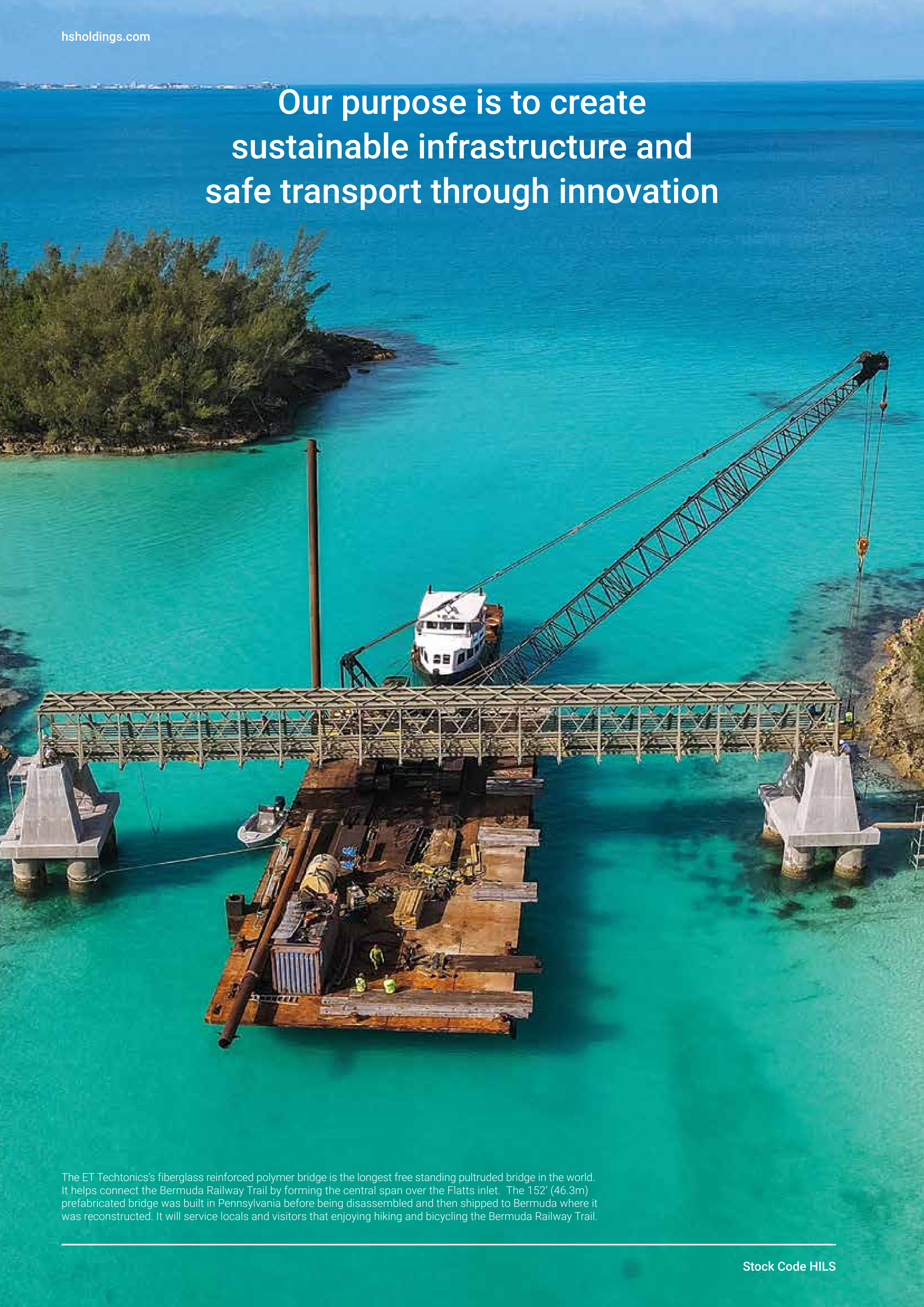
2020

Annual Report for the year ended 31 December 2020

Stock Code HILS

Our purpose is to create sustainable infrastructure and safe transport through innovation



The ET Techtonics's fiberglass reinforced polymer bridge is the longest free standing pultruded bridge in the world. It helps connect the Bermuda Railway Trail by forming the central span over the Flatts inlet. The 152' (46.3m) prefabricated bridge was built in Pennsylvania before being disassembled and then shipped to Bermuda where it was reconstructed. It will service locals and visitors that enjoying hiking and bicycling the Bermuda Railway Trail.

Hill & Smith Holdings PLC

Front cover images:

Top: ArrowMaster Pro-line mobile message sign, supplied by Hill & Smith Inc., USA.

Middle: A bridge fender system constructed by Creative Composites using high-strength fiberglass pipe piles and installed at Gasparilla Island, Florida, USA.

Bottom: Steel horses, designed by the artist Andy Scott and galvanized by Joseph Ash Limited.

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

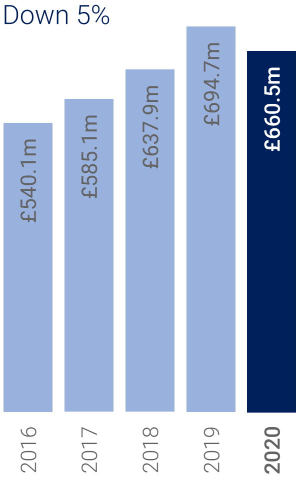
Group Highlights

- Health, safety and wellbeing of all employees remain our key priority during the COVID-19 pandemic
- Robust performance with good recovery in H2, approaching H2 2019 trading levels
- Strong cash generation supported by cash preservation actions, resulting in a £69.1m reduction in net debt
- Repayment of all monies received under the UK Coronavirus Job Retention Scheme (£3.6m)
- FY20 final dividend of 17.5p recommended, taking total dividend for the year to 26.7p

Revenue

£660.5m

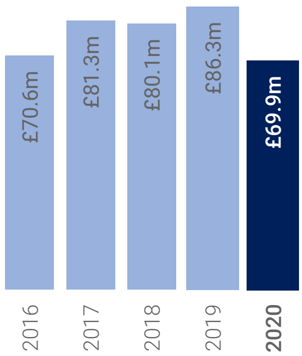
Down 5%



*Underlying operating profit

£69.9m

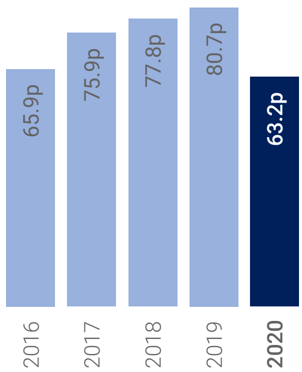
down 19%



*Underlying earnings per share

63.2p

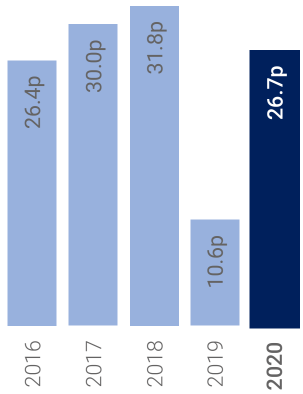
down 22%



Dividend per share

26.7p

The 2019 final dividend of 23.0p was cancelled as result of the COVID-19 pandemic.



	31 December 2020	31 December 2019	Change %
Revenue	**£660.5m**	£694.7m	-5
Underlying*:			
• Operating profit	**£69.9m**	£86.3m	-19
• Operating margin	**10.6%**	12.4%	-180bps
• Profit before taxation	**£62.6m**	£79.4m	-21
• Earnings per share	**63.2p**	80.7p	-22
Statutory:			
• Operating profit	**£42.8m**	£69.2m	-38
• Operating margin	**6.5%**	10.0%	-350bps
• Profit before taxation	**£35.5m**	£61.8m	-43
• Basic earnings per share	**30.2p**	61.1p	-51
Dividend per share	**26.7p**	10.6p	
Net debt	**£146.2m**	£215.3m	

* All underlying measures exclude certain non-underlying items, which are as detailed in note 4 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 3 to the Financial Statements. They are presented on a consistent basis over time to assist in comparison of performance, with the exception of changes to the presentation of net financing costs on defined benefit pension obligations and costs incurred as part of significant refinancing activities, which were presented as non-underlying items in 2019 but included in the underlying results in 2020. This change had no material impact on the results for either period.

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.

Our Investment Case

Through our international group of companies, we aim to deliver superior long term value for stakeholders by creating sustainable infrastructure and safe transport solutions through innovation.

Niche markets

We are attracted to niche markets, preferably with high barriers to entry such as regulation, where we can deliver significant value to our customers, whether through sustainable, safety-related, or time critical applications.

Underlying growth

When identifying the markets in which we wish to operate, we consider long term growth drivers both at a macro and market specific level. See pages 10 and 11 for more details.

Portfolio management

We have a disciplined approach to our portfolio of businesses. We seek organic growth from our existing operations and, supported by our cash generation, pursue acquisitions that fit our overall business model. Where businesses no longer fit either that model, or the required growth profile, we will look to either restructure or divest.

Autonomous operating model

Our decentralised autonomous operating model is a powerful factor and helps attract high-calibre management teams and individuals. Our businesses are diversified across markets, products and customers and exercise agility and entrepreneurialism, seeking out opportunities in their own markets.

Cash generation

We maintain a disciplined financial framework. Our focus on strong operating margins and return on capital creates strong cash generation for reinvestment and returns to shareholders. 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. See page 12 for more details.

Progressive dividend

We operate a sustainable and progressive dividend policy and, whilst the COVID-19 pandemic interrupted many years of dividend growth with the 2019 final dividend being cancelled, we were able to pay an interim dividend for 2020 in July. The Board is recommending a final dividend for the year of 17.5p per share.

Innovation in niche markets

Hill & Smith Inc. has developed the HS2X™ Asset Tracking Device

Transportation systems are becoming increasingly connected and road agencies and operators seek technologies that enable them to remotely monitor roadside hardware and safety equipment. To meet this growing demand in the market, Hill & Smith Inc. has developed the HS2X™ Impact Notification and Asset Tracking device family. These multi-purpose devices, which are available in wireless and wired options, are ultra-rugged, weatherproof and feature-rich, offering industry-leading GPS tracking, geofencing, real time impact notification, and more.

The HS2X™ line up complements and enhances all three of Hill & Smith Inc's product categories: Roadside Safety, Work Zone Safety, and ITS Smart Work Zone. When added to the Smart Cushion® impact attenuator or other roadside barrier, HS2X's on board accelerometer can detect when the device is impacted, which prompts an alert to local authorities and maintenance crews. With smart work zones becoming more prevalent, HS2X™ is an affordable option to connect traditional work zone products, such as cones and arrow board trailers. This enables users to identify and monitor lane closures and work zones remotely. Through Hill & Smith Inc's partnership with HAAS Alert, location data collected by HS2X™ can be transmitted through the Waze navigation app to notify drivers of upcoming hazards and work zones. HS2X™ can also be used as an advanced asset tracker, giving high value equipment owners access to their asset's GPS location.

All data collected by HS2X™ devices is visible via Hill & Smith Inc's HS Connect™ online portal.

Group at a glance

Roads & Security

Our Roads & Security businesses make the roads safe for all stakeholders, as well as improving security at a wide range of events and locations.

They design, manufacture and supply products including permanent road safety barriers, temporary work zone protection products, hostile vehicle mitigation products, perimeter security, predestrian protection products, street lighting columns, car park and bridge parapets and techology-supported road message signs.

These businesses operate from sites in Australia, France, Sweden, the UK and the US.

Utilities

Our Utilities businesses supply the critical components that Utility providers need to ensure security and sustainability.

They design, manufacture and supply products and services for power generation, liquefied natural gas, renewables, utilities, construction and other industrial sectors. These include pipe supports, electricity transmission structures, energy components, liquid storage and water management solutions, industrial flooring and access systems, and FRP composite products.

These businesses operate from sites in India, the UK and the US.

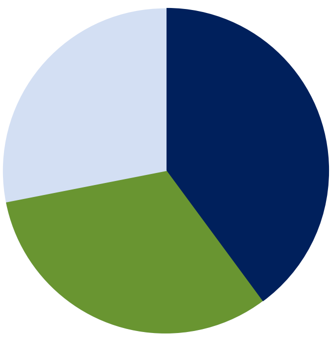
Galvanizing Services

Hot-dip galvanizing is a proven steel corrosion protection coating that has a minimal economic and environmental impact, poviding a long term maintenance free solution.

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 industrial applications.

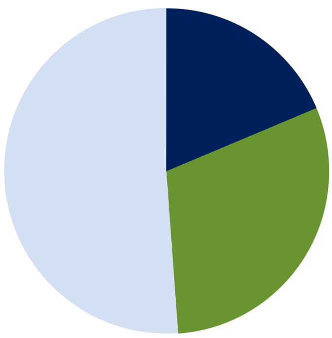
Our Galvanizing businesses operate from plants in France, the UK and the US.

Revenue by segment



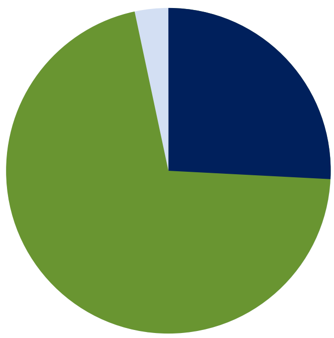
- Roads & Security – 40%
- Utilities – 32%
- Galvanizing Services – 28%

Operating profit by segment



- Roads & Security – 19%
- Utilities – 30%
- Galvanizing Services – 51%

Operating profit by location



- UK – 26%
- US – 71%
- ROW – 3%

Chair's Letter

Alan Giddins
Chair

"The last 12 months have demonstrated the strength of our business, the quality and commitment of the people who work for Hill & Smith and the resilience of our end markets."

Dear Stakeholder

Over the last 12 months the coronavirus (COVID-19) pandemic has provided a uniquely challenging environment in which the Group has had to operate. In many ways the year can be divided into three distinct parts: January-mid March, during which we saw strong trading in line with expectations; mid March-June when we saw the impact of significant operational closures; and July-December when we saw a gradual improvement in performance, culminating in a strong fourth quarter. Against this backdrop our results for the year were towards the upper end of the Board's expectations. They reflect the strength of our management teams, the commitment and resourcefulness of our employees and the robustness of our business model and the end markets in which we operate.

Performance Highlights

Revenue for the year was £660.5m (2019: £694.7m) and underlying operating profit was £69.9m (2019:£86.3m). Underlying operating margin was 10.6% (2019: 12.4%), while underlying profit before taxation was £62.6m (2019:£79.4m). Reported profit before taxation was £35.5m (2019: £61.8m), and is shown after taking account of certain non-underlying items.

To put this performance in context, throughout the first lockdown period a large number of the Group's operations in the UK, France and India were completely closed, with the result that we were only marginally profitable during the three month period to the end of June. The fact that we did not fall into a loss during this period was testament to our operating model of devolved decision making, which enabled our subsidiary businesses to respond quickly to the changing market environment. In contrast the Group saw an improving third quarter and very strong performance in the fourth quarter. The only area of activity where we have not seen a noticeable recovery in performance is in our security businesses, which continue to be impacted by ongoing COVID-19 restrictions on public gatherings and delayed customer orders.

Cash generation has been strong during the year and reflects the benefit of the improved working capital management processes put in place during 2019, along with the tight management of both operating costs and non-essential capital expenditure. As at 31 December 2020, total net debt had come down to £146.2m against £215.3m at the start of the year, leaving financing headroom of £225.1m on the Group's borrowing facilities.

We made a conscious decision at the start of the pandemic to de-prioritise M&A with the result that we have only completed one small acquisition during the year. We continue to build and redefine our pipeline of possible acquisition targets and on 2 March 2021 we announced the acquisition of Prolectric Services Ltd.

Strategy

While the core building blocks of our strategy remain in place, we have redefined our purpose statement. I think this has been an extremely helpful exercise and provides for greater clarity around the markets and activities we wish to prioritise within the sustainable infrastructure and transport safety arenas. Further detail is provided in Our Strategy on pages 8 and 9.

UK Government Support Schemes

At the start of the first lockdown period the Group made the decision to furlough a number of employees in the UK and to claim under the UK Government's Coronavirus Job Retention Scheme. In aggregate, the Group initially claimed £3.6m under this scheme. The Board also made the decision to take advantage of the opportunity to defer our second quarter VAT payments in the UK.

As our trading improved going into the last quarter of the year and in particular having taken account of the stronger than forecast cash generation, the Board made the decision in December 2020 to return the furlough monies and to accelerate the repayment of the deferred VAT amounts. Prior to the year end all amounts were repaid in full and as a consequence do not impact the results shown in these accounts. In making this decision the Board took account of what it felt was the spirit and purpose behind the UK Government's decision to put these schemes in place.

Chair's Letter
continued

Governance and Board

One of my key responsibilities as Chair is to ensure good governance for Hill & Smith. In this regard, I have been extremely well supported by the members of the Board. I believe that we have a strong balance of skills and experience that complement the talents of our executive team, the benefit of which has been evident during the current year.

In April 2020 the Group announced that Derek Muir would be stepping down as Chief Executive at the end of 2020. Derek joined Hill & Smith in 1988 and was Chief Executive for 14 years. He played a pivotal role in the success of the Group during this period and is someone with whom I have thoroughly enjoyed working with. On behalf of the Board and shareholders, I would like to thank Derek for all that he has done at Hill & Smith and to wish him well in his retirement.

Paul Simmons joined as Chief Executive Designate and a Board Director in September 2020, and, following a well-managed hand-over from Derek, took over as Chief Executive in November 2020. Paul was previously Chief Executive of the Infrastructure Safety and Process Safety sectors at Halma plc, operating within a similar decentralised business model to that of Hill & Smith. Paul was the outstanding candidate to emerge from an extensive search process and I have been hugely impressed by his energy and clarity of thought since joining the Group.

At the beginning of February 2021, the Group announced that Leigh-Ann Russell would be joining the Board as a Non-executive Director from 1 April 2021. Leigh-Ann is Chief Procurement Officer for BP PLC ('bp'), with responsibility for safety, compliance and efficiency of bp's global supply chain. I am delighted that we have been able to attract someone of Leigh-Ann's capabilities to our Board.

People

More than ever before the Group has relied on the commitment, resilience and resourcefulness of its employees over the last 12 months. The day-to-day operational challenges our employees have been asked to work with have been significant, as have been the challenges placed upon our subsidiary Managing Directors and their senior teams. I would like to pay tribute to Derek Muir, Hannah Nichols and the rest of the head office team for their tireless commitment to helping navigate Hill & Smith through the early stages of the pandemic.

At the beginning of 2021, the Group announced a new senior management structure and the establishment of an Executive Board. Under this new structure we will have Group Presidents, who will report into the Chief Executive and through whom the subsidiary companies will report. A change in organisational structure is something that the Board has been looking at for some time, and I believe it will help ensure that we are even more fleet of foot in our decision-making, as well as help accelerate the delivery of our M&A strategy. In January 2021, Denise Beachy joined Hill & Smith as a Group President, based in the US. Denise will have overall responsibility for building out our high growth composite activities as well as for a number of our other specialist utility businesses. Andrew Beaney, currently head of the Roads & Security division, has also been appointed as a Group President.

Last year we established two Workforce Advisory Panels. I have been impressed by the way that the Group has taken the output from the survey and reflected it in a number of changes within the organisation. While we were constrained in our ability to meet up with these panel members during 2020, we have reached out to them throughout the year to get their feedback, and in December we reconvened the same groups online. I was pleased to be able to join both of these meetings.

Health & Safety

The health and safety of the Group's employees is a key priority for the Board, and I have been impressed with the emphasis on this area which Paul Simmons has brought with him to the Chief Executive role.

At the outset of the pandemic, COVID-19 risk assessments were made at all locations and additional safety procedures put in place. Regular site audits have taken place throughout the year to ensure that these measures have been followed. While we have seen a number of employees off work due to COVID-19, I am extremely relieved that we have not suffered any fatalities amongst our workforce.

A review of health & safety data is undertaken at every Board meeting, with a particular focus on those subsidiaries where safety incidents are above average. Hill & Smith holds quarterly Health & Safety Forums, bringing together key safety professionals from across the Group. This allows for the sharing of best practice and the efficient roll-out of specific Group safety initiatives. The minutes of these meetings are presented to your Board.

Environmental, Social & Governance ('ESG')

Your Board is very conscious of the importance our shareholders, employees and other stakeholders place on our approach to ESG, and the need to continually improve our performance and disclosure in this area. During 2021 we will be developing a new full scope ESG strategy. This initiative is being led by Paul Simmons, as Chief Executive, with oversight from the Board.

Dividend and Annual General Meeting

At the height of the first lockdown, and in line with many other companies, the Board took the decision to cancel the 2019 final dividend, saving £18.3m. The Board considered this to be an appropriate and prudent step to take at a time when it was extremely difficult to forecast the impact of the pandemic. Having seen an improving trading backdrop in the third quarter the Board made the decision to announce an interim dividend of 9.2p (2019: 10.6p). In light of the continued positive trading through to the end of the year the Board has proposed a final dividend of 17.5p (2019: 23.0p, cancelled). It is your Board's intention that going forward it will have a dividend policy which is both sustainable and progressive.

It was with great regret that we were forced to hold a virtual Annual General Meeting last year. I would, however, like to thank all shareholders who took part in the meeting. The next Annual General Meeting is due to be held on 25 May 2021. Based on current Government guidance this meeting will also take place virtually, details of which will be communicated together with the AGM notice.

Looking Ahead

There is no doubt that the last 12 months have demonstrated the strength of our business, the quality and commitment of the people who work for Hill & Smith and the resilience of our end markets. The world will, however, continue to face significant challenges linked to the economic damage inflicted by COVID-19, and we should not assume that Hill & Smith will be immune to the effects of this in the short term.

In the medium to long term I feel very positive about the prospects for the Group. Paul Simmons has set out his strategy and outlined the key building blocks which will underpin the future growth of the business. I am confident that his focus on organic growth, margin enhancement and focused M&A will serve Hill & Smith well. Our financial position is sound, we have highly experienced and energised management teams across our businesses and I believe that the infrastructure markets we serve will continue to see significant investment.

Alan Giddins
Chair

9 March 2021

Chief Executive's Introduction

Paul Simmons

Group Chief Executive

"I am delighted to have joined Hill & Smith as Chief Executive and am excited about the future of the Group. With our renewed purpose and refined focus, I believe that we are well positioned for further growth."

Dear Stakeholder

On joining Hill & Smith in September last year, my first priority was to meet as many colleagues and visit as many Group businesses as possible. Ideally these meetings would have been face to face but, due to COVID-19 restrictions, a number, particularly with overseas sites, inevitably had to be conducted virtually.

From these, it is clear to me that our businesses employ extremely committed people with excellent market and domain knowledge, and that we operate in resilient end markets with strong structural growth drivers.

I am a strong believer in our decentralised autonomous operating model and the benefits it brings, including highly accountable management, agility and customer intimacy, and the ability to attract talented people who want to make a difference. This model operates within a disciplined financial framework with strong levels of cash generation and a robust balance sheet. This is all underpinned by strong governance and an ambitious and supportive Board.

In the coming year, we will refine our strategy to build on the opportunities across the Group to further enhance our growth potential. First and foremost, we will continue to focus on accelerating organic growth by increasing the rate of innovation and identifying new niche markets. Second, we will place greater emphasis on higher margins and long-term growth, and we have already fine-tuned our portfolio management criteria to that effect. The US and UK will remain our key areas of geographic focus, both for organic growth and targeted acquisitions.

We have recently taken steps to organise for growth and scalability. At the beginning of 2021, we formed a new Executive Board and have introduced Group Presidents who will be responsible for accelerating growth within their market portfolio and supporting the business overall. Talented people are fundamental to the success of our decentralised model, and with this in mind we have recruited a Chief People Officer who will be leading on career and talent development across the Group. We intend to recalibrate the incentive schemes for our people to align with our enhanced growth ambitions.

As well as the way we operate internally, our success relies on us focusing on markets with long-term growth drivers, at both a macro and market-specific level. Those macro drivers include climate change, health & safety regulation, population growth and increasing urbanisation. Market-specific drivers include enabling technology, sustainable materials, decarbonisation, infrastructure safety and Vision Zero, a programme to elimate road deaths. Combined, these feed into the need for infrastructure to be upgraded, in a sustainable way, and for governments to increase regulation in the area of health & safety. All this is reflected in our purpose of 'creating sustainable infrastructure and safe transport through innovation'. I have already seen first-hand some of our products that are a benefit to society, from flood defence products, fire-resilient electricity transmission poles and solar-powered signs, to pedestrian protection bollards. In turn, this purpose makes us very conscious of the impact of our production processes on climate change, and of the opportunities and risks that climate change introduces to our strategy.

We will be further developing our ESG strategy in 2021, including reviewing our commitments to managing our water and energy consumption, improving diversity and inclusion, and continuing to enhance our health & safety performance. Reinforcing a culture of responsibility and accountability across our Group and in each individual business is an absolute priority for the Board, and for me personally.

In the following pages we provide more detail about our business model and our strategy, our key markets and how we select them, and our wide range of sustainable infrastructure and safe transport solutions, all of which underpin our growth ambitions.

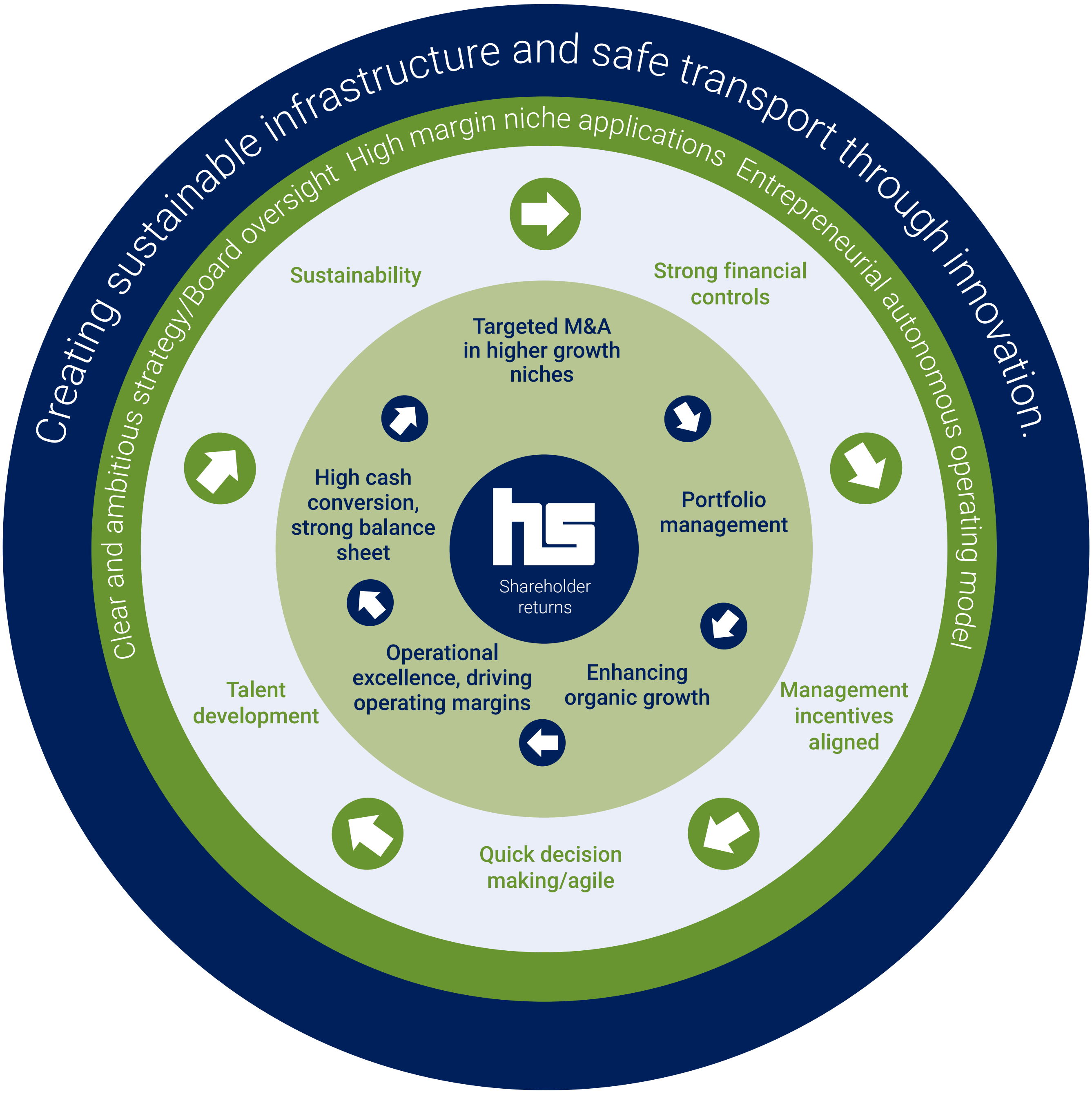
I am delighted to have joined Hill & Smith as Chief Executive, and I am excited about the future of the Group. With our renewed purpose and refined focus, I believe that we are well positioned for further growth.

Paul Simmons
Chief Executive

9 March 2021

Our Sustainable Growth Model

Our business model is centred on the creation of innovative and sustainable infrastructure and safe transport solutions for our customers by a portfolio of autonomous, geographically diverse companies. Through the active management of that portfolio and within a disciplined financial framework and a strong culture of sustainability, we seek to create long-term value for our stakeholders.



Our Strategy

While many key elements of our strategy remain unchanged, we have redefined our purpose to "creating sustainable infrastructure and safe transport through innovation".

Our purpose, in combination with the consideration of long-term macro growth and market drivers, will determine our choice of markets and applications.

We continue to be attracted to fast growing niche opportunities that provide significant value to our customers in their critical applications, preferably in markets with high barriers to entry such as regulation. Our products and services help transport become safer and infrastructure become more sustainable, with both the environment and our customers benefitting through the value that our diverse offerings provide. Our decentralised model allows our businesses to care about small, high growth, high margin applications in a way that more centralised, volume driven organisations cannot. We take a long-term view in the assessment of, and investment in, our current markets and potential applications.

We look to capitalise on the extensive domain knowledge we hold within our current markets, to minimise risk as we continue to evolve our portfolio through organic developments, thoughtful acquisitions, and targeted disposals. We will aim to improve the quality of our portfolio with each iteration.

Our organisation consists of a small, highly capable central function allowing us to over-invest in the talent within our operating companies. We only have around 20 people (out of c. 4400 global employees) in our head office. We deliberately place most of our talent close to our customers because we believe that this increases market intimacy, agility, and delivers accountability. Our decentralised model is also a powerful factor in the attraction of high calibre people who want to make a difference. Within the Group we have the potential to offer incredibly varied career paths to our employees.

The decentralised model, which we have adopted for many years, is scalable through the addition of the recently introduced Group President roles. These end market focused, senior leaders run their own portfolio of operating companies, partnering with the operating companies on organic growth and the Corporate Development team to add high quality businesses to their portfolios.

Alongside our decentralised operating model our financial model has been the foundation of our long-term success. Our model is based on delivering greater than 3% organic revenue growth through the cycle and achieving Group operating margins in the range of 12-15%. This leads to businesses which are highly cash generative, with a target of 90% underlying cash conversion and we reinvest this cash to grow our existing businesses and to fund carefully considered acquisitions. We also maintain a strong and flexible balance sheet with a conservative approach to borrowing and a target net debt to underlying EBITDA ratio of 1.5 to 2.0 times. This approach sustains growth over the longer term and enables us to pursue a progressive dividend policy and deliver superior returns to shareholders.

We aim to provide safe, high quality jobs for our employees worldwide providing the potential for career development and socio-economic mobility. We are committed, wherever possible, to ensuring that we provide stable, inclusive employment for all members of the community in successful and sustainable businesses. We ensure that we meet all environmental regulations and work towards carbon neutrality.

Our focus is on geographies where there are historically high levels of investment in infrastructure for upgrades and replacements. We currently operate from 76 sites in six countries.

The successful execution of our strategy drives exceptional shareholder returns, provides high quality jobs for our employees, benefits local communities and gives long-term opportunities for our supply chain partners.

Our Markets

Our businesses serve a wide range of industries, including road, rail, utilities, power distribution and construction. Our largest markets are the UK and US while we also have businesses in Australia, France, India and Sweden.

Macro Drivers

Climate Change

The world is experiencing the drastic effects of climate changes. Greenhouse gas emissions are more than 50% higher than 20 years ago. Global warming is causing long-lasting changes to the Earth's climate system.

Health & Safety Regulation

The health & safety market is anticipated to grow driven by increasing government regulations and the adoption around the world of best practices. Furthermore, rising incidents of natural fires and other accidents are expected to create further demand.

Population

The human population is increasing at about 1% per year, meaning that by the mid-2030s the world's population will be c. 8.6bn (2020: 7.8bn). This increase in population, an increasing proportion of whom are aging, will drive an increase in the need for safe, sustainable infrastructure.

Urbanisation

The population of people living in towns and cities is increasing, with more than one half of the world's population now living in urban areas. The UN believes that by 2050, two-thirds of the world's population will live in urban areas, as the world becomes increasingly urbanised.

Market Drivers

Decarbonisation

As governments accelerate climate change initiatives to meet the goals of the Paris Agreement and the UK Government presents its goal of net zero carbon emissions by 2050, the scale of renewable energy development will increase. Long-term electrification and energy storage will be key priorities for energy-intensive sectors and reducing energy waste and decarbonising heating will become focus areas for governments generally.

Enabling Technology

The way we live and work is becoming increasingly data driven. The increasing availability of 5G and connected networks is impacting our customers across multiple industries as the flow of data allows.

Infrastructure Resilience & Safety

In a rapidly evolving environment, many communities are asking whether their local infrastructure assets are resilient and safe enough. Failures over the years including recent California wildfires; bridge collapses; terrorism; and road and rail accidents result in these communities feeling less confident about the resilience, safety and security of their infrastructure. Governments in both the US and UK are prioritising spending on increasing the sustainability of infrastructure.

Sustainable Construction Materials

Construction is under pressure to raise its sustainability credentials, as it is a big user of natural resources. Sustainable construction methods include renewable and recyclable resources; and the protection of fabricated materials, reducing total energy consumption and waste; and creating an environmentally friendly solution.

Vision Zero

Vision Zero is a strategy to eliminate all traffic fatalities and severe injuries, while increasing safe, healthy, equitable mobility for all. First implemented in Sweden in the 1990s, Vision Zero has proved successful across Europe and is gaining momentum in major American cities.

What does this mean to Hill & Smith?

The macro growth drivers and strong market drivers create opportunities for the Group through both organic growth and by acquisition, whilst at the same time the Group is committed to managing its own impact on climate change (see pages 41 to 43 for more details).

Roads & Security

- Major funding available for roads infrastructure:
  - UK Road Investment Strategy 2 ('RIS2') spend of £27.4bn over five years to 2025
  - US Moving Forward Act spend of $1.5tn over ten years
- Connected ecosystems to provide safety and environmental data around work zones capitalising on the Group's deep domain knowledge
- Increasing standards of road and transport safety
- Opportunities resulting from the need to increase safe traffic volumes on existing roads
- Strong growth markets in data centre security

Utilities

- Increased opportunities to reduce the embedded energy in infrastructure using resilient composite products
- Mitigation of the impact of climate change through wildfire resistant products and flood defences
- Significant opportunities in electricity distribution caused by the changing nature of electricity generation, the increasing need for electricity and the need to replace aging infrastructure
- Opportunities to contribute to the de-carbonisation of electricity generation

Galvanizing

- Growth in US and UK infrastructure spending plans is driving the need for maintenance free, long-life steel products
- Galvanizing remains a growing application in the US with the opportunity to increase our presence through brownfield development and/or acquisition
- Providing sustainable, maintenance free, corrosion resistant opportunities

Capital Discipline

Cash generation and conservative leverage

Strategy/Target

- Deliver annual cash conversion in excess of 90%
- Target net debt to EBITDA ratio of 1.5 to 2.0 times

Progress in 2020

- In 2020, cash conversion was 139% reflecting tight control over working capital and robust prioritisation of capital investment
- Leverage reduced to 1.3 times (2019: 1.6 times); no ongoing support from UK COVID-19 relief measures
- Significant headroom of £225.1m above borrowing facilities, creating capacity for growth investment
- Committed borrowing facilities have medium to long maturities, the earliest expiring in December 2023

Net Debt: EBITDA

1.3 times

(2019: 1.6)

Reinvest for organic growth

Strategy/Target

- Capital allocation focused on higher growth, higher return markets
- Investment in innovation key to progress
- Target organic revenue growth in excess of 3%

Progress in 2020

Capital investment in 2020 was £20.4m, 0.9 times depreciation/amortisation, including:

- £3.2m completion of high-margin US Galvanizing facility
- £3.1m UK traffic safety rental products, supporting anticipated growth from forthcoming RIS2 programme
- £1.6m expansion of strong-growth US seismic restraint manufacturing facility

Organic revenue growth

-7%

(2019: +1%)

Targeted acquisitions to enhance growth

Strategy/Target

- Acquisition targets must fit our strategy and purpose
- Strength of returns and growth potential key to investment decisions
- Target Group return on invested capital in excess of 17%

Progress in 2020

- Acquisitions deprioritised in H1 2020 in light of the COVID-19 pandemic
- Small US acquisition in H2 to enhance manufacturing capabilities
- £12.5m acquisition of Prolectric Services Ltd in March 2021 – strong growth potential in renewable energy lighting
- Financial headroom supports further M&A activity

ROIC

12.6%

(2019: 15.9%)

Progressive earnings and dividend growth

Strategy/Target

- Growth and return targets deliver progressive earnings
- Focus on cash generation supports sustainable dividend growth
- Target dividend cover 2.4x underlying earnings

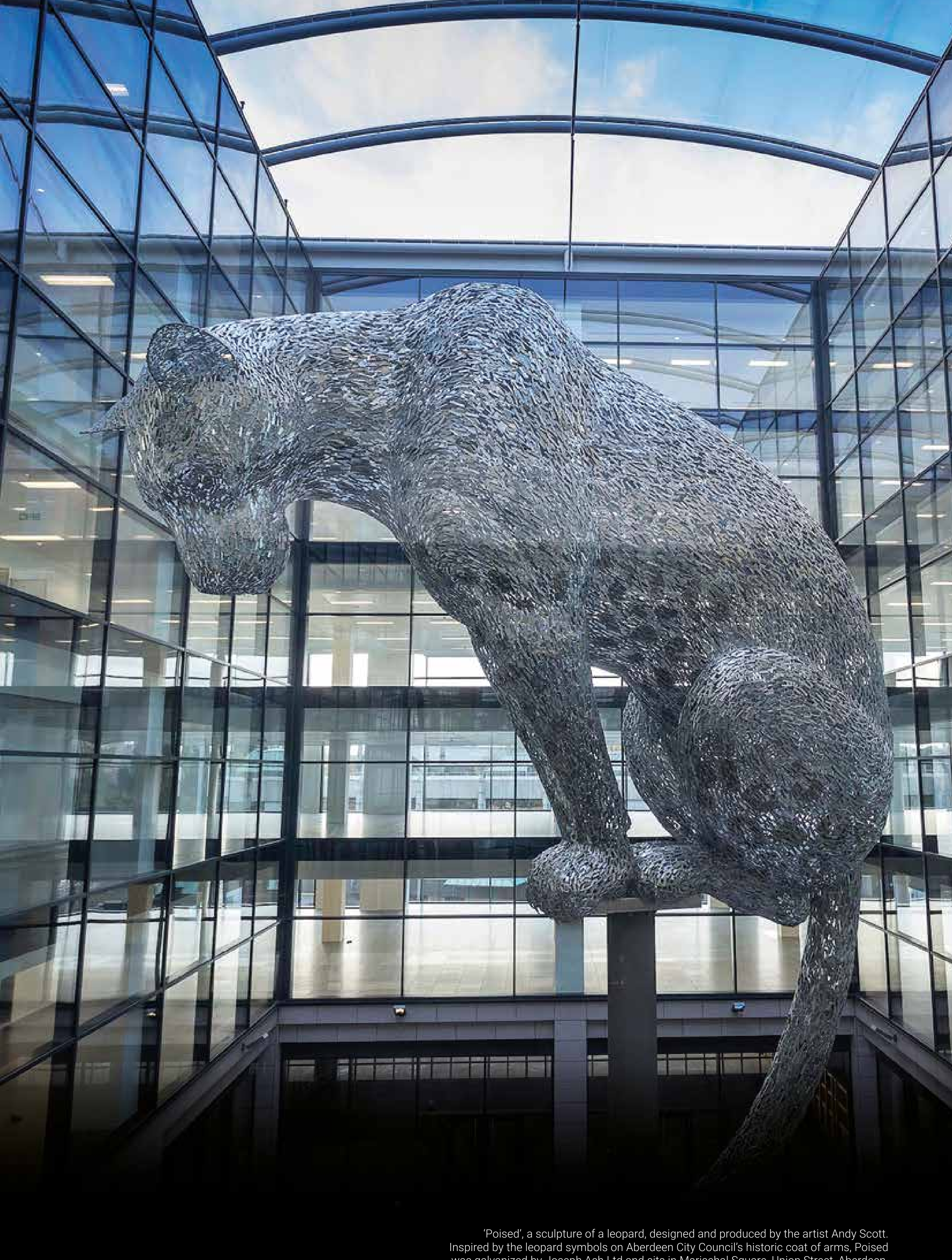
Progress in 2020

- 2019 final dividend prudently cancelled to conserve cash during initial COVID-19 shock
- Resumption of dividends in H2 2020 with interim dividend of 9.2p
- Proposed final dividend of 17.5p reflecting the Board's confidence in the outlook

Full-year dividend

26.7p

(2019:10.6p)



‘Poised’, a sculpture of a leopard, designed and produced by the artist Andy Scott. Inspired by the leopard symbols on Aberdeen City Council’s historic coat of arms, Poised was galvanized by Joseph Ash Ltd and sits in Marischal Square, Union Street, Aberdeen.

Measuring Our Performance

The Board has adopted certain 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 KPIs can be found on pages 36 and 43.

The Group uses these performance indicators to measure operational and financial activity in the business. Most 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, with each Managing Director in the Group submitting a monthly report that forms the basis of regular operational meetings. In addition, during 2020, the Chief Financial Officer has held monthly finance reviews with the individual finance teams around the world.

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.

Health & Safety

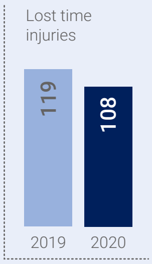
Link to strategy

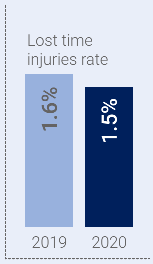
The health & safety performance of each subsidiary is key to our management of the Group as a responsible employer and to our reputation in the markets in which we operate.

KPI definition

Number of lost time injuries recorded across the Group and the lost time injury rate (No. of injuries/hours worked x 100,000).

2020 performance





Comment

During 2020, the focus was on continuing to ensure that our employees worked in safe environments, particularly with the outbreak of the COVID-19 pandemic. We also sought to standardise injury reporting in order that we could compare lost time injury data. See pages 36 and 37 for more information.

Organic Revenue Growth

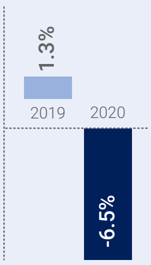
Link to strategy

Our autonomous operating model, focus on growth drivers and the premium placed on talent and innovation are designed to drive organic growth across all of the Group's businesses.

KPI definition

Percentage change in annual revenue excluding the effects of acquisitions, disposals and currency translation.

2020 performance



Comment

The organic decline in revenues of 7% reflected the challenges of the COVID-19 pandemic in the first half of the year. Trading recovered well in the second half, approaching H2 2019 levels. The Group targets annual organic revenue growth of in excess of 3%.

Underlying operating profit margin

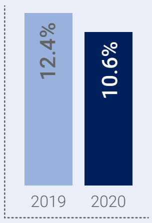
Link to strategy

We focus on investing in higher return markets and continually examine our portfolio of businesses, with the aim of increasing quality at each iteration.

KPI definition

Underlying operating profit as a percentage of revenue.

2020 performance



Comment

The underlying operating margin declined by 180 basis points in 2020, due to the operational leverage impact of lower revenues. The Group worked hard during the year to limit discretionary spend, preventing further margin deterioration. The Group targets an underlying operating margin of in excess of 12%.

Return on invested capital ('ROIC')

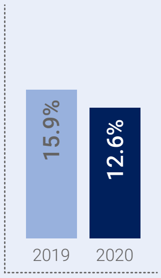
Link to strategy

We have a disciplined M&A strategy that targets businesses with strong growth and return metrics, alongside a capital investment programme centred on our higher growth, higher return end markets.

KPI definition

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.

2020 performance



Comment

ROIC of 12.6% in 2020 reflected the impact of COVID-19 on the Group's operating profit for the year, and is below our target of ROIC in excess of 17%. We anticipate an improvement in 2021 as trading recovers.

Underlying cash conversion

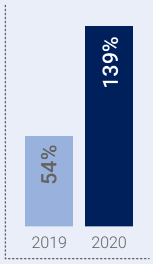
Link to strategy

Our ability to fund both growth investment and progressive returns to shareholders is dependent on us operating a cash-generative model.

KPI definition

Adjusted operating cash flow as a percentage of underlying operating profit. The calculation of adjusted operating cash flow is explained in note 3 to the Financial Statements.

2020 performance



Comment

Underlying cash conversion in 2020 was very strong at 139%, well ahead of the Group's target of at least 90% conversion. The performance reflected tight control over working capital, rigorous prioritisation of capital investment and measures taken to conserve operational cash flows.

Leverage

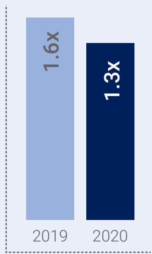
Link to strategy

We seek to maintain conservative leverage that minimises liquidity risk without compromising our ability to invest for growth, both organic and acquisitive.

KPI definition

The ratio of net debt to EBITDA, as defined in the covenant requirements of the Group's borrowing facility agreements.

2020 performance



Comment

Group net debt fell by £69.1m in the year to £146.2m, which on a covenant basis represents 1.3 times EBITDA, well below the Group's covenant limit of 3 times. Whilst this is below our target range of 1.5 to 2.0 times, it creates the capacity for the Group to invest in future organic and acquisitive growth.

Greenhouse Gas Emissions

Link to strategy

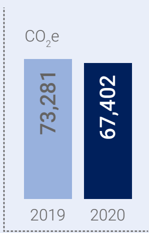
Cost reductions and greater efficiency, improve not only our operating margins but also the sustainability of our operations.

