



2024

International provider of sustainable  
infrastructure products and services

Interim results for the six months ended 30 June 2024  
Stock Code HILS



Hill & Smith PLC



Hill & Smith PLC

## Contents

3	Financial Results
5	Business Review
11	Financial Review
14	Financial Statements
18	Notes to the Financial Statements
32	Financial Calendar
32	Dividend Reinvestment Plan
33	Directors, Contacts and Advisors



**Hill & Smith PLC**  
**Half Year Results (unaudited) for the six months ended 30 June 2024**

**Strong H1 results: Further margin expansion, positive M&A momentum**

Hill & Smith PLC (“Hill & Smith” or “the Group”), the international provider of sustainable infrastructure products and services, announces its unaudited results for the six months ended 30 June 2024 (“the period”).

**Financial Results**

	Underlying*		Change			Statutory		
	30 June 2024	30 June 2023	Reported %	Constant Currency %	OCC ^ %	30 June 2024	30 June 2023	Change %
Revenue	£422.7m	£420.8m	+0.4%	+2%	-3%	£422.7m	£420.8m	+0.4%
Operating profit	£68.4m	£62.5m	+9%	+12%	+4%	£63.0m	£53.5m	+18%
Operating margin	16.2%	14.9%	+130bps			14.9%	12.7%	+220bps
Profit before tax	£63.2m	£57.2m	+10%			£57.8m	£48.2m	+20%
Earnings per share	58.3p	53.6p	+9%			53.2p	43.5p	+22%
Dividend per share	16.5p	15.0p	+10%			16.5p	15.0p	+10%

**Key Highlights:**

- **Strong H1 trading performance**
  - Revenue up 2% and underlying operating profit up 12% on a constant currency basis against strong 2023 comparators, driven by strong performance in Engineered Solutions and Galvanizing Services
  - Further expansion in operating margin to 16.2%, an increase of 130 basis points, reflecting the benefits of improved portfolio mix and US volume growth
  - Continuing strong infrastructure demand in the US offsetting more challenging UK market backdrop
- **Positive momentum on M&A**
  - Three complementary acquisitions completed year to date for a total initial consideration of £22.3m
  - Includes acquisition of Trident Industries since period end for £10.6m
  - H1 acquisitions of Capital Steel and FM Stainless successfully onboarded and trading ahead of expectations
  - Continue to see a strong M&A pipeline
- **Good cash generation and ROIC**
  - Cash conversion 83% (H1 2023: 87%)
  - ROIC 22.5% (H1 2023: 21.3%), an increase of 120 bps, as a result of strong growth in our larger, less capital intensive US businesses
  - Covenant leverage at 0.4 times (31 December 2023: 0.4 times), providing significant capacity for investment in organic and inorganic growth
- **EPS up 9% to 58.3p, interim dividend up 10% at 16.5p**
- **Positive FY24 outlook, operating profit expected to be in line with the recently upgraded market expectations<sup>†</sup> excluding any adjustments for the benefits of the acquisition announced today**
- **Group is well-positioned in structurally growing infrastructure markets, providing confidence for medium term growth outlook**

**Alan Giddins, Executive Chair, said:**

“Hill & Smith has delivered another good first half performance, underpinned by continuing strong demand for our products and services in the US and the strong performance from our most recent acquisitions. We expect this momentum to continue into the second half in line with our recently upgraded expectations.

“In the medium to longer term, the Group is well positioned in infrastructure markets with attractive structural growth drivers. This strong position, together with our ability to use M&A to access new customers, markets and adjacent technologies, and the benefits of our agile operating model, underpins our confidence in the Group’s positive trading outlook.”

*† The current company compiled analyst consensus expectation for FY24 is for underlying operating profit of £137.4m with a range of £135.9m-£145.1m.*

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*\* All underlying measures exclude certain non-underlying items, which are as detailed in note 6 to the Financial Statements and described in the Financial Review. References to an underlying profit measure throughout this announcement are made on this basis. Non-underlying items are presented separately in the Consolidated Income Statement where, in the Directors' judgement, the quantum, nature or volatility of such items gives further information to obtain a proper understanding of the underlying performance of the business. Underlying measures are deemed alternative performance measures ("APMs") under the European Securities and Markets Authority guidelines and a reconciliation to the closest IFRS equivalent measure is detailed in note 5 to the financial statements. They are presented on a consistent basis over time to assist in comparison of performance.*

*^ Where we refer to organic constant currency (OCC) movements, these exclude the impact of currency translation effects and 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. Constant currency amounts are prepared using exchange rates which prevailed in the current year.*

**Notes to Editors**

*Hill & Smith PLC is a leading provider of sustainable infrastructure products and services. The Group employs c.4,500 people worldwide with the majority employed by its autonomous, agile, customer focussed operating businesses based in the UK, USA, Australia and India. The Group office is in the UK and Hill & Smith PLC is quoted on the London Stock Exchange (LSE: HILS.L).*

*The Group's operating businesses are organised into three main business divisions:*

*Galvanizing Services: increasing the sustainability and maintenance free life of steel products including structural steel work, lighting, bridges and other products for industrial and infrastructure markets.*

*Engineered Solutions: supplying engineered steel and composite solutions for a wide range of infrastructure markets including power generation and distribution, marine, rail and housing. The division also supplies engineered pipe supports for the water, power and liquid natural gas markets and seismic protection solutions.*

*Roads & Security: supplying products and services to support road and highway infrastructure including temporary and permanent road safety barriers, intelligent traffic solutions, street lighting columns and bridge parapets. In addition, the division includes two businesses which are market leaders in the provision of off-grid solar lighting and power solutions. The security portfolio includes hostile vehicle mitigation solutions, high security fencing and automated gate solutions.*

## H1 2024 Review

The Group has delivered a strong first half performance, underpinned by continuing buoyant demand for infrastructure products and services in the US and enhanced by the strong performance of our most recent acquisitions. As expected, our UK businesses experienced a more challenging market backdrop, with reduced demand across certain public sector customers.

Revenue in the first half was up 2% and underlying operating profit was up 12% on a constant currency basis against a strong prior period comparator. Group underlying operating margin increased by 130 basis points to 16.2%, driven by an improved portfolio mix with good volume growth seen in our higher margin US businesses within Engineered Solutions and Galvanizing Services. Acquisitions contributed c.£22m revenue and c.£5m underlying operating profit in the period.

Engineered Solutions delivered strong revenue, profit growth and margin expansion against a record H1 2023. Demand for our products and services remained buoyant across our US businesses, which face into a range of attractive structural growth markets including electricity transmission and distribution and infrastructure construction.

Galvanizing Services delivered a record first half performance reflecting strong momentum in our higher margin US business, which delivered an 8% increase in volumes. Volumes in the UK were slightly lower than the same period last year, due to the more subdued market backdrop.

As expected, first half results in Roads & Security were lower than 2023, mainly attributable to an anticipated softening in Q1 demand within our US off grid solar lighting business. We also experienced a challenging UK market backdrop in a number of our businesses.

The Group continues to be highly cash generative and deliver strong returns, with cash conversion in the first half of 83% and return on invested capital (ROIC) of 22.5%. The Group balance sheet remains robust at 0.4 times covenant leverage with significant capacity to support future organic and inorganic growth opportunities.

## Strategic progress update

### *Continued progress against our financial framework*

In March 2023, we set out a recalibrated medium term financial framework with annual performance targets:

- organic revenue growth: 5% -7%
- total revenue growth including acquisitions: 10%+
- underlying operating profit margin (by end 2024): 15%
- return on invested capital: 18%+
- underlying cash conversion: 80%+
- covenant leverage: 1 to 2 times

In the first half, the Group continued to deliver against this framework with further operating margin expansion, strong cash conversion, expanded return on invested capital and leverage below our target range. The softer organic revenue growth in the first half was due to the anticipated slowdown in our US off grid solar lighting business, and a challenging UK market backdrop, where we have also seen lower prices for certain products given cost input reductions. We expect to see improved organic revenue growth in the second half.

### *Portfolio Management*

We are continuing to successfully execute against our M&A strategy and have developed an active pipeline of future opportunities. All potential acquisitions are tightly evaluated to ensure they fit with our strategic and financial criteria and once acquired, we implement a rigorous and detailed integration plan.

In the year to date we have made three complementary acquisitions for a total initial consideration of £22.3m. All businesses fit well into our existing US Engineered Solutions portfolio and were acquired outside a competitive process:

In January, we acquired Capital Steel for £5.0m. Located in Trenton, New Jersey, the business supplies structural steel products and services into the high growth electricity transmission and distribution market. Capital Steel is being integrated into our existing structural steel utilities business and trading since acquisition has been ahead of expectations.

In March, we acquired FM Stainless, based in Ellijay, Georgia, for £6.7m. The business manufactures stainless steel pipe supports and fasteners, serving a range of growth end markets including water and wastewater treatment and is highly complementary to our existing engineered supports business. The integration of the business is going well and the first few months of trading are very encouraging.

In July, we acquired Trident Industries ('Trident') for an initial consideration of £10.6m and further cash consideration of up to £25.6m, payable based on future revenues over the five years post-acquisition. Located in Greater St Louis, Illinois, Trident is a designer and supplier of highly resilient, single and multi-layer composite utility poles, serving utility company needs across North America and the Caribbean. The business has a long-term outsourced manufacturing relationship with Enduro Composites, and will become part of the Creative Composites Group, within the Engineered Solutions division.

### **Sustainability**

Sustainability underpins the Group's growth strategy. As part of this, talented people are critical to our success - the record first half performance is a testament to our excellent local teams and the agility of our autonomous operating model. During the first half, we strengthened our Executive Board through the introduction of a regional Group President structure to enable a closer focus on geographic end markets and growth opportunities. We also launched a high potential programme, a first for the Group, with the aim of developing and nurturing individuals who we have identified as prospective future leaders.

