of relevant shares held at leaving must be retained if this is less than the in-service guideline.
Maximum opportunity	Not applicable.
Performance metrics	Not applicable.

Chairman and Non-executive fees

Purpose and link to strategy	Fees are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.
Operation	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; • fees may be paid wholly or partly in shares; and • additional fees may be paid for taking on additional roles or for additional time commitments. 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. These benefits may include the reimbursement of any tax liability if they are reimbursed for expenses incurred in the performance of their duties and those expenses are considered taxable benefits.
Maximum opportunity	Fees are subject to an overall cap as set out in the Company's Articles of Association from time to time. 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.
Performance metrics	Not applicable.

Recovery provisions

Annual bonus and LTIP awards are subject to malus and clawback provisions as set out below.

For up to two years following the determination of an annual bonus, the Remuneration Committee may require a participant to repay any cash bonus paid and/or may reduce or cancel any deferred bonus award granted in the event of:

(i) a material mis-statement in the Group's financial results for the bonus year;

(ii) the Remuneration Committee reasonably determining that the participant has been guilty of gross misconduct;

(iii) an error in assessing any applicable performance condition;

(iv) reputational damage to the Group;

(v) material corporate failure; or

(vi) a failure of acceptable health and safety standards.

Before the vesting of an LTIP award, the Remuneration Committee may decide to reduce or cancel the award in the event of:

(i) a material error in or misstatement of the Group's results;

(ii) information coming to light which, had it been known, would have affected the award or vesting decision;

(iii) reputational damage to the Group;

(iv) material corporate failure; or

(v) a failure of acceptable health and safety standards.

Directors' Remuneration Policy Report (continued)

Explanation of chosen performance measures and how targets are set
Performance measures have been selected that reflect the Group's strategy. Stretching performance targets are set each year for the annual bonus and LTIP awards. In setting these stretching performance targets the Remuneration Committee will take into account a number of different reference points such as the Group's business plans and strategy.

The Remuneration Committee considers that underlying EPS and profit before tax are closely aligned to the Group's key performance metrics and, in conjunction with the other annual bonus performance metrics, provides a balanced measurement of performance that encourages sustainable growth.

The EPS and TSR performance conditions attaching to the LTIP align management's objectives to those of shareholders and rewards for the delivery of year-on-year growth and delivery of value to shareholders.

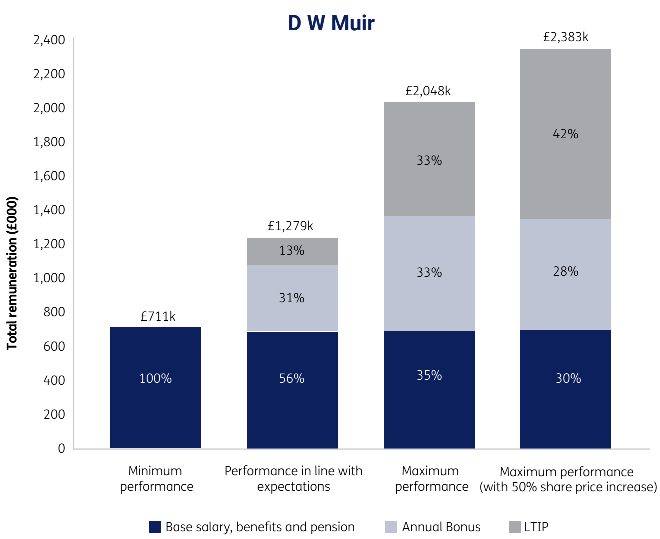
The Remuneration Committee retains the discretion to adjust the performance targets and measures where it considers it appropriate to do so. For example, to reflect changes in the strategy or structure of the business or in prevailing market conditions and to assess performance on a fair and consistent basis from year to year.

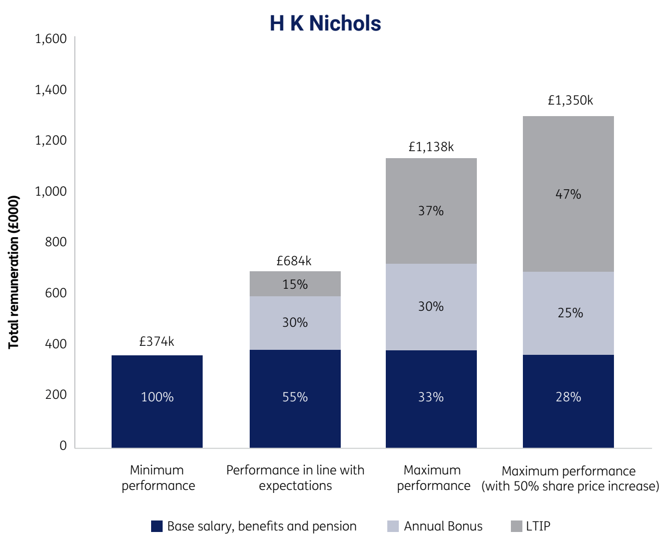
Operation of share plans
The Remuneration Committee retains discretion to operate the Company's share plans in accordance with their rules, including the ability to adjust awards in the event of a variation of capital or other relevant corporate event, and settle awards, in whole or in part, in cash. The Remuneration Committee would only settle an Executive Director's award in cash in exceptional circumstances (such as where there was a regulatory restriction on the delivery of shares) or in connection with the settlement of tax liabilities arising in respect of the acquisition of shares.

Differences in the Group's policy for the remuneration of employees generally
The Group aims to provide a remuneration package that is market competitive in the employee's jurisdiction of employment and which:

- is appropriate to attract, retain, motivate and reward, without paying more than necessary;
- is fairly and consistently applied; and
- includes an element of incentive to share in the financial success of the Group through: annual bonuses, based upon the performance of individual business units; executive share options; and a UK SAYE scheme, all of which are aligned to the strategic objectives and performance of the Group.

Illustrative performance scenarios for 2020 (all £000's)





The illustrative performance charts above are based on the proposed remuneration policy as set out on pages 89 to 97. In developing the scenarios the following assumptions have been made:

Minimum (£000's) **CEO – 711** **CFO – 374**	Consists of total fixed pay – i.e. base salary, benefits and pension • Base salary is the latest salary effective at 1 January 2020. • Taxable benefits as per single figure table for the year ended 31 December 2019, ("annualised" in the case of H K Nichols). • Pension is based on the 2019 frozen value of £130,000 of salary in the case of the CEO and 6.5% of salary in the case of the CFO.
In-line with expectations (£000's) **CEO – 1,279** **CFO – 684**	Consists of: • Total fixed pay, as set out above. • Annual bonus pays out at 60% of maximum for target performance (i.e. for the CEO 75% of base salary based on a maximum potential for 2020 of 125% of base salary, and for the CFO 60% of base salary based on a maximum potential for 2020 of 100% of base salary). • LTIP pays out at 25% of maximum for threshold vesting (i.e. 31.25% of base salary based on a maximum for 2020 of 125% of base salary).
Maximum (£000's) **CEO – 2,048** **CFO - 1,138**	Consists of: • Total fixed pay, as set out above. • Full payout of annual bonus – i.e. 125% of base salary in the case of the CEO, and 100% of base salary in the case of the CFO. • Full vesting of LTIP awards – i.e. 125% of base salary.
Maximum plus share price appreciation (£000's) **CEO – 2,383** **CFO - 1,350**	Consists of: • Total fixed pay, as set out above. • Full payout of annual bonus – i.e. 125% of base salary. • Full vesting of LTIP awards – i.e. 125% of base salary and an assumed 50% increase in the share price for the purposes of the LTIP awards values.

Approach to recruitment remuneration

The objective of this policy is to allow the Remuneration Committee to offer remuneration packages which:

- facilitate the recruitment of individuals of sufficient calibre to develop and deliver the business strategy and shareholder value;
- offer a remuneration package that reflects the key principles of the Group's wider remuneration philosophy; and
- seek to ensure that arrangements are in the best interests of the Company and not to pay more than is appropriate.

Typically the individual will be transitioned onto a remuneration package that is consistent with the policy set out above. However, the Remuneration Committee retains the discretion to make remuneration decisions or include other remuneration components or awards which are outside the policy elements set out on pages 89 to 97 where it considers it necessary. However, this discretion is not uncapped; in determining appropriate remuneration arrangements:

- the Remuneration Committee will not offer non-performance related incentive payments;
- the quantum of variable remuneration will be limited as set out below;
- the quantum and structure of the package on offer will be determined taking into account that for similar positions in the market; and
- the package will be determined having due regard to the experience of the candidate and the interests of the Company and its shareholders.

The following elements may also be considered by the Remuneration Committee for inclusion in a recruitment package for an Executive Director:

Compensation for forfeited awards on leaving a previous employer	The Remuneration Committee may make awards on hiring an external candidate to compensate the candidate for the forfeiture of any award entered into with a previous employer. In determining any such 'buy-out' the Remuneration Committee will consider all the relevant factors regarding the forfeited arrangements which may include the likelihood of the awards vesting should the external candidate have remained in their previous employment, the form in which they were granted (e.g. cash or shares) and the time over which they would have vested. Generally, buy-out awards will be made on a comparable basis to those remuneration arrangements forfeited. Where considered appropriate, buy-out awards will be subject to forfeiture or claw back on early departure.
Initial incentive awards	Subject to the overall maximum variable remuneration limit set out below and to the overall plan LTIP limits set-out under the policy elements on page 92, incentive awards may be granted within the first 12 months of appointment above the normal maximum annual award opportunity set out on page 92. The Remuneration Committee will ensure that any such awards are linked to the achievement of appropriate and challenging performance targets and will be forfeited if performance or continued employment conditions are not achieved. The Remuneration Committee may also alter the performance measures, performance period and any deferral arrangements or holding period applying to the annual bonus and LTIP if the circumstances of the recruitment merit such an alteration; the rationale will be clearly explained in a subsequent Directors' Remuneration Report.
Maximum variable remuneration (excluding buy-out awards)	The maximum level of variable remuneration which may be awarded to the CEO is 325% of base salary (consisting of 150% annual bonus and 175% LTIP). The maximum level of variable remuneration which may be awarded to any other Executive Director is 275% of base salary (consisting of 125% annual bonus and 150% LTIP).

Directors' Remuneration Policy Report (continued)

The Remuneration Committee would seek to implement any share awards referred to in this section under the Company's existing share plans. However, in connection with the recruitment of an Executive Director, the Remuneration Committee may implement a new arrangement in accordance with paragraph 9.4.2 of the Listing Rules.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms, with the exception of pension contributions, which will be reduced in line with this policy. Where necessary, the Group will pay appropriate relocation costs and the Remuneration Committee will seek to ensure that no more than necessary is paid.

Fees payable to a newly appointed Chairman or Non-executive Director will be in line with the fee policy in place at the time of appointment.

Service contracts and loss of office payments

The policy on Executive Director service contracts and payments for loss of office is summarised below. For the avoidance of doubt, the leaver provisions summarised below in relation to the LTIP apply to LTIP awards in respect of 2020 and later years, with earlier awards being subject to the policy applying at the date of the award.

Notice period for termination by the company	Each current Executive Director is entitled to 12 months' notice. The Remuneration Committee may set a notice period of between six months and 12 months for any future Executive Director.
Notice period for termination by the employee	Each current Executive Director is required to give 12 months' notice of termination, except that D W Muir is entitled to give 90 days' notice if he serves notice within ninety days of a change of control. The Remuneration Committee may set a notice period of between six months and 12 months for any future Executive Director.
Payment in lieu of notice	Base salary, pension contributions and benefits for the duration of the notice period. If D W Muir's employment is terminated with a payment in lieu of notice, that payment will also include any bonus accrued up to the date of termination.
Other incentives	The Remuneration Committee also has discretion to incorporate payments under the performance-linked elements of the package under 'good leaver' scenarios. • If the Executive Director leaves during the annual bonus performance year, a bonus payment may be made at the Remuneration Committee's discretion. Typically for 'good leavers', bonus amounts (as determined by the Remuneration Committee) will be pro-rated for time in service during the bonus year and will be, subject to performance, paid at the usual time, although the Remuneration Committee retains discretion not to apply time pro-rating and to accelerate the payment of bonuses in appropriate circumstances. Where bonus deferral would otherwise apply, the Remuneration Committee retains discretion to pay the whole of the bonus for the year of cessation in cash. • Under the Company's LTIP: – If a participant leaves as a 'good leaver' before an award has vested, that award will ordinarily continue until the original vesting date, when the extent of vesting will be determined by reference to the extent to which the performance conditions have been satisfied, although the Remuneration Committee retains discretion to vest the award sooner (and assess performance conditions accordingly). The extent to which the award vests will ordinarily be reduced to reflect the proportion of the performance period for which the Executive Director was employed, but the Remuneration Committee has discretion not to apply this proportionate reduction. The award will ordinarily be released to the participant at the end of the originally anticipated holding period, although the Remuneration Committee retains discretion to release the award sooner, but would do so only in exceptional circumstances (including cessation due to death or ill-health. – If a participant leaves for any reason (other than summary dismissal, in which case the award will lapse) after an award has vested but before it has been released (i.e. if the participant leaves during that holding period), the award will ordinarily be released to them on the original release date, although the Remuneration Committee retains discretion to release the award sooner. • Where a deferred bonus award is granted, if the participant leaves as a "good leaver" during the deferral period, the award will ordinarily continue and be released at the original release date, although the Remuneration Committee retains discretion to release the award at the date of cessation or to shorten the deferral period. • For the purposes of the LTIP and any deferred bonus award, 'good leaver' means cessation due to death, injury, ill-health, redundancy, or any other circumstance that the remuneration committee deems appropriate. • Were an award to be made in accordance with Listing Rule 9.4.2. then the leaver provisions would be determined at the time of the grant.
Other payments	In appropriate circumstances, other payments may be made in the event of a termination of an Executive Director's employment in respect of, for example, accrued holiday and legal and outplacement fees. SAYE options may be exercised on termination of employment to the extent permitted by the rules of the scheme, which do not provide discretion for the Remuneration Committee in respect of the treatment on termination. Awards under any other all employee share plan would be treated in accordance with the rules of that plan. If D W Muir gives notice of termination of his service agreement within 90 days of a change of control, he is entitled to a payment equal to 12 months' salary. If D W Muir's service agreement is terminated without notice following a change of control, he is entitled to a payment equal to 12 months' salary. If H K Nichols' service agreement is terminated within one year of a change of control, she shall be paid her salary and an amount equal to the value of her benefits for a 12 month period (less the period of any notice given).

Appointments for Non-executive Directors are governed by letters of engagement. Under the terms of their engagement, the notice period to be given by the Non-executive Directors to the Company is three months and the Company is obliged to give the same length of notice. Discretion is retained to terminate with or without due notice or paying any payment in lieu of notice dependent on what is considered to be in the best interests of the Company in the particular circumstances.

Where the Remuneration Committee retains discretion, as outlined above, it will be used to provide flexibility in certain situations, taking into account the particular circumstance of the director's departure and recent performance of the company.

Statement of considerations elsewhere in the Company
When setting the policy for Directors' remuneration, the Remuneration Committee has regard to the pay and employment conditions elsewhere within the Group, although employees are not formally consulted on Directors' remuneration policy.

This includes consideration of:

- salary increases for the general employee population;
- overall spend on annual bonus;
- participation levels in the annual bonus, long term incentive and share option plans;
- Company-wide benefits (including pension) offerings; and
- any other relevant factors as determined by the Remuneration Committee.

The Remuneration Committee takes into account ad-hoc information as provided to it from time to time as required by the UK Corporate Governance Code.

Discretion and existing contractual arrangements
The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office (and to exercise any discretion in respect of any such payment) notwithstanding that they are not in line with the policy, set out above, where the terms of the payment were agreed:

(i) before the policy came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' Remuneration Policy in force at the time they were agreed or were otherwise approved by shareholders; or

(ii) at a time when the relevant individual was not a Director of the Company (or other person to whom the policy set out above applies) and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company (or other such person).

For these purposes 'payments' includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Statement of consideration of shareholder views
The Company is committed to ongoing dialogue and seeks shareholder views ahead of making significant changes to its remuneration policies. The Remuneration Committee consulted with major shareholders in connection with the determination of this policy and took into account feedback received when finalising its approach.

Annette Kelleher
Chair, Remuneration Committee

4 March 2020

Directors' Report (other statutory information)

Principal activities and strategic report

The Company acts as a holding company to all the Group's subsidiaries.

During 2019 the principal activities of the Group comprised the manufacture and supply of:

- Infrastructure Products – Roads
- Infrastructure Products – Utilities
- Galvanizing Services

Pages 1 to 52 contain further details of these areas of the business and the principal subsidiaries operating within them are set out on pages 182 to 184.

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

- Information on s172 CA 2006;
- 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
- The 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 1 to 52.

Statement on corporate governance

The Directors' Report for the year ended 31 December 2019 comprises sections of the Annual Report referred to under 'Strategic Report', and 'Governance Report', which are incorporated into the Directors' Report by reference.

Results

The Group reported profit before taxation for the year amounted to £61.8m (2018: £59.8m). Group revenue at £694.7m was 9% higher than the prior year. Operating profit at £69.2m was 6% higher than for the previous year (2018: £65.2m).

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 2019	79,012,264
Total new ordinary shares issued during the year	356,886
Issued share capital 31 December 2019	79,369,150
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 22 on pages 154 to 156 of the Group Financial Statements.

Details of the results for the year are shown on the Consolidated Income Statement on page 111 and the business segment information is given on pages 124 to 126.

Dividends

The Directors recommend the payment of a final dividend of 23.0p per ordinary share (2018: 21.8p per ordinary share) which, together with the interim dividend of 10.6p per ordinary share (2018: 10.0p per ordinary share) paid on 3 January 2020, makes a total distribution for the year of 33.6p per ordinary share (2018: 31.8p per ordinary share). Subject to shareholders approving this recommendation at the AGM, the final dividend will be paid on 7 July 2020 to shareholders on the register at the close of business on 29 May 2020. The latest date for receipt of Dividend Re-investment Plan elections is 16 June 2020.

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.

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 2019 AGM and will be limited by the resolution to be put to the 2020 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 16 May 2019 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 16 August 2020.

Substantial shareholdings

As at 6 February 2020, 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
Aberdeen Standard Investments (Standard Life) (Edinburgh)	4,829,663	6.08
Mondrian Investment Partners (London)	3,625,273	4.56
Legal and General Investment Mgt (London)	3,113,854	3.92
AXA Investment Mgrs (London)	3,010,871	3.79
Charles Stanley (London)	2,817,605	3.55
JPMorgan Asset Mgt (London)	2,736,904	3.45
Royal London Asset Mgt (London)	2,656,956	3.35

Directors

The names of the directors of the Company who served throughout the year, including brief biographies, are set out on pages 54 and 55.

Directors' interests

The interests of the directors in the share capital of Hill & Smith Holdings PLC as at 31 December 2019 are set out on pages 84 and 85.

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.

Directors' Report (continued)

Financial instruments

The financial risk management objectives and policies are detailed in note 21 on pages 149 to 154.

Research and development

During the year, the Group spent a total of £1.4m (2018: £1.2m) on research and development.

Charitable and political donations

Charitable donations amounting to £39,000 (2018: £30,000) were made in the year principally to local charities serving the communities in which the Group operates. There were no political contributions.

Employment policies

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

Change of control/significant agreements

There are no agreements between the Group and its directors or employees providing for compensation for loss of office or employment that occurs because of a change of control, other than revised notice periods and termination payments for D W Muir and H K Nichols set out in the Directors' Remuneration Report on page 96.

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

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

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

Disclosure of information to auditor

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

Events since 31 December 2019

There were no post-Balance Sheet events.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00 a.m. on Tuesday 23 June 2020 at the Company's registered office, Westhaven House, Arleston Way, Solihull B90 4LH. Notice is sent to shareholders separately to this Report, together with an explanation of the special business to be considered at the meeting and will be made available on the Company's website at www.hsholdings.com.

Other important dates can be found in the Financial Calendar on page 180.

By order of the Board.

Alex Henderson
Company Secretary

4 March 2020

Statement of Directors' Responsibilities in respect of the Annual Report, Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

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

We confirm that to the best of our knowledge:

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

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

By order of the Board.

Alex Henderson
Company Secretary

4 March 2020

Zoneguard (centre) and Rebloc RB80 (verges) installed by Asset VRS, a division of Hill & Smith Ltd, as part of the road-widening scheme on the A14 Huntingdon to Cambridge section.

Financial Statements

Top: A 40,000kg Camel ready for installation at the US Navy's Submarine Base in New London, Connecticut – one of 15 delivered since 2010 to the USA Navy by the Creative Composites Group.

Bottom: Sentinel Road Blockers installed at the GMRE power plant in Singapore. Supplied by ATG Access these blockers provide the ultimate in high-security protection for entranceways.

To the members of Hill & Smith Holdings PLC

Independent Auditor's Report

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Hill & Smith Holdings PLC ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes, including the accounting policies on pages 111 to 123.