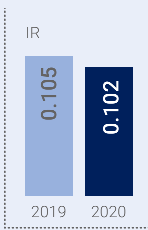
KPI definition

CO_2 usage year on year (see page 41).

Intensity ratio ('IR') calculated as tonnes of CO_2 / Revenue.

2020 performance





Comment

The Group first reported on the success of its energy reduction initiatives in 2013. Since that time the Group has continued to monitor and improve its energy efficiency. In 2020 more work was done on understanding the data collected and reporting the Group's Intensity Ratio. See page 41 for more information.

Arborfield Cross Relief Road – BEBO Green Overbridge case study

This 'green' bridge was designed to straddle the new Observer Way relief road supporting the new 3,500 home development at the Arborfield Garrison.

Find out more about the company at www.assetint.co.uk/

In collaboration with Balfour Beatty and Stantec, Asset International Structures, a division of Hill & Smith Ltd, provided a green overbridge for their end client Wokingham Borough Council. The bridge was designed to straddle above the new Observer Way relief road supporting the new 3,500 home development at the Arborfield Garrison, providing a route from the A327 Reading Road to the A327 Eversley Road around the villages of Arborfield and Arborfield Cross. Designing the bridge concentrated on the necessity to offer a solution that reduced the environmental impact on the surrounding area, allowing wildlife safe movement and ensuring aesthetic integration into the surrounding landscape. The scheme permitted Asset International Structures to use its experience and knowledge in green bridge design by providing a structure that beautifully embeds itself into the surrounding area, whilst carefully considering the holistic approach of construction integration and environmental preservation.

Our Products

Our Purpose: Creating sustainable infrastructure and safe transport through innovation.

Waterways and docklands

Pier protection

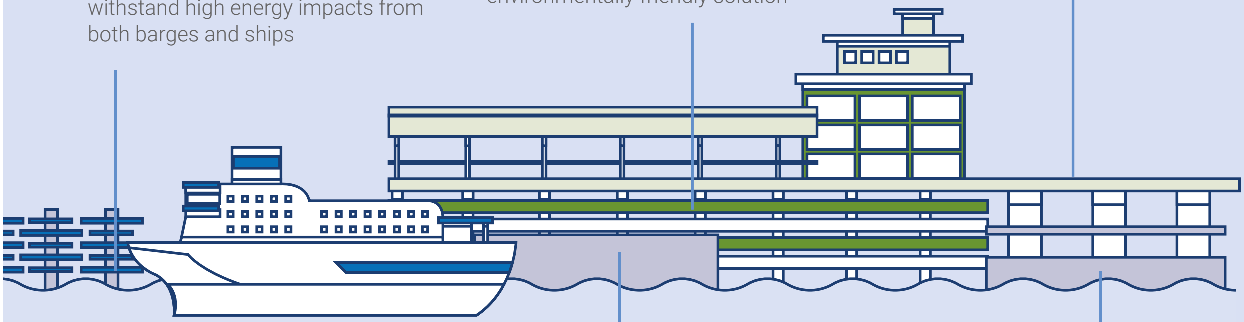
FRP large diameter pilings and wale beams are the ideal solution for pier protection systems designed to withstand high energy impacts from both barges and ships

Dockside camels

An attractive option to protect both vessels and piers from damage, Fiber Reinforced Polymer (FRP) composite material's ability to resist corrosion in a harsh saltwater environment make it an environmentally friendly solution

Piers & walkways

FRP composite material does not leach, flake or rot into water systems and can replace wood in marina applications



Maritime guide walls

FRP flexible fender system that bends under vessel contact but then recovers without breaking

Flood defences

FRP flood protection. Movable dams that can be raised and lowered during low water conditions

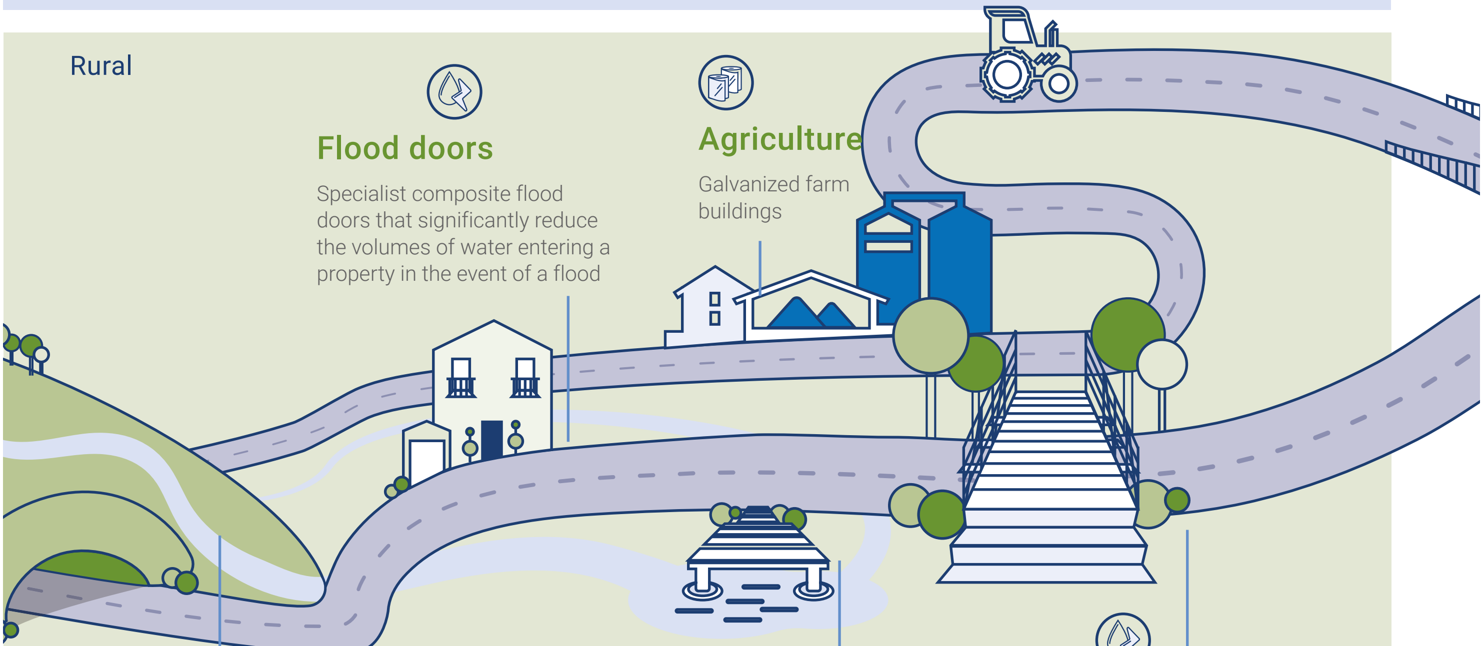
Rural

Flood doors

Specialist composite flood doors that significantly reduce the volumes of water entering a property in the event of a flood

Agriculture

Galvanized farm buildings



Green bridges

BEBO Arch System is a standardised patented precast concrete arch system for the design and construction of grass covered bridges, tunnels, culverts and other underground structures

Wetlands boardwalks

Composite low embedded energy planks for lightweight environmentally friendly walkway solutions

Trail bridges

Lightweight, strong, portable and long-lasting low embedded energy FRP bridges for parks and trails

Roads & security Utilities Galvanizing

Suburban

Temporary safety barrier

Metal and concrete work zone protection for roadworks and traffic management

Roadside barrier

Metal roadside crash protection

Windfarms

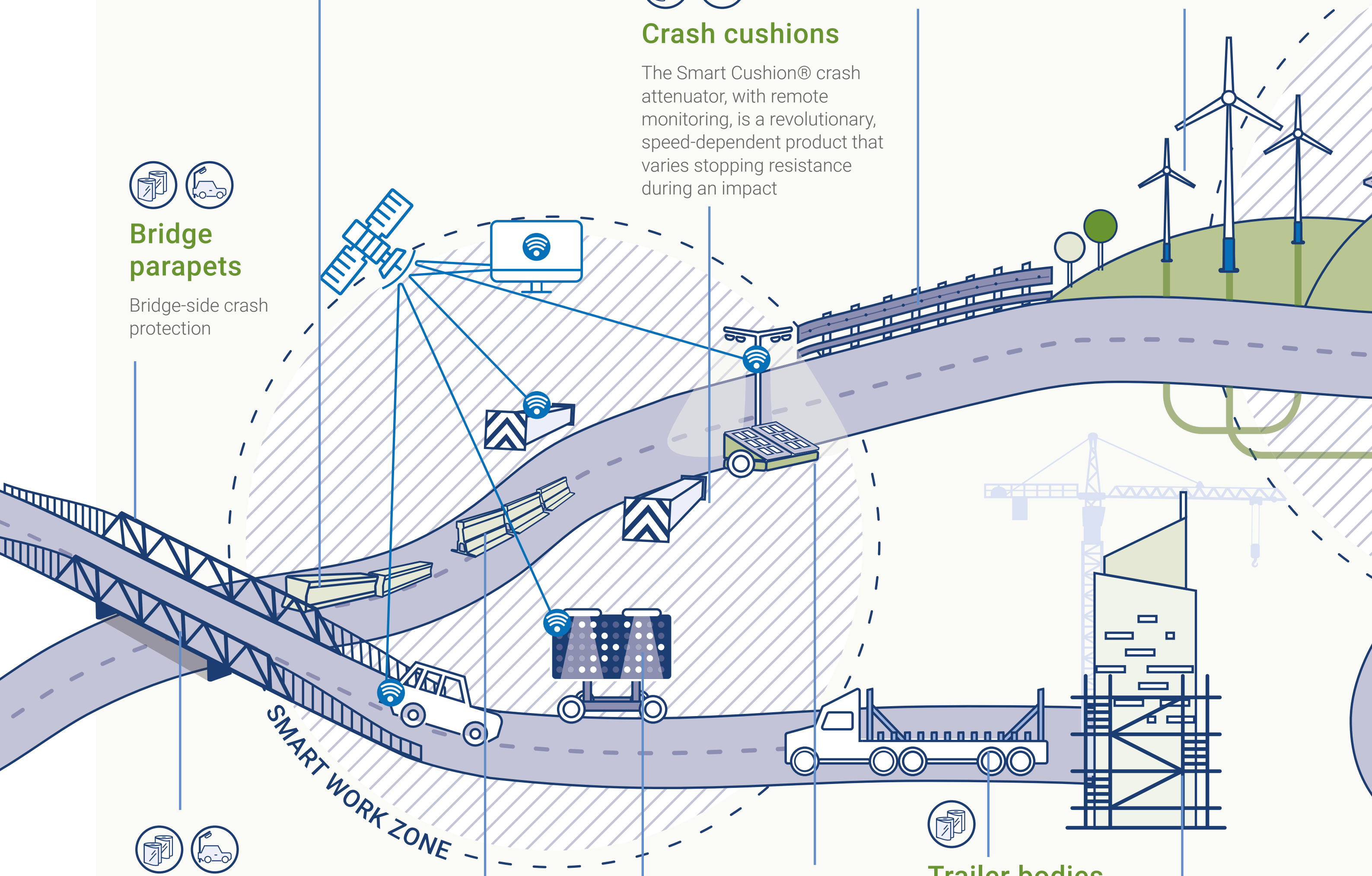
Composite blade refurbishment and steel platforms

Crash cushions

The Smart Cushion® crash attenuator, with remote monitoring, is a revolutionary, speed-dependent product that varies stopping resistance during an impact

Bridge parapets

Bridge-side crash protection



Bridges

Galvanized road bridges

Zoneguard temporary barrier

Protects road work employees, whilst allowing continued safe traffic flow

Road message boards

Integrated Traffic Solutions enhances transportation and improves safety and mobility in and around work zones. Includes internet connectivity with motor vehicles

Work zone solar powered lighting

Sustainable solar powered lighting backed up by innovative technology and industry-leading remote monitoring and control

Trailer bodies

Galvanized metal chassis

Construction

Galvanized structural steel

Solar fields

Galvanized steel frames for solar panels

Electrical substation

Electric transmission solutions using steel and composite materials

LNG Plant

Metal grating and flooring and pipe support products including cryogenic pipe supports that provide isolation and insulation

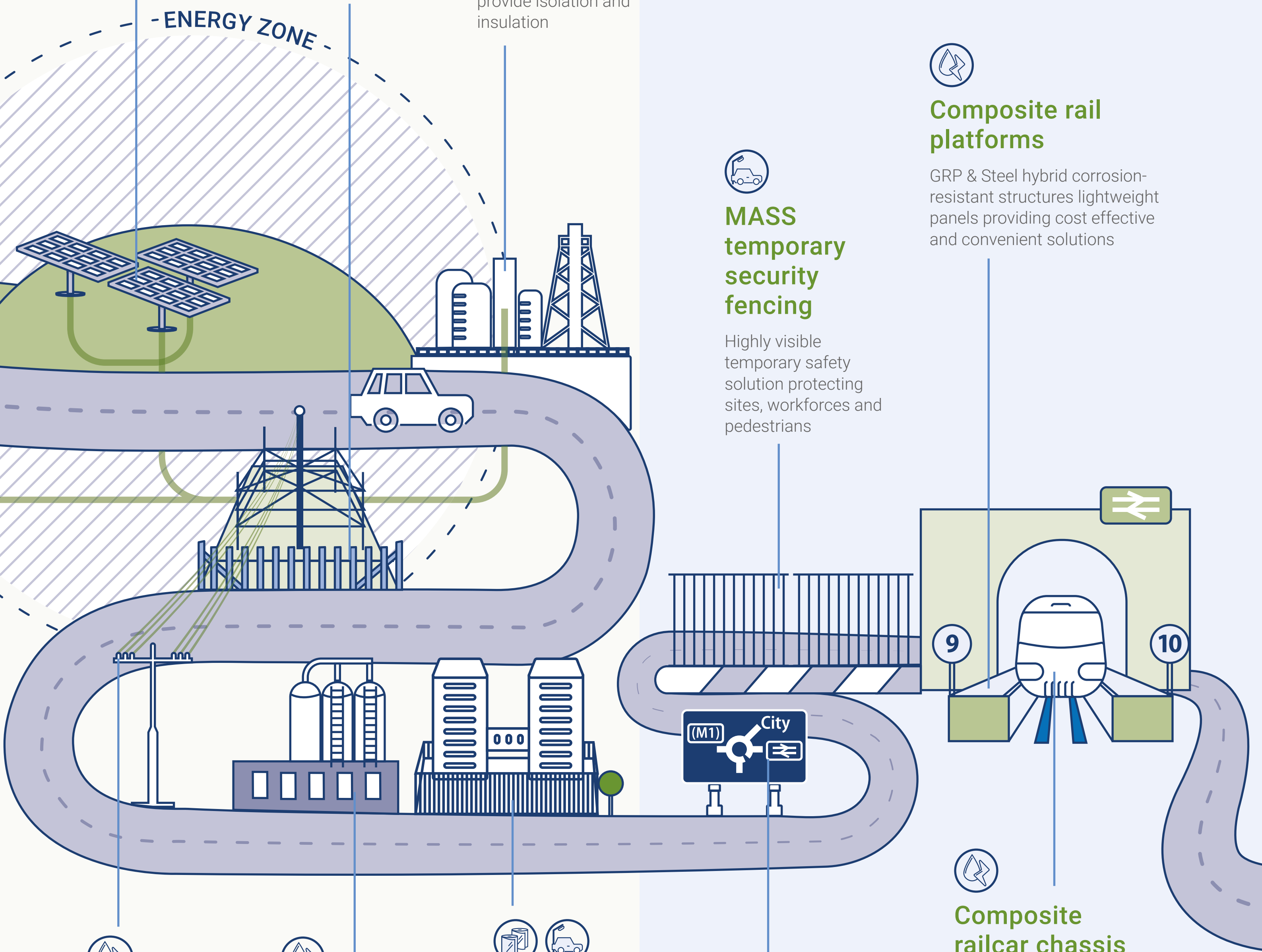
Town

MASS temporary security fencing

Highly visible temporary safety solution protecting sites, workforces and pedestrians

Composite rail platforms

GRP & Steel hybrid corrosion-resistant structures lightweight panels providing cost effective and convenient solutions



Electrical transmission poles

Steel transmission poles and anti-wildfire composite poles that do not biodegrade

Paper Mills

FRP products that have the durability and abrasion resistance to outperform conventional materials in harsh and acidic environments

Data centre security systems

Palisade perimeter security fencing, hostile vehicle and entry protection

Street signs

Street sign materials

Composite railcar chassis

FRP lightweight highly energy efficient floor panels and door jambs for refrigerated freight cars

Flats (Fire doors)

Fully tested, accredited flat entrance doors for use in internal and external applications

Hotels (A/C)

Modular cooling tower design delivering low life-cycle costs, durability and sustainability

Solar powered street lights

Solar lighting for streets, car parks and footpaths offering powerful and reliable year-round lighting without noise or emissions

Pedestrian safety bollards

Impact tested security bollards providing pedestrian protection

Street lights

Manufacture and distribution of steel and aluminium lighting columns

Flats (Balconies)

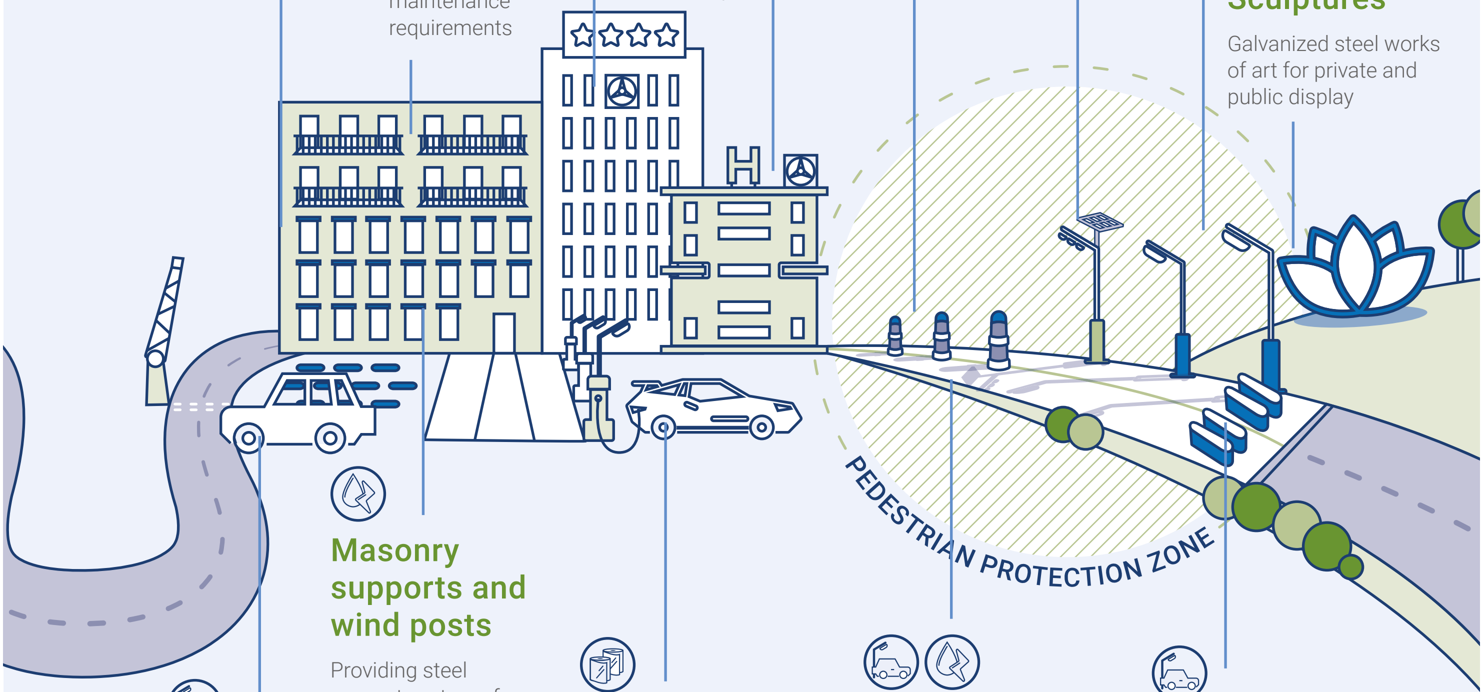
Structural shapes for both residential and commercial applications, with minimum maintenance requirements

Hospital (A/C)

Seismic and anti-vibration cooling towers for critical rooftop applications, that bridge the gap between sustainability and energy efficiency

Sculptures

Galvanized steel works of art for private and public display



Masonry supports and wind posts

Providing steel support systems for buildings

Parking and security gates

Manufacturers of parking control equipment

Electric charging points

Charge points incorporated into our street lighting columns

Composite pedestrian walkways

Low maintenance lightweight FRP recreational and public access elevated boardwalks and sidewalks

Hostile Vehicle Mitigation

Hostile Vehicle Mitigation solutions ranging from small single gate installations to large state events requiring a full secure island site

Smart Work Zones

case study

“Smart Work Zones are essential for a variety of reasons - communication to motorists, reduction of congestion and increased safety for motorists and roadside workers.”

Hill & Smith Inc., our US roads business, offers a diverse line of Smart Work Zone solutions to solve a variety of roadway challenges. Smart Work Zones are essential for a variety of reasons. Not only do they keep motorists informed of delays and alternate routes in real time, but they also help reduce roadway congestion and increase safety for motorists and roadside workers while keeping traffic moving smoothly.

A Smart Work Zone can be as simple or dynamic as a road project requires. If traffic detection data is needed from 1 – 22 lanes of traffic, we offer solutions such as the Queue Detection Trailer and HS Connected Radar Trailer. If live cameras are required on site, we offer the Mobile Video Trailer and HS Connected Camera Trailer. If a project needs lane closures or speed changes, we offer the HS Connected Arrow Board and Variable Speed Limit Trailer. When remote access to equipment and traffic data are required, users can log in to our HS Connect™ software.

With every road construction project comes unique challenges. Our goal is to provide custom solutions for all roadway work zone problems. From real time travel information and dynamic lane merge options, to traffic detection and warning alerts, we provide the solutions and products to fit any Smart Work Zone project.

Find out more about the Company at www.hillandsmith.com

Speed Indicator Device
case study

"All data is stored within the unit, available for download and can be used for traffic study calming measures throughout the local authority."

Find out more about the company at www.mallatite.co.uk

Alton Community Speed Watch ('ACSW') approached Mallatite Limited ('Mallatite'), a Hill & Smith Roads & Security business, to seek advice about appropriate equipment to help them with mitigating a problem with speeding motorists in their town. The Speed Watch group is very active in the community and with the support of Hampshire Police, help promote safer roads in the community.

To provide the ACSW Group with an appropriate unit, reliable, simple to operate and rugged enough for roadside operation, colleagues from the Mallatite engineering and technical team visited Alton to meet their ACSW co-ordinator.

After carefully understanding ACSW's specific requirements and an assessment of the urban location, Mallatite recommended the Viasis Mini as a solution. This product offers the flexibility of recording data with the display switched off and then offering a comparison when it is active whilst offering different feedback such as Slow Down, Smiley Face or other pre-set information. This perfectly demonstrates the effectiveness of the units and their deployment reduces speeding traffic and saves lives.

All data is stored within the unit, available for download via the free Android Bluetooth App. This is compatible with Microsoft Excel to provide vital information such as speeds, times and number of vehicles travelling in excess of the set speed limit.

This data can be used for traffic study calming measures throughout the local authority.

Zoneguard, installed by Asset VRS, protects the passing public and allows for a 60mph speed limit on the M6 Junction 13 contraflow, October 2020.

Operational & Financial Review

Paul Simmons

Group Chief Executive

Hannah Nichols

Group Chief Financial Officer

Chief Executive's Review

Review of 2020

2020 was a challenging year with the COVID-19 pandemic creating unprecedented economic conditions for businesses globally. On behalf of the Board, I would like to thank all of our employees for their significant contribution and determination during these testing times.

The health, safety and wellbeing of our employees remains our key priority and we continue to follow local public health guidelines across all Group operations with enhanced protocols in place to ensure our facilities are COVID-19 secure. Actions taken include introducing enhanced cleaning and hygiene procedures, implementing social distancing and track and trace procedures, provision of face masks and taking all reasonable steps to help people work from home where appropriate to do so. In addition, we are mindful of the mental wellbeing of our employees during this difficult time and have offered appropriate support and assistance.

Given the extent of disruption around the world as a result of the COVID-19 pandemic, Hill & Smith delivered a robust performance in 2020 with year-end results ahead of the current analyst forecast range. The 2020 trading performance and ongoing recovery as we enter 2021 demonstrates the strengths of the Group's business model, our choice of resilient end markets, the international mix of businesses and the decentralised operating model with high quality teams who were able to respond quickly to local market conditions as they unfolded during the year.

The Group made a good start to the year, delivering organic revenue and profit growth in the first quarter. Trading performance from the middle of March was impacted by COVID-19 related business closures in France, India and certain UK businesses and reduced levels of demand elsewhere in the Group. All our businesses had reopened by the middle of May and we experienced a strong recovery in trading in the second half of the year. Despite the disruption caused by the pandemic, the Group remained profitable throughout the year and our US businesses, which represented 41% of Group revenues, have proved particularly resilient, delivering similar levels of revenue and profit to the prior year.

As previously announced, the only area of the Group which has not seen a strong recovery is our Security sub-division, which continues to face challenges due to COVID-19 restrictions on public gatherings and delayed customer projects.

During the year we took swift actions to manage costs and conserve operational cashflows without limiting our longer-term growth prospects. Our businesses acted quickly to limit discretionary spend and have continued to drive local efficiency plans. Cash preservation measures included the withdrawal of the final 2019 dividend and focused management of working capital across the Group. We also carried out a detailed review of capital expenditure to limit non-essential spend, while still maintaining investment in organic growth opportunities.

Given the improved trading performance in the second half and the solid levels of cash generation, the Board made the decision in December 2020 to repay all monies received earlier in the year from the UK Coronavirus Job Retention Scheme (£3.6m) and to settle UK VAT liabilities deferred from the second quarter (£6.5m). We are pleased to report that we end the year with a robust balance sheet and net debt of £146.2m, 1.3x EBITDA on a covenant basis and a reduction of £69.1m from the end of 2019. We continue to maintain strong headroom against our committed borrowing facilities which have medium to long maturities, the earliest expiring in December 2023. This provides the Group with a solid platform to take advantage of future growth opportunities.

Acquisitions in high growth, high return markets remain a key component of our future growth strategy and, after the year end, in March 2021, we acquired Prolectric Services Ltd ('Prolectric') for an initial cash consideration of £12.5m, on a debt and cash free basis. Prolectric is a UK market leader in temporary solar lighting and operates in a market with excellent long term growth potential, driven by the transition from fossil fuels towards renewable energies.

In November 2020, Derek Muir stepped down from the Board and his role as Chief Executive, having announced his intention to retire earlier in the year. Derek has been instrumental in shaping Hill & Smith's strategy and has delivered significant returns to shareholders during his 14-year tenure. I would like to thank Derek for all his support during the well-run handover process.

After the year end, in February 2021, we were pleased to announce the appointment of Leigh-Ann Russell as a Non-executive Director with effect from 1 April 2021. Leigh-Ann's appointment is part of the Group's careful succession planning to recruit non-executive Directors with the necessary skills, experience and diversity required to support the Group's future development.

2020 Headline Results

			Change %	
	2020	2019	Reported	Organic
Revenue	**£660.5m**	£694.7m	-5	-7
Underlying[(1)]:				
Operating profit	**£69.9m**	£86.3m	-19	-20
Operating margin	**10.6%**	12.4%	-180bps	-180bps
Profit before tax	**£62.6m**	£79.4m	-21	-22
Earnings per share	**63.2p**	80.7p	-22	-23
Reported:				
Operating profit	**£42.8m**	£69.2m	-38	
Operating margin	**6.5%**	10.0%	-350bps	
Profit before tax	**£35.5m**	£61.8m	-43	
Basic earnings per share	**30.2p**	61.1p	-51	

(1) Underlying measures are set out in note 3 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 4 to the Financial Statements.

Revenue for the year of £660.5m (2019: £694.7m) was 7% lower on an organic basis. Despite the challenges arising from the COVID-19 pandemic, the Group remained profitable throughout the year with a strong recovery in the second half. Underlying operating profit for the year was £69.9m (2019: £86.3m), while underlying operating margin reduced to 10.6% (2019: 12.4%) as a result of operational leverage on lower revenues. Underlying profit before taxation was 21% lower at £62.6m (2019: £79.4m). Reported operating profit was £42.8m (2019: £69.2m) and reported profit before tax was £35.5m (2019: £61.8m). The principal reconciling items between underlying and reported operating profit are the amortisation of acquisition intangibles of £6.1m and the write down of goodwill relating to our French galvanizing business of £17.5m. Both of these are non-cash items.

Dividend

In March 2020, the Board made the decision to cancel the 2019 final dividend as a prudent measure to preserve £18m of cash given the COVID-19 related business closures and high levels of uncertainty. Given the improving trading performance and more positive outlook going into the third quarter, we announced the resumption of dividend payments with the declaration of an interim dividend for 2020 of 9.2p per share in August 2020. Based on the strong trading performance and cash generation in the second half, the Board is recommending a final dividend of 17.5p per share, making a total dividend for the year of 26.7p per share. Underlying dividend cover remains a conservative 2.4 times.

The Board understands the importance of dividends to our shareholders and our approach remains on maintaining dividends that are both sustainable and progressive. The final dividend, if approved, will be paid on 9 July 2021 to those shareholders on the register at the close of business on 4 June 2021.

Outlook

We expect to see a good recovery in trading in 2021, albeit we remain mindful of the potential ongoing disruption of COVID-19, higher raw material prices and foreign exchange fluctuations on our financial performance for the full year.

In the medium to longer term, we are encouraged by the potential for a significant infrastructure bill to be passed in the US under the new Biden Administration. While details and spend levels are still to be confirmed, we believe our US businesses are well placed to take advantage of the opportunities arising from the increased investment. In the UK, the Government's commitment to increased levels of funding for Road Investment Strategy 2 (RIS 2) is also encouraging, with major Smart Motorway schemes expected to commence in the second half of 2021.

Brexit

The Group has limited cross border trade activity and to date we have seen minimal disruption following the end of the transition period on 31 December 2020, however we continue to closely monitor and mitigate the related operational and financial risks. In the longer term, 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 resulting from Brexit.

Operating Review

Roads & Security

	£m			
	2020	2019 (restated)[(2)]	+/- %	Organic %
Revenue	**263.4**	275.3	-4	-10
Underlying operating profit[(1)]	**13.2**	23.2	-43	-45
Underlying operating margin %[(1)]	**5.0%**	8.4%		
Reported operating profit	**5.6**	8.6		

(1) Underlying measures are set out in note 3 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 4 to the Financial Statements.

(2) 2019 restated as explained in note 2 to the Financial Statements.

The expanded Roads & Security division was formed on 1 January 2020. The division includes international companies which design, manufacture and install temporary and permanent safety products for the roads market, alongside UK-based businesses which provide a range of security products to protect people, buildings and infrastructure from attack, including hostile vehicle mitigation solutions, perimeter fencing and access covers.

The division had a strong first quarter, with revenue and underlying operating profit both growing organically year on year, however trading in the second quarter was impacted by COVID-related disruption. While trading recovered in the second half, we continue to face significant challenges in our security businesses due to global restrictions on public gatherings and customers delaying security projects. As a result, revenue for the period declined organically by 10% to £263.4m after a currency benefit of £0.6m and contribution from acquisitions of £16.0m. The division remained profitable throughout the year with underlying operating profit of £13.2m (2019 (restated): £23.2m), however the underlying operating margin fell to 5.0% (2019 (restated): 8.4%). The reduction is mainly attributable to the COVID-19 related disruption to our Security businesses where, despite the additional revenue from prior year acquisitions, underlying operating profits were substantially lower than the prior period. The reduction in reported operating profit of £3.0m was lower than the reduction in underlying operating profit mainly due to non-underlying restructuring and impairment charges of £8.9m in 2019 relating to the Group's Scandinavian roads business.

Operational & Financial Review
continued

UK Roads

In March 2020, the UK Government confirmed its commitment to investment in UK road infrastructure with the announcement of £27.4bn spend for Road Investment Strategy ('RIS2') for the five years to 2025, an 80% increase compared with RIS1. The Department of Transport also concluded their review of the safety concerns on Britain's Smart Motorways in March 2020 and are committed to continue construction, with enhancements, as part of the RIS2 programme. In February 2021, the parliamentary Transport Committee launched a new inquiry into the benefits and safety of Smart Motorways and we await the outcome of this. Our current expectation is that new RIS2 Smart Motorways schemes will commence in H2 2021.

During the year, our temporary road safety barrier business was able to operate with minimal disruption. As expected, steel temporary barrier utilisation levels reduced in the second quarter as RIS1 schemes started to come to an end and continued at a steady level for the second half. We have seen growing demand for Rebloc concrete barrier, which complements our Zoneguard steel barrier offering and can be used on projects where space is restricted, and during the period we invested £2m in expansion of the concrete barrier fleet. We continue to expect the lower levels of steel barrier utilisation to continue into the first half of 2021, with the new RIS2 Smart Motorways projects expected to commence in H2 2021.

Our permanent safety barrier business also proved to be resilient. During the year we won a number of RIS2 replacement barrier schemes including some which were released early to take advantage of the quieter roads. The outlook for 2021 is promising, as we expect more new UK replacement barrier schemes to be released and continued demand from our international markets.

The variable message sign business experienced various headwinds during the year including the delay of new RIS2 Smart Motorway projects into the second half of 2021. Consequently, we are currently taking a number of actions to restructure the business and its cost base which, alongside a more cautious assessment of its future outlook, led to asset impairment charges at 31 December 2020 of £2.8m.

Our remaining UK roads portfolio consists of street furniture and lighting columns, bridge parapets, temporary car parks and concrete arches. While all these businesses remained open to meet essential customer demand, trading in the second quarter was adversely impacted by customer delays and deferrals caused by COVID-19 disruption. These businesses saw a gradual recovery in the second half with customer orders increasing as the restrictions of the first lockdown eased. The businesses enter 2021 with an encouraging orderbook and are working hard to minimise the impact of steel cost increases.

US Roads

Our US roads business was considered "essential" and remained open throughout the year. As a result, the pandemic had minimal impact on operations and the team were able to successfully service customers who worked continuously throughout the year. Demand for roadside safety products, including crash attenuators and temporary safety barriers, was particularly strong and as a result revenue and operating margins increased year on year. We continued to invest in growth opportunities in US roads including £3.1m in the expansion of our Zoneguard steel temporary safety barrier fleet and £0.9m on the acquisition of Morgan Valley Manufacturing, Inc. Based in Utah, US, the acquisition will enable the inhouse fabrication of crash attenuators and support the US roads growth strategy.

In September 2020, we were encouraged by the extension of the Federal road funding bill (FAST Act) for an additional year. We expect demand for our products to remain stable due to the stimulus bill passed in December 2020, which will provide the additional state funding required to ensure project continuity. In 2021, we will also continue to invest in barrier fleet expansion, product innovation and operational improvements to support future growth opportunities.

Other International Roads

The restructuring of our roads business in Sweden progressed well in the first half, with the new management team focusing on cost reductions and improved pricing. The business faced challenges in the second half as COVID-19 uncertainty increased in Sweden and projects were postponed. While revenues were lower year on year, operating losses were significantly reduced and the team will continue to take action to right-size and further improve the business in 2021.

Our lighting column business in France performed well despite the COVID-19 related closure of the factory from the end of March to early May. While volumes were lower than prior year, the business benefited from operational efficiencies and improvements to the product range. In Australia, we saw an increase in sales of temporary safety barrier compared to the low sales levels in the previous year. Looking forward, we are encouraged by the ongoing investment in Australia's road infrastructure and the growth opportunities this may present.

Security

Our security businesses are based in the UK and provide a range of perimeter security solutions including hostile vehicle mitigation to both UK and international markets. During the year, the business experienced a number of headwinds which had a significant adverse impact on trading.

Our security fencing and access cover businesses closed when the first COVID-19 lockdown was announced at the end of March 2020. Both businesses re-opened in May, and while our security fencing business has seen a gradual recovery in the second half, driven by demand for data centre security, our access cover business has experienced challenges due to customers delaying orders and restricting site access.

Our business which sells security bollards and hostile vehicle mitigation solutions remained operational throughout the year, but was significantly impacted by project delays, postponements and cancellations both in the UK and the Middle East, where the lower oil price created further uncertainty. COVID-19 has also materially impacted demand for the operation of the UK Security barrier fleet, with the cancellation of public gatherings and high-profile events, however we were able to re-deploy our multiskilled team to support other barrier activity.

Looking forward into 2021, we are continuing to see good demand for perimeter security solutions in data centres and opportunities arising from the pedestrianisation of shopping areas in UK city centres. In the medium term we believe that the demand for our products to protect people, buildings and infrastructure will return.

Utilities

	£m 2020	2019 (restated) [2]	+/- %	Organic %
Revenue	**211.2**	222.3	-5	-2
Underlying operating profit [1]	**20.9**	21.3	-2	-4
Underlying operating margin % [1]	**9.9%**	9.6%		
Reported operating profit	**20.1**	20.0		

(1) Underlying measures are set out in note 3 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 4 to the Financial Statements.

(2) 2019 restated as explained in note 2 to the Financial Statements.

Our Utilities segment provides steel and composite products for a wide range of infrastructure markets including energy generation and distribution, marine, rail and housing. The division had a strong start to the year with revenue and profit both growing organically in the first quarter, however trading in the second quarter was impacted by COVID-19 related business closures in the UK and India. We have seen a good recovery in the second half, particularly in our UK building products business. The US businesses remained operational and performed well throughout the year, with strong levels of demand in our composites and electricity distribution businesses.

Revenue declined by 5% to £211.2m (2019 (restated): £222.3m), including a currency translation headwind of £0.4m and a £5.4m reduction from prior year disposals. The organic revenue decline was 2%. Underlying operating profit was £20.9m (2019 (restated): £21.3m), including a £0.4m benefit from prior year disposals. Underlying operating margin was ahead of prior year levels at 9.9% (2019 (restated): 9.6%), reflecting the strong performance in our higher margin US businesses. Reported operating profit was £20.1m (2019 (restated): £20.0m).

UK

The performance of our two UK utilities businesses was impacted by COVID-19 related disruption in the second quarter, however both businesses recovered well in the second half of the year.

Our building products business, supplying composite residential doors, steel lintels and builders' metalwork, closed at the end of March but reopened in a phased manner during April as customers reopened and was at full capacity from June onwards. In the second half, the business benefited from a strong recovery in demand and lower raw material costs. The outlook for 2021 is encouraging with housebuilders reporting strong demand and although the business is currently experiencing challenges relating to global increases in steel costs, we are managing availability issues and are well placed to pass on increases to customers.

The industrial flooring business remained open throughout the period to support essential projects, albeit at reduced activity levels in the second quarter given the restricted access to customer sites. The business made a good recovery in the second half, with previous restructuring actions supporting margins and good levels of demand, particularly from data centre and distribution centre markets.

USA

Our US utilities businesses were deemed "essential" and remained open throughout 2020, quickly adapting to run COVID secure operations. Despite the pandemic, they have continued their momentum from 2019 and delivered strong organic year on year revenue and profit growth.

We are continuing to see a growing acceptance of composite components and systems for use in niche infrastructure applications, and our team worked hard during the year to develop and market innovative designs that meet customer needs. In 2020, demand was strong for our wide range of composite solutions including waterfront protection, transmission access platforms, rail car flooring, and heating, ventilation and air conditioning (HVAC) cooling applications. With some significant projects coming to an end in 2020, we expect 2021 performance to be flatter, albeit with further opportunities in mass transit, utility poles and waterfront protection projects being pursued.

The US electricity distribution substation business delivered another impressive performance, growing strongly against challenging prior year comparatives. During 2020 we continued to see growth in projects for the upgrade of old infrastructure, particularly centred around the north eastern corridor of the USA. Despite some headwinds associated with steel price increases, the outlook for 2021 is encouraging given continued upgrades and new installations and we have taken steps to expand our fabrication facility to support future growth.

Pipe Supports

In the US, the engineered pipe support and industrial hanger business was considered "essential' and remained open throughout the pandemic. While the business experienced a slowdown in demand in the second quarter, recovery in the second half was strong, supported by winning several major projects in water treatment, clean energy and infrastructure. The focus on efficiencies and providing superior quality and customer service resulted in improved margins and year on year profit growth. During the year we invested £1.6m in the expansion of our seismic restraint device manufacturing capability and the business enters 2021 with a good backlog and continues to focus on further growth opportunities.

In India, our industrial pipe business entered the year with a strong order book, particularly for the cryogenic product range, however a forced shutdown of operations in March 2020 materially impacted the first half trading. Operations reopened in May and the team worked hard to manufacture and deliver products to customers while operating a COVID secure facility and managing local restrictions. We enter 2021 with a good order book and are seeing a growing demand to supply products and engineering services to support key liquified natural gas developments across the globe. This demonstrates the growing confidence of customers in our expertise in this area and the role the Group has to play in supporting the transition towards cleaner energy.

Galvanizing Services

	£m 2020	2019	+/- %	Organic %
Revenue	**185.9**	197.1	-6	-6
Underlying operating profit [1]	**35.8**	41.8	-14	-14
Underlying operating margin % [1]	**19.3%**	21.2%		
Reported operating profit	**17.1**	40.6		

(1) Underlying measures are set out in note 3 to the Financial Statements and exclude certain non-underlying items, which are detailed in note 4 to the Financial Statements.

The Galvanizing Services division offers corrosion protection services to the steel fabrication industry with multi-plant facilities in the USA, France and the UK. Trading in the second quarter was impacted by COVID-19, with the complete closure of our French operations for a month and a slowdown in volumes across all geographies due to customer closures. Trading gradually recovered in the second half as customer activity returned. As a result, volumes were 8% lower than prior year and revenue reduced by 6% to £185.9m (2019: £197.1m) which included a currency translation benefit of £0.5m. Organic

The Reverberation Bell Project is a large scale exhibition by San Francisco-based sculptor Davina Semo. Located at Brooklyn Bridge Park, New York City, it consists of five 4ft bells supported by hot-dip galvanized steel frames and pull chains galvanized by V&S Galvanizing.

revenue decline was 6%. Underlying operating profit declined by 14% to £35.8m (2019: £41.8m). Underlying operating margin was 19.3% (2019: 21.2%), with operating margins supported by pricing, efficiency improvements and lower zinc input costs. Reported operating profit was £17.1m (2019: £40.6m) and included goodwill impairment charges of £17.5m (2019: £nil) relating to the Group's French galvanizing operations.

UK

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

Trading in March 2020 was impacted by COVID-19. Measures were swiftly deployed to keep employees COVID safe while continuing to offer a full service to customers to support critical projects. Demand recovered in the second half, with strong demand in the fourth quarter. Total volumes galvanized for the year were 7% lower than 2019 levels.

While we enter 2021 with continued uncertainty around the pandemic, the UK business benefits from a wide sectoral spread of customers including those who operate in resilient markets such as infrastructure, construction and agriculture. In addition, the team are continuing their strategy of focusing on higher margin work which should position the business well for the year ahead.

USA

Predominantly located in the north east of the country, we are a market leader with eight strategically located plants offering local services and extensive support to fabricators and product manufacturers involved in highways, construction, utilities and transportation.

All our plants were considered "essential" and continued to operate, with teams following local state guidelines to ensure facilities were COVID secure. Trading was impacted by temporary customer shutdowns and our top two customers, who manufacture temporary bridges and trailers, were impacted by the COVID-19 slowdown and project delays. As a result, volumes were 7% lower than prior year. The team worked hard to maintain average selling prices, which together with further improvements in plant efficiency and lower zinc input costs, supported operating margins.

Our new facility in New York State became operational in January 2020. We were successful in winning new customers to create a good baseload of activity and the plant was profitable for the full year.

Looking forward, in the short term we remain generally cautious due to the market uncertainty around raw material prices in the US. In the medium to longer term, the outlook for US galvanizing is positive with US infrastructure spend levels likely to remain robust across a wide range of our customer market sectors. As a result, we are actively assessing industrial locations, often in need of regeneration, for further 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.

Trading was impacted from the middle of March due to the COVID-19 related forced closure of all 10 plants across the country. The plants were able to re-open in April and while volumes have recovered gradually, overall volumes were 11% below last year. Operating profits were also impacted by the plant closures and slowdown in demand. Although the French economy is expected to recover somewhat in 2021, the outlook for many of the markets served by our galvanizing business remains challenging and it is likely to take some time for activity to return to pre-pandemic levels. As a consequence of this deterioration in the outlook, the Group reassessed the value of the acquisition goodwill relating to the French galvanizing business and concluded that an impairment charge of £17.5m was required, further details of which are set out in notes 4 and 11 to the Financial Statements.

Financial review

Cash generation and financing

Despite the impact on trading of COVID-19, the Group continued to be highly cash generative throughout the year, demonstrating the resilience of its underlying business model and market choices and also reflecting the measures taken to conserve operational cash flows without impacting the Group's longer-term growth prospects.

Cash generated by operations was £118.3m (2019: £98.9m), including an inflow from working capital movements (before changes in provisions) of £18.2m (2019: outflow of £12.9m). The Group delivered a substantial improvement in trade receivable collections during the year, with debtor days falling to 54 at the year end (2019: 61) resulting in a cash inflow from receivables of £21.6m (2019: outflow of £0.4m). Alongside enhancements to our cash collection processes, the improvement is partly a consequence of fluctuations in customer mix. Whilst we have not seen any significant changes in collection profiles in the early part of 2021, we remain mindful of the possible impacts that unwinding COVID support measures could have as the year progresses. The decrease in inventories was minimal at £1.0m (2019: increase of £2.4m), while the outflow from movements in payables was £4.4m (2019: £10.1m). Working capital cash flows for the year have not benefitted directly from any UK Government COVID support measures, the Group having settled VAT payables of £6.5m in December 2020 that had been deferred from Q2.

Capital expenditure in the year was £20.4m (2019: £47.9m), representing a multiple of depreciation and amortisation (excluding amortisation from acquisition intangibles and right of use asset depreciation) of 0.9 times (2019: 2.3 times) as detailed in note 3 to the Financial Statements. While a period of lower capital investment was anticipated in 2020 following significant strategic spend in 2019, a rigorous review of capital expenditure was carried out through the year to limit non-essential spend during the COVID-19 pandemic while still maintaining investment in key organic growth opportunities. Significant items of expenditure in 2020 included £3.2m in completion of the New York galvanizing plant, £3.1m of new products for the UK temporary safety barrier rental markets and £1.6m on expansion of the Group's pipe support manufacturing facilities in the US.

