



Well positioned for growth

Hill & Smith PLC

Annual Report & Accounts 2024

Group financial highlights

Underlying

Revenue

£855.1m +3%

(2023: £829.8m)

Underlying operating profit

£143.5m +17%

(2023: £122.5m)

Underlying operating margin

16.8% +200bps

(2023: 14.8%)

Underlying profit before tax

£132.6m +18%

(2023: £111.9m)

Underlying earnings per share

122.6p +16%

(2023: 105.4p)

Statutory

Revenue

£855.1m +3%

(2023: £829.8m)

Operating profit

£115.4m +11%

(2023: £103.8m)

Operating margin

13.5% +100bps

(2023: 12.5%)

Profit before tax

£104.5m +12%

(2023: £93.2m)

Basic earnings per share

95.0p +10%

(2023: 86.0p)

All underlying measures exclude certain non-underlying items, which are as detailed in note 5 to the financial statements and described in the Financial Review. References to an underlying profit measure throughout this Report 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 provide 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 4 to the financial statements. They are presented on a consistent basis over time to assist in comparison of performance.

Where we refer to organic constant currency (OCC) movements, these exclude the impact of currency translation effects and acquisitions, disposals and closures of subsidiary businesses. In respect of acquisitions, the amounts referred to represent the amounts for the period in the current year that the business was not held in the prior year. In respect of disposals and closures of subsidiary businesses, the amounts referred to represent the amounts for the period in the prior year that the business was not held in the current year. Constant currency amounts are prepared using exchange rates which prevailed in the current year.

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Governance

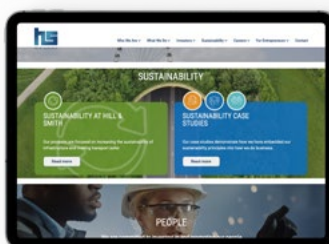
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Hill & Smith investment case

Delivering long-term stakeholder value

Structural growth

underpinned by the need for infrastructure investment in our core markets

Market leader

with strong track record, in attractive niches with high barriers to entry

Sustainability

at the core of our business model

Entrepreneurial culture

supported by an autonomous operating model

High and improving returns profile

delivering superior value for shareholders

Strong balance sheet

supported by excellent cash generation, enabling the Group to take advantage of organic and inorganic opportunities



Creating shareholder value

Hill & Smith has a long track record of delivering superior value and returns for shareholders.

Dividend per share

49.0p +14%
(2023: 43.0p)

Return on invested capital

24.8% +280 bps
(2023: 22.0%)

Robust capital allocation

Our capital allocation framework enables the effective deployment of capital to support our growth ambitions.

Organic growth

- Disciplined investment in capital projects, talent and innovation
- Focus on higher return, higher growth markets

Inorganic investment

- Structured approach based on clear criteria
- Clear alignment with purpose and strategy
- Returns to exceed Group WACC within 3 year time frame