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 2019 and of the Group's profit for the year then ended;

the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 19 March 1999. The period of total uninterrupted engagement is for the 21 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£3.6m (2018:£3.25m) 5.0% (2018: 4.6%) of Group normalised profit before tax	
Coverage	93% (2018:96%) of Group profit before tax	
Key audit matters		**vs 2018**
Recurring risks	The impact of uncertainties due to the UK exiting the European Union on our audit	◀▶
	Valuation of goodwill in relation to France Galva S.A.	◀▶
	Provisions for uncertain tax positions	◀▶
	UK post retirement benefits obligation	◀▶
	Carrying value of investments in subsidiary undertakings (Parent Company only)	◀▶

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2018) in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 36 (principal risks), page 66 (viability statement).*	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** We considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** We found the estimates and related disclosures and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Recoverability of goodwill in relation to France Galva S.A. (£28.8 million; 2018: £30.1 million) *Refer to page 73 (Audit Committee Report), page 120 (accounting policy) and pages 140 and 141 (financial disclosures).*	**Forecast based valuation** Market conditions in France have been challenging and as a result the goodwill allocated to France Galva S.A. may not be recoverable. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. A relatively small change in key assumptions could give rise to a material change in the estimated recoverable amount of goodwill. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 10) disclose the sensitivity estimated by the Group.	Our procedures included: • **Benchmarking assumptions:** Comparing the group's assumptions to externally derived data in relation to projected growth and discount rates; • **Our sector experience:** Evaluating the appropriateness and year on year consistency of underlying assumptions in determining the cash flows including considering the appropriateness of the growth assumption applied, comparison of forecast cash flows to those achieved during the current financial year and challenging management where those future cash flows are significantly higher than current levels or do not reflect known or probable changes in the business environment; • Challenging, assisted by our own valuation specialists, the key inputs used in the calculation of the discount rate by comparing it against external data sources and comparator group data; • **Sensitivity analysis:** Performing our own sensitivity analysis on the assumptions noted above; • **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill in relation to France Galva S.A. **Our results** We found the resulting estimate of the recoverable amount of goodwill in relation to France Galva S.A. to be acceptable (2018: acceptable).

Independent Auditor's Report (continued)

	The risk	Our response
Provisions for uncertain income tax positions (£6.1 million; 2018: £8.3 million) *Refer to page 73 (Audit Committee Report), page 123 (accounting policy) and pages 163 and 164 (financial disclosures).*	**Subjective estimate** The Group's international operations result in transactions that impact multiple tax jurisdictions. This activity has led to the existence of a number of uncertain tax positions for which the Group makes a provision based on its best estimate of the amount of tax payable. The provisions for these estimates often require judgement as to the interpretation of specific tax law. The effect of these matters is that, as part of our risk assessment, we determined that provisions for uncertain income tax positions has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 25) disclose the range estimated by the Group.	Our procedures included: • **Our tax expertise:** With the assistance of our own tax specialists, we: – Assessed the Group's tax positions, its correspondence with the relevant tax authorities, and analysed and challenged the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts; – Assessed the tax implications of the intragroup refinancing exercises undertaken in the year; – Inspected Board minutes for reference to tax matters; – Challenged as to why the provisions for uncertain income tax positions represents management's best estimate. • **Assessing transparency:** Assessing the adequacy of the groups disclosure in respect of uncertain income tax positions. **Our results** We found the level of provisions for uncertain tax positions to be acceptable (2018: acceptable).
UK post retirement benefits obligation (£72.5 million; 2018: £72.8 million) *Refer to page 73 (Audit Committee Report), page 122 (accounting policy) and pages 157 to 160 (financial disclosures).*	**Subjective valuation** The valuation of the UK post retirement benefits obligation involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates/life expectancy. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Group's pension obligation could have a significant effect on the Group's net pension deficit. The effect of these matters is that, as part of our risk assessment, we determined that the UK post retirement benefits obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 24) disclose the sensitivity estimated by the Group.	Our procedures included: • **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data. • **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions. **Our results** We found the valuation of the UK post retirement benefits obligation to be acceptable (2018: acceptable).

	The risk	Our response
Recoverability of Parent Company's investment in subsidiary undertakings (£338.8 million; 2018: £325.0million) *Refer to page 168 (accounting policy) and page 172 (financial disclosures).*	**Low risk/ high value (Parent company only)** Investment in subsidiaries represents 78% (2018: 78%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • **Assessing subsidiary audits:** Assessing the work performed on the subsidiary audits for a sample of subsidiaries and considering the results of that work, on those subsidiaries' profit and net assets. • **Comparing valuations:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the. investment with the expected value of the business based on a suitable multiple of the subsidiaries' profit or a discounted cash flow. **Our results** We found the group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2018: acceptable).

Independent Auditor's Report (continued)

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

Materiality for the Group financial statements as a whole was set at £3.6m (2018:£3.25m), determined with reference to a benchmark of Group profit before tax, normalised to exclude acquisition costs, profit on disposal of asset held for sale, loss on disposal of subsidiary, impairment of assets and business reorganisation costs as disclosed in note 3. Normalised Group profit before tax is calculated as £72.7m (2018: £69.9m), of which materiality represents 5.0% (2018: 4.6%).

Materiality for the parent Company financial statements as a whole was set at £2.7m (2018: £2.4m), determined with reference to a benchmark of Company total assets, of which it represents 0.6% (2018: 0.6%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £180,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 61 (2018: 59) reporting components, we subjected 21 (2018: 27) to full scope audits for group purposes and 1 (2018: none) to specified risk-focused audit procedures over revenue.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 6% of total Group revenue, 7% of Group profit before tax, 8% of total Group assets and 7% of normalised Group profit before tax is represented by 39 reporting components, none of which individually represented more than 2% of any of total Group revenue, Group profit before tax, total Group assets or normalised Group profit before tax. For these residual 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 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 team approved the component materialities, which ranged from £0.2m to £2.7m, having regard to the mix of size and risk profile of the Group across the components. The work on 10 of the 61 components (2018: 10 of the 59 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

The Group team visited 1 (2018: 1) component in the United States of America, the component in Sweden (2018: visit) and the component in France (2018: visit) to confirm appropriate execution of the audit plan & strategy and inspect their findings. Telephone conference meetings were also held with these component auditors and all other components that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4. We have nothing to report on going concern

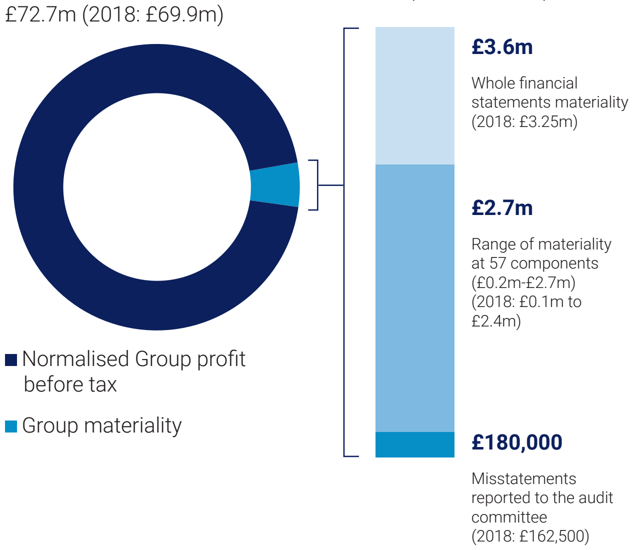
The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Normalised Group profit before tax

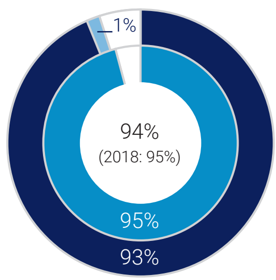
£72.7m (2018: £69.9m)

Group Materiality

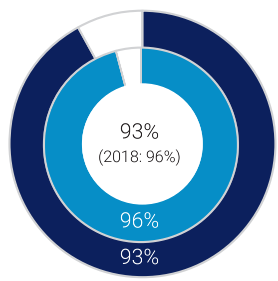
£3.6m (2018: £3.25m)



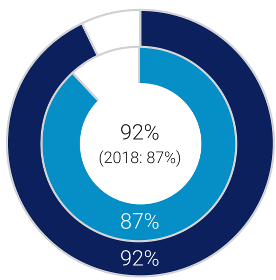
Group revenue



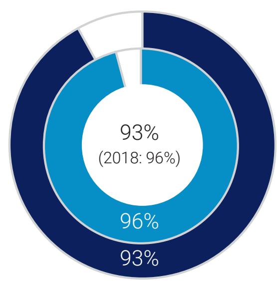
Group profit before tax



Group total assets



Normalised Group profit before tax



- Full scope for Group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Full scope for Group audit purposes 2018
- Residual components

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Reduction or delay in local government infrastructure programmes;
- Significant changes in foreign exchange rates compared to GBP; and
- The impact of Brexit on the Group's supply chain.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement on page 66 on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 98 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report
Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement, page 66 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures
We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Independent Auditor's Report (continued)

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

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

- 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 98, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and corruption, human rights and employment law, GDPR, trade/export compliance and competition/anti-trust recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

4 March 2020

Year ended 31 December 2019

Consolidated Income Statement

	Notes	2019 Underlying £m	2019 Non-underlying* £m	2019 Total £m	2018 Underlying £m	2018 Non-underlying* £m	2018 Total £m
Revenue	1, 2	**694.7**	**-**	**694.7**	637.9	-	637.9
Underlying operating profit		**86.3**	**-**	**86.3**	80.1	-	80.1
Amortisation of acquisition intangibles	3	**-**	**(6.2)**	**(6.2)**	-	(4.8)	(4.8)
Business reorganisation costs	3	**-**	**(1.9)**	**(1.9)**	-	(0.7)	(0.7)
Pension past service expense	3	**-**	**-**	**-**	-	(1.1)	(1.1)
Impairment of assets	3, 10,13	**-**	**(7.0)**	**(7.0)**	-	(6.1)	(6.1)
Acquisition costs	3	**-**	**(1.8)**	**(1.8)**	-	(2.2)	(2.2)
Profit on disposal of assets held for sale	3, 12	**-**	**0.5**	**0.5**	-	-	-
Loss on disposal of subsidiary	3	**-**	**(0.7)**	**(0.7)**	-	-	-
Operating profit	1, 2	**86.3**	**(17.1)**	**69.2**	80.1	(14.9)	65.2
Financial income	5	**0.5**	**0.9**	**1.4**	0.6	-	0.6
Financial expense	5	**(7.4)**	**(1.4)**	**(8.8)**	(4.4)	(1.6)	(6.0)
Profit before taxation		**79.4**	**(17.6)**	**61.8**	76.3	(16.5)	59.8
Taxation	7	**(15.5)**	**2.1**	**(13.4)**	(14.9)	2.3	(12.6)
Profit for the year attributable to owners of the parent		**63.9**	**(15.5)**	**48.4**	61.4	(14.2)	47.2
Basic earnings per share	8	**80.7p**		**61.1p**	77.8p		59.9p
Diluted earnings per share	8	**80.3p**		**60.8p**	77.2p		59.3p
Dividend per share – Interim	9			**10.6p**			10.0p
Dividend per share – Final proposed	9			**23.0p**			21.8p
Total				**33.6p**			31.8p

* The Group's definition of non-underlying items is included in the Group Accounting Policies on page 122.

Strategic Report

Governance Report

Financial Statements

Shareholder Information

Year ended 31 December 2019

Consolidated Statement of Comprehensive Income

	Notes	2019 £m	2018 £m
Profit for the year		**48.4**	47.2
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations		**(13.1)**	11.7
Exchange differences on foreign currency borrowings designated as net investment hedges		**2.9**	(4.7)
Taxation on items that may be reclassified to profit or loss		**-**	-
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit pension schemes	24	**1.0**	1.7
Taxation on items that will not be reclassified to profit or loss	7	**(0.2)**	(0.3)
Other comprehensive (expense)/income for the year		**(9.4)**	8.4
Total comprehensive income for the year attributable to owners of the parent		**39.0**	55.6

Year ended 31 December 2019

Consolidated Statement of Financial Position

	Notes	2019 £m	2018 £m
Non-current assets			
Intangible assets	10	**212.8**	183.8
Property, plant and equipment	11	**190.0**	170.2
Right-of-use assets	13	**37.9**	-
Deferred tax assets	14	**1.0**	0.5
		441.7	354.5
Current assets			
Assets held for sale	12	**-**	0.8
Inventories	15	**100.7**	96.6
Trade and other receivables	16	**144.1**	142.0
Cash and cash equivalents	17	**26.0**	36.9
		270.8	276.3
Total assets	1	**712.5**	630.8
Current liabilities			
Trade and other liabilities	18	**(120.3)**	(120.9)
Current tax liabilities		**(10.7)**	(10.4)
Provisions for liabilities and charges	20	**(0.8)**	(1.3)
Lease liabilities	13	**(10.6)**	-
Loans and borrowings	18	**(0.4)**	(0.4)
		(142.8)	(133.0)
Net current assets		**128.0**	143.3
Non-current liabilities			
Other liabilities	19	**(1.3)**	(2.7)
Provisions for liabilities and charges	20	**(2.5)**	(2.7)
Deferred tax liabilities	14	**(8.7)**	(6.8)
Retirement benefit obligations	24	**(19.9)**	(23.0)
Lease liabilities	13	**(29.4)**	-
Loans and borrowings	19	**(200.9)**	(169.4)
		(262.7)	(204.6)
Total liabilities		**(405.5)**	(337.6)
Net assets		**307.0**	293.2
Equity			
Share capital	22	**19.9**	19.8
Share premium		**37.4**	35.5
Other reserves		**4.9**	4.9
Translation reserve		**19.7**	29.9
Retained earnings		**225.1**	203.1
Total equity		**307.0**	293.2

Approved by the Board of Directors on 4 March 2020 and signed on its behalf by:

D W Muir
Director

H K Nichols
Director

Company Number: 671474

Year ended 31 December 2019

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 2018		19.7	34.1	4.9	22.9	-	177.0	258.6
Adoption of IFRS 15 and IFRS 9		-	-	-	-	-	2.7	2.7
At 1 January 2018 (restated)		19.7	34.1	4.9	22.9	-	179.7	261.3
Comprehensive income								
Profit for the year		-	-	-	-	-	47.2	47.2
Other comprehensive income for the year		-	-	-	7.0	-	1.4	8.4
Transactions with owners recognised directly in equity								
Dividends	9	-	-	-	-	-	(23.6)	(23.6)
Credit to equity of share-based payments	22	-	-	-	-	-	1.1	1.1
Satisfaction of long term incentive awards		-	-	-	-	-	(2.9)	(2.9)
Own shares held by employee benefit trust		-	-	-	-	-	0.2	0.2
Tax taken directly to the Consolidated Statement of Changes in Equity	7	-	-	-	-	-	-	-
Shares issued	22	0.1	1.4	-	-	-	-	1.5
At 31 December 2018		**19.8**	**35.5**	**4.9**	**29.9**	**-**	**203.1**	**293.2**
Adoption of IFRS 16		**-**	**-**	**-**	**-**	**-**	**(2.7)**	**(2.7)**
At 1 January 2019 (restated)		**19.8**	**35.5**	**4.9**	**29.9**	**-**	**200.4**	**290.5**
Comprehensive income								
Profit for the year		**-**	**-**	**-**	**-**	**-**	**48.4**	**48.4**
Other comprehensive income for the year		**-**	**-**	**-**	**(10.2)**	**-**	**0.8**	**(9.4)**
Transactions with owners recognised directly in equity								
Dividends	**9**	**-**	**-**	**-**	**-**	**-**	**(25.1)**	**(25.1)**
Credit to equity of share-based payments	**22**	**-**	**-**	**-**	**-**	**-**	**0.9**	**0.9**
Satisfaction of long term incentive awards		**-**	**-**	**-**	**-**	**-**	**(1.4)**	**(1.4)**
Own shares held by employee benefit trust		**-**	**-**	**-**	**-**	**-**	**0.7**	**0.7**
Tax taken directly to the Consolidated Statement of Changes in Equity	**7**	**-**	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Shares issued	**22**	**0.1**	**1.9**	**-**	**-**	**-**	**-**	**2.0**
At 31 December 2019		**19.9**	**37.4**	**4.9**	**19.7**	**-**	**225.1**	**307.0**

† Other reserves represent the premium on shares issued in exchange for shares of subsidiaries acquired and £0.2m (2018: £0.2m) capital redemption reserve.

At 31 December 2018 a total of 90,453 shares were held in an employee benefit trust for the purpose of settling awards granted to employees under equity-settled share based payment plans. The cost of these shares, amounting to £1.0m, was included within retained earnings at that date. During 2019, the Group has transferred 35,000 shares from Treasury shares bringing the total number of own shares in the employee benefit trust to 125,453. Subsequently, 101,694 of these shares were issued in settlement of awards to employees leaving 23,759 shares held at 31 December 2019, at a cost of £0.3m.

Year ended 31 December 2019

Consolidated Statement of Cash Flows

	Notes	2019 £m	2019 £m	2018 £m	2018 £m
Profit before tax			**61.8**		59.8
Add back net financing costs	5		**7.4**		5.4
Operating profit	1, 2		**69.2**		65.2
Adjusted for non-cash items:					
Share-based payments	4, 22	**1.2**		1.1	
Loss on disposal of subsidiary	3	**0.7**		-	
Gain on disposal of non-current assets	6	**(0.1)**		(0.3)	
Gain on disposal of assets held for sale	12	**(0.5)**		-	
Depreciation of owned assets	6, 11	**19.9**		18.6	
Amortisation of intangible assets	6, 10	**7.4**		5.7	
Right-of-use asset depreciation	6, 13	**10.2**		-	
Impairment of assets held for sale	6, 12	**-**		0.1	
Impairment of non-current assets	6, 10, 13	**7.0**		6.0	
			45.8		31.2
Operating cash flow before movement in working capital			**115.0**		96.4
Increase in inventories		**(2.4)**		(3.4)	
Increase in receivables		**(0.4)**		(9.8)	
(Decrease)/increase in payables		**(10.1)**		6.9	
Decrease in provisions and employee benefits		**(3.2)**		(2.4)	
Net movement in working capital			**(16.1)**		(8.7)
Cash generated by operations			**98.9**		87.7
Purchase of assets for rental to customers			**(16.3)**		(14.5)
Income taxes paid			**(14.4)**		(13.3)
Interest paid			**(6.4)**		(4.4)
Interest paid on lease liabilities			**(0.9)**		-
Net cash from operating activities			**60.9**		55.5
Interest received		**0.5**		0.5	
Proceeds on disposal of non-current assets		**1.0**		0.6	
Proceeds on disposal of assets held for sale	12	**1.3**		0.6	
Purchase of property, plant and equipment		**(29.7)**		(17.4)	
Purchase of intangible assets		**(1.9)**		(0.9)	
Acquisitions of businesses	10	**(43.9)**		(45.2)	
Deferred consideration in respect of prior year acquisitions		**(0.7)**		(0.6)	
Disposal of subsidiary	3	**2.0**		-	
Net cash used in investing activities			**(71.4)**		(62.4)
Issue of new shares	22	**2.0**		1.5	
Purchase of shares for employee benefit trust		**(0.7)**		(2.7)	
Dividends paid	9	**(25.1)**		(23.6)	
Costs associated with refinancing		**(2.1)**		-	
Repayments of lease liabilities		**(10.5)**		-	
New loans and borrowings		**119.9**		78.3	
Repayment of loans and borrowings		**(83.2)**		(26.8)	
Net cash from financing activities			**0.3**		26.7
Net (decrease)/increase in cash			**(10.2)**		19.8
Cash at the beginning of the year			**36.9**		16.4
Effect of exchange rate fluctuations			**(0.7)**		0.7
Cash at the end of the year	17		**26.0**		36.9

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 Group Financial Statements from the date that control commences until the date that control ceases.

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards, as adopted by the EU ('Adopted IFRSs'). The Company has elected to prepare its Parent Company Financial Statements in accordance with FRS 101; these are presented on pages 165 to 174.

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 25.

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.

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 Operational & Financial Review on pages 20 to 28, together with the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 21 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 borrowing facilities, which include committed facilities with a value of £330.9m at 31 December 2019, predominantly expiring in January 2024 or subsequently. As set out in the Operational & Financial Review on pages 20 to 28, 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 2019

In 2019 the following amendments had been endorsed by the EU, became effective and therefore were adopted by the Group:

- IFRS 16 'Leases'
- IFRIC 23 'Uncertainty over Income Tax treatments'
- Amendments to IFRS 9 'Financial Instruments'
- Amendments to IAS 28 'Long term Interests in Associates and Joint Ventures'
- Annual Improvements to IFRSs – 2015-2017 Cycle
- Amendments to IAS 19 'Employee Benefits'

The impact of IFRS 16 on the Group's results for the year is set out below. IFRIC 23 and the other amendments have not had a material impact on the financial statements.

IFRS 16 Leases

IFRS 16 replaces IAS 17 'Leases' and has been adopted by the Group from 1 January 2019. The new standard requires lessees to recognise a lease liability reflecting the discounted future lease payments and a right-of-use asset for all applicable lease contracts. The present value of the Group's operating lease liabilities is now presented as a liability in the statement of financial position, together with a right-of-use asset, and is unwound and amortised to the income statement over the life of the lease.

Transition option adopted
The Group has applied the modified retrospective method, therefore comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019. In applying this method, the Group used historical payment data as if IFRS 16 had always existed but with the benefit of hindsight for actual changes in the leases.

The Group also applied the available practical expedients wherein it:

- Grandfathered the definition of a lease on transition. The Group has applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and related interpretations in IFRS 16;
- Used a single discount rate for a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;

- Applied the short-term leases exemption to leases with lease terms that end within 12 months of the date of initial application;
- Applied the lease of low-value assets recognition exemption to leases of assets that are considered of low value; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impact on retained earnings at 1 January 2019, net of tax, was a reduction of £2.7m.

Change to accounting policies
The Group has lease contracts for various items of land, buildings, plant, machinery, vehicles and other equipment.

Prior to 1 January 2019 and before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and principal (reduction of the lease liability). In an operating lease, the leased assets were not capitalised and the lease payments were recognised as rental expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Accrued expenses respectively.

From 1 January 2019, the Group's accounting policy for leasing arrangements is as follows:

To the extent that a right-of-control exists over an asset subject to a lease and with a lease term exceeding one year, the Group recognises: a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Group's obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the dismantling, removal and restoration costs as required by the terms of the lease contract.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Future lease payments include: fixed payments, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual guarantee and the exercise price of purchased options where it is reasonably certain that the option will be exercised. Finance charges, representing the unwinding of the discount rate, are recognised in the Consolidated Income Statement over the period of the lease.