Net financing costs were similar to the prior year at £7.3m (2019: £7.4m), however the cash element of financing costs was lower at £6.2m (2019: £6.9m). The Group has benefitted from reduced levels of average net debt during the year, particularly in the second half, with lower UK and US base rates largely offsetting the higher borrowing cost on the Group's senior unsecured notes issued in June 2019. The net cost of pension fund financing under IAS 19 was £0.3m (2019: £0.5m) and the amortisation of costs relating to refinancing activities was £0.8m (2019: £nil, reflecting amortisation of £0.9m offset by a gain of £0.9m following refinancing actions undertaken during that period).

The Group measures its overall cash generation performance based on its underlying cash conversion ratio. In 2020 the Group delivered an underlying cash conversion ratio of 139% (2019: 54%), well in excess of our 90% target, with the significant improvement over 2019 reflecting the strong working capital performance and our focused approach to capital investment. The calculation of our underlying cash conversation ratio is set out in note 3 to the Financial Statements.

Net debt and facilities

Group net debt at 31 December 2020 was £146.2m (2019: £215.3m), representing a year on year reduction of £69.1m. Since the onset of the pandemic the Group has taken several measures to conserve operational cash flows, including curtailing non-essential capital expenditure, tightly managing working capital and reducing discretionary spend. The Group also withdrew the 2019 final dividend, which would have required a cash outlay of c.£18m in July 2020. Net debt at the year end includes lease liabilities under IFRS 16 of £32.4m (2019: £40.0m), the reduction being primarily due to lease payments during the year.

The Group's principal financing facilities are a headline £280m multi-currency revolving credit agreement, which expires in December 2023, and $70m senior unsecured notes with maturities in June 2026 and June 2029, together with a further £13.8m of on-demand local overdraft arrangements. Throughout the year the Group has operated well within these facilities.

Maturity profile of debt facilities

	2020		2019
On demand	£13.8m	On demand	£13.7m
2021-2022	£0.8m	2020-2022	£1.2m
2023	£276.1m	2023	£276.7m
2026	£25.7m	2026	£26.5m
2029	£25.7m	2029	£26.5m

The amount drawn down under these facilities at 31 December 2020 was £139.0m, which together with cash of £22.0m, gave total headroom of £225.1m.

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to underlying EBITDA of a maximum of 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to underlying EBITDA at 31 December 2020 was 1.3 times (31 December 2019: 1.6 times) and interest cover was 17.0 times (31 December 2019: 15.7 times), providing the Group with substantial headroom to enable it to invest in future organic and acquisitive growth opportunities. Appropriate monitoring procedures are in place to ensure continuing compliance with banking covenants and, based on our current estimates, we expect to comply with the covenants for the foreseeable future.

Treasury

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 minimum cost. The treasury function 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. Further details in respect of the Group's management of financial risks are set out in note 22 to the Financial Statements.

Exchange rates

The Group is exposed to movements in exchange rates when translating the results of its overseas operations into Sterling, however the effects in 2020 were minimal as average rates were similar to 2019, notably the US Dollar. Retranslating 2019 revenue using 2020 average exchange rates would have increased revenue by only £0.7m with no impact on underlying operating profit.

Whilst future movements are inherently difficult to predict, based on current US Dollar rates we expect a headwind to the results in 2021. Retranslating 2020 revenue and underlying operating profit using average exchange rates for January 2021 (principally £1 = $1.36 and £1 = €1.12) would reduce revenue by £14.4m (2%) and underlying operating profit by £3.2m (5%). For the US Dollar, a 1 cent movement results in a £2.1m 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 £0.7m and £0.1m respectively.

Return on invested capital ('ROIC')

The Group's ROIC in 2020 was 12.6% (2019: 15.9%), below our target of greater than 17% due to the impact on trading of COVID-19. We expect ROIC to improve in 2021 as trading activity continues to return to more normalised levels, supported by the Group's strategy of investing in its higher return markets.

Non-underlying items

The total non-underlying items charged to operating profit in the Consolidated Income Statement amounted to £27.1m (2019: £17.1m) and were made up of the following:

- An impairment charge of £17.5m in respect of goodwill relating to France Galva SA, which the Group acquired in 2007. Whilst the business continues to be a significant contributor to the Group's results, in recent years its profitability has gradually declined from that anticipated at acquisition and the impact of the COVID-19 pandemic on the global and French economic outlook has resulted in us further reducing our expectations for its future outturn. Consequently, the impairment review performed at 31 December 2020 concluded that France Galva SA's expected future cash flows were not sufficient to support its carrying value at that date, resulting in an impairment of the acquisition goodwill.
- An impairment charge of £2.8m in respect of assets in the variable message signs business. Following a period of weak trading and a more cautious assessment of the future outlook for that business, the Group is currently taking several actions to restructure the operations and the cost base, leading to a reassessment of asset carrying values at 31 December 2020. This reassessment resulted in impairment charges of £2.8m relating to goodwill and intangible assets of £1.1m, tangible fixed assets of £0.5m, inventories of £0.8m and right-of-use lease assets of £0.4m.
- Amortisation of acquired intangible fixed assets of £6.1m (2019: £6.2m).
- Acquisition related expenses of £0.3m (2019: £1.8m) including £0.2m (2019: net credit of £0.2m) relating to future consideration payments to previous owners of acquired businesses, the terms of which require those costs to be treated as a post-acquisition employment expense in accordance with IFRS 3 (Revised).

- Past service pension costs of £0.4m. In November 2020 the High Court handed down a further judgement relating to equalisation of Guaranteed Minimum Pensions (GMPs) between male and female members, following the initial judgement in October 2018. The latest judgement requires businesses with defined benefit pension schemes to equalise historical GMPs for members that have transferred out of schemes. The Group has taken professional advice as to the impact of this judgement and concluded that a cost of £0.4m could be incurred.

The net cash impact of the above items was an outflow of £0.1m in the year, a future cash outflow of £0.6m and a non-cash element of £26.4m.

During the period the Group amended its accounting policy in respect of non-underlying items, to exclude net financing costs on defined benefit pension obligations and costs incurred as part of significant refinancing activities. These items were presented as non-underlying items in the prior year. The changes did not have a material impact on the underlying result for either the current or prior year and the comparatives have therefore not been restated. Further details are set out in note 4 to the Financial Statements.

Tax

The Group's reported tax charge for the year was £11.5m (2019: £13.4m), including an underlying charge of £12.4m (2019: £15.5m). The underlying effective tax rate for the Group was 19.8% (2019: 19.5%), 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 and the successful conclusion of tax uncertainties related to prior years. Assuming no changes to headline corporate tax rates in the UK or US, we expect the Group's underlying effective rate to increase by 1-2 percentage points in 2021 as our tax strategies evolve.

Cash tax paid was £16.5m (2019: £14.4m), higher than the Group's current tax charge for the year of £10.3m (2019: £15.1m) due to the change in the quarterly payment regime in the UK meaning that tax payments are substantially made in the year to which the tax relates. Previously such payments were spread over the current and following financial years. The Group remains committed to the timely and correct payment of taxes to authorities in all jurisdictions in which we operate.

The Group's net deferred tax liability is £7.6m (2019: £7.7m), which includes £8.4m (2019: £7.9m) of liabilities in respect of brand names, customer relationships and other contractual arrangements arising on acquisitions. These liabilities do not represent future cash tax payments and will unwind as the brand names, customer relationships and contractual arrangements are amortised.

Earnings per share

The Board believes that underlying earnings per share ('UEPS') gives the best reflection of performance in the year as it adjusts for the impact of non-underlying items (as described in note 4). UEPS for the period under review reduced to 63.2p (2019: 80.7p), reflecting the impact of COVID-19 on trading, particularly in the second quarter. The diluted UEPS was 62.9p (2019: 80.3p). Basic earnings per share was 30.2p (2019: 61.1p). The weighted average number of shares in issue was 79.5m (2019: 79.2m) with the diluted number of shares at 79.9m (2019: 79.6m) adjusted for the outstanding number of dilutive share options.

Pensions

The Group operates several defined contribution and defined benefit pension plans both in the UK and overseas. The IAS19 deficit of the defined benefit plans as at 31 December 2020 was £19.6m, a reduction of £0.3m compared to 31 December 2019 (£19.9m).

The Group's UK defined benefit pension scheme remains the largest employee benefit obligation within the Group. In common with many other UK companies, this scheme is mature having significantly more pensioners and deferred pensioners than participating members and is closed to new members. The IAS19 deficit of the scheme as at 31 December 2020 was £14.0m (2019: £14.8m), the reduction being 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 remains actively engaged in dialogue with the Scheme's Trustees regarding management, funding and investment strategy, and a formal actuarial valuation of the Scheme as at April 2019 was finalised early in 2020, resulting in the Group agreeing a deficit recovery plan 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.

Paul Simmons
Group Chief Executive

Hannah Nichols
Group Chief Financial Officer

9 March 2021

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

Our Chair, Chief Executive & 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.

What matters to investors

- Long-term sustainable profit growth and operational efficiency
- Robust corporate governance and business ethics
- A sustainable and progressive dividend policy

What we did in 2020

The Chair met with the majority of our major shareholders on the appointment of our new Chief Executive. The Chief Executive and Chief Financial Officer met with shareholders, analysts and advisors following the preliminary and interim results announcements.

Employees

As an employer committed to providing the right environment in which to work, we insist that people connected with the Group 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.

What matters to employees

- Brand
- Safe working environment.
- Wellbeing
- Job security and remuneration
- Career development

What we did in 2020

We continued with our Workforce Advisory Panels and followed our first 'all-employee' engagement survey in 2019, with our first all-employee Health & Safety Culture Survey. For more details see page 35. The COVID-19 pandemic affected our employees in different ways, and we worked hard to ensure the ongoing safety and mental well being of all our staff in what was a difficult year for them. See page 36 for details.

Customers

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 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 2020

Our subsidiaries continued to work, following all jurisdictional Government guidelines during the COVID-19 pandemic to ensure that wherever possible, customer requirements were met and responded sympathetically where customers closed for periods during the pandemic.

Suppliers

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 cashflow requirements.

What matters to Suppliers

- Mutually beneficial arrangements
- Long-term relationships
- Fair financial terms
- A strong health & safety culture

What we did in 2020

Subsidiaries across the Group talked to suppliers to understand any concerns over Brexit and the impact of COVID-19, and we continued with our existing payment terms for our suppliers.

Local Communities

Reflecting the geographical breadth of the Group and the devolved nature of our business model, the Group has taken the decision not to have a Group-based community programme.

What matters to local communities

- Environmental issues
- Employment
- Safe working environment

What we did in 2020

Our Subsidiaries engaged with their local communities supporting local charities on a business-by-business basis.

Governments & Industry

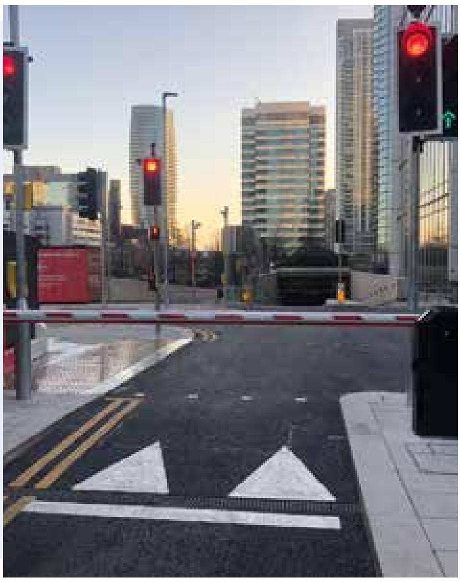
We engage with the Government and our peers by participating in industry bodies and meetings to discuss emerging policy, regulation, innovation and threats in relation to infrastructure markets.

What matters to Governments & Industry

- Innovation
- Sustainable products
- Environmentally-friendly solutions

What we did in 2020

Representatives of our subsidiaries sat on a number of different Government and Industry safety and product committees, including the British Standards Institute ('BSI'); the Vehicle Restraint Manufacturers Association; the Perimeter Security Suppliers Association; and the Transport Research Board in the USA.



Sustainability and Responsibility Report

Hill & Smith Holdings PLC's approach to sustainability is defined by our purpose of creating sustainable infrastructure and safe transport through innovation, which through our focus on our well-defined strategy and key growth drivers helps to deliver stakeholder value. We recognise that, to play a positive role in society over the long term, we need to act responsibly in all our activities - towards our people, whose health, wellbeing and career aspirations are important; towards the environment, both in the resources that we use and the products and services that we offer; to wider society, in the way we interact with Governments and local communities, and to our customers and suppliers, with which we have a duty to act responsibly and ethically.

Sustainability review

During the year, the Board has reviewed our approach to sustainability, recognising the importance of Environmental, Social and Governance ('ESG'). This was supported by a third-party consultant and our Investor Relations team, who benchmarked our performance against our peers and sought input from a range of shareholders on their priorities.

As a result of this process, our 2020 focus was on those topics where we could have the most impact short term, given what we do and where we operate. In 2020, key topics included health & safety, the wellbeing of our employees, employee engagement and reducing energy usage, with COVID-19 heightening the focus on the wellbeing of our employees and engagement. We also considered our business purpose in relation to the United Nations Sustainable Development Goals ('UN SDGs') and determined that the way we create sustainable infrastructure and safe transport through innovation using the operational capabilities of our subsidiaries and their people contributes directly to Goals 6, 7, 8, 9, 11 and 13.

Having accelerated our ESG agenda, we intend, during 2021, to develop a full scope ESG strategy. This initiative will be led by Paul Simmons, who as Chief Executive, has been appointed as the Board member responsible for ESG with oversight from the full Board. We expect key focus topics to include limiting climate change, reducing waste, emissions and water usage, improving health, safety, diversity and inclusion and enhancing training and career development Group wide. We recognise that delivering an improved performance, and enhancing our disclosure, is critical and we will report further as our plans develop.

2020 Progress Highlights

- Sustainability Framework - Identified six UN SDGs that align with our corporate purpose and identified initiatives to enhance our sustainability performance.
- Health & Safety – New Health & Safety Management & Reporting tool introduced into the US, standardising subsidiary reporting across the Group.
- Our People – Introduction of a Human Resources toolkit. Available on the Company's intranet and providing Group standards and support to all subsidiaries.
- Doing business ethically - Modern slavery-based audit of all temporary worker providers.
- Climate Change – Improved our CDP rating to 'C'.
- Society – Reviewed and updated our tax policy and repaid COVID-19 government support in the UK.

United Nations Sustainable Development Goals

In the table below we identify some examples of how the Group's activities contribute to a specific UN SDG. The Group's activities are well aligned with the UN SDGs as is our purpose of creating sustainable infrastructure and safe transport through innovation.

Clean water and sanitation	The Group treats wastewater used in its industrial processes, particularly in galvanizing, to ensure that water re-entering the system is treated and sanitised. Also, galvanized steel lasts for decades compared to the alternative of painting and has the advantage of not 'leaching or flaking' into water systems, unlike repainting which when undertaken can damage biodiversity and water usability.
Affordable and clean energy	A key growth driver is the shift towards a low carbon energy system. The Group's pipe support businesses are facilitating LNG expansion, as a transition fuel, as customers look to shift away from high-carbon oil and coal. Within its Utility business, the Group is well positioned to support electrical transmission systems.
Decent work and economic growth	We provide equitably and competitively paid, highly skilled employment and significant career development opportunities in areas of lower socio-economic attainment across the geographies in which we operate. We are an integral stakeholder of the communities in which we operate and deliver significant economic benefits to those communities.
Industry, innovation and infrastructure	This is at the Group's core given the focus on products for road, rail, waterways and power transmission supporting long term infrastructure and galvanizing services (compared to painting) that increase asset useful life.
Sustainable cities and communities	The Group's permanent and temporary barrier products safeguard lives, whether of those working on upgrading roads or the general public going about their business. The Group's security products, including hostile vehicle mitigation products protect people and property from terrorist acts.
Combat climate change	The Creative Composites Group provides low embedded-energy products that are able to better withstand flooding, hurricanes and wildfires than competitor products. Our Galvanizing business provides steel protection services that a give 60+ year life and are fully recyclable.

Health & Safety

The health, safety and wellbeing of our workers continue to be a key focus across all subsidiaries. All sites are committed to minimising the risks their workers face on a daily basis, ensuring that their policies, procedures and risk assessments are followed. This also ensures that any site visitors, contractors and the public are not affected by the work being undertaken within our facilities. 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 UK and US based health & safety consultants continue to work alongside the safety specialists in each of our subsidiaries to assist the Group in achieving its objectives around health & safety.

The use of online health & safety management and reporting tools enables the Board to track various performance 'lag' indicators whilst 'leading' indicators, including a programme of external audits and regular UK and US Safety Forum meetings, provide opportunities for improvement.

Health & Safety in 2020

Policies

Hill & Smith Holdings PLC's Health & Safety Policy was last approved by the Board on 26 January 2021, and is available on the Company's website https://www.hsholdings.co.uk/about-us/corporate-governance/policies. This statement provides the minimum standards, advice and guidance acceptable across the Group and forms the basis for each individual subsidiary's own Health & Safety Policy.

Safety performance

Whilst the COVID-19 pandemic has limited opportunities for the safety teams to meet up on site, our programme of health & safety forums has continued virtually, and additional safety briefings have also been held covering COVID-19. These safety forums continue to be a vital part of our safety management regime and help to ensure best practice is regularly shared across all businesses. This approach assists the Group management and the subsidiaries with the objectives of consistency, best practice and learning lessons from events. The findings from the Health & Safety Culture Survey and the US' new health & safety management and reporting tool, that was configured towards the end of 2020 will support this approach.

The Group companies have continued to work effectively to ensure health & safety requirements are well managed and at the end of 2020 95% of sites had access to online health & safety management and reporting systems with 37 sites (c. 49% of the Group) either approved to ISO 45001 or are in the process of achieving the certification.

The Group strives to ensure that there is an open and active culture of incident reporting. Initiatives such as the "Don't Walk By", "You've Been Caught" and "Good Catches" campaigns all play a vital role in the Group's aspiration to keep people safe at work. Further work on this proactive reporting programme is to continue into 2021.

For 2020, the Group received, on a like for like basis, 469 accident reports (2019: 555) with zero fatalities for employers and contractors, the sixth successive year in which zero fatalities have been recorded.

Given the multi-jurisdictional nature of our Group, the Board has deliberated on the health & safety metrics that best suit our business and has concluded that as well as total accident numbers the Board should focus on Lost-time injuries and Lost-time injury rates. Over the last five years these have been:

	2020	2019	2018	2017	2016
Number of lost-time injuries	**108**	119	119	123	178
Number of accidents reported	**469**	555	464	503	509
LTI per 100,000 employees	**2,456**	2,592	2,738	3,022	4,312
Lost-time injury rate ('LTIR')	**1.5**	1.6	1.6	1.8	2.6

During 2020, for the first time, we were able to collect data to inform a lost-time injury rate based on hours worked: The number of lost-time injuries divided by total hours worked multiplied by 100,000. For 2016 to 2019 the rate is an estimate, based on the average hours worked by the average number of employees employed in that year.

The focus for 2021 is to achieve greater visibility of non-injury events through near miss and safety observation reports across all sites, with the expectation that by concentrating our employees' focus on these areas, the number of lost-time injuries will reduce over time.

Wellbeing

During 2020, the Group continued to partner with third party organisations: healthcare providers; occupational health advisors; and Employee Assistance Programmes. In the UK, Lifeworks provides support to employees and during the pandemic they were reminded that should they need to take advantages of the service, it offered 24/7/365 access to advice on a range of life topics including physical health, childcare, and managing finances. The service included counselling sessions; unlimited critical & significant incident support, via telephone, phone apps and support for dependents. We are looking to roll out this service to other subsidiaries in 2021.

This third-party support was supplemented by on-site mental health first aiders who were trained to identify the signs of mental health difficulties and to be able to begin a discussion with an individual who they may be concerned about, and to help them refer that individual for appropriate information and advice.

As a result of the pandemic, some subsidiaries took additional steps in this area, with Joseph Ash Limited, our UK galvanizing business, training an additional 15 mental health first aiders. During 2021 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 people

Talented people are fundamental to the succes of our decentrailsed business model and help deliver our purpose and growth ambitions. We need a highly engaged and capable workforce working within our operating companies and this can only be done by sourcing, developing, supporting and retaining the right people and the subsidiaries are supported by a community of HR professionals who enable the key employment strategies, programmes, and processes, to ensure that the business attracts and retains the skills and capabilities required to deliver the strategy.

This objective is achieved through partnership with third parties to attract a diverse range of candidates and to provide development, and learning experiences that contribute to career development opportunities. Investing in our people helps to ensure we create and retain a skilled and motivated workforce including a leadership team that will lead our businesses effectively and positively impact on our future success. Our aim is to continuously develop our Group leadership and management capabilities across the organisation, enabling all our leaders to effectively manage and motivate the teams in their business.

COVID-19 Pandemic

Plans supporting how our businesses needed to respond to the growing pandemic began to be put in place in Q1 2020. In particular, agreeing the necessary support that was required for workers shielding and/or self-isolating. Whilst at all times following local Government guidelines, rules, process and social distancing measures were put in place in all businesses which over time, together with inter-Group discussions and sharing of best practice helped to limit the direct effect of the pandemic. Our businesses have embraced and complied with Country/Regional restrictions, putting in place Governmental/ local public health guidance to protect workers.

In Q2, site risk assessments, hygiene and social distancing measures were formally set up, alongside regular monitoring regimes. This, together with ongoing engagement with the workforce, responding to their concerns, suggestions and work methods meant our Health & Safety and HR teams have continually shared best practice with the operational teams, throughout the pandemic, to help maintain operational capacity whilst ensuring the health, safety and welfare of our employees, customers and any site visitors. During this time, we actively reminded employees of the wellbeing services available to them. In Q3, with the UK Government opening up the economy, all UK sites carried out unique site based COVID-19 safety surveys before allowing home workers to return to work. Our international sites responded to the rules and legislation appropriate to their location.

Following effective public testing regimes being established in each country in which we operate, 218 positive cases have been reported amongst our workforce in the period to 31 December 2020 and effective support and welfare provisions were put in place for those employees affected. Fortunately, we have suffered no fatalities within our workforce.

	No. of COVID cases	No. of employees	%
United Kingdom	94	1,950	4.8%
United States	96	1,294	7.4%
RoW	28	1,154	2.4%

Early intervention strategies in any positive cases, with internal track and trace protocols on site, together with open communication with and support to any close contacts has meant local responses were very well managed. We fully expect these measures to remain in place until a point in time when the virus is having only a minimal impact on society.

The health, safety and wellbeing of our employees continues to be a key focus across all subsidiaries. However, the pandemic has caused some disruption to the Group safety initiatives that were planned for 2020, largely due to travel restrictions which affected site visits and the Health & Safety Forums.

"The health, safety and wellbeing of our employees continues to be a key focus across all subsidiaries."

Sustainability and Responsibility Report
continued

Policies

The policies that set out the Group's approach to our employees can be found on the Company's website, https://www.hsholdings.co.uk/about-us/corporate-governance/policies. These include policies relating to Equal Opportunities, Discrimination and Diversity; Training and Development; and Dignity at Work. The subsidiaries operate relatively autonomously so Group policies set a framework within which the subsidiaries can develop and implement their own Policy arrangements. These are supported by toolkits available to our Subsidiaries through our intranet, that help the businesses manage elements within the employee lifecycle. Within this framework, subsidiaries set their own employee policies to comply with local laws but with clear guidance from the Group.

Employment

Our Group provides equitably and competitively paid, skilled and highly skilled employment with the potential for career development within the communities in which it operates. We are committed to investing in and promoting our people, attracting and retaining a diverse workforce, while fostering social mobility.

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.

During 2020, the Group employed c. 4,400 people across 76 locations in six countries. We are conscious that in any organisation people come and go as opportunities arise, both within and outside the Group. In 2020, resourcing activity was lower than normal and from data we have collected, we believe that our overall voluntary turnover of permanent staff was 6% and that in replacing leavers we were able to recruit internal candidates to c.18% of all vacancies. The COVID pandemic had an impact on our business in the first half of 2020, and as a result, unfortunately, a few employees, c 2.3% of our workforce were made redundant.

Engagement

The emerging Engagement Strategy includes a commitment to conduct a cascade briefing process throughout the Group, supplemented by a range of engagement and communication mechanisms in the subsidiary businesses. These regular approaches are supplemented by, in alternate years, an Employee Engagement Survey and a Health & Safety Culture Survey. The Group-wide Employee Engagement Survey in 2019 promoted action plans for the subsidiaries in 2020 and the priority themes were Enabling Infrastructure, Talent & Staffing, Senior Leadership, and Career Development.

Communication was a key priority arising from the 2019 survey and the COVID situation accelerated the progress that subsidiaries were able to make in this respect. The leadership teams communicated regularly, the content around social distancing was delivered to employees via a variety of media, and the use of fast (text) communication increased, was popular and will continue to be relied upon. In 2020, we ran the first Group-wide Health & Safety Culture Survey.

In furtherance of the UK Corporate Governance Code, the Group continued to use Workforce Advisory Panels to give employees the opportunity to meet with Group senior management and we have developed our Terms of Reference for this programme of work. In the latest meetings to take place, employees in the UK and the US met with the Chair of the Group; the new Chief Executive, Paul Simmons; the Group CFO; the Group's HR Director; and the Group Company Secretary to discuss the breadth of the Group's activities, the 2020 half-year performance, the Chief Executive's first impressions; and the future strategy of the Group. Last year's sessions were face to face events. However, in 2020 these sessions were conducted virtually and included deploying some polling technology to canvass the views of the participants on a range of themes. The representatives were encouraged to share their experiences with colleagues in their business units after the meetings. The Chief Executive also held a Managing Directors' Forum to talk about areas for focus in 2021 and beyond.

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. Everyone is actively encouraged to communicate and share information with colleagues. We have recognised Trade Union groups in some of our plants in France, the UK and the US and value the partnership and involvement which these Trade Unions bring to our business. We encourage collaboration with Trade Union groups and negotiate with them on the terms and conditions for their members and consult with them on changes within the organisation. Employees can become affiliated with a Trade Union and their involvement in that organisation will not affect them in terms of recruitment, promotion, transfers, development opportunities or any other employment arrangements. In 2020, c. 18% of our employee had access to a recognised Trade Union.

Diversity

Our aim is for our workforce to be representative of the communities in which we operate and for every employee to be respected and able to give of their best. We are committed to ensuring that everyone can contribute and reach their full potential, and that they have the opportunity to share their perspective.

Inclusion forms a key element within our approach to diversity, and this is demonstrated by equitable treatment throughout the employment cycle. Everyone should feel welcome and supported, should be treated with fairness and respect, and feel included. We seek to create an environment in which individual difference is respected and everyone matters.

As an employer working across a range cultures and countries, we seek to replicate the diversity of the communities where our companies are based, in the profile of our own workforce. We shall rely on data gathered from employees and by examining relevant data points in our attraction and engagement processes to understand where we can improve our approach.

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 regarding a broad range of matters. The Board has overall responsibility for the Company's Equal Opportunities, Discrimination and Diversity and Dignity at Work policies. As at 31 December 2020, the Group-wide split of male and female employees is shown in the tables below:

	2020		2019		2018		2017		2016	
	M	F	M	F	M	F	M	F	M	F
Number of PLC Board Directors	5	2	5	2	5	1	5	1	5	1
Number of subsidiary Directors	66	5	79	3	59	2	71	3	74	4
Number of senior managers	174	39	221	40	167	19	182	19	162	22
Total number of Group employees	3,972	426	4,161	430	3,728	366	3,538	346	3,774	354

	2020		2019		2018		2017		2016	
	M	F	M	F	M	F	M	F	M	F
Percentage of PLC Board Directors	71%	29%	71%	29%	83%	17%	83%	17%	83%	17%
Percentage of subsidiary Directors	93%	7%	96%	4%	97%	3%	96%	4%	95%	5%
Percentage of senior managers	82%	18%	85%	15%	90%	10%	91%	9%	88%	12%
Total Percentage of Group employees	90%	10%	91%	9%	91%	9%	91%	9%	91%	9%

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 galvanizing and construction business; Joseph Ash Ltd, a galvanizing business; and Hill & Smith Ltd, a road 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 2020, the Group continued to analyse gender pay information across its UK subsidiaries and in doing so recorded a mean gender pay gap of 8.4% (2019: 12.7%). However, the median pay gap which had alternated in previous years to first favouring men and then women was, in 2020, approximately equal, with a gap of 0.1% in favour of men.

It is important to note that the 2020 Gender Pay data was collected in a week when the COVID pandemic was at its peak impact and as such, furlough arrangements were in place. Around half of the UK workforce had been furloughed and these employees were in receipt of at least 80% of their normal pay level.

The Group data can be found on our website www.hsholdings.com along with narrative about the pay gap reports for the three subsidiaries.

Training & development

During 2020, 122 leaders and senior managers attended formal training sessions, of which 17% were women. 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.

Outside these Group-led training schemes our business informed us that they have spent c. £0.4m on providing additional training over c. 4,000 days, amounting to c. 32,000 hours. In 2021, the Group has budgeted c. £1m to cover both Group and subsidiary-based training and development initiatives.

The Succession Planning and Talent Management ('SPTM') programme for managers continued with a review of the succession plans in many subsidiaries and particularly in the UK, with the continuation of the Learning programmes, initially face to face and then virtually. The SPTM learning programmes provide managers within the Group who have the potential to become senior executives, as well as other talented individuals who the potential for progression, with the necessary skills to prepare them for future roles. These programmes bring together delegates from across the subsidiaries to collaborate in a learning setting. We have also continued to invest materially in our Apprenticeship Schemes. In 2020, we have taken on 34 new apprentices and provided related training to another 111 individuals across our UK subsidiaries, of which 10% are women. Our UK sites are taking advantage of utilising their apprenticeship levy in a variety of areas and we have utilised c. 49% of the levy funds raised. The greatest impact is through Business Improvement Techniques launched across numerous companies last 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.

Our priority going forward is to invest in the development of a diverse group of individuals with the ambition and potential to develop their careers within the Group.

Sustainability and Responsibility Report
continued

Conducting business ethically

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.

Policies

Our Code of Business Conduct 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 reinforced with additional policies around Supply Chain; Anti-bribery & corruption; Whistleblowing; and Modern Slavery. These policies are available on the Company's website https://www.hsholdings.co.uk/about-us/corporate-governance/policies.

Code of Business Conduct

The Code of Business Conduct ('CoBC') 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 CoBC also extends to the handling and minimisation of conflicts of interest and the protection of the Group's valuable intellectual property rights.

The CoBC is not designed to supersede detailed Group policies but rather to supplement and summarise the Group's compliance initiatives and 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 annual compliance with the policies issued by the Group during the year and in particular with the CoBC.

Supply Chain

The Group benefits from a series of procurement controls, which are embedded in the Group Policy Manual and available to all subsidiaries through the Group Intranet. These policies that relate to commercial interactions with both our suppliers and customers include a Sanctioned Countries screening protocol that, in accordance with its legal and financial obligations uses restricted party screening software to identify any valid international economic sanctions that would prevent us from doing business.

Additional protocols have also been provided to certain subsidiaries to ensure they meet all international obligations when trading in sensitive geographical areas. These controls are bolstered by a Competition Law compliance programme which includes a manual and online training to all office-based staff across the Group. The programme is based on requirements of UK law with local variations applied to non-UK businesses.

Our businesses operate under the above policies and controls, and as devolved business units they are free, within the confines of our Sanctioned Countries & Restricted Parties Trading Policy, to do business with whoever they deem fit. However, we are conscious that we should not be contributing to the conflict in the Democratic Republic of Congo and surrounding countries and after seeking input from our subsidiaries, we are able to confirm that the Group does not purchase Conflict Minerals within its supply chain. Our commitment to this is covered in our conflict minerals policy.

Anti Bribery & Corruption

The Group deploys an Anti-Bribery & Corruption ('ABC') Programme which includes:

- An Anti-Bribery and Corruption Policy which is available on the Company website, that is approved annually by the Board and is a responsibility of Paul Simmons, as Chief Executive;
- A Gifts & Entertainment Policy, which tolerates the provision and receipt of gifts and entertainment within considered parameters which align with the Group's legal obligations;
- An online ABC training course that is delivered to all office-based staff across the Group and to other relevant employees and was updated in 2021, with around 2,000 employees participating, c. 100% of all relevant employees; and
- Appropriate due diligence investigations of third parties with whom the Group engages.

Whistle-blowing

The Group's Whistleblowing Policy reassures employees that they should not be afraid of reporting their concerns, and that should they see or know of someone who is doing something illegal, unethical or improper they should report their concerns. Should individuals wish to raise concerns anonymously they are able to do so via an external confidential, independent compliance hotline and email facility, which is available in local languages or they can contact senior managers within their business, the Group Company Secretary or the Chair of the Audit Committee, without fear of reproach. The policy gives assurance that issues will be investigated and resolved in accordance with the principles of the CoBC and that no employee will suffer retribution when raising genuine concerns that are reported in good faith. During 2020 three such issues were reported and investigated (2019: 12).

Modern Slavery

The Board is committed to the Modern Slavery Act 2015 and has continued to support a number of policies and initiatives during 2020 to supplement the Group's existing compliance controls in respect of anti-slavery and human trafficking. As we reported in 2019, during 2020 we undertook a review of the Modern Slavery risks associated with the supply of flexible labour force agency workers ('agencies') to our operating units. We identified a total of 76 agencies, of which only four were in the Group's highest risk jurisdiction of India.

The responses we received from these agencies following our investigations confirm that as a minimum the agencies comply with their jurisdiction specific legislation and requirements; and that some agencies go beyond these standards to have more sophisticated and detailed policies and procedures. Further work with these agencies, particularly those in the UK and US will be carried out during 2021.

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. 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.

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 & safety policies and procedures and be free from substance abuse at all times.

Climate change

The Group is committed to protecting and enhancing the environment by managing its manufacturing facilities in a responsible way and by maximising the positive effects of its products and services.

Each UK business has an '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. This initiative will be rolled out to other subsidiaries as part of our ESG agenda for 2021. All employees are encouraged to report energy saving and recycling ideas to their local management teams. A programme of environmental audits is carried out on a regular cycle, by an independent third-party.

As in previous years, the Group contributed information and data to the Carbon Development Project, a programme designed to tackle climate change and in 2020 upgraded its rating to 'C'.

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 2020 we utilised the services of Trident Utilities, an independent energy management consultancy who help to collect, collate and verify the data.

Policies

Our Environment and Energy policies, which cover all of our business units, set out our commitment to protect and enhance the environment and include our commitment to minimise our contribution to climate change by reducing our usage of non-sustainable raw materials, energy and water and our Product Responsibility policy sets out our philosophy to creating sustainable infrastructure and safe transport. Both are set and monitored by our Executive Board.

Energy & Greenhouse Gas Emissions

The Group has been monitoring its energy usage and Greenhouse Gas ('GHG') emissions since 2008, and first reported its consumption data at the end of its second three-year programme in 2013.

During 2020, all energy consumed in the UK was from non-renewable sources. However, in November 2020, the Group entered into a two-year contract to buy all its electricity requirements for its UK sites from renewable sources.

We recognise that our business can have a direct and indirect effect upon the environment and are pleased to report that the cost to our subsidiaries of environmental fines and penalties in 2020 is £Nil (2019: £Nil). 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, and covers 100% of our sites.

Group total GHG emissions by scope

	2020	2019	2018	2017	2016
Scope 1 (tCO_2e)					
UK Sites	17,096	18,372	18,455	18,824	18,377
Global*	34,970	35,106	38,014	38,359	39,215
Total Scope 1	52,066	53,478	56,469	57,183	57,592
Scope 2 (tCO_2e)					
UK Sites	3,904	5,384	6,397	8,482	9,561
Global*	11,431	14,419	18,052	14,117	12,390
Total Scope 2	15,335	19,803	24,449	22,599	21,951
Total tCO_2e	67,402	73,281	80,918	79,782	79,543
Revenue (£m)	660.5	694.7	637.9	585.1	540.1
Intensity ratio	0.102	0.105	0.127	0.136	0.147

*Excludes UK

	2020	2019	2018	2017	2016
Scope 1 Consumption (kWh)					
UK Sites	85,731,385	90,837,780	90,732,984	68,228,587	65,706,514
Global*	182,458,683	183,916,541	174,065,843	175,823,725	174,290,395
Total Scope 1	268,190,068	274,754,321	264,798,827	244,052,313	239,996,909
Scope 2 Consumption (kWh)					
UK Sites	16,746,742	19,417,329	20,824,815	22,176,349	20,967,912
Global*	33,590,524	35,870,117	42,490,854	35,149,090	31,867,116
Total Scope 2	50,337,266	55,287,447	63,315,669	57,325,439	52,835,028
Total Consumption (kWh)	318,527,334	330,041,768	328,114,496	301,377,752	292,831,857

*Excludes UK

Currently the Group only collects data in relation to Scope 3 emissions from water consumption and waste.

Scope 3 (tCO_2e)	2020	2019	2018	2017	2016
UK Sites	969	171	179	192	322
Global*	1,766	350	350	280	547
Total Scope 3	2,735	521	529	472	869

*Excludes UK

We engage with a third-party energy consultant who collects energy based usage data from all our subsidiaries on a monthly or quarterly basis and this converted into tCO_2e using BEIS conversion factors that were published in June 2020, and updated in July 2020. The apparent increase in Scope 3 emissions is due to a quadrupling of the BEIS conversion factors for these emisions. On a like-for-like basis, 2019 total Scope 3 emissions would be 2,410. For more information on water and waste management, see below.

During 2020, for the first time, the Group was able to collect additional information on other GHG emissions. During the year we accounted for 81.2tCO_2e of CH_4 and 193.8tCO_2e of N_2O.

Water and waste management

Water

Water usage within the Group is either freshwater or recycled water and where possible our subsidiaries investigate improvements within the manufacturing process to avoid the use of water, or alternatively to increase the use of pre-used water to carry out their processes and also to manage the effect of our operations on the quality of water in the environment. For example, Medway Galvanising now uses pre-used water in its rinse process and over the years France Galva has invested in rainwater treatment plants to remove any impurities that may be absorbed as rain collects on their sites. As part of our future ESG strategy we will be considering what more can be done to manage our use of water and our impact on this essential commodity

Group water usage by volume m^3	2020	2019	2018	2017	2016
UK Sites	46,208	42,188	36,896	36,001	39,737
Global*	48,885	48,964	50,589	55,475	59,034
Total usage	95,093	91,152	87,485	91,476	98,771

Waste management

The UK operations of the Group comply with the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 (as amended). They are fully aware of their legal and environmental responsibilities to reduce the amount of packaging going to landfill and seek to reduce, recycle and recover their packaging materials.

Turquoise Solar sits on approximatley 180 acres of igneous rock at Reno Technology Park, Washoe County, Nevada. V&S Galvanizing provided hot-dip galvanized coating to the legs and screws that support and anchor the solar racks to the ground.

By securing evidence of recycling through its compliance scheme, Wastepack, the Group is contributing towards meeting the recycling and recovery targets set by Defra, as part of the European Union Directive. Waste management data has been collected from all UK sites, enabling us to identify waste by-products, with a view to lowering waste output and developing new opportunities to improve the manufacturing processes. Wherever possible, these waste products are sold to be reused in other manufacturing processes, avoiding the need to use virgin material.

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.

Solid waste by tonnes	2020	2019	2018	2017	2016
Waste to landfill	5,165	4,678	5,038	4,404	4,197
Recycled waste	19,145	22,514	28,779	20,736	18,712
Total waste	24,310	27,192	33,817	25,140	22,909

Sustainable products

Boosting innovation

Our Group creates and maintains work environments that help our business units to develop and manufacture products, providing well paid and broad development and career opportunities that meet the changing nature of industrial manufacture and the urbanisation of cities and communities. We offer solutions to combat the results of climate change, whilst at the same time our manufacturing methods are monitored to measure our effect on the use of energy and other natural resources. In 2020, the Group spent £2.0m, c. 0.3% of total revenue on research and development projects (2019: £1.4m, 2018: £1.2m), in particular developing solar powered solutions for some of our work zone safety products.

Responsible products and services

Our galvanizing companies provide a hot-dip galvanizing service that provides long life, low maintenance corrosion protection which safeguards steel from atmospheric attack. It is an easy, cost effective and environmentally friendly process that protects steelwork with a robust, durable and corrosion protective finish that under normal conditions will last for many years without maintenance, extending the life of the product for 60+ years. Hot-dip galvanizing does not just prevent steel from corroding due to environmental damage, the process bonds the zinc onto the base steel and creates a self-sacrificing and self-healing barrier to minor impact and damage.

Our Composite Group offers products that have a low embedded energy production process and provide solutions for mechanical strength and protection in many market segments such as transportation, electrical, building and infrastructure, industrial and energy and have a better ecological footprint than traditional materials. These materials have a track record of providing useful benefits including high durability, mechanical performance, design freedom, low weight, and ease of manufacturing

Our products also support carbon reduction through the delivery of renewal energy through our electrical transmission products, solar and windfarm schemes, and LNG projects.

Safe transport is supported through our work zone protection and pedestrian protection solutions complemented by our permanent and temporary crash protection systems. Our hostile vehicle mitigation products offer security to high value assets protecting society from the effects of data and power outages.

Adding value to society

Hill & Smith Holdings PLC aims to make a positive impact on society, not only with its products and by employing c. 4,400 staff across six geographies, but also with governments and local communities.

Policies

The Group's business activities incur a substantial amount of different taxes and the Group is committed to complying with tax laws in the geographies in which it operates and works closely, with tax authorities in those countries. The Group's Tax Policy can be found on the Company's website https://www.hsholdings.co.uk/about-us/corporate-governance/policies.

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 and transfer pricing, which is conducted at 'arm's length' principles.
- 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.
- We commit not to transfer value created to low tax jurisdictions, not to use tax structures intended for tax avoidance and not to use secrecy jurisdictions or so-called 'tax havens'.
- 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.

The Group does not operate in countries considered as partially compliant or non-compliant, according to the OECD Tax Transparency report and blacklisted or grey-listed by the EU, except for Australia, where the Group has a roads business with strategic intentions to mirror the success of its UK roads business.

Community

Reflecting the geographical breadth of the Group and the devolved nature of our business model, the Group has taken the decision not to have a Group-based community programme, but to encourage business units to support their local communities. An example of this is Hardstaff Barriers, a division of Hill & Smith Ltd , supporting a group of school students to access MyMaths, an online mathematics learning platform. During 2020 the Group has contributed c. £21,000 to local charities.

Deer Island Waste Water Treatment Plant

case study

Deer Island Waste Water Treatment Plant is located on Deer Island, one of the Boston Harbor islands. Deer Island is the second largest sewage treatment plant in the United States. The plant was built as part of a programme to protect Boston Harbor from pollution from sewer systems under a 1984 court mandate. Waste water from 43 Boston area communities reaches the plant through four tunnels. 1.27 billion gallons per day are treated, separated, clarified, and discharged into a 9.5-mile-long tunnel and dispersed into the ocean. The treatment plant you see extends seven storeys below ground.

Carpenter & Paterson Inc. ('C&P'), a Hill & Smith Utilities business, supplied supports and engineering to the plant. The supports varied from ½" (12mm) standard steel hardware supports to 84" (2100mm) fabricated pipe cradles. C&P also supplied many miles of threaded rod with accompanying nuts, bolts, and anchors. On the engineering front, the business provided pipe stress analysis, support design and drawings, and on-site walkdowns to solve the unique hanger applications of such a massive project.

C&P continues to target water treatment projects as a critical infrastructure market for strategic growth.

"Deer Island is the second largest sewage treatment plant in the United States, treating, separating, clarifying, and discharging 1.27 billion gallons of water per day."

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

The Hill & Smith Tranzflex Transition is tested to EN1317, alongside the Varley & Gulliver Bridge Parapets. A complete, tested arrangement of vehicle restraint systems installed in the far north of Scotland.

Risk Management and Assurance

The Group has an established enterprise-wide risk management process that identifies, evaluates, manages and monitors risk. Several enhancements have been implemented during 2020 to further improve and embed the risk management process.

Responsibilities

Effective risk management is critical to the achievement of our strategic drivers of portfolio management, strong cash generation, entrepreneurial management and targeted growth. All our subsidiaries hold leading positions in the provision of sustainable infrastructure and transport safety products. 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 ongoing discussion of risk and risk management to the Audit Committee and the Executive Management, 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.

The Risk Committee acts as a conduit between the Group and subsidiary risk registers, supporting the dissemination of the Risk Management Framework and risk appetite down to the subsidiaries from the Board and flow of assurance back up to the Board.

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

Risk Appetite

A Risk Management Framework operates across the Group, clarifying how risk is to be managed in a way that satisfies the autonomous operating model of the Group and in particular, roles and responsibilities at each level (see Figure 1). The approach, which is subject to continual improvement, has allowed the Board to consider its appetite in the light of the Group's business model and carry out a robust assessment during 2020 of the principal risks and uncertainties that might threaten the Group's business model, future performance, solvency and liquidity which can be found on pages 50 to 53.

In common with every successful company, the Board accepts a level of 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. For example, 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, multiple geographic locations, markets and products. However, the Board believes that it effectively demonstrates its risk appetite by the decisions it has taken (and not taken) during the course of the year. Top down assessment of risk appetite by the Board is now possible with the introduction of Target Risk scoring and the ability for the Board to challenge subsidiaries on specific risk targets.

Figure 1 Risk Management Process

Enterprise Risk Management Framework

The Enterprise Risk Management Framework wraps around the compliance programmes and internal controls and is supported by the internal and external audit programmes and a range of external accreditation schemes. Due to the Group's entrepreneurial management individual businesses can add additional elements. This ensures risk management is effectively embedded in a way that fits each specific 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;
- evaluates the Group Principal Risks and oversees their management;
- establishes the Group risk appetite; and
- directs the external reporting of risk and viability.

The Audit Committee supports the Group Board by:

- monitoring and directing the testing of the Risk Management Framework, appetite and associated internal controls, including the influencing factors of culture and reward;
- ensuring there is a link between the Group Principal Risks and the Group's internal and external audit programmes;
- 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 and/ or Group Principal Risks; and
- reviewing the detail of external reporting.