Our focus on carbon reduction continues, with our SBTi targets being validated in December last year. In the first half, our US companies started the transition to renewable electricity contracts, with our UK companies already fully transitioned. In the second half, we will be engaging with decarbonisation consultancies to help identify additional energy efficiency and carbon reduction opportunities.

Alongside this, the health and safety of our people remains a key priority. During the period, we successfully implemented a new Group health & safety management system to make incident and near miss reporting easier for our people and to improve root cause analysis. We have also launched targeted safety campaigns around certain activities which have been identified as higher risk.

### **Recent board update**

In May 2024, Mark Reckitt stepped down from the Board as Non-executive Director after a tenure of nine years and we thank him for his significant contribution during this time. Carol Chesney has now taken over from Mark as Chair of the Audit Committee.

### **Results**

The Group has delivered a strong set of results for the first half of 2024. Revenue was £422.7m (2023: £420.8m), flat on a reported basis. Revenue was 3% lower on an OCC basis but 2% higher on a constant currency basis, the organic revenue decline mainly attributable to expected lower demand in our US solar lighting business, and a slowdown in demand in certain UK end markets, where we have also seen lower prices for certain products given input cost reductions. Underlying operating profit was £68.4m (2023: £62.5m), an increase of 9% on a reported basis. OCC operating profit growth was 4% and constant currency growth was 12%. Operating margins improved to 16.2% (2023: 14.9%) reflecting the benefits of an improved portfolio mix and the volume growth in our higher margin US businesses. Underlying profit before taxation was £63.2m (2023: £57.2m). Reported operating profit was £63.0m (2023: £53.5m) and reported profit before tax was £57.8m (2023: £48.2m). Underlying earnings per share increased to 58.3p (2023: 53.6p) and reported earnings per share was 53.2p (2023: 43.5p).

The principal reconciling item between underlying and reported operating profit is the amortisation of acquisition intangibles of £4.3m. Note 6 to the financial statements provides further details on the Group's non-underlying items.

### **Dividend**

Our aim is to provide sustainable and progressive dividend growth. Given the strong H1 performance and our confidence in the Group's prospects, we have declared an interim dividend for FY24 of 16.5p per share, an increase of 10% (2023: 15.0p). The interim dividend will be paid on 7 January 2025 to shareholders on the register on 29 November 2024.

## Outlook

The Group has exposure to a range of structurally growing US infrastructure markets, with the US representing 77% of Group profit in the first half. We expect trading in our US businesses to remain strong throughout the second half, underpinned by bipartisan government support and private investment to upgrade infrastructure, accelerate onshoring and support technology change.

The second half outlook for our UK businesses is likely to remain challenging given budgetary pressures in the public sector, however we are cautiously optimistic for some level of recovery in 2025. We continue to see attractive growth opportunities in our Indian business.

We expect that the Group's good trading momentum will continue and that FY24 underlying operating profit will be in line with the recently upgraded market expectations, with an even weighting to the year's performance, excluding any adjustment for the benefits of the Trident acquisition announced today. The Group remains mindful of current foreign exchange headwinds, mainly from a strengthening of Sterling compared to the US dollar.

In the medium to longer term, the Group is well-positioned in infrastructure markets with attractive structural growth drivers. This strong position, together with our proven M&A strategy and the benefits of our agile operating model, provides confidence that the Group will continue to make good progress, in line with our strategic and financial framework.



## Operational Review

### Engineered Solutions

	£m		Reported %	Constant currency %	OCC %
	2024	2023			
Revenue	<b>205.0</b>	181.7	+13	+15	+3
Underlying operating profit <sup>(1)</sup>	<b>37.6</b>	30.9	+22	+25	+10
Underlying operating margin % <sup>(1)</sup>	<b>18.3%</b>	17.0%			
Statutory operating profit	<b>35.1</b>	28.5			

<sup>(1)</sup> Underlying measures are set out in note 5 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 6 to the Financial Statements.

Our Engineered Solutions division provides a range of composite and steel solutions for infrastructure construction including energy transmission and distribution, marine, rail and housing. The division also supplies engineered supports for the water, power and liquid natural gas markets and seismic protection solutions for commercial construction.

The division delivered a strong performance, with 15% revenue and 25% profit growth on a constant currency basis, reflecting strong volume growth across our US businesses and the positive contribution from recent acquisitions. As a result, underlying operating margin increased by 130 bps to 18.3% (2023: 17.0%).

#### US

The US portfolio delivered 5% OCC revenue growth and record operating margin in the first half against a strong prior period comparator.

Our composites business continued to see strong demand for innovative composite solutions across a range of infrastructure end markets including electrical grid infrastructure, industrial construction, water and mass transit infrastructure. As a result, revenue and operating profit were ahead of H1 2023, with margins benefiting from product mix and volume growth. United Fiberglass, acquired in November 2023, has been successfully integrated into the existing business and prospects for future growth are encouraging.

At the end of July, we completed the acquisition of Trident for an initial consideration of £10.6m with further consideration of up to £25.6m payable based on future revenues over the five years post-acquisition. Located in Greater St Louis, Illinois, Trident is a designer and supplier of highly resilient single and multi-layer composite utility poles, serving utility company needs across North America and the Caribbean. The business has a long-term outsourced manufacturing relationship with Enduro Composites, which we acquired in February 2023, and will be integrated into our existing business. The acquisition is highly complementary to our existing composite utility pole offering and will further accelerate our strategy in the attractive US electricity transmission and distribution market.

Our business supplying structural steel products for electrical grid infrastructure delivered an excellent performance and enters the second half with a record order book. We view the US electrical transmission and distribution market as very attractive in the medium term with growth driven by the need to upgrade ageing infrastructure, supported by government investment, and increasing demands on the electric grid driving capacity expansion. Given this, we have made focused investments to help realise the growth potential. In January 2024 we acquired Capital Steel, based in Trenton, New Jersey for consideration of £5.0m. The business serves the buoyant electrical transmission and distribution market and is being integrated into our existing business, providing access to new geographies and customers and significant cross selling opportunities. Capital Steel's trading since acquisition has been ahead of our expectations. We have also completed the expansion of our existing facility at Burton, Ohio which provides additional manufacturing capacity.

Our engineered supports business delivered a record performance, driven by robust demand from industrial and infrastructure projects including clean water, battery plant and semiconductor construction. This more than offset some softness in the commercial construction sector and the business enters the second half with a record order book. The integration of FM Stainless, acquired in March 2024, is progressing well with trading benefiting from strong water treatment and infrastructure project demand.

Overall prospects for future growth in all our US Engineered Solutions businesses remain very positive. We expect market growth to be supported by investment to modernise the ageing electric grid and multi-year government funding to upgrade infrastructure alongside private investment from US manufacturers and producers to onshore vital components.



## UK and India

As expected, our UK businesses, which represented 19% of the divisional revenue, saw revenue decline by 13%, partly due to pricing reflecting lower steel input costs, and as a result profit was lower than H1 2023. The industrial flooring business continued to see buoyant demand for data centre projects, however demand from smaller order customers has been more subdued. The business enters the second half with a healthy project orderbook and is cautiously optimistic. Our building products business experienced a continuation of lower demand levels, reflecting the slowdown in housing construction. The business expects the second half to remain challenging with a return to growth in 2025 in line with a recovery in residential construction.

Our engineered supports business in India saw good growth in the period, underpinned by international demand for LNG projects. The business enters the second half with a robust order book and good medium term growth prospects.

## Galvanizing Services

	£m		Reported	Constant	OCC
	2024	2023	%	currency %	%
Revenue	99.0	99.6	-1	+1	-
Underlying operating profit <sup>(1)</sup>	24.7	22.6	+9	+11	+10
Underlying operating margin % <sup>(1)</sup>	24.9%	22.7%			
Statutory operating profit	24.2	21.7			

<sup>(1)</sup> Underlying measures are set out in note 5 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 6 to the Financial Statements.

The Galvanizing Services division offers hot-dip galvanizing and powder coating services with multi-plant facilities in the US and the UK. Hot-dip galvanizing is a proven steel corrosion protection solution which significantly extends the service life of steel structures and products. The division benefits from a wide sectoral spread of customers who operate in a range of infrastructure end markets including industrial construction, road and bridges and transportation.

The division delivered a strong performance in the first half. While revenue was flat, underlying operating profit was up 11% on a constant currency basis, which reflects the strong volume growth in our US business, partly offset by the expected volume decline in the more challenging UK market. The operating margin increased by 220 bps to 24.9% due to the favourable geographical mix given the superior margins generated by our US business.

## US

Our US galvanizing business delivered an excellent first half performance, with 5% OCC revenue growth and record operating profit. The strong growth is attributable to an 8% organic increase in production volumes, partly offset by pricing to reflect lower input costs, with buoyant demand from a range of projects including data centre and battery plant construction, airport expansion and bridge construction. As a result, the business saw margin expansion in the period and continues to deliver superior operating margins, with customers valuing the excellent quality of service provided by our local teams.

In the medium to longer term, the outlook for US galvanizing remains positive. The business is well placed to benefit from multi-year, bipartisan government investment to support industrial expansion and technology change, as well as a more general move to the onshoring of certain activities.

## UK

In the UK, galvanizing revenue was 7% below the same period last year, impacted by a weaker market for certain infrastructure related customers in transport, street furniture and structural steel. Volumes were in line with H2 2023 run rates and were 3% lower than the same period last year. While end markets remain price sensitive, the outlook for the second half and into 2025 is more positive as we see the benefits of the management changes made at the start of the year, with a focus on customer service and cost control.