Lease payments for low value assets and short term leases (less than 12 months) are recognised as an expense on a straight line basis over the lease term.

Impact of adoption
The table below reconciles the Group's operating lease commitments as at 31 December 2018 to the opening lease liability as at 1 January 2019:

	£m
Operating lease commitments as at 31 December 2018*	**38.5**
Effect of discounting at the incremental borrowing rate at the date of initial application	(2.2)
Leases covered by recognition exemptions	(0.3)
Lease liabilities as at 1 January 2019*	**36.0**

**Prepared using foreign exchange rates at 31 December 2018.*

The weighted average incremental borrowing rate for lease liabilities recognised on 1 January 2019 was 2.50%.

The following tables summarise the impacts on the Group's income statement and statement of financial position for the current period.

Impact on the Consolidated Income Statement

	As Reported £m	Adjustments £m	Amounts without adoption of IFRS 16 £m
Revenue	694.7	-	694.7
Underlying operating profit	**86.3**	**(1.2)**	**85.1**
Underlying net finance costs	(6.9)	0.9	(6.0)
Underlying income tax expense	(15.5)	-	(15.5)
Underlying profit for the period	**63.9**	**(0.3)**	**63.6**

Group Accounting Policies (continued)

Impact on the Consolidated Statement of Financial Position

	As Reported £m	Adjustments £m	Amounts without adoption of IFRS 16 £m
Assets			
Right-of-use assets	37.9	(37.9)	-
Deferred tax asset	1.0	-	1.0
Other assets*	673.6	1.0	674.6
Total assets	**712.5**	**(36.9)**	**675.6**
Liabilities			
Lease liabilities	(40.0)	40.0	-
Deferred tax liability	(8.7)	(0.3)	(9.0)
Others	(356.8)	-	(356.8)
Total liabilities	**(405.5)**	**39.7**	**(365.8)**

** Movement is in respect of prepaid leases*

The only impact to the Group's cash flow statement is in presentation. Previously payments on leases were presented in operating activities. From 1 January 2019, cash payments for the principal portion of the lease liability are presented as cash flows used in financing activities and cash payments for the interest portion of the lease liability are presented in operating activities. Short-term lease payments and payments for leases of low-value assets not included in the measurement of the lease liability are presented within operating activities.

New IFRS standards and interpretations to be adopted in the future

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

- Amendments to References to the Conceptual Framework in IFRS Standards. Endorsed by the EU.
- Amendment to IFRS 3 'Business Combinations'. Not yet endorsed by the EU.
- Amendments to IAS 1 and IAS 8. Endorsed by the EU.
- Amendments to IFRS 7, IFRS 9 and IAS 39. Endorsed by the EU.

The above changes are not expected to have a material impact on the Group.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in non-underlying costs (see accounting policy 'non-underlying items'). 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.

Intangible assets – Goodwill

Goodwill on acquisition of subsidiaries comprises the excess of the fair value of the purchase consideration paid for subsidiaries over the Group's share of the fair value of the identifiable assets and liabilities acquired. After initial recognition, goodwill is measured at cost less impairment losses (see accounting policy 'Impairment of assets').

Intangible assets – Other

Other intangible assets that are acquired by the Group as part of a business combination, such as brands, patents and customer lists, 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'). In determining that these brands have indefinite lives, consideration was given to the extent of their trading history, which in all cases exceeds 50 years, their prominence in the markets in which they operate and the nature of the products sold under those brands in the context of potential for future development. For other brands, patents 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 amount of directly attributable 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.

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software. An internally generated intangible asset arising from the Group's development of computer systems (including websites) is recognised if, and only if, the costs are directly associated with the production of identifiable and unique software products, controlled by the Group and it is probable that future economic benefits will flow to the Group.

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.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

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 IFRS 1 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 fair value through other comprehensive income (FVOCI) 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 FVOCI 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.

Group Accounting Policies (continued)

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.

The principal exchange rates used were as follows:

	2019		2018	
	Average	**Closing**	Average	Closing
Sterling to Euro (£1 = EUR)	**1.14**	**1.18**	1.13	1.11
Sterling to US Dollar (£1 = USD)	**1.28**	**1.32**	1.33	1.28
Sterling to Swedish Krona (£1 = SEK)	**12.07**	**12.29**	11.60	11.43
Sterling to Indian Rupee (£1 = INR)	**89.89**	**94.30**	91.25	89.10
Sterling to Australian Dollar (£1 = AUD)	**1.84**	**1.88**	1.79	1.81

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, either the FIFO or average cost method is used depending on the nature of the inventory. 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

To the extent that a right-of-control exists over an asset subject to a lease and with a lease term exceeding one year, the Group recognises: a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Group's obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the dismantling, removal and restoration costs as required by the terms of the lease contract.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment (see accounting policy 'Impairment of assets').

The lease liability is measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Future lease payments include: fixed payments, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual guarantee and the exercise price of purchased options where it is reasonably certain that the option will be exercised. Finance charges, representing the unwinding of the discount rate, are recognised in the Consolidated Income Statement over the period of the lease.

Lease payments for low value assets and short term leases (less than 12 months) are recognised as an expense on a straight line basis over the lease term.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer for the provision of goods and services. The amount recognised excludes sales taxes and is adjusted for any discounts or volume rebates that are included in the contract. The Group does not routinely offer discounts or volume rebates, but where it does the variable element of revenue is based on the most likely amount of consideration that the Group believes it will receive.

The Group recognises revenue when it transfers control over a good or service to a customer. The following information sets out the Group's approach to the nature and timing of the satisfaction of performance obligations in contracts with customers in each of its operating segments and the related revenue recognition policies.

Infrastructure Products – Utilities and Roads
For standard products that are manufactured, revenue is recognised when goods are accepted by customers, which is usually on delivery depending on the Incoterms defined in the contract. The Group also enters into certain contracts which require customers to inspect and accept goods that have been manufactured but retained in the Group's facilities; in these cases the customer is deemed to have accepted the product when they have provided evidence of their acceptance and revenue is therefore recognised at that point, assuming that the other criteria set out in IFRS 15 have been met.

Certain of the Group's businesses in the Utilities segment manufacture non-standard products that are specific to customer requirements and therefore require a high degree of customisation. The Group has determined that in these cases a product with no alternative use is created. Where the contractual terms are such that if the contract is terminated by the customer then the Group has a right to reimbursement of the costs incurred including a reasonable margin, revenue is recognised over time i.e. before the completed goods are delivered to the customer's premises. Progress is generally determined using input methods (such as costs incurred), unless the circumstances of the contract are such that output methods (such as milestones reached) are considered more appropriate.

In some cases the Group provides installation of its products to customers as an additional service. Revenue from installation services is recognised over the period that the installation takes place, which is generally less than one month.

Certain of the Group's Roads businesses provide rental assets to customers. Revenue from these rental agreements is recognised over the period over which the assets are available to the customer.

Galvanizing Services
Contracts with customers in the Galvanizing Services segment are generally simple. Revenue is recognised at a point in time, which is when the galvanizing process has been completed and the customers' goods are available to them.

Contract assets

Contract assets primarily relate to the rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional.

Guarantees

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

Group Accounting Policies (continued)

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.

In the Consolidated Income Statement current and past service costs are recognised in operating profit and 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 on lease liabilities 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.

Non-underlying items

Non-underlying items are 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, which can vary depending on the nature, size and frequency of acquisitions in each financial year.
- Expenses associated with acquisitions, comprising professional fees incurred and any consideration, which, under IFRS 3 (Revised), is required to be treated as a post-acquisition employment expense.
- 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 non-underlying tax charge or credit comprises the tax effect of the above non-underlying items.

Details in respect of the non-underlying items recognised in the current and prior year are set out in note 3 to the Financial Statements.

Income tax

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

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

Deferred taxation

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

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

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

Ordinary dividends

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

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

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

Notes to the Consolidated Financial Statements

1. Segmental information

Business segment analysis

In 2019, the Group had 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, and, in reporting, management have taken the view that they comprise a segment 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;
- 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.

The changes to the Group's structure explained in the Strategic Report on page 14 did not become effective until 1 January 2020. In 2019, information was reported to the Chief Operating Decision Maker based on the operating segments set out above.

Segmental Income Statement

	2019			2018		
	Revenue £m	**Reported operating profit £m**	**Underlying operating profit* £m**	Revenue £m	Reported operating profit £m	Underlying operating profit* £m
Infrastructure Products – Utilities	**251.3**	**20.9**	**22.2**	239.0	9.0	18.3
Infrastructure Products – Roads	**246.3**	**7.7**	**22.3**	208.5	20.3	24.2
Infrastructure Products – Total	**497.6**	**28.6**	**44.5**	447.5	29.3	42.5
Galvanizing Services	**197.1**	**40.6**	**41.8**	190.4	35.9	37.6
Total Group	**694.7**	**69.2**	**86.3**	637.9	65.2	80.1
Net financing costs		**(7.4)**	**(6.9)**		(5.4)	(3.8)
Profit before taxation		**61.8**	**79.4**		59.8	76.3
Taxation		**(13.4)**	**(15.5)**		(12.6)	(14.9)
Profit after taxation		**48.4**	**63.9**		47.2	61.4

* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies on page 122, and is the measure of segment profit used by the Chief Operating Decision Maker, who is the Chief Executive. The reported operating profit columns are included as additional information.

Galvanizing Services provided £5.5m (2018: £6.4m) revenues to Infrastructure Products – Roads and £1.6m (2018: £1.6m) revenues to Infrastructure Products – Utilities. Infrastructure Products – Utilities provided £5.7m (2018: £5.2m) revenues to Infrastructure Products – Roads. Infrastructure Products – Roads provided £0.2m (2018: £0.2m) revenues to Infrastructure Products – Utilities. These internal revenues, along with revenues generated from within their own segments, have been eliminated on consolidation.

1. Segmental information continued

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

	Utilities		Roads		Galvanizing		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Primary geographical markets	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
UK	**105.4**	113.3	**117.5**	104.7	**62.2**	60.5	**285.1**	278.5
Rest of Europe	**6.3**	5.4	**62.3**	56.2	**54.6**	53.2	**123.2**	114.8
North America	**131.4**	112.0	**54.2**	35.9	**80.3**	76.7	**265.9**	224.6
The Middle East	**0.9**	2.5	**8.2**	2.1	**-**	-	**9.1**	4.6
Rest of Asia	**5.4**	5.4	**1.4**	0.2	**-**	-	**6.8**	5.6
Rest of the world	**1.9**	0.4	**2.7**	9.4	**-**	-	**4.6**	9.8
	251.3	239.0	**246.3**	208.5	**197.1**	190.4	**694.7**	637.9
Major product/service lines								
Manufacture, supply and installation of products	**251.3**	239.0	**222.4**	186.5	**-**	-	**473.7**	425.5
Galvanizing services	**-**	-	**-**	-	**197.1**	190.4	**197.1**	190.4
Rental income	**-**	-	**23.9**	22.0	**-**	-	**23.9**	22.0
	251.3	239.0	**246.3**	208.5	**197.1**	190.4	**694.7**	637.9
Timing of revenue recognition								
Products and services transferred at a point in time	**140.3**	151.9	**191.7**	152.1	**197.1**	190.4	**529.1**	494.4
Products and services transferred over time	**111.0**	87.1	**54.6**	56.4	**-**	-	**165.6**	143.5
	251.3	239.0	**246.3**	208.5	**197.1**	190.4	**694.7**	637.9

Additional segmental analysis

Capital expenditure and amortisation/depreciation

	2019		2018	
	Capital expenditure £m	**Impairment losses, amortisation and depreciation £m**	Capital expenditure £m	Impairment losses, amortisation and depreciation £m
Infrastructure Products – Utilities	**4.9**	**4.9**	5.6	11.1
Infrastructure Products – Roads	**25.9**	**19.0**	21.1	9.2
Infrastructure Products – Total	**30.8**	**23.9**	26.7	20.3
Galvanizing Services	**17.5**	**10.2**	7.5	10.0
Total Group	**48.3**	**34.1**	34.2	30.3
Property, plant and equipment (note 11)	**46.4**	**19.9**	33.3	18.6
Intangible assets (note 10)	**1.9**	**14.2**	0.9	11.7
Total Group	**48.3**	**34.1**	34.2	30.3

The 2019 amounts for impairment losses, amortisation and depreciation relating to the Infrastructure Products - Roads segment include goodwill and acquired intangible asset impairment losses of £6.8m relating to ATA Hill & Smith AB. The 2018 amounts for impairment losses, amortisation and depreciation relating to the Infrastructure Products – Utilities segment include goodwill and acquired intangible asset impairment losses of £6.0m relating to Technocover Limited.

Notes to the Consolidated Financial Statements (continued)

1. Segmental information continued

Geographical analysis

Total assets

	2019 £m	2018 £m
UK	**321.5**	236.1
Rest of Europe	**118.1**	124.2
North America	**258.0**	255.1
Asia	**11.5**	12.0
Rest of World	**3.4**	3.4
Total Group	**712.5**	630.8

Non-current assets

	2019 £m	2018 £m
UK	**212.4**	129.7
Rest of Europe	**68.2**	71.0
North America	**156.1**	147.7
Asia	**3.5**	3.9
Rest of World	**1.5**	2.2
Total Group	**441.7**	354.5

Capital expenditure

	2019 £m	2018 £m
UK	**24.5**	20.4
Rest of Europe	**5.8**	5.3
North America	**17.5**	7.2
Asia	**0.1**	0.1
Rest of World	**0.4**	1.2
Total Group	**48.3**	34.2

2. Operating profit

	2019 £m	2018 £m
Revenue	**694.7**	637.9
Cost of sales	**(438.2)**	(409.3)
Gross profit	**256.5**	228.6
Distribution costs	**(36.8)**	(35.8)
Administrative expenses	**(152.4)**	(129.1)
Other operating income	**1.9**	1.5
Operating profit	**69.2**	65.2

3. Non-underlying items

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

- Business reorganisation costs of £1.9m (2018: £0.7m) and an impairment charge of right-of-use lease assets of £0.2m (2018: £nil), which relate to actions taken in Scandinavia following the disappointing performance in 2019. In Sweden we have announced the closure of underperforming depots and restructured the management team, while in Norway we have announced the closure of the business and our exit from that geography.
- An impairment charge of £6.8m (2018: £6.0m in relation to Technocover Limited), reflecting a full impairment of the goodwill and intangible assets relating to the Group's acquisitions in Sweden, which comprise the acquisition of ATA Bygg-Och Markprodukter AB in 2011 and the smaller acquisitions of FMK Traffikprodukter AB and Signalvakter Syd, in 2016 and 2018 respectively, all of which were integrated into a single business unit. Despite reasonable outturns in recent years, albeit marginally below expectations, in 2019 the combined business has experienced a significant deterioration in its results due principally to changes in market conditions, notably price erosion as a result of strong competition. Consequently, an impairment review was performed at 31 December 2019 resulting in a full impairment of the goodwill and remaining book value of acquired intangible assets, reflecting a short/medium-term outlook for the business that is materially below that anticipated at the time of the acquisitions.
- Amortisation of acquired intangible fixed assets of £6.2m (2018: £4.8m).
- Acquisition expenses of £1.8m (2018: £2.2m) relating to acquisitions during the period. The costs include a net credit of £0.2m (2018: cost of £0.4m) relating to future consideration payments to previous owners of the acquired businesses, the terms of which require those costs to be treated as a post-acquisition employment expense in accordance with IFRS 3 (Revised).
- A gain of £0.5m (2018: impairment charge of £0.1m) in respect of assets held for sale (note 12), reflecting a profit on the disposal of that property during the year.
- A loss of £0.7m on the Group's disposal of Weholite Limited, its plastic drainage pipe business, on 5 August 2019, further details of which are as follows:

	£m
Tangible fixed assets	**1.8**
Right-of-use assets	**0.4**
Inventories	**1.7**
Current assets	**1.7**
Cash and cash equivalents	**0.2**
Current liabilities	**(2.5)**
Lease liabilities	**(0.4)**
Deferred tax	**-**
Net assets	**2.9**
Consideration	**2.7**
Less costs of disposal	**(0.5)**
Loss on disposal	**(0.7)**
Cash flow effect	
Consideration less costs of disposal	**2.2**
Cash and cash equivalents disposed of	**(0.2)**
Net cash received shown in the Consolidated Statement of Cash Flows	**2.0**

- In 2018, non-underlying items also included a past service cost of £1.1m in respect of defined benefit pension schemes. In October 2018 the High Court handed down a judgement requiring businesses with defined benefit pension schemes to equalise historical Guaranteed Minimum Pensions (GMPs) between male and female members. The Group took professional advice as to the impact of this judgement and concluded that a cost of £1.0m is likely to be incurred in equalising GMPs arising in prior years. A further charge of £0.1m was also incurred in respect of changes to the terms of the Group's pension schemes in France.

Non-underlying items included in financial income represent a gain on refinancing of £0.9m under IFRS 9, and included in financial expense represent the net financing cost on pension obligations of £0.5m (2018: £0.6m) and a £0.9m (2018: £1.0m) charge in respect of amortisation of costs associated with refinancing.

Notes to the Consolidated Financial Statements (continued)

4. Employees

	2019 No.	2018 No.
The average number of people employed by the Group during the year		
Infrastructure Products – Utilities	**1,792**	1,788
Infrastructure Products – Roads	**1,244**	931
Infrastructure Products – Total	**3,036**	2,719
Galvanizing Services	**1,502**	1,499
Total Group	**4,538**	4,218

	£m	£m
The aggregate remuneration for the year		
Wages and salaries	**145.3**	132.3
Share-based payments	**1.2**	1.1
Social security costs	**24.0**	22.5
Pension costs	**4.2**	4.5
	174.7	160.4

Directors' remuneration	2019 £m	2018 £m
Directors' remuneration	**1.5**	1.5
Loss of office	**0.5**	-
Amounts receivable under long term incentive schemes	**0.4**	1.1
Company contributions to money purchase pension plans	**0.2**	0.2
	2.6	2.8

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director was £1.2m (2018: £1.4m), and company pension contributions of £0.1m (2018: £0.1m) were made to a money purchase scheme on his behalf.

Number of Directors	2019 No	2018 No
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**2**	2
Defined benefit schemes	**-**	-
The number of Directors who exercised share options was	**1**	2
The number of Directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	**2**	2

Further details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 80 to 88.

5. Net financing costs

	Underlying £m	Non-underlying £m	2019 £m	Underlying £m	Non-underlying £m	2018 £m
Interest on bank deposits	**0.5**	**-**	**0.5**	0.6	-	0.6
Total interest income	**0.5**	**-**	**0.5**	0.6	-	0.6
Financial gain relating to refinancing	**-**	**0.9**	**0.9**	-	-	-
Financial income	**0.5**	**0.9**	**1.4**	0.6	-	0.6
Interest on loans and borrowings	**6.5**	**-**	**6.5**	4.4	-	4.4
Interest on lease liabilities (note 13)	**0.9**	**-**	**0.9**	-	-	-
Total interest expense	**7.4**	**-**	**7.4**	4.4	-	4.4
Financial expenses related to refinancing	**-**	**0.9**	**0.9**	-	1.0	1.0
Interest cost on net pension scheme deficit (note 24)	**-**	**0.5**	**0.5**	-	0.6	0.6
Financial expense	**7.4**	**1.4**	**8.8**	4.4	1.6	6.0
Net financing costs	**6.9**	**0.5**	**7.4**	3.8	1.6	5.4

6. Expenses and auditor's remuneration

	2019 £m	2018 £m
Income statement charges		
Depreciation of property, plant and equipment: owned	**19.9**	18.6
Right-of-use asset depreciation	**10.2**	-
Operating lease rentals:		
Plant and machinery	**-**	3.7
Other	**-**	4.9
Short term leases	**0.3**	-
Low value leases	**0.1**	-
Research and development expenditure	**0.4**	0.4
Amortisation of acquisition intangibles	**6.2**	4.8
Amortisation of development costs	**1.1**	0.8
Amortisation of other intangible assets	**0.1**	0.1
Impairment losses:		
Intangible fixed assets	**6.8**	6.0
Right-of-use lease assets	**0.2**	-
Assets held for sale	**-**	0.1
Income statement credits		
Profit on disposal of assets held for sale	**0.5**	-
Profit on disposal of non-current assets	**0.1**	0.3
Foreign exchange gain	**0.1**	0.3
Other rental income	**1.5**	1.1

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	**1.0**	0.9
Services relating to corporate finance transactions	**-**	0.2
	1.1	1.2

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 71 to 77 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

	2019 £m	2018 £m
Current tax		
UK corporation tax	**6.3**	5.3
Overseas tax at prevailing local rates	**10.8**	9.5
Adjustments in respect of prior years	**(2.0)**	(1.2)
	15.1	13.6
Deferred tax (note 14)		
UK deferred tax	**0.3**	(0.8)
Overseas tax at prevailing local rates	**(2.2)**	0.4
Adjustments in respect of prior year	**0.2**	(0.1)
Effects of changes in tax rates and laws	**-**	(0.5)
Tax on profit in the Consolidated Income Statement	**13.4**	12.6
Deferred tax (note 14)		
Relating to defined benefit pension schemes	**0.2**	0.3
Effect of change in tax rate	**-**	-
Tax on items taken directly to Other Comprehensive Income	**0.2**	0.3
Current tax		
Relating to share-based payments	**(0.5)**	(0.6)
Deferred tax (note 14)		
Relating to share-based payments	**0.1**	0.6
Tax taken directly to the Consolidated Statement of Changes in Equity	**(0.4)**	-

The tax charge in the Consolidated Income Statement for the period is higher (2018: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £m	2018 £m
Profit before taxation	**61.8**	59.8
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**11.7**	11.4
Expenses not deductible/income not chargeable for tax purposes	**0.8**	0.7
Non-deductible goodwill impairment	**1.2**	0.4
Non-taxable loss on disposal of UK subsidiary	**0.1**	-
Benefits from international financing arrangements	**(0.6)**	(0.8)
Local tax incentives	**(0.2)**	(0.3)
Overseas profits taxed at higher rates	**2.7**	3.0
Overseas losses not relieved	**0.3**	-
Impacts of rate and law changes	**-**	(0.5)
Release of libililty for unremitted earnings in France	**(0.8)**	-
Adjustments in respect of prior periods	**(1.8)**	(1.3)
Tax charge	**13.4**	12.6

8. Earnings per share

The weighted average number of ordinary shares in issue during the year was 79.2m (2018: 78.8m), diluted for the effects of the outstanding dilutive share options 79.6m (2018: 79.5m). Underlying earnings per share have been shown because the Directors consider that this provides valuable additional information about the underlying performance of the Group.