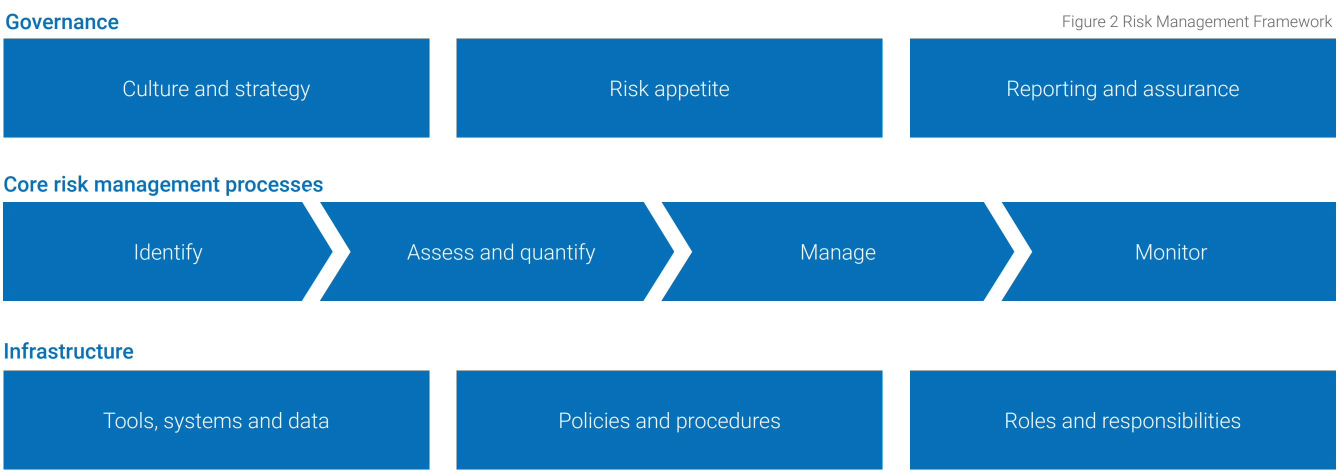
The Risk Committee:

- acts as a conduit between the Group and subsidiary risk registers, supporting the dissemination of the Risk Management Framework and risk 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.

Figure 2 Risk Management Framework



Risk Management and Assurance
continued

Risk in 2020

Risk Committee

The Risk Committee receives reports from the subsidiaries on their individual risks. The Committee met formally four times during the year and comprises the Group Head of Risk and Internal Audit, the Group Chief Financial Officer, the Group Financial Controller, the Group Company Secretary, the Assistant Company Secretary and the Group Corporate Development Director, as well as four representatives from across our divisions and geographies.

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 thoroughly considers emerging risks in the context of future opportunities and threats to the Group's business model.

In July 2020, the Risk Committee provided guidance and analysis on potential medium and long term impacts from the COVID-19 pandemic to our subsidiaries through a session facilitated by PwC.

The Risk Committee will continue to evaluate emerging risk during 2021 and make appropriate recommendations to the Audit Committee, if necessary.

Risk Analysis

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.

An increase to the exposure from three of our Principal Risks has been highlighted: Changes in global outlook and geopolitical environment, Supply chain failure, and Talent, development, diversity, recruitment and retention of key employees. A slight decrease has been highlighted against Reduction in Government spending plans, with the remaining Principal Risks remaining stable. For further details see pages 50 to 53.

During the year, the Risk Committee and Board have discussed at length the effect of Brexit and COVID-19 on the Group and our Principal Risks. Where applicable further details have been provided against individual Principal Risks on pages 50 to 53.

Risk Activities

Activities undertaken to enhance the Group's approach to risk in 2020 included:

- revised risk management methodology to implement revised risk scoring (to recognise high impact low likelihood events), Target Risk scoring and the assignment of multiple causes and consequences to risks;
- launch of the 'Risk Playbook' to advise and guide subsidiaries on best practice preventative (to reduce likelihood of risks occurring) and reactive (to reduce impact if risks do occur) mitigating controls;
- improved Board reporting and developing reporting tools for our subsidiaries to help them embed risk management into their business processes;
- launch of improved risk management software to improve the quality of risk information held by subsidiaries and the reporting process and;
- virtual seminars and one to one training to introduce and launch the new risk management software and risk management methodology.

The Universal Composite Submarine Camel berths all classes of submarines for the US Navy at bases around the world while providing low maintenance, corrosion resistance, longevity, and operational efficiency.

Risk in 2021 and beyond

Risk in 2021 and beyond

The key focus during 2021 will include:

- further work to mature the risk management methodology used across the Group, particularly by increasing the range of methods used to assess the effectiveness of risk mitigations using Key Risk Indicators (KRIs);
- in-depth review of mitigating controls and the levels of assurance available at subsidiary level to ascertain their effectiveness;
- 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;
- continued evaluation and identification of emerging risks that might disrupt the business models and strategies of our subsidiaries;
- further development of the newly implemented Risk Management software to continually improve the efficiency of reporting to the Group from our subsidiaries; and
- further alignment of health & safety and IT reviews with the control effectiveness assessments performed by subsidiaries.

FRP composite sheet piles have over 20 years of successfully protecting piers, harbours, and waterfronts from erosion and storm damage. The sheet pile wall pictured is in Ocean City, New Jersey.

Principal Risks and Uncertainties

Economic

Risk: Reduction in Government spending plans

Trend:
Slightly lower

Link to strategy

Portfolio management

Enhancing organic growth

Agile decision making

Description and potential impact

The Group generates the majority of its revenues from its operations located in the UK and the USA and whilst it is possible that Government spending plans will be under increasing scrutiny, it is likely that infrastructure investment will continue to be a key part of national spending plans, particularly in the short to medium term.

In March 2020, the UK government confirmed its commitment to the next phase of road investment spend (RIS2) at £27.4bn. In the US, there is optimism for a Federal-funded road investment bill under the Biden administration. The Group is well placed to benefit from these investments and possible short term "shovel ready" schemes to stimulate economic growth, although a reduction in UK or US Government infrastructure spending, could reduce demand for our products and services.

Mitigation

- Our existing entity portfolio contains diverse products, markets and territories and we will continue with this approach.
- 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

Portfolio management

Enhancing organic growth

Agile decision making

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.

Whilst Brexit has not had a material direct effect on the Group, it creates the potential for market disruption in the short term.

The COVID-19 pandemic continues to create uncertainty in the global economic outlook. The diverse portfolio of Group businesses with exposure to a range of markets and geographies, continues to help mitigate this exposure.

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.

Commercial & Financial

Risk: Increase in competitive pressure

Trend:
No change

Link to strategy

Operational excellence

Enhancing organic growth

Agile decision making

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.

Mitigation

- The holding of leading positions in niche markets of sustainable infrastructure and transport safety 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.

Commercial & Financial

Risk: Product failure

Trend:
No change

Link to strategy

Operational excellence

Sustainability

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 Internal Audit review completed across the Group during 2019 with recommendations implemented in 2019 and 2020.

Commercial & Financial

Risk: Contractual failure

Trend:
No change

Link to strategy

Strong financial controls

High cash conversion

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 potential for credit default risk due to the ongoing COVID-19 pandemic has been identified, although this has not yet materialised. The Group continues to closely monitor the position.

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.
- Trade credit insurance policies in place in the UK, France and India which mitigate exposure.

Operational

Risk: Supply chain failure

Trend:
Slightly higher

Link to strategy

Enhancing organic growth

Agile decision making

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. 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 a reduction in revenues, potential loss of market share and possible reputational damage.

During 2020 the supply of key raw materials and components was not impacted by the COVID-19 pandemic, helped in part by local contingency planning around buffer stock levels and supplier sourcing arrangements as first developed in response to Brexit. The Group is currently experiencing challenges relating to the global increases in steel costs and whilst we are managing availability issues and are well placed to pass price increases to customers, we do recognise an increase in the exposure from the risk.

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.

Principal Risks and Uncertainties
continued

Operational

Risk: IT systems failure

Trend:
No change

Link to strategy
Agile decision making

Operational excellence

Strong financial controls

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.

Poor security controls and procedures could lead to our businesses being susceptible to cyber-attack, potentially resulting in significant IT failure and associated disruption.

Mitigation
- Business Continuity and 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 which is a focus area for improvement.
- Ongoing project for the enhancement of IT security controls and maturity across the Group.
- Separate IT systems within each subsidiary means that any illegal external activity is unlikely to jeopardise the Group as a whole.
- IT Director recruited to the Group in 2020, responsible for IT strategy and cyber security risk.
- Periodic guidance issued to subsidiaries on current and prevalent cyber-attack threats.

Operational

Risk: Acquisition strategy failure

Trend:
No change

Link to strategy
Targeted M&A

Portfolio Management

Sustainability

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
- 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.
- Post-acquisition integration plans established for all material acquisitions with regular performance monitoring and reporting to the Board.

Operational

Risk: Lack of investment in product development and innovation

Trend:
No change

Link to strategy
Enhancing organic growth

Operational excellence and innovation

Strong financial controls

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.

Human Resources

Risk: Talent, development, diversity, recruitment & retention of key employees

Trend: Slightly higher

Link to strategy

Management incentives aligned

Talent development

Agile decision making

Description and potential impact

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. We need to ensure effective recruitment channels and make the necessary investment to develop and retain high-quality individuals in key positions to guarantee the long-term success of the business. We need to ensure the diversity of our workforce reflects the communities in which we work. Without talented employees we will be unable to deliver our strategic aims.

During the year some of our subsidiaries have found it challenging to attract and retain unskilled labour due to competitive labour local markets and hence a slight increase in the risk has been recognised.

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: Prevention of harm or injury to people

Trend: No change

Link to strategy

Operational excellence

Sustainability

Agile decision making

Description and potential impact

The Group operates a number of manufacturing facilities around the world. A failure in the Group's heath & safety procedures could lead to to injury or to the 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.

During the year the Group has followed all local guidelines to ensure that our facilities are COVID secure and our employees are safe. Actions taken include introducing enhanced cleaning and hygiene procedures, implementing social distancing and track and trace procedures, provision of face masks and taking all reasonable steps to help people work from home where appropriate to do so. In addition, we are mindful of the mental wellbeing of our employees during this difficult time and have offered appropriate support and assistance.

Mitigation

- Monthly heath & safety reporting for all subsidiaries via online tools.
- Regular audits of UK, US, Sweden and India including assessment of our COVID secure arrangements.
- Local audits completed in France, periodically overseen by Group.
- Health & Safety Forums to monitor performance and share best practice.
- Culture of zero tolerance in respect of heath & safety violations promoted by the Board and disseminated throughout Group businesses.
- External heath & safety accreditations and relationships maintained with regulatory bodies.
- Health & safety as a priority area of focus for new acquisitions.
- Monitoring of LTI rates
- Any LTI event is followed up and investigated thoroughly and improvement recommendations are implemented to minimise any reoccurrence.
- Reduction of the Group's LTI rates is a key focus for Management and the Board in 2021.

Legal & Regulatory

Risk: Violation of applicable laws and regulations

Trend: No change

Link to strategy

Operational excellence

Sustainability

Strong financial controls

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.

There is no significant concern regarding legislative changes post Brexit, however the Group will continue to keep a watching brief in this area and seek external advice if necessary.

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 2020.
- Toolkits issued to all UK subsidiaries to aid compliance with local GDPR.

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.

Those policies marked with an asterix can be found on the Company's website https://www.hsholdings.co.uk/about-us/corporate-governance/policies.

Reporting requirement	Policies and standards which govern our approach	Additional information	See Page No.
Employees	• Group Code of Business Conduct* • Training & Development Policy* • Senior Management Salary Policy • Health & Safety Policy*	• Conducting business ethically • Succession planning and talent management • Group learning and development • Health & safety • Wellbeing	36-40
Human Rights	• Recruitment of Employees Policy • Employment References Policy • Equal Opportunities & Diversity Policy* • Board Diversity Statement* • Data Protection Policy* • Modern Slavery Policy*	• Diversity & inclusion • Gender pay • Human rights	38-40
The Environment	• Environment Policy* • Energy Policy*	• Sustainability • Greenhouse gas emissions • Water & waste	41
Community	• Individual subsidiary approach		43
Anti-Bribery and corruption	• Anti-bribery & Corruption Policy* • International Competition Law Policy • Gifts & Entertainment Policy • Whistleblowing Policy*		40
Description of the business model	• Our business model • Our strategy		8-9
Description of the principal risks and uncertainties and impact of business activities	• Our business model • Our markets • Risk framework • Principal risks & uncertainties		8 10-11 50-53
Non-financial key performance indicators	• Diversity • Accidents • Greenhouse Gas Emissions • Water & waste		38-41

s172 Statement

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

The Board of Hill & Smith Holdings PLC 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 by creating sustainable infrastructure and safe transport through innovation. In so doing, the Board is collectively responsible for upholding high standards of corporate governance and leadership. We place a high priority 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. See pages 32 and 33.

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 46 to 53.

The Board has implemented 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:

- Considered the long term consequences of the Board's decisions in relation to:
  - the cancellation of the 2019 final dividend;
  - the acquisitions of Morgan Valley Inc, and Prolectric Services Ltd; and
  - the COVID-19 pandemic.
- Engaged with our employees:
  - encouraged the sharing of best practice within our operational teams, throughout the COVID-19 pandemic, to ensure the health, safety and welfare of our employees;
  - conducted our first ever all-employee health & safety engagement survey. This surveyed all c. 4,400 employees across six countries and five languages and followed on from our first all employee engagement survey conducted in 2019. The current intention is to alternate each year with these surveys;
  - 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. Due to the COVID-19 pandemic these meetings were held virtually, allowing employees to interact with the Group's Chair of the Board, Chief Executive, Chief Financial Officer and Group Company Secretary;
  - continued to develop management leadership courses;
  - developed apprenticeships; and
  - carried out health & safety audits across all our US sites and the majority of the UK sites.
- Engaged with suppliers and customers:
  - met with major suppliers one or more times annually. During 2020 most of these meetings were conducted virtually;
  - supported suppliers through the COVID-19 pandemic, by maintaining payment terms;
  - took action to prevent involvement in modern slavery, corruption, bribery and breaches of competition law.
- Engaged with local communities:
  - supported local or national charitable endeavours of our employees and customers; and
  - complied with environmental legislation, pursued waste-saving opportunities and reacted promptly to local community interactions.
- 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.
- Maintained high standards of business conduct:
  - issued revisions to the Group Policy Manual; and
  - issued Anti-Bribery & Corruption, Modern Slavery and Competition Law training to c. 2,000 employees
- Engaged with members:
  - our Chair, Chief Executive and Chief Financial Officer have held meetings with various shareholders and analysts;
  - held a virtual AGM; and
  - following cancellation of the 2019 final dividend due to the uncertainty around the COVID-19 pandemic, reinstated the Group's dividend policy in July 2020, with a 9.2p interim dividend in respect of 2020.

Speaking Willow

case study

Designed by artist Rafael Lozano-Hemmer and galvanized by V&S Galvanizing in Perth Amboy, New Jersey, USA, the Speaking Willow celebrates the world's rich linguistic diversity. As visitors pass beneath the tree's branches, they activate the bell-shaped speakers suspended directly overhead. Each speaker has been programmed with sample recordings of a different language. Together, they represent the native tongues of over 99% of the planet's population. A walk around Speaking Willow evokes a journey around the world; reminding us that language is what defines our specific communities and connects our many cultures.

Located in Downtown Washington DC, the Speaking Willow will be visible to millions of visitors throughout the year at the Planet World Museum courtyard. The galvanized steel used provides decades of maintenance free corrosion protection that is crucial to protect the internal electrical components. The artist also chose to galvanize the Speaking Willow for aesthetic reasons to achieve a timeless look for years to come. The fabrication work required complex fabrication and unique hot-dip galvanizing dipping methods to craft the trunk and branches and to ensure a smooth finish, free of zinc build-up and smooth to the touch inside and out, protecting it from visitors and the 3.6 miles of ethernet cable fed throughout the tree.

"This fabrication work required complex fabrication and unique hot-dip galvanizing dipping methods to craft the trunk and branches and to ensure a smooth finish, free of zinc build-up and smooth to the touch inside and out of each tree branch and trunk."

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

Governance Report

V&S Galvanizing provide hot-dip galvanizing for trailer chassis to provide long-term maintenance free protection.

Board of Directors

Alan Giddins

Chair

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. Alan is also a Non-executive Director of Big Society Capital, a leading social impact-led investor.

Appointed to the Board

3 October 2017

Committee Membership

Nomination (c), Remuneration

Paul Simmons

Group Chief Executive

Paul joined the Company on 1 September 2020 and was formally appointed Group Chief Executive on 12 November 2020, following the retirement of Derek Muir. Prior to joining Hill & Smith, Paul was with Halma plc for 10 years, mostly recently as Chief Executive of the Infrastructure Safety and Process Safety sectors. Prior to Halma, he spent nine years at 3M leading businesses in the UK and USA. Paul has a degree in Manufacturing Engineering.

Appointed to the Board

1 September 2020

Committee Membership

Nomination

Hannah Nichols

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 Classics degree.

Appointed to the Board

16 September 2019

Tony Quinlan

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 is a Non-executive Director 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

Annette Kelleher

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 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

Mark Reckitt

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

Pete Raby

Independent Non-executive

Pete has been the Chief Executive of Morgan Advanced Materials plc since August 2015. Prior to that he 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 a M.Eng in Electronic and Electrical Engineering.

Appointed to the Board

2 December 2019

Committee Membership

Audit, Remuneration, Nomination

Executive Board

Paul Simmons

Group Chief Executive

Hannah Nichols

Group Chief Financial Officer

Denise Beachy

Group President

Denise joined Hill & Smith from DuPont in January 2021. She is based in Detroit, USA

Andrew Beaney

Group President

Andrew joined Hill & Smith from Interserve in the Middle East in August 2019. He is based in Wolverhampton, UK

Joel Whitehouse

Corporate Development Director

Joel joined the Group in 2006. He has held a number of roles in the business and is currently responsible for the Group's M&A delivery. He is based in the Group's Head Office, Solihull, UK.

The ProLight solar lighting tower from Prolectric providing sustainable temporary lighting to the recent Highways England A14 improvements.

Introduction to Governance

Alan Giddins

Chair

"The Board's key priority throughout the pandemic has been the health and wellbeing of our employees, and the safety processes being put in place across our different operations."

On behalf of the Board, I am pleased to introduce Hill & Smith's Corporate Governance Report for 2020. The aim of this report is to provide a clear explanation of Hill & Smith's governance framework. Good corporate governance is a critical component of a well-run company. It involves being satisfied that an effective internal framework of processes and controls is in place which clearly defines authority and accountability, whilst allowing the management of risk to appropriate levels.

In this introduction I have set out a summary of our core areas of focus during the year and our plans for 2021. The full report can be found on pages 64 to 70.

Basis of Report

We have used the UK Corporate Governance Code 2018 (the 'Code') to assess our governance arrangements during 2020. 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. For the financial year ended 31 December 2020, the Board considers that it has complied in full with the provisions of the Code.

Board and Board Committees

As Chair, my primary role is to provide leadership to the Board and create the right environment to enable each Director and the Board as a whole to perform effectively for the benefit of the business and its stakeholders. I believe that we have a highly effective Board and a strong team of Non-executive Directors who provide effective challenge and review, bringing wide experience and a fresh perspective to major decisions. I am particularly pleased that Leigh-Ann Russell will be joining the Board on 1 April 2021, at which point the Board will comprise six Non-executive Directors, including myself, and two Executive Directors.

The Board has established three Board committees: Audit Committee, Remuneration Committee and Nominations Committee. The terms of reference of these committees can be found on our website and the reports of each committee, including attendance at meetings during 2020, can be found on pages 65 to 93.

Key Board Activities

The Board spent significant time during 2020 on the Group's response to the challenges posed by COVID-19. The Board's key priority throughout the pandemic has been the health and wellbeing of our employees, and the safety processes being put in place across our different operations. During the first lockdown the Board instigated weekly calls with management to review key forward-looking operational, working capital and cash metrics. I believe that this tight focus on our performance served Hill & Smith well during a period of considerable market uncertainty, and I would like to thank all of our Non-executive Directors for their considerable time commitment during this period.

The Board held a virtual strategy day in July 2020, which allowed us to look at some of the more medium and longer term strategic opportunities available to the Group. The Board has also undertaken post-acquisition appraisals of ATG Access, our new galvanizing plant in Owego and Work Area Protection Corp. In each case our focus was on ensuring the robustness of our diligence processes and that our post investment implementation plans had been effectively implemented. More information on our strategy, our business model and our markets can be found on pages 8 to 11.

We have continued to focus on our risk management processes, including investing in new reporting tools aimed at ensuring the robustness of the risk submissions from our subsidiaries. We have also continued to look at where we can strengthen our internal control environment and in particular to evaluate our cyber security defences. Mark Reckitt, Chair of the Audit Committee, gives more insight into this in his report on pages 74 to 79.

Board Effectiveness

To deliver sustained value to our shareholders, employees and wider stakeholders, the Board must function effectively in supporting and guiding management to deliver the Company's strategy.

This year we engaged Edge Square Partners to complete an external Board evaluation. The evaluation involved Edge Square Partners meeting with all Board members, as well as a number of senior executives within the Group, and attending, as an observer, certain Board committee meetings. Notwithstanding the overall positive feedback from the evaluation, Edge Square Partners made some helpful recommendations around the operation and focus of the Board, details of which are set out on page 67.

In 2021 we will undertake an internal 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.

Executive Director Remuneration

In evaluating Executive Director performance and remuneration we have been extremely conscious of the challenges the business, our employees and suppliers have had to deal with. We also made sure that we have listened to the views of our major institutional shareholders, while at the same time balancing this against what has, in the circumstances, been a good performance by the business. Annette Kelleher, Chair of the Remuneration Committee, explains more in her report on pages 80 to 93.

Focus for 2021

In the short term the Board's focus will remain on the operational and economic impact of COVID-19 and supporting the business and our wider stakeholders. Given our strong balance sheet we will, however, not lose sight of the opportunity to continue to build our M&A pipeline and invest in growth opportunities consistent with the strategy update set out by Paul Simmons.

The Group has put in place a number of initiatives in relation to enhancing our reporting around health & safety and sustainability, and for the continued refinement of how we think about and assess risk. These are topics which are important to our shareholders, employees and society in general and will be an important area of your Board's focus during 2021.

Finally, over the last 12 months I and the Non-executive Directors have been limited in our ability to visit subsidiary company sites and interact with operational management face-to-face. This is something which I believe is extremely valuable and I hope we will be able to address in the second half of this year. It will also provide the opportunity to more formally thank all of our employees for their extraordinary commitment to support the Group through the COVID-19 pandemic.

Alan Giddins
Chair
9 March 2021

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.

Governance Report

Board Leadership and Company Purpose

Q. What is the role of the Board?

A. The Board sets the Group's strategic goals and has ultimate responsibility for its management, direction and performance. The Company's Articles of Association set out the Board's powers. The Board has adopted a formal schedule of matters reserved solely for its decision making and certain decision-making and monitoring activities have been delegated to Board Committees or management, through a clearly defined delegated authority matrix.

The Board has established three principal committees - Audit Committee, Nomination Committee and Remuneration Committee - which review and monitor key areas on behalf of the Board and make recommendations for its approval. Each committee operates under written terms of reference which are approved by the Board and made available on the Company's website. Further information on the activities and composition of each committee is detailed in each of the committee reports.

Q. The global pandemic affected everyone. How did the Board respond in relation to COVID-19?

A. Once the scale of the pandemic had become clear, the Group established a 'war committee' of senior executives and managers to continually monitor the Group's workforce and financial position. This committee met weekly. Likewise, the Board initiated weekly update calls. Your Board specifically focused on three areas during these calls. First, ensuring the health and safety of our employees. Secondly, monitoring the short and medium-term financial health of the business under a range of financial and operational scenarios, and thirdly, ensuring that the Group utilised, where appropriate, available government assistance.

In December, having carefully considered the effect that the pandemic had had on the Group and in light of stronger trading in the third quarter of the year, the Board took the decision to repay all UK furlough monies claimed during the year, amounting to £3.6m. At the same time the Board brought forward the repayment of all deferred UK VAT payments of £6.5m

Q. What constraints were placed on Board Governance by COVID-19?

A. The Board was able to fully meet, discuss and vote on matters in person (when restrictions allowed) or through the use of virtual meeting software throughout the year. The pandemic did not disrupt the Board's schedule of meetings or its decision-making.

The biggest constraint on Board governance related to the 2020 AGM. Due to the restrictions placed upon gatherings by the Government, and out of concern for the safety of our shareholders during the pandemic, the AGM was held as a closed meeting in 2020, with proceedings broadcast through the internet. While shareholders were invited to submit questions ahead of the AGM, the Board did not have the opportunity to speak with shareholders at the AGM, as it customarily does.

Q. How do you define the 'Company Purpose'?

A. With the arrival of Paul Simmons as Chief Executive Designate in September 2020, the Board took the decision to re-visit the Group's Purpose Statement. As part of this process input was sought from both senior management and from the members of the Workforce Advisory Panels. As a result of these discussions the Group's purpose statement has been amended to the following: "Creating sustainable infrastructure and safe transport through innovation". The Board believe that this statement more accurately reflects the activities and strategic focus of the Group.

Q. How do s.172 considerations inform the Board's strategy discussions?

A. All Board members are aware of their obligations under s.172 of the Companies Act 2006 and their decisions and considerations that have s.172 implications are accurately reflected in Board minutes. The Board's 2020 s.172 statement can be found on page 55.

Additionally, three of our largest UK subsidiaries are also required to make s.172 statements and these can be found within the Annual Report and Accounts of 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 s.172 considerations were at the forefront of their mind when making decisions.

Q. How does the Board engage with Shareholders?

A. Throughout the year the Chief Executive and Chief Financial Officer met with institutional shareholder representatives both in the UK and USA. Following the announcement at the start of April of the appointment of Paul Simmons as Chief Executive Designate, the Chair spoke directly with a number of the Group's major shareholders.

In addition to regular updates from the Chief Executive, the Board receives reports from the Company's brokers and financial public relations agency on feedback from institutional shareholders following each of the Group's results announcements.

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

A. In light of COVID-19 and in common with many other businesses, we took the decision to hold our 2020 AGM virtually and shareholders were invited to listen to proceedings via the Internet. Unfortunately, this arrangement meant that shareholders could not interact with Board members in the usual way.

The Board is always keen to meet with shareholders and answer your questions. 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 are able to 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 the 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. The Chair and Tony Quinlan, Senior Independent Director, 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, and Group policies.

Division of Responsibilities

Q. What is the role of the Chair?

A. The Chair is responsible for the leadership of the Board, and for building a Board with the appropriate mix of people, skills, knowledge and experience. The Chair sets the Board agenda, determines how the Board should use the time available to it during Board meetings and is responsible for encouraging the active engagement of all Board members. The Chair also engages with major shareholders to understand their views on both governance and the Group's strategy.

The division of responsibilities between the Chair and the Chief Executive is set out in writing and available at www.hsholdings.com.

Q. What is the role of the Chief Executive?

A. The Chief Executive is responsible for the leadership of the Executive Board, delivery of the Group's strategy, meeting financial objectives, implementing policies and maintaining effective controls. Along with the Chief Financial Officer, the Chief Executive provides information to the Board via their regular written reports and discussion at Board meetings.

In 2020, Paul Simmons was recruited as the successor to Derek Muir who retired as Chief Executive Officer on 12 November 2020. Paul joined the Board of Hill & Smith from Halma plc in September 2020 as Chief Executive Designate and formally took up his duties as Chief Executive when Derek retired at the start of November. Paul took part in a detailed and structured handover from Derek and led the 2021 budget process.

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. The Group believes that the Non-executives have the appropriate skills, experience in their respective disciplines and characteristics to bring independence and objective judgement to Board discussions.

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

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

A. During 2020, the Board was supported by three committees, each reporting directly to the Board.

The Nomination Committee, comprising the Chair, 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 Chair. The Audit Committee, comprising the four Non-executive Directors, has responsibility for planning and reviewing the Company's annual and interim reports and accounts, and its internal controls and risk management systems. (See pages 74 to 79 for more information). The Remuneration Committee, comprising the Chair and four Non-executive Directors, is responsible for the creation, approval and implementation of the Company's Remuneration Policy in respect of Executive Directors, Group 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 Head of Risk and Internal Audit, the Assistant Company Secretary and representatives from a number of the Group's subsidiary businesses. (See pages 46 to 49 for more information).

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

A. During 2020, the Board met on 11 occasions and the Audit Committee on five occasions. The Nomination Committee met on three occasions and Remuneration Committee met on eight occasions.

	Board meetings*	Audit Committee	Nomination Committee	Remunication Committee
Total	**12**	**5**	**3**	**8**
Alan Giddins	12		3	8
Derek Muir	10*		3	
Paul Simmons	3*			
Tony Quinlan	12	5	3	8
Annette Kelleher	12	5	3	8
Mark Reckitt	12	5	3	8
Pete Raby	12	5	3	8
Hannah Nichols	12			

* Both Derek Muir and Paul Simmons attended all of the Board meetings they were entilted to attend.

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 conflicted with the interests of the Company, other than those that may arise from Directors' other appointments, as disclosed in their biographies on pages 58 and 59. In accordance with the Articles, the Board authorised the Group 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 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 Chair's report on pages 72 and 73.

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 Group Company Secretary who, under the direction of the Chair, ensures that communication and information flows between Board members. The Company Secretary is also responsible for assisting the Chair 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 certain head office functions, including compliance, risk management, internal audit, treasury, taxation, acquisitions and corporate development.

All Directors 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 2020.

Governance Report
continued

Composition, Succession and Evaluation

Q. Who constituted the Board during 2020?

A. At 31 December 2020, the Board comprised:

- Alan Giddins, Chair;
- Annette Kelleher, Non-executive Director;
- Mark Reckitt, Non-executive Director;
- Pete Raby, Non-executive Director;
- Tony Quinlan, Non-executive Director;
- Paul Simmons, Group Chief Executive; and
- Hannah Nichols, Group Chief Financial Officer.

Individual biographies for each Director can be found on pages 58 and 59. Derek Muir was a Board member up until his retirement on 12 November 2020.

All Directors were in attendance at all meetings of the Board to which they were entitled.

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 AGM.

Q. How would you evaluate the blend of skills and experience within the Board?

A. Over the last 18 months the Nominations Committee has been focused on recruiting Non-executive Directors with the necessary skills, experience and diversity required to support the Group's future development. The biographies of the Directors of the Board are shown on pages 58 and 59 along with any significant other commitments and appointments they may have.

Skills and business experience:	
Strategy (6)	Supply chain (2)
Leadership (7)	Marketing (2)
Operating performance & delivery (6)	Risk management and assurance (6)
Mergers & Acquisitions (6)	Information Technology (5)
Financial planning 5)	Health & Safety (4)
International markets (7)	Human Resources (4)
Business integration (5)	Culture & ethics (4)

On 2 February 2021, the Group announced the appointment of Leigh-Ann Russell as a Non-executive Director with effect from 1 April 2021. Leigh-Ann Russell is Chief Procurement Officer at BP ('bp'), with responsibility for safety, compliance and efficiency of bp's global supply chain.

Q. How is Succession Planning undertaken within the 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 from the Chief Executive in respect of succession planning at the subsidiary Company level.

The Nomination Committee regularly reviews the composition of the Board, including tenure, skills, diversity and demographic mix. This robust process ensures that the Board retains knowledge, talent and a diverse range of backgrounds and experience, while at the same time maintaining a well-managed succession process.

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, 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, sex or sexual orientation. As part of this commitment, the Company includes in its 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. See page 39 for more details. Where appropriate, the Board will take steps to address any gender or other diversity imbalance, including (but not limited to) ensuring that the Company's vacancies are advertised to a diverse labour market.

Q. How has the Board addressed the recommendations of the Hampton Alexander Review?

A. The Nominations Committee has over the last 18 months spent considerable time focused on ensuring that the Board has the requisite skill to support the future growth of the Group. This included appointing Tony Quinlan and Pete Raby to the Board in December 2019. Following the appointment of Paul Simmons as Chief Executive, the Board announced on 2 February 2021 the appointment of Leigh-Ann Russell as a Non-executive Director, effective from 1 April 2021. Following this appointment, the Board will comprise five male and three female Directors.

Q. What arrangements are in place for Director training and development?

A. All Directors are provided with the opportunity and are encouraged to attend regular training to ensure they are kept up to date on relevant legal developments or changes and best practice. Typical training experiences for Directors includes attendance at seminars, forums, conferences and working groups, as well as the provision of information from the Company Secretary. External speakers are periodically invited to present to the Board on key governance issues.

Q. Was an independent Board evaluation undertaken during the year?

A. The Board appointed Verena Kugi, Edge Square Partners (an independent assessor with no association with the Company) to undertake an evaluation as to the effectiveness of the Board. In light of the number of recent Executive and Non-executive appointments to the Board, the Board specifically asked Ms Kugi to focus on team effectiveness in the context of a high performing Board.

The review was undertaken between November 2020 and January 2021. The process involved Ms Kugi reviewing previous evaluations and meeting with all Board members, as well as a number of senior executives within the Group. These interviews covered a broad range of topics, including development of the Group's strategy, Board composition, Board culture and relationships with management, Board meetings, agenda and quality of information and presentations. Ms Kugi also attended, as an observer, the Board and Committee meetings held in November 2020, which provided an insight into the work and dynamics in the boardroom.

The review found that the Board worked in an effective and very collegiate way. It noted that both the Executive and Non-executive Directors were considered to be highly committed, and that the Non-executive Directors provided a healthy level of challenge. There was also a genuine desire from the Executive Directors to seek input from the Non-executive Directors. Having reviewed the findings, the Board agreed to focus on the following key areas during 2021:

- Looking at new ways to use technology to help provide the Non-executive Directors with greater access to the subsidiary businesses. It was felt that this was critical in light of the risk that travel restrictions could remain in place through much of 2021;
- Increasing the time and focus given at Board meetings to the long-term strategic direction of the Group; and
- Ensuring that the delineation of responsibilities works effectively between the Board and the newly established Executive Board.

Q. Was a formal review of the Chair separately undertaken during the year?

A. As Senior Independent Director, Tony Quinlan conducted a review of the Chair, seeking input from each of the Executive and Non-executive Directors. The output from this review was shared with the Chair.

The Queue Detection Trailer by Hill & Smith Inc., seen here near Salisbury, Maryland, USA, is a portable solar-powered trailer that provides a versatile and lightweight platform to mount a radar unit to detect speed, volume, and occupancy for up to 22 lanes of traffic within a smart work zone.

Hill & Smith Inc. is the exclusive distributor of Rebloc's temporary barrier systems in North America. Known as 'Zonebloc®' in the US, the revolutionary freestanding temporary concrete barrier is designed to minimise impact to the traveling public while offering a supreme level of protection in freestanding applications. With a base width of only 12 inches, the compact design is effective on projects where space is restricted.

Governance Report
continued

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 100 and the Independent Auditor's Report on pages 106 to 116.

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

A. The Board has 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 reviewing the effectiveness of the Group's internal controls. The process has been in place throughout 2020, 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 the 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 information on the Group's Principal Risks and Uncertainties is shown on pages 50 to 53.

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

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

- Ensuring maintenance of a robust 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.
- Approving of any significant changes in accounting policies or practices.
- Approving 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 2020 the Audit Committee reviewed the annual audit plans for 2021, as prepared by the Group Head of Risk and Internal Audit and recommended the plans to the Board. The 2020 plan focused on core baseline controls and key policy compliance, along with thematic reviews covering strategic and operational risks. Due to travel restrictions in place for much of 2020, it was not possible to complete as many physical audits as planned. However, these were substituted with thorough desktop reviews.

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 2020, 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.

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 period from the Balance Sheet date through to 31 March 2022. Key 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.

At 31 December 2020, the Group had £328.3m of committed borrowing facilities, of which only £1.2m matures before December 2023 at the earliest, and a further £13.8m of on-demand facilities. The amount drawn down under these facilities at 31 December 2020 was £139.0m, which together with £22.0m of cash resulted in total headroom of £225.1m. The Group has not made any changes to its principal borrowing facilities between 31 December 2020 and the date of approval of these Financial Statements and there have been no significant changes to liquidity headroom during that period.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. The Directors do not consider the scenarios required to breach the covenants to be plausible given the ability of the Group to continue its operations throughout the COVID-19 pandemic, its ability to return to more normalised activity levels during the second half of 2020 and early part of 2021, and the positive future outlook across the infrastructure markets in which it operates.

Governance Report
continued

The forecasts show 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. The Directors have considered the prospects of the Group over the three-year period immediately following the 2020 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 14 and 15) 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 50 to 53). 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 factors associated with the economic risks faced by the Group were applied to the plan in a number of diverging scenarios. The developed scenarios were designed to be plausible, yet severe:

- a decrease in the UK Government's road infrastructure spend;
- deterioration in macro-economic conditions leading to a fall in galvanizing volumes across all geographies;
- a reduction in national spend on infrastructure projects, leading to a reduction in revenues in the Group's Utilities and Security businesses in the UK and USA; and
- continued economic disruption caused by the current pandemic.

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 2020, with a facility headroom of £225.1m and a history of strong cash generation. The Directors noted that whilst the Company's principal borrowing facilities mature in December 2023, slightly before the end of the review period, based on past experience they have a reasonable expectation that those facilities will be renewed or renegotiated before that date. 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 2023.

Q. What has the Board done to ensure a fair, balanced and understandable representation 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 from management detailing how the Annual 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 the review of these sections by external advisors was fit for purpose;
- that the information given represented the whole story of the Group's performance in 2020 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 EY in order to correctly disclose the performance, controls and prospects of the Group; and
- that the document allowed stakeholders to follow the whole story of the Group's financial and non-financial performance in 2020 giving them a clear and understandable picture of the Group's business model, key drivers and commercial operations.

Remuneration

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 and a three-year longer-term incentive arrangement. Whilst we consider our financial performance in 2020 to be good, given the operational challenges arising from the effects of COVID-19, the short-term bonus will only pay out 19% or 20% of the maxium bonus opportunity (2019: 94%). The performance of the three-year long-term incentive arrangement is described in more detail on page 87 of the Remuneration Report.

Q. Did the Board consider the wider workforce when recommending increases Executive Director pay increases for 2020?

A. In deciding on the annual increase of 2.0% for the Executive Directors, the Remuneration Committee reviewed information on the average increases being given across the Group's subsidiaries. More information is available on page 91 of the Remuneration Report.

Q. How has the Board engaged with the wider workforce during 2020?

A. During 2019 the Group undertook its first worldwide Employee Engagement Survey, the results of which were shared with the Workforce Advisory Panels ('WAP') and with individual subsidiary management teams. Throughout 2020, each subsidiary was asked to come up with a clear set of actions to address the outputs from the survey. These actions, together with progress against them, were shared with the Board. The WAP met (virtually) in 2020 and their discussions were complemented by the Group's first worldwide Health & Safety Culture Survey. The results of this survey will be shared with the subsidiary companies in 2021 and will be used to drive further improvement initiatives during 2021.

The ProLight solar lighting tower from Prolectric providing sustainable temporary lighting with technology that provides zero carbon, zero noise and zero emissions solutions to its users.

Nomination Committee Report

Alan Giddins

Chair

"The Committee considered the need to maintain the right balance of expertise both at Executive Director and Non-executive Director level."

Dear Stakeholder

It is my pleasure to make my report as Chair of the Nomination Committee of Hill & Smith Holdings PLC and explain to you how the Committee has worked throughout 2020.

Committee Membership

Throughout the year the Committee comprised myself as the Group's Chair, and the Non-executive Directors Annette Kelleher, Tony Quinlan, Pete Raby and Mark Reckitt. Derek Muir, as Chief Executive was on the Committee from 1 January 2020 until his retirement on 12 November 2020 and our new Chief Executive, Paul Simmons was on the Committee from 12 November 2020. The Committee met three times in the financial period under review with all eligible members of the Committee being present on each occasion.

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 and ensuring that success is sustained 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, including gender and ethnicity, taking care that appointees have enough time available to devote to the position.

All Non-executive Directors and the Chief Financial Officer, as well as the newly appointed Chief Executive, were selected through externally facilitated recruitments. All Non-executive Directors are independent, as was I on appointment. The Board believes this has created an effective group of Executive and Non-executive Directors able to provide the required range of skills, knowledge and experience to ensure development of the Group, implementation of its strategy and sound governance. The Committee will continue to monitor the need to make any further changes to the composition of the Board, in the context of the Company's strategy. For more information on the balance of skills and experience of your Board of Directors see page 66.

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 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.

	Date of Appointment	Length of service at 31 December 2020
Alan Giddins	3 October 2017	3 years 3 months
(as Chair)	1 October 2019	1 year 3 months
Annette Kelleher	1 December 2014	6 years 1 month
Tony Quinlan	1 December 2019	1 year 1 month
Peter Raby	1 December 2019	1 year 1 month
Mark Reckitt	1 June 2016	4 years 7 months

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:

- Oversaw discussions with Derek Muir, Chief Executive, and the resultant succession planning following his decision in March 2020 to retire from the Board;
- Completed the search for a new Chief Executive, appointing Paul Simmons to the role from 1 September 2020. We engaged the services of Russell Reynolds to facilitate this search, an agency which is wholly independent of the Group and for which there was no conflict of interest;

- Completed the search for an additional Non-executive Director with the skills to support the Company through the next stage of its strategy, whilst also expanding Board diversity, appointing Leigh-Ann Russell to the Board with effect from 1 April 2021. The Committee made the decision to delay this recruitment process until the end of 2020, so as to allow greater clarity on the impact of the COVID-19 pandemic;
- Considered succession planning and talent management elsewhere in the Group;
- Approved the Group's policy on Equal Opportunities and Diversity; and
- Revised the Committee's terms of reference, amending these terms to reference both the Hampton Alexander and Parker Review recommendations.

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 27 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.

Alan Giddins
Chair
9 March 2021

The Whitaker Farm Grain storage project located in McGehee, Arkansas features a total of 5 grain storage bins and 1 load-out hopper tank. The components for this project were all hot-dip galvanized by V&S Galvanizing in order to provide maximum corrosion resistance in the harsh climate.

Audit Committee Report

Mark Reckitt

Chair

"Despite the challenges posed by COVID-19 I am delighted that Hill & Smith continued to focus on ensuring the businesses maintained an effective control environment."

Dear Stakeholder

It is a pleasure to make my report as Chair of the Audit Committee of Hill & Smith Holdings PLC and to explain how the Audit Committee and the Company's senior management team have reacted to the challenges posed by COVID-19 whilst continuing to develop and enhance our risk management processes and internal audit programmes.

As reported in last year 's report the Committee had carried out a tender process to replace KPMG LLP, as the Group's external auditor and Ernst & Young LLP were appointed as the Group's auditor at the Company's AGM in June 2020.

A new Group Head of Risk & Internal Audit was appointed in January 2020, as the previous head moved to an operational finance role elsewhere in the Group. The 2020 Internal Audit plan included both subsidiary-level reviews of financial, commercial, and operating controls and a Group-wide thematic review of project management and cost accounting processes.

The impact of the COVID-19 pandemic, meant that it was not possible for the internal audit team to physically visit our locations across the Group. The plan had to be adapted during the first UK lockdown between March and July 2020 and was adjusted to take account of restrictions on international travel that continued to apply throughout the year.

The business model of Hill & Smith delegates substantial authority to the business units, which enables an entrepreneurial approach that allows the business to respond rapidly to unexpected events, such as COVID-19. Each business unit is responsible for ensuring that it has an effective set of internal controls and control environment, which places responsibility on the Managing Director and Finance Director of each business unit. The Group Financial Controls Manual launched in 2020 provides detailed guidance on the nature and frequency of the internal controls required at each business unit. Regular visits from Internal Audit, supplemented by External Audit work, are important for the audit committee to gain assurance that the internal controls are operating as intended.

During the first lockdown period the original audit plan was paused and instead the Internal Audit team conducted a review of business unit compliance with the recently launched Group Financial Controls Manual, via a series of self-assessment questionnaires. The results of the assessments were later validated by the audit team, whilst operating remotely as well as during the reduced number of physical internal audit visits in the latter part of the year.

As part of the external audit, EY considered the effectiveness of the Group-wide control environment. They did not identify any significant deficiencies in the internal control environment that warranted the attention of those charged with governance. However, as part of the continuous development of the Group's control framework, EY recommended a number of areas for continued focus iincluding retention of documentary control evidence, enhancements to IT capabilities and focus of the Group's control framework.

On site fieldwork for UK subsidiaries recommenced in July, with remote preparation and sample selection to minimise time spent on site. Due to the continued restrictions on international travel, the Committee approved the use of third parties to undertake internal audits of our overseas entities

As noted elsewhere, COVID-19 had a significant adverse impact on Hill & Smith's operations in the second quarter of 2020, particularly in the UK and France. As part of its review of the interim results, the Committee challenged management on both going concern and the valuation of the key business units, with a particular focus on France Galva. Following review and extensive discussion of management forecasts, including various scenarios for future performance in light of the uncertainties created by COVID-19, the Committee agreed that adoption of the going concern basis in preparation of the interim results was appropriate and that, in respect of France Galva, no impairment had arisen but that there were sensitivities that could result in a future impairment that should be disclosed. In the second half of the year, the Committee asked management for further assessments of the future performance of France Galva and, in light of challenging conditions in the Group's Security markets, also considered the outlook for ATG Access. These assessments sought to separate the short-term impact on the businesses of COVID-19 from factors that might have a longer-term impact on future performance. Having reviewed the assessment for France Galva and challenged management on their assumptions and estimates, the Committee agreed that following a deterioration in the outlook over the second half of the year, which meant that recovery was likely to take longer than had been previously anticipated, an impairment charge of £17.5m was appropriate alongside disclosure of the sensitivities that could lead to an additional future impairment. In respect of ATG Access, the Committee concurred that whilst short-term performance had been adversely impacted by COVID-19, in the medium to longer term performance was expected to recover and therefore no impairment had arisen.

The Committee also reviewed reports from management on the impact of the decision taken after the year end to restructure the VMS business, concurring with the view that the resulting impairment of the carrying value of assets of £2.8m was appropriate.

The Executive team, supported by the Audit Committee, has continued to build upon the risk assessment methodology which was implemented across the Group and in 2020 introduced a new online risk management and reporting tool. Training on how to use the tool and the development of risk management thinking as well as continued training sessions on risk identification, definition and mitigation actions were delivered to all senior executives across the Group. The Committee was pleased with the initial reports received from the subsidiaries, giving the Committee a clear line of sight to the risks being considered by the subsidiaries and allowing the commencement of a risk appetite discussion.