## Roads & Security

	£m		Reported	Constant	OCC
	2024	2023	%	currency %	%
Revenue	<b>118.7</b>	139.5	-15	-14	-13
Underlying operating profit <sup>(1)</sup>	<b>6.1</b>	9.0	-32	-32	-32
Underlying operating margin % <sup>(1)</sup>	<b>5.1%</b>	6.5%			
Statutory operating profit	<b>3.7</b>	3.3			

<sup>(1)</sup> Underlying measures are set out in note 5 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 6 to the Financial Statements.

The Roads & Security division supplies products and services to support the delivery of safe road and highway infrastructure, alongside a range of security products to protect people, buildings and infrastructure from attack. In addition, the division includes two businesses which are market leaders in the provision of off-grid solar lighting and power solutions.

Results for the first half were lower than the same period last year with revenue 14% lower and operating profit 32% lower on a constant currency basis. The decline was mainly attributable to an expected softness in our US off grid solar lighting business, coupled with an uncertain UK market backdrop. As a result, the first half operating margin was below 2023 however we are forecasting some improvement in the second half.

### UK Roads

As expected, both revenue and underlying operating profit were lower than the same period last year. Revenue and profit in our rental barrier business were ahead of H1 2023, underpinned by high levels of operations activity and favourable performance on scheme completions. Visibility of the rental scheme pipeline is much diminished compared to previous years, partly driven by the UK general election and ongoing delays to the release of Road Investment Strategy 3. The performance of the wider UK roads portfolio was impacted by reduced demand and inactivity seen in certain central and local government customers. We expect the project outlook for the second half to remain challenging given budgetary pressures, however we are cautiously optimistic for some level of recovery in 2025.

As expected, our off-grid solar energy business had a challenging start to the year with a reduced opening order book and significantly lower revenue, however the opportunity pipeline is showing some signs of improvement across key end markets of facilities management, defence and construction.

### US Roads

Our US Roads portfolio comprises two businesses: our off-grid solar lighting solutions business and our roadside safety products business.

As previously highlighted, revenue and profit in our off grid solar lighting business were significantly below H1 2023, a strong comparator, with an anticipated softening in demand from our largest customer as they realigned inventory levels. The medium term outlook for the business remains positive, underpinned by a drive toward sustainable solutions. The planned move to a larger leased facility successfully took place in June and positions the business well to deliver against its medium term growth strategy. We expect to see an improved performance in H2.

Performance in the road traffic safety product business was ahead of the same period last year, with focused pricing and cost transformation actions being taken in line with the business improvement plan. While improvement actions continue into the second half, the outlook for the core business is moderately positive, with demand supported by increased levels of state and federal investment to upgrade US road infrastructure and the introduction of new safety standards.

### UK Security

Our UK security businesses provide a range of perimeter security solutions including hostile vehicle mitigation (HVM) to both UK and international markets and represented 6% of Group revenue in the first half. While revenue declined by 5%, underlying operating profit was ahead of H1 2023. This reflects a good performance in our HVM business and robust demand for security barrier operations, partly offset by continuing challenges seen in our perimeter access security business. The outlook for our security portfolio remains mixed with a current focus on the higher quality growth opportunities including security barrier operations and data centre perimeter security.

## Financial Review

### Cash generation

The Group continues to be highly cash generative and delivered 83% cash conversion in the first half. We expect the Group to deliver strong cash conversion in 2024, in line with our target level of 80%+ and consistent with historic levels. The calculation of our underlying cash conversion ratio can be found in note 5 to the financial statements.

Operating cash flow before movement in working capital was £83.6m (2023: £77.4m). The working capital outflow in the period was £13.1m (2023: £7.2m outflow) with a continued focus on working capital efficiency. Working capital as a percentage of annualised sales was 16.4% (2023: 17.5%) and debtor days were 58 days (2023: 55 days).

Capital expenditure of £9.8m (2023: £12.7m) represents a multiple of depreciation and amortisation of 0.9 times (2023: 1.2 times).

Net financing costs for the period were £5.2m (2023: £5.3m). The net cost of pension fund financing under IAS 19 was £0.1m (2023: £0.2m), and the amortisation of costs relating to refinancing activities was £0.3m (2023: £0.3m).

The Group generated £43.5m of free cash flow in the period (2023: £38.7m), providing funds to support our acquisition strategy and dividend policy.

### Net debt and financing

Net debt at the end of the period amounted to £101.6m (31 December 2023: £108.4m). Outflows in the period included £12.0m for the 2023 interim dividend and £13.8m on M&A activity, principally the acquisitions of Capital Steel and FM Stainless. Net debt at the period end includes lease liabilities under IFRS 16 of £50.2m (31 December 2023: £43.7m).

The Group's principal financing facilities comprise a £250m revolving credit facility, which expires in November 2027 and \$70m senior unsecured notes with maturities in June 2026 and June 2029, together with a further £6.7m of on-demand local overdraft arrangements. Throughout the year the Group has operated well within these facilities and at 30 June 2024, the Group had £261.2m of headroom (£254.5m committed, £6.7m on demand). Approximately 50% of the Group's drawn debt at 30 June 2024 is subject to fixed interest rates, providing a hedge against recent market movements.

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0 times and interest cover of a minimum of 4.0 times. The ratio of covenant net debt to EBITDA at 30 June 2024 was 0.4 times (31 December 2023: 0.4 times) and interest cover was 18.7 times (31 December 2023: 17.3 times).

### Return on Invested Capital

We use return on invested capital (ROIC) to measure our overall capital efficiency, with a target of achieving returns in excess of 18%, above the Group's cost of capital, through the cycle. The Group continued to deliver strong returns achieving a ROIC of 22.5% for the period to 30 June 2024 (2023: 21.3%), the increase reflecting the faster growth in our larger US businesses which are typically lower in capital intensity.

### Tax

The underlying effective tax rate for the period for continuing operations was 25.8% (FY 2023: 24.6%). The tax charge for the period was £15.0m (2023: £13.4m) and includes a £1.3m credit (2023: £0.9m credit) in respect of non-underlying items, principally relating to the amortisation of acquisition intangibles. Cash tax paid in the period was £10.6m (2023: £14.9m).

### Exchange rates

The Group is exposed to movements in exchange rates when translating the results of its overseas operations into Sterling. Retranslating 2023 half year revenue and underlying operating profit using average exchange rates for 2024 would have reduced revenue by £6m and underlying operating profit by £1.3m, mainly due to Sterling's depreciation against the US Dollar. A one cent movement in the average US Dollar rate currently results in an adjustment of approximately £4.0m to the Group's annual revenues and £1.0m to annual underlying operating profit.

## Non-underlying items

The total non-underlying items charged to operating profit from continuing operations in the Consolidated Income Statement amounted to £5.4m (2023: £9.0m). The items were mainly non-cash related and included the following:

- Amortisation of acquired intangible assets of £4.3m
- Expenses related to acquisitions and disposals of £1.1m, including £0.5m accrued deferred consideration relating to the National Signal acquisition.

Further details are set out in note 6 to the Financial Statements.

## Pensions

The Group operates defined benefit pension plans in the UK and the USA. The IAS 19 deficit of these plans at 30 June 2024 was £3.1m, a reduction of £1.0m from 31 December 2023 (£4.1m). The deficit of the UK scheme, the largest employee benefit obligation in the Group, was £2.3m (31 December 2023: £3.4m), the reduction mainly due to the Group's deficit recovery payments in the period.

The Group continues to be actively engaged in dialogue with the UK schemes' Trustees with regards to management, funding and investment strategies.

## Going concern

After making enquiries, the Directors have reasonable expectations that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and for the period to 31 December 2025. Accordingly, they continue to adopt the going concern principle.

When making this assessment, the Group considers whether it will be able to maintain adequate liquidity headroom above the level of its borrowing facilities and to operate within the financial covenants on those facilities. The Group has carefully modelled its cash flow outlook for the period to December 2025, considering the ongoing uncertainties in global economic conditions. In this "base case" scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 31 December 2024, 30 June 2025 and 31 December 2025.

The Group has also carried out "reverse stress tests" to assess the performance levels at which either liquidity headroom would fall below zero or covenants would be breached in the period to 31 December 2025. The Directors do not consider the resulting performance levels to be plausible given the Group's strong trading performance in the period and the resilience of the end markets in which we operate.

## Principal risks and uncertainties

The Group has a process for identifying, evaluating and managing the principal risks and uncertainties that it faces, and the Directors have reviewed these principal risks and uncertainties during the period. It is the Directors' opinion that the principal risks set out on pages 60 to 65 of the Group's Annual Report for the year ended 31 December 2023, remain applicable to the current financial year.

The key consideration relating to the review of principal risks and uncertainties during the period is set out below:

Principal Risk	Considerations
Reduction in US Infrastructure spending	<b>US Election impact</b> The Group's growth is supported by multi-year planned government spending to upgrade US infrastructure. While we note that the US presidential elections are due to take place in November 2024, we do not expect that the election result will have a significant adverse impact on spending plans given the levels of bipartisan support for core infrastructure investment and the overarching requirement to upgrade ageing infrastructure. As a result, the Board believe there has been no change in this risk during the first half of the year.

## Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

This report was approved by the Board of Directors on 8 August 2024 and is available on the Company's website ([www.hsgroup.com](http://www.hsgroup.com)).