Dividends

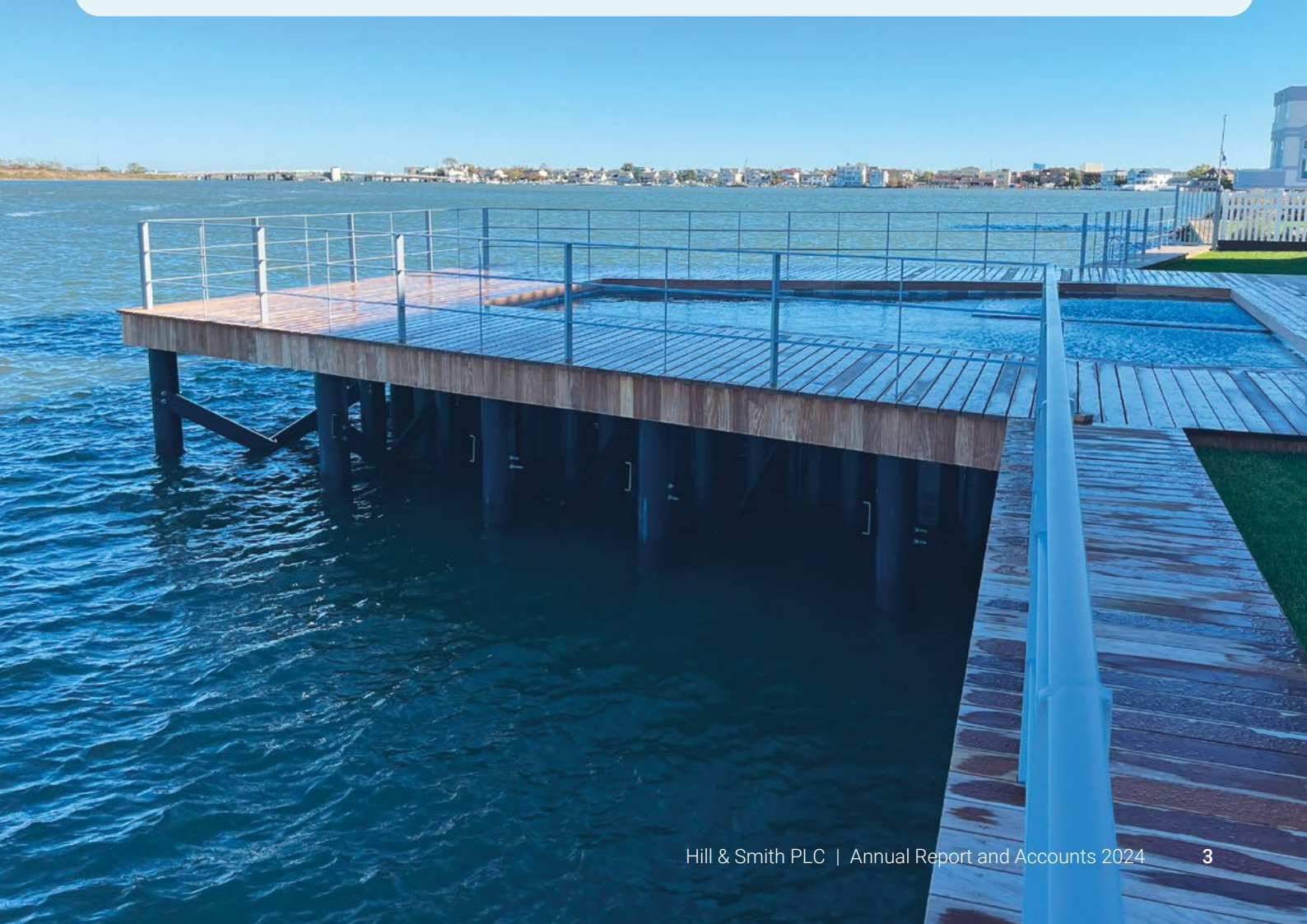
- Provide a growing dividend to shareholders
- FY24 total dividend 49.0p per share