The development of this new tool is being monitored by the Group's Risk Committee, who met on four occasions in 2020 and comprised the Chief Financial Officer, Group Head of Risk & Internal Audit, Group Company Secretary, the Group Financial Controller, the Assistant Company Secretary, and the Group's Director of Corporate Development plus representatives of the Group's three business segments and by invitation the Chief Executive. During these meetings the Committee has reviewed information on risks that were reported by the subsidiaries and that might affect the Group's ability to deliver its strategic plan.

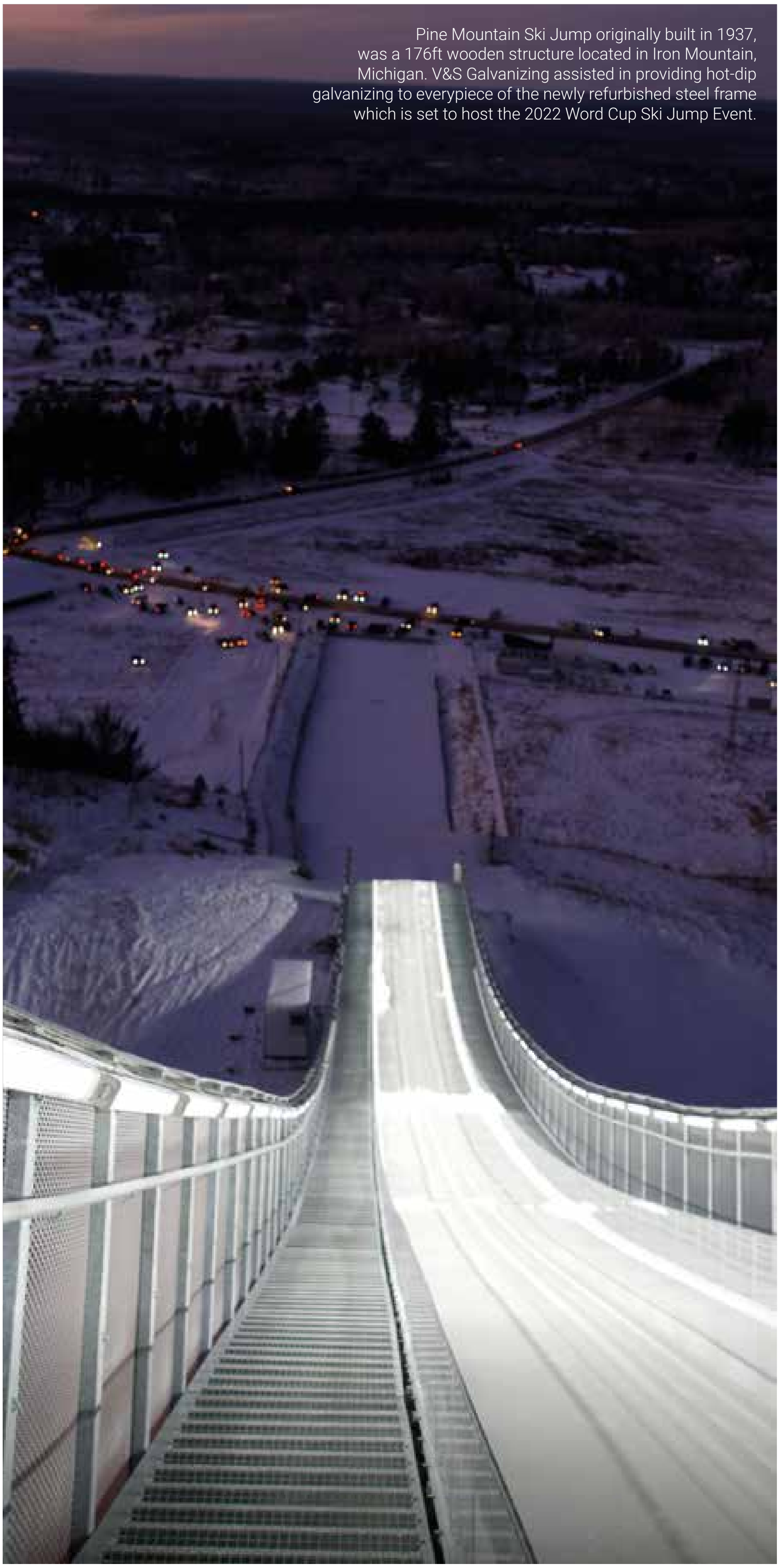
This Audit Committee Report explains how the Committee has discharged its responsibilities, and considers the specific topics of:

- Primary areas of judgement considered by the Committee in relation to the 2020 accounts;
- Internal controls;
- Risk assessment, management and mitigation; and
- Assessment of effectiveness of external audit.

This has been a challenging year for all involved and on behalf of the Committee I would like to thank everyone involved for their exceptional work undertaking the internal financial controls, audit work and the work to continue to maintain and enhance the risk management process.

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 hope to see you at our AGM in May 2021.

Mark Reckitt
Chair
9 March 2021



Pine Mountain Ski Jump originally built in 1937, was a 176ft wooden structure located in Iron Mountain, Michigan. V&S Galvanizing assisted in providing hot-dip galvanizing to everypiece of the newly refurbished steel frame which is set to host the 2022 Word Cup Ski Jump Event.

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 (Chair);
- Annette Kelleher;
- Tony Quinlan; and
- Pete Raby.

During the year the Committee fully complied with the provisions of the UK Corporate Governance Code 2018 ('the Code'), in which Mark Reckitt is specifically identified, in keeping with the provisions of the 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 2020 met on five occasions: in February to consider the draft Annual Report together with the external audit findings and approve the Group's principal risks and uncertainties for 2019; in May to consider the impact of the COVID-19 pandemic on the effectiveness of internal controls and the Internal Audit Plan; in July to consider the half-year results with particular reference to going concern and potential impairment of intangible assets, EY's year end Audit Planning Report; and the effect of the pandemic on the Group's Principal Risks; in September to consider the subsidiaries' 2020 risk registers and the Group's principal risks and uncertainties, receive updates on Internal Audit work; an update on the development of the online risk management and reporting tool; and EY's audit transition plan and approve their fees; and in December to receive a report from EY on their interim audit procedures and to approve the internal audit plan for 2021.

Attendees at each of the meetings included by invitation, the Chair; the Chief Executive; the Group Chief Financial Officer; the Group Financial Controller; the Group Head of Risk & Internal Audit; the external auditor, EY and, where appropriate, other advisors. Time is also allowed for the Committee to speak with the external auditor and the Group Head of Risk & Internal Audit without the presence of the executive management.

As Chair of the Audit Committee, Mark Reckitt has maintained regular contact with the external audit partners at both KPMG and EY as well as the Group Head of Risk & Internal Audit 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 effect of the pandemic on the auditing activities undertaken by EY 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 2020 Annual Report and the 2020 Interim Report;
- Reviewed the disclosures made in the 2020 Annual Report in respect of the impact of the COVID-19 pandemic and 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 69);
- Advised the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable (see page 70); 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 2020 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 117 to 169. 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 amounted to £141.3m at 31 December 2020. 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 and ATG Access, in note 11 to the Financial Statements on pages 146 and 147. 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, EY, provides reporting to the Committee. As part of this review, the Committee considered cash flow projections for the France Galva CGU, and following challenge of those projections concluded that a goodwill impairment charge of £17.5m relating to that CGU was required. The Committee also considered cash flow projections for the ATG Access CGU and concluded that whilst no impairment was required, disclosure of the sensitivities that could lead to a material future impairment was necessary.

Defined benefit pension scheme valuation

Net defined benefit pension obligations under IAS19 amounted to £19.6m at 31 December 2020. 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

The Group makes judgements 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.

Going Concern

The Committee advises the Board on whether it believes it appropriate to adopt the going concern principle in preparing the Group's Financial Statements. In making this assessment, the Committee received and reviewed management forecasts for the Group's future cash flow performance, challenging the assumptions on which those forecasts are based. In 2020, the Committee also received forecasts based on several alternative scenarios that reflected different recovery profiles for the Group and in particular, considered what would be required for the Group to breach its borrowing covenants or extinguish its borrowing facilities in the next 12 months. Following a robust assessment of the forecasts, the Committee concluded that adoption of the going concern principle was appropriate for both the interim and full year results. The Committee also reviewed and approved the going concern disclosures that are included in the Financial Statements.

Risk Management

- Reviewed the outputs from the Group's risk management process to ensure that subsidiaries were identifying, articulating and evaluating their risks and that the mitigating controls were effective;
- 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 70).

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. A new risk management and reporting tool has helped to provide the Committee with more information on how subsidiaries perceive their risks and how they relate to the Group's Principal Risks. Through these reports, 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 27 subsidiaries. In this, the Audit Committee is supported by the Group's Risk Committee, which includes the Group CFO, Group Head of Risk & Internal Audit, Group Company Secretary, Group Financial Controller, Assistant Company Secretary, and the Group's Director of Corporate Development plus representatives of the Group's three business segments and by invitation the Chief Executive.

The Risk Committee oversees the risk management process, which is one of continual improvement. A new risk management and reporting tool was implemented during the first half of the year, supported by a programme of training for senior management that was delivered to all management teams across the Group, via online webinars and training manuals. This year these sessions complemented the work already done on risk management and focused further on the concept of the risk "bow tie", involving causes, consequences and controls.

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 considered 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, together with their attitude to risk as measured by a 'target' risk score. This information is used by the Committee to determine the risk appetite within the Group's subsidiaries and help inform the Board's overall risk appetite. More information on the activities of the Risk Committee and the Group's principal risks and uncertainties can be found on pages 50 to 53.

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 Chair 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 Group 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.

Internal Audit

- Considered the Internal Audit Plan for 2020 as impacted by the COVID-19 pandemic;
- Agreed to pause the thematic reviews during the pandemic;
- Assessed compliance with the Group's revised Financial Controls Manual;
- 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 Head of Risk & Internal Audit 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 2021, confirming the appropriateness of its focus and scope with reference to the risk management reporting process.

Audit Committee Report
continued

Internal audit

The Audit Committee and Hill & Smith executive management ensure that the Group Head of Risk & Internal Audit, 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 Head of Risk & Internal Audit. 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 2020 Internal Audit Plan originally balanced the focus of the function between Group-wide principal risks and subsidiary-level risks. It included a Group-wide thematic review of project management and contractual accounting, recognising the increasing variety and complexity of projects which are now undertaken by the Group, and multiple subsidiary-level reviews, focusing on the subsidiaries' financial, commercial and operational baseline internal controls. Due to the impact of the COVID-19 pandemic on the Internal Audit function's ability to be on site at the Group's subsidiaries, the thematic review was put on hold during the first six months of the pandemic. It recommenced in October 2020 and will be concluded during 2021.

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 actions to resolve the issue have either been implemented or are in the process of being addressed in accordance with agreed timelines. As noted on pages 8 and 9, 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.

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, adjusted to respond to unexpected events, and received regular progress updates on the delivery of the objectives of the plan;
- the seven 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 a review of the Group's accounting treatment of non-underlying items;
- accounting judgements including the carrying value of goodwill and intangible assets of France Galva SA, and ATG Access;
- external audit reports, including the results of early audit procedures, a review of the effectiveness of internal controls and the audit findings in relation to the year end audit; and
- reports from the Group's external professional advisors as commissioned which, in 2020, included reports on the Group's IAS 19 disclosures.

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 Head of Risk & Internal Audit 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

- Reviewed, challenged and agreed with management and EY the on-boarding process following their appointment as external auditor in June 2020;
- Considered, along with the external auditor, the key 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 and ATG Access Limited; provisions for uncertain tax positions; risk of inappropriate inventory valuation; and risk of inappropriate valuation of UK pension scheme assets and obligations;
- Reviewed, considered, and agreed the methodology of the 2020 audit work to be undertaken by the external auditor;
- Considered the impact of the COVID-19 pandemic on the external auditor's ability to perform the year end audit;
- 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 that can be provided by the external auditor, noting that it might be appropriate if EY were permitted to undertake those permitted non-audit/additional services set out in section 5.40 of the FRC's Ethical Standard 2019; and
- Reviewed and approved updates to the Non-audit Services Policy and the Procedure for the External Auditor Policy.

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

Having been appointed following the Company's AGM in June 2020, in July 2020 EY provided the Committee with their plan for transitioning the audit from KPMG and undertaking the 2020 year-end audit procedures. This highlighted the proposed approach and scope of the audit and identified the key issues in detail, being the valuation of goodwill in relation to France Galva S.A; the risk of fraud in revenue recognition; inventory valuation; 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. As events evolved through the year, the audit risks have accordingly been re-visited by EY. This led to the inclusion of an additional key audit risk regarding the valuation of goodwill in relation to ATG Access being reported on.

In February 2020, the Committee considered an interim report from the Group's Chief Financial Officer on the effectiveness of the performance of the previous external auditor. This report included an initial 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.

Following discussion, the Committee welcomed the initial view that EY had to date delivered an effective external audit of the Group's financial results, performance reporting and risk identification and management and looked forward to receiving a more detailed report later in 2021 when all Group and subsidiary audit activities in relation to 2020 had been completed.

The external auditor prepared a detailed report of their findings in respect of the 2020 audit. The Committee discussed the issues raised in the report, particularly in relation to the areas highlighted, at their meeting in March 2021. 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. 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. There were no such instances during the year.

As mentioned previously EY were appointed as the Group's auditors in June 2020 and this is their first audit. They have confirmed to us, that as the partner in charge Helen McLeod-Jones, subject to unforeseen changes, will be the lead partner up to and including the audit for 2024 before being compelled to rotate off the audit to ensure continued independence by EY.

Non-audit fees

The Committee reviewed its Non-audit Services Policy in December 2020 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/additional services set out in section 5.40 of the FRC's ethical standard 2019, 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.

During 2020, there were fees of £3,000 (2019: KPMG - £12,000) paid to the auditor for non-audit services relating to other assurance services (2019: KPMG - for assurance reviews). In 2020, non audit fees represented 0.2% of audit fees of £1,350,000 (2019: 1.1%). Further details of these amounts are included in note 7 of the Financial Statements on page 138.

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

9 March 2021

Remuneration Committee Report

Annette Kelleher
Chair

"I believe our new remuneration policy will enable long-term sustainable growth while ensuring a responsible approach to executive pay."

Dear Stakeholder

I would like to share with you our 2020 Directors' Remuneration Report. At last year's AGM shareholders approved our Directors' Remuneration Policy (the 'Policy'), and you will find a summary of the Policy on pages 94 to 98. I am delighted to say that the Policy was strongly supported, with 95% of the votes in favour of it. Shareholders were similarly supportive of the Annual Remuneration Report, with 99% in favour.

During 2020, in addition to the Committee's normal business, there were two key aspects of focus, being the impact of the COVID-19 pandemic and the succession of our Chief Executive. Our activities in relation to each of these are described below, with more detail included in the Annual Remuneration Report.

COVID-19 pandemic – performance and 2020 incentive outturns

Notwithstanding the global pandemic and the associated political and economic uncertainties the Company reports revenues of £660.5m and underlying operating profit of £69.9m. More details about the Company's operational and financial performance can be found on pages 24 to 31. The Board considers this to be a good performance against very challenging global conditions. Since March 2020, the Committee, via the Board meetings, has been regularly updated regarding the impact of the pandemic on employees, in relation to their health and wellbeing.

The Committee considered the impact of the pandemic on the wider workforce and other stakeholders when taking decisions in relation to Executive Directors during 2020, having regard in particular to the following factors:

- whilst regrettably some employees were impacted by the pandemic and furloughed for a period of time, there were only a very limited number of redundancies due to COVID-19;
- although the Company initially took advantage of furlough money under the UK Government's Coronavirus Job Retention Scheme, taking into account its view of the purpose of this support and stronger than forecast cash generation, the Company repaid all the UK Government furlough monies (£3.6m) and accelerated repayment of deferred VAT amounts so that prior to the year end all amounts were repaid in full;
- the Company's share price remained resilient – ending the year at £14.10, only slightly below the 2019 closing price of £14.78; and
- although the 2019 final dividend was cancelled, having seen an improving trading backdrop in the third quarter the Board paid an interim dividend, and in light of the continued positive trading through to the end of the year has proposed a final dividend for the year.

2020 bonus

The Executive Directors' 2020 bonus opportunities were based on 75% financial measures and 25% personal objectives. The impact of COVID-19 and our decision not to adjust targets as a result of it means that the financial results were below the bonus thresholds set and therefore no payment will be made in respect of the financial elements. Notwithstanding that the financial targets were not met; the Committee was of the opinion that achievements in relation to the personal objectives set justified the payment of bonuses in respect of those elements. In coming to this conclusion, the Committee took into account the improving trading backdrop in the third quarter, continued positive trading through to the end of the year and very strong performance in the fourth quarter, showing the financial resilience of the Group and the momentum that has been built going into 2021. The Committee also noted the Group's very strong cash conversion at 139% (2019: 54%), well ahead of the target of at least 90%, which is crucial to our ability to fund growth investment and progressive returns to shareholders. The Group has not experienced a loss of liquidity and has reduced its net debt by £69.1m.

Although bonuses were earned for achievement of personal objectives, the Committee decided not to award any cash payments to the current Directors, but to convert the full bonus earned into shares. Full details are shown on page 86.

2018 LTIP

Derek Muir participated in the 2018 LTIP, which vested by reference to performance assessed over the three years ended 31 December 2020. Details of the performance outturn are set out on page 87. Reflecting performance over the three years the award will vest at 35.85% and in line with the Policy, the shares vested will be subject to a holding period and will become exercisable in March 2023.

Board changes

Paul Simmons was appointed as Chief Executive Designate in September 2020 and took over as Chief Executive from Derek Muir, following Derek's retirement on 12 November 2020. His remuneration package was determined by the Committee, having consulted with major shareholders and having regard to the need to recruit a Chief Executive with the necessary skills and experiences to lead the Group.

Paul's salary was set in line with the market. As is the case for Hannah Nichols, Paul's pension contribution of 6.5% is in line with that available to the UK-based wider workforce. Paul's incentive arrangements are in accordance with the Company's Policy and the key elements are set out on pages 94 to 97.

As part of joining Hill & Smith, Paul forfeited remuneration at his former employer. This included both long-term incentives and a bonus. For the long-term incentives, in line with the Company's Policy, he was compensated through a buy-out award made in shares. Any bonus payout is to be based on Hill & Smith performance conditions. For more details see page 84.

Having been on the Board of Hill & Smith Holdings PLC since 2006 and having spent 28 years working for the Group, Derek Muir gave 12 months' notice on 1 April 2020 of his intention to retire as Chief Executive of the Company. It was later agreed that, following the appointment of Paul Simmons in September, Derek would stand down from the Board as from 12 November 2020 and remain an employee of the Group until 31 March 2021. Derek's salary to 12 November 2020 and his 2020 bonus are disclosed in the CEO's single figure table. His outstanding incentives were treated in accordance with the Policy and the plan rules. (See pages 85 and 89 for more details).

2020 LTIP Awards

Due to the economic uncertainty caused by the pandemic, and hence the difficulty in setting appropriate 3-year targets, the grant of the 2020 LTIP awards was deferred until September 2020. Having given consideration to the LTIP measures, the Committee decided to keep the current measures unchanged, these being 50% of the award based on relative TSR performance and 50% on underlying earnings per share. The payment at threshold was adjusted to 20% in line with the Policy. Details of the performance measures are set out on page 87.

Corporate Governance

When determining the application of the Policy, the Committee considered the following factors:

- Clarity and simplicity: We follow a well understood UK approach to executive remuneration and apply simple variable pay arrangements which are subject to clear, well-articulated performance measures.
- Alignment to our culture and values: In reflecting our culture in our Policy, the Committee is aware of the Group's business model and entrepreneurial philosophy and clear that the Policy should drive the right behaviours and support the Group's purpose and strategy.
- Risk: The recovery provisions (malus and clawback), which are now included in all our incentive schemes, enable the Committee to have due regard for risk and this is complemented by the Committee having discretion to override formulaic outcomes. The bonus deferral, LTIP holding period, shareholding and post-employment shareholding guidelines align the interests of the Executive Directors with those of our shareholders. We are mindful that with a new Chief Executive and Chief Financial Officer, they should be given time to build up such shareholdings so they will retain at least half of any shares earned through incentives until the shareholding requirement is met. Performance measures and targets are set so that they neither encourage nor reward undue risk-taking.
- Predictability and proportionality: The potential outcomes under the incentive arrangements were clearly articulated in the 2019 Directors' Remuneration Report in connection with the approval of the new Policy. The outcomes of variable pay performance measures are dependent upon the achievement of targets that are aligned with the Group's strategy and the interests of all stakeholders.

The Committee will continue to review the application of the Policy as the strategy and culture develop further under our new Chief Executive.

Wider workforce remuneration

The wider workforce will receive pay increases in 2021 in line with local market movements. The Committee reviewed the results of the Group's gender pay work, noting that data had been collected and collated from all 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 2020 at 8.2% (2019: 12.7%). This is driven by a large population of our senior management team being male. As our new Chief Executive leads the next phase of the Company's strategy, a clear road map to develop a more diverse organisation will be articulated. Positively, in our Utilities division, The Paterson Group launched a leadership team to support female managers and those women with potential in their organisation to provide a forum to get support, exchange ideas, and network. The Executive Directors will look to extend this approach across the Company.

Looking forward to 2021

Our usual practice is to review Executive Directors' salaries on an annual basis. In December the Committee considered their annual salary increases, effective January 2021. Aligning with the wider workforce, the Committee awarded a 2% pay increase for the Executive Directors.

For 2021 the maximum opportunities for the Chief Executive will be 150% of base salary for both his annual bonus and LTIP award. For our Chief Financial Officer, the maximum opportunities will be 125% of base salary for both her annual bonus and LTIP award. In line with the Policy, both Executive Directors have an annual bonus on-target of 50% of maximum, reduced from 60% under the previous policy. Our usual practice is to grant LTIP awards following the announcement of the prior year results. However, we propose to defer the grants this year and make them after the announcement of the half year results, which will enable us to consider the outlook as we hopefully emerge from the worst effects of the pandemic, and set targets accordingly. Our intention is that the performance measures will continue to be based on TSR and EPS, and we will confirm the details of the measures and targets both in the 2021 Directors' Remuneration Report and in the announcement we will make when the awards are granted. Further information in relation to the 2021 bonus is set out on page 93.

The Non-executive Director fees have been increased by 2% with effect from 1 January 2021. See page 93 for more details.

I believe our new remuneration policy will enable long-term sustainable growth while ensuring a responsible approach to executive pay. We will continue to monitor our incentive arrangements and review the performance conditions as our strategy develops and in light of continuing uncertain political and macro-economic conditions.

Annette Kelleher
Chair
9 March 2021

Directors' Annual Remuneration Report

Policy and strategy

The Company's strategy is explained in detail on pages 8 and 9. The Company's Remuneration Policy, approved by shareholders in 2020, supports 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>Investment in 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 12% - 15%, although a lower margin profile may be acceptable if the business' return on capital employed is above 20%.</td><td>Organic revenue growth
ROIC
Operating margins</td><td rowspan="4">Shareholder value</td><td rowspan="4">50% of any award is based on UEPS, at the end of a three-year performance period; and 50% of the award is based on TSR performance over a three-year performance period relative to an appropriate comparator group.</td></tr>
<tr><td>Autonomous operating model</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>Organic revenue growth
Budgeted profit
ROIC
Operating margins</td></tr>
<tr><td>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 Remuneration Policy referred to above and on pages 94 to 97 is voted on by shareholders approximately every three years, the last occasion being at last year's AGM on 23 June 2020. This Annual Remuneration Report is voted on annually by shareholders.

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. 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 2019 and 2020 – further information on the 2020 bonus is given on page 86;
- confirmed the vesting of the LTIP awards granted in 2017, as reported in the 2019 Directors' Remuneration Report;
- measured the performance conditions of the LTIP awards granted in 2018, confirming that 71.7% of the TSR portion of the award would vest and that the UEPS portion of the award would lapse, (further information is given on page 87);
- approved the 2020 grants under the rules of the LTIP, and in so doing considered the appropriateness of the performance conditions as discussed on page 87;
- approved the award of a new SAYE scheme, to run from December 2020 for a three or five year period;
- approved the remuneration arrangements associated with D W Muir's retirement;
- approved a remuneration package for the new Group Chief Executive Officer, appointed in September 2020, (see page 84 for details);
- reviewed the base salaries of the Executive Directors and approved a 2% increase, with effect from 1 January 2021, in line with the increases awarded to the wider workforce;
- approved the annual bonus performance measures and targets for the Executive Directors for 2021;

Directors' Remuneration Report
continued

- 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;
- approved the Company's Annual Remuneration Report for inclusion in the Company's 2020 Annual Report and Accounts;
- approved the Company's Remuneration Policy to be put before shareholders at the Company's AGM in June 2020; and
- ensured that the Board approved the Committee's terms of reference taking into account the requirements of the UK Corporate Governance Code.

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

Group Chief Executive Officer's Remuneration on appointment

The following table summarises the key elements of the remuneration package of Paul Simmons, Group Chief Executive Officer, on appointment.

Base salary	£535,000
Pension	A Company contribution of 6.5% of salary, in line with the contribution rate for the wider workforce.
Annual Bonus	150% of salary, with 50% of any bonus earned being deferred for two years and delivered in shares
LTIP	150% of salary
Relocation allowance	Up to £150,000 for expenses incurred in respect of any relocation during the first two years of Mr Simmons' appointment.
Buy-out awards	In order to join the Company, Mr Simmons forfeited remuneration at his former employer. The Company agreed to compensate Mr Simmons in respect of this forfeited remuneration, with the majority of the compensation awarded linked to Hill & Smith's performance or share price. ***Forfeited long term incentives*** Mr Simmons forfeited his 2018 and 2019 long term incentive awards. The Company compensated Mr Simmons for these awards by granting two awards over Hill & Smith shares, to ensure the ultimate reward is aligned with shareholders' experience. The awards buyout the 2018 and 2019 plans on a pro-rated basis, from the start of their performance periods until 31 August 2020 and take into account the Committee's view of the extent to which the performance conditions attached to the forfeited awards were assumed to be satisfied. The awards were granted over 28,557 Hill & Smith Holdings PLC shares and 12,364 Hill & Smith Holdings PLC shares respectively. See page 88 for more details. ***Forfeited bonus*** Mr Simmons also forfeited his right to participate in his former employer's annual bonus scheme for its year starting 1 April 2020. We agreed to compensate Mr Simmons for this, but made the compensation subject to the same performance measures as apply to the Hill & Smith 2020 bonus with a deferral into shares of half of the amount. Mr Simmons' Hill & Smith 2020 bonus opportunity was 150% of his salary for the period from 1 September 2020. In addition, we calculated a further payment in respect of the period 1 April 2020 – 31 August 2020, but applying a notional salary of £340,000, which was earned subject to the Hill & Smith bonus performance conditions. In the single figure of remuneration table on page 85, this buy-out is aggregated with the Hill & Smith bonus. ***Fixed remuneration*** Mr Simmons had agreed to start employment with Hill & Smith on 1 August 2020, and had agreed a leaving date with his former employer to enable him to do so. However, due to the impact of the COVID-19 pandemic it was agreed to put Mr Simmons' start date back to 1 September 2020. Therefore, a one-off payment of £30,000 was agreed as part of Mr Simmons' recruitment arrangements, to reflect his loss of fixed remuneration.
Notice period	12 months from either side.

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 £43,250 for the year ended 31 December 2020. 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 Group 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 2019 Remuneration Report and a revised Remuneration Policy were put before members at our AGM in June 2020, with shareholder approval of each as follows.

% of votes	For	Against	Withheld votes
Annual Remuneration Report (2020 AGM)	99.27%	0.73%	1,389,820 votes were withheld in relation to this resolution (2.3%)
Remuneration Policy Report (2020 AGM)	95.43%	4.57%	20,570 votes were withheld in relation to this resolution (0.03%)

The following parts of the Remuneration Report are subject to audit other than elements explaining the application of the policy in 2021.

How the Remuneration Policy was implemented in 2020 – Executive Directors

Single remuneration figure for 2020

	Base Salary (1)	Taxable Benefits (2)	Pension	**Total Fixed Pay**	Annual Bonus(3)	LTIP (vested in respect of the performance period ended 2020 (4)	Total Variable Pay	**2020 Total 'single figure'**
P Simmons (6)	178,333	38,077	11,592	**228,002**	90,000	-	90,000	**318,002**
H K Nichols	339,570	12,000	22,100	**373,670**	67,914	-	67,914	**441,584**
D W Muir (5)	468,125	36,308	113,750	**618,183**	125,391	236,429	361,820	**980,003**
Total	986, 028	86,385	147,442	**1,219,855**	283,305	236,429	519,734	**1,739,589**

Single remuneration figure for 2019

	Base Salary (1)	Taxable Benefits (2)	Pension	**Total Fixed Pay**	Annual Bonus(3)	LTIP (vested in respect of the performance period ended 2019) (4)	Total Variable Pay	**2019 Total 'single figure'**
H K Nichols	96, 462	3,746	6,270	**106,478**	41,208	–	41,208	**147,686**
D W Muir (5)	520,000	45,841	130,000	**695,841**	277,680	213,695	491,375	**1,187,216**
Total	616,462	49,587	136,270	**802,319**	318,888	213,695	532,583	**1,334,902**

(1) The amount of base salary received in the year.

(2) The gross 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 £7,077 (2019: £16,340) 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 pay out was determined can be found on page 86.

(4) LTIP is the value of LTIPs vested in respect of a performance period ended in 2020. A description of the basis on which awards vested and the value can be found on page 87.

(5) D W Muir stepped down as CEO on 12 November 2020 and retired from the Board at the same time. In the 2020 table above, remuneration earned to that date is included, except that for consistency with the other Executive Directors, the full amount of the 2020 bonus and the full amount of the LTIP vesting by reference to performance in 2020 are included in this table. Other payments made to him are disclosed on page 89.

(6) P Simmons was appointed on 1 September 2020 and included in his benefits figure is a payment of £30,000 as described on page 84.

2020 annual bonus

Each Executive Director was eligible to earn a bonus for 2020 (up to 125% of salary in the case of D W Muir, up to 100% of salary in the case of H K Nichols, and up to 150% of salary in the case of P Simmons). For D W Muir and H K Nichols 80% of any bonus earned was to be paid in cash, with 20% of their bonuses deferred into shares. For P Simmons, 50% of any bonus was to be paid in cash and 50% deferred into shares. Deferred shares are deferred for two years subject, ordinarily, to continued employment but to no additional performance conditions.

As detailed in the statement from the Remuneration Committee Chair, the impact of COVID-19 and our decision not to adjust targets as a result of it means that the financial results were below the bonus thresholds set. As set out below, notwithstanding that the financial targets were not met, the Committee was of the opinion that achievements in relation to the personal objectives set justified the payment of a proportion of the bonuses in respect of those elements. In coming to this conclusion, the Committee took into account the impact of the pandemic on the wider workforce and other stakeholders as well as the financial resilience of the Group and the momentum that has been built going into 2021. The Committee also noted the Group's very strong cash conversion at 139% (2019: 54%), well ahead of the target of at least 90%, which is crucial to our ability to fund growth investment and progressive returns to shareholders. The Group has not experienced a loss of liquidity and has reduced its net debt by £69.1m.

However, reflecting on the effects of the COVID-19 pandemic on the financial performance of the Company, the Committee determined that for P Simmons and H K Nichols 100% of any bonus earned would be deferred into shares for two years. In the case of D W Muir payout would rermain at 80% in cash and 20% would be deferred into shares for two years.

Directors' Remuneration Report
continued

The extent to which the Executive Directors bonus was earned is summarised below:

Measure	Weighting	Target performance [1]	Stretch performance [2]	Actual performance	Actual bonus earned (% of maximum)
Underlying EPS	18.75%	85.4p	87.4p	63.2p	0%
Underlying profit before tax	18.75%	£84.5m	£88.7m	£62.6m	0%
Underlying operating margins	18.75%	12.5%	12.8%	10.6%	0%
ROIC	18.75%	16.5%	17.0%	12.6%	0%
Personal objectives	25%	The bonus earned by reference to the satisfaction of personal objectives was determined by the Committee based on its assessment of the extent to which the objectives were achieved, as described below			

[1] 60% of opportunity earned in the case of D W Muir and H K Nichols. 50% of opportunity earned in the case of P Simmons

[2] 100% of opportunity earned

The personal objectives set for each Executive Director are summarised below, along with the key achievements.

Executive Director	Objective	Key achievements
D W Muir	• To transition successfully to the new Chief Executive including maintenance of clear direction and progress during 2020, in particular, the second half and an effective programme of induction and relationship transfer to the new Chief Executive. Enabling the new Chief Executive to build effective relationships with management and employees. • Progress health & safety priorities including improvements in our reporting systems and key performance metrics	The Committee noted that Derek Muir had: • pro-actively collaborated with Paul Simmons to ensure an effective induction process across the business, including introductions with key leaders in the UK and US • ensured an effective handover of relevant key customer relationships and ensuring Paul Simmons had all necessary information on the customer relationships • worked with Paul Simmons to ensure an effective introduction to key shareholders and advisors • ensured that COVID-19 risk assessments took place at all locations and that additional safety procedures were put in place at the start of the pandemic. The Committee also noted the reduction in both lost time injuries and the lost time injuries rate.
P Simmons	• Development of the Group's strategy including effective review of the organisation structure for the Group, building the foundations for full scope ESG strategy and articulation of roadmap for the medium term. • Successful handover and onboarding with clear direction set and progress shown during final quarter of 2020 and momentum built for 2021	The Committee recognised the strong start that Paul Simmons made to leading the Company and in: • developing and articulating an updated medium-term strategy and organisation structure for the Group; and • laying the foundations for the development in 2021 of our new full scope ESG strategy, recognising the importance to our shareholders, employees and other stakeholders of ESG matters. The Committee recognised the way that Paul Simmons had worked closely and collaboratively with Derek Muir to ensure a smooth handover of CEO responsibilities and, within the constraints of COVID-19, had built relationships throughout the organisation and with key external stakeholders and advisors. Very strong financial performance delivered in the fourth quarter and clear momentum built going into 2021.
H K Nichols	• Review of working capital processes and implementation of changes to deliver strong cash conversion performance and liquidity for the Group. • Improve the Group's financial modelling and reporting • Enhancing the Group's IT infrastructure	Hannah Nichols managed the Group's working capital and cash to the highest of standards during an uncertain and complex year. Hannah put in place a well understood process for managing working capital across the business, ensuring business buy-in, ownership, and Board approval. Tight control over working capital in the year was reflected in very strong cash conversion at 139% (2019: 54%), well ahead of the target of at least 90% and the reduction in the Group's net debt was £69.1m. During the year, Hannah implemented a revised finance reporting structure and put in place various plans to execute with clarity of timelines and any necessary risk mitigations. The Committee noted that Hannah Nichols had overseen the development and articulation of the Group's IT strategy, including the estimated levels of investment needed, the timelines and expected returns and the recruitment and integration of a new head of IT.

In assessing key achievements set out on page 86 in relation to the personal objectives set, the Committee determined that D W Muir and P Simmons should receive 75% of this part of the bonus, being 19% of their maximum opportunity and that H K Nichols should receive 80%, being 20% of her maximum opportunity. Paul's maximum opportunity was based both on his Company salary and the notional salary referred to on page 86.

Having determined the extent to which the personal objecvtives had been meet, the Committee in its discretion, deemed it appropriate having considered the effect of the COVID-19 pandemic on the Group's performance, that the current Executive Directors should defer 100% of the earned bonus into shares and D W Muir would continue to defer 20% of his bonus in to shares.

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	125,391	100,313	25,078
P Simmons	90,000	_	90,000
H K Nichols	67,914	-	67,914

LTIP awards vesting in respect of 2020

D W Muir was granted an LTIP award on 12 March 2018 which vested subject to the achievement of performance conditions based on absolute UEPS growth over the three-year performance period ended 31 December 2020 (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 as follows:

Performance	Targets	Vesting	Actual performance	Actual Vesting	Shares subject to the Award	Vesting shares	Vested value (1)
UEPS	Threshold 15% growth	25%	UEPS Growth of -17%	UEPS: 0% of maximum			
	Maximum 30% growth	100%			47,690	18,048	£236,429
TSR	Median	25%	TSR Ranked 52	TSR: 71.7% of maximum			
	Upper Quartile	100%					

(1) The value of shares is calculated by reference to the share price on 3 March 2021, being £13.10. In accordance with the rules of the LTIP, D W Muir is entitled to a further benefit by reference to the dividends paid over the period from grant to vesting, amounting to £12,498, and delivered as 954 additional shares.

The following table sets out the amount of the value attributable to the share price at the grant of the awards (£13.31) and the amount that is attributable to the change in the share price to £13.10 at vesting.

	Total value	Value attributable to share price at grant of £13.31	Value attributable to change in share price to £13.10 on 3 March 2021	Value attributable to dividends paid over the period from grant to vesting
D W Muir	236,429	227,521	(3,590)	12,498

Pension contributions

D W Muir received a cash payment in lieu of any pension contribution, equal to £130,000 for the year ended 31 December 2020 (2019: £130,000). In 2019, the Committee had agreed with D W Muir that his pension contribution would be frozen at its 2019 value. The single figure of remuneration table includes the proportion of this contribution attributable to his service as a Director to 12 November 2020 (£113,750) with the balance included on page 89. Both P Simmons and H K Nichols received a pension contribution equal to 6.5% of their base salary, aligned to the maximum available to the Group's UK-based workforce.

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 2020 the Committee approved awards, under the rules of the LTIP, to the Executive Directors as follows:

	Date of Award	Type of Award	Number of Shares	Maximum face value of Award	Threshold Vesting	Performance Period (3)
P Simmons	25 September 2020	Nil cost option	66,819	802,496 (1)	20%	31 December 2022
H K Nichols	25 September 2020	Nil cost option	35,335	424,373 (2)	20%	31 December 2022

(1) Calculated by reference to a share price of £12.01, being the average of the mid-market prices for the three trading days prior to the grant date and reflecting an award of 150% of base salary..
(2) Calculated by reference to a share price of £12.01, 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.
(3) After the end of the performance period, the LTIP awards will be subject to an additional two-year holding period before they are released.

Directors' Remuneration Report
continued

The performance conditions for these awards are as follows:

Vesting amount	Absolute EPS at the end of the performance period (50% of the award)	TSR (50% of the award)
0% Vesting	Less than 85p	Below median
20 % Vesting*	85p	Median**
Maximum Vesting*	100p	Upper quartile**

* Straight line vesting will apply between these two points.

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

Both P Simmons and H K Nichols also received market value options up to a maximum of £30,000, which were granted under the tax-advantaged part of the ESOS and subject to the same performance conditions as the LTIP award. The resultant ESOS options of 2,497 ordinary shares have an exercise price of 1201p per share (being the market value on the date of grant). If the ESOS option is exercised at a gain then LTIP awards will be forfeited to the same value to ensure that the total pre-tax value delivered to participants remains unchanged.

As described on page 84, two share awards were granted to P Simmons in connection with forfeited remuneration. The awards and their vesting dates are set out below:

Buy-Out Award	Number of Shares (face value) (1)	Vesting Date
Buy-Out Award 1	28,557 (£342,970)	30 July 2021
Buy-Out Award 2	12,364 (£148,492)	29 July 2022

(1) Calculated by reference to a share price of £12.01, being the average of the mid-market prices for the three trading days prior to the grant date and reflecting an award of 150% of base salary.

Share options

The interests of Executive Directors, who served during 2020, in options for ordinary shares in the Company, granted under the Company's SAYE schemes, together with options granted and exercised during 2020, are included in the following table:

Executive	Grant price	Awards held 31 December 2019	Granted during the year	Exercised during the year	Lapsed during the year	Awards held 31 December 2020	Period that option is exercisable From	To
D W Muir	£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
P Simmons	£9.60	-	3,125	-	-	3,125	1 January 2026	1 July 2026
H K Nichols	£9.40	3,191	-	-	-	3,191	1 January 2023	1 July 2023

Statement of Executive Directors' shareholding and interest in shares

Executive	Type	Owned outright	Vested but unexercised	Unvested: Subject to performance conditions	Unvested: Not subject to performance conditions(3)	Total as at 31 December 2020
D W Muir	Shares	217,437	21,980	103,723	–	343,140
	Market value option (1)	–	–	2,281	–	2,281
	SAYE options (2)	–	–	–	3,384	3,384
P Simmons	Shares	–	–	66,819	40,921	107,740
	Market value option (1)	–	–	2,497	–	2,497
	SAYE options (2)	–	–	–	3,125	3,125
H K Nichols	Shares	1,478	631	35,335	–	37,444
	Market value option (1)			2,497		2,497
	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 for Derek Muir and 2020 for Paul Simmons and Hannah Nichols and are subject to the same performance conditions as part of that LTIP award as set out on page 87.

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

(3) On 3 March 2021 the Remuneration Committee approved the vesting of 35.85% of the 2018 LTIP award, being 18,048 shares for D W Muir, as referred to on page 87.

Shareholding guidelines

The Company's guidelines require Executive Directors to hold 200% of base salary in shares. In order to fulfil this requirement new Executive Directors are required to build up such shareholdings so they will retain at least half of any shares earned through incentives arrangements until the shareholding requirement is met.

	P Simmons	H K Nichols
Shareholding requirement	200%	200%
Current shareholding as at 31 December 2020	–	1,812 (1)
Current value (based on share price on 31 December 2020 of £14.10)	–	25,549
Current % of salary (based on salary at 31 December 2020)	–	7.5%

(1) H K Nichols was granted an award of 631 shares on 25 June 2020, under the rules of the Deferred Bonus Plan. The net number of shares is shown here as contributing to her shareholding requirement.

These figures include those of their spouse or civil partner and infant children, or stepchildren. P Simmons and 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. There was no change in these beneficial interests between 31 December 2020 and 3 March 2021.

Non-executive Director shareholding

	2020	2019
A C B Giddins	9,375	6,245
A M Kelleher	2,164	2,164
A J Quinlan	1,200	-
P Raby	1,600	-
M J Reckitt	4,000	4,000

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 2020 and 3 March 2021. 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

D W Muir retired from the Board on 12 November 2020 and will remain an employee until 31 March 2021. His salary, pension allowance and benefits to 12 November 2020 are included in the single remuneration figure table on page 85, along with the full value of the bonus earned in respect of 2020 and the value of the LTIP vesting by reference to performance to 31 December 2020. Having regard to his 28 years of service with the Company, his instrumental role in setting Hill & Smith's strategy and delivering returns to shareholders, the Board considered it appropriate to provide a watch as a retirement gift with a value of c. £10,000.

As an employee of the Company, in the period from 12 November 2020 to 31 December 2020, and then in the period from 1 January, Mr Muir continued to receive his salary, pension allowance and benefits, which will continue to be paid to 31 March 2021. These payments amount to £255,703 in aggregate and were made in accordance with the terms of his Service Agreement.

Having regard to his long service with the Group, that he is retiring, and the terms of the awards he has been granted, the following treatment will apply.

Deferred Bonus Awards: Mr Muir holds Deferred Bonus Awards granted in March 2019 and June 2020 in respect of bonuses earned in 2018 and 2019 respectively. He will retain each of these awards, which will be released from deferral at the ordinary release date, being in March 2021 and June 2022 respectively.

LTIP awards: Mr Muir holds LTIP awards granted in May 2017, March 2018 and March 2019. The May 2017 award vested by reference to performance over the three years to 31 December 2019. The March 2018 award will vest by reference to performance over the three years ending 31 December 2020, see page 87 for more details. Mr Muir will retain the benefit of each award, which will be released, subject, in the case of the March 2018 award, to the satisfaction of the performance conditions. Because he will have been employed for the whole of the applicable three-year performance period, no time-based reduction will be made to the number of shares which vest. Each award will be released on its originally anticipated release date being, March 2022 and March 2023 respectively.

Mr Muir will retain the benefit of the March 2019 award which will vest subject to the satisfaction of performance conditions to be assessed over the three years ending 31 December 2021. To the extent it vests by reference to the performance conditions, the award will then be reduced to reflect the proportion of the performance period for which Mr Muir remained an employee of the Group and in line with the policy in place at the time the award was granted, the award will be released in March 2023.

Transactions with Directors

There were no material transactions between the Group and the Directors during 2020.

Directors' Remuneration Report

continued

How the Remuneration Policy was implemented in 2020 – Non-executive Directors

Non-executive Director single figure comparison

Director	Role	Board Fees	Other Fees	Taxable Benefits	Annual Bonus	LTIP	Pension	Total 'Single Figure' 2020 (1)	Total 'Single Figure' 2019
A C B Giddins	Chair	£173,225	-	-	-	-	-	£173,225 (2)	£86,000
A M Kelleher	Chair, Remuneration Committee	£59,450	-	-	-	-	-	£59,450	£58,000
A J Quinlan	Senior Independent Director	£59,450	-	-	-	-	-	£59,450	£5,000
P Raby	Non-executive Director	£51,250	-	-	-	-	-	£51,250	£4,000
M J Reckitt	Chair, Audit Committee	£59,450	-	-	-	-	-	£59,450	£58,000
Total		402,825	-	-	-	-	-	£402,825	£211,000

(1) As the Non-executive Directors do not participate in any variable pay arrangement, separate sub-totals for fixed and variable pay are not included.

(2) Alan Giddins was appointed to the position of Chair in October 2019.

The Non-executive Directors do not have service contracts, only letters of appointment, and fees for Non-executive Directors are determined by the Board, following a recommendation from the Chief Executive, in the 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.

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 2018 against the FTSE SmallCap index and the FTSE 250.

FTSE 250

FTSE Small Cap

Annual percentage change in remuneration of Directors and employees

The table below shows the percentage change in each Director's salary/fees, benefits and bonus between the year ended 31 December 2019 and the year ended 31 December 2020, and the average percentage change in the same remuneration over the same period in respect of the employees of the Company on a full time equivalent basis. Although the regulations require us only to show the average percentage change for the employees of the Company, we have provided additional disclosure showing the average change for the wider workforce.

The average employee change has been calculated by reference to the mean of employee pay. Paul Simmons was appointed to the Board during the year ended 31 December 2020 and, accordingly, has been excluded from the table below.

	Average Employee	Wider workforce (1)	A C B Giddins	D W Muir (2)	H K Nichols (3)	A M Kelleher	A J Quinlan (4)	P Raby (5)	M J Reckitt
Salary/fees	2.9%	2.9%	2.5%	2.9%	2.9%	2.5%	2.5%	2.5%	2.5%
Taxable benefits	N/A	N/A	N/A	-20.8%	-6.4%	N/A	N/A	N/A	N/A
Annual bonus	N/A	4.3%	N/A	-54.8%	-51.8%	N/A	N/A	N/A	N/A

(1) For salary purposes, the wider workforce comparator group looked at increases awarded across the Group at all levels of the workforce. The bonus figures were taken from those senior executives operating on similar incentivised arrangements to the Executive Directors and capable of influencing the Group's performance, as well as their own individual businesses' performance.