**Alan Giddins**  
Executive Chair

**Hannah Nichols**  
Group Chief Financial Officer



## Financial Statements

### Condensed Consolidated Income Statement

Six months ended 30 June 2024

	Notes	6 months ended 30 June 2024			6 months ended 30 June 2023			Year ended 31 December 2023		
		Underlying £m	Non- underlying* £m	Total £m	Underlying £m	Non- underlying* £m	Total £m	Underlying £m	Non- underlying* £m	Total £m
Revenue	4	422.7	-	422.7	420.8	-	420.8	829.8	-	829.8
Cost of sales		(255.1)	-	(255.1)	(254.9)	-	(254.9)	(513.1)	-	(513.1)
<b>Gross profit</b>		<b>167.6</b>	<b>-</b>	<b>167.6</b>	<b>165.9</b>	<b>-</b>	<b>165.9</b>	<b>316.7</b>	<b>-</b>	<b>316.7</b>
Distribution costs		(13.2)	-	(13.2)	(17.3)	-	(17.3)	(24.7)	-	(24.7)
Administrative expenses		(86.2)	(5.4)	(91.6)	(86.6)	(9.0)	(95.6)	(169.9)	(18.7)	(188.6)
Other operating income		0.2	-	0.2	0.5	-	0.5	0.4	-	0.4
<b>Operating profit</b>	4, 5	<b>68.4</b>	<b>(5.4)</b>	<b>63.0</b>	<b>62.5</b>	<b>(9.0)</b>	<b>53.5</b>	<b>122.5</b>	<b>(18.7)</b>	<b>103.8</b>
Financial income	7	0.2	-	0.2	0.2	-	0.2	0.5	-	0.5
Financial expense	7	(5.4)	-	(5.4)	(5.5)	-	(5.5)	(11.1)	-	(11.1)
<b>Profit before taxation</b>		<b>63.2</b>	<b>(5.4)</b>	<b>57.8</b>	<b>57.2</b>	<b>(9.0)</b>	<b>48.2</b>	<b>111.9</b>	<b>(18.7)</b>	<b>93.2</b>
Taxation	8	(16.3)	1.3	(15.0)	(14.3)	0.9	(13.4)	(27.6)	3.2	(24.4)
<b>Profit for the year attributable to the owners of the parent</b>		<b>46.9</b>	<b>(4.1)</b>	<b>42.8</b>	<b>42.9</b>	<b>(8.1)</b>	<b>34.8</b>	<b>84.3</b>	<b>(15.5)</b>	<b>68.8</b>
<b>Basic earnings per share</b>	9			<b>53.2p</b>			43.5p			86.0p
<b>Diluted earnings per share</b>	9			<b>52.7p</b>			43.3p			85.0p

\* The Group's definition of non-underlying items and further details of the amounts included are set out in note 6.

### Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2024

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
<b>Profit for the period</b>	<b>42.8</b>	34.8	68.8
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of overseas operations	2.7	(19.5)	(19.4)
Exchange differences on foreign currency borrowings denominated as net investment hedges	(0.5)	4.5	4.2
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial (loss)/gain on defined benefit pension schemes	(0.7)	0.5	(0.4)
Taxation on items that will not be reclassified to profit or loss	0.2	(0.1)	0.1
<b>Other comprehensive income/(expense) for the period</b>	<b>1.7</b>	(14.6)	(15.5)
<b>Total comprehensive income for the period attributable to owners of the parent</b>	<b>44.5</b>	20.2	53.3

## Condensed Consolidated Statement of Financial Position

Six months ended 30 June 2024

	Notes	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
<b>Non-current assets</b>				
Intangible assets		212.0	202.2	205.7
Property, plant and equipment		184.2	177.0	184.4
Right-of-use assets		48.1	38.5	41.8
Corporation tax receivable	8	1.6	1.6	1.6
Deferred tax assets		0.4	0.1	0.4
		<b>446.3</b>	<b>419.4</b>	<b>433.9</b>
<b>Current assets</b>				
Assets held for sale		2.5	-	2.5
Inventories		108.2	115.1	106.1
Trade and other receivables		159.7	163.5	137.3
Current tax assets		-	-	0.8
Cash and cash equivalents	13, 14	55.8	22.3	34.4
		<b>326.2</b>	<b>300.9</b>	<b>281.1</b>
<b>Total assets</b>		<b>772.5</b>	<b>720.3</b>	<b>715.0</b>
<b>Current liabilities</b>				
Trade and other liabilities		(127.2)	(127.6)	(119.6)
Current tax liabilities		(7.5)	(7.2)	(3.9)
Provisions		(4.7)	(2.6)	(6.6)
Lease liabilities	13, 14	(8.5)	(8.2)	(8.0)
Loans and borrowings	13, 14	(0.7)	(0.2)	(1.4)
		<b>(148.6)</b>	<b>(145.8)</b>	<b>(139.5)</b>
<b>Net current assets</b>		<b>177.6</b>	<b>155.1</b>	<b>141.6</b>
<b>Non-current liabilities</b>				
Other liabilities		(1.5)	-	(1.0)
Provisions		(2.4)	(3.0)	(2.6)
Deferred tax liabilities		(9.8)	(13.2)	(9.9)
Retirement benefit obligations		(3.1)	(5.0)	(4.1)
Lease liabilities	13, 14	(41.7)	(31.0)	(35.7)
Loans and borrowings	13, 14	(106.5)	(115.0)	(97.7)
		<b>(165.0)</b>	<b>(167.2)</b>	<b>(151.0)</b>
<b>Total liabilities</b>		<b>(313.6)</b>	<b>(313.0)</b>	<b>(290.5)</b>
<b>Net assets</b>		<b>458.9</b>	<b>407.3</b>	<b>424.5</b>
<b>Equity</b>				
Share capital		20.1	20.0	20.0
Share premium		46.8	43.8	44.6
Other reserves		4.9	4.9	4.9
Translation reserve		25.1	23.1	22.9
Retained earnings		362.0	315.5	332.1
<b>Total equity</b>		<b>458.9</b>	<b>407.3</b>	<b>424.5</b>

## Condensed Consolidated Statement of Changes in Equity

### Six months ended 30 June 2024

	Share Capital £m	Share Premium £m	Other reserves <sup>†</sup> £m	Translation reserves £m	Retained Earnings £m	Total equity £m
At 1 January 2024	20.0	44.6	4.9	22.9	332.1	424.5
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	42.8	42.8
Other comprehensive income for the period	-	-	-	2.2	(0.5)	1.7
<b>Transactions with owners recognised directly in equity</b>						
Dividends	-	-	-	-	(12.0)	(12.0)
Credit to equity of share-based payments	-	-	-	-	1.1	1.1
Satisfaction of long term incentive and deferred bonus awards	-	-	-	-	(2.9)	(2.9)
Own shares held by employee benefit trust	-	-	-	-	1.4	1.4
Shares issued	0.1	2.2	-	-	-	2.3
<b>At 30 June 2024</b>	<b>20.1</b>	<b>46.8</b>	<b>4.9</b>	<b>25.1</b>	<b>362.0</b>	<b>458.9</b>

### Six months ended 30 June 2023

	Share Capital £m	Share Premium £m	Other reserves <sup>†</sup> £m	Translation reserves £m	Retained Earnings £m	Total equity £m
At 1 January 2023	20.0	42.8	4.9	38.1	289.2	395.0
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	34.8	34.8
Other comprehensive (expense)/income for the period	-	-	-	(15.0)	0.4	(14.6)
<b>Transactions with owners recognised directly in equity</b>						
Dividends	-	-	-	-	(10.4)	(10.4)
Credit to equity of share-based payments	-	-	-	-	1.9	1.9
Satisfaction of long term incentive and deferred bonus awards	-	-	-	-	(0.9)	(0.9)
Own shares held in employee benefit trust	-	-	-	-	0.5	0.5
Shares issued	-	1.0	-	-	-	1.0
<b>At 30 June 2023</b>	<b>20.0</b>	<b>43.8</b>	<b>4.9</b>	<b>23.1</b>	<b>315.5</b>	<b>407.3</b>

### Year ended 31 December 2023

	Share Capital £m	Share Premium £m	Other reserves <sup>†</sup> £m	Translation reserves £m	Retained Earnings £m	Total equity £m
At 1 January 2023	20.0	42.8	4.9	38.1	289.2	395.0
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	68.8	68.8
Other comprehensive expense for the period	-	-	-	(15.2)	(0.3)	(15.5)
<b>Transactions with owners recognised directly in equity</b>						
Dividends	-	-	-	-	(28.0)	(28.0)
Credit to equity of share-based payments	-	-	-	-	3.7	3.7
Own shares held by employee benefit trust	-	-	-	-	(1.6)	(1.6)
Satisfaction of long term incentive and deferred bonus awards	-	-	-	-	(1.0)	(1.0)
Tax taken directly to the Consolidated Statement of Changes in Equity	-	-	-	-	1.3	1.3
Shares issued	-	1.8	-	-	-	1.8
<b>At 31 December 2023</b>	<b>20.0</b>	<b>44.6</b>	<b>4.9</b>	<b>22.9</b>	<b>332.1</b>	<b>424.5</b>