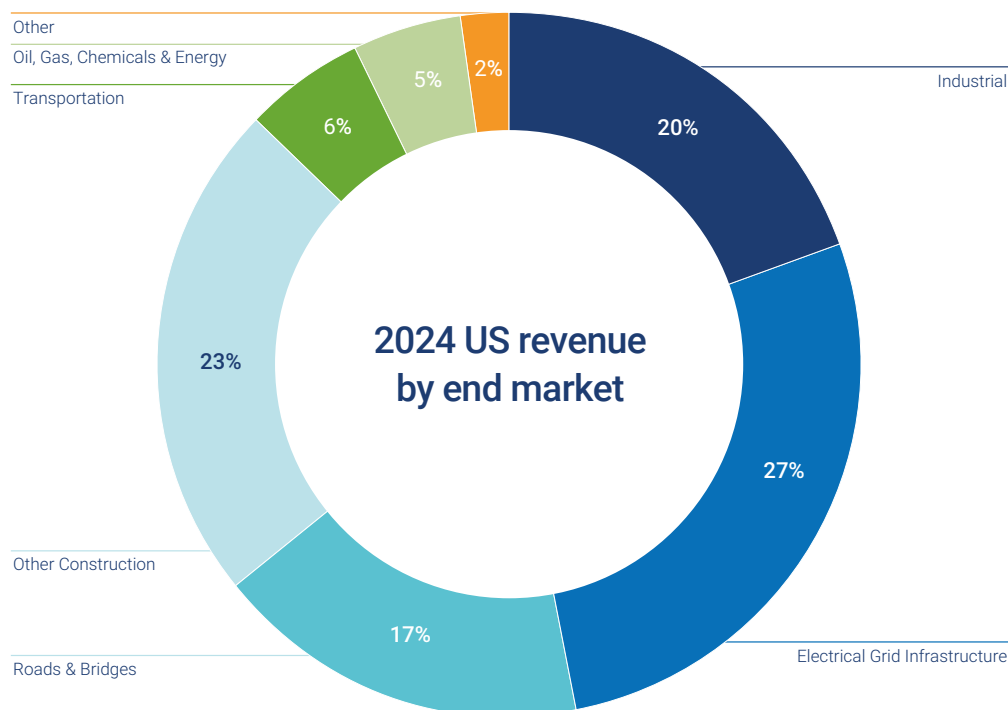
Return surplus capital

- Return surplus capital to shareholders, if leverage is expected to fall below 0.5 times for a sustained period

Group ROIC target: >22% through the cycle

Underpinned by balance sheet prudence
Target leverage: 1 to 2 times





Structurally growing US end markets

In recent years we have seen strong organic growth and margin expansion in our US businesses, which operate in a range of structurally growing end markets including investment in the electrical grid, roads and bridges, and industrial infrastructure.

Investment in the US electrical grid is driven both by a need to upgrade an ageing infrastructure, much of which was built in the 1960s and 1970s, and also the need to address the significant growth in electricity consumption coming from new technologies. We see this as a 10 to 20 year investment cycle with funding coming from both federal government and publicly listed utility companies. A number of our businesses are seeing the benefits of this increased demand, particularly V&S Utilities, which designs and manufactures steel substation structures. Our composite and galvanizing businesses also provide products and services into this fast growing market.

Industrial infrastructure includes the physical investment in data centres, semiconductor and EV plants, and more general investment in industrial plants linked to onshoring. The scale of some of these projects is significant and multi-year, in many

instances funded jointly by public and private sector. The construction of almost any type of industrial plant plays well to Hill & Smith. We are able to galvanize the steel, supply the cooling towers and composite products, such as cable trays, and supply engineered supports.

The roads and bridges market has been one of the first areas of US infrastructure investment to materially benefit from government investment through the Infrastructure Investment and Jobs Act ('IIJA'), with a significant proportion of the funding allocated to surface transportation. Our high margin composite and galvanizing businesses benefit from this investment alongside our road safety products business.

Our significant exposure to these attractive, growing end markets, provides us with confidence that the Group is capable of delivering on its growth ambitions. We also see significant opportunities for value enhancing M&A.







Capital Steel

- Acquired in January 2024 for \$6.3m
- Expands customer base into New Jersey and provides cross-selling opportunities

Whitlow Electric

- Acquired in September 2024 for \$30.2m
- Broadens geographic footprint into the Southeast of the US

Disciplined M&A

Recent bolt-on acquisitions to V&S Utilities showcase our ability to use M&A to expand into high growth end markets.

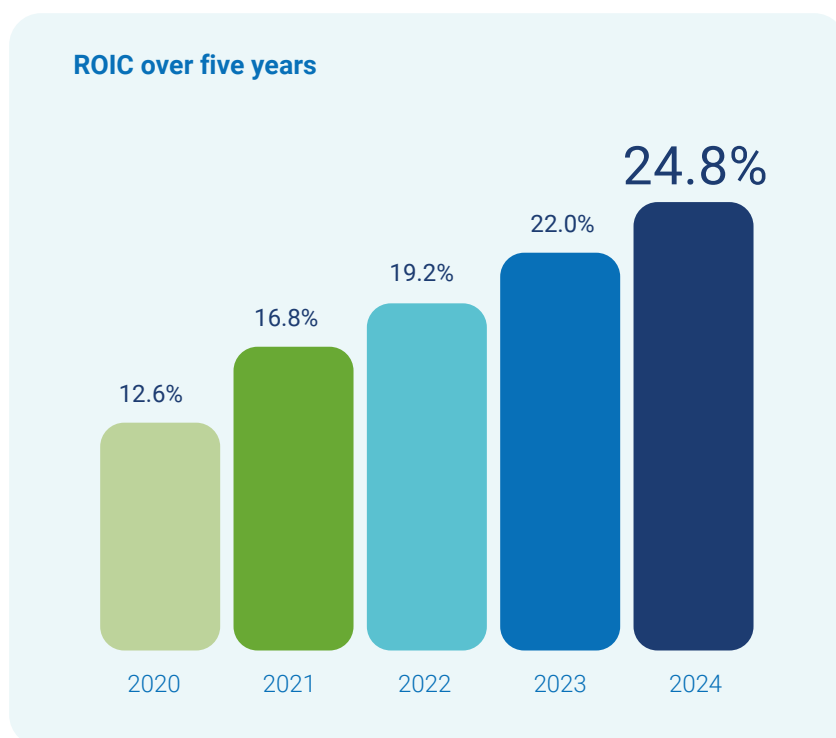
We continue to identify and secure strategically aligned, financially accretive businesses, at sensible prices. We are also able to do this outside of auction processes.