(2) D W Muir retired from the Board with effect from 12 November 2020. To enable comparison and to provide a meaningful reflection of the annual percentage change, his remuneration for the year ended 31 December 2020 for the purposes of the above table is based on remuneration earned to 31 December 2020.

(3) H K Nichols was appointed to the Board with effect from 16 September 2019. To enable comparison and to provide a meaningful reflection of the annual percentage change, her remuneration for the year ended 31 December 2019 for the purposes of the above table has been annualised.

(4) A J Quinlan was appointed to the Board with effect from 2 December 2019. To enable comparison and to provide a meaningful reflection of the annual percentage change, his remuneration for the year ended 31 December 2019 for the purposes of the above table has been annualised.

(5) P Raby was appointed to the Board with effect from 2 December 2019. To enable comparison and to provide a meaningful reflection of the annual percentage change, his remuneration for the year ended 31 December 2019 for the purposes of the above table has been annualised.

Single Figure of the Chief Executive compared to the wider workforce

The Department for Business, Energy & Industrial Strategy's ('BEIS') Pay Ratio regulations require 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 suggest 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 2020/21, 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.

During 2020, D W Muir was CEO until 12 November 2020 and P Simmons was CHief Executive with effect from 13 November. For the purposes of calculating the ratios, the CEO's remuneration is the aggregate of the remuneration earned by D W Muir to 12 November and the remuneration earned by P Simmons from 13 November.

Year	Method	25th percentile pay ratio	Median Pay ratio	75th percentile pay ration
2020	Option B	26:1	44:1	33:1
2019	Option B	43:1	39:1	38:1

Pay details for the individuals are set out below:

2020	CEO	25th percentile	Median	75th percentile
Salary	535,000	23,504	29,480	38,712
Total Remuneration	1,298,005 (*)	49,990	29,480	38,712

(*) This represents the single figure totals of both D W Muir and P Simmons.

Relative importance of spend on pay

	2020	2019 (1)	% change
Dividends paid in respect of the financial year	£21.2m	£8.4m	+152%
Overall spend on pay(2)	£184.2m	£174.7m	+5%

(1) The final dividend payable in July 2020, in respect of the financial year ended 31 December 2019, was cancelled after the Board considered the financial effects of the COVID-19 pandemic on the liquidity of the Group.

(2) This includes a 1% increase in the average number of people employed by the Group. See note 5 to the accounts on page 137.

Directors' Remuneration Report
continued

Chief Executive remuneration compared to performance

The graph below shows the TSR performance of the Company over the ten-year period to 1 January 2021 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.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (1)	
										(DW Muir)	(P Simmons)
CEO single figure (£'000)	690	941	1,084	1,835	1,894	2,134	2,085	1,506	1,187	980	318
Annual Bonus (% of maximum)	30	85	16	100	100	100	94	19	43	19	19
LTIP vesting (% of maximum number of shares)	-	-	50	92.7	97.9	100	100	100	31.2	35.9	N/A

(1) D W Muir retired as CEO on 12 November 2020 P Simmons took over as CEO. In the table above, their remuneration is for the period each held the office of CEO.

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 2021 – Executive Directors

Salary

Base salaries were reviewed in December 2020 and as from 1 January 2021 are:

Chief Executive Officer	£545,700
Chief Financial Officer	£346,300

This represents an increase of 2% which is in line with the increase to other employees within the Group. Salaries will next be reviewed in December 2021 for the financial year 2022.

Pension and Benefits

The pension contribution for P Simmons and H K Nichols will remain 6.5% of their base salary.

Annual bonus

The annual bonus opportunity for 2021 will be in line with the policy approved by shareholders at the Company's AGM in June 2020. The CEO's maximum opportunity will be 150% of base salary, whilst the CFO's maximum opportunity will be 125%. 50% of the opportunity will be earned for achieving a stretching level of on-target performance and any bonus earned will be paid as to 50% in cash and 50% in deferred shares.

For the 2021 financial year the annual bonus targets will be weighted towards:

- Budgeted underlying operating profit; and
- Achievement of budgeted internal ROIC.

Together representing 80% of the maximum bonus opportunity, with each metric having equal weighting; and

- 20% 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 2021 Annual Report.

Share plans

The grant of LTIP awards for 2021 will be in line with the policy approved by shareholders at the Company's AGM in June 2020. As such the awards in 2021 will be 150% and 125% of base salary for the CHief Executive and CFO respectively. As explained in the statement from the Committee Chair on page 80, we intend to grant the awards after the announcement of the half year results. 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. The measures and targets will be confirmed in the announcement when the awards are granted, and also in the 2021 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 2021 – Non-executive Directors

Fees

The fees of the 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 the Chair's fees will be approved by the Remuneration Committee with other Non-executive Director fees being approved by the Board as a whole, following a recommendation from the Chief Executive. In December 2020, the Board approved an average of a 2.0% increase in the fees for the Chair and Non-executive Directors.

	2021	2020
Chair	£176,690	£173,225
Non-executive Director	£52,275	£51,250
Senior Independent Director	£8,400	£8,200
Audit Committee Chair	£8,400	£8,200
Remuneration Committee Chair	£8,400	£8,200

Annette Kelleher
Chair

9 March 2021

Directors' Remuneration Policy Report

The Company's Directors' Remuneration Policy was approved at the 2020 AGM and took effect from the close of that meeting. We have included below the extracts from that policy that we consider shareholders will find most useful updated to reflect that certain aspects of the policy were relevant only to 2020. The full policy as approved by shareholders is included in the Company's 2019 Annual Report and Accounts which is available at https://www.hsholdings.co.uk/investors.

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	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 pay out 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, 50% of the amount earned will be delivered in the form of shares in the Company, deferred for a period of two years. 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 50% of the maximum opportunity will be earned for threshold performance and 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. 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 Postemployment 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.

Chair 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 Chair 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.

Directors' Remuneration Policy Report
continued

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 misstatement 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 & safetystandards.

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 & safety standards.

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.

Birtley Group are key suppliers to the UK new build market supplying lintels, masonry support, windposts, composite doors, builders metalwork and plasterers bead.

Directors' Report (other statutory information)

Principal activities and strategic report

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

During 2020 the principal activities of the Group comprised the manufacture and supply of:

- Infrastructure Products (Roads & Security and Utilities)
- Galvanizing Services

Pages 2 to 55 contain further details of these areas of the business and the principal subsidiaries operating within them are set out on pages 186 to 188.

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

- Information on S172 CA 2006;
- An analysis of the development and performance of the Group's business during the financial year;
- Key performance indicators used to measure the Group's performance;
- The position of the Group's business at the end of the financial year;
- A description of the principal risks and uncertainties faced by the Group; and
- Main trends and factors likely to affect the future development, performance and position of the Group's business.

Future development

An indication of likely future developments in the Group is given in the Strategic Report on pages 2 to 55.

Statement on corporate governance

The Directors' Report for the year ended 31 December 2020 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 profit before taxation for the year amounted to £35.5m (2019: £61.8m). Group revenue at £660.5m, 5% lower than the prior year, impacted by the COVID-19 pandemic. Operating profit at £42.8m, was 38% lower than for the previous year, impacted by the COVID-19 pandemic (2019: £69.2m).

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 2020	79,369,150
Total new ordinary shares issued during the year	111,705
Issued share capital 31 December 2020	79,480,855
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 23 on pages 161 and 162 of the Group Financial Statements.

Details of the results for the year are shown on the Consolidated Income Statement on page 117 and the business segment information is given on pages 130 to 133.

Dividends

The Directors recommend the payment of a final dividend of 17.5p per ordinary share (2019: Cancelled) which, together with the interim dividend of 9.2p per ordinary share (2019: 10.6p per ordinary share) paid on 8 January 2021, makes a total distribution for the year of 26.7p per ordinary share (2019: 10.6p per ordinary share). Subject to shareholders approving this recommendation at the AGM, the final dividend will be paid on 9 July 2021 to shareholders on the register at the close of business on 4 June 2021. The latest date for receipt of Dividend Re-investment Plan elections is 18 June 2021.

Share capital

There is no limitation on share ownership and 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.

Resolutions are sought at each AGM to permit the Company to allot, subject to shareholder approval, new shares under specific circumstances. They are a function of addressing funding or share scheme needs and not a tool for employing anti-takeover measures.

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 2020 AGM and will be limited by the resolution to be put to the 2021 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

23 June 2020 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 23 September 2021.

Substantial shareholdings

As at 11 February 2021, 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	6,356,716	7.98
Mondrian Investment Partners	3,962,515	4.98
Royal London	3,478,382	4.37
AXA Investment	2,842,653	3.57
Charles Stanley Group	2,770,047	3.48

Directors

The names of the Directors of the Company who served throughout the year, including brief biographies, are set out on pages pages 58 and 59.

Directors' interests

The interests of the Directors in the share capital of Hill & Smith Holdings PLC as at 31 December 2020 are set out on page 89.

Appointment and replacement of Directors

The appointment and replacement of Directors of the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Acts and related legislation. Directors can be appointed by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such Director will hold office until the next AGM and shall then be eligible for election at that meeting.

Conflicts

Under the Companies Act 2006 and the provisions of the Company's Articles of Association, the Board is required to consider potential conflicts of interest. The Company has established formal procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the Directors may have and for the authorisation of such conflict matters by the Board. To this end the Board considers and, if appropriate, authorises any conflicts, or potential conflicts, of interest as they arise and reviews any such authorisation annually. New Directors are required to declare any conflicts, or potential conflicts, of interest to the Board at the first Board meeting after his or her appointment. The Board believes that the procedures established to deal with conflicts of interests are operating effectively.

Directors' and officers' liability

The Company maintains an appropriate level of Directors' and Officers' insurance whereby Directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act 2006.

Financial instruments

The financial risk management objectives and policies are detailed in note 22 on pages 156 to 161.

Research and development

During the year, the Group spent a total of £2.0m (2019: £1.4m) on research and development.

Political and charitable donations

Charitable donations amounting to £21,000 (2019: £39,000) 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 P Simmons and H K Nichols.

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

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

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 2020

On 1 March 2021, the Group announced the acquisition of Prolectric Services Ltd.

Annual General Meeting

Based on current Government guidance this meeting will take place virtually on 25 May 2021, details of which will be communicated together with the AGM notice. This Notice will be sent to shareholders separately with this Report, together with an explanation of the special business to be considered at the meeting and will also be available on the Company's website at www.hsholdings.com.

Other important dates can be found in the Financial Calendar on page 184.

By order of the Board.

Alex Henderson
Group Company Secretary
9 March 2021

The Smart Cushion® impact crash attenuator by Hill & Smith Inc., seen here near Las Vegas, Nevada, USA, is a speed dependent attenuator that varies stopping resistance during an impact. It allows lighter and slower-moving vehicles to have longer ridedown distances and lower ridedown g-forces and can provde real-time data back to its user.

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 Statement in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies to 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
Group Company Secretary
9 March 2021

Varioguard and Multibloc installed by Hardstaff Barriers (a division of Hill & Smith Ltd) along roadside kerb at Blackfriars Bridge, London. Delivered through the National Barrier Asset Framework as Hostile Vehicle Mitiagtion to protect pedestrians following the London Bridge attack in 2017.

Financial Statements

A Solar Delta Type A Sign Light provided by Mallatite Ltd, situated within a notoriously busy industrial environment in Oldbury, West Midlands. Providing an energy efficient, cost-friendly alternative to illuminated traffic signs.

To the members of Hill & Smith Holdings PLC

Independent Auditor's Report

Opinion

In our opinion:

- Hill & Smith Holdings PLC's Group Financial Statements and Parent Company Financial Statements (collectively 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 2020 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Hill & Smith Holdings PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

Group	Parent Company
Consolidated Income Statement	Company Balance Sheet
Consolidated Statement of Comprehensive Income	Company Statement of Changes in Equity
Consolidated Statement of Financial Position	Related notes 1 to 14 to the Financial Statements including a summary of significant accounting policies
Consolidated Statement of Changes in Equity	
Consolidated Statement of Cash flows	
Related notes 1 to 28 to the Financial Statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We understood the process undertaken by management to perform the going concern assessment, including the evaluation of the ongoing impact of COVID-19 on the Group and the Group's access to available sources of liquidity.
- We obtained management's going concern assessment, including the cash flow forecasts and covenant calculations for the going concern period to 31 March 2022. We verified these forecasts were consistent with the Board approved forecasts. The Group has modelled a base case which is consistent with the assumptions used in the Group's impairment assessments; and two reverse stress tests which a) determine the additional revenue downside which could be absorbed before the Group runs out of liquidity and b) the revenue downside which would be required for the Group to breach is financial covenants under its core borrowing facilities.
- We obtained the signed agreements for the Group's credit facilities and read these to ensure the terms of these, including the level of facilities and basis of covenants, were consistent with those considered in management's assessment;
- We recalculated the key assumptions underpinning the Group's forecasts. In particular, we assessed the achievability of the revenue projections in management's base case and downside scenario to the Group's performance since the onset of the COVID-19 pandemic and external appraisal industry forecasts;
- We assessed the historical accuracy of management's forecasting for the past four years to gain assurance over the prospective financial information included in the going concern assessment;
- We sensitised management's assessments using our own independently developed assumptions for a severe but plausible downside impact and confirmed these sensitivities did not give rise to any breach of covenants or the Group running out of liquidity;
- We scrutinised the results of management's reverse stress test scenario and assessed whether the changes to key assumptions which resulted in the Group either exhausting all of its liquidity or breaching covenants on the Group's borrowing facilities were plausible. We also considered mitigating actions, assessing whether they were within management's control and whether they were supported by the actual mitigation achieved in response to COVID-19, to date;

- We tested the clerical accuracy of the models used to prepare the Group's going concern assessment through re-computation of the models; and
- We ensured the appropriateness of the Group's disclosures concerning the going concern basis of preparation by verifying these met regulatory and legislative requirements.

We observed that whilst the Group has reported a 5% decline in total revenue for the year ended 31 December 2020, this has not resulted in a loss of liquidity. The Group has reduced its net debt by £69.1m from £215.3m to £146.2m during 2020. At 31 December 2020, the Group had £328.3m of committed borrowing facilities, of which only £1.2m matures before December 2023 at the earliest, and a further £13.8m of on-demand facilities. The amount drawn down under these facilities at 31 December 2020 was £139.0m, which together with cash of £22.0m, gave total headroom of £225.1m.

Our independent procedures, confirmed that we concur with management's assessment that for a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 30% compared with current expectations throughout the period from April to December 2021, while a reduction in headroom against borrowing facilities to nil would occur if the Group generated no revenue between May 2021 and March 2022.

Based on the work we performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period to 31 March 2022.

We assessed the appropriateness of the viability statement disclosures within the Governance Report noting the three-year period considered within this statement aligns to the Group's Strategic Planning period. We consider the scenarios used in the viability statement – being decrease in UK Government road infrastructure spend, continued disruption caused by COVID-19, a fall in galvanizing volumes across the Group and reduction in the Group's utilities revenues in the UK and US – were consistent with the economic risks faced and as such are appropriate.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 5 trading and 1 non-trading components, and audit procedures on specific balances for a further 14 trading components. In addition, we performed specified procedures over 5 trading components and 22 non-trading components. • The components where we performed full or specific audit procedures accounted for 108% of Adjusted Operating Profit (prior to consolidation adjustments), 92% of Revenue and 73% of Total assets.
Key audit matters	• Carrying value of goodwill in relation to France Galva and ATG Access • Revenue recognition – the risk of management override through inappropriate manual journals to revenue or inappropriate revenue cut-off • Risk of inappropriate inventory valuation • Accounting for uncertain tax positions.
Materiality	• Overall Group materiality of £3.2m which represents 5% of Adjusted Operating Profit.
First year audit transition	The year ended 31 December 2020 is our first as auditor of the Group. We commenced transition at the start of the audit professional engagement period on 3 February 2020. This included shadowing the previous auditor through the 31 December 2019 audit through attendance at certain close meetings as well as the Audit and Risk Committee meeting in March 2020. Subsequently, audit transition activities focused on the following areas: **Mobilisation of the global audit team:** • We held onboarding and introduction meetings, attended by the Group audit team and all full scope, specific scope and specified procedure scope audit teams. All of these meetings were held virtually. The meetings included discussion on Group audit strategy, key audit risks, deployment of technologies, division of responsibilities between teams for centralised audit procedures and our approach to ensuring consistent high audit quality. • Introduction meetings with local management, attended by the Group audit team and the component teams for all full scope, specific scope and specified procedures scope audit teams. The Group audit team attended these virtually. Local component teams attended either virtually or, where local regulation allowed given COVID-19 restrictions, in person. This provided us with the opportunity to develop our understanding of the business, meet with local management, and provide early direction of the audit strategy. **Establishing our audit base** • We evaluated all key accounting judgement papers and the Group's accounting policies. • We undertook reviews of the predecessor auditor files to consider working papers in relation to significant audit risk matters, to identify and assess the judgements exercised over these risks and to assess the nature, timing and extent of audit procedures performed in forming the prior year auditor opinion. • As detailed in the relevant sections below, we assessed the risks of management override through inappropriate manual journals to revenue or inappropriate revenue cut-off as well the risk of inappropriate inventory valuation as being Key Audit Matters. These areas were not included as Key Audit Matters in the predecessor's audit opinion. We determined these areas to be of higher risk and where substantial audit effort has been spent. • Conversely, the predecessor auditor included a key audit matter related to the impact of uncertainties due to the UK exiting the European Union on the audit. Given the post transition arrangements with the European Union have now been finalised we do not consider this to continue to be a risk to the Financial Statements and have not included it as a Key Audit Matter.

Independent Auditor's Report
continued

An overview of the scope of the ParentCompany and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal Audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Consolidated Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts in the Financial Statements, we selected 20 full and specific scope components covering entities within the UK, USA, France, Sweden and India, which represent the principal business units within the Group.

Of the 20 components selected, we performed an audit of the complete financial information of 6 components ("full scope components") which were selected based on their size or risk characteristics. For 14 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Financial Statements either because of the size of these accounts or their risk profile.

Specified procedures, determined by the primary team, and performed by local audit teams, were performed at 4 trading components in the USA and at the Group's trading component in Australia. As a minimum, these included procedures over revenue and receivables at all 5 locations.

Consolidation adjustments, over which we have performed work at Group level, include entries to record goodwill and intangible assets arising from acquisitions.

The following table illustrates the coverage obtained from the work performed by our audit teams:

	Components	Adjusted Operating Profit	Revenue	Total Assets
Full Scope	6	98%	53%	45%
Specific Scope	14	10%	39%	28%
Specified procedures over trading components	5	2%	10%	10%
Non-trading companies and consolidation adjustments	22	(8%)	(3%)	16%
Overall coverage		102%	99%	99%

The remaining 2 trading components represent (loss of 2%) of the Group's Adjusted Operating Profit. For these components, we performed other procedures, including analytical review, testing intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group Financial Statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms, or non-EY firms, operating under our instruction.

Of the 6 full scope components, audit procedures were performed on 2 of these directly by the primary audit team. Of the 14 specific scope components, audit procedures were performed on 12 of these directly by the primary team.

For the remaining 4 full scope components and 2 specific scope components where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current audit cycle, our planned visits to component teams were cancelled due to the travel restrictions arising from the COVID-19 pandemic. We replaced the planned visits with alternative procedures, including video conference call meetings and remote reviews of our local component audit teams' working papers.

The primary team interacted regularly with the component teams during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. The direction, supervision and review of the component teams, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group Financial Statements.

The Senior Statutory Auditor led the audit of the 2 full scope UK components, as well as 1 specific scope component within the UK businesses, in addition to the audit of the Group, finance, treasury, pensions and consolidation functions.

We held virtual onboarding and introduction meetings, attended by the Group audit team and all full scope, specific scope and specified procedure scope audit teams. This included discussion on Group audit strategy, key audit risks, deployment of technologies, division of responsibilities between teams for centralised audit procedures and our approach to ensuring consistent high audit quality.

Impact of the COVID-19 pandemic on the execution of the audit

The COVID-19 pandemic and lockdown restrictions occurred part way through the Group's financial year. We worked proactively with management to agree, where possible, a revised timetable to enable our audit testing to be performed earlier in the annual audit cycle. This assisted in providing sufficient time for the audit of judgements and estimates arising from COVID-19 to be considered fully and disclosures adequately assessed, to reflect the extended time needed for management to conclude on the significant estimates arising in the year, and to reflect the incremental time associated with completing our audit remotely.

The onset of the pandemic occurred before our audit planning procedures. As such, we evaluated our audit risk assessment, giving particular attention to the effects of COVID-19 on the Group and significant areas of judgment and estimation arising as a result. We identified the areas of increased risk and complexity, to understand and evaluate changes in the control environment and to appropriately design our audit procedures in response.

Of the 16 full and specific scope trading components where inventory was in scope, we attended the physical inventory counts at 14 of these components with the remaining two components having a virtual inventory count performed.

Our approach to the audit was adapted to allow for fully remote working and procedures implemented to ensure Partner in Charge oversight throughout. As site visits by the Senior Statutory Auditor were not possible, we increased our interactions with the component teams which were held virtually through the use of video or teleconferencing facilities.

We held virtual planning meetings before the year end and video conference calls were held with each of our component teams from July 2020 through to the full year results announcement in March 2021.

The audit closing calls for each in scope component were held via video conferencing and were attended by the Senior Statutory Auditor enabling direct interaction with local management teams as well as local audit teams.

The review of relevant audit workpapers was facilitated by the EY electronic audit platform and screen sharing of work. This allowed appropriate discussions with the component teams on audit strategy, risk identification and the results of audit procedures performed.

We have maintained oversight of the audit work performed by our non-EY component team (in respect of the French component) through the use of share screen functionality to allow for the effective review of key audit evidence and also to attend closing meetings via video call.

We engaged with management throughout the audit, using video conference calls, screen-sharing functionality, secure encrypted document exchanges and data downloads to avoid limitations on our ability to interact with management and obtain the audit evidence we required to execute and document our audit. All key meetings, such as the closing meetings and Audit Committee meetings, were performed via video conference calls.

Based upon the above approach we are satisfied that we have been able to perform sufficient and appropriate oversight of our component teams.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. See over page.

Independent Auditor's Report
continued

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Audit Committee</th></tr>
<tr><td>Carrying value of goodwill and acquired intangible assets for France Galva (Goodwill carrying value of £12.3m, PY comparative £28.6m) and ATG Access (Goodwill carrying value of £15.5m, PY £15.5m)

Market conditions in France have been challenging and as a result of their impairment testing, management have recorded a £17.5m impairment of the goodwill related to the France Galva CGU.

The restrictions on public gatherings resulting from COVID-19, combined with constraints on capital budgets, has seen a substantial reduction in demand for ATG Access' security solutions increasing the risk around recoverability of the goodwill related to the ATG Access CGU.

The estimated recoverable amount for both CGUs is subjective due to the inherent uncertainty involved in forecasting future growth and profitability of the CGUs and the rate at which the cash flows generated by the CGUs should be discounted. 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 11) disclose the sensitivity estimated by the Group.

Refer to the Audit Committee Report (page 76); Accounting policies (pages 123 and 124); and Note 11 of the Consolidated Financial Statements (pages 146 to 148).</td><td>We examined management's methodology, as detailed in Note 11 of the Consolidated Financial Statements, the model for assessing the valuation of both the France Galva and ATG Access CGUs to understand the composition of management's future cash flow forecasts, and the process undertaken to prepare them.

We checked the underlying cash flows were consistent with the Board approved budgets.

We also re-performed the calculations in the model to test the mathematical integrity.

We performed detailed testing with support from our valuation specialists to critically assess and corroborate the key inputs of the forecast cash flows including:
• independently constructed our own expectation of the discount rates for a market participant from first principles using input from our internal specialist valuations team;
• analysing the historical accuracy of budgets versus actual results to determine the reliability of cash flow forecasting based on past experience;
• assessing the achievability of the budget and strategic plan results by considering factors including historic results, the impact of COVID-19 and performance since lockdown, drivers of growth, reasonableness of margins, etc.;
• challenging the medium and long-term forecast growth rates used by considering evidence available such as industry and country forecasts and inflation data;
• for ATG Access we calculated the degree to which the key assumptions would need to fluctuate before an impairment conclusion was triggered and considered the likelihood of this occurring; and
• analysed available information to identify any contrary evidence, including consideration of competitor performance and views provided in analyst reports.

We assessed the disclosures in respect of goodwill and intangibles with reference to the requirements of IAS 36 and confirmed their consistency with the audited impairment models.

The audit procedures performed to address this risk have been performed by the Group audit team.

Procedures to respond to this risk were performed by both the Primary and component teams.</td><td>Our year end audit procedures did not identify evidence of material misstatement regarding the carrying value of goodwill and acquired intangible assets in the Group. We consider the level of impairment recorded in respect of the France Galva CGU to be appropriate.

We consider the disclosures in relation to the France Galva and ATG Access CGUs to be in line with the requirements of IAS 36.</td></tr>
</table>

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Audit Committee</th></tr>
<tr><td>Revenue recognition – the risk of management override through inappropriate manual journals to revenue or inappropriate revenue cut-off (£660.5m, PY comparative £694.7m)

There is a risk of inappropriate revenue recognition if deliveries or revenue from the provision of services are recorded in the wrong period. This includes any estimation of revenue recorded over time and completion of projects.</td><td>Cut-off

We performed the following audit procedures at 5 full and 14 specific scope locations where revenue is in scope. Revenue at these locations represents 92% of the total revenue balance of £660.5m. These procedures were additionally performed at the 5 trading components at which we performed specified procedures, representing a further 10% of the total revenue balance before intra-Group eliminations.

We performed walkthroughs of the process by which revenue is recognised and recorded at the 5 full and 14 specific scope locations.

For 2 full scope entities and all 14 of the specific scope components, representing 58% of Group revenue, we performed data analytics procedures over the correlation of sales and cash receipts to test the existence and occurrence of revenue being recorded in the correct period.

For components where we were unable to perform data analytical procedures, being for the remaining 3 full scope components that have revenue (covering 34% of the Group's revenue) and the 5 trading components at which we performed specified procedures (representing a further 10% of Group revenue), we performed tests of detail over revenue recognised in the year by agreeing a sample of sales transactions to supporting documentation including proof of delivery / evidence of service provided to ensure the revenue had been earned in the correct period.

We performed cut-off testing procedures at each of the full and specific scope locations to confirm the transactions had been appropriately recorded in the income statement with reference to IFRS 15 and corroborated that control of the products had been transferred to the customer by:
• analysing the contract and terms of the sale to determine that the Group had fulfilled the requirements of the contract and earned the right to revenue at the balance sheet date;
• confirming revenue could be reliably measured by reference to underlying documentation; and
• obtaining third party evidence such as delivery documentation and evidence of customer acceptance at the year-end date to verify the revenue had been recorded in the correct period.

For utilities revenue earned on provision of installation services, for a sample of items we obtained evidence from the customer to confirm the stage of completion of the installation at the year-end to corroborate revenue was recognised in the correct period and reflective of the level of installation that had taken place in the year.

Where the Group recognises revenue over time on non-standard products we confirmed for a sample of transactions the Group's right to payment for these products by agreeing to the terms and conditions of the signed sales contract to ensure the requirements of IFRS 15 had been met to recognise revenue in the current period. We also enquired of manufacturing personnel and inspected inventory ledgers and bills of material to confirm the products were non-standard and that significant re-work would be required for the product to be sold via other means.

We examined post year end credit notes to assess any evidence of inappropriate revenue recognition cut-off for the year ended 31 December 2020.

For all locations we performed analytical procedures to compare revenue recognised with our expectations, management's forecasts and, where possible, external market data.</td><td>Our audit procedures did not identify evidence of material misstatements related to revenue recognition and we found no evidence of management bias.</td></tr>
</table>

Independent Auditor's Report
continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
As revenue is a key performance indicator for both external communication and a key input into management incentives, we also identified a risk of management override through inappropriate manual topside revenue journal entries being processed. *Refer to the Audit Committee Report (page 78); Accounting policies (pages 126 and 127); and Note 2 of the Consolidated Financial Statements (pages 130 to 133).*	**Management override** At all in scope components we obtained and reviewed break-downs of all manual journals and for all material revenue journals and a sample of non-material revenue journals we agreed the journal entries to underlying documentation to verify the appropriateness of the revenue being recognised. We assessed for evidence of management bias by testing all material manual journals either side of the year end and agreeing journal entries to appropriate supporting evidence. Revenue at the full and specific scope components represents 92% of the total revenue balance. For all components we performed analytical procedures to compare revenue recognised with our expectations, management's forecasts and, where possible, external market data	Our procedures performed did not identify any unsupported manual adjustments to revenue or any unexplained anomalies from our revenue analytics.
Risk of inappropriate inventory valuation (£96.3m, PY comparative £100.7m) The valuation of inventory across the Group is dependent on establishing appropriate valuation processes. The establishment of standard costing bases and the assessment of how much excess and obsolete inventory exists requires judgement to be applied in finalising the inventory valuation and level of provisioning required. If these judgements are not appropriate then there is a risk that inventory is incorrectly valued. *Refer to the Audit Committee Report (page 78); Accounting policies (page 126); and Note 16 of the Consolidated Financial Statements (page 152).*	We performed the following audit procedures at 5 full and 11 specific scope components where inventory is in scope. Inventory at these components represents 90% of the total inventory balance. We performed walkthroughs of inventory valuation methods at each of the 5 full and 11 specific scope components where inventory was in scope. We performed tests of detail for a sample of inventory items to check the accumulation of cost within inventory and to confirm the valuation reflected the products' stage of completion. We agreed our samples from the year-end inventory counts which we attended to the inventory subledger and performed rollforward procedures to year end. Of the 5 full and 11 specific scope components in scope for inventory, we were able to physically attend counts for 14 of those components. For the remaining 2 components we were able to perform virtual count procedures. We obtained evidence to support the standard costs used and performed procedures to assess whether only normal production variances had been capitalised in the year-end inventory balance and material abnormal inefficiencies had been appropriately expensed. This included comparing actual production rates to budget. We obtained evidence to support that inventory is held at the lower of cost and net realisable value by assessing the adequacy of excess and obsolete provisions held against inventory. This included comparing forecast product usage to customer orders, considering historical usage, historical accuracy of provisioning and understanding management's future plans to utilise the inventory. We performed clerical procedures on the formulaic calculations to evaluate the accuracy of the inventory provisioning. On occasion, management makes adjustments to the formulaic provision calculations. We evaluated the assumptions and judgements applied by management in determining the provision recorded in the Financial Statements.	The basis for the year-end inventory valuation and the assumptions used in assessing the adequacy of the excess and obsolete inventory provisions across the Group are considered appropriate. Our audit procedures confirmed variances between standard and actual costs and the overheads absorbed in the inventory valuation had been appropriately calculated and accounted for.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Accounting for uncertain tax positions (Provision for uncertain tax positions – 2020: £4.4m, 2019: £6.1m) Management applies judgement in assessing tax exposures in each jurisdiction in relation to the interpretation of specific tax law. The effect of this judgement is that the provisions recorded have a high degree of estimation uncertainty. *Refer to the Audit Committee report (page 78); Accounting policies (pages 128 and 129); Accounting estimates and judgements (page 130); and Note 7 of the Consolidated Financial Statements (page 138).*	We understood and walked through: • the Group's process for determining the completeness and measurement of provisions for tax; • the methodology for the calculation of the tax charge; and • management's controls over tax reporting. The Group audit team, including tax specialists, evaluated the tax positions taken by management in each significant jurisdiction in the context of local tax law, correspondence with tax authorities and the status of any tax audits. Our assessment included consideration of the past outcome of comparable cases and look-back analysis on management's historic rates of successfully defending tax positions. Our work utilised additional support from country tax specialists in the USA, which outside of the UK, is the most significant jurisdiction where the Group has operations, and our UK based International Tax specialists. We assessed the Group's tax provision judgements, considering the way in which we observed the Group's businesses operating and the correspondence and agreements reached with tax authorities. We developed our own independent range of potential provisions for the Group's tax exposures, based on the evidence we obtained, and compared management's provision to our range. We assessed whether the Group's disclosures, detailing the year-end status of material open tax inquiries, adequately disclose relevant facts and circumstances and potential liabilities of the Group. The audit procedures were designed and led by the Group audit team, with support from component teams whose work was reviewed by the Group audit team.	Our year end audit procedures did not identify evidence of material misstatement regarding provisions recognised for uncertain tax positions.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £3.2 million, which is 5% of adjusted operating profit. We believe that adjusted operating profit provides us with the most relevant performance measure to the stakeholders of the entity and therefore have determined materiality based on this number.

We determined materiality for the Parent Company to be £4.7 million, which is 1.5% of equity.

Starting basis	• Operating Profit – £42.8m
Adjustments	• Impairment charge recorded – £20.3m • UK Pension Scheme GMP Equalisation – £0.4m
Materiality	• Totals £63.5m earnings before interest and tax • Materiality of £3.2m (5% of materiality basis)

During the course of our audit, we reassessed initial materiality and concluded that our planned materiality remains appropriate.

The previous auditor determined materiality for the Group to be £3.6m for the external audit for the year ended 31 December 2019.

Independent Auditor's Report
continued

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £1.6m. We have set performance materiality at this percentage due to this being our initial audit of the Group and the first year audit operated under unusual and unprecedented circumstances which arose due to COVID-19, leading to uncertainty in market segments and changes in working practices at points throughout the year. Together, these factors indicate placing performance materiality at 75% of planning materiality would not be appropriate in the first year of audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.3m to £1.1m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.16m , which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 103, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 69 and 70;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 70;
- Directors' statement on fair, balanced and understandable set out on page 70;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 46 to 53;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 69; and;
- The section describing the work of the audit committee set out on page 76.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 103, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for 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 the Directors 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 for the audit of the Financial Statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are frameworks which are directly relevant to specific assertions in the Financial Statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code). In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the Financial Statements being the Listing Rules of the UK Listing Authority, the US Foreign Corrupt Practices Act, Swedish, French and Indian Companies Act legislation, and those laws and regulations relating to health & safety and employee matters.
- We understood how Hill & Smith Holdings PLC is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's Financial Statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the Financial Statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of internal and external legal counsel, Group management, internal audit, full and specific scope component management; and focused testing, as referred to in the key audit matters section above.

Independent Auditor's Report
continued

Component teams reported any non-compliance with laws and regulations through their audit deliverables based on the procedures detailed in the previous paragraph. Further, the Group team communicated any instances of non-compliance with laws and regulations to component teams through regular interactions with local EY teams. There were no significant instances of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Other matters we are required to address

Following the recommendation from the Audit Committee, we were appointed by the Company on 14 July 2020 to audit the Financial Statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is one year as this is the first audit year.

- None of the non-audit services prohibited by the FRC's Ethical Standard were provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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.

Helen McLeod-Jones

Senior statutory auditor

for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

9 March 2021

Year ended 31 December 2020

Consolidated Income Statement

		2020			2019		
	Notes	Underlying £m	Non-underlying* £m	Total £m	Underlying £m	Non-underlying* £m	Total £m
Revenue	2	660.5	-	660.5	694.7	-	694.7
Cost of sales		(415.9)	-	(415.9)	(438.2)	-	(438.2)
Gross profit		244.6	-	244.6	256.5	-	256.5
Distribution costs		(34.1)	-	(34.1)	(36.8)	-	(36.8)
Administrative expenses		(142.2)	(27.1)	(169.3)	(135.3)	(17.1)	(152.4)
Other operating income		1.6	-	1.6	1.9	-	1.9
Operating profit	2, 3	69.9	(27.1)	42.8	86.3	(17.1)	69.2
Financial income	6	0.6	-	0.6	0.5	0.9	1.4
Financial expense	6	(7.9)	-	(7.9)	(7.4)	(1.4)	(8.8)
Profit before taxation		62.6	(27.1)	35.5	79.4	(17.6)	61.8
Taxation	8	(12.4)	0.9	(11.5)	(15.5)	2.1	(13.4)
Profit for the year attributable to owners of the parent		50.2	(26.2)	24.0	63.9	(15.5)	48.4
Basic earnings per share	9			30.2p			61.1p
Diluted earnings per share	9			30.0p			60.8p

* The Group's definition of non-underlying items is included in the Group Accounting Policies on page 136 and further details on non-underlying items are included in note 4.

Year ended 31 December 2020

Consolidated Statement of Comprehensive Income

	Notes	2020 £m	2019 £m
Profit for the year		**24.0**	48.4
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations		**(2.5)**	(13.1)
Exchange differences on foreign currency borrowings designated as net investment hedges		**-**	2.9
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on defined benefit pension schemes	25	**(2.3)**	1.0
Taxation on items that will not be reclassified to profit or loss	8	**0.8**	(0.2)
Other comprehensive expense for the year		**(4.0)**	**(9.4)**
Total comprehensive income for the year attributable to owners of the parent		**20.0**	**39.0**

Year ended 31 December 2020

Consolidated Statement of Financial Position

	Notes	2020 £m	2019 £m
Non-current assets			
Intangible assets	11	**188.5**	212.8
Property, plant and equipment	12	**183.6**	190.0
Right-of-use assets	14	**30.9**	37.9
Deferred tax assets	15	**1.4**	1.0
		404.4	441.7
Current assets			
Inventories	16	**96.3**	100.7
Trade and other receivables	17	**122.7**	144.1
Current tax assets		**1.3**	-
Cash and short term deposits	18	**22.0**	26.0
		242.3	270.8
Total assets	2	**646.7**	712.5
Current liabilities			
Trade and other liabilities	19	**(116.7)**	(120.3)
Current tax liabilities		**(5.5)**	(10.7)
Provisions	21	**(3.3)**	(0.8)
Lease liabilities	14	**(8.6)**	(10.6)
Loans and borrowings	19	**(8.6)**	(0.4)
		(142.7)	(142.8)
Net current assets		**99.6**	128.0
Non-current liabilities			
Other liabilities	20	**(1.4)**	(1.3)
Provisions	21	**(2.5)**	(2.5)
Deferred tax liabilities	15	**(9.0)**	(8.7)
Retirement benefit obligations	25	**(19.6)**	(19.9)
Lease liabilities	14	**(23.8)**	(29.4)
Loans and borrowings	20	**(127.2)**	(200.9)
		(183.5)	(262.7)
Total liabilities		**(326.2)**	(405.5)
Net assets		**320.5**	307.0
Equity			
Share capital	23	**19.9**	19.9
Share premium		**38.4**	37.4
Other reserves		**4.9**	4.9
Translation reserve		**17.2**	19.7
Retained earnings		**240.1**	225.1
Total equity		**320.5**	307.0

Approved by the Board of Directors on 9 March 2021 and signed on its behalf by:

P Simmons
Director

H K Nichols
Director

Company Number: 671474

Year ended 31 December 2020

Consolidated Statement of Changes in Equity

	Notes	Share capital £m	Share premium £m	Other reserves† £m	Translation reserves £m	Retained earnings £m	Total equity £m
At 1 January 2019		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	10	-	-	-	-	(25.1)	(25.1)
Credit to equity of share-based payments	23	-	-	-	-	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	8	-	-	-	-	0.4	0.4
Shares issued	23	0.1	1.9	-	-	-	2.0
At 31 December 2019		**19.9**	**37.4**	**4.9**	**19.7**	**225.1**	**307.0**
Comprehensive income							
Profit for the year		**-**	**-**	**-**	**-**	**24.0**	**24.0**
Other comprehensive income for the year		**-**	**-**	**-**	**(2.5)**	**(1.5)**	**(4.0)**
Transactions with owners recognised directly in equity							
Dividends	**10**	**-**	**-**	**-**	**-**	**(8.4)**	**(8.4)**
Credit to equity of share-based payments	**23**	**-**	**-**	**-**	**-**	**0.8**	**0.8**
Tax taken directly to the Consolidated Statement of Changes in Equity	**8**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Shares issued	**23**	**-**	**1.0**	**-**	**-**	**-**	**1.0**
At 31 December 2020		**19.9**	**38.4**	**4.9**	**17.2**	**240.1**	**320.5**

† Other reserves represent the premium on shares issued in exchange for shares of subsidiaries acquired and £0.2m (2019: £0.2m) capital redemption reserve.

At 31 December 2019 a total of 23,759 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 £0.3m, was included within retained earnings at that date. During 2020, 3,831 shares have been issued in settlement of awards to employees, leaving 19,928 shares held at 31 December 2020, at a cost of £0.3m included within retained earnings.

Year ended 31 December 2020

Consolidated Statement of Cash Flows

	Notes	2020 £m	2020 £m	2019 £m	2019 £m
Profit before tax			35.5		61.8
Add back net financing costs	6		7.3		7.4
Operating profit	2, 3		42.8		69.2
Adjusted for non-cash items:					
Share-based payments	5, 23	0.8		1.2	
Loss on disposal of subsidiary	4	-		0.7	
Gain on disposal of non-current assets	7	(1.9)		(0.1)	
Gain on disposal of assets held for sale	13	-		(0.5)	
Depreciation of owned assets	7, 12	21.9		19.9	
Amortisation of intangible assets	7, 11	7.5		7.4	
Right-of-use asset depreciation	7, 14	10.4		10.2	
Gain on lease termination	14	(0.1)		-	
Impairment of non-current assets	7, 11, 12, 14	19.5		7.0	
			58.1		45.8
Operating cash flow before movement in working capital			100.9		115.0
Decrease / (increase) in inventories		1.0		(2.4)	
Decrease / (increase) in receivables		21.6		(0.4)	
Decrease in payables		(4.4)		(10.1)	
Decrease in provisions and employee benefits		(0.8)		(3.2)	
Net movement in working capital			17.4		(16.1)
Cash generated by operations			118.3		98.9
Purchase of assets for rental to customers			(3.1)		(16.3)
Income taxes paid			(16.5)		(14.4)
Interest paid			(6.0)		(6.4)
Interest paid on lease liabilities			(0.8)		(0.9)
Net cash from operating activities			91.9		60.9
Interest received		0.6		0.5	
Proceeds on disposal of non-current assets		6.5		1.0	
Proceeds on disposal of assets held for sale	13	-		1.3	
Purchase of property, plant and equipment		(15.5)		(29.7)	
Purchase of intangible assets		(1.8)		(1.9)	
Acquisitions of businesses	11	(0.9)		(43.9)	
Deferred consideration in respect of prior year acquisitions		-		(0.7)	
Disposal of subsidiary		-		2.0	
Net cash used in investing activities			(11.1)		(71.4)
Issue of new shares	23	1.0		2.0	
Purchase of shares for employee benefit trust		-		(0.7)	
Dividends paid	10	(8.4)		(25.1)	
Costs associated with refinancing		-		(2.1)	
Repayments of lease liabilities		(11.1)		(10.5)	
New loans and borrowings		-		119.9	
Repayment of loans and borrowings		(74.4)		(83.2)	
Net cash (used in) / from financing activities			(92.9)		0.3
Net decrease in cash and cash equivalents			(12.1)		(10.2)
Cash and cash equivalents at the beginning of the year			26.0		36.9
Effect of exchange rate fluctuations			-		(0.7)
Cash and cash equivalents at the end of the year	18		13.9		26.0

Group Accounting Policies

Hill & Smith Holdings PLC is a Company incorporated in the UK. The Consolidated Financial Statements of Hill & Smith Holdings PLC and its subsidiaries (the "Group") are presented for the year ended 31 December 2020.

The Group Financial Statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Company has elected to prepare its Parent Company Financial Statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'); these are presented on pages 170 to 178.

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 1.

Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company, Hill & Smith Holdings PLC, and its subsidiaries as at 31 December 2020. 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. 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.

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. The Group's Financial Statements are presented in Sterling and all values are stated in million (£m) rounded to one decimal place, except where otherwise indicated.

Impact of COVID-19 on the Consolidated Financial Statements

As outlined in the Operational and Financial Review on pages 24 to 31, the COVID-19 pandemic has materially affected the Group's trading performance in 2020 with the temporary closure of some of its operations and reduced activity levels from the middle of March 2020. Revenue in the second quarter was 22% below the same period last year. All our businesses had reopened by the middle of May and despite the challenges arising from the COVID-19 pandemic, the Group remained profitable throughout the year with a strong recovery in the second half. The Group does not consider it possible to reliably determine the level of trading impact arising specifically from COVID-19, as opposed to other market factors, and has therefore not attempted to make any such disclosure in these Consolidated Financial Statements.

Given the improved trading performance in the second half and the solid levels of cash generation, the Board made the decision in December 2020 to repay all monies received earlier in the year from the UK Coronavirus Job Retention Scheme (£3.6m) and to settle UK VAT liabilities deferred from the second quarter (£6.5m).

Going concern and liquidity risk

In determining the appropriate basis of preparation of its Financial Statements, the Directors are required to assess whether the Group can continue in operational existence for the foreseeable future. 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.

At 31 December 2020, the Group had £328.3m of committed borrowing facilities, of which only £1.2m matures before December 2023 at the earliest, and a further £13.8m of on-demand facilities. The amount drawn down under these facilities at 31 December 2020 was £139.0m, which together with cash of £22.0m, gave total headroom of £225.1m. The Group has not made any changes to its principal borrowing facilities between 31 December 2020 and the date of approval of these Financial Statements, and there have been no significant changes to liquidity headroom during that period. 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 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 31 December 2020 was 1.3 times and interest cover was 17.0 times. Note 22 to the Financial Statements sets out more information on 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 and liquidity risk.

The Group has carefully modelled its cash flow outlook for the period to 31 March 2022, taking account of the current uncertainties created by COVID-19 and its impact on 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 30 June 2021 and 31 December 2021.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. For a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 30% compared with current expectations throughout the period from May to December 2021, while a reduction in headroom against borrowing facilities to nil would occur if the Group generated no revenue between May 2021 and March 2022. The Directors do not consider either of these scenarios to be plausible given the ability of the Group to continue its operations throughout the COVID-19 pandemic (noting that revenues fell by only 22% in the second quarter of 2020, the worst-affected period), its ability to return to more normalised activity levels during the second half of 2020 and early part of 2021, and the positive future outlook across the infrastructure markets in which it operates. The Group also has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits.