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



# Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2024

Notes	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Profit before tax	57.8	48.2	93.2
Add back net financing costs	5.2	5.3	10.6
Operating profit	63.0	53.5	103.8
Adjusted for non-cash items:			
Share-based payments	1.1	2.1	4.1
Loss on disposal of subsidiaries	-	3.2	4.2
(Gain)/loss on disposal of non-current assets	(0.4)	(0.8)	0.2
Gain on disposal of assets held for sale	-	-	(0.7)
Depreciation of owned assets	10.4	9.8	19.7
Amortisation of intangible assets	4.8	4.8	9.6
Right-of-use asset depreciation	5.1	4.8	9.3
Impairment of non-current assets	-	-	1.3
Gain on lease termination	(0.4)	-	(0.1)
	20.6	23.9	47.6
Operating cash flow before movement in working capital	83.6	77.4	151.4
Decrease in inventories	1.8	5.0	15.0
(Increase)/decrease in receivables	(18.0)	(19.8)	8.0
Increase/(decrease) in payables	3.1	7.6	(0.2)
Decrease in provisions and employee benefits	(3.9)	(2.6)	(0.8)
Net movement in working capital and provisions	(17.0)	(9.8)	22.0
Cash generated by operations	66.6	67.6	173.4
Purchase of assets for rental to customers	(0.2)	(0.6)	(2.3)
Income taxes paid	(10.6)	(14.9)	(31.7)
Interest paid	(3.8)	(4.5)	(8.9)
Interest paid on lease liabilities	(1.0)	(0.6)	(1.3)
<b>Net cash from operating activities</b>	<b>51.0</b>	<b>47.0</b>	<b>129.2</b>
Interest received	0.2	0.3	0.5
Proceeds on disposal of non-current assets	0.9	0.4	0.8
Proceeds on disposal of assets held for sale	-	2.5	2.5
Purchase of property, plant and equipment	(7.2)	(10.5)	(26.7)
Purchase of intangible assets	(2.4)	(1.6)	(2.8)
Deferred consideration paid in respect of past acquisitions	(1.4)	(2.7)	(2.8)
Acquisitions of subsidiaries	(11.7)	(36.7)	(48.4)
Disposals of subsidiaries	-	0.4	(0.2)
Cash paid on early termination of leases	(0.1)	-	-
<b>Net cash used in investing activities</b>	<b>(21.7)</b>	<b>(47.9)</b>	<b>(77.1)</b>
Issue of new shares	2.3	1.0	1.8
Purchase of shares for employee benefit trust	(1.5)	(0.4)	(2.6)
Dividends paid	(12.0)	(10.4)	(28.0)
Costs associated with refinancing during the year	-	-	(0.5)
Repayments of lease liabilities	(4.4)	(4.6)	(9.4)
New loans and borrowings	18.9	50.5	73.9
Repayments of loans and borrowings	(11.3)	(36.6)	(76.3)
<b>Net cash used in financing activities</b>	<b>(8.0)</b>	<b>(0.5)</b>	<b>(41.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents net of bank overdraft</b>	<b>21.3</b>	<b>(1.4)</b>	<b>11.0</b>
Cash and cash equivalents net of bank overdraft at the beginning of the period	34.4	24.8	24.8
Effect of exchange rate fluctuations	0.1	(1.2)	(1.4)
<b>Cash and cash equivalents net of bank overdraft at the end of the period</b>	<b>55.8</b>	<b>22.2</b>	<b>34.4</b>

## Notes to the Financial Statements

### 1. Basis of preparation

Hill & Smith PLC is incorporated in the UK. The Condensed Consolidated Interim Financial Statements of the Company have been prepared on the basis of the UK-adopted International Financial Reporting Standards ('IFRSs') and in accordance with IAS 34: Interim Financial Reporting, comprising the Company, its subsidiaries and its interests in jointly controlled entities (together referred to as the 'Group').

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the Condensed Consolidated Interim Financial Statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published Consolidated Financial Statements for the year ended 31 December 2023 (these statements do not include all of the information required for full Annual Financial Statements and should be read in conjunction with the full Annual Report for the year ended 31 December 2023).

#### *New IFRS standards, interpretations and amendments adopted during 2024*

The following amendments apply for the first time in 2024, but do not have an impact on the Condensed Consolidated Interim Financial Statements of the Group.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- Amendments to IFRS 16 – Lease liability in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

The Condensed Consolidated Interim Financial Statements do not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2023 are derived from the Group's statutory accounts for that year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

The Condensed Consolidated Interim Financial Statements are prepared on the going concern basis, as explained in the Financial Review.

### 2. Financial risks, estimates, assumptions and judgements

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

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2023, relating to actuarial assumptions on pension obligations, impairment of goodwill and other indefinite life intangible assets, and liabilities for uncertain tax positions.

### 3. Exchange rates

The principal exchange rates used were as follows:

	6 months ended 30 June 2024		6 months ended 30 June 2023		Year ended 31 December 2023	
	Average	Closing	Average	Closing	Average	Closing
Sterling to US Dollar (£1 = USD)	1.26	1.26	1.23	1.27	1.24	1.27
Sterling to Indian Rupee (£1 = INR)	105.27	105.37	101.36	104.33	102.68	106.08
Sterling to Australian Dollar (£1 = AUD)	1.92	1.89	1.82	1.91	1.87	1.87

#### 4. Segmental information

The Group has three reportable segments which are Engineered Solutions, Galvanizing Services and Roads & Security. 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 reporting segment on the basis of the following economic characteristics:

- **The Engineered Solutions** 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 and other infrastructure markets;
- **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; and
- **The Roads & Security** segment contains a group of businesses supplying products designed to ensure the safety and security of roads and other national infrastructure, many of which have been developed to address national and international safety standards, to customers involved in the construction of that infrastructure.

Corporate costs are allocated to reportable segments in proportion to the revenue of each of those segments.

#### Segmental Income Statement

	6 months ended 30 June 2024			6 months ended 30 June 2023		
	Revenue £m	Reported operating profit £m	Underlying Operating profit* £m	Revenue £m	Reported operating profit £m	Underlying operating profit* £m
Engineered Solutions	205.0	35.1	37.6	181.7	28.5	30.9
Galvanizing Services	99.0	24.2	24.7	99.6	21.7	22.6
Roads & Security	118.7	3.7	6.1	139.5	3.3	9.0
<b>Group</b>	<b>422.7</b>	<b>63.0</b>	<b>68.4</b>	<b>420.8</b>	<b>53.5</b>	<b>62.5</b>
Net financing costs		(5.2)	(5.2)		(5.3)	(5.3)
<b>Profit before taxation</b>		<b>57.8</b>	<b>63.2</b>		<b>48.2</b>	<b>57.2</b>
Taxation		(15.0)	(16.3)		(13.4)	(14.3)
<b>Profit after taxation</b>		<b>42.8</b>	<b>46.9</b>		<b>34.8</b>	<b>42.9</b>

	Year ended 31 December 2023		
	Revenue £m	Reported operating profit £m	Underlying operating profit* £m
Engineered Solutions	367.0	59.7	64.4
Galvanizing Services	196.7	43.8	45.7
Roads & Security	266.1	0.3	12.4
<b>Group</b>	<b>829.8</b>	<b>103.8</b>	<b>122.5</b>
Net financing costs		(10.6)	(10.6)
<b>Profit before taxation</b>		<b>93.2</b>	<b>111.9</b>
Taxation		(24.4)	(27.6)
<b>Profit after taxation</b>		<b>68.8</b>	<b>84.3</b>

\*Underlying operating profit is an alternative performance measure which is stated before non-underlying items as defined in note 6 and is the measure of segment profit used by the Chief Operating Decision Maker, who is currently the Executive Chair. The reported operating profit columns are included as additional information.

Transactions between operating segments are on an arm's length basis similar to transactions with third parties. The only significant transactions during the period related to Galvanizing Services, which sold £1.6m of products and services to Engineered Solutions (six months ended 30 June 2023: £1.2m, year ended 31 December 2023: £2.5m) and £2.7m of products and services to Roads & Security (six months ended 30 June 2023: £2.7m, year ended 31 December 2023: £5.2m). These internal revenues, along with revenues generated within each segment, have been eliminated on consolidation.

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market, major product/service lines and timing of revenue recognition. Revenue by primary geographical market is defined as the end location of the Group's product or service. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Engineered Solutions		Galvanizing Services		Roads & Security		Total	
Primary geographical markets	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m
UK	36.6	41.9	41.1	44.1	73.1	80.1	150.8	166.1
Rest of Europe	4.5	4.4	-	-	5.8	4.9	10.3	9.3
North America	154.0	129.4	57.9	55.5	38.3	50.0	250.2	234.9
The Middle East	5.5	3.1	-	-	0.1	1.0	5.6	4.1
Rest of Asia	4.0	2.3	-	-	0.2	0.3	4.2	2.6
Rest of the world	0.4	0.6	-	-	1.2	3.2	1.6	3.8
	205.0	181.7	99.0	99.6	118.7	139.5	422.7	420.8
<b>Major product/service lines</b>								
Manufacture, supply and installation of products	205.0	181.7	-	-	107.3	126.9	312.3	308.6
Galvanizing services	-	-	99.0	99.6	-	-	99.0	99.6
Rental income	-	-	-	-	11.4	12.6	11.4	12.6
	205.0	181.7	99.0	99.6	118.7	139.5	422.7	420.8
<b>Timing of revenue recognition</b>								
Products and services transferred at a point in time	92.9	87.8	99.0	99.6	86.9	110.4	278.8	297.8
Products and services transferred over time	112.1	93.9	-	-	31.8	29.1	143.9	123.0
	205.0	181.7	99.0	99.6	118.7	139.5	422.7	420.8

Year ended 31 December 2023

	Engineered Solutions £m	Galvanizing Services £m	Roads & Security £m	Total £m
<b>Primary geographical markets</b>				
UK	80.6	83.9	155.0	319.5
Rest of Europe	8.2	-	11.0	19.2
North America	259.2	112.8	90.4	462.4
The Middle East	12.5	-	1.9	14.4
Rest of Asia	5.5	-	0.7	6.2
Rest of the world	1.0	-	7.1	8.1
	367.0	196.7	266.1	829.8
<b>Major product/service lines</b>				
Manufacture, supply and installation of products	367.0	-	241.2	608.2
Galvanizing services	-	196.7	-	196.7
Rental income	-	-	24.9	24.9
	367.0	196.7	266.1	829.8
<b>Timing of revenue recognition</b>				
Products and services transferred at a point in time	172.7	196.7	208.1	577.5
Products and services transferred over time	194.3	-	58.0	252.3
	367.0	196.7	266.1	829.8

## 5. Alternative Performance Measures

The Group presents Alternative Performance Measures (“APMs”) in addition to its statutory results. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority. The principal APMs are:

- Underlying profit before tax
- Underlying operating profit
- Underlying operating profit margin
- Organic and constant currency measures of change in revenue and underlying operating profit
- Underlying cash conversion ratio
- Capital expenditure to depreciation and amortisation ratio
- Covenant net debt to EBITDA ratio
- Underlying earnings per share. A reconciliation of statutory earnings per share to underlying earnings per share is provided in note 9.