We made four highly complementary US acquisitions in 2024, including two which have been successfully integrated into our V&S Utilities business, which designs and manufactures structural steel for electrical substations.

Capital Steel was acquired in January 2024, giving us a bridgehead into the New Jersey market. Since acquisition we have been able to significantly reduce delivery times through better scheduling, using our existing manufacturing capacity. We are also starting to see the benefits of cross selling our existing tapered tubular products into the Capital Steel customer base.

We acquired Whitlow Electric in September 2024, broadening our geographic footprint in the US, and providing access to new customers in the attractive southeast market. With a well invested facility, the acquisition has increased our structural steel fabrication capacity and presents good opportunities for cross-selling and margin expansion.

Both businesses are trading ahead of our expectations, reflecting the high end market demand and also the disciplined approach we take to pre-acquisition due diligence and post acquisition integration.



High & improving returns

We follow a disciplined approach to capital allocation, prioritising organic growth and focusing our investment on our higher growth, higher return businesses, particularly in the US.

We require our operating companies to manage working capital efficiently and we invest in capital projects, talent and innovation to support future growth. Additionally, we allocate capital to inorganic investment, with a focus on acquiring financially accretive businesses with good strategic fit and long-term growth potential.

We use return on invested capital to measure our overall capital efficiency, with the improving returns seen over the past five years demonstrating the success of our strategy and capital allocation approach. Given this impressive performance, we have upgraded our target for return on invested capital from 18% to 22%+ to reflect the stronger returns generated by the portfolio of businesses within the Group today.



Chair's introduction

"We have made considerable progress during our 200th anniversary year."

2024 has seen another very strong performance, for which huge credit is due to both our excellent leadership team, and also the over 4,500 employees who work across our operations.

It was also the year that Hill & Smith celebrated its 200th anniversary, having been founded by Edward Hill and Henry Smith in the West Midlands in 1824. Achieving 200 years as an independent company is something I believe all stakeholders can feel proud of.



Performance highlights

The Group delivered revenue of £855.1m (2023: £829.8m) and underlying operating profit of £143.5m (2023: £122.5m), representing constant currency revenue and underlying operating profit growth of 5% and 20% respectively. Underlying operating margins were up at 16.8% (2023: 14.8%) and ROIC increased to 24.8% (2023: 22.0%). Underlying EPS grew by 16%.

These results reflect an excellent performance from our higher margin US businesses, together with the benefits from our recent US acquisitions. Our core markets in the UK have remained subdued, particularly leading up to the General Election, and this impacted the performance of a number of our UK businesses.

Portfolio management

M&A is a key driver of our value creation strategy. During 2024, we invested in aggregate an expected £58.5m across four acquisitions within our US Engineered Solutions division.

At the start of the year, we acquired Capital Steel, which supplies structural steel products and services principally into the electrical transmission and distribution market, and FM Stainless, a manufacturer of stainless steel pipe supports and related products into the water and wastewater markets. The integration of both businesses has progressed well over the last 12 months, and has been supported by strong trading.

In the second half of the year, we acquired Trident Industries, a designer and supplier of composite utility poles into the North America and Caribbean markets, and Whitlow Electric, a designer and manufacturer of structural steel and substation components in the attractive southeastern utility market in the US. Both businesses are highly complementary, while providing Hill & Smith with access into a broader customer base.

All four acquisitions were sourced off-market, providing us with full due diligence access to the businesses and management teams. Prior to completion of each acquisition, we built detailed 180 day integration plans, pulling in resource from both head office and our operating companies. Progress against these plans was then reviewed by the Board six months post-acquisition.