	2019		2018	
	Pence per share	£m	Pence per share	£m
Basic earnings	61.1	48.4	59.9	47.2
Non-underlying items*	19.6	15.5	17.9	14.2
Underlying earnings	80.7	63.9	77.8	61.4
Diluted earnings	60.8	48.4	59.3	47.2
Non-underlying items*	19.5	15.5	17.9	14.2
Underlying diluted earnings	80.3	63.9	77.2	61.4

* Non-underlying items as detailed in note 3.

9. Dividends

Dividends paid in the year were the prior year's interim dividend of £7.9m (2018: £7.4m) and the final dividend of £17.2m (2018: £16.2m). Dividends declared after the year end date are not recognised as a liability, in accordance with IAS 10. The Directors have proposed the following interim dividend and final dividend for the current year, subject to shareholder approval:

	2019		2018	
	Pence per share	£m	Pence per share	£m
Equity shares				
Interim	10.6	8.4	10.0	7.9
Final	23.0	18.3	21.8	17.2
Total	33.6	26.7	31.8	25.1

Notes to the Consolidated Financial Statements (continued)

10. Intangible assets

	Goodwill £m	Brands £m	Customer lists £m	Capitalised development costs £m	Contracts, licences and other assets £m	Total £m
Cost						
At 1 January 2018	133.9	24.6	34.2	13.8	7.3	213.8
Exchange adjustments	3.7	0.9	0.7	-	0.3	5.6
Acquisitions	14.0	1.1	6.9	-	4.5	26.5
Additions	-	-	-	0.8	0.1	0.9
Disposal of subsidiary	-	-	-	-	-	-
At 31 December 2018	151.6	26.6	41.8	14.6	12.2	246.8
Exchange adjustments	(4.0)	(0.9)	(0.9)	(0.1)	(0.2)	(6.1)
Acquisitions	21.6	4.5	15.5	-	4.2	45.8
Additions	-	-	-	1.0	0.9	1.9
At 31 December 2019	**169.2**	**30.2**	**56.4**	**15.5**	**17.1**	**288.4**
Amortisation and impairment losses						
At 1 January 2018	9.1	11.1	16.6	9.8	3.3	49.9
Exchange adjustments	0.5	0.3	0.6	-	-	1.4
Amortisation charge for the year	-	0.8	3.0	0.8	1.1	5.7
Impairment losses	1.9	0.3	2.5	-	1.3	6.0
At 31 December 2018	11.5	12.5	22.7	10.6	5.7	63.0
Exchange adjustments	(0.4)	(0.5)	(0.6)	-	(0.1)	(1.6)
Amortisation charge for the year	-	0.9	3.8	1.1	1.6	7.4
Impairment losses	5.8	0.2	0.8	-	-	6.8
At 31 December 2019	**16.9**	**13.1**	**26.7**	**11.7**	**7.2**	**75.6**
Carrying values						
At 1 January 2018	124.8	13.5	17.6	4.0	4.0	163.9
At 31 December 2018	140.1	14.1	19.1	4.0	6.5	183.8
At 31 December 2019	**152.3**	**17.1**	**29.7**	**3.8**	**9.9**	**212.8**

10. Intangible assets continued

2019

ATG Access

On 22 February 2019 the Group acquired 100% of the share capital of Cobaco Holdings Limited and its subsidiaries, including ATG Access Limited ("ATG"). Based in the UK and exporting to over 30 countries, ATG specialises in the development, manufacture, and installation of hostile vehicle mitigation perimeter security solutions including bollards (automated, static, impact and non-impact tested), road blockers, barriers and gates. Details of the acquisition are set out below:

ATG Access	Pre acquisition carrying amount £m	Policy alignment and provisional fair value adjustments £m	Total £m
Intangible assets			
Brands	-	3.6	3.6
Customer lists	-	5.2	5.2
Contracts, licenses and other assets	-	4.2	4.2
Property, plant and equipment	0.5	-	0.5
Right-of-use assets	-	0.6	0.6
Inventories	3.9	(1.0)	2.9
Current assets	5.7	(4.4)	1.3
Cash	0.2	-	0.2
Total assets	**10.3**	**8.2**	**18.5**
Lease liabilities	-	(0.6)	(0.6)
Current liabilities	(9.0)	0.8	(8.2)
Deferred tax	(0.1)	(1.4)	(1.5)
Total liabilities	**(9.1)**	**(1.2)**	**(10.3)**
Net assets	**1.2**	**7.0**	**8.2**
Consideration			
Consideration in the year			23.7
Goodwill			**15.5**
Cash flow effect			
Consideration			23.7
Cash acquired with the business			(0.2)
Net cash consideration shown in the Consolidated Statement of Cash Flows			**23.5**

Brands, patents and associated intellectual property, contractual arrangements and customer lists have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Fair value adjustments have been made to better align the accounting policies of the acquired businesses with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £1.9m of trade receivables which have a gross value of £2.1m. The policy alignment adjustments include adjustments to align ATG's accounting methodology with International Financial Reporting Standards. Prior to acquisition, ATG adopted FRS 102. The main changes relate to IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'.

Post acquisition the acquired business has contributed £17.3m revenue and £1.7m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2019, the Group's results for the year would have shown revenue of £698.3m and underlying operating profit of £86.8m.

Notes to the Consolidated Financial Statements (continued)

10. Intangible assets continued

Parking Facilities

On 27 September 2019 the Group acquired 100% of the share capital of AAJG Holdings Limited and its subsidiary, including Parking Facilities Limited ("PF"). Based in the UK, PF specialises in the design, manufacture and supply of a market-leading range of parking and access control products including cantilever, bi-fold and swing gates, automatic and manual barriers, automatic bollards, rising kerbs, speed ramps and access control equipment. PF also offers a bespoke service from design to manufacture, supplying custom-built products to match existing surroundings. Details of the acquisition are set out below:

Parking Facilities	Pre acquisition carrying amount £m	Policy alignment and provisional fair value adjustments £m	Total £m
Intangible assets			
Brands	-	0.9	0.9
Customer lists	-	9.1	9.1
Property, plant and equipment	0.5	(0.1)	0.4
Right-of-use assets	-	2.8	2.8
Inventories	2.1	(0.5)	1.6
Current assets	4.6	(0.2)	4.4
Cash	0.2	-	0.2
Total assets	**7.4**	**12.0**	**19.4**
Lease liabilities	-	(2.8)	(2.8)
Current liabilities	(2.4)	(0.1)	(2.5)
Deferred tax	(0.2)	(1.5)	(1.7)
Total liabilities	**(2.6)**	**(4.4)**	**(7.0)**
Net assets	**4.8**	**7.6**	**12.4**
Consideration			
Consideration in the year			14.2
Goodwill			**1.8**
Cash flow effect			
Consideration			14.2
Cash acquired with the business			(0.2)
Net cash consideration shown in the Consolidated Statement of Cash Flows			**14.0**

Brands and customer lists have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Fair value adjustments have been made to better align the accounting policies of the acquired businesses with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £2.8m of trade receivables which have a gross value of £2.9m.

Post acquisition the acquired business has contributed £3.0m revenue and £0.3m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2019, the Group's results for the year would have shown revenue of £703.6m and underlying operating profit of £87.8m.

10. Intangible assets continued

Signpost Solutions

On 3 December 2019 the Group acquired 100% of the share capital of Signpost Solutions Limited ("SPS"). Based in the UK, SPS is a leading distributor and manufacturer of products for the highways industry, including sign supports and signal poles, sign fixings, bollards, chevrons and passive safety solutions. Details of the acquisition are set out below:

Signpost Solutions	Pre acquisition carrying amount £m	Policy alignment and provisional fair value adjustments £m	Total £m
Intangible assets			
Customer lists	-	1.2	1.2
Property, plant and equipment	0.6	-	0.6
Right-of-use assets	0.1	0.8	0.9
Inventories	0.9	-	0.9
Current assets	1.9	(0.1)	1.8
Cash	0.6	-	0.6
Total assets	**4.1**	**1.9**	**6.0**
Lease liabilities	(0.1)	(0.8)	(0.9)
Current liabilities	(1.7)	0.1	(1.6)
Deferred tax	-	(0.2)	(0.2)
Provisions	-	(0.2)	(0.2)
Total liabilities	**(1.8)**	**(1.1)**	**(2.9)**
Net assets	**2.3**	**0.8**	**3.1**
Consideration			
Consideration in the year			7.0
Goodwill			**3.9**
Cash flow effect			
Consideration			7.0
Cash acquired with the business			(0.6)
Net cash consideration shown in the Consolidated Statement of Cash Flows			**6.4**

Customer lists have been recognised as a specific intangible asset as a result of the acquisition. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Fair value adjustments have been made to better align the accounting policies of the acquired businesses with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £1.8m of trade receivables which have a gross value of £1.9m.

Post acquisition the acquired business has contributed £0.3m revenue and £nil underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2019, the Group's results for the year would have shown revenue of £703.0m and underlying operating profit of £87.3m.

In addition to the above acquisitions, the Group paid a further amount of £0.7m in deferred consideration in respect of acquisitions made in 2018. A further £0.4m of goodwill was also recognised in relation to the finalisation of fair value adjustments on acquisitions made in 2018.

Notes to the Consolidated Financial Statements (continued)

10. Intangible assets continued

2018

Work Area Protection Corp

On 8 May 2018 the Group acquired the trade and assets of Work Area Protection Corp ("WAPCO") to expand the Group's presence in the US road safety market. WAPCO specialises in the development, manufacture and distribution of a range of road work safety zone products. Details of the acquisition are set out below:

Work Area Protection Corp	Pre acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible assets			
Brands	-	0.8	0.8
Customer lists	-	4.5	4.5
Contracts, licenses and other assets	-	4.0	4.0
Property, plant and equipment	3.4	(0.1)	3.3
Inventories	7.5	(0.5)	7.0
Current assets	7.5	-	7.5
Total assets	**18.4**	**8.7**	**27.1**
Current liabilities	(4.3)	(0.1)	(4.4)
Deferred tax	-	(0.2)	(0.2)
Total liabilities	**(4.3)**	**(0.3)**	**(4.6)**
Net assets	**14.1**	**8.4**	**22.5**
Consideration			
Consideration in the year			31.2
Goodwill			**8.7**
Cash flow effect			
Consideration			31.2
Net cash consideration shown in the Consolidated Statement of Cash Flows			**31.2**

Brands, contractual arrangements and customer lists were recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Fair value adjustments were made to better align the accounting policies of the acquired businesses with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. There was no difference between the gross value and fair value of acquired receivables.

10. Intangible assets continued

Composite Advantage Inc.

On 5 October 2018, the Group acquired the trade and assets of Composite Advantage Inc. ("CA") to expand the Group's offering in the US composites market. CA is a leading pultrusions manufacturer specialising in the production of fibre reinforced polymer products for infrastructure markets, including waterfront, rail, bridge decks and oil & gas. Details of the acquisition are set out below:

Composite Advantage	Pre acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible assets			
Brands	-	0.3	0.3
Customer lists	-	1.5	1.5
Contracts, licenses and other assets	-	0.5	0.5
Property, plant and equipment	2.1	-	2.1
Inventories	1.0	-	1.0
Current assets	3.2	-	3.2
Total assets	**6.3**	**2.3**	**8.6**
Current liabilities	(1.6)	-	(1.6)
Total liabilities	**(1.6)**	**-**	**(1.6)**
Net assets	**4.7**	**2.3**	**7.0**
Consideration			
Consideration in the year			10.2
Goodwill			**3.2**
Cash flow effect			
Consideration			10.2
Deferred Consideration			(2.2)
Net cash consideration shown in the Consolidated Statement of Cash Flows			**8.0**

Brands, contractual arrangements and customer lists were recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Fair value adjustments were made to better align the accounting policies of the acquired businesses with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. There was no difference between the gross value and fair value of acquired receivables.

Notes to the Consolidated Financial Statements (continued)

10. Intangible assets continued

Engineered Endeavors Inc.

On 17 August 2018, the Group acquired from Chapter 11 proceedings certain of the business, trade, assets and workforce of Engineered Endeavors Inc. ("EEI"). Based in Ohio, USA, the business designs and manufactures utility poles for the power distribution and wireless cellular markets. Details of the acquisition are set out below:

Engineered Endeavors	Pre acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible assets			
Customer lists	-	0.5	0.5
Property, plant and equipment	3.8	(0.9)	2.9
Inventories	0.1	-	0.1
Deferred tax	-	0.1	0.1
Total assets	**3.9**	**(0.3)**	**3.6**
Current liabilities	-	-	-
Total liabilities	**-**	**-**	**-**
Net assets	**3.9**	**(0.3)**	**3.6**
Consideration			
Consideration in the year			4.8
Goodwill			**1.2**
Cash flow effect			
Consideration			4.8
Net cash consideration shown in the Consolidated Statement of Cash Flows			**4.8**

Customer lists were recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Fair value adjustments were made to better align the accounting policies of the acquired businesses with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. There was no difference between the gross value and fair value of acquired receivables.

10. Intangible assets continued

The Group also made three other smaller acquisitions during the prior year:

- The trade and certain assets of D Gibson Road and Quarry Services Limited, based in the UK, acquired on 1 January 2018;
- The trade and certain assets of Signalvakter Syd, based in Sweden, acquired on 28 March 2018; and
- The trade and assets of The Grating Company Limited and Pro Composites Limited, based in the UK, acquired on 27 April 2018.

Details of these acquisitions are set out below:

	D Gibson - Pre acquisition carrying amount £m	Signalvakter - Pre acquisition carrying amount £m	The Grating Company - Pre acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible assets					
Customer list	-	-	-	0.4	0.4
Property, plant and equipment	-	0.3	-	-	0.3
Inventories	0.1	-	-	-	0.1
Current assets	-	-	0.5	(0.5)	-
Total assets	**0.1**	**0.3**	**0.5**	**(0.1)**	**0.8**
Current liabilities	-	(0.2)	(0.2)	-	(0.4)
Deferred tax	-	-	-	(0.1)	(0.1)
Total liabilities	**-**	**(0.2)**	**(0.2)**	**(0.1)**	**(0.5)**
Net assets	**0.1**	**0.1**	**0.3**	**(0.2)**	**0.3**
Consideration					
Consideration in the year					1.2
Goodwill					**0.9**
Cash flow effect					
Cash consideration					1.2
Net cash consideration shown in the Consolidated Statement of Cash Flows					**1.2**

Customer lists were recognised as specific intangible assets as a result of these acquisitions. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Fair value adjustments were made to better align the accounting policies of the acquired businesses with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired of £nil relate to trade receivables which had a gross value of £0.5m.

In addition to the above acquisitions, the Group paid a further amount of £0.6m in deferred consideration in respect of acquisitions made in 2017.

Notes to the Consolidated Financial Statements (continued)

10. Intangible assets continued

Cash generating units with significant amounts of goodwill

	2019 £m	2018 £m
Infrastructure Products – Utilities		
US Composites	**16.0**	16.1
V&S Utilities	**5.4**	5.6
Others <£5m individually	**5.1**	5.2
Infrastructure Products – Roads		
ATG	**15.5**	-
WAPCO	**8.8**	9.1
Hardstaff Barriers	**6.8**	6.8
Mallatite	**5.7**	5.7
ATA Sweden	**-**	6.1
Others <£5m individually	**9.8**	4.0
Galvanizing Services		
France Galva SA	**28.6**	30.1
USA	**25.8**	26.6
UK	**24.8**	24.8
	152.3	140.1

Goodwill impairment reviews have been carried out at an operating segment level on all cash generating units (CGUs) to which goodwill is allocated.

Methodology and assumptions

Impairment tests on the carrying values of goodwill and certain brand names of £7.7m (2018: £7.9m), which are the Group's only other indefinite life intangible assets, are performed by analysing the carrying value allocated to each significant CGU against its value in use. All goodwill is allocated to specific CGUs, which are in all cases no larger than operating segments. Value in use is calculated for each CGU 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, strategic plans for the following two years and a growth rate for all subsequent years which reflects the long term historical growth in GDP of the economies in which each CGU is located. The long term growth rates vary between 1.5% and 2.5%. Budgets and strategic plans are prepared taking into account a range of factors including past experience, the forecast future trading environment and macroeconomic conditions in the Group's key markets.

These assumptions are applied to all CGUs with the exception of France Galva SA and ATA Sweden.

France Galva SA
The France Galva SA impairment review was prepared based on the following key assumptions:

- Budgeted cash flows for 2020, which assume a 2.5% reduction (2018: 0.8% reduction) in galvanizing volumes compared with 2019.
- For the period 2021-2025 the calculations assume annual growth in galvanizing volumes of 1% (2018: 1%). This assumption is considered appropriate as, in the Group's experience, galvanizing volumes are closely linked to growth in activity in industrial markets, itself closely linked to country GDP growth. The current GDP growth projections for France issued by the IMF exceed 1% between 2020 and 2025.
- For the period from 2026 onwards the calculations assume annual growth in cash flows of 1.5% (2018: 3%), consistent with the historical long term growth rates in France.
- A pre-tax discount rate of 13.7% (2018: 11.4%).

ATA Sweden
The ATA Sweden impairment review was prepared on a basis that more appropriately reflects the changes in market conditions that the business has experienced during 2019 and expects to see continuing into the future. The review assumed budgeted cash flows for 2020 but cash flows for the following two years were substantially reduced compared with the strategic plans prepared for that period. Cash flows for the period from 2023 onward assume no growth in profitability compared with 2022.

The calculated headroom between value in use and carrying value of each of the Group's CGUs with significant amounts of goodwill, together with the pre-tax discount rates applied, is set out below. The pre-tax discount rates are derived from a market participant's cost of capital and risk adjusted for individual CGUs' circumstances. Similar discount rates are applied in determining the recoverable amounts of other CGUs.

10. Intangible assets continued

Summary of results of goodwill impairment reviews

	2019			2018		
	Goodwill £m	Headroom £m	Discount rate	Goodwill £m	Headroom £m	Discount rate
US Composites	**16.0**	**105.4**	**14.9%**	16.1	63.9	10.4%
V&S Utilities	**5.4**	**61.2**	**16.4%**	5.6	54.5	10.1%
Hardstaff Barriers	**6.8**	**152.0**	**16.6%**	6.8	12.6	10.5%
Mallatite	**5.7**	**28.0**	**12.9%**	5.7	19.0	9.9%
WAPCO	**8.8**	**80.4**	**14.5%**	-	-	-
France Galva SA	**28.6**	**18.2**	**13.7%**	30.1	18.0	11.4%
Galvanizing Services – USA	**25.8**	**287.7**	**16.5%**	26.6	327.5	10.3%
Galvanizing Services – UK	**24.8**	**105.7**	**12.8%**	24.8	80.0	10.1%

The impairment review of the ATA Sweden CGU, adopting the methodology set out above, concluded that the carrying values of the assets of the business were less than their recoverable amount by £6.8m, allocated to the goodwill (£5.8m) and the remaining book value of acquired intangible fixed assets (£1.0m) arising on the acquisition. The Group has therefore recognised an impairment charge of £6.8m in respect of ATA Sweden, as further explained in note 3 on page 127.

The Group has applied sensitivities to assess whether any reasonable possible changes in assumptions could cause an impairment of the goodwill in any CGU that would be material to these Consolidated Financial Statements. The sensitivity analyses did not identify any material impairments (with the exception of ATA Sweden as described above), however the calculations in respect of the goodwill attributable to France Galva SA are sensitive to the assumptions adopted.