All underlying measures exclude certain non-underlying items, which are detailed in note 6. References to an underlying profit measure 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 gives further information to obtain a fuller understanding of the underlying performance of the business. APMs are presented on a consistent basis over time to assist in comparison of performance.

### Reconciliation of underlying to reported profit before tax

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Underlying profit before tax	63.2	57.2	111.9
Non-underlying items:			
Amortisation of acquisition intangibles	(4.3)	(4.3)	(8.4)
Business reorganisation costs	-	0.7	(0.2)
Expenses related to acquisitions and disposals	(1.1)	(2.2)	(5.3)
Loss on disposal of subsidiaries	-	(3.2)	(4.2)
Impairment of assets	-	-	(0.6)
<b>Reported profit before tax</b>	<b>57.8</b>	<b>48.2</b>	<b>93.2</b>

### Reconciliation of underlying to reported operating profit by segment

	Engineered Solutions		Galvanizing Services		Roads & Security		Total	
	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m
<b>Underlying operating profit</b>	<b>37.6</b>	<b>30.9</b>	<b>24.7</b>	<b>22.6</b>	<b>6.1</b>	<b>9.0</b>	<b>68.4</b>	<b>62.5</b>
Non-underlying items:								
Amortisation of acquisition intangibles	(1.9)	(1.5)	(0.5)	(0.5)	(1.9)	(2.3)	(4.3)	(4.3)
Business reorganisation costs	-	-	-	-	-	0.7	-	0.7
Expenses related to acquisitions and disposals	(0.6)	(0.9)	-	(0.4)	(0.5)	(0.9)	(1.1)	(2.2)
Loss on disposal of subsidiaries	-	-	-	-	-	(3.2)	-	(3.2)
<b>Reported operating profit</b>	<b>35.1</b>	<b>28.5</b>	<b>24.2</b>	<b>21.7</b>	<b>3.7</b>	<b>3.3</b>	<b>63.0</b>	<b>53.5</b>

	Year ended 31 December 2023			
	Engineered Solutions £m	Galvanizing Services £m	Roads & Security £m	Total £m
<b>Underlying operating profit</b>	<b>64.4</b>	<b>45.7</b>	<b>12.4</b>	<b>122.5</b>
Non-underlying items:				
Amortisation of acquisition intangibles	(3.0)	(1.2)	(4.2)	(8.4)
Business reorganisation costs	-	-	(0.2)	(0.2)
Impairment of assets	-	-	(0.6)	(0.6)
Expenses related to acquisitions and disposals	(1.7)	(0.7)	(2.9)	(5.3)
Loss on disposal of subsidiaries	-	-	(4.2)	(4.2)
<b>Reported operating profit</b>	<b>59.7</b>	<b>43.8</b>	<b>0.3</b>	<b>103.8</b>

## Calculation of underlying operating profit margin

	Engineered Solutions		Galvanizing Services		Roads & Security		Total	
	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m
Underlying operating profit	37.6	30.9	24.7	22.6	6.1	9.0	68.4	62.5
Revenue	205.0	181.7	99.0	99.6	118.7	139.5	422.7	420.8
<b>Underlying operating profit margin (%)</b>	<b>18.3%</b>	17.0%	<b>24.9%</b>	22.7%	<b>5.1%</b>	6.5%	<b>16.2%</b>	14.9%

Year ended 31 December 2023

	Engineered Solutions £m	Galvanizing Services £m	Roads & Security £m	Total £m
Underlying operating profit	64.4	45.7	12.4	122.5
Revenue	367.0	196.7	266.1	829.8
<b>Underlying operating profit margin (%)</b>	<b>17.5%</b>	<b>23.2%</b>	<b>4.7%</b>	<b>14.8%</b>

## Measures of organic and constant currency change in revenue and underlying operating profit from continuing operations

	Engineered Solutions		Galvanizing Services		Roads & Security		Total	
	Revenue £m	Underlying operating profit £m	Revenue £m	Underlying operating profit £m	Revenue £m	Underlying operating profit £m	Revenue £m	Underlying operating profit £m
<b>2023</b>	181.7	30.9	99.6	22.6	139.5	9.0	420.8	62.5
Impact of exchange rate movements from 2023 to 2024	(3.4)	(0.8)	(1.3)	(0.4)	(1.3)	(0.1)	(6.0)	(1.3)
<b>2023 translated at 2024 exchange rates (A)</b>	<b>178.3</b>	<b>30.1</b>	<b>98.3</b>	<b>22.2</b>	<b>138.2</b>	<b>8.9</b>	<b>414.8</b>	<b>61.2</b>
Acquisitions and disposals	21.1	4.6	1.1	0.3	(2.0)	-	20.2	4.9
Organic growth/(decline) (B)	5.6	2.9	(0.4)	2.2	(17.5)	(2.8)	(12.3)	2.3
<b>2024 (C)</b>	<b>205.0</b>	<b>37.6</b>	<b>99.0</b>	<b>24.7</b>	<b>118.7</b>	<b>6.1</b>	<b>422.7</b>	<b>68.4</b>
<b>Organic change % (B divided by A)</b>	<b>3.1%</b>	<b>9.6%</b>	<b>(0.4%)</b>	<b>9.9%</b>	<b>(12.7%)</b>	<b>(31.5%)</b>	<b>(3.0%)</b>	<b>3.8%</b>
<b>Constant currency change % ((C-A) divided by A)</b>	<b>15.0%</b>	<b>24.9%</b>	<b>0.7%</b>	<b>11.3%</b>	<b>(14.1%)</b>	<b>(31.5%)</b>	<b>1.9%</b>	<b>11.8%</b>

## Calculation of underlying cash conversion ratio

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
<b>Underlying operating profit</b>	<b>68.4</b>	62.5	122.5
Calculation of adjusted operating cash flow:			
Cash generated by operations	66.6	67.6	173.4
Less: Purchase of assets for rental to customers	(0.2)	(0.6)	(2.3)
Less: Purchase of property, plant and equipment	(7.2)	(10.5)	(26.7)
Less: Purchase of intangible assets	(2.4)	(1.6)	(2.8)
Less: Repayments of lease liabilities	(4.4)	(4.6)	(9.4)
Add: Proceeds on disposal of non-current assets and assets held for sale	0.9	2.9	3.3
Add back: Defined benefit pension scheme deficit payments	1.9	1.9	3.7
Add back/(deduct): Cash flows relating to non-underlying items	1.9	(0.6)	1.9
<b>Adjusted operating cash flow</b>	<b>57.1</b>	54.5	141.1
<b>Underlying cash conversion (%)</b>	<b>83%</b>	87%	115%

### Calculation of capital expenditure to depreciation and amortisation ratio

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Calculation of capital expenditure:			
Purchase of assets for rental to customers	0.2	0.6	2.3
Purchase of property, plant and equipment	7.2	10.5	26.7
Purchase of intangible assets	2.4	1.6	2.8
	<b>9.8</b>	12.7	31.8
Calculation of depreciation and amortisation:			
Depreciation of property, plant and equipment	10.4	9.8	19.7
Amortisation of development costs	0.5	0.5	1.0
Amortisation of other intangible assets	-	-	0.2
	<b>10.9</b>	10.3	20.9
<b>Capital expenditure to depreciation and amortisation ratio</b>	<b>0.9x</b>	1.2x	1.5x

### Calculation of net debt to EBITDA ratio

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Reported net debt	101.6	132.1	108.4
Lease liabilities	(50.2)	(39.2)	(43.7)
Amounts related to refinancing under IFRS 9	1.8	1.9	2.0
<b>Covenant net debt (A)</b>	<b>53.2</b>	94.8	66.7
Underlying operating profit	68.4	62.5	122.5
Depreciation of property, plant and equipment	10.4	9.8	19.7
Right-of-use asset depreciation	5.1	4.8	9.3
Amortisation of development costs	0.5	0.5	1.0
Amortisation of other intangible assets	-	-	0.2
<b>Underlying EBITDA</b>	<b>84.4</b>	77.6	152.7
Adjusted for:			
Lease payments	(5.4)	(4.6)	(10.4)
Share-based payments expense	1.1	2.1	4.1
Annualised EBITDA of subsidiaries disposed/acquired	2.9	4.2	3.5
Prior period H2 EBITDA	70.9	65.7	n/a
<b>Covenant EBITDA (B)</b>	<b>153.9</b>	145.0	149.9
<b>Covenant net debt to EBITDA (A divided by B)</b>	<b>0.4</b>	0.7	0.4

## 6. Non-underlying items

Non-underlying items are disclosed separately in the Consolidated Income Statement where, in the Directors' judgement, the quantum, nature or volatility of such items gives further information to obtain a fuller understanding of the underlying performance of the business. 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 period.
- Expenses associated with acquisitions and disposals, comprising professional fees incurred, any consideration which under IFRS 3 (Revised) is required to be treated as a post-acquisition employment expense, and changes in contingent consideration payable on acquisitions.
- Impairment charges in respect of tangible or intangible fixed assets, or right-of-use 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.

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 period and prior year are set out below.