Over the last 12 months the Board has also been looking at when and how to exit some of the smaller and more challenged businesses within the Roads & Security division. This has been extremely time consuming, and I am pleased that we have been able to find buyers for two loss making businesses, Hill & Smith Pty, our Australian road barrier business, and Parking Facilities, our small UK security gates business, both of which were sold in Q1 2025.

£58.5m

We continue to execute against our M&A strategy, investing in aggregate an expected £58.5m across four acquisitions within our US Engineered Solutions division.

Board changes

In September 2024, we were delighted to announce the appointment of Rutger Helbing as Chief Executive Officer, following which I have stepped back from being Executive Chair, a role which I had held since July 2022.

Rutger was previously CEO of Tyman PLC, and brings broad based international manufacturing experience, and excellent strategic and commercial acumen. I have very much enjoyed working with Rutger over the last six months, and have been impressed by the early impact he has had on the business.

Rutger's appointment, together with the appointment in March 2024 of two new Group Presidents, allowed the Board to re-look at the split of executive responsibilities and the decision was made not to continue with the role of Chief Operating Officer, with the result that Hooman Caman Javvi stepped down from the Group.

In January 2025, we announced that Hannah Nichols, Chief Financial Officer, would be leaving the Group following the full year results. Hannah joined Hill & Smith in 2019 and has played an important role in driving the development of the Group over the last five and a half years. Everyone at Hill & Smith wishes Hannah well in her new role. We are currently undertaking a search process to identify a suitable successor and will update shareholders, as appropriate.

Carol Chesney joined the Board in January 2024, as a Non-executive Director and became Chair of the Audit Committee in May 2024, when Mark Reckitt retired from the Board. Leigh-Ann Russell, having relocated to the US, informed the Board that for work commitment and logistical reasons, she would need to step down from the Board following the publication of the 2024 results. I would like to thank Leigh-Ann for her significant contribution over the last four years. We will be looking to appoint a new Non-executive Director to the Board ahead of the AGM in May 2025.



Strategy

Since joining the Group, Rutger and the Executive Committee have spent time redefining our purpose and refreshing our operating company framework. This has been an excellent process, the outputs from which I and the Board are fully supportive of. It gives Hill & Smith a very clear vision for how to continue to drive value creation over the medium and longer term.

Rutger sets out further details of this in the Strategy section of this report, starting on page 17.

Sustainability

In order to ensure we fully understand the views of all our stakeholders in setting our priority targets, during the year we engaged with employees, investors, customers and suppliers to update our materiality assessment. I am pleased to say that the results of this engagement showed that our current sustainability strategy aligns with the expectations of our stakeholders.

A key focus for the business is continuing to reduce our greenhouse gas emissions in line with our SBTi approved net zero targets. We have several initiatives throughout the business to reduce our carbon usage, and further information on this is contained within our Sustainability Report on page 46.

We have also included for the first time a sustainability target within our LTIP performance measures. This will be based on greenhouse gas emissions reductions and is set out in our Remuneration Report on page 102.

Health and safety

As a Group, we recognise the vital importance of good health and safety practices in keeping our people safe, and this remains the Board's key priority. Since March 2024, health and safety has reported directly through our two Group Presidents, and I believe we have seen the positive impact of this change. In particular, I am pleased to report that we saw a 23% reduction in our Lost Time Incident Rate in the year.

Further information on our approach to health and safety can be found on page 53.

Employees

Hill & Smith's employees are the foundation of the Group's success and identity. We employ over 4,500 people within our operations, a number of whom have joined the Group over the last two years as we have executed on our M&A strategy.

The retention and development of our employees is critical to the Group's ability to deliver on its long term strategy. In September, we conducted our annual employee engagement survey.



This is an important feedback mechanism for the Board, as well as for operating company management. While overall engagement remains broadly in line with our industrial peers, for a second year running we, like many organisations, saw a decline in engagement across our UK workforce. This is something which the Board and senior management will be prioritising over the next 12 months, with a focus on ensuring all our operating companies have a clear set of engagement actions, which are shared with employees and regularly updated against. By contrast the engagement level in the US remained the same.