France Galva SA

Galvanizing volumes, future cash flows and the discount rate are the key assumptions on which the goodwill impairment review is most sensitive. The following table provides information on the impact on calculated headroom of various scenarios for each of the key assumptions (independently in each case):

Input	Scenario	Sensitivity applied %	Sensitised headroom £m
Change in 2020 volumes (vs. 2019)	Base case	**(2.5)**	**18.2**
	H&S sensitised	**(5.0)**	**11.7**
	Zero headroom	**(9.4)**	**-**
Annual growth in Operating Profit Margin 2021-2025	Base case	**2.7**	**18.2**
	H&S sensitised	**0.0**	**10.5**
	Zero headroom	**(4.1)**	**-**
Volume growth 2021-2025	Base case	**1.0**	**18.2**
	H&S sensitised	**0.0**	**7.8**
	Zero headroom	**(0.8)**	**-**
Cash flow growth 2026 onwards	Base case	**1.5**	**18.2**
	H&S sensitised	**0.0**	**8.7**
	Zero headroom	**(2.0)**	**-**
Pre-tax discount rate	Base case	**13.7**	**18.2**
	H&S sensitised	**14.7**	**9.1**
	Zero headroom	**16.1**	**-**

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 2018	101.0	186.8	287.8
Exchange adjustments	4.6	2.5	7.1
Acquisitions	5.2	3.4	8.6
Additions	6.8	26.5	33.3
Transfers to inventories	-	(2.1)	(2.1)
Transfers to assets held for sale	(1.2)	-	(1.2)
Disposals	(0.2)	(4.0)	(4.2)
At 31 December 2018	116.2	213.1	329.3
Exchange adjustments	(3.7)	(4.7)	(8.4)
Acquisitions (note 10)	0.6	0.9	1.5
Disposals of subsidiaries (note 3)	-	(8.1)	(8.1)
Additions	8.5	37.9	46.4
Transfers to inventories	-	(1.0)	(1.0)
Disposals	(0.4)	(11.7)	(12.1)
At 31 December 2019	**121.2**	**226.4**	**347.6**
Depreciation and impairment losses			
At 1 January 2018	29.0	113.7	142.7
Exchange adjustments	1.7	1.8	3.5
Disposals	(0.1)	(3.8)	(3.9)
Transfers to inventories	-	(1.4)	(1.4)
Transfers to assets held for sale	(0.4)	-	(0.4)
Charge for the year	4.2	14.4	18.6
At 31 December 2018	34.4	124.7	159.1
Exchange adjustments	(1.5)	(2.2)	(3.7)
Disposals of subsidiaries (note 3)	-	(6.3)	(6.3)
Disposals	(0.3)	(10.9)	(11.2)
Transfers to inventories	-	(0.2)	(0.2)
Charge for the year	4.6	15.3	19.9
At 31 December 2019	**37.2**	**120.4**	**157.6**
Carrying values			
At 1 January 2018	72.0	73.1	145.1
At 31 December 2018	81.8	88.4	170.2
At 31 December 2019	**84.0**	**106.0**	**190.0**

The gross book value of land and buildings includes freehold land of £21.3m (2018: £20.8m). Included within plant, machinery and vehicles are assets held for hire with a cost of £78.2m (2018: £65.3m) and accumulated depreciation of £37.5m (2018: £35.7m).

12. Assets held for sale

	2019 £m	2018 £m
Land and buildings	**-**	0.8

During the year, the property presented in assets held for sale at 31 December 2018 was disposed of for net consideration of £1.3m resulting in a profit on disposal of £0.5m.

13. Leases

The leases held by the Group can be split into two categories: land and buildings and plant and equipment. The Group leases various properties for its manufacturing and distribution activities. Plant and equipment includes all other leases, such as vehicles and machinery.

The movements in the carrying value of the right-of-use assets and lease liabilities in the year ended 31 December 2019 were as follows:

Right-of-use assets	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2019	-	-	-
Recognition on initial adoption of IFRS 16	22.0	12.1	34.1
Additions	3.1	7.4	10.5
Terminations	-	(0.2)	(0.2)
Charge for the year	(4.8)	(5.4)	(10.2)
Impairment	(0.2)	-	(0.2)
Disposal of subsidiary undertakings (note 3)	(0.2)	(0.2)	(0.4)
Acquisitions (note 10)	4.0	0.3	4.3
Re-measurement	0.6	-	0.6
Effect of movements in foreign exchange	(0.4)	(0.2)	(0.6)
At 31 December 2019	**24.1**	**13.8**	**37.9**

Lease liabilities	Total £m
At 1 January 2019	-
Recognition on initial adoption of IFRS 16	36.0
Additions	10.5
Terminations	(0.2)
Interest expense	0.9
Disposal of subsidiary undertakings (note 3)	(0.4)
Acquisitions (note 10)	4.3
Lease payments	(11.4)
Re-measurement	0.7
Effect of movements in foreign exchange	(0.4)
At 31 December 2019	**40.0**

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2019 £m
Depreciation of right-of-use assets	10.2
Short-term lease expense	0.3
Low-value lease expense	0.1
Sublease income	(1.0)
Charged to operating profit	**9.6**
Interest expense relating to lease liabilities	0.9
Charged to profit before taxation	**10.5**

Notes to the Consolidated Financial Statements (continued)

13. Leases continued

The maturity of the lease liabilities at 31 December 2019 was as follows:

	2019 £m
Due within one year	10.6
Due between one and two years	8.2
Due between two and three years	6.5
Due between three and four years	4.9
Due between four and five years	3.1
Due after more than five years	6.7
Total lease liabilities	**40.0**

14. Deferred taxation

	Intangible assets £m	Property, plant and equipment £m	Inventories £m	Retirement obligation £m	Other timing differences £m	Total £m
At 31 December 2017	(7.9)	(4.9)	0.2	4.7	2.3	(5.6)
Adoption of IFRS 9	-	-	-	-	(0.3)	(0.3)
At 1 January 2018 (restated)	(7.9)	(4.9)	0.2	4.7	2.0	(5.9)
Exchange adjustments	(0.2)	(0.2)	-	0.1	-	(0.3)
Acquisitions of businesses	(0.4)	0.2	-	-	-	(0.2)
Credited/(charged) for the year in the Consolidated Income Statement (note 7)	1.4	(1.0)	(0.2)	(0.1)	0.9	1.0
Charged for the year in the Consolidated Statement of Comprehensive Income (note 7)	-	-	-	(0.3)	-	(0.3)
Credited for the year in the Consolidated Statement of Changes in Equity (note 7)	-	-	-	-	(0.6)	(0.6)
At 31 December 2018	(7.1)	(5.9)	-	4.4	2.3	(6.3)
Adoption of IFRS 16	-	-	-	-	0.3	0.3
At 1 January 2019 (restated)	(7.1)	(5.9)	-	4.4	2.6	(6.0)
Exchange adjustments	0.2	0.2	-	(0.1)	(0.1)	0.2
Acquisitions of businesses	(4.0)	-	0.1	-	0.6	(3.3)
Credited /(charged) for the year in the Consolidated Income Statement (note 7)	1.1	(0.5)	0.3	(0.3)	1.1	1.7
Charged for the year in the Consolidated Statement of Comprehensive Income (note 7)	-	-	-	(0.2)	-	(0.2)
Charged for the year in the Consolidated Statement of Changes in Equity (note 7)	-	-	-	-	(0.1)	(0.1)
At 31 December 2019	**(9.8)**	**(6.2)**	**0.4**	**3.8**	**4.1**	**(7.7)**

	2019 £m	2018 £m
Deferred tax assets	**1.0**	0.5
Deferred tax liabilities	**(8.7)**	(6.8)
Deferred tax liability	**(7.7)**	(6.3)

No deferred tax asset has been recognised in respect of tax losses of £11.8m (2018: £10.7m) as their future use is uncertain. There is no time limit on the carrying forward of the losses. The losses are predominantly capital losses.

The UK Budget on 16 March 2016 included a rate reduction to 17% from 1 April 2020 which was enacted during 2016. In line with the prior year, the deferred tax balance in respect of UK entities has been calculated at 17% on the basis that these balances will materially reverse after 1 April 2020. A reduction in the French corporation tax rate to 25% by 2022 was enacted in December 2017. The deferred tax balance in respect of the French entities has therefore been mainly calculated at 25% (2018: 25%) on the basis that the majority of the balances will reverse after 2022.

15. Inventories

	2019 £m	2018 £m
Raw materials and consumables	**52.8**	46.5
Work in progress	**9.2**	8.7
Finished goods and goods for resale	**38.7**	41.4
	100.7	96.6

The amount of inventories expensed to the Consolidated Income Statement in the year was £388.1m (2018: £371.5m). The value of inventories written down and expensed in the Consolidated Income Statement during the year amounted to £0.3m (2018: £0.1m). The amount of inventories held at fair value less cost to sell included in the above was £nil (2018: £nil).

16. Trade and other receivables

	2019 £m	2018 £m
Trade and other current receivables		
Trade receivables	**130.7**	129.5
Prepayments and accrued income	**7.1**	7.2
Other receivables	**2.8**	2.4
Contract assets	**3.5**	2.9
	144.1	142.0

The charge to the Consolidated Income Statement in the year in respect of the expected loss of trade receivables was £2.6m (2018: £0.8m). The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables or contract assets for which no loss allowance is recognised because of collateral.

Loss rates are based on actual credit loss experience over the last four years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the Consolidated Financial Statements (continued)

17. Cash and borrowings

	2019 £m	2018 £m
Cash and cash equivalents in the Consolidated Statement of Financial Position		
Cash and bank balances	26.0	36.9
Cash	26.0	36.9
Interest bearing loans and borrowings		
Amounts due within one year (note 18)	(0.4)	(0.4)
Amounts due after more than one year (note 19)	(200.9)	(169.4)
Lease liabilities due within one year (note 13)	(10.6)	-
Lease liabilities due after more than one year (note 13)	(29.4)	-
Net debt	(215.3)	(132.9)
Change in net debt		
Operating profit	69.2	65.2
Non-cash items	45.8	31.2
Operating cash flow before movement in working capital	115.0	96.4
Net movement in working capital	(12.9)	(6.3)
Changes in provisions and employee benefits	(3.2)	(2.4)
Operating cash flow	98.9	87.7
Tax paid	(14.4)	(13.3)
Net financing costs paid	(5.9)	(3.9)
Capital expenditure	(47.9)	(32.8)
Proceeds on disposal of non-current assets and assets held for sale	2.3	1.2
Free cash flow	33.0	38.9
Dividends paid (note 9)	(25.1)	(23.6)
Acquisitions (note 10)	(48.9)	(45.8)
Disposals (note 3)	2.4	-
Amortisation of costs associated with refinancing activities (note 5)	-	(1.0)
Purchase of shares for employee benefit trust	(0.7)	(2.7)
Issue of new shares (note 22)	2.0	1.5
New leases and lease remeasurements	(11.1)	-
Interest on lease liabilities	(0.9)	-
Net debt increase	(49.3)	(32.7)
Effect of exchange rate fluctuations	2.9	(3.3)
Net debt at the beginning of the year	(132.9)	(99.0)
Adoption of IFRS 16 (2018: IFRS 9)	(36.0)	2.1
Net debt at the beginning of the year (restated)	(168.9)	(96.9)
Net debt at the end of the year	(215.3)	(132.9)

17. Cash and borrowings continued

Reconciliation of movements in financial liabilities to cash flows arising from financing activities

	2019 £m	2018 £m
Interest bearing loans and borrowings		
At 1 January (as previously reported)	**169.8**	115.4
Adoption of IFRS 16 (2018: IFRS 9)	**36.0**	(2.1)
At 1 January (restated)	**205.8**	113.3
New loans and borrowings	**119.9**	78.3
Repayments of loans and borrowings	**(83.2)**	(26.8)
Payment of lease liabilities	**(10.5)**	-
Costs associated with financing	**(2.1)**	-
Cash flows from financing activities	**24.1**	51.5
Other changes		
Effect of exchange rate fluctuations	**(3.5)**	4.0
Financial gain relating to refinancing	**(0.9)**	-
Financial expenses relating to financing	**0.9**	1.0
Lease changes		
New leases	**10.5**	-
Terminations	**(0.2)**	-
Revaluations	**0.7**	-
Acquisitions	**4.3**	-
Disposals of subsidiaries	**(0.4)**	-
Interest expense	**0.9**	-
Interest paid	**(0.9)**	-
At 31 December	**241.3**	169.8

18. Current liabilities

	2019 £m	2018 £m
Interest bearing loans and borrowings		
Loans and borrowings	**0.4**	0.4
	0.4	0.4
Trade and other current liabilities		
Trade payables	**73.0**	76.5
Other taxation and social security	**12.8**	12.3
Accrued expenses and deferred income	**31.0**	27.4
Fair value derivatives	**0.1**	-
Other payables	**3.4**	4.7
	120.3	120.9

Notes to the Consolidated Financial Statements (continued)

19. Non-current liabilities

	2019 £m	2018 £m
Interest bearing loans and borrowings		
Loans and borrowings	**200.9**	169.4
	200.9	169.4
Other non-current liabilities		
Deferred consideration on acquisitions	**0.2**	1.3
Deferred government grants	**1.1**	1.4
	1.3	2.7

20. Provisions for liabilities and charges

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 January 2018	2.5	2.1	0.4	5.0
Exchange adjustments	0.1	-	-	0.1
Charged during the year	-	0.2	-	0.2
Utilised during the year	-	(1.1)	(0.2)	(1.3)
Released during the year	-	-	-	-
At 31 December 2018	**2.6**	**1.2**	**0.2**	**4.0**
Exchange adjustments	**(0.1)**	**-**	**-**	**(0.1)**
Acquisitions (note 10)	**-**	**-**	**0.2**	**0.2**
Charged during the year	**-**	**0.6**	**-**	**0.6**
Utilised during the year	**-**	**(1.0)**	**-**	**(1.0)**
Released during the year	**(0.4)**	**-**	**-**	**(0.4)**
At 31 December 2019	**2.1**	**0.8**	**0.4**	**3.3**

	2019 £m	2018 £m
Amounts due within one year	**0.8**	1.3
Amounts due after more than one year	**2.5**	2.7
	3.3	4.0

Environmental provisions
Environmental provisions recognise the estimated cost of remediating contaminated land at a number of the Group's operating sites, where it is considered probable that the Group will be obliged to carry out the necessary remediation work. Primarily the issues identified relate to sites acquired through acquisitions of businesses. As a consequence of the nature of the liabilities, the timescales are uncertain and the provisions represent the Directors' best estimate of the associated costs. The Group has sought expert external valuations where appropriate. Amounts released during the year of £0.4m predominantly relate to sites where remediation actions have been completed.

Restructuring provisions
Restructuring provisions represent the cash costs of closing or rationalising operations. The provisions represent the Directors' best estimate of the liabilities arising and are expected to be settled within the next 12 months.

Other provisions
Other provisions relate to various obligations including obligations in respect of onerous leases, property dilapidations and claims or disputes.

21. Financial instruments

(a) Management of financial risks

Overview

The Group has exposure to a number of risks associated with its use of financial instruments.

This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. A programme of commercial, operating, financial 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. The Group's UK companies represent the most significant geographical trade receivable at 31 December 2019 with 47% (2018: 47%) and currently the only geographical region that does not generally insure trade receivables is the USA, which represents 28% (2018: 31%) of the Group's trade receivables. Subsidiaries in the USA have a policy of taking out trade references before granting credit limits and selectively insuring where it is deemed appropriate by management.

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 2019 all such debt was covered by cash and cash equivalents netting to £25.6m positive current liquidity (2018: £36.5m).

The Group's principal UK revolving credit facility is a multicurrency agreement with a value at 31 December 2019 of £276.0m (2018: £230.5m), based on year end exchange rates. Along with various other on demand lines of credit, including bank overdrafts and finance leases, the Group has access to bank borrowing facilities of £291.5m at 31 December 2019 (2018: £244.0m).

On 25 June 2019 the Group signed an agreement with an institutional investor for a private placement of $70m new senior unsecured notes. The issue consisted of two equal tranches with maturities in June 2026 and June 2029 respectively.

At 31 December 2019, the Group's total committed borrowing facilities were £330.9m.

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 2019 credit exposure including cash deposited did not exceed £7.0m with any single institution (2018: £13.6m).

Notes to the Consolidated Financial Statements (continued)

21. Financial instruments continued

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 and the USA. 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 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 and the recently-acquired senior unsecured notes. The Group's investments in other subsidiaries are not hedged because fluctuations on translation of their assets into Sterling are not significant to the Group.

Interest rate risk

The Group adopts interest rate swaps when engaging in long term specific investments or contracts in order to more reliably assess the financial implications of these procurements. However, the Group currently feels that using fixed interest rates for short-term day-to-day trading is not appropriate. The Group's policy is to enter into interest rate swaps in order to fix interest rates on up to 40% of its outstanding gross borrowings. At 31 December 2019 the proportion of gross borrowings subject to fixed interest rate swaps was 0% (2018: 0%).

The senior unsecured notes acquired during the year, which account for 26% of the Group's outstanding gross borrowings at 31 December 2019, attract a fixed rate of interest averaging 3.92% per annum.

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 2019 and 2018, as set out in the Operational & Financial Review on pages 20 to 28.

There were no changes in the Group's approach to capital management during the year.

21. Financial instruments continued

(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	**-**	**26.0**	**26.0**	**26.0**
Loans and borrowings due within one year	**-**	**(0.4)**	**(0.4)**	**(0.4)**
Loans and borrowings due after more than one year	**-**	**(200.9)**	**(200.9)**	**(200.9)**
Lease liabilities due within one year	**-**	**(10.6)**	**(10.6)**	**(10.6)**
Lease liabilities due after more than one year	**-**	**(29.4)**	**(29.4)**	**(29.4)**
Derivative liabilities	**(0.1)**	**-**	**(0.1)**	**(0.1)**
Other assets	**-**	**133.5**	**133.5**	**133.5**
Other liabilities	**-**	**(107.4)**	**(107.4)**	**(107.4)**
Total at 31 December 2019	**(0.1)**	**(189.2)**	**(189.3)**	**(189.3)**
Cash and cash equivalents	-	36.9	36.9	36.9
Loans and borrowings due within one year	-	(0.4)	(0.4)	(0.4)
Loans and borrowings due after more than one year	-	(169.4)	(169.4)	(169.4)
Other assets	-	131.9	131.9	131.9
Other liabilities	-	(108.6)	(108.6)	(108.6)
Total at 31 December 2018	-	(109.6)	(109.6)	(109.6)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either as a direct price or indirectly derived from prices.
- Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets	**-**	**-**	**-**	**-**
Derivative financial liabilities	**-**	**(0.1)**	**-**	**(0.1)**
Total at 31 December 2019	**-**	**(0.1)**	**-**	**(0.1)**
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	-	-	-
Total at 31 December 2018	-	-	-	-

Notes to the Consolidated Financial Statements (continued)

21. Financial instruments continued

At 31 December 2019 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/US LIBOR. 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 US Dollar denominated senior unsecured notes. Floating rate financial liabilities comprise Sterling, Euro and US Dollar bank loans and overdrafts, and lease liabilities. The floating rate bank loans and overdrafts bear interest at rates related to bank base rates or LIBOR/EURIBOR/US LIBOR. The floating rates of the lease liabilities are determined using the Group's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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 £21.2m (2018: £17.7m) and US Dollar £60.6m (2018: £74.2m) denominated interest bearing loans, which are predominantly used to fund the Group's European and United States operations and include £81.8m (2018: £91.9m) designated as a hedge of the net investment in a foreign operation. The foreign currency gain of £2.9m (2018: loss of £4.7m) 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 2019	**-**	**-**
US Dollar at 31 December 2019	**3.9**	**8.0**
Sterling at 31 December 2018	6.5	0.1
US Dollar at 31 December 2018	4.0	1.6

(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:

	Effective interest rate	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 loans and borrowings	**Floating**	**1.9**	**(1.9)**	**(0.4)**	**(0.4)**	**(0.9)**	**(0.2)**
Unsecured loans and borrowings	**Floating**	**146.8**	**(162.7)**	**(3.1)**	**(3.1)**	**(156.5)**	**-**
Senior unsecured notes	**3.9%**	**52.6**	**(71.8)**	**(2.1)**	**(2.1)**	**(6.2)**	**(61.4)**
Lease liabilities	**Floating**	**40.0**	**(43.9)**	**(11.3)**	**(8.8)**	**(15.6)**	**(8.2)**
Other liabilities	**n/a**	**107.7**	**(107.7)**	**(107.3)**	**(0.4)**	**-**	**-**
Derivative liabilities	**n/a**	**0.1**	**(0.1)**	**(0.1)**	**-**	**-**	**-**
Total at 31 December 2019		**349.1**	**(388.1)**	**(124.3)**	**(14.8)**	**(179.2)**	**(69.8)**
Secured bank borrowings	Floating	2.2	(2.2)	(0.4)	(0.4)	(1.3)	(0.1)
Unsecured bank borrowings	Floating	167.6	(179.4)	(4.2)	(4.2)	(171.0)	-
Other liabilities	n/a	108.6	(108.6)	(108.6)	-	-	-
Derivative liabilities	n/a	-	-	-	-	-	-
Total at 31 December 2018		278.4	(290.2)	(113.2)	(4.6)	(172.3)	(0.1)

The unsecured bank borrowings bear interest based on LIBOR/EURIBOR, plus a margin (as defined in the facilities agreement) which varies depending on the Group's ratio of net debt to EBITDA. The secured loans and borrowings are held by subsidiaries in the USA and bear interest at varying rates linked to underlying US bond markets.

21. Financial instruments continued

The Group had the following undrawn committed facilities at 31 December, in respect of which all conditions precedent had been met:

	2019 £m	2018 £m
Undrawn committed borrowing facilities		
Expiring after more than one year	**125.5**	60.8

(d) Fair values

The fair value of forward currency exchange contracts realised in the Consolidated Income Statement as part of fair value derivatives amounted to £0.1m (2018: nil). The fair values of the Group's other financial instruments at 31 December 2019 and 2018 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 £nil (2018: £0.1m) were recognised in respect of the asset held for sale. In addition, impairment charges of £7.0m (2018: £6.0m) were recognised in respect of the carrying values of non-current assets, as detailed in notes 10 and 13.