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Loss on disposal of subsidiaries (2023: Swedish Roads and small UK car park solutions business)	-	(3.2)	(4.2)
Business reorganisation costs	-	0.7	(0.2)
Impairment of assets	-	-	(0.6)
Amortisation of acquisition intangibles	(4.3)	(4.3)	(8.4)
Expenses related to acquisitions and disposals	(1.1)	(2.2)	(5.3)
<b>Total non-underlying items</b>	<b>(5.4)</b>	<b>(9.0)</b>	<b>(18.7)</b>

## 7. Net financing costs

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Interest on bank deposits	0.2	0.2	0.5
<b>Financial income</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>
Interest on loans and borrowings	(4.0)	(4.4)	(8.9)
Interest on lease liabilities	(1.0)	(0.6)	(1.3)
Financial expenses related to refinancing	(0.3)	(0.3)	(0.6)
Interest cost on net pension scheme deficit	(0.1)	(0.2)	(0.3)
<b>Financial expense</b>	<b>(5.4)</b>	<b>(5.5)</b>	<b>(11.1)</b>
<b>Net financing costs</b>	<b>(5.2)</b>	<b>(5.3)</b>	<b>(10.6)</b>

## 8. Taxation

Tax has been provided on the underlying profit at the estimated effective rate of 25.8% (2023: 25.0%) for existing operations for the full year.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK Controlled Foreign Company ('CFC') legislation, announcing in April 2019 that it believed in certain circumstances the CFC regime constituted State Aid. In 2021 the Group received a charging notice from HMRC requiring it to pay £1.6m in respect of state aid that HMRC considers had been unlawfully received in previous years, which was paid in full in February 2021.

Applications to annul the Commission's decision had been made in prior years by the UK Government, the Group and other affected taxpayers. The EU General Court delivered its decision on these applications in June 2022, finding in favour of the Commission. Many of those affected, including the Group, appealed this decision to the Court of Justice of the EU. Having taken expert advice and considering the Advocate General's opinion that was issued in April 2024, we have concluded that our appeal is likely to be successful. As a result, we continue to recognise a tax receivable of £1.6m within non-current assets, reflecting the Group's view that the amount paid will ultimately be recovered.



## 9. Earnings per share

The weighted average number of ordinary shares in issue during the period was 80.4m, diluted for the effect of outstanding share options 81.1m (six months ended 30 June 2023: 80.1m and 80.5m diluted; the year ended 31 December 2023: 80.0m and 81.0m diluted). Underlying earnings per share are shown below as the Directors consider that this measurement of earnings gives valuable information on the underlying performance of the Group:

	6 months ended 30 June 2024		6 months ended 30 June 2023		Year ended 31 December 2023	
	Pence per share	£m	Pence per share	£m	Pence per share	£m
Basic earnings	53.2	42.8	43.5	34.8	86.0	68.8
Non-underlying items*	5.1	4.1	10.1	8.1	19.4	15.5
<b>Underlying earnings</b>	<b>58.3</b>	<b>46.9</b>	<b>53.6</b>	<b>42.9</b>	<b>105.4</b>	<b>84.3</b>
Diluted earnings	52.7	42.8	43.3	34.8	85.0	68.8
Non-underlying items*	5.1	4.1	10.0	8.1	19.1	15.5
<b>Underlying diluted earnings</b>	<b>57.8</b>	<b>46.9</b>	<b>53.3</b>	<b>42.9</b>	<b>104.1</b>	<b>84.3</b>

\* Non-underlying items as detailed in note 6.

## 10. Dividends

Dividends paid in the period were the prior year's interim dividend of £12.0m (2023: £10.4m). Dividends declared after the balance sheet date are not recognised as a liability, in accordance with IAS 10. The Directors have proposed an interim dividend for the current year of £13.3m, 16.5p per share (2023: £12.0m, 15.0p per share), which will be paid on 7 January 2025 to shareholders on the register on 29 November 2024.

## 11. Acquisitions

### Capital Steel

In January 2024 the Group acquired the trade and assets of Capital Steel for an initial consideration of £5.0m. Capital Steel is a structural steel electrical infrastructure manufacturer which provides engineering and fabrication capabilities on a range of structural steel and substation components, principally for the electrical utility and heavy highway construction end markets. The acquisition was a highly strategic bolt-on acquisition opportunity for V&S Schuler and subsequent to acquisition the business has become part of V&S Schuler, within the Group's Engineered Solutions division.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustments £m	Total £m
<b>Intangible Assets:</b>			
Customer lists	-	1.9	1.9
Brand name	-	0.3	0.3
Order backlog	-	0.8	0.8
Property, plant and equipment	0.2	-	0.2
Right-of-use assets	0.4	0.3	0.7
Inventories	2.4	(0.5)	1.9
Current assets	1.9	0.7	2.6
<b>Total assets</b>	<b>4.9</b>	<b>3.5</b>	<b>8.4</b>
Lease liabilities	(0.4)	(0.3)	(0.7)
Current liabilities	(2.9)	(0.2)	(3.1)
<b>Total liabilities</b>	<b>(3.3)</b>	<b>(0.5)</b>	<b>(3.8)</b>
<b>Net assets</b>	<b>1.6</b>	<b>3.0</b>	<b>4.6</b>
<b>Consideration</b>			
Cash in the period			5.0
Future cash			1.2
<b>Goodwill</b>			<b>1.6</b>
<b>Cash flow effect</b>			
Consideration in the period			(5.0)
<b>Net cash consideration shown in the Consolidated Statement of Cash Flows</b>			<b>(5.0)</b>

Brands, customer lists and the order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill is attributable to opportunities with new customers as the business expands its product and customer base, and Capital Steel's highly skilled workforce. Capital Steel will form part of the V&S Utilities CGU for the purpose of annual goodwill impairment testing. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. In respect of leases, the Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the terms of the leases relative to market terms. The fair value of the current assets acquired includes £1.9m of trade receivables, which have a gross value of £1.9m.

As part of the acquisition agreement, contingent consideration has been agreed. The amount of contingent consideration is dependent on revenue and adjusted EBITDA for the two-year period ending 31 December 2025. The maximum contingent consideration payable is £1.0m. As at the acquisition date, the fair value of the contingent consideration was estimated to be £0.6m, calculated on a probability-weighted basis.

Post-acquisition the acquired business has contributed £6.9m revenue and £1.5m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2024, the Group's results for the period would have shown revenue of £422.7m, underlying operating profit of £68.4m and reported operating profit of £63.0m.

## FM Stainless

In March 2024 the Group acquired the trade and assets of FM Stainless for an initial consideration of £6.7m. FM Stainless is a fabricator and distributor of high-alloy, stainless steel engineered pipe supports, expansion anchors and fasteners. The acquisition is a highly strategic bolt-on acquisition opportunity for The Paterson Group ('TPG') and subsequent to acquisition the business has become part of TPG, within the Group's Engineered Solutions division.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustments £m	Total £m
<b>Intangible Assets</b>			
Brands	-	0.2	0.2
Customer lists	-	2.6	2.6
Order backlog	-	0.3	0.3
Property, plant and equipment	0.1	1.5	1.6
Inventories	2.0	(0.4)	1.6
Current assets	1.3	0.1	1.4
<b>Total assets</b>	<b>3.4</b>	<b>4.3</b>	<b>7.7</b>
Current liabilities	(0.3)	(0.5)	(0.8)
<b>Total liabilities</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>(0.8)</b>
<b>Net assets</b>	<b>3.1</b>	<b>3.8</b>	<b>6.9</b>
<b>Consideration</b>			
Cash in the period			6.7
Future cash			0.5
<b>Goodwill</b>			<b>0.3</b>
<b>Cash flow effect</b>			
Consideration in the period			(6.7)
<b>Net cash consideration shown in the Consolidated Statement of Cash Flows</b>			<b>(6.7)</b>

Brands, customer lists and the order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill is attributable to opportunities with new customers as the business expands its product and customer base, opportunities for expansion into new territories/geographies, and FM Stainless' highly skilled workforce. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business 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 £1.4m of trade receivables, which have a gross value of £1.4m.

As part of the acquisition agreement, contingent consideration has been agreed. The amount of contingent consideration is dependent on adjusted EBIT for the 12-month period ending 31 March 2025. The maximum contingent consideration payable is £0.4m. As at the acquisition date, the fair value of the contingent consideration was estimated to be £0.4m, calculated on a probability-weighted basis.

Post-acquisition the acquired business has contributed £2.8m revenue and £0.7m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2024, the Group's results for the period would have shown revenue of £424.5m, underlying operating profit of £68.9m and reported operating profit of £63.5m.

## 12. Impairment of goodwill and indefinite life intangible assets

IAS 36 *Impairment of Assets* requires the Group to test goodwill and other indefinite life intangible assets for impairment annually, or at other reporting period ends where there is an indication of impairment. In determining which Cash Generating Units (CGUs) to test at 30 June 2024, the Group identified those where the trading performance in the first six months of the year had fallen significantly below previous expectations, or where impairment testing at the prior year end had indicated a relatively low level of headroom and sensitivities to the calculations. On this basis, impairment tests were carried out on the Hill & Smith Inc., ATG Access and Prolectric CGUs.

Consistent with past practice and as disclosed in the Group's 2023 Annual Report, impairment tests on the carrying values of goodwill are performed by comparing the carrying value allocated to each CGU against its value in use. Value in use is calculated as the net present value of that unit's discounted future cash flows. Short-term cash flows are based on latest management forecasts for the second half of 2024 and strategic plans for the following four years, which 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. The cash flows beyond the strategic plan period use growth rates which reflect the long-term historical growth in GDP of the economies in which each CGU is located, which are 2.0% for the UK and 2.5% for the US. The Board believes the use of long-term historical growth rates is currently the most reliable indicator of future growth rates, given the uncertainty in any forward-looking growth projections at the reporting date. Discount rates are derived from a market participant's cost of capital, risk adjusted for individual CGU's circumstances.