Dividend and AGM

The Board recognises that dividends play an important role for investors, both current and potential. I am pleased therefore, to confirm that the Board has proposed a final dividend of 32.5p (2023: 28.0p) which, if approved, would result in a full year dividend of 49.0p per ordinary share.

The Annual General Meeting of the Company will be held at 11.00 am on Thursday, 22nd May 2025 at the Cranmore Park Conference Event and Exhibition Centre, Cranmore Avenue, Shirley, West Midlands, B90 4LF. The meeting is an ideal forum for you to raise any questions and I am looking forward to seeing you there.

“A key focus for the business is continuing to reduce our greenhouse gas emissions in line with our SBTi approved net zero targets. We have several initiatives throughout the business to reduce our carbon usage.”

Looking ahead

On behalf of our Board, I would like to thank all of our employees for their contribution to delivering another strong performance this year.

Looking forward, it is impossible not to reflect on the significant macro uncertainties facing the world. In particular, it is hard to predict with certainty how different tariff regimes may impact on our business and the key economies we serve. What I believe we can, however, rely on is the fact we have an excellent Chief Executive Officer and senior leadership team, a highly skilled and motivated workforce, and a clear and updated strategy capable of delivering value creation for all stakeholders.

Alan Giddins

Chair

11 March 2025

Celebrating a 200 year history

From our origins in the Black Country, the heart of Britain's industrial revolution, Hill & Smith PLC has been shaping the future of sustainable infrastructure for 200 years.

1824

Our company is founded as Edward Hill & Co

Edward Hill founded the company in Brierley Hill to capitalise on the booming ironwork and foundry industries of the Black Country, a key hub of Britain's industrial revolution. He saw an opportunity to manufacture high quality iron products to support the rapid expansion of the railways and other industries.

1906

An expanding customer base

Following Henry's death at the age of 82, his son Joseph took over the business, after which the business was converted into a private limited company. At around this time, the company's expertise in large decorative ironworks was attracting a range of prestigious and international customers, including providing fencing for Queen Victoria's country estates and ornamental gates for the King's Palace of Siam.



1853

We become Hill & Smith

When Edward died, his interest in the business was continued by his wife Emma, alongside her brother Henry Smith, and they changed its name to Hill & Smith. This partnership continued for over half a century, with Hill & Smith providing a range of products including fencing, gates and architectural steel works, as well as a local galvanizing plant. The company was already showing glimpses of the interests that would continue in the business to this day.



1914-1918

Supporting the war effort

With the onset of the First World War, production turned to supporting the war effort. During this time, Hill & Smith produced around 3.5 million iron screw pickets, newly designed for securing barbed-wire defences.

1932

Providing components for the Sydney Harbour Bridge

In the inter-war period, Hill & Smith's focus turned back to steel railing and bridges, including supplying parts of the iconic Sydney Harbour Bridge.



Chair's foreword

I feel very fortunate to be chairing Hill & Smith PLC as it marks its 200th anniversary.

Given the passage of time, the extent to which the Group has changed since it was founded in 1824 should come as no surprise. What is more remarkable is how some of its essential qualities and values have endured. It has long been a Group that has thrived on entrepreneurialism, on agility, and on using innovation to identify and capitalise on growth market opportunities consistent with its core skills.

Today, we are an international Group focused on markets that enjoy long-term structural tailwinds: growing populations, urbanisation, climate change, and increasing health and safety regulation. Against the background of those macro trends, in an uncertain world, our purpose is clear: we create value by providing solutions that enhance the resilience of vital infrastructure and the built environment.

I pay tribute to, and thank, all those colleagues who have been part of Hill & Smith's first two centuries, and those who are taking the Group forward into its third. I thank our customers around the world for their continued support, and our shareholders for the faith that they place in our business.

1939–1945

Providing essential infrastructure

With the advent of the Second World War, Hill & Smith played an important role in manufacturing essential components for military and infrastructure use. These included steel structures and reinforcements for bomb shelters used across the UK, metal fencing and anti-tank defences.



1998

The 'Grove' revolution

David Grove joined the company in 1998 and played a pivotal role in transforming the company into the focused infrastructure group we see today. Grove streamlined operations and focused on areas where the company had either a significant market position or differentiated product offering. This included expanding into galvanizing services through the acquisitions of Ash & Lacy in the UK and V&S Galvanizing in the US, a significant step change for the Group.