(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

	2019 £m	2018 £m
Trade and other receivables and contract assets at amortised cost	**137.0**	134.8
Cash at the end of the year	**26.0**	36.9
Total	**163.0**	171.7

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

Carrying value of trade receivables by geography

	2019 £m	2018 £m
UK	**61.5**	61.5
Rest of Europe	**23.8**	23.0
North America	**36.7**	40.7
Rest of World	**8.6**	4.3
Total	**130.7**	129.5

Carrying value of trade receivables by business segment

	2019 £m	2018 £m
Infrastructure Products – Utilities	**45.7**	42.0
Infrastructure Products – Roads	**53.9**	55.2
Infrastructure Products – Total	**99.6**	97.2
Galvanizing Services	**31.1**	32.3
Total	**130.7**	129.5

Notes to the Consolidated Financial Statements (continued)

21. 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:

	2019			2018		
	Gross £m	**Provisions £m**	**Net £m**	Gross £m	Provisions £m	Net £m
Not past due	**93.0**	**(0.5)**	**92.5**	87.6	(0.1)	87.5
Past due 1–30 days	**25.7**	**(0.1)**	**25.6**	28.6	-	28.6
Past due 31–120 days	**10.0**	**(0.8)**	**9.2**	8.1	(0.6)	7.5
Past due more than 120 days	**7.2**	**(3.8)**	**3.4**	8.3	(2.4)	5.9
Total	**135.9**	**(5.2)**	**130.7**	132.6	(3.1)	129.5

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

	£m
At 1 January 2018	2.8
Exchange adjustments	-
Acquisitions of subsidiaries	0.1
Charged in the year	0.8
Utilised during the year	(0.6)
At 31 December 2018	**3.1**
Exchange adjustments	**(0.1)**
Acquisitions of subsidiaries	**0.4**
Charged in the year	**2.6**
Utilised during the year	**(0.8)**
At 31 December 2019	**5.2**

(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, if interest rates had varied throughout the year by 1% the positive or negative variation on the year's result would have been £1.9m (2018: £1.7m), 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 £4.5m (2018: £4.3m) and the impact on equity would have been an increase of £12.7m (2018: £25.4m).
- Based on a 10% strengthening in Sterling against all currencies throughout the year, the impact on the Consolidated Income Statement would have been a loss of £3.7m (2018: £3.5m) and the impact on equity would have been a decrease of £12.9m (2018: £20.7m).

22. Called up share capital

	2019 £m	2018 £m
Allotted, called up and fully paid		
79.4m ordinary shares of 25p each (2018: 79.0m)	**19.9**	19.8

In 2019 the Company issued 0.4m shares under its various share option schemes (2018: 0.3m), realising £2.0m (2018: £1.5m).

22. Called up share capital continued

Options outstanding over the Company's shares

	2019 Number of shares	2019 Option price (p)	2018 Number of shares	2018 Option price (p)	Date first exercisable	Expiry date
2014 LTIP Award (granted March 2019)*	**56,034**	**-**	-	-	§	§
2014 LTIP Award (granted May 2018)*	**47,690**	**-**	98,838	-	§	§
2014 LTIP Award (granted May 2017)*¥	**90,713**	**-**	103,925	-	§	§
2014 LTIP Award (granted March 2016)*	**-**	**-**	116,563	-	§	§
2012 grant of 2005 Approved Executive Share Option Scheme (granted April 2012)*^	**3,586**	**316**	3,586	316	19 April 2015	19 April 2022
2012 grant of 2005 Unapproved Executive Share Option Scheme (granted April 2012)*^	**10,514**	**316**	10,514	316	19 April 2015	19 April 2022
2015 grant of 2014 Approved Executive Share Option Scheme (granted August 2015)*^	**32,832**	**685**	63,554	685	12 August 2018	12 August 2025
2015 grant of 2014 Unapproved Executive Share Option Scheme (granted August 2015)*^	**41,069**	**685**	138,767	685	12 August 2018	12 August 2025
2018 grant of 2014 Approved Executive Share Option Scheme (granted August 2018)*^	**48,528**	**1,113**	53,920	1,113	21 August 2021	21 August 2028
2018 grant of 2014 Unapproved Executive Share Option Scheme (granted August 2018)*^	**529,472**	**1,113**	546,080	1,113	21 August 2021	21 August 2028
2013 grant of 2005 Savings Related Share Option Scheme (granted April 2013)*†	**-**	**-**	4,225	355	1 June 2018	1 December 2018
2014 grant of 2014 Savings Related Share Option Scheme (granted July 2014)*†	**279**	**429**	112,350	429	1 August 2019	1 February 2020
2015 grant of 2014 Savings Related Share Option Scheme (granted October 2015)*†	**-**	**-**	135,243	560	1 January 2019	1 July 2019
2015 grant of 2014 Savings Related Share Option Scheme (granted October 2015)*†	**124,666**	**560**	134,253	560	1 January 2021	1 July 2021
2016 grant of 2014 Savings Related Share Option Scheme (granted October 2016)*†	**79,852**	**963**	90,773	963	1 January 2020	1 July 2020
2016 grant of 2014 Savings Related Share Option Scheme (granted October 2016)*†	**44,765**	**963**	48,622	963	1 January 2022	1 July 2022
2017 grant of 2014 Savings Related Share Option Scheme (granted October 2017)*†	**56,481**	**1,021**	69,443	1,021	1 January 2021	1 July 2021
2017 grant of 2014 Savings Related Share Option Scheme (granted October 2017)*†	**20,112**	**1,021**	27,541	1,021	1 January 2023	1 July 2023
2018 grant of 2014 Savings Related Share Option Scheme (granted September 2018)*†	**183,918**	**891**	240,412	891	1 January 2022	1 July 2022
2018 grant of 2014 Savings Related Share Option Scheme (granted September 2018)*†	**101,261**	**891**	123,489	891	1 January 2024	1 July 2024
2019 grant of 2014 Savings Related Share Option Scheme (granted October 2019)*†	**151,616**	**940**	-	-	1 January 2023	1 July 2023
2019 grant of 2014 Savings Related Share Option Scheme (granted October 2019)*†	**39,817**	**940**	-	-	1 January 2025	1 July 2025
Outstanding at the end of the year	**1,663,205**		2,122,098			
Exercisable at the year end	**88,280**		220,646			
Not exercisable at the year end	**1,574,925**		1,901,452			
Outstanding at the end of the year	**1,663,205**		2,122,098			

* Subject to share-based payments under IFRS 2 (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, otherwise awards will vest if the participants continue to be in employment.

^ Vesting of awards under the ESOS schemes is subject to various performance criteria that are based on the profitability of subsidiary businesses.

§ 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 2020 for the 2017 grant, 1 January 2021 for the 2018 grant and 1 January 2022 for the 2019 grant.

¥ The 2017 LTIP award granted in May 2017 includes 6,843 shares under the Group's 2014 Executive Share Option Scheme that may be awarded to participants in the Long Term Incentive Plan.

Notes to the Consolidated Financial Statements (continued)

22. Called up share capital continued

The remaining weighted average life of the outstanding share options is 4 years 8 months (2018: 4 years 9 months).

The movement and weighted average exercise prices of share options during the year are as follows:

	Weighted average exercise price (p) 2019	**Millions of options 2019**	Weighted average exercise price (p) 2018	Millions of options 2018
Outstanding at the beginning of the year	**739**	**2.1**	518	1.7
Granted during the year	**732**	**0.3**	933	1.1
Exercised during the year	**(436)**	**(0.5)**	(307)	(0.5)
Lapsed during the year	**(647)**	**(0.2)**	(854)	(0.2)
Outstanding at the end of the year	**842**	**1.7**	739	2.1

The weighted average share price on the dates of exercise of share options during the year was 1,221p (2018: 1,314p), and the weighted average fair value of options and awards granted in the year was 372p (2018: 236p). The weighted average exercise price of outstanding options exercisable at the year end was 625p (2018: 655p).

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.

	2019 grant of 2014 LTIP Award	2018 grant of 2014 LTIP Award	2017 grant of 2014 LTIP Award	2016 grant of 2014 LTIP Award	October 2019 grant of 2014 Savings Related Share Option Scheme	Sept 2018 grant of 2014 Savings Related Share Option Scheme	October 2017 grant of 2014 Savings Related Share Option Scheme	October 2016 grant of 2014 Savings Related Share Option Scheme	October 2015 grant of 2014 Savings Related Share Option Scheme	July 2014 grant of 2014 Savings Related Share Option Scheme	2018 grant of 2014 Executive Share Option Schemes	2015 grant of 2014 Executive Share Option Schemes	2012 grant of 2005 Executive Share Option Schemes
Fair value at measurement date (p)	1,179p/520p	1,318p/745p	1,388p/850p	862p/606p	235p/245p	194p/197p	317p/322p	309p/374p	123p/159p	93p/98p	131p	80p	41p
Share price at grant date (p)	1,179p	1,318p	1,388p	862p	1,232p	1,030p	1,241p	1,163p	691p	512p	1,068p	700p	316p
Exercise price (p)	0p	0p	0p	0p	940p	891p	1,021p	963p	560p	429p	1,113p	685p	316p
Expected volatility (%)	26%	22%	21%	19%	17%/19%	26%/24%	32%/28%	34%/37%	18%/24%	22%/21%	26%	20%	28%
Option life (years)	3	3	3	3	3/5	3/5	3/5	3/5	3/5	3/5	3	3	3
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	2.6%	2.9%	2.1%	1.8%	2.6%	3.1%	2.8%	2.6%	4.2%
Risk free interest rate (%)	0.8%	0.9%	0.2%	0.7%	0.4%/0.4%	0.8%/1.0%	0.5%/0.8%	0.1%/0.2%	0.8%/1.2%	1.2%/2.0%	0.8%	1.0%	0.6%

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 unapproved 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:

	2019 £m	2018 £m
Equity-settled	**0.9**	1.1
Cash-settled	**0.3**	-
Total expensed during the year	**1.2**	1.1

23. Guarantees and other financial commitments

(a) Guarantees
The Group had no financial guarantee contracts outstanding (2018: £nil).

(b) Capital commitments

	2019 £m	2018 £m
Contracted for but not provided in the accounts	**3.6**	7.0

(c) Operating lease commitments
The Group has adopted IFRS 16 Leases in the current year as explained in the Group Accounting Polices section. As a result all leases, other than those that are short term or of low value, are now recognised on the balance sheet. As a result there are no material commitments payable under non-cancellable operating leases to disclose at 31 December 2019. The prior year comparatives are not restated. The total future minimum commitments payable under non-cancellable operating leases at 31 December 2018 were as follows:

	2018	
	Land and buildings £m	Other £m
Group		
Within one year	5.8	4.4
Between one and two years	5.0	3.4
Between two and five years	8.5	3.7
After five years	7.6	0.1
	26.9	11.6

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 five years.

The total future minimum commitments receivable under non-cancellable operating leases are analysed as follows:

	2019		2018	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Group				
Within one year	**0.4**	**13.7**	0.4	9.3
Between one and five years	**0.1**	**2.0**	0.4	3.5
After five years	**0.1**	**-**	0.1	-
	0.6	**15.7**	0.9	12.8

24. Pensions

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

	UK £m	Overseas £m	2019 £m	UK £m	Overseas £m	2018 £m
Total fair value of scheme assets	**57.7**	**3.1**	**60.8**	55.2	2.9	58.1
Present value of scheme funded obligations	**(72.5)**	**(8.0)**	**(80.5)**	(72.8)	(8.0)	(80.8)
Present value of scheme unfunded obligations	**-**	**(0.2)**	**(0.2)**	-	(0.3)	(0.3)
Retirement benefit obligation	**(14.8)**	**(5.1)**	**(19.9)**	(17.6)	(5.4)	(23.0)

United Kingdom

The Group operates one main pension scheme in the UK, the Hill & Smith 2016 Pension Scheme ('the Scheme'), providing benefits on a defined benefit and defined contribution basis. The Scheme is closed to future accrual.

The assets of the Scheme are administered by Trustees and are kept entirely separate from those of the Group. Independent actuarial valuations are carried out every three years. Contribution rates are determined on the basis of advice from an independent professionally qualified actuary, with the objective of providing the funds required to meet pension obligations as they fall due.

There are also separate personal pension plans.

The Consolidated Income Statement for the year includes a pension charge within operating profit of £2.9m (2018: £2.8m), which includes the costs of the defined contribution and the defined benefit sections of the Scheme. The charge includes an amount of £nil (2018: £1.0m) relating to the expected cost of settling historical guaranteed minimum pensions.

Notes to the Consolidated Financial Statements (continued)

24. Pensions continued

The Scheme exposes the Group to a number of risks, the most significant being:

Risk	Description
Volatile asset returns	The defined benefit obligation is calculated using a discount rate set with reference to high quality corporate bond yields. If assets underperform against this discount rate, this will create a plan deficit. The Scheme holds a proportion of its assets in equity funds and other growth assets which are expected to outperform corporate bonds in the long term. However, returns are likely to be volatile in the short term, potentially resulting in short term cash requirements and an increase in the defined benefit obligation recorded on the Consolidated Statement of Financial Position. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the funding and accounting liabilities, although this will be partially offset by an increase in the value of the Scheme's investments in Liability Driven Investment and bond funds.
Inflation risk	A significant proportion of the defined benefit obligation is indexed in line with price inflation, with higher inflation leading to higher liabilities. This risk will be partially offset by the Scheme's Liability Driven Investments, which will increase in value in line with market inflation expectations.
Life expectancy	The majority of the Scheme's obligations are to provide a pension for the life of each of the members, so increases in life expectancy will result in an increase in the liabilities.

A full actuarial valuation of the Scheme was last carried out as at 5 April 2019 and the results of this valuation have been incorporated in the updated position at 31 December 2019 by a qualified actuary. All actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

The principal assumptions used by the actuary

	2019	2018	2017	2016	2015
Rate of increase in salaries	**n/a**	n/a	n/a	n/a	n/a
Rate of increase in pensions payment	**3.0%**	3.2%	3.1%	3.20%	3.00%
Discount rate	**2.0%**	2.8%	2.4%	2.60%	3.80%
Inflation – RPI	**3.1%**	3.3%	3.2%	3.40%	3.10%
Inflation – CPI	**2.1%**	2.3%	2.2%	2.40%	2.10%
Mortality table	**105%102%**	105%102%	105%102%	116%120%	116%120%
	S2PACM12018	S2PACM12017	S2PACM12016	S2PACM12015	S1PACM12015
	(1.25%)	(1.25%)	(1.25%)	1%	1%

The mortality assumptions imply the following expected future lifetimes from age 65:

	2019	2018	2017	2016	2015
Males currently aged 45	**22.7 years**	22.9 years	23.0 years	21.8 years	21.7 years
Females currently aged 45	**25.1 years**	25.3 years	25.2 years	24.0 years	23.9 years
Males currently aged 65	**21.6 years**	21.8 years	21.9 years	20.8 years	20.7 years
Females currently aged 65	**23.6 years**	23.8 years	23.8 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. The Group takes advice from an independent actuary regarding the appropriateness of the assumptions used.

24. Pensions continued

Assets and liabilities

The 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 an average period of approximately 15 years and which is therefore inherently uncertain, are as follows:

	Market value 2019 £m	Market value 2018 £m	Market value 2017 £m	Market value 2016 £m	Market value 2015 £m
Assets					
Equities	**17.4**	6.7	29.0	27.7	27.0
Bonds	**20.4**	27.0	18.4	39.1	39.9
With profits policies	**1.6**	1.3	1.3	1.2	1.2
Liability Driven Investment ("LDI") funds	**17.7**	20.0	10.2	-	-
Cash	**0.6**	0.2	2.2	0.5	0.9
Total fair value of Scheme assets	**57.7**	55.2	61.1	68.5	69.0
Present value of Scheme funded obligations	**(72.5)**	(72.8)	(81.9)	(90.9)	(80.1)
Retirement benefit obligation	**(14.8)**	(17.6)	(20.8)	(22.4)	(11.1)

In 2017 the Group and the Trustees undertook an investment review of the Scheme. The intention of the revised strategy for the Scheme is to reduce a proportion of interest rate and inflation risk by investing a portion of the Scheme's assets in Liability Driven Investment funds. This strategy resulted in an initial shift between bonds and LDI funds in the asset categories in 2017. This strategy was reassessed as part of the April 2019 triennial valuation exercise, which did not result in any substantive changes.

Assets in the bonds, equities and LDI funds categories, which account for approximately 96% of total Scheme assets, have quoted market prices in active markets.

Total expense recognised in the Consolidated Income Statement

	2019			2018		
	Defined contribution schemes £m	**Defined benefit schemes £m**	**Total £m**	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service costs	**2.0**	**-**	**2.0**	1.3	-	1.3
Past service cost	**-**	**-**	**-**	-	1.0	1.0
Expenses	**0.5**	**0.4**	**0.9**	0.2	0.3	0.5
Charge to operating profit	**2.5**	**0.4**	**2.9**	1.5	1.3	2.8
Interest on net Scheme deficit	**-**	**0.5**	**0.5**	-	0.5	0.5
Total charged to profit before tax	**2.5**	**0.9**	**3.4**	1.5	1.8	3.3

Change in the present value of the defined benefit obligations

	2019 £m	2018 £m
Opening defined benefit obligations	**72.8**	81.9
Past service cost	**-**	1.0
Interest cost	**2.0**	1.9
Actuarial (gain)/loss arising from:		
Financial assumptions	**6.0**	(3.5)
Demographic assumptions	**(0.9)**	(0.3)
Experience adjustment	**(2.5)**	(0.3)
Benefits paid	**(4.9)**	(7.9)
Closing defined benefit obligations	**72.5**	72.8

Notes to the Consolidated Financial Statements (continued)

24. Pensions continued

Changes in fair values of Scheme assets

	2019 £m	2018 £m
Opening fair value of assets	**55.2**	61.1
Interest income	**1.5**	1.4
Return on plan assets excluding interest income	**3.4**	(2.1)
Employer contributions	**2.5**	2.7
Benefits paid	**(4.9)**	(7.9)
Closing fair value of assets	**57.7**	55.2
Actual return on Scheme assets	**4.9**	(0.7)
Expected employer contributions in the following year		
Defined benefit scheme	**4.1**	2.9
Defined contribution schemes	**1.4**	1.1

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of Scheme assets/ liabilities %	2019 £m	% of Scheme assets/ liabilities %	2018 £m	% of Scheme assets/ liabilities %	2017 £m
Return on plan assets excluding interest income	**6**	**3.4**	(4)	(2.1)	3	1.9
Experience gain/(loss) on Scheme obligations	**3**	**2.5**	-	0.3	(1)	(0.5)
Changes in assumptions underlying the present value of Scheme obligations	**(7)**	**(5.1)**	5	3.8	(2)	(1.9)
Annual amount recognised	**1**	**0.8**	3	2.0	(1)	(0.5)
Total amount recognised		**(40.2)**		(41.0)		(43.0)

	% of Scheme assets/ liabilities %	2016 £m	% of Scheme assets/ liabilities %	2015 £m
Return on plan assets excluding interest income	3	2.0	(1)	(0.4)
Experience gain on Scheme obligations	-	-	3	2.2
Changes in assumptions underlying the present value of Scheme obligations	(17)	(15.5)	1	3.2
Annual amount recognised	(14)	(13.5)	6	5.0
Total amount recognised		(42.5)		(29.0)

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

	Balance at 31 December 2019	Increase in pensions payment (+0.1% p.a.) £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Life expectancy (+1 year) £m
Value of funded obligations	(72.5)	(72.9)	(73.4)	(73.0)	(76.4)
Fair value of plan assets	57.7	57.7	57.7	57.7	57.7
Deficit	(14.8)	(15.2)	(15.7)	(15.3)	(18.7)

The Group remains actively engaged in dialogue with the Scheme's Trustees with regard to management, funding and investment strategy. A formal actuarial valuation of the Scheme as at April 2019 was finalised early in 2020, alongside an update to the investment strategy, resulting in the Group agreeing a deficit recovery plan with the Trustees that requires an increase in cash contributions to £3.7m per annum (previously £2.5m per annum) until September 2027. The next triennial valuation will be as at April 2022.

The Group has considered the requirements of IFRIC 14. The terms of the Scheme give the Group the right to recover any surplus assets in the Scheme upon wind up and therefore management have concluded that there is no impact on the amounts recognised in respect of retirement benefit obligations.

24. Pensions continued

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 £1.0m (2018: £1.3m).

The Consolidated Income Statement for the year includes a pension charge within operating profit of £1.3m (2018: £1.7m), 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 2019.

The principal assumptions used by the actuaries

	2019 USA	**2019 France**	2018 USA	2018 France	2017 USA	2017 France
Rate of increase in salaries	**0.00%**	**2.50%**	0.00%	2.00%	0.00%	2.00%
Discount rate	**3.15%**	**0.8%/0.4%**	4.15%	1.6%/1.45%	3.50%	1.6%/1.45%
Inflation	**0.00%**	**2.00%**	0.00%	2.00%	0.00%	2.00%
Mortality table	**2014 SOA**	**TH 00-02, TF 00-02**	2014 SOA	TH 00-02, TF 00-02	2014 SOA	TH 00-02, TF 00-02

	2016 USA	2016 France	2015 USA	2015 France
Rate of increase in salaries	0.00%	2.00%	0.00%	2.00%
Discount rate	4.15%	1.40%	4.60%	2.00%
Inflation	0.00%	2.00%	0.00%	2.00%
Mortality table	2014 SOA	TH 00-02, TF 00-02	2014 SOA	TH 00-02, TF 00-02

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 2019 £m	Market value 2018 £m	Market value 2017 £m	Market value 2016 £m	Market value 2015 £m
Assets					
Cash and other insured fixed interest assets	**3.1**	2.9	3.0	3.2	2.6
Total fair value of scheme assets	**3.1**	2.9	3.0	3.2	2.6
Present value of scheme funded obligations	**(8.0)**	(8.0)	(7.6)	(7.9)	(6.0)
Present value of scheme unfunded obligations	**(0.2)**	(0.3)	(0.2)	(0.2)	(0.1)
Retirement benefit obligation	**(5.1)**	(5.4)	(4.8)	(4.9)	(3.5)

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.