Based on the methodology outlined above, the impairment reviews for H&S Inc., ATG Access and Prolectric at 30 June 2024 concluded that no impairment charges were required to be recorded in the period. The Group then applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment of the goodwill in each tested CGU.

### Sensitivities

#### *H&S Inc.*

H&S Inc. manufactures, sells and rents a range of work zone protection products including crash attenuators, trailer-mounted message boards, and temporary road safety barriers, to construction contractors and traffic specialists across the US roads market. While underlying market conditions remain healthy, the business' performance over the past two years has been impacted by operational and cost input challenges, and whilst results were better in the first half of 2024, they remain below our longer-term expectations. The Group's projections for H&S Inc. assume that the actions taken to address the operational issues will be successful, and that short to medium term revenue growth will be above long-term averages due to the anticipated increase in federal and state highway spend from the IJJA over the next four to five years. The main drivers of that revenue growth are expected to be crash attenuator sales, where the business has developed a complementary offering to its existing market-leading product that has begun sales in H1 2024, and sales of its temporary road safety barrier, driven by geographical expansion into new states and portfolio enhancements. We recognise, however, that there could be variations in the pace of improvement and growth and therefore we have modelled a range of scenarios for the outlook. Revenue growth, gross margins, long-term cash flow growth and the discount rate are the key assumptions on which the impairment calculations are most sensitive. The following table provides information on the impact on calculated headroom of several scenarios for each of those key assumptions (independently in each case), the first showing the Board approved projection, the second the assumptions that result in zero headroom, and the third a severe but plausible downside scenario:

Input	Scenario	Sensitivity applied	Headroom/ (impairment)
		%	£m
Compound annual revenue growth 2023-2028	Base case	12.6%	5.0
	Zero headroom	12.0%	-
	H&S sensitivity	11.0%	(7.8)
Average gross profit margin 2024-28	Base case	27.3%	5.0
	Zero headroom	26.9%	-
	H&S sensitivity	26.0%	(6.6)
Annual cash flow growth 2029 onwards	Base case	2.5%	5.0
	Zero headroom	1.1%	-
	H&S sensitivity	0.0%	(3.1)
Pre-tax discount rate	Base case	16.2%	5.0
	Zero headroom	17.2%	-
	H&S sensitivity	18.0%	(3.8)

### ATG Access

ATG's future performance is largely dependent on developments in global security products markets, which are inherently dependent on both public/customer behaviour and broader economic conditions. It is plausible that the pace of growth could be more gradual than that assumed in the impairment tests that have been carried out, in which case a further material impairment could arise. Revenue growth and gross margins are the key assumptions on which the goodwill impairment review is most sensitive; the calculations are not particularly sensitive to long-term growth rates or the discount rate applied. 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	Headroom/ (impairment)
		%	£m
Compound annual revenue growth 2023-2028	Base case	8.2%	12.3
	Zero headroom	3.2%	-
	H&S sensitivity	0.0%	(7.3)
Average gross profit margin 2024-28	Base case	34.2%	12.3
	Zero headroom	28.7%	-
	H&S sensitised	25.0%	(7.6)

### Prolectric

Prolectric manufactures, sells and rents a range of off-grid solar energy products including temporary and permanent solar lighting, lighting towers and hybrid power generators, to construction contractors, hire companies and private businesses across the UK infrastructure markets. Following a strong performance in 2022, its results in 2023 and the first half of 2024 have been impacted by a downturn in the UK construction market leading to lower revenues and profitability. The Group's projections for Prolectric result in calculated headroom of £16.8m. These projections assume a recovery in UK construction activity over the short to medium term, that the business's recent refocus into the more resilient facilities management sector will further support revenue growth, and that the niche solar lighting market in which Prolectric operates will see strong medium term growth rates driven by corporate sustainability initiatives. Consequently, the projections include compound annual revenue growth of 20.3% over the period 2023-28. We acknowledge, however, that there could be variations in the pace of recovery in underlying UK construction activity and in growth across Prolectric's other markets, and our sensitivity calculations indicate that compound annual revenue growth of 14.7% (all other assumptions in the model unchanged) would result in zero calculated headroom, while compound growth of 12.0% would lead to an impairment of £7.9m. The calculations are not particularly sensitive to other assumptions such as gross margins, long term growth rates or the discount rate and we do not believe that there are any reasonable possible changes in assumptions for these metrics that could lead to a material impairment.

### 13. Analysis of net debt

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
<b>Cash and cash equivalents in the Condensed Consolidated Statement of Financial Position</b>			
Cash and cash equivalents	55.8	22.3	34.4
Bank overdrafts	-	(0.1)	-
<b>Cash and cash equivalents net of bank overdraft</b>	<b>55.8</b>	<b>22.2</b>	<b>34.4</b>
<b>Interest bearing loans and other borrowings</b>			
Amounts due within one year	(0.7)	(0.1)	(1.4)
Amounts due after more than one year	(106.5)	(115.0)	(97.7)
Lease liabilities due within one year	(8.5)	(8.2)	(8.0)
Lease liabilities due after more than one year	(41.7)	(31.0)	(35.7)
<b>Net debt</b>	<b>(101.6)</b>	<b>(132.1)</b>	<b>(108.4)</b>

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
<b>Change in net debt</b>			
Operating profit	63.0	53.5	103.8
Non-cash items	20.6	23.9	47.6
Operating cash flow before movement in working capital	83.6	77.4	151.4
Net movement in working capital	(13.1)	(7.2)	22.8
Change in provisions and employee benefits	(3.9)	(2.6)	(0.8)
<b>Operating cash flow</b>	<b>66.6</b>	<b>67.6</b>	<b>173.4</b>
Tax paid	(10.6)	(14.9)	(31.7)
Net financing costs paid	(3.6)	(4.2)	(8.4)
Capital expenditure	(9.8)	(12.7)	(31.8)
Proceeds on disposal of non-current assets and assets held for sale	0.9	2.9	3.3
<b>Free cash flow</b>	<b>43.5</b>	<b>38.7</b>	<b>104.8</b>
Dividends paid (note 10)	(12.0)	(10.4)	(28.0)
Acquisitions of subsidiaries	(13.8)	(41.7)	(53.5)
Disposals of subsidiaries	-	0.4	(0.2)
Amortisation of costs associated with refinancing activities (note 7)	(0.3)	(0.3)	(0.6)
Purchase of shares for employee benefit trust	(1.5)	(0.4)	(2.6)
Issue of new shares	2.3	1.0	1.8
Lease additions, terminations and remeasurements	(9.9)	(3.2)	(12.6)
Leases disposed of with disposal of subsidiary	-	0.2	0.3
Cash paid on early termination of leases	(0.1)	-	-
Interest on lease liabilities	(1.0)	(0.6)	(1.3)
<b>Net debt decrease/(increase)</b>	<b>7.2</b>	<b>(16.3)</b>	<b>8.1</b>
Effect of exchange rate fluctuations	(0.4)	3.9	3.2
Net debt at the beginning of the period	(108.4)	(119.7)	(119.7)
<b>Net debt at the end of the period</b>	<b>(101.6)</b>	<b>(132.1)</b>	<b>(108.4)</b>

## 14. Financial instruments

The table below sets out the carrying value of the Group's financial assets and liabilities as at 30 June 2024 and 31 December 2023. The Group's financial assets and liabilities are all valued at amortised cost. The fair values of all financial assets and liabilities are not materially different to the carrying values set out below.

	Carrying value at 30 June 2024 £m	Carrying value at 31 December 2023 £m
Cash and cash equivalents net of bank overdraft	55.8	34.4
Loans and borrowings due within one year	(0.7)	(1.4)
Loans and borrowings due after more than one year	(106.5)	(97.7)
Lease liabilities due within one year	(8.5)	(8.0)
Lease liabilities due after more than one year	(41.7)	(35.7)
Other financial assets	139.2	119.3
Other financial liabilities	(121.3)	(107.2)
<b>Total</b>	<b>(83.7)</b>	<b>(96.3)</b>

### Fair value hierarchy

There were no financial instruments carried at fair value at 30 June 2024, 30 June 2023 or 31 December 2023.

## 15. Events after the reporting period

In July 2024, we acquired Trident for an initial consideration of £10.6m and further cash consideration of up to £25.6m, payable based on future revenues over the five years post-acquisition. Located in Greater St Louis, Illinois, Trident is a designer and supplier of composite utility poles, serving utility company needs across North America and the Caribbean. The business has a long-term outsourced manufacturing relationship with Enduro Composites, and will become part of the Creative Composites Group, within the Engineered Solutions division.



## Financial Calendar

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Ex-dividend date for 2024 interim dividend	28 November 2024
Record date	29 November 2024
Payment of interim dividend for 2024	07 January 2025
Preliminary results announcement for 2024	12 March 2025
Annual General Meeting 2025	22 May 2025

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## Dividend Reinvestment Plan

Hill & Smith offers a Dividend Reinvestment Plan ('Plan'). The Plan, administered by the Company's Registrars, Computershare Investor Services, allows shareholders to reinvest their cash dividends in Hill & Smith ordinary shares.

Shareholders who have not already joined the Plan in respect of the interim dividend to be paid on 7 January 2025, need to elect to do so by 12 December 2024 and can contact Computershare Investor Services either by telephoning 0370 707 1058 or by visiting their website at [www.computershare.com/investor/UK](http://www.computershare.com/investor/UK)





## Directors, Contacts & Advisors

### Directors

**Alan Giddins**

Executive Chair

**Hannah Nichols**

Chief Financial Officer

**Hooman Caman Javvi**

Chief Operating Officer

**Tony Quinlan**

Senior Independent Non-executive

**Carol Chesney**

Non-executive

**Pete Raby**

Non-executive

**Leigh-Ann Russell**

Non-executive

**Farrokh Batliwala**

Non-executive

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**Company Secretary**

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