1969

Listing on the London Stock Exchange

Having appointed Denis Hodgetts to run the business in 1964, the company continued to grow and transform at pace, making acquisitions to expand its product range and increase capacity. In 1969, the now strong and more broadly based business, listed on the London Stock Exchange for an initial market value of £600,000, marking the start of a new chapter.

1961

Hill & Smith's first acquisition

In 1960, the business was sold to a group of prominent West Midlands business men: Tom Hampson-Silk and Leonard and Clive James. Under new ownership, the company turned its focus to profitability and expansion. In 1961, the company made its first ever acquisition, Tipton Steel Stockholders, marking the beginning of Hill & Smith's inorganic growth journey and evidencing the entrepreneurial ethos that was becoming part of its DNA.

2000s

A leading provider of infrastructure solutions

The company has evolved into a successful international Group, which creates value by providing solutions that enhance the resilience of vital infrastructure and the built environment.

Chief Executive Officer's Review

"Hill & Smith is well positioned to take advantage of its strategic market positioning in high growth sectors and geographies. We have refocused the Group with our refreshed purpose and renewed emphasis on faster, structurally growing end markets."



Strategic update

Initial observations

Since joining Hill & Smith in September 2024, I have had the opportunity to visit our operating companies and spend time with our highly driven and talented teams. I have also carried out a review of the Group strategy and business model, working collaboratively with our Executive Committee and operating company senior leaders.

This has confirmed my view that the Group is exposed to attractive infrastructure and built environment end markets with structural growth drivers, has agile and responsive operating companies well positioned to succeed, and therefore has excellent prospects for further value creation for our shareholders. The Group has been highly successful in the past few years and to further underpin our growth ambitions, following the review of our strategy and business model, we have refreshed our purpose, end market focus and strategic framework.

Our refreshed purpose

Recognising that the Group has evolved over the years, we have redefined our purpose as: "We create value by providing solutions that enhance the resilience of vital infrastructure and the built environment". Our purpose crystallises what we want the Group to be and will serve as an important 'north star' for future strategic decision making.

In the following pages we provide more details on our refreshed strategy.

Board updates

I was delighted to join the Board as CEO in September 2024, with Alan Giddins reverting to his previous role of Non-executive Chair following a short but comprehensive handover. Alan served as Executive Chair for over two years, during which time the Group has delivered significant organic and inorganic growth and made meaningful strategic progress. On behalf of the Board, I would like to thank Alan for his significant commitment and contribution, and personally for his support to me throughout the leadership transition. We are very pleased that he has agreed to continue as Chair of the Group to ensure continuity of leadership.

In January 2025, we announced that Hannah Nichols, Group CFO will be leaving the Group at the end of March 2025 to take up the same position at another company. Hannah has played an important role in the success of Hill & Smith since being appointed CFO over five years ago, and we wish her well in her new role. The search for Hannah's successor is underway, and we are confident that we will find a high-quality candidate.

Having relocated to the US, Leigh-Ann Russell will step down from the Board. I would like to thank Leigh-Ann for her significant contribution during her tenure. We will be looking to appoint a new Non-executive Director to the Board ahead of the AGM in May 2025.



Health and safety at Hill & Smith

Health and safety is and will remain our number one priority, as is evidenced by the fact that it is the first item in each of my Board reports. Each Board and Executive Committee meeting discusses health and safety records and incidents since our previous meeting.

We foster a culture of safety that prioritises the wellbeing of employees, contractors, and customers.

As some of our operations involve the movement of large steel structures, we continue to focus on eliminating risk and ensuring strict safety protocols are identified, monitored and enforced to keep our people safe.

I am pleased that 2024 has shown a further improvement in our LTIR rate, as we continue our journey to best in class safety metrics. We have clear plans to achieve those metrics and processes in place to track progress against them. Further information on health and safety performance is available on page 53.

During the year, we have encouraged our senior management to share knowledge and lessons learned across the Group, which has led to increased collaboration and awareness of best practice.

We owe it to our people to continue our efforts in this area and to do all we can to work together to reduce our overall risk, through knowledge and implementation of best practice, and mental health and wellbeing support.

We want all of our people to come to work safe, work safely and go home safe at the end of each working day.

Q&A with Rutger Helbing

What attracted you to Hill & Smith?

I was immediately excited about the growth opportunities that Hill & Smith was facing into. Our autonomous and decentralised operating model allows us to remain close to our customers and developments within our end markets. As we further refine our strategic direction, we will continue to drive organic growth, in addition to seeking and welcoming into the Group, value add acquisitions that further the achievement of our strategy.

As incoming CEO what are your plans for the business?

Hill & Smith is a successful and well-run business. My core objectives on joining have been to spend time with each operating company to better understand each business and its individual growth drivers. Following that, I carried out a review of the Group strategy and business model, working collaboratively with our Executive Committee and operating company senior leaders.

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

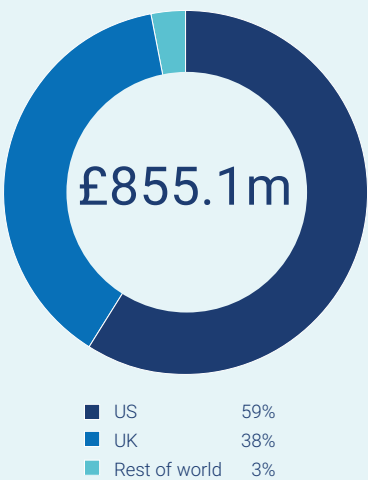
What have you learnt from your early conversations with colleagues?

On joining the Group, I have seen that, within our operating companies, we have teams that are proud, hardworking, energetic and highly customer-focused. Our decentralised model maintains the entrepreneurial culture that allows our companies to be agile and responsive, driving our performance. In addition to that, we have in our head office, a small central team who ensure that the right controls and KPIs are in place, and support in setting the ambition for each operating company, enabling our businesses to deliver on their full potential.

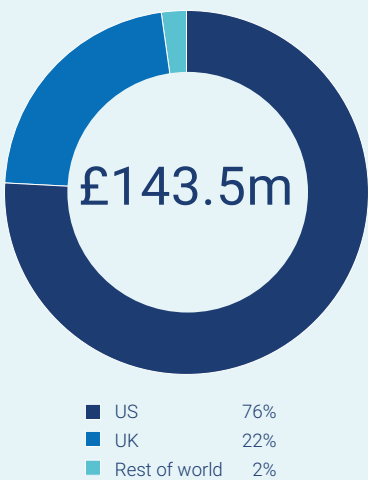
What are your sustainability goals?

I think sustainability always underpins the strategy and I am fully committed to that, whether it relates to health and safety, carbon reduction, providing opportunities to grow, or the engagement of our employees. As part of that, we need to set stretching ambitions in all those areas and I am pleased in that context that, for example, we have SBTi approved targets in relation to our greenhouse gas emissions.

2024 Revenue



2024 Underlying Operating Profit





From left to right: Nick Adcock, Group President UK and India; Joel Whitehouse, Group Head of Corporate Development; Karen Atterbury, Group Company Secretary; Rutger Helbing, Chief Executive Officer; Hannah Nichols, Chief Financial Officer

Executive Committee

Our Executive Committee is comprised of Rutger Helbing (CEO), Hannah Nichols (CFO), Nick Adcock (Group President UK and India), Tim Tehan (Group President US), Joel Whitehouse (Group Head of Corporate Development) and Karen Atterbury (Group Company Secretary).

The Executive Committee's remit is to support the CEO, make and implement operational decisions, and make recommendations to the Board where matters require Board approval.

The Committee oversight and management responsibilities are widespread and cover all aspects of the operational management of the Group. This includes: preparing the Group budget for approval by the Board; oversight of operating companies; human resources planning; risk management and business structure; business development; and developing and implementing policies and controls frameworks that support Group values.

Rutger Helbing

Chief Executive Officer

11 March 2025



Tim Tehan, Group President US

How we create lasting value

Our business model is proven and supports significant value creation for our stakeholders.



How we create value

Decentralised operating model driving growth

We operate a decentralised model which fosters an agile, entrepreneurial culture with a strong focus on customer service and a deep understanding of customer needs.

Disciplined M&A

Acquisitions form a key part of our growth strategy, enabling the Group to expand into new customers and markets, and into adjacent technologies. We focus on high quality businesses in structurally growing markets with attractive growth potential.

Talented people

Our decentralised model attracts talented