Notes to the Consolidated Financial Statements (continued)

24. Pensions continued

Total expense recognised in the Consolidated Income Statement

	2019			2018		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service cost	1.0	0.3	1.3	1.3	0.3	1.6
Past service cost	-	-	-	-	0.1	0.1
Charge to operating profit	1.0	0.3	1.3	1.3	0.4	1.7
Interest on net pension scheme deficit	-	-	-	-	0.1	0.1
Total charged to profit before tax	1.0	0.3	1.3	1.3	0.5	1.8

Change in the present value of the defined benefit obligation

	2019 £m	2018 £m
Opening defined benefit obligation	8.3	7.8
Current service costs	0.2	0.2
Past service cost	-	0.1
Interest cost on scheme obligations	0.2	0.2
Actuarial (gains)/losses arising from:		
Financial assumptions	1.3	0.2
Demographic adjustments	(0.4)	(0.1)
Experience adjustment	(0.7)	-
Benefits paid	(0.3)	(0.4)
Exchange adjustments	(0.4)	0.3
Closing defined benefit obligation	8.2	8.3

Changes in fair values of scheme assets

	2019 £m	2018 £m
Opening fair value of assets	2.9	3.0
Return on plan assets excluding interest income	0.4	(0.2)
Interest on plan assets	0.2	0.1
Employer contributions	0.1	-
Admin expenses	(0.1)	(0.1)
Benefits paid	(0.2)	(0.2)
Exchange adjustments	(0.2)	0.3
Closing fair value of assets	3.1	2.9
Actual return on scheme assets	0.6	(0.1)
Expected employer contributions in the following year		
Defined benefit schemes	-	-
Defined contribution schemes	1.0	1.3

24. Pensions continued

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of scheme assets/ liabilities %	**2019 £m**	% of scheme assets/ liabilities %	2018 £m	% of scheme assets/ liabilities %	2017 £m
Experience gain on scheme obligations	**9**	**0.7**	1	0.1	5	0.4
Return on plan assets excluding interest income	**13**	**0.4**	(7)	(0.2)	10	0.3
Changes in assumptions underlying the present value of scheme obligations	**(11)**	**(0.9)**	(2)	(0.2)	(1)	(0.1)
Exchange rate adjustment on assets and liabilities	**4**	**0.2**	-	-	(2)	(0.1)
Amount recognised in the period	**5**	**0.4**	(4)	(0.3)	6	0.5
Total amount recognised		**(2.2)**		(2.6)		(2.3)

	% of scheme assets/ liabilities %	2016 £m	% of scheme assets/ liabilities %	2015 £m
Experience (loss)/gain on scheme obligations	(2)	(0.2)	4	0.2
Return on plan assets excluding interest income	-	-	-	-
Changes in assumptions underlying the present value of scheme obligations	(5)	(0.4)	(4)	(0.2)
Exchange rate adjustment on assets and liabilities	(12)	(0.6)	-	-
Amount recognised in the period	(15)	(1.2)	-	-
Total amount recognised		(2.8)		(1.6)

The Group considers that any reasonable sensitivities applied to the overseas scheme assumptions would not have a material impact on the Consolidated Statement of Financial Position.

25. Accounting judgements, estimates and assumptions

The principal accounting judgements, estimates and related assumptions 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 set out below.

Actuarial assumptions on pension obligations

Estimates
In determining the valuation of the defined benefit pension deficit, certain estimates and 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 influenced by wider macro-economic factors that are largely outside of the Group's control. A sensitivity analysis of the impact of changes in key assumptions is set out in note 24.

Impairment of goodwill

Estimates
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, including sensitivity analysis, is included in note 10.

Taxation

Judgements
Liabilities for uncertain tax positions require management judgements in respect of tax audit issues and exposures in each of the jurisdictions in which the Group operates. Where management judges that a tax position is uncertain, a current tax liability is held for anticipated taxes that are considered to be probable based on the information available. The key judgement area for the Group is the pricing of intercompany goods and services between subsidiaries in different countries.

Notes to the Consolidated Financial Statements (continued)

25. Accounting judgements, estimates and assumptions continued

Estimates
Management is required to make an estimate of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. Liabilities for uncertain tax positions also require management estimates in respect of the amount of tax that may become payable. Management engages with professional advisors in making its assessment and, if appropriate, will liaise with the relevant taxation authorities to resolve the matter. The tax liability is reassessed in each period to reflect management's best estimate in light of the information available. Included in the current tax payable is a liability of £6.1m (2018: £8.3m) for uncertain tax positions.

The liability includes an amount of £3.5m (2018: £4.6m) relating to the pricing of intercompany goods and services between subsidiaries in different countries. Depending on the conclusions of any tax audits conducted by the tax authorities in the various jurisdictions in which the Group operates, management estimate the range of possible outcomes to be between £nil and £9.1m (2018: £nil to £10.0m) and therefore it is possible that, if the outcomes are different to those estimated by management, the difference may materially impact the income tax charge / (credit) in the year in which the matter is concluded. Management does not believe that the range of possible outcomes for the other items included in the liability for uncertain tax positions could have a material effect on the financial statements in the next 12 months. Further information is set out in note 7 and note 14.

26. Contingent liability

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK Controlled Foreign Company ('CFC') legislation. On 2 April 2019 the Commission announced that it believes that in certain circumstances the UK's CFC regime constituted State Aid. In common with other UK-based international companies, the Group may be affected by the outcome of this case and is therefore monitoring developments. If the findings of the European Commission's conclusions in relation to the UK legislation are upheld, we have estimated the Group's maximum potential liability to be £2.6m as at 31 December 2019 (2018: £2.5m). Based on the current status of the case, we have concluded that no provision is required in relation to this amount.

27. 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 80 to 88 and in note 4 to the financial statements on page 128.

Year ended 31 December 2019

Company Balance Sheet

	Notes	2019 £m	2018 £m
Fixed assets			
Tangible assets	3	**-**	-
Right-of-use asset	4	**0.5**	-
Investments	5	**338.8**	325.0
		339.3	325.0
Current assets			
Debtors	6	**97.6**	87.4
Cash and cash equivalents		**6.7**	0.1
		104.3	87.5
Creditors: amounts falling due within one year			
Bank loans and overdrafts	7, 8	**-**	(0.5)
Lease liabilities	4	**(0.1)**	-
Other creditors	7	**(55.9)**	(52.5)
		(56.0)	(53.0)
Net current assets		**48.3**	34.5
Total assets less current liabilities		**387.6**	359.5
Creditors: amounts falling due after more than one year	8	**(103.1)**	(61.9)
Provisions for liabilities and charges			
Pension liabilities	10	**(0.4)**	(0.4)
Net assets		**284.1**	297.2
Share capital and reserves			
Called up share capital	11	**19.9**	19.8
Share premium		**37.4**	35.5
Capital redemption reserve		**0.2**	0.2
Profit and loss account		**226.6**	241.7
Equity shareholders' funds		**284.1**	297.2

The Company has taken advantage of the exemption permitted by section 408 of the Companies Act 2006 not to publish its individual profit and loss account and related notes. The Company made a profit attributable to the equity shareholders of £9.8m in the year (2018: £26.5m).

Approved by the Board of Directors on 4 March 2020 and signed on its behalf by:

D W Muir
Director

H K Nichols
Director

Company Number: 671474

Year ended 31 December 2019

Company Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2018	19.7	34.1	0.2	239.8	293.8
Adoption of IFRS 9	-	-	-	1.1	1.1
At 1 January 2018 (restated)	19.7	34.1	0.2	240.9	294.9
Comprehensive income					
Profit for the year	-	-	-	26.5	26.5
Other comprehensive income for the year	-	-	-	(0.3)	(0.3)
Transactions with owners recognised directly in equity					
Dividends	-	-	-	(23.6)	(23.6)
Credit to equity of share-based payments	-	-	-	1.1	1.1
Satisfaction of long term incentive awards	-	-	-	(2.9)	(2.9)
Own shares acquired by employee benefit trust	-	-	-	0.2	0.2
Tax taken directly to the Statement of Changes in Equity	-	-	-	(0.2)	(0.2)
Issue of shares	0.1	1.4	-	-	1.5
At 31 December 2018	**19.8**	**35.5**	**0.2**	**241.7**	**297.2**
Adoption of IFRS 16	-	-	-	-	-
At 1 January 2019 (restated)	**19.8**	**35.5**	**0.2**	**241.7**	**297.2**
Comprehensive income					
Profit for the year	**-**	**-**	**-**	**9.8**	**9.8**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**
Transactions with owners recognised directly in equity					
Dividends	**-**	**-**	**-**	**(25.1)**	**(25.1)**
Credit to equity of share-based payments	**-**	**-**	**-**	**0.9**	**0.9**
Satisfaction of long term incentive awards	**-**	**-**	**-**	**(1.4)**	**(1.4)**
Own shares held by employee benefit trust	**-**	**-**	**-**	**0.7**	**0.7**
Tax taken directly to the Statement of Changes in Equity	**-**	**-**	**-**	**-**	**-**
Shares issued	**0.1**	**1.9**	**-**	**-**	**2.0**
At 31 December 2019	**19.9**	**37.4**	**0.2**	**226.6**	**284.1**

Details of share options and related share-based payments are contained in note 22 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.

Distributable reserves

The Company maintains a policy of recognising gains arising from intra-group transactions as distributable only once a formal legal opinion has been sought to confirm the position, after all steps required to execute a transaction have been duly completed. The legal opinions required under this policy will be sought no later than the point at which the reserves in question are required to be accessed for the purposes of distribution. In line with this policy the Company has available to it distributable reserves of not less than £46.7m, representing 1.9 times cover of the current year proposed dividend. When required the Company can receive dividends from its subsidiaries to further increase its distributable reserves; the Company's UK trading subsidiaries had reserves of approximately £55m available for distribution at 31 December 2019. Further reserves are available for distribution from trading subsidiaries located overseas, subject to local regulations.

Year ended 31 December 2019

Company Statement of Cash Flows

	Notes	2019 £m	2019 £m	2018 £m	2018 £m
Profit before tax			**9.1**		25.4
Less dividends received			**(49.6)**		(29.0)
Loss before tax and dividends received			**(40.5)**		(3.6)
Add back net financing costs			**2.1**		1.8
Operating loss			**(38.4)**		(1.8)
Adjusted for non-cash items:					
Share-based payments		**0.9**		1.1	
Depreciation		**-**		0.1	
Right-of-use asset depreciation		**0.1**		-	
Loss on disposal of subsidiary		**0.9**		-	
Impairment of investments		**27.7**		-	
			29.6		1.2
Operating cash flow before movement in working capital			**(8.8)**		(0.6)
Increase in receivables		**(0.4)**		(0.1)	
Increase/(decrease) in payables		**0.9**		(1.5)	
Decrease in provisions		**-**		(0.4)	
Change in amounts due to/from Group undertakings		**(4.2)**		(8.1)	
Net movement in working capital			**(3.7)**		(10.1)
Cash used in operations			**(12.5)**		(10.7)
Income taxes paid			**(1.8)**		(3.2)
Interest paid			**(2.9)**		(1.7)
Net cash used in operating activities			**(17.2)**		(15.6)
Interest received		**-**		-	
Dividends received		**49.6**		29.0	
Disposal of subsidiaries		**2.2**		-	
Investments in subsidiaries		**(54.0)**		(10.6)	
Repayment of capital in subsidiaries		**9.4**		10.5	
Net cash used in investing activities			**7.2**		28.9
Issue of new shares	11	**2.0**		1.5	
Purchase of shares for employee benefit trust		**(0.7)**		(2.7)	
Dividends paid	2	**(25.1)**		(23.6)	
Costs associated with refinancing of revolving credit facility		**(1.0)**		-	
New loans and borrowings		**55.0**		33.0	
Repayment of loans and borrowings		**(13.0)**		(15.0)	
Lease payments		**(0.1)**		-	
Net cash generated from/(used in) financing activities			**17.1**		(6.8)
Net increase in cash			**7.1**		6.5
Cash at the beginning of the year			**(0.4)**		(6.9)
Cash at the end of the year			**6.7**		(0.4)

Company Principle Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements, except as noted below.

Basis of preparation

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

As the Consolidated Financial Statements include the equivalent disclosures, the Company has taken the available exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group settled share based payments; and
- The effects of new but not yet effective IFRSs.

The Accounting Policies set out on pages 168 to 170 have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Measurement convention
The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through profit or loss or as fair value through other comprehensive income, investment property and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Investments in subsidiary undertakings

In the Company's Financial Statements, investments in subsidiary undertakings are carried at cost, less impairment.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Financial instruments

Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Fair value hedges
Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the Profit and Loss Account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

Leases

To the extent that a right-of-control exists over an asset subject to a lease and with a lease term exceeding one year, the Group recognises: a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Group's obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the dismantling, removal and restoration costs as required by the terms of the lease contract.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

The lease liability is measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Future lease payments include: fixed payments, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual guarantee and the exercise price of purchased options where it is reasonably certain that the option will be exercised. Finance charges, representing the unwinding of the discount rate, are recognised in the Consolidated Income Statement over the period of the lease.

Lease payments for low value assets and short term leases (less than 12 months) are recognised as an expense on a straight line basis over the lease term.

Pension scheme arrangements

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair values of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating to the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

Certain of the Company's employees are members of Group-wide defined benefit schemes. The net defined benefit cost of the plans is allocated to participating entities based on the contracting entity of the participating employees of the scheme. The contributions payable by the participating entities are determined on the same basis.

Company Principal Accounting Policies (continued)

Share-based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each Balance Sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Ordinary dividends

Dividends payable are recognised as a liability in the period in which they are approved by the Company's shareholders. Dividends receivable are accounted for on a cash accounting basis.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of subsidiary companies, the Company considers these to be insurance contracts and treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Company Financial Statements

1. Profit before taxation

	2019 £m	2018 £m
The profit is stated after charging:		
Operating lease rentals – land and buildings	-	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 £7.9m (2018: £7.4m) and the final dividend of £17.2m (2018: £16.2m). 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:

	2019		2018	
	Pence per share	£m	Pence per share	£m
Equity shares				
Interim	**10.6**	**8.4**	10.0	7.9
Final	**23.0**	**18.3**	21.8	17.2
Total	**33.6**	**26.7**	31.8	25.1

3. Tangible fixed assets

	Short leasehold properties £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation			
At 31 December 2018	0.1	0.4	0.5
Additions	-	-	-
At 31 December 2019	**0.1**	**0.4**	**0.5**
Depreciation			
At 31 December 2018	0.1	0.4	0.5
Charge for the year	-	-	-
At 31 December 2019	**0.1**	**0.4**	**0.5**
Net book value			
At 31 December 2019	**-**	**-**	**-**
At 31 December 2018	-	-	-

4. Leases

The movements in the carrying value of the right-of-use assets and lease liabilities in the year ended 31 December 2019 is as follows:

Right-of-use assets	Land and buildings £m	Total £m
Balance at 1 January 2019	-	-
Recognition on initial adoption of IFRS 16	0.6	0.6
Charge for the year	(0.1)	(0.1)
At 31 December 2019	**0.5**	**0.5**

Lease liabilities	Total £m
Balance at 1 January 2019	-
Recognition on initial adoption of IFRS 16	0.6
Lease payments	(0.1)
At 31 December 2019	**0.5**

Notes to the Company Financial Statements (continued)

4. Leases continued

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2019 £m
Depreciation of right-of-use assets	0.1
Charged to operating profit	**0.1**
Interest expense relating to lease liabilities	-
Charge to profit before taxation	**0.1**

The maturities of the lease liabilities at 31 December 2019 was as follows:

	2019 £m
Due within one year	0.1
Due between one and two years	0.1
Due between two and five years	0.3
Due after more than five years	-
Total lease liabilities	**0.5**

5. Fixed asset investments

	Shares in subsidiary undertakings £m	Total £m
Cost		
At 31 December 2018	338.1	338.1
Repayment of Capital	(9.4)	(9.4)
Additions	54.0	54.0
Disposals	(3.1)	(3.1)
At 31 December 2019	**379.6**	**379.6**
Provisions		
At 31 December 2018	13.1	13.1
Impairment	27.7	27.7
At 31 December 2019	**40.8**	**40.8**
Net book value		
At 31 December 2019	**338.8**	**338.8**
At 31 December 2018	325.0	325.0

A list of the businesses owned by the Company is given in note 14. All of the Company's subsidiaries are wholly owned. The impairment charge arose as a result of an intra-Group restructuring exercise that occurred during the year.

6. Debtors

	2019 £m	2018 £m
Amounts owed by subsidiary undertakings (including £7.0m (2018: £nil) due after more than one year)	**94.1**	83.7
Corporation tax	**2.1**	2.7
Deferred tax (note 9)	**0.2**	0.3
Other debtors	**0.8**	0.5
Prepayments and accrued income	**0.4**	0.2
	97.6	87.4

7. Creditors: amounts falling due within one year

	2019 £m	2018 £m
Bank loans and overdrafts (note 8)		
Bank overdrafts	-	0.5
	-	0.5
Other creditors		
Trade creditors	2.4	1.8
Other taxation and social security	0.2	0.1
Accruals and deferred income	3.8	3.1
Other creditors	0.3	0.7
Amounts owed to subsidiary undertakings	49.2	46.8
	55.9	52.5

8. 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 21 of the Group Financial Statements.

	2019 £m	2018 £m
Bank loans	102.7	61.9
Lease liabilities	0.4	-
	103.1	61.9

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

	2019 £m	2018 £m
Bank loans and overdraft		
Amounts due within one year (note 7)	-	0.5
Amounts due after more than one year:		
Between one and two years	-	-
Between two and five years	102.7	61.9
	102.7	61.9
	102.7	62.4

9. Deferred tax

	2019 £m	2018 £m
At 1 January	(0.3)	(0.7)
Adoption of IFRS 16 (2018: IFRS 9)	-	0.1
At 1 January (restated)	(0.3)	(0.6)
Charged for the year in the Income Statement	0.1	0.1
Charged for the year directly in equity	-	0.2
At 31 December	(0.2)	(0.3)
Other timing differences	(0.2)	(0.3)

Notes to the Company Financial Statements (continued)

10. Pension liabilities

The Company contributes to the Group pension scheme, which has sections providing benefits accruing in the future on a defined benefit basis and on a defined contribution basis. Details of the Scheme and the most recent actuarial valuations are contained in note 24 to the Group Financial Statements. There are also separate personal pension plans.

The Company's profit for the year includes a pension charge of £0.3m (2018: £0.3m), which includes the costs of the defined contribution schemes and the defined benefit schemes.

11. Called up share capital

	2019 £m	2018 £m
Allotted, called up and fully paid		
79.4m Ordinary Shares of 25p each (2018: 79.0m)	**19.9**	19.8

In 2019 the Company issued 0.4m shares under its various share option schemes (2018: 0.3m), realising £2.0m (2018: £1.5m). Details of share options and related share-based payments are contained in note 22 to the Group Financial Statements.

12. Guarantees and other financial commitments

(a) Guarantees
The Company had no financial guarantee contracts outstanding (2018: £nil).

The Company guarantees the bank loans, overdrafts and other borrowings of certain subsidiary undertakings. The amount outstanding at 31 December 2019 was £120.9m (2018: £121.6m).

(b) Operating lease commitments
The Group has adopted IFRS 16 Leases in the current year as explained in the Group Accounting Polices section. As a result all leases, other than those that are short term or of low value, are now recognised on the balance sheet. As a result there are no material commitments payable under non-cancellable operating leases to disclose at 31 December 2019. The prior year comparritives are not restated. The total future minimum commitments payable under non-cancellable operating leases at 31 December 2018 were analysed as follows:

	2018	
	Land and buildings £m	Other £m
Within one year	0.1	-
Between one and two years	0.1	-
Between two and five years	0.2	-
After five years	0.3	-
	0.7	-

13. Related party transactions

The Company has related party relationships with its key management personnel and with its subsidiaries (either directly or indirectly controlled).

The related party transactions with key management personnel are considered by the Company to be the same as those of the Group and are set out in note 4 to the Group Financial Statements.

The transactions with subsidiaries are summarised below.

Transactions with other Group companies

	Highest during the year £m	**Balance at 31 December 2019 £m**	Highest during the year £m	Balance at 31 December 2018 £m
Amounts due from subsidiaries	**91.4**	**87.1**	83.7	83.7
Amounts due to subsidiaries	**(49.2)**	**(49.2)**	(46.8)	(46.8)

Transactions with other Group companies typically comprise management and interest charges, dividend receipts and other recharges of administrative expenses.

The disclosure of the year end balance and the highest balance during the year is considered to provide a meaningful representation of transactions between the Company and fellow Group undertakings during the year. The highest balance due is generally at the end of each financial year as this is the time at which the Company levies its management and interest charges.