After making these assessments, the Directors have reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months following the approval of these Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

New IFRS standards and interpretations adopted during 2020

In 2020 the following amendments had been endorsed by the EU, became effective and therefore were adopted by the Group:

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform;
- Amendments to IAS 1 and IAS 8: Definition of Material; and
- Conceptual Framework for Financial Reporting issued on 29 March 2018.

The amendments noted above have not had a material impact on the Financial Statements.

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, where relevant, be adopted in future accounting periods:

To be adopted for year-ending 31 December 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2.

To be adopted for year-ending 31 December 2022:

- Amendments to IFRS 3 – Reference to Conceptual Framework;
- Amendments to IAS 16 – Proceeds before intended use; and
- Amendments to IAS 37 – Onerous contracts – costs of fulfilling a contract.

To be adopted for year-ending 31 December 2023:

- Amendments to IAS 1 – Classification of liabilities as current or non-current.

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.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Intangible assets – Goodwill

Goodwill on acquisition of subsidiaries is initially measured at cost and 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. Amortisation of such items are recorded as a non-underlying item within administrative expenses (note 4).

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.

Group Accounting Policies
continued

Intangible assets – Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate amount of directly attributable overheads. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses (see accounting policy 'Impairment of assets'). Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in administrative expenses. During the period of development, the asset is tested for impairment annually.

Other development expenditure is recognised in the Consolidated Income Statement as an expense as incurred.

Property, plant, equipment and depreciation

Assets are recorded in the Group's Consolidated Statement of Financial Position at cost less accumulated depreciation and any recognised impairment loss. Cost includes, where appropriate, directly attributable costs incurred in bringing each asset to its present condition and location.

Depreciation is provided to write off the cost or deemed cost less the estimated residual value of property, plant and equipment (excluding assets in the course of construction) by equal instalments over their estimated useful economic lives as follows:

Buildings and leasehold improvements	5 to 50 years
Plant, machinery and vehicles	4 to 20 years

No depreciation is provided on freehold land.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognised 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 on 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 when the asset is derecognised.

Repair and maintenance costs are recognised in profit or loss as incurred.

Impairment of assets

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. Impairment reviews are undertaken at the level of each significant cash generating unit, which are no larger than operating segments as defined in IFRS 8 – Segmental reporting.

The carrying amounts of the Group's other 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. 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.

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.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use. On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of the 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. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. The Group must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the Group's Consolidated Statement of Financial Position.

Financial instruments

Financial assets and liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

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, and in the case of trade receivables, less any impairment losses. Impairment losses are measured using an expected credit loss model. The Group uses the simplified approach to measure expected credit losses for trade receivables and therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. Further details are provided in note 22(e).

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 foreign exchange contracts is the estimated amount that the Group would receive or pay to terminate such contracts at the year end date, taking into account the forward exchange rates prevailing at that date.

Where derivative financial instruments are used to hedge cash flow risk, such as interest rate swaps, the effective part of any gain or loss on the fair value of cash flow hedges is recognised in the Consolidated Statement of Comprehensive Income and in the hedge reserve, while any ineffective part is recognised immediately in the Consolidated Income Statement. Amounts recorded in the hedge reserve are subsequently reclassified to the Consolidated Income Statement when the interest expense is actually recognised.

To qualify for hedge accounting the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, at hedge inception and on a half yearly basis, as to whether the derivatives that are used in hedging transactions have been, and are likely to continue to be, effective in offsetting changes in fair value or cash flows of hedged items.

Interest bearing borrowings are recognised initially at fair value. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Any gain or loss on translation of monetary foreign currency assets and liabilities arising from a movement in exchange rates subsequent to initial measurement is included as an exchange gain or loss in the Consolidated Income Statement.

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.

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 and reported in the Consolidated Statement of Comprehensive Income, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in the translation reserve is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Group Accounting Policies
continued

The principal exchange rates used were as follows:

	2020		2019	
	Average	Closing	Average	Closing
Sterling to Euro (£1 = EUR)	**1.13**	**1.11**	1.14	1.18
Sterling to US Dollar (£1 = USD)	**1.28**	**1.36**	1.28	1.32
Sterling to Swedish Krona (£1 = SEK)	**11.80**	**11.15**	12.07	12.29
Sterling to Indian Rupee (£1 = INR)	**95.10**	**99.73**	89.89	94.30
Sterling to Australian Dollar (£1 = AUD)	**1.86**	**1.76**	1.84	1.88

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, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

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 review for 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's contracts with customers do not contain significant financing components and payment terms are generally customary to the jurisdictions in which each subsidiary operates.

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.

Utilities and Roads & Security

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 and Roads & Security segments 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 businesses in these segments engage in contracts with customers which include variable consideration. This occurs where the Group provides retrospective sales volume rebates to certain customers once, amongst other matters, the quantity of goods purchased during a predetermined period exceeds thresholds specified in the sales contract. To estimate the variable consideration for these expected future rebates, the Group applies the most likely amount method to reflect the consideration that the Group is entitled to. Variable consideration is only recognised to the extent that it is highly probable that the inclusion will not result in a significant revenue reversal in the future.

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.

From 1 January 2020, the Group classified proceeds from the sale of scrap products generated in the manufacturing process within revenue. In 2020 these sales totalled £0.8m. Prior to this date these proceeds were offset against cost of sales. The amount offset against cost of sales for the year-ended 31 December 2019 was £1.0m. This is not considered material to warrant retrospective adjustment as the change a) is not material to the line items of revenue or cost of sales; b) has no impact on any monetary profit measure (gross profit, operating profit, pre or post tax profit or earnings per share); c) has no impact on remuneration or reward of the Directors or management; and d) does not change any other of the primary Financial Statements.

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 galvanized goods are either despatched or collected by the customer.

From 1 January 2020, the Group classified proceeds from the sale of by-products generated during the galvanizing process within revenue. In 2020 these sales totalled £5.1m. Prior to this date these proceeds were offset against cost of sales. The amount offset against cost of sales for the year-ended 31 December 2019 was £6.8m. This is not considered material to warrant retrospective adjustment as the change a) is not material to the line items of revenue or cost of sales; b) has no impact on any monetary profit measure (gross profit, operating profit, pre or post tax profit or earnings per share); c) has no impact on remuneration or reward of the Directors or management; and d) does not change any other of the primary Financial Statements.

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.

Contract liabilities

Contract liabilities arise when the Group receives consideration from customers based on an agreed billing schedule, as established in the contract, which may not correspond with the pattern of performance under the contract. Where consideration has been received but a performance obligation not satisfied at the reporting date, a contract liability is recorded and presented as Deferred Income in the Consolidated Statement of Financial Position.

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.

Group Accounting Policies
continued

Share-based payment transactions

The Group issues equity settled share-based payments to certain employees. 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.

Non-underlying items

During the year, the Group amended its accounting policy in respect of non-underlying items to exclude net financing costs on defined benefit pension obligations and costs incurred as part of significant refinancing activities. Such items were included in non-underlying in the prior year. The changes did not have a material impact on the underlying result for either the current or prior year and the comparatives have not been restated. The Group's revised accounting policy for non-underlying items is as follows:

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 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, 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, 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 and prior year are set out in note 4 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.

Government Grants

Government grant income is recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Government grant income that is linked to capital expenditure is deferred to the Consolidated Statement of Financial Position sheet as Deferred Government Grants in Liabilities and credited to the Consolidated Income Statement over the life of the related asset.

Notes to the Consolidated Financial Statements

1. Accounting judgements, estimates and assumptions

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

During the year, the Board has considered the impact of the COVID-19 pandemic on these accounting judgements and estimates. Given the increased uncertainty over the future economic outlook in the countries and markets in which the Group operates, the Board considers there to be increased estimation uncertainty this year relating to the assumptions used in the Group's impairment assessments in respect of goodwill and intangible assets as noted below.

Impairment of goodwill (note 11)

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 analyses, are included in note 11.

Actuarial assumptions on pension obligations (note 25)

Estimates

In determining the valuation of the defined benefit pension deficit, certain estimates and assumptions about the scheme have been made, notably the inflation rates, 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 25.

Taxation (notes 8 and 15)

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 and other cross border transactions between subsidiaries in different countries.

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 £4.4m (2019: £6.1m) for uncertain tax positions.

The liability includes an amount of £2.0m (2019: £3.5m) relating to the pricing of intercompany goods and services and other cross border transactions 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 £5.0m (2019: £nil to £9.1m) 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 8 and note 15.

2. Segmental information

Business segment analysis

Following the acquisitions of ATG Access Limited and Parking Facilities Limited in 2019, both of which have a broad portfolio of security and perimeter protection products, in December 2019 the Board considered the other companies in the Group that also have security products in their portfolio and determined that their operations, markets and strategies were closely aligned with those of the existing businesses in the Group's Roads segment. Consequently, the Group formed a new Roads & Security division at the end of 2019. This includes the businesses previously reported in the Roads segment, the acquisitions noted above and the businesses of Barkers Engineering Limited and Technocover Limited, which were previously part of the Utilities segment but whose product portfolios contain a range of security access and perimeter protection solutions.

As a result, the Group has reassessed its reportable segments under IFRS 8 Operating Segments and has determined that these are now Roads & Security, Utilities, and Galvanizing Services. As was the case prior to the change, 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 reporting segment on the basis of the following economic characteristics:

2. Segmental information (continued)

- 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;
- The 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; 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.

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

The revised segmental structure was effective from 1 January 2020, from which date information was reported to the Chief Operating Decision Maker, who is the Chief Executive, under the new segments. As required by IFRS 8, comparative information has been restated as indicated by "restated" throughout these Consolidated Financial Statements. The revision does not result in any change to the consolidated Group results.

Segmental Income Statement

	2020			2019 (restated)		
	Revenue £m	Reported operating profit £m	Underlying operating profit* £m	Revenue £m	Reported operating profit £m	Underlying operating profit* £m
Roads & Security	263.4	5.6	13.2	275.3	8.6	23.2
Utilities	211.2	20.1	20.9	222.3	20.0	21.3
Galvanizing Services	185.9	17.1	35.8	197.1	40.6	41.8
Total Group	660.5	42.8	69.9	694.7	69.2	86.3
Net financing costs		(7.3)	(7.3)		(7.4)	(6.9)
Profit before taxation		35.5	62.6		61.8	79.4
Taxation		(11.5)	(12.4)		(13.4)	(15.5)
Profit after taxation		24.0	50.2		48.4	63.9

* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies on pages 122 to 129 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.

Transactions between operating segments are on an arm's length basis similar to transactions with third parties. Galvanizing Services sold £5.2m (2019 (restated): £5.6m) of products and services to Roads & Security and £1.7m (2019 (restated): £1.6m) of products and services to Utilities. Utilities sold £2.2m (2019 (restated): £2.6m) of products and services to Roads & Security. Roads & Security sold £0.2m (2019 (restated): £0.1m) of products and services to Utilities. These internal revenues, along with revenues generated from within their own segments, have been eliminated on consolidation.

Notes to the Consolidated Financial Statements
continued

2. 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. 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.

	Roads & Security		Utilities		Galvanizing		Total	
Primary geographical markets	**2020 £m**	2019 (restated) £m	**2020 £m**	2019 (restated) £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
UK	**140.7**	145.6	**59.6**	77.3	**59.2**	62.2	**259.5**	285.1
Rest of Europe	**53.9**	63.0	**6.0**	5.6	**50.9**	54.6	**110.8**	123.2
North America	**58.0**	54.2	**138.2**	131.4	**75.8**	80.3	**272.0**	265.9
The Middle East	**5.2**	8.2	**1.4**	0.9	**-**	-	**6.6**	9.1
Rest of Asia	**0.8**	1.4	**5.4**	5.4	**-**	-	**6.2**	6.8
Rest of the world	**4.8**	2.9	**0.6**	1.7	**-**	-	**5.4**	4.6
	263.4	275.3	**211.2**	222.3	**185.9**	197.1	**660.5**	694.7
Major product/service lines								
Manufacture, supply and installation of products	**240.4**	251.4	**211.2**	222.3	**-**	-	**451.6**	473.7
Galvanizing Services	**-**	-	**-**	-	**185.9**	197.1	**185.9**	197.1
Rental income	**23.0**	23.9	**-**	-	**-**	-	**23.0**	23.9
	263.4	275.3	**211.2**	222.3	**185.9**	197.1	**660.5**	694.7
Timing of revenue recognition								
Products and services transferred at a point in time	**201.6**	208.0	**107.9**	124.0	**185.9**	197.1	**495.4**	529.1
Products and services transferred over time	**61.8**	67.3	**103.3**	98.3	**-**	-	**165.1**	165.6
	263.4	275.3	**211.2**	222.3	**185.9**	197.1	**660.5**	694.7

The Group has no material unsatisfied or partially satisfied performance obligations at the balance sheet date that have an expected duration of more than one year and therefore has taken the practical expedient under IFRS 15 not to disclose such details.

Additional segmental analysis

Capital expenditure and amortisation/depreciation

	2020		2019 (restated)	
	Capital expenditure £m	**Impairment losses, amortisation and depreciation £m**	Capital expenditure £m	Impairment losses, amortisation and depreciation £m
Roads & Security	**7.1**	**16.0**	26.3	19.5
Utilities	**3.9**	**4.1**	4.5	4.4
Galvanizing Services	**8.5**	**28.4**	17.5	10.2
Total Group	**19.5**	**48.5**	48.3	34.1
Property, plant and equipment (note 12)	**17.7**	**22.4**	46.4	19.9
Intangible assets (note 11)	**1.8**	**26.1**	1.9	14.2
Total Group	**19.5**	**48.5**	48.3	34.1

The 2020 amounts for impairment losses, amortisation and depreciation relating to the Roads & Security segment include goodwill, intangible and tangible impairment losses of £1.6m relating to our variable message signs business (2019: £6.8m impairment losses for goodwill and acquired intangible assets relating to ATA Hill & Smith AB). The 2020 amounts for impairment losses, amortisation and depreciation relating to the Galvanizing Services segment include a goodwill impairment loss of £17.5m relating to our French galvanizing business.

2. Segmental information (continued)

Geographical analysis

Total assets

	2020 £m	2019 £m
UK	**288.2**	321.5
Rest of Europe	**96.0**	118.1
North America	**245.7**	258.0
Asia	**12.7**	11.5
Rest of World	**4.1**	3.4
Total Group	**646.7**	712.5

Non-current assets

	2020 £m	2019 £m
UK	**198.5**	212.4
Rest of Europe	**50.3**	68.2
North America	**152.3**	156.1
Asia	**3.2**	3.5
Rest of World	**0.1**	1.5
Total Group	**404.4**	441.7

Capital expenditure

	2020 £m	2019 £m
UK	**9.0**	24.5
Rest of Europe	**3.2**	5.8
North America	**7.1**	17.5
Asia	**0.2**	0.1
Rest of World	**-**	0.4
Total Group	**19.5**	48.3

3. 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 taxation;
- Underlying operating profit;
- Underlying operating profit margin;
- Organic measure of change in revenue and underlying operating profit;
- Underlying cash conversion ratio;
- Capital expenditure to depreciation and amortisation ratio; and
- 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 4. 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. Other than for the change in presentation of certain financing items as detailed in the Group Accounting Policies on pages 122 to 129, APMs are presented on a consistent basis over time to assist in comparison of performance.

Notes to the Consolidated Financial Statements
continued

3. Alternative Performance Measures (continued)

Reconciliation of underlying to reported profit before tax

	2020 £m	2019 £m
Underlying profit before tax	62.6	79.4
Non-underlying items included in operating profit (note 4)	(27.1)	(17.1)
Non-underlying items included in financial income and expense (note 4)	-	(0.5)
Reported profit before tax	35.5	61.8

Reconciliation of underlying to reported operating profit

	Roads & Security		Utilities		Galvanizing		Total	
	2020 £m	2019 (restated) £m	2020 £m	2019 (restated) £m	2020 £m	2019 £m	2020 £m	2019 £m
Underlying operating profit	13.2	23.2	20.9	21.3	35.8	41.8	69.9	86.3
Non-underlying items:								
Amortisation of intangible fixed assets	(4.3)	(4.2)	(0.7)	(0.8)	(1.1)	(1.2)	(6.1)	(6.2)
Business reorganisation costs	-	(1.9)	-	-	-	-	-	(1.9)
Gain on disposal of assets held for sale	-	0.5	-	-	-	-	-	0.5
Impairment of assets	(2.8)	(7.0)	-	-	(17.5)	-	(20.3)	(7.0)
Acquisition related expenses	(0.3)	(2.0)	-	0.2	-		(0.3)	(1.8)
Pension past service expense	(0.2)	-	(0.1)	-	(0.1)	-	(0.4)	-
Loss on disposal of subsidiary	-	-	-	(0.7)	-	-	-	(0.7)
Reported operating profit	5.6	8.6	20.1	20.0	17.1	40.6	42.8	69.2

Calculation of underlying operating profit margin

	Roads & Security		Utilities		Galvanizing		Total	
	2020 £m	2019 (restated) £m	2020 £m	2019 (restated) £m	2020 £m	2019 £m	2020 £m	2019 £m
Underlying operating profit	13.2	23.2	20.9	21.3	35.8	41.8	69.9	86.3
Revenue	263.4	275.3	211.2	222.3	185.9	197.1	660.5	694.7
Underlying operating profit margin (%)	5.0%	8.4%	9.9%	9.6%	19.3%	21.2%	10.6%	12.4%

3. Alternative Performance Measures (continued)

Organic measure of change in revenue and underlying operating profit

Organic measures 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.

	Roads & Security		Utilities		Galvanizing		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
2019 (restated)	275.3	23.2	222.3	21.3	197.1	41.8	694.7	86.3
Impact of exchange rate movements from 2019 to 2020	0.6	-	(0.4)	-	0.5	-	0.7	-
2019 translated at 2020 exchange rates (A)	275.9	23.2	221.9	21.3	197.6	41.8	695.4	86.3
Acquisitions and disposals	16.0	0.5	(5.4)	0.4	-	-	10.6	0.9
Organic decline (B)	(28.5)	(10.5)	(5.3)	(0.8)	(11.7)	(6.0)	(45.5)	(17.3)
2020	263.4	13.2	211.2	20.9	185.9	35.8	660.5	69.9
Organic decline % (B divided by A)	-10%	-45%	-2%	-4%	-6%	-14%	-7%	-20%

Calculation of underlying cash conversion ratio

	2020 £m	2019 £m
Underlying operating profit	69.9	86.3
Calculation of adjusted operating cash flow:		
Cash generated by operations	118.3	98.9
Less: Purchase of assets for rental to customers	(3.1)	(16.3)
Less: Purchase of property, plant and equipment	(15.5)	(29.7)
Less: Purchase of intangible assets	(1.8)	(1.9)
Less: Repayments of lease liabilities	(11.1)	(10.5)
Add: Proceeds on disposal of non-current assets and assets held for sale	6.5	2.3
Add back: Defined benefit pension scheme deficit payments	3.6	2.5
Add back: Cash flows relating to non-underlying items	0.6	1.2
Adjusted operating cash flow	97.5	46.5
Underlying cash conversion (%)	139%	54%

Calculation of capital expenditure to depreciation and amortisation ratio

	2020 £m	2019 £m
Calculation of capital expenditure:		
Purchase of assets for rental to customers	3.1	16.3
Purchase of property, plant and equipment	15.5	29.7
Purchase of intangible assets	1.8	1.9
	20.4	47.9
Calculation of depreciation and amortisation:		
Depreciation of property, plant and equipment (note 7)	21.9	19.9
Amortisation of development costs (note 7)	1.2	1.1
Amortisation of other intangible assets (note 7)	0.2	0.1
	23.3	21.1
Capital expenditure to depreciation and amortisation ratio	0.9x	2.3x

Notes to the Consolidated Financial Statements
continued

4. Non-underlying items

Included in operating profit

	2020 £m	2019 £m
Amortisation of acquisition intangibles	(6.1)	(6.2)
Business reorganisation costs [a]	-	(1.9)
Impairment of assets [b]	(20.3)	(7.0)
Acquisition related expenses [c]	(0.3)	(1.8)
Profit on disposal of property asset held for sale	-	0.5
Pension past service expense [d]	(0.4)	-
Loss on disposal of Group's plastic drainage pipe business, Weholite Limited	-	(0.7)
	(27.1)	(17.1)

Notes:

a) In 2019, business reorganisation costs of £1.9m related to actions taken in Scandinavia following the disappointing performance in 2019. In Sweden we closed underperforming depots and restructured the management team, while in Norway we closed the business and exited that geography.

b) In 2020, an impairment charge of £17.5m in respect of goodwill relating to France Galva SA, which the Group acquired in 2007. Whilst the business continues to be a significant contributor to the Group's results, in recent years its profitability has gradually declined from that anticipated at acquisition and the impact of the COVID-19 pandemic on the global and French economic outlook has resulted in us further reducing our expectations for its future outturn. Consequently, the impairment review performed at 31 December 2020 concluded that France Galva SA's expected future cash flows were not sufficient to support its carrying value at that date, resulting in an impairment of the acquisition goodwill. In addition, an impairment charge of £2.8m in respect of assets in the variable message signs business. Following a period of weak trading and a more cautious assessment of the future outlook for that business, the Group is currently taking several actions to restructure the operations and the cost base, leading to a reassessment of asset carrying values at 31 December 2020. This reassessment resulted in a write down of the asset base to the expected recoverable amount, comprising of goodwill and intangible assets of £1.1m, tangible fixed assets of £0.5m, inventories of £0.8m and right-of-use lease assets of £0.4m.

In 2019, an impairment charge of £7.0m reflected a full impairment of the goodwill and intangible assets of £6.8m, and £0.2m impairment in the right-of-use lease assets relating to the Group's acquisitions in Sweden, which comprised 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.

c) Acquisition related expenses of £0.3m (2019: £1.8m), which include £0.2m (2019: 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).

d) 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's results in 2018 included a non-underlying charge of £1.0m in respect of the likely cost to be incurred in equalising GMPs arising in prior years. During 2020, there has been a further hearing in relation to members who have transferred out of schemes, which concluded that schemes do need to revisit historical transfers for GMP equalisation. The Group took professional advice as to the impact of this judgement and has recognised a further cost of £0.4m during the year.

Included in financial income and expense

There are no non-underlying items included in financial income or expense in the current year.

In 2019, non-underlying items included in financial income represented a gain on refinancing of £0.9m under IFRS 9, and included in financial expense represented the net financing cost on pension obligations of £0.5m and a £0.9m charge in respect of amortisation of costs associated with refinancing.

5. Employees

	2020 No.	2019 (restated) No.
The average number of people employed by the Group during the year		
Roads & Security	1,470	1,491
Utilities	1,547	1,545
Galvanizing Services	1,482	1,502
Total Group	4,499	4,538

5. Employees (continued)

Total employee benefits expense for the year	2020 £m	2019 £m
Wages and salaries	152.9	145.3
Share-based payments (note 23)	0.8	1.2
Social security costs	25.5	24.0
Pension costs (note 25)	5.0	4.2
	184.2	174.7

Directors' remuneration	2020 £m	2019 £m
Directors' remuneration	1.8	1.5
Loss of office	-	0.5
Amounts receivable under long term incentive schemes	-	0.4
Company contributions to money purchase pension plans	0.2	0.2
	2.0	2.6

The aggregate amount of gains made by Directors on exercise of share options in the year is nil (2019: £1.2m).

Further details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 83 to 93.

6. Net financing costs

	Underlying £m	Non underlying £m	2020 £m	Underlying £m	Non-underlying £m	2019 £m
Interest on bank deposits	0.6	-	0.6	0.5	-	0.5
Financial gain relating to refinancing	-	-	-	-	0.9	0.9
Financial income	0.6	-	0.6	0.5	0.9	1.4
Interest on loans and borrowings	6.0	-	6.0	6.5	-	6.5
Interest on lease liabilities (note 14)	0.8	-	0.8	0.9	-	0.9
Financial expenses related to refinancing	0.8	-	0.8	-	0.9	0.9
Interest cost on net pension scheme deficit (note 25)	0.3	-	0.3	-	0.5	0.5
Financial expense	7.9	-	7.9	7.4	1.4	8.8
Net financing costs	7.3	-	7.3	6.9	0.5	7.4

Notes to the Consolidated Financial Statements
continued

7. Expenses and auditor's remuneration

	2020 £m	2019 £m
Income statement charges		
Depreciation of property, plant and equipment	**21.9**	19.9
Right-of-use asset depreciation	**10.4**	10.2
Short term leases	**0.4**	0.3
Low value leases	**-**	0.1
Research and development expenditure	**0.5**	0.4
Amortisation of acquisition intangibles	**6.1**	6.2
Amortisation of development costs	**1.2**	1.1
Amortisation of other intangible assets	**0.2**	0.1
Impairment losses:		
Intangible fixed assets	**18.6**	6.8
Tangible fixed assets	**0.5**	-
Right-of-use lease assets	**0.4**	0.2
Income statement credits		
Profit on disposal of assets held for sale	**-**	0.5
Profit on disposal of non-current assets	**1.9**	0.1
Foreign exchange gain	**-**	0.1
Grants receivable	**0.1**	-
Other rental income	**1.5**	1.5

A detailed analysis of the Auditor's Remuneration worldwide is as follows:

	2020 £m	2019 £m
Audit of the Company's Annual Accounts	**0.4**	0.1
Audit of the Company's subsidiaries	**1.0**	1.0
	1.4	1.1

A description of the work of the Audit Committee is set out in the Audit Committee Report on pages 74 to 79 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor. Non audit assurance services for the year totalled £3,000. Prior year fees were paid to the previous auditors, KPMG LLP.

8. Taxation

	2020 £m	2019 £m
Current tax		
UK corporation tax	**2.0**	6.3
Overseas tax at prevailing local rates	**10.1**	10.8
Adjustments in respect of prior years	**(1.8)**	(2.0)
	10.3	15.1
Deferred tax (note 15)		
UK deferred tax	**(0.5)**	0.3
Overseas tax at prevailing local rates	**1.1**	(2.2)
Adjustments in respect of prior year	**(0.2)**	0.2
Effects of changes in tax rates and laws	**0.8**	-
	1.2	(1.7)
Tax on profit in the Consolidated Income Statement	**11.5**	13.4
Deferred tax (note 15)		
Relating to defined benefit pension schemes	**(0.8)**	0.2
Tax on items taken directly to Other Comprehensive Income	**(0.8)**	0.2
Current tax		
Relating to share-based payments	**(0.1)**	(0.5)
Deferred tax (note 15)		
Relating to share-based payments	**-**	0.1
Tax taken directly to the Consolidated Statement of Changes in Equity	**(0.1)**	(0.4)

The tax charge in the Consolidated Income Statement for the period is higher (2019: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £m	2019 £m
Profit before taxation	**35.5**	61.8
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**6.7**	11.7
Expenses not deductible/income not chargeable for tax purposes	**0.6**	0.8
Non-deductible goodwill impairment	**4.9**	1.2
Non-taxable loss on disposal of UK subsidiary	**-**	0.1
Benefits from international financing arrangements – current and prior years	**(1.2)**	(0.6)
Local tax incentives	**(0.1)**	(0.2)
Overseas profits taxed at higher rates	**1.8**	2.7
Recognition of losses	**(0.6)**	-
Overseas losses not relieved	**0.6**	0.3
Impacts of rate and law changes	**0.8**	-
Release of liability for unremitted earnings in France	**-**	(0.8)
Adjustments in respect of prior periods	**(2.0)**	(1.8)
Tax charge	**11.5**	13.4

Notes to the Consolidated Financial Statements
continued

9. Earnings per share

The weighted average number of ordinary shares in issue during the year was 79.5m (2019: 79.2m), diluted for the effects of the outstanding dilutive share options 79.9m (2019: 79.6m). Diluted earnings per share takes account of the dilutive effect of all outstanding share options disclosed in note 23, calculated using the treasury share method. Underlying earnings per share have been shown because the Directors consider that this provides valuable additional information about the underlying performance of the Group.

	2020		2019	
	Pence per share	£m	Pence per share	£m
Basic earnings	30.2	24.0	61.1	48.4
Non-underlying items*	33.0	26.2	19.6	15.5
Underlying earnings	63.2	50.2	80.7	63.9
Diluted earnings	30.0	24.0	60.8	48.4
Non-underlying items*	32.9	26.2	19.5	15.5
Underlying diluted earnings	62.9	50.2	80.3	63.9

* Non-underlying items as detailed in note 4.

10. Dividends

Dividends paid during the year

	2020		2019	
	Pence per share	£m	Pence per share	£m
Interim dividend paid in relation to year-ended 31 December 2018	-	-	10.0	7.9
Final dividend paid in relation to year-ended 31 December 2018	-	-	21.8	17.2
Interim dividend paid in relation to year-ended 31 December 2019	10.6	8.4	-	-
Total	10.6	8.4	31.8	25.1

Dividends declared in respect of the year

	2020		2019	
	Pence per share	£m	Pence per share	£m
Interim dividend declared in relation to year-ended 31 December 2019	-	-	10.6	8.4
Final dividend proposed in relation to year-ended 31 December 2019 *	-	-	-	-
Interim dividend declared in relation to year-ended 31 December 2020	9.2	7.3	-	-
Final dividend proposed in relation to year-ended 31 December 2020	17.5	13.9	-	-
Total	26.7	21.2	10.6	8.4

The final dividend for the year was proposed after the year end date and was not recognised as a liability at 31 December 2020, in accordance with IAS 10.

* The proposed final dividend for 2019 of 23.0p per share was withdrawn and will not be paid.

11. 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 2019	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
Exchange adjustments	0.1	(0.2)	-	(0.3)	(0.3)	(0.7)
Transfers from property, plant and equipment	-	-	-	1.0	0.4	1.4
Acquisitions	(0.2)	-	-	-	-	(0.2)
Additions	-	-	-	1.5	0.3	1.8
At 31 December 2020	**169.1**	**30.0**	**56.4**	**17.7**	**17.5**	**290.7**
Amortisation and impairment losses						
At 1 January 2019	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
Exchange adjustments	0.6	-	0.1	(0.2)	(0.2)	0.3
Transfer from property, plant and equipment	-	-	-	-	0.2	0.2
Amortisation charge for the year	-	1.0	3.5	1.2	1.8	7.5
Impairment losses	17.8	0.1	-	0.7	-	18.6
At 31 December 2020	**35.3**	**14.2**	**30.3**	**13.4**	**9.0**	**102.2**
Carrying values						
At 1 January 2019	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
At 31 December 2020	**133.8**	**15.8**	**26.1**	**4.3**	**8.5**	**188.5**

Notes to the Consolidated Financial Statements
continued

11. Intangible assets (continued)

2020

Morgan Valley

On 28 September 2020 the Group acquired the trade and assets of Morgan Valley Manufacturing, Inc. and Morgan Valley Metals, LLC ('Morgan Valley'). Based in Utah, US, the acquisition will enable the inhouse fabrication of crash attenuators and support the US roads growth strategy. Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustments £m	Total £m
Property, plant and equipment	0.4	0.4	0.8
Inventories	0.2	-	0.2
Current assets	0.2	-	0.2
Total assets	**0.8**	**0.4**	**1.2**
Current liabilities	(0.3)	0.1	(0.2)
Total liabilities	**(0.3)**	**0.1**	**(0.2)**
Net assets	**0.5**	**0.5**	**1.0**
Consideration			
Consideration in the year			1.0
Goodwill			**-**
Cash flow effect			
Consideration			1.0
Deferred consideration			(0.1)
Net cash consideration shown in the Consolidated Statement of Cash Flows			**0.9**

Post acquisition the acquired business has contributed £0.9m revenue and £0.2m underlying operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2020, the Group's results for the year would have shown revenue of £661.8m and underlying operating profit of £70.0m.

11. 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:

	Pre-acquisition carrying amount £m	Policy alignment and 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 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 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 included £1.9m of trade receivables which had a gross value of £2.1m. The policy alignment adjustments included adjustments to align ATG's accounting methodology with International Financial Reporting Standards. Prior to acquisition, ATG adopted FRS 102. The main changes related to IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'.

Notes to the Consolidated Financial Statements
continued

11. Intangible assets (continued)

Parking Facilities

On 27 September 2019 the Group acquired 100% of the share capital of AAJG Holdings Limited and its trading subsidiary, 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:

	Pre-acquisition carrying amount £m	Policy alignment and 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 prior 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 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 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 included £2.8m of trade receivables which had a gross value of £2.9m.

11. 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:

	Pre-acquisition carrying amount £m	Policy alignment and 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 prior 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 were recognised as a specific intangible asset as a result of the acquisition. The residual goodwill arising primarily represented 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 included £1.8m of trade receivables which had a gross value of £1.9m.

In 2019, 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
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11. Intangible assets (continued)

Cash generating units with significant amounts of goodwill

	2020 £m	2019 £m
Utilities		
US Composites	15.6	16.0
V&S Utilities	5.3	5.4
Others <£5m individually	5.0	5.1
Roads & Security		
ATG Access	15.5	15.5
H&S Inc	8.5	8.8
Hardstaff Barriers	6.8	6.8
Mallatite	5.7	5.7
Others <£5m individually	9.3	9.8
Galvanizing Services		
France Galva SA	12.3	28.6
USA	25.0	25.8
UK	24.8	24.8
	133.8	152.3

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 £7.5m (2019: £7.7m), 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 and strategic plans for the following year, both of 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. Having been prepared during 2020, both the budgets and strategic plans reflect the estimated short- and medium-term impacts of COVID-19. 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, excluding 2020 given the sharp economic decline in the year. The long-term growth rates vary between 1.6% and 2.5%.

These assumptions are applied to all CGUs with the exception of France Galva SA and ATG Access.

France Galva SA

The onset of COVID-19 resulted in a temporary cessation of operations in France in March 2020, and whilst activity levels recovered gradually over the remainder of the year, overall volumes galvanized were 11% lower than 2019 resulting in a deterioration in profitability and cash flows. Future cash flows are most sensitive to changes in galvanizing volumes and therefore the impairment test focused on the pace at which volumes are expected to recover in the short to medium term. To assess this the Group took account of external economic projections, principally from the International Monetary Fund (IMF), in addition to internal forecasts. GDP projections are considered an appropriate indicator of future galvanizing volumes as, in the Group's experience, galvanizing activity tends to closely follow general economic conditions. The impairment review used the following methodology:

- Cash flows for 2021 assume a 6.6% increase in galvanizing volumes compared with 2020. At the time of publication of the Group's Financial Statements, the IMF has forecast a 6% increase in French GDP in 2021, broadly in line with our assumptions;
- Cash flows for the period 2022-2025 assume annual growth in galvanizing volumes of between 0% and 1%. These growth rates were initially derived from the IMF projections for the relevant periods (broadly in the range 1.5% - 3%) but were risk-adjusted to reflect the inherent uncertainties resulting from COVID-19 and its impact on global economic conditions. Based on these assumptions, we estimate galvanizing volumes in 2025 to remain approximately 3% below those for 2019;
- For the period from 2025 onwards the calculations assume annual growth in cash flows of 1.6%, consistent with the historical long-term growth rates in France (excluding 2020 as an outlier year); and
- A pre-tax discount rate of 18.7%.

11. Intangible assets (continued)

ATG Access

The restrictions on public gatherings resulting from COVID-19, together with constraints on capital budgets and delays to projects, have caused a substantial reduction in demand for ATG's perimeter security solutions during 2020 resulting in a deterioration in profitability and cash flows. Notwithstanding this outcome, the Group believes that ATG's underlying market fundamentals remain intact and in the short to medium term, we believe that the demand for our products to protect people, buildings and infrastructure from attack will return. The impairment review, which is most sensitive to assumptions on revenues and gross margins, used the following methodology:

- Cash flows for 2021 are based on budget cash flow information, which assume a 33% increase in revenues compared with 2020. The Group has taken account of order backlogs, pipeline of projects and recent enquiry levels in making this assessment and has therefore reflected customer as well as internal expectations;
- Cash flows for the period 2022 and 2023 assume annual growth in revenues of 11% and 8% respectively, reflecting an expectation of further recovery in market activity levels albeit more gradually than in 2021. The compound annual growth in revenues for the period 2021-2023 is 17%;
- For the period from 2024 onwards the calculations assume annual growth in revenues of 2%, consistent with the historical long-term growth rates in the UK (excluding 2020 as an outlier year);
- The gross profit margin percentage was modelled to grow by 570 basis points, to 31.5%, between 2021 and 2023, reflecting the leverage impact of revenue growth, before stabilising into the period from 2023 onwards; and
- A pre-tax discount rate of 15.7%.

The outcome of these assumptions is that by 2023, ATG's profitability and cash flows will recover to the levels anticipated at the time of its acquisition in 2019, which are broadly in line with those achieved prior to the onset of COVID-19.

Summary of results of goodwill impairment reviews

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.

	2020			2019		
	Goodwill £m	Headroom/ (impairment) £m	Discount rate %	Goodwill £m	Headroom £m	Discount rate %
US Composites	15.6	78.2	19.4%	16.0	105.4	14.9%
V&S Utilities	5.3	61.8	21.8%	5.4	61.2	16.4%
Hardstaff Barriers	6.8	155.6	16.0%	6.8	152.0	16.6%
ATG Access	15.5	4.4	15.8%	*	*	*
Mallatite	5.7	26.1	16.1%	5.7	28.0	12.9%
H&S Inc	8.5	35.4	19.9%	8.8	80.4	14.5%
France Galva SA	29.8	(17.5)	18.7%	28.6	18.2	13.7%
Galvanizing Services – USA	25.0	203.9	19.5%	25.8	287.7	16.5%
Galvanizing Services – UK	24.8	41.6	16.2%	24.8	105.7	12.8%

* No impairment assessment was carried out for ATG Access in 2019 as the business had been acquired during the year and no indications of impairment had been identified.

Based on the methodology set out above, the impairment review for France Galva SA concluded that the carrying values of the assets of the business exceed their recoverable amount by £17.5m. The Group has therefore recognised an impairment charge of £17.5m in respect of France Galva SA, as detailed in note 4, all of which has been allocated to the goodwill arising on acquisition. In addition, whilst not included in the table above due to its quantum, the impairment review for the variable message signs business concluded that the remaining goodwill of £0.2m was fully impaired.

Sensitivities

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 potential impairment for any CGU, with the exception of France Galva SA and ATG Access.

Notes to the Consolidated Financial Statements
continued

11. Intangible assets (continued)

France Galva SA

The pace of recovery in galvanizing volumes, long term cash flow growth rates and the discount rate are the key assumptions on which the goodwill impairment review is most sensitive. The Group's sensitivity analyses modelled several scenarios for the pace of galvanizing volume recovery between 2021 and 2025, reflecting the relatively wide range of recovery outcomes that are possible given the uncertainties arising due to COVID-19, together with variations in the rate of future cash flow growth and possible discount rates. The following table provides information on additional impairment charges that may arise in those scenarios, for each of the key assumptions (independently in each case):

Input	Scenario	Sensitivity applied %	Sensitised impairment charge £m	Additional impairment charge £m
Reduction in 2025 galvanizing volumes compared with 2019	Base case	(2.5)	(17.5)	-
	H&S sensitivity 1	(4.0)	(20.9)	(3.4)
	H&S sensitivity 2	(6.0)	(24.7)	(7.2)
Annual cash flow growth 2026 onwards	Base case	1.6	(17.5)	-
	H&S sensitivity 1	1.0	(20.7)	(3.2)
	H&S sensitivity 2	0.0	(25.0)	(7.5)
Pre-tax discount rate	Base case	18.7	(17.5)	-
	H&S sensitivity 1	19.6	(22.3)	(4.8)
	H&S sensitivity 2	20.2	(25.2)	(7.7)

ATG Access

Whilst the Group believes that ATG will return to historical levels of profitability once the impacts of COVID-19 begin to recede, this view is to some extent dependent on future public and customer behaviour which is currently inherently difficult to predict. It is plausible that the pace of recovery could be more gradual than that assumed in the impairment tests that have been carried out, in which case a material impairment could arise. Revenue growth, gross margins, long-term cash flow growth 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 those key assumptions (independently in each case):

Input	Scenario	Sensitivity applied %	Sensitised headroom/(impairment) £m
Compound annual revenue growth 2021-2023	Base case	17.0	4.3
	H&S sensitised*	11.6	(4.9)
	Zero headroom	15.1	-
Gross profit margin 2023 onwards	Base case	31.5	4.3
	H&S sensitised+	25.8	(7.7)
	Zero headroom	29.4	-
Annual cash flow growth 2024 onwards	Base case	2.0	4.3
	H&S sensitised	1.5	2.3
	Zero headroom	0.8	-
Pre-tax discount rate	Base case	15.7	4.3
	H&S sensitised	16.5	2.0
	Zero headroom	17.1	-

* This scenario assumes annual growth in revenues beyond the 2021 budget period of 2%, being the historical long-term growth rate in the UK (excluding 2020 as an outlier year). This equates to compound annual growth in revenues for the period 2021-2023 of 11.6%. As explained above, cash flows for the period 2022 and 2023 in the base case assume annual growth in revenues of 11% and 8% respectively, reflecting an expectation of further recovery in market activity levels albeit more gradually than in 2021. The compound annual growth in revenues for the period 2021-2023 in the base case is 17%.

+ This scenario assumes no growth in the gross profit margin percentage between 2021 and 2023. As explained above, the gross profit margin percentage in the base case was modelled to grow by 570 basis points, to 31.5%, between 2021 and 2023.

12. Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Cost			
At 1 January 2019	116.2	213.1	329.3
Exchange adjustments	(3.7)	(4.7)	(8.4)
Acquisitions	0.6	0.9	1.5
Disposal of subsidiaries	-	(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
Exchange adjustments	(0.2)	0.9	0.7
Acquisitions (note 11)	0.8	-	0.8
Additions	7.9	9.8	17.7
Transfers to intangible fixed assets	-	(1.4)	(1.4)
Transfers from inventories	0.2	3.4	3.6
Disposals	(2.4)	(9.4)	(11.8)
At 31 December 2020	**127.5**	**229.7**	**357.2**
Depreciation and impairment losses			
At 1 January 2019	34.4	124.7	159.1
Exchange adjustments	(1.5)	(2.2)	(3.7)
Disposal of subsidiaries	-	(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
Exchange adjustments	0.5	0.5	1.0
Transfers to intangible fixed assets	-	(0.2)	(0.2)
Disposals	-	(7.2)	(7.2)
Charge for the year	5.6	16.3	21.9
Impairment charge	0.4	0.1	0.5
At 31 December 2020	**43.7**	**129.9**	**173.6**
Carrying values			
At 1 January 2019	81.8	88.4	170.2
At 31 December 2019	84.0	106.0	190.0
At 31 December 2020	**83.8**	**99.8**	**183.6**

The gross book value of land and buildings includes freehold land of £20.4m (2019: £21.3m). Included within plant, machinery and vehicles are assets held for hire with a cost of £74.0m (2019: £78.2m) and accumulated depreciation of £30.2m (2019: £37.5m).

13. Assets held for sale

There were no assets held for sale at 31 December 2020. During 2019, 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.

Notes to the Consolidated Financial Statements
continued

14. 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 and 31 December 2020 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	(0.2)	(0.2)	(0.4)
Acquisitions	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
Additions	0.1	3.3	3.4
Terminations	(0.4)	(0.3)	(0.7)
Charge for the year	(4.7)	(5.7)	(10.4)
Impairment	(0.4)	-	(0.4)
Re-measurement	0.5	0.1	0.6
Effect of movements in foreign exchange	0.3	0.2	0.5
At 31 December 2020	**19.5**	**11.4**	**30.9**

Lease liabilities	2020 £m	2019 £m
At 1 January	**40.0**	-
Recognition on initial adoption of IFRS 16	**-**	36.0
Additions	**3.4**	10.5
Terminations	**(0.8)**	(0.2)
Interest expense	**0.8**	0.9
Disposal of subsidiary undertakings	**-**	(0.4)
Acquisitions	**-**	4.3
Lease payments	**(11.9)**	(11.4)
Re-measurement	**0.6**	0.7
Effect of movements in foreign exchange	**0.3**	(0.4)
At 31 December	**32.4**	40.0

14. Leases (continued)

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2020 £m	2019 £m
Depreciation of right-of-use assets	10.4	10.2
Short-term lease expense	0.4	0.3
Low-value lease expense	-	0.1
Sublease income	(1.1)	(1.0)
Charged to operating profit	9.7	9.6
Interest expense relating to lease liabilities	0.8	0.9
Charged to profit before taxation	10.5	10.5

The maturity of the lease liabilities at 31 December was as follows:

	2020 £m	2019 £m
Due within one year	8.6	10.6
Due between one and two years	7.3	8.2
Due between two and three years	5.8	6.5
Due between three and four years	3.7	4.9
Due between four and five years	2.3	3.1
Due after more than five years	4.7	6.7
Total lease liabilities	32.4	40.0

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Group's business needs. Management exercise judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years £m	More than five years £m	Total £m
Extension options expected not to be exercised	3.2	5.8	9.0
Termination options expected to be exercised	2.8	2.5	5.3

The Group has lease contracts that have not yet commenced as at 31 December 2020. The total future lease payments for these non-cancellable lease contracts are £5.6m.

Notes to the Consolidated Financial Statements
continued

15. Deferred taxation

	Intangible Assets £m	Property, plant and equipment £m	Inventories £m	Retirement obligation £m	Other timing differences £m	Total £m
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 8)	1.1	(0.5)	0.3	(0.3)	1.1	1.7
Charged for the year in the Consolidated Statement of Comprehensive Income (note 8)	-	-	-	(0.2)	-	(0.2)
Charged for the year in the Consolidated Statement of Changes in Equity (note 8)	-	-	-	-	(0.1)	(0.1)
At 31 December 2019	(9.8)	(6.2)	0.4	3.8	4.1	(7.7)
Exchange adjustments	0.1	0.2	-	0.1	-	0.4
Adjustments to prior year acquisitions	-	-	-	-	0.1	0.1
Credited/(charged) for the year in the Consolidated Income Statement (note 8)	0.2	(1.9)	0.2	(0.6)	0.9	(1.2)
Charged for the year in the Consolidated Statement of Comprehensive Income (note 8)	-	-	-	0.8	-	0.8
At 31 December 2020	**(9.5)**	**(7.9)**	**0.6**	**4.1**	**5.1**	**(7.6)**

	2020 £m	2019 £m
Deferred tax assets	**1.4**	1.0
Deferred tax liabilities	**(9.0)**	(8.7)
Deferred tax liability	**(7.6)**	(7.7)

The deferred tax asset of £5.1m in respect of other timing differences includes £0.9m in relation to tax losses and £1.0m in relation to share based payments.

No deferred tax asset has been recognised in respect of other tax losses of £13.1m net (2019: £11.8m net) as their future use is uncertain. There is no time limit on the carrying forward of the losses. The losses are predominantly capital losses.

No deferred tax liability is recognised on temporary differences of £1.1m relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The Group does not expect this to crystallise into a cash expense in the near future.

The UK Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the tax rate reduction to 17% would not occur and the UK corporation tax rate would instead remain at 19%. As the 19% rate was substantively enacted by the balance sheet date, deferred tax balances relating to the UK have been calculated at 19% (2019: 17%).

In the UK Budget on 3 March 2021 it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As any substantive enactment will be after the balance sheet date, UK related deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

16. Inventories

	2020 £m	2019 £m
Raw materials and consumables	**52.6**	52.8
Work in progress	**8.8**	9.2
Finished goods and goods for resale	**34.9**	38.7
	96.3	100.7

The amount of inventories expensed to the Consolidated Income Statement in the year was £364.1m (2019: £388.1m). The value of inventories written down and expensed in the Consolidated Income Statement during the year amounted to £0.2m (2019: £0.3m). The amount of inventories held at fair value less cost to sell included in the above was £1.8m (2019: £nil).

17. Trade and other receivables

	2020 £m	2019 £m
Trade and other current receivables		
Trade receivables	**106.8**	130.7
Prepayments	**6.5**	7.1
Other receivables	**1.1**	2.8
Contract assets	**8.3**	3.5
	122.7	144.1

The movements in contract assets, and deferred income (note 19), during the year correspond to the completion of performance obligations partially satisfied as at 31 December 2019 offset by contracts that are in progress at 31 December 2020.

18. Cash and borrowings

	2020 £m	2019 £m
Cash and cash equivalents in the Consolidated Statement of Financial Position		
Cash and short term deposits	**22.0**	26.0
Bank overdrafts	**(8.1)**	-
Cash and cash equivalents	**13.9**	26.0
Interest bearing loans and other borrowings		
Amounts due within one year (note 19)	**(0.5)**	(0.4)
Amounts due after more than one year (note 20)	**(127.2)**	(200.9)
Lease liabilities due within one year (note 14)	**(8.6)**	(10.6)
Lease liabilities due after more than one year (note 14)	**(23.8)**	(29.4)
Net debt	**(146.2)**	(215.3)

	2020 £m	2019 £m
Change in net debt		
Operating profit	**42.8**	69.2
Non-cash items	**58.1**	45.8
Operating cash flow before movement in working capital	**100.9**	115.0
Net movement in working capital	**18.2**	(12.9)
Changes in provisions and employee benefits	**(0.8)**	(3.2)
Operating cash flow	**118.3**	98.9
Tax paid	**(16.5)**	(14.4)
Net financing costs paid	**(5.4)**	(5.9)
Capital expenditure	**(20.4)**	(47.9)
Proceeds on disposal of non-current assets and assets held for sale	**6.5**	2.3
Free cash flow	**82.5**	33.0
Dividends paid (note 10)	**(8.4)**	(25.1)
Acquisitions (note 11)	**(0.9)**	(48.9)
Disposals	**-**	2.4
Amortisation of costs associated with refinancing activities (note 6)	**(0.8)**	-
Purchase of shares for employee benefit trust	**-**	(0.7)
Issue of new shares (note 23)	**1.0**	2.0
New leases and lease remeasurements	**(3.2)**	(11.1)
Interest on lease liabilities	**(0.8)**	(0.9)
Net debt decrease / (increase)	**69.4**	(49.3)
Effect of exchange rate fluctuations	**(0.3)**	2.9
Net debt at the beginning of the year	**(215.3)**	(132.9)
Adoption of IFRS 16 in 2019	**-**	(36.0)
Net debt at the beginning of the year	**(215.3)**	(168.9)
Net debt at the end of the year	**(146.2)**	(215.3)

Notes to the Consolidated Financial Statements
continued

18. Cash and borrowings (continued)

Reconciliation of movements in financial liabilities to cash flows arising from financing activities

	2020 £m	2019 £m
Interest bearing loans and other borrowings and lease liabilities		
At 1 January (as previously reported)	241.3	169.8
Adoption of IFRS 16 in 2019	-	36.0
At 1 January (restated)	241.3	205.8
New loans and borrowings	-	119.9
Repayments of loans and borrowings	(74.4)	(83.2)
Payment of lease liabilities	(11.1)	(10.5)
Costs associated with financing	-	(2.1)
Cash flows (used in)/from financing activities	(85.5)	24.1
Other changes		
Effect of exchange rate fluctuations	0.4	(3.5)
Financial gain relating to refinancing	-	(0.9)
Financial expenses relating to financing	0.8	0.9
Lease changes:		
New leases	3.4	10.5
Terminations	(0.9)	(0.2)
Revaluations	0.6	0.7
Acquisitions	-	4.3
Disposals of subsidiaries	-	(0.4)
Interest expense	0.8	0.9
Interest paid	(0.8)	(0.9)
At 31 December	160.1	241.3

19. Current liabilities

	2020 £m	2019 £m
Interest bearing loans and borrowings		
Loans and borrowings	0.5	0.4
Bank overdrafts	8.1	-
	8.6	0.4
Trade and other current liabilities		
Trade payables	62.7	73.0
Other taxation and social expenses	14.0	12.8
Accrued expenses	30.2	28.4
Deferred income	6.1	2.6
Fair value derivatives	0.1	0.1
Other payables	3.6	3.4
	116.7	120.3

The amount of contract liabilities included in deferred income as at 31 December 2020 was £6.1m (2019: £2.6m). During the year, £2.6m of revenue was recognised in respect of contract liabilities present as at 1 January 2020.

20. Non-current liabilities

	2020 £m	2019 £m
Interest bearing loans and borrowings		
Loans and borrowings	**127.2**	200.9
	127.2	200.9
Other non-current liabilities		
Deferred consideration on acquisitions	**0.3**	0.2
Deferred government grants	**0.9**	1.1
Accrued expenses	**0.2**	-
	1.4	1.3

21. Provisions

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 January 2019	2.6	1.2	0.2	4.0
Exchange adjustments	(0.1)	-	-	(0.1)
Acquisitions	-	-	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**
Charged during the year	**-**	**0.8**	**2.6**	**3.4**
Utilised during the year	**-**	**(0.9)**	**-**	**(0.9)**
At 31 December 2020	**2.1**	**0.7**	**3.0**	**5.8**

	2020 £m	2019 £m
Amounts due within one year	**3.3**	0.8
Amounts due after more than one year	**2.5**	2.5
	5.8	3.3

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.

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 twelve months.

Other provisions

Other provisions relate to various obligations including obligations in respect of onerous leases, property dilapidations and claims or disputes. The charge in the year of £2.6m relates to the anticipated settlement of contractual dilapidation obligations on two leased properties that the Group expects to incur in 2021.

Notes to the Consolidated Financial Statements
continued

22. 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 2020 with 44% (2019: 47%) and currently the only significant geographical region that does not generally insure trade receivables is the USA, which represents 29% (2019: 28%) 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 2020 all such debt was covered by cash and cash equivalents netting to £13.4m positive current liquidity (2019: £25.6m).

The Group's principal UK revolving credit facility is a multicurrency agreement with a value at 31 December 2020 of £275.4m (2019: £276.0m), based on year end exchange rates. Along with various other on demand lines of credit, including bank overdrafts, the Group has access to bank borrowing facilities of £289.2m at 31 December 2020 (2019: £291.5m).

In addition, on 25 June 2019 the Group signed an agreement with an institutional investor for a private placement of $70m new senior unsecured notes ("Senior Unsecured Notes"). The issue consisted of two equal tranches with maturities in June 2026 and June 2029 respectively.

At 31 December 2020, the Group's total committed borrowing facilities were £328.3m (2019: £330.9m) and the amount undrawn at this date was £190.8m (2019: £125.5m).

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. Refer to note 22(f) for further details.

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 2020 credit exposure including cash deposited did not exceed £5.7m with any single institution (2019: £7.0m).

22. 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 minimise currency risk. The Group does not apply hedge accounting to these derivative financial instruments.

The Group has hedged its investment in its US and European operations by way of financing the acquisitions through like denominations of its multi-currency banking facility and the 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'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 2020 the proportion of gross borrowings subject to fixed interest rate swaps was 0% (2019: 0%). At the current time, the Group has determined that there is no significant benefit of entering into such contracts. In addition, the Group currently feels that using fixed interest rates for short-term day-to-day trading is not appropriate.

The Senior Unsecured Notes account for 38% (2019: 26%) of the Group's outstanding gross borrowings at 31 December 2020 and attract a fixed rate of interest averaging 3.92% (2019: 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 2020 and 2019, as set out in the Operational & Financial Review on pages 24 to 31.

There were no changes in the Group's approach to capital management during the year.

(b) Total financial assets and liabilities

The table below sets out the Group's accounting classification of its financial assets and liabilities and their fair values as at 31 December. The fair values of all financial assets and liabilities are not materially different to the carrying values.

	Designated at fair value £m	Amortised cost £m	Total carrying value £m	Fair value £m
Cash and cash equivalents	**-**	**13.9**	**13.9**	**13.9**
Loans and other borrowings due within one year	**-**	**(0.5)**	**(0.5)**	**(0.5)**
Loans and borrowings due after more than one year	**-**	**(127.2)**	**(127.2)**	**(127.2)**
Lease liabilities due within one year	**-**	**(8.6)**	**(8.6)**	**(8.6)**
Lease liabilities due after more than one year	**-**	**(23.8)**	**(23.8)**	**(23.8)**
Derivative liabilities	**(0.1)**	**-**	**(0.1)**	**(0.1)**
Other assets	**-**	**107.9**	**107.9**	**107.9**
Other liabilities	**-**	**(96.5)**	**(96.5)**	**(96.5)**
Total at 31 December 2020	**(0.1)**	**(134.8)**	**(134.9)**	**(134.9)**
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)

Notes to the Consolidated Financial Statements
continued

22. Financial instruments (continued)

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 liabilities	**-**	**(0.1)**	**-**	**(0.1)**
Total at 31 December 2020	**-**	**(0.1)**	**-**	**(0.1)**
Derivative financial liabilities	-	(0.1)	-	(0.1)
Total at 31 December 2019	-	(0.1)	-	(0.1)

At 31 December 2020 the Group did not have any liabilities classified at Level 1 or Level 3 in the fair value hierarchy (2019: nil). 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 Group is aware of the replacement of LIBOR as a reference rate that will occur in 2021 and, whilst we do not believe the changes will have a material impact on the Group, we are in discussions with our lenders and legal advisors to reflect the necessary changes in our facility documentation. 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 £16.2m (2019: £21.2m) and US Dollar £51.5m (2019: £60.6m) denominated interest bearing loans, which are predominantly used to fund the Group's European and United States operations and include £67.7m (2019: £81.8m) designated as a hedge of the net investment in a foreign operation. The foreign currency loss/gain of £nil (2019: gain of £2.9m) for the effective portion was recognised in the Consolidated Statement of Comprehensive Income 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
US Dollar at 31 December 2020	**3.9**	**7.0**
US Dollar at 31 December 2019	3.9	8.0

22. Financial instruments (continued)

(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**	**1.4**	**(1.4)**	**(0.4)**	**(0.4)**	**(0.6)**	**-**
Unsecured loans and borrowings	**Floating**	**83.2**	**(89.3)**	**(9.2)**	**(1.1)**	**(79.0)**	**-**
Senior Unsecured Notes	**3.9%**	**51.2**	**(67.7)**	**(2.0)**	**(2.0)**	**(6.1)**	**(57.6)**
Lease liabilities	**Floating**	**32.4**	**(35.6)**	**(9.2)**	**(7.8)**	**(12.5)**	**(6.1)**
Other liabilities	**n/a**	**103.1**	**(103.1)**	**(102.6)**	**(0.5)**	**-**	**-**
Derivative liabilities	**n/a**	**0.1**	**(0.1)**	**(0.1)**	**-**	**-**	**-**
Total at 31 December 2020		**271.4**	**(297.2)**	**(123.5)**	**(11.8)**	**(98.2)**	**(63.7)**
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)

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.

The Group had the following undrawn committed facilities at 31 December, in respect of which all conditions precedent had been met:

	2020 £m	2019 £m
Undrawn committed borrowing facilities	**190.8**	125.5

(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 (2019: £0.1m). The fair values of the Group's other financial instruments at 31 December 2020 and 2019 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 £19.5m (2019: £7.0m) were recognised in respect of the carrying values of non-current assets as detailed in notes 11, 12 and 14.

(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

	2020 £m	2019 £m
Trade and other receivables and contract assets at amortised cost	**116.2**	137.0
Cash on short term deposits	**22.0**	26.0
Total	**138.2**	163.0

Notes to the Consolidated Financial Statements
continued

22. Financial instruments (continued)

Carrying value of trade receivables by geography

	2020 £m	2019 £m
UK	46.5	61.5
Rest of Europe	20.0	23.8
North America	31.5	36.7
Rest of World	8.8	8.7
Total	106.8	130.7

Carrying value of trade receivables by business segment

	2020 £m	2019 (restated) £m
Roads & Security	45.8	59.3
Utilities	31.6	40.3
Galvanizing Services	29.4	31.1
Total	106.8	130.7

Impairment losses

The Group maintains a level of credit insurance covering a significant part of its trade receivables which mitigates against possible impairment losses. An impairment assessment is performed at each reporting date to assess whether there has been a significant increase in the credit risk. Expected credit loss rates are calculated individually for each business within the Group and are based on historical observed default rates, adjusted for forward-looking information. Due to COVID-19, forecast economic conditions are expected to deteriorate over the next year which the Group considers could lead to an increased number of defaults. As a result, the Group has updated default loss rates to incorporate forward-looking information based on available macroeconomic information. The assessment of the correlation between forecast economic conditions and expected future credit losses is an estimate but is not determined to be a significant estimate as the Group does not expect future credit losses to be materially different to the credit losses estimated at the end of the reporting date. The charge to the Consolidated Income Statement in the year in respect of the expected loss of trade receivables was £2.2m (2019: £2.6m). 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.

The ageing of trade receivables at the reporting date was:

	2020			2019		
	Gross £m	Provisions £m	Net £m	Gross £m	Provisions £m	Net £m
Not past due	71.4	(0.8)	70.6	93.0	(0.5)	92.5
Past due 1–30 days	23.7	(0.2)	23.5	25.7	(0.1)	25.6
Past due 31–120 days	9.2	(0.2)	9.0	10.0	(0.8)	9.2
Past due more than 120 days	8.8	(5.1)	3.7	7.2	(3.8)	3.4
Total	113.1	(6.3)	106.8	135.9	(5.2)	130.7

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

	£m
At 1 January 2019	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**
Charged in the year	**2.2**
Utilised during the year	**(1.1)**
At 31 December 2020	**6.3**

22. Financial instruments (continued)

(f) Market Risk – 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 £2.4m (2019: £1.9m), 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 £4.8m (2019: £4.5m) and the impact on equity would have been an increase of £12.8m (2019: £12.7m).
- 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 £3.9m (2019: £3.7m) and the impact on equity would have been a decrease of £13.1m (2019: £12.9m).

23. Called up share capital

	2020 £m	2019 £m
Allotted, called up and fully paid		
79.5m ordinary shares of 25p each (2019: 79.4m)	**19.9**	19.9

In 2020 the Company issued 0.1m shares under its various share option schemes (2019: 0.4m), realising £1.0m (2019: £2.0m).

Each ordinary share carries equal voting rights and there are no restrictions on any share.

Options outstanding over the Company's shares

The Group operates a number of employee share schemes categorised as follows:

- Save As You Earn ('SAYE') schemes – 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. Such schemes are typically issued annually, are either three or five years and are offered to employees in the UK;
- Long Term Incentive Plans ('LTIP') and Executive Share Option Schemes ('ESOS') – The Remuneration Committee may, at its discretion, structure awards as approved awards comprising both a tax qualifying option granted under the ESOS and LTIP awards. LTIP awards are at nil cost and ESOS is a costed option; and
- Buy-out awards – On joining the Company as CEO Designate in September 2020, Paul Simmons forfeited his 2018 and 2019 long term incentive awards at his previous employer. The Company compensated Mr Simmons for these awards by granting two awards over Hill & Smith shares, to ensure the ultimate reward is aligned with shareholders' experience. The awards are at nil cost. Further details are provided in the Directors' Remuneration Report on page 88.

The number of options outstanding by scheme are as follows:

	2020		2019	
	Number of shares	**Option price range (p)**	Number of shares	Option price range (p)
SAYE schemes †	**844,616**	**560p to 1,021p**	802,767	429p to 1,021p
LTIP awards	**232,267**	**-**	194,437	-
ESOS awards ^	**639,443**	**316p to 1,113p**	666,001	316p to 1,113p
Buy-out awards	**40,921**	**-**	-	-
Outstanding at the end of the year	**1,757,247**		1,663,205	
Exercisable at the year end	**71,443**		88,280	
Not exercisable at the year end	**1,685,804**		1,574,925	
Outstanding at the end of the year	**1,757,247**		1,663,205	

† 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 including the profitability of subsidiary businesses.

Notes to the Consolidated Financial Statements
continued

23. Called up share capital (continued)

The remaining weighted average life of the outstanding share options is 4 years 2 months (2019: 4 years 8 months).

The movement and weighted average exercise prices of share options during the year are as follows:

	Weighted average exercise price (p) 2020	Millions of options 2020	Weighted average exercise price (p) 2019	Millions of options 2019
Outstanding at the beginning of the year	842	1.7	739	2.1
Granted during the year	520	0.4	732	0.3
Exercised during the year	(723)	(0.1)	(436)	(0.5)
Lapsed during the year	(509)	(0.2)	(647)	(0.2)
Outstanding at the end of the year	810	1.8	842	1.7

The weighted average share price on the dates of exercise of share options during the year was 1,417p (2019: 1,221p), and the weighted average fair value of options and awards granted in the year was 541p (2019: 372p). The weighted average exercise price of outstanding options exercisable at the year end was 612p (2019: 625p).

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.

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. Other than the LTIP and Buy-out awards, the strike price for the option is made based on the market values of shares at the date the option is offered.

The key assumptions for the grants in the current and prior year were as follows:

	2020			2019	
	SAYE	LTIP	Buy-out awards	SAYE	LTIP
Expected share price volatility (%)	17%/15%	33%	0%	17%/19%	26%
Dividend yield (%)	2.8%	0.0%	0.0%	2.6%	0.0%
Option life (years)	3/5	3	0.8/1.8	3/5	3
Risk free interest rate (%)	-0.1%/0.0%	-0.1%	0%	0.4%/0.4%	0.8%

The total expense recognised for the period arising from share-based payments is as follows:

	2020 £m	2019 £m
Equity-settled	0.8	0.9
Cash-settled	-	0.3
Total expensed during the year	0.8	1.2

The carrying amount of the liability in relation to cash-settled share based payments at the end of the year was £0.7m (2019: £0.7m).

24. Guarantees and other financial commitments

(a) Guarantees

The Group had no financial guarantee contracts outstanding (2019: £nil).

(b) Capital commitments

	2020 £m	2019 £m
Contracted for but not provided in the accounts	**3.6**	3.6

(c) Operating lease receivables

The total future minimum commitments receivable under non-cancellable operating leases are analysed as follows:

	2020		2019	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Group				
Within one year	**0.2**	**5.2**	0.4	13.7
Between one and five years	**-**	**0.7**	0.1	2.0
After five years	**0.1**	**-**	0.1	-
	0.3	**5.9**	0.6	15.7

25. Pensions

Total

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

	UK £m	Overseas £m	2020 £m	UK £m	Overseas £m	2019 £m
Total fair value of scheme assets	**62.0**	**3.2**	**65.2**	57.7	3.1	60.8
Present value of scheme funded obligations	**(76.0)**	**(8.6)**	**(84.6)**	(72.5)	(8.0)	(80.5)
Present value of scheme unfunded obligations	**-**	**(0.2)**	**(0.2)**	-	(0.2)	(0.2)
Retirement benefit obligation	**(14.0)**	**(5.6)**	**(19.6)**	(14.8)	(5.1)	(19.9)

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 and is subject to the statutory scheme specific funding requirements outlined in UK legislation. The average duration of the defined benefit plan obligation at the end of the reporting period is approximately 15 years (2019: 15 years).

The assets of the Scheme are administered by Trustees and are kept entirely separate from those of the Group. Full 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.

The last full actuarial valuation was carried out as at 5 April 2019. The results of this valuation have been incorporated in the updated IAS 19 position at 31 December 2020 by a qualified actuary. All actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

There are also separate personal pension plans.

The Consolidated Income Statement for the year includes a pension charge within operating profit of £3.6m (2019: £2.9m), which includes the costs of the defined contribution and the defined benefit sections of the Scheme.

Notes to the Consolidated Financial Statements
continued

25. 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 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 in 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.

The principal assumptions used by the actuary

	2020 £m	2019 £m
Rate of increase in salaries	**n/a**	n/a
Rate of increase in pensions payment	**2.9%**	3.0%
Discount rate	**1.2%**	2.0%
Inflation – RPI	**3.0%**	3.1%
Inflation – CPI	**2.2%**	2.1%
Mortality table	**114%117%**	105%102%
	CMI 2019	S2PACM12018
	(1.25%)	(1.25%)

The mortality assumptions imply the following expected future lifetimes from age 65:

	2020 £m	2019 £m
Males currently aged 45	**22.5 years**	22.7 years
Females currently aged 45	**24.8 years**	25.1 years
Males currently aged 65	**21.2 years**	21.6 years
Females currently aged 65	**23.3 years**	23.6 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.

25. 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 in respect of the defined benefit scheme, which are not intended to be realised in the short term and may be subject to significant change before they are realised are detailed below. In addition, the value of the Scheme liabilities, which is derived from cash flow projections over an average period of approximately 15 years (the weighted average duration of the Scheme) and which is therefore inherently uncertain is also set out below.

	2020 £m	2019 £m
Assets		
Equities	**6.8**	17.4
Bonds	**26.9**	20.4
With profits policies	**0.9**	1.6
Liability Driven Investment ('LDI') funds	**22.2**	17.7
Cash	**5.2**	0.6
Total fair value of Scheme assets	**62.0**	57.7
Present value of Scheme funded obligations	**(76.0)**	(72.5)
Retirement benefit obligation	**(14.0)**	(14.8)

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 resulted in a further shift from growth assets to bonds in 2020, reducing the level of risk in the Scheme's asset strategy. The Scheme's LDI investment is structured as investment in a number of unit-linked funds of short and long-dated nominal and index-linked government bonds, some of which are leveraged, held with the Scheme's investment manager. This is designed to reflect the size and shape of the Scheme's interest rate and inflation exposure.

Assets in the bonds and equities categories, which account for approximately 54% (2019: 66%) of total Scheme assets, have quoted market prices in active markets.

Total expense recognised in the Consolidated Income Statement

	2020			2019		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service costs	**2.3**	**-**	**2.3**	2.0	-	2.0
Past service cost	**-**	**0.4**	**0.4**	-	-	-
Expenses	**0.6**	**0.3**	**0.9**	0.5	0.4	0.9
Charge to operating profit	**2.9**	**0.7**	**3.6**	2.5	0.4	2.9
Interest on net Scheme deficit	**-**	**0.3**	**0.3**	-	0.5	0.5
Total charged to profit before tax	**2.9**	**1.0**	**3.9**	2.5	0.9	3.4

Change in the present value of the defined benefit obligations

	2020 £m	2019 £m
Opening defined benefit obligations	**72.5**	72.8
Past service cost	**0.4**	-
Interest cost	**1.4**	2.0
Actuarial (gain)/loss arising from:		
Financial assumptions	**7.6**	6.0
Demographic assumptions	**(2.3)**	(0.9)
Experience adjustment	**-**	(2.5)
Benefits paid	**(3.6)**	(4.9)
Closing defined benefit obligations	**76.0**	72.5

Notes to the Consolidated Financial Statements
continued

25. Pensions (continued)

Changes in fair values of Scheme assets

	2020 £m	2019 £m
Opening fair value of assets	**57.7**	55.2
Interest income	**1.1**	1.5
Return on plan assets excluding interest income	**3.2**	3.4
Employer contributions	**3.6**	2.5
Benefits paid	**(3.6)**	(4.9)
Closing fair value of assets	**62.0**	57.7
Actual return on Scheme assets	**4.3**	4.9
Expected employer contributions in the following year		
Defined benefit scheme	**3.9**	4.1
Defined contribution schemes	**1.7**	1.4

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of Scheme assets/ liabilities %	2020 £m	% of Scheme assets/ liabilities %	2019 £m
Return on plan assets excluding interest income	**5**	**3.2**	6	3.4
Experience gain on Scheme obligations	**-**	**-**	3	2.5
Changes in assumptions underlying the present value of Scheme obligations	**(7)**	**(5.3)**	(7)	(5.1)
Amount recognised in the year	**(3)**	**(2.1)**	1	0.8

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 2020	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	**(76.0)**	(76.4)	(77.1)	(76.6)	(79.0)
Fair value of plan assets	**62.0**	62.0	62.0	62.0	62.0
Deficit	**(14.0)**	(14.4)	(15.1)	(14.6)	(17.0)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the year. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. As such the sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

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 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.

Overseas

The Group operates two overseas pension schemes in France and the USA.

In France, France Galva SA provides certain long term benefits and operates post employment defined benefit plans which provide lump sum benefits at retirement in accordance with collective bargaining agreements. Some of those plans are funded with insurance companies. The average duration of the defined benefit plan obligation at the end of the reporting period is approximately 19 years (2019: 19 years) for the funded scheme and 9 years (2019: 9 years) for the unfunded scheme.

25. Pensions (continued)

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 average duration of the defined benefit plan obligation at the end of the reporting period is approximately 10 years (2019: 10 years).

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 (2019: £1.0m).

The Consolidated Income Statement for the year includes a pension charge within operating profit of £1.4m (2019: £1.3m), which includes the costs of the defined contribution schemes and the defined benefit schemes.

Actuarial valuations of the above schemes were carried out by independent actuaries as at 31 December 2020. All actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

The principal assumptions used by the actuaries

	2020 USA	2020 France	2019 USA	2019 France
Rate of increase in salaries	**0.00%**	**2.50%**	0.00%	2.50%
Discount rate	**2.40%**	**0.45%/0.45%**	3.15%	0.8%/0.4%
Inflation	**0.00%**	**2.00%**	0.00%	2.00%
Mortality table	**2014 SOA**	**TH00-02, TF00-02**	2014 SOA	TH00-02, TF00-02

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 2020 £m	Market Value 2019 £m
Assets		
Cash and other insured fixed interest assets	**3.2**	3.1
Total fair value of scheme assets	**3.2**	3.1
Present value of scheme funded obligations	**(8.6)**	(8.0)
Present value of scheme unfunded obligations	**(0.2)**	(0.2)
Retirement benefit obligation	**(5.6)**	(5.1)

Cash and other insured fixed interest assets – where assets are held in cash or a policy with a fixed interest asset allocation, the expected long term rate of return is taken to be the yields generally prevailing on such assets as at the year end date.

Total expense recognised in the Consolidated Income Statement

	2020			2019		
	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**	**0.4**	**1.4**	1.0	0.3	1.3
Charge to operating profit	**1.0**	**0.4**	**1.4**	1.0	0.3	1.3
Interest on net pension scheme deficit	**-**	**-**	**-**	-	-	-
Total charged to profit before tax	**1.0**	**0.4**	**1.4**	1.0	0.3	1.3

Notes to the Consolidated Financial Statements
continued

25. Pensions (continued)

Change in the present value of the defined benefit obligation

	2020 £m	2019 £m
Opening defined benefit obligation	**8.2**	8.3
Current service costs	**0.3**	0.2
Interest cost on scheme obligations	**0.1**	0.2
Actuarial (gains)/losses arising from:		
Financial assumptions	**0.7**	1.3
Demographic adjustments	**(0.5)**	(0.4)
Experience adjustment	**0.4**	(0.7)
Benefits paid	**(0.5)**	(0.3)
Exchange adjustments	**0.1**	(0.4)
Closing defined benefit obligation	**8.8**	8.2

Changes in fair values of scheme assets

	2020 £m	2019 £m
Opening fair value of assets	**3.1**	2.9
Return on plan assets excluding interest income	**0.4**	0.4
Interest on plan assets	**0.1**	0.2
Employer contributions	**0.1**	0.1
Admin expenses	**(0.1)**	(0.1)
Benefits paid	**(0.2)**	(0.2)
Exchange adjustments	**(0.2)**	(0.2)
Closing fair value of assets	**3.2**	3.1
Actual return on scheme assets	**0.5**	0.6
Expected employer contributions in the following year		
Defined benefit schemes	**-**	-
Defined contribution schemes	**1.0**	1.0

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of scheme assets/liabilities %	2020 £m	% of Scheme assets/liabilities %	2019 £m
Experience gain on scheme obligations	**(5)**	**(0.4)**	9	0.7
Return on plan assets excluding interest income	**13**	**0.4**	13	0.4
Changes in assumptions underlying the present value of scheme obligations	**(2)**	**(0.2)**	(11)	(0.9)
Exchange rate adjustment on assets and liabilities	**(5)**	**(0.3)**	4	0.2
Amount recognised in the year	**(6)**	**(0.5)**	5	0.4

The Group considers that any reasonable sensitivities applied to the assumptions for the overseas schemes would not have a material impact on the Consolidated Statement of Financial Position.

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 believed 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. In January 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. Based on the current status of the case in both the UK and EU jurisdictions, we have concluded that no provision is required at 31 December 2020 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 83 to 93 and in note 5 to the Financial Statements on page 137.

28. Subsequent events

After the year end, in March 2021, the Group acquired Prolectric Services Ltd ('Prolectric') for an initial cash consideration of £12.5m, on a debt and cash free basis. Prolectric is a UK market leader in temporary solar lighting and operates in a market with excellent long term growth potential, driven by the transition from fossil fuels towards renewable energies.

Company Balance Sheet

	Notes	2020 £m	2019 £m
Fixed assets			
Tangible assets	3	**0.1**	-
Right-of-use assets	4	**0.4**	0.5
Investments	5	**329.8**	338.8
		330.3	339.3
Current assets			
Debtors	6	**89.6**	97.6
Cash		**0.1**	6.7
		89.7	104.3
Creditors: amounts falling due within one year			
Bank loans and overdrafts	7, 8	**(8.5)**	-
Lease liabilities	4	**(0.1)**	(0.1)
Other creditors	7	**(55.5)**	(55.9)
		(64.1)	(56.0)
Net current assets		**25.6**	48.3
Total assets less current liabilities		**355.9**	387.6
Creditors: amounts falling due after more than one year	8	**(43.5)**	(103.1)
Provisions			
Pension liabilities	10	**(0.4)**	(0.4)
Net assets		**312.0**	284.1
Share capital and reserves			
Called up share capital	11	**19.9**	19.9
Share premium		**38.4**	37.4
Capital redemption reserve		**0.2**	0.2
Profit and loss account		**253.5**	226.6
Equity shareholders' funds		**312.0**	284.1

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 £34.6m in the year (2019: £9.8m).

Approved by the Board of Directors on 9 March 2021 and signed on its behalf by:

P Simmons
Director

H K Nichols
Director

Company Number: 671474

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 2019	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 acquired by employee benefit trust	-	-	-	0.7	0.7
Tax taken directly to the Statement of Changes in Equity	-	-	-	-	-
Issue of shares	0.1	1.9	-	-	2.0
At 31 December 2019	**19.9**	**37.4**	**0.2**	**226.6**	**284.1**
Comprehensive income					
Profit for the year	**-**	**-**	**-**	**34.6**	**34.6**
Other comprehensive income for the year				**(0.1)**	**(0.1)**
Transactions with owners recognised directly in equity					
Dividends	**-**	**-**	**-**	**(8.4)**	**(8.4)**
Credit to equity of share-based payments	**-**	**-**	**-**	**0.8**	**0.8**
Issue of shares	**-**	**1.0**	**-**	**-**	**1.0**
At 31 December 2020	**19.9**	**38.4**	**0.2**	**253.5**	**312.0**

Details of share options and related share-based payments are contained in note 23 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 £73.5m (2019: £46.7m), representing 3.5 times (2019: 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 £49.4m available for distribution at 31 December 2020. Further reserves are available for distribution from trading subsidiaries located overseas, subject to local regulations.

Company Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements, except as noted below.

Basis of preparation

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 Income Statement.

As the Consolidated Financial Statements include the equivalent disclosures, the Company has taken the available exemptions under FRS 101 in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group settled share based payments;
- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned Group companies; and
- The effects of new but not yet effective IFRSs.

The Accounting Policies set out on pages 122 to 129 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 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.

Accounting judgements, estimates and assumptions

The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of income, expenses, assets and liabilities. Actual results may differ from these estimates.

Significant estimates are required in determining whether impairment of the Company's investments exists, which requires estimation of the investments' value in use. A process similar to the impairment review performed on the Group's goodwill and other indefinite life intangible assets is undertaken. Key assumptions include the estimation of future cash flows, growth factors and discount rates.

There are no significant judgements used by management in preparing the Company's Financial Statements.

Investments in subsidiary undertakings

In the Company's Financial Statements, investments in subsidiary undertakings are carried at cost less impairment.

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 Company's cash management are included as a component of cash and cash equivalents.

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. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account.

Financial instruments

Trade and other debtors and amounts owed by subsidiary undertakings

Trade and other debtors and amounts owed by subsidiary undertakings 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 and amounts owed to subsidiary undertakings

Trade and other creditors and amounts owed to subsidiary undertakings 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.

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 Company recognises: a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Company'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 Company 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 Company'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 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

Fees paid to Ernst & Young LLP and its associates (2019: 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 during the year

	2020		2019	
	Pence per share	£m	Pence per share	£m
Interim dividend paid in relation to year-end 31 December 2018	-	-	10.0	7.9
Final dividend paid in relation to year-ended 31 December 2018	-	-	21.8	17.2
Interim dividend paid in relation to year-ended 31 December 2019	10.6	8.4	-	-
Total	**10.6**	**8.4**	31.8	25.1

Dividends declared in respect of the year

	2020		2019	
	Pence per share	£m	Pence per share	£m
Interim dividend declared in relation to year-ended 31 December 2019	-	-	10.6	8.4
Final dividend proposed in relation to year-ended 31 December 2019*	-	-	-	-
Interim dividend declared in relation to year-ended 31 December 2020	9.2	7.3	-	-
Final dividend proposed in relation to year-ended 31 December 2020	17.5	13.9	-	-
Total	**26.7**	**21.2**	10.6	8.4

The final dividend for the year was proposed after the year end date and was not recognised as a liability at 31 December 2020, in accordance with IAS 10.

* The proposed final dividend for 2019 of 23.0p per share was withdrawn and will not be paid.

3. Tangible fixed assets

	Short leasehold properties £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation			
At 1 January 2020	0.1	0.4	0.5
Additions	-	0.1	0.1
At 31 December 2020	**0.1**	**0.5**	**0.6**
Depreciation			
At 1 January 2020	0.1	0.4	0.5
Charge for the year	-	-	-
At 31 December 2020	**0.1**	**0.4**	**0.5**
Net book value			
At 31 December 2020	**-**	**0.1**	**0.1**
At 31 December 2019	-	-	-

Notes to the Company Financial Statements
continued

4. Leases

The movements in the carrying value of the right-of-use assets and lease liabilities in the year ended 31 December 2020 is as follows:

Right-of-use assets	Land and buildings £m	Total £m
Balance at 1 January 2020	**0.5**	**0.5**
Charge for the year	(0.1)	(0.1)
At 31 December 2020	**0.4**	**0.4**

Lease liabilities	Total £m
Balance at 1 January 2020	**0.5**
Lease payments in period	(0.1)
At 31 December 2020	**0.4**

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2020 £m	2019 £m
Depreciation of right-of-use assets	**0.1**	0.1
Charged to operating profit	**0.1**	0.1
Charged to profit before taxation	**0.1**	0.1

The maturities of the lease liabilities at 31 December were as follows:

	2020 £m	2019 £m
Due within one year	**0.1**	0.1
Due between one and two years	**0.1**	0.1
Due between two and five years	**0.2**	0.3
Total lease liabilities	**0.4**	0.5

5 Fixed asset investments

	Shares in subsidiary undertakings £m	Total £m
Cost		
At 1 January 2020 and at 31 December 2020	**379.6**	**379.6**
Provisions		
At 1 January 2020	40.8	40.8
Impairment	9.0	9.0
At 31 December 2020	**49.8**	**49.8**
Net book value		
At 31 December 2020	**329.8**	**329.8**
At 31 December 2019	338.8	338.8

A list of the businesses owned by the Company is given in note 14. All of the Company's subsidiaries are wholly owned.

6. Debtors

	2020 £m	2019 £m
Amounts owed by subsidiary undertakings (including £7.0m (2019: £7.0m) due after more than one year)	**82.7**	94.1
Corporation tax	**5.9**	2.1
Deferred tax (note 9)	**0.3**	0.2
Other debtors	**0.4**	0.8
Prepayments and accrued income	**0.3**	0.4
	89.6	97.6

7. Creditors amounts falling due within one year

	2020 £m	2019 £m
Bank loans and overdrafts (note 8)		
Bank overdrafts	**8.5**	-
	8.5	-
Other creditors		
Trade creditors	**2.2**	2.4
Other taxation and social security	**0.2**	0.2
Accruals	**3.7**	3.8
Other creditors	**1.3**	0.3
Amounts owed to subsidiary undertakings	**48.1**	49.2
	55.5	55.9

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 22 of the Group Financial Statements.

	2020 £m	2019 £m
Bank loans	**43.2**	102.7
Lease liabilities	**0.3**	0.4
	43.5	103.1

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

	2020 £m	2019 £m
Bank loans and overdraft		
Amounts due within one year (note 7)	**8.5**	-
Amounts due after more than one year:		
Between one and two years	**-**	-
Between two and five years	**43.2**	102.7
	43.2	102.7
	51.7	102.7

Notes to the Company Financial Statements
continued

9. Deferred tax

	2020 £m	2019 £m
Deferred tax asset – At 1 January	(0.2)	(0.3)
(Credit) / Charge for the year in the Income Statement	(0.1)	0.1
Deferred tax asset – At 31 December	**(0.3)**	(0.2)
Other timing differences	(0.3)	(0.2)

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 25 to the Group Financial Statements. There are also separate personal pension plans.

The Company's profit for the year includes a pension charge of £0.4m (2019: £0.3m), which includes the costs of the defined contribution schemes and the defined benefit schemes.

11. Called up share capital

	2020 £m	2019 £m
Allotted, called up and fully paid		
79.5m Ordinary Shares of 25p each (2019: 79.4m)	19.9	19.9

In 2020 the Company issued 0.1m shares under its various share option schemes (2019: 0.4m), realising £1.0m (2019: £2.0m). Details of share options and related share-based payments are contained in note 23 to the Group Financial Statements.

Each ordinary share carries equal voting rights and there are no restrictions on any share.

12. Guarantees

The Company had no financial guarantee contracts outstanding (2019: £nil).

The Company guarantees the bank loans, overdrafts and other borrowings of certain subsidiary undertakings. The amount outstanding at 31 December 2020 was £81.9m (2019: £120.9m).

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 5 to the Group Financial Statements.

The Company has taken the available exemption under FRS 101 not to disclose transactions with wholly owned Group companies.

14. Subsidiaries

Incorporated in the UK

AAJG Holdings Limited (H)
Access Design & Engineering Limited (D)
ALSIPI Limited (D)
Ash & Lacy Limited (H)*
Ash & Lacy Manufacturing Limited (H)
Ash & Lacy Services Limited (H)
Asset International Limited (D)
ATG Access Ltd (R)
A W Thorne Limited (D)*
Barkers Engineering Limited (R, G)
Bergen Pipe Supports Group Limited (H)*
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 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 (H)
Hill & Smith (Americas) 3 Limited (H)
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 (H)
Hill & Smith Infrastructure Products Group Limited (D)
Hill & Smith Limited (R)*
Hill & Smith Overseas Limited (H)*
Hill & Smith Pension Trustees Limited (D)
H2S2 Limited (R) **
J. & F. Pool Limited (D)
Jevons Tools Limited (D)
Joseph Ash Limited (G)
Lionweld Steel Limited (D)
Lionweld Kennedy Flooring Limited (U)*
Mallatite Limited (R)*
MB Tech Limited (D)
Medway Galvanising Company Limited (G)
Parking Facilities Ltd (R)
Pipe Supports Overseas Limited (H)*
Post & Column Limited (D)
Premier Galvanizing Limited (G)
Redman Architectural Metalwork Limited (D)
Redman Fisher Engineering Limited (U)
Safety and Security Barrier Holdings Limited (H)
Signature Limited (D)
Signpost Solutions Limited (R)
Technocover Ltd (R)
Tegrel Limited (R)
The Global Tank and Foundry (Wolverhampton) Limited (D)
Variable Message Signs Limited (D)
Varley & Gulliver Limited (R)*
Vista Galvanizing (UK) Limited (D)
VMS Newco Limited (R)
Western Galvanizers Limited (D)
Wombwell Foundry Limited (D)

All of the above subsidiaries have a year end date of 31 December and 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 & Security
(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

As reported	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Revenue	**660.5**	694.7	637.9	585.1	540.1
Underlying operating profit	**69.9**	86.3	80.1	81.3	70.6
Underlying profit before taxation	**62.6**	79.4	76.3	78.5	68.0
Shareholders' funds	**320.5**	307.0	293.2	258.6	232.2
	Pence	Pence	Pence	Pence	Pence
Underlying earnings per share	**63.2**	80.7	77.8	75.9	65.9
Proposed dividends per share	**26.7**	10.6*	31.8	30.0	26.4

*The proposed final dividend for 2019 of 23.0p per share was withdrawn and will not be paid.

Asset International Structures provided a rapid, efficient MP200 Multiplate™ Superspan Arch system to Network Rail, located 300 metres west of Brockley Whins Metro Station on the Longlands, Eaglescliffe and Newcastle Line (LEN3).

Shareholder Information

Bowater Doors supply Stonebridge Homes composite doors across all of their new build sites. Each home is built to the highest possible specification using modern materials and building techniques.

Financial Calendar

Trading Update	Tuesday 25 May 2021
Annual General Meeting	Tuesday 25 May 2021
Ex-dividend date for 2020 final dividend	Thursday 3 June 2021
Record date 2020 final dividend	Friday 4 June 2021
Dividend Reinvestment Plan – last date for election	Friday 18 June 2021
Final 2020 dividend payable	Friday 9 July 2021
Announcement of 2021 interim results	Wednesday 11 August 2021
Trading Update	Thursday 25 November 2021
Ex-dividend date for 2021 interim dividend	Thursday 2 December 2021
Record date 2021 interim dividend	Friday 3 December 2021
Dividend Reinvestment Plan – last date for election	Tuesday 14 December 2021
Payment of 2021 interim dividend	Friday 7 January 2022

Shareholder Information

Shareholder base

Holdings of ordinary shares at 1 March 2021

Range of shareholders	Number of holders	%	Number of shares	%
1 – 500	713	31.22	151,571	0.19
501 – 1,000	397	17.38	300,561	0.38
1,001 – 5,000	648	28.37	1,527,905	1.92
5,001 – 50,000	353	15.46	4,902,396	6.16
50,001 – 100,000	52	2.28	3,713,422	4.66
100,001 – 500,000	85	3.72	19,436,352	24.41
500,001 – 1,000,000	19	0.83	12,830,079	16.11
Above 1,000,001	17	0.74	36,766,310	46.17
Totals	2,284	100	79,628,596	100

Shareholder base

	Number of holders	%	Number of shares	%
Individuals	1384	60.60	3,473,648	4.36
Institutions	894	39.14	76,132,929	95.61
Other corporate	6	0.26	22,019	0.03
Totals	2,284	100	79,628,596	100

Dividend History – proposed dividends per share

	2020	2019	2018	2017	2016
Interims	**9.2**	10.6	10.0	9.4	8.5
Final	**17.5**	-	21.8	20.6	17.9
Total	**26.7**	10.6	31.8	30.0	26.4

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

The AGM will be held virtually on Tuesday 25 May 2021. 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'

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

Roads & Security

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 Limited

Highway and off-highway safety barriers, permanent and temporary solutions for vehicle restraints, and retained earth systems for Highway & Rail construction sectors.
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

Barkers Engineering Limited*

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

Mallatite Limited

Manufacture of lighting columns, bespoke support structures, traffic sign columns, posts and associated lighting products
Holmewood Industrial Estate, Hardwick View Road, Holmewood, Chesterfield,
Derbyshire, S42 5SA
Tel: +44 (0) 1246 593280
Fax: +44 (0) 1246 593281
sales@mallatite.co.uk
www.mallatite.co.uk

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
www.parkingfacilities.co.uk

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

Varley & Gulliver Limited

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 10 440 71 01
Fax: +46 (0) 8 29 25 15
info@ata.se
www.ata.se

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 work zone protection providing smart, safe, innovative solutions for the traffic safety and highway infrastructure businesses
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

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.

Utilities

United Kingdom

Birtley Group Limited*

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 Limited

Open steel flooring, handrailing and ancillary products
Marsh Road, Middlesbrough, TS1 5JS
Tel: +44 (0) 1642 245151
Fax: +44 (0) 1642 224710
sales@lk-uk.com
www.lk-uk.com

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)
Manufacture of 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
www.creativecompositesgroup.com

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

India

Bergen Pipe Supports (India) Private Ltd*

Manufacture and supply of pipe supports solutions, including cryogenic supports
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 Limited*

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 Limited*

Galvanizing, shotblasting and powder coating services
Castle Road, Eurolink Industrial Centre,
Sittingbourne, Kent, ME10 3RN
Tel: +44 (0) 1795 479489
Fax: +44 (0) 1795 477598
info@medgalv.co.uk
www.medgalv.co.uk

Premier Galvanizing Limited*

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 Limited*

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 Limited*

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
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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

Alan Giddins
Chair

Paul Simmons
Chief Executive

Hannah Nichols
Chief Financial Officer

Tony Quinlan
Senior Independent Non-executive

Annette Kelleher
Non-executive

Mark Reckitt
Non-executive

Pete Raby
Non-executive

Hill & Smith Holdings PLC

Registered Office
Westhaven House
Arleston Way
Shirley, Solihull
West Midlands
B90 4LH

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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
Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

Brokers and Financial Advisors
Investec Investment Banking
30 Gresham Street
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EC2V 7QP

Principal Bankers
Barclays Bank Plc
Midlands Corporate Banking Centre
PO Box 3333
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Birmingham
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Lawyers
Gowling WLG
Two Snowhill
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Silks Solicitors
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Oldbury
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Notes

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