Related party transactions reported in the Income Statement

	2019 £m	2018 £m
Dividends received	**49.6**	29.0
Recharge of operating expenses	**8.3**	7.8
Net interest income	**0.6**	0.3

14. Subsidiaries

Incorporated in the UK

AAJG Holdings Limited (H)
Access Design & Engineering Limited
ALSIPI Limited
Ash & Lacy Limited (H)*
Ash & Lacy Manufacturing Limited
Ash & Lacy Services Limited
Asset International Limited
ATG Access Holdings Limited (H)
ATG Access Limited (R)
A W Thorne Limited (D)*
Barkers Engineering Limited (U, G)
Bergen Pipe Supports Group Limited (U)*
Bergen Pipe Supports Limited (H)
Berry Safety Systems Limited (D)*
Bipel Group plc (D)
Birtley Group Limited (U, G)
Bromford Steel Limited (D)
Bytec Limited (D)
Carrington Packaging Limited (D)
Cobaco Barrier Company Limited (D)
Cobaco Holdings Limited (H)
Cobaco Limited (D)
Cooper Securities (Dudley) Limited (D)
Cooper Securities Limited (D)
Dee Organ Limited (D)
Expamet Building Products Limited (D)
Expamet Limited (D)
Hawkshead Properties Limited (H)
Hardstaff Barriers Limited (R)
Hill & Smith (Americas) Limited (H)
Hill & Smith (Americas) 2 Limited
Hill & Smith (Americas) 3 Limited
Hill & Smith (France) Limited (H)*
Hill & Smith (Treasury) Limited (H)*
Hill & Smith (USA) Limited (H)
Hill & Smith Galvanized Products Limited (H)
Hill & Smith Holdings PLC (H)
Hill & Smith (International) Limited
Hill & Smith Infrastructure Products Group Limited (D)
Hill & Smith Limited (R, U)*
Hill & Smith Overseas Limited (H)*
Hill & Smith Pension Trustees Limited (D)
H2S2 Limited (R) **
J. & F. Pool Limited (D)
Jevons Tools Limited (D)
Jones of Oswestry Limited (D)
Joseph Ash Limited (G)
Lionweld Kennedy Flooring Limited (U)*
Mallatite Limited (R)*
MB Tech Limited (D)
Medway Galvanising Company Limited (G)
Parking Facilities Limited (R)
Pipe Supports Overseas Limited (H)*
Post & Column Limited (D)
Premier Galvanizing Limited (G)
Redman Architectural Metalwork Limited (D)
Redman Fisher Engineering Limited (U)
Royston Steel Fencing Limited (D)
Safety and Security Barrier Holdings Limited (H)
Signature Limited (D)
Signpost Solutions Limited (R)
Technocover Limited (U)
Tegrel Limited (R)
The Global Tank and Foundry (Wolverhampton) Limited (D)
Variable Message Signs Limited (D)
Varley & Gulliver Limited (R)*
Vehicle Protection Security Posts Limited (D)
Vista Galvanizing (UK) Limited (D)
Western Galvanizers Limited (D)
Wombwell Foundry Limited (D)

All of the above subsidiaries have a year end date of 31 December are included in the consolidated results of the Group. The Company holds 100% of the share capital of all businesses, either directly or indirectly, unless otherwise stated. All of the above subsidiaries have a registered office address at Westhaven House, Arleston Way, Shirley, Solihull, B90 4LH, England.

(U) Utilities
(R) Roads
(G) Galvanizing
(D) Dormant
(H) Holding company
* Directly held by Hill & Smith Holdings PLC
** 50% owned Joint Venture

Notes to the Company Financial Statements (continued)

14. Subsidiaries continued

Incorporated in Australia
Hill & Smith Pty Limited (R)
Suite 12, Level 12, 37 Bligh Street,
Sydney, New South Wales 2000

Incorporated in Jersey
Hill & Smith (Jersey) Limited (H)
Vista Limited (H)
Second Floor, No. 4 The Forum,
Grenville Street, St. Helier

Incorporated in France
Conimast International SAS (R)
ZI la Saunière, - BP70, 89600, Saint-Florentin

Européenne de Galvanisation SAS (G)
10 Route de Merviller, 54120, Baccarat

France Galva SA (G)
ZI la Saunière - BP70, 89600, Saint-Florentin

France Galva Lorraine SAS (G)
ZI due Lavoisier, 57340, Morhange

Galvacier SAS (G)
ZI des Terres Noires, 81370, Saint Sulpice

Galva Gaillard SAS (G)
801 rue de la Rive, 42320 La Grand Croix

Galvalandes SAS (G)
3031 route de Mont-de-Marsan, CS 50007, 40120, Sarbazan

Galvanisation de l'Artois SAS (G)
437 Chemin de Noyelles, 62110, Henin-Beaumont

Galvanisation du Cambrésis SAS (G)
Champ de la Cheminée, 59980, Honnechy

Galvamed SAS (G)
1447 avenue des Verges, ZI du Pont, 13750, Plan D'orgon

Société Nantaise de Galvanisation SAS (G)
ZI - 4 rue de l'Europe, 44470, Carquefou

Incorporated in India
Bergen Pipe Supports (India) Private Limited (U)
Plot No 12, Ground Floor, 'RADHA', Mangala Nagar Main Road,
Porur, Chennai, 60016

Hill & Smith Infrastructure Products India Private Limited (D)
574, 3rd Floor, Main Road, Chirag Delhi, New Delhi, 110017

Incorporated in Ireland
Redman Fisher Limited (U)
Naas Industrial Estate, Naas,
Co Kildare, 496407

Hill & Smith (Ireland) Unlimited Company
Custom House Plaza, Block 6
International Financial Services Centre
Dublin

Incorporated in Norway
ATA Hill & Smith AS (R)
Jacob Borchsgate 6, 3012 Drammen

Incorporated in Sweden
ATA Hill & Smith AB (R)
Hill & Smith Sweden AB (H)
FMK Trafikprodukter AB (D)
Box 7051, 192 78, Sollentuna, Stockholms län

Incorporated in the USA
Bergen Pipe Supports, Inc. (U)
Carpenter & Paterson, Inc. (U)
Creative Pultrusions, Inc. (U)
CPK Manufacturing LLC (U)
CPCA Manufacturing LLC (U)
Hill & Smith Group Holdings, Inc. (H)
Hill & Smith Holdings LLC (H)
Hill & Smith, Inc. (R)
Voigt & Schweitzer LLC (H)
c/o The Corporation Trust Company, Corporation Trust Centre,
1209 Orange Street, Wilmington, Delaware 19801

V&S Amboy Galvanizing LLC (G)
V&S Columbus Galvanizing LLC (G)
V&S Delaware Galvanizing LLC (G)
V&S Detroit Galvanizing LLC (G)
V&S Lebanon Galvanizing LLC (G)
V&S Memphis Galvanizing LLC (G)
V&S New York Galvanizing LLC (G)
V&S Schuler Engineering, Inc. (U)
V&S Schuler Tubular Products LLC (U)
V&S Taunton Galvanizing, LLC (G)
987 Buckeye Park Road, Columbus, Ohio, 43207

All of the above subsidiaries have a year end date of 31 December, with the exception of Bergen Pipe Supports (India) Private Limited and Hill & Smith Infrastructure Products India Private Limited, which each have a year end of 31 March. All of the subsidiaries listed above are included in the consolidated results of the Group. The Company holds 100% of the share capital of all businesses, either directly or indirectly.

Five Year Summary

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Revenue	**694.7**	637.9	585.1	540.1	467.5
Underlying operating profit	**86.3**	80.1	81.3	70.6	56.0
Underlying profit before taxation	**79.4**	76.3	78.5	68.0	53.0
Shareholders' funds	**307.0**	293.2	258.6	232.2	198.2

	Pence	Pence	Pence	Pence	Pence
Underlying earnings per share	**80.7**	77.8	75.9	65.9	51.7
Proposed dividends per share	**33.6**	31.8	30.0	26.4	20.7

Racehorses constructed from recycled steel horseshoes by sculptor Tom Hill. Galvanized by Premier Galvanizing, Corby and unveiled by Princess Anne at the Injured Jockey Centre, Newmarket Racecourse.

Shareholder Information

Top: A greenfield grain bin project in El Campo, Texas USA. All components were hot dip galvanized by V&S Memphis to provide maximum corrosion resistance in a harsh coastal climate.

Bottom: An electric charge point solution from Mallatite Ltd. Manufactured from mild steel with a flush access door for connection they are ideal for businesses and individuals, actively promoting sustainability with a positive impact on the environment.

Financial Calendar

Annual General Meeting 2020	23 June 2020
Trading Update	23 June 2020
Ex-dividend date for 2019 final dividend	28 May 2020
Record date 2019 final dividend	29 May 2020
Dividend Reinvestment Plan – last date for election	16 June 2020
Final 2019 ordinary dividend payable	7 July 2020
Announcement of 2020 interim results	5 August 2020
Trading Update	26 November 2020
Payment of 2020 interim dividend	7 January 2021

Shareholder Information

Shareholder base

Holdings of ordinary shares at 2 March 2020

Range of Shares	Number of holders	%	Number of shares	%
1 – 500	710	31.15	151,571	0.19
501 – 1,000	391	17.16	298,555	0.38
1,001 – 5,000	664	29.14	1,553,288	1.96
5,001 – 50,000	348	15.27	4,883,313	6.15
50,001 – 100,000	48	2.11	3,382,801	4.26
100,001 – 500,000	82	3.60	18,610,248	23.42
500,001 – 1,000,000	20	0.88	14,317,214	18.02
Above 1,000,000	16	0.70	36,254,277	45.63
Totals	**2,279**	**100.00**	**79,451,267**	**100.00**

Shareholder type

	Number of holders	%	Number of shares	%
Individuals	1,407	61.74	3,629,366	4.57
Institutions	866	38.00	75,794,384	95.40
Other corporate	6	0.26	27,517	0.03
Totals	**2,279**	**100.00**	**79,451,267**	**100.00**

Dividend History – proposed dividends per share

	2019	2018	2017	2016	2015
Interim	**10.6**	10.0	9.4	8.5	7.1
Final	**23.0**	21.8	20.6	17.9	13.6
Total	**33.6**	31.8	30.0	26.4	20.7

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 Tuesday 23 June 2020 at 11.00 a.m. at the Company's registered office, Westhaven House, Arleston Way, Solihull B90 4LH. 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 below.

Electronic proxy voting
To lodge your proxy vote via the internet, log on to www.investorcentre.co.uk/eproxy. You will need the Control number, Shareholder Reference number ('SRN') and PIN number printed on your Form of Proxy where you will find the full instructions.

Shareholding online
Computershare Investor Centre gives access to view your holdings online. To register click on Investor Centre on the Computershare home page www.computershare.com and follow the instructions. You will be able to:

- View all your holding details for companies registered with Computershare.
- View the market value of your portfolio.
- Update your contact address and personal details online.
- Access current and historical market prices.
- Access trading graphs.
- Add additional shareholdings to your portfolio.

Share dealing
Share dealing services are available through Computershare Investor Services PLC. Log on to www.computershare.com/sharedealingcentre for internet share dealing and for telephone dealing ring 0370 703 0084.

Dividend Reinvestment Plan 'DRIP' (Latest date for election is 16 June 2020)
The Company offers shareholders the facility to reinvest their cash dividends to buy more shares in the Company.

- The service allows you to increase your shareholding in an easy and convenient way.
- Online application process enables you to participate easily and securely: www.investorcentre.co.uk.
  - Click on 'Register' to sign up to the Investor Centre. This will allow you to carry out a number of share related transactions online, including opting for the DRIP.
  - You will be required to fill in your SRN and your postcode, together with your email address. You will also be asked to select a user name (ID) and password of your choice.
  - Once registered select 'Dividend Plans' from the left hand menu and amend your current cash dividend instruction, confirming acceptance of the DRIP terms and conditions.
- New shares will be purchased as soon as possible on or after the dividend pay date.

Shareholder helpline number
There is a helpline for shareholders who have enquiries about their shareholdings. The dedicated helpline number is 0370 707 1058.

Principal Group Businesses

Infrastructure Products – Roads

United Kingdom

ATG Access Ltd*
Manufacture and installation of hostile vehicle mitigation and perimeter security solutions including bollards, road blockers, barriers and gates
Cobaco House, North Florida Road
Haydock Industrial Estate, Haydock
Merseyside, WA11 9TP
Tel: +44 (0) 8456 757574
www.atgaccess.com

Hill & Smith Ltd
Highway and off-highway safety barriers
Springvale Business and Industrial Park,
Bilston, Wolverhampton, WV14 0QL
Tel: +44 (0) 1902 499400
Fax: +44 (0) 1902 499419
info@hill-smith.co.uk
www.hill-smith.co.uk

Asset International Ltd. (D)
Manufacturer of structural solutions including corrugated steel Multiplate, Stren-Cor, Precast arches & VSoL retained earth systems for Highway & Rail construction sectors
www.assetint.co.uk

Asset VRS (D)
Permanent and temporary solutions for vehicle restraints
www.asset-vrs.co.uk

Berry Safety Systems Ltd. (D)
Car park and industrial barriers, spring steel barriers, protection bollards, speed ramps and handrail panels
www.berrysystems.co.uk

Brifen (D)
Wire rope safety fence vehicle restraints and hostile vehicle mitigation products.
www.hill-smith.co.uk

Tegrel (D)
Design and manufacture of bespoke metal fabrications and enclosures
www.tegrel.co.uk

Variable Message Signs (D)
Design, manufacture and installation of LED based light technology solutions
www.vmstech.co.uk

Hardstaff Barriers Ltd*
Temporary and permanent road safety barriers
Hillside, Gotham Road, Kingston-on-Soar,
Nottingham, NG11 0DF
Tel: +44 (0) 115 983 2304
enquiries@hardstaffbarriers.com
www.hardstaffbarriers.com

Mallatite Ltd
Manufacture of lighting columns, bespoke support structures, traffic sign columns, posts and associated lighting products
Holmewood Industrial Estate, Hardwick
View Road, Holmewood, Chesterfield,
Derbyshire, S42 5SA
Tel: +44 (0) 1246 593280
Fax: +44 (0) 1246 593281
sales@mallatite.co.uk
www.mallatite.co.uk

Parking Facilities Ltd*
Design, manufacture and supply of parking and access control products including gates, barriers, bollards, rising kerbs and speed ramps
Unit One, Kingsbury Link
Trinity Road, Tamworth
Staffordshire
B78 2EX
Tel: +44 (0) 1827 870250
Fax: +44 (0) 1827 870251
http://parkingfacilities.co.uk

Varley & Gulliver Ltd
Vehicle and pedestrian parapets, and passive sign supports
Ridgacre Road
West Bromwich
B71 1BB
Tel: +44 (0) 121 773 2441
Fax: +44 (0) 121 766 6875
sales@v-and-g.co.uk
www.v-and-g.co.uk

Rest of the World

ATA Hill & Smith 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
info@ata.se
www.ata.se

ATA Hill & Smith AS*
Road safety barriers, road signage and traffic safety solutions
Incorporated in Norway
Jacob Borchs Gate 6
3012 Drammen
Tel: +47 (0) 32 26 93 00
post@ata.co
www.ata.no

Conimast International SAS*
Specialist steel lighting columns, galvanizing and steel powder coating
Incorporated in France
Z.I. La Sauniere BP70, 89600,
Saint Florentin, France
Tel: +33 (0) 3 86 43 82 00
Fax: +33 (0) 3 86 43 41 08
contact@conimast.fr
www.conimast.fr

Hill & Smith, Inc.*
Temporary road barrier solutions for workzone protection
Incorporated in the USA
987 Buckeye Park Road, Columbus,
Ohio, 43207, USA
Tel: +1 (614) 340 6294
Fax: +1 (614) 340 6296
info@hillandsmith.com
www.hillandsmith.com

Work Area Protection Corp (D)
Provides smart, safe, innovative solutions for the traffic safety and highway infrastructure businesses
www.workareaprotection.com

Hill & Smith Pty Ltd*
Wire rope and temporary safety barriers
Incorporated in Australia
Unit 1, 242 New Cleveland Road,
Tingalpa, QLD 4173, Australia
Tel: +61 (0) 7 3162 6078
hsroads.com.au

Notes:
The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.

***** The Company's effective interest is held indirectly for these undertakings.

(D) Operating division only, not a limited company.

Infrastructure Products – Utilities

United Kingdom

Barkers Engineering Ltd*
Perimeter security solutions and fasteners
Duke Street, Fenton, Stoke-on-Trent,
Staffordshire, ST4 3NS
Tel: +44 (0) 1782 319264
Fax: +44 (0) 1782 599724
sales@barkersengineering.com
www.barkersengineering.com

Birtley Group Ltd*
Galvanized lintels, construction fittings, composite doors, Expamet builders metalwork & plasterers accessories
Mary Avenue, Birtley, County Durham,
DH3 1JF
Tel: +44 (0) 191 410 6631
Fax: +44 (0) 191 410 0650
info@birtleygroup.co.uk
www.birtleygroup.co.uk

Lionweld Kennedy Flooring Ltd
Open steel flooring, handrailing and ancillary products
Marsh Road, Middlesbrough, TS1 5JS
Tel: +44 (0) 1642 245151
Fax: +44 (0) 1642 224710
sales@lk-uk.com
www.lk-uk.com

Technocover Ltd*
Steel security solutions
Henfaes Lane, Welshpool, Powys, SY21 7BE
Tel: +44 (0) 1938 555511
Fax: +44 (0) 1938 555527
techweb@technocover.co.uk
www.technocover.co.uk

United States of America

Creative Pultrusions, Inc.*
Manufacture of fibre reinforced polymer (FRP) composite profiles
214 Industrial Lane, Alum Bank,
Pennsylvania, 15521, USA
Tel: +1 (814) 839 4186
Toll-free: # 888-CPI-PULL (274-7855)
Fax: +1 (814) 839 4276
crpul@pultrude.com
www.creativepultrusions.com

E.T. Techtonics (D)
Design and construction of fiberglass bridge and boardwalk systems
www.ettechtonics.com

Kenway Composites (D)
Advanced custom composite manufacturing and professional field services for various industries
www.kenway.com

Tower Tech (D)
Manufactures cooling tower products that effectively bridge the gap between sustainability and energy efficiency
www.towertechinc.com

Composite Advantage (D)
A leading manufacturer for Fibre Reinforced Polymer composite bridge, waterfront and rail infrastructure markets

V&S Utilities**
Fabrication of electrical transmission and substation structures and supplier of substation packaging services
987 Buckeye Park Road, Columbus,
Ohio, 43207, USA
Tel: +1 (614) 449 8281
Fax: +1 (614) 449 8851
info@vsschuler.com
www.vsschuler.com

Bergen Pipe Supports, Inc.*
Manufacture and supply of pipe supports solutions, including constant and variable effort supports
484 Galiffa Drive, Donora,
Pennsylvania, 15033, USA
Tel: +1 (724) 379 5212
Fax: +1 (724) 379 9363
www.pipesupports.com

Carpenter & Paterson, Inc.*
Industrial pipe hangers, metal framing channel and fasteners
225 Merrimac Street, Woburn,
Massachusetts, 01801, USA
Tel: +1 (781) 935 2950
Fax: +1 (781) 935 7664
www.pipehangers.com

Novia Associates (D)
Vibration and seismic control manufacturer
www.cp-novia.com

Pipe Supports

Bergen Pipe Supports (India) Private Ltd*
Incorporated in India
Plot No.12, Ground Floor,
"RADHA", Mangala Nagar Main Road,
Porur, Chennai, 600116
Tel: +91 8576 305 666
bpsi@pipesupports.com
www.pipesupports.com

Notes:

The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.

* The Company's effective interest is held indirectly for these undertakings.

** Trading name for V&S Schuler Engineering Inc and V&S Schuler Tubular Products LLC, both are indirectly held, wholly owned and incorporated in the USA.

Principal Group Businesses (continued)

Galvanizing Services

United Kingdom

Joseph Ash Ltd*
Galvanizing services
Alcora Building 2, Mucklow Hill
Halesowen, West Midlands, B62 8DG
Tel: +44 (0) 121 504 2560
Fax: +44 (0) 121 504 2599
sales@josephash.co.uk
www.josephash.co.uk

Medway Galvanising Company Ltd*
Galvanizing, shotblasting and powder coating services together with monohinge gates
Castle Road, Eurolink Industrial Centre,
Sittingbourne, Kent, ME10 3RN
Tel: +44 (0) 1795 479489
Fax: +44 (0) 1795 477598
info@medgalv.co.uk
www.medgalv.co.uk

Premier Galvanizing Ltd*
Galvanizing and powder coating services
Unit 25, Stoneferry Business Park
Foster Street, East Riding of Yorkshire,
HU8 8BT
Tel: +44 (0) 1482 587587
Fax: +44 (0) 1482 588599
info@premiergalv.co.uk
www.premiergalv.co.uk

Barkers Engineering Ltd*
Galvanizing and powder coating services
Duke Street, Fenton, Stoke-on-Trent,
Staffordshire, ST4 3NS
Tel: +44 (0) 1782 343811
Fax: +44 (0) 1782 344974
sales@barkersgalvanizing.com
www.barkersgalvanizing.com

Birtley Group Ltd*
Galvanizing services
Mary Avenue, Birtley, County Durham,
DH3 1JF
Tel: +44 (0) 191 410 4421
Fax: +44 (0) 191 492 1817
info@birtleygalvanizing.co.uk
www.birtleygalvanizing.co.uk

United States of America

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

France

France Galva SA*
Galvanizing and powder coaters of steel
Z.I. La Saunière BP70, 89600
Saint Florentin, France
Tel: +33 (0) 3 86 43 82 30
Fax: +33 (0) 3 86 43 82 29
contact@francegalva.fr
www.francegalva.fr

Notes:

The above lists the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain and the share capital consists of ordinary shares only.

* The Company's effective interest is held indirectly for these undertakings.

Directors, Contacts and Advisors

Directors

A C B Giddins FCA
Chairman and Non-executive

D W Muir BSc, CEng, MICE
Group Chief Executive

H Nichols ACA, MA
Group Chief Financial Officer

A Quinlan
Senior Independent Non-executive

A M Kelleher MSc, BA
Non-executive

M J Reckitt BCom, CA
Non-executive

P Raby
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
C A Henderson FCIS

Professional Advisors

Auditor
KPMG LLP
1 Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Brokers and Financial Advisors
Investec Investment Banking
30 Gresham Street
London
EC2V 7QP

Principal Bankers
Barclays Bank Plc
Midlands Corporate Banking Centre
PO Box 3333
1 Snowhill
Snow Hill Queensway
Birmingham
B3 2WN

Lawyers
Gowling WLG
Two Snowhill
Birmingham
B4 6WR

Silks Solicitors
Barclays Bank Chambers
Birmingham Street
Oldbury
B69 4EZ

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

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 | Stock code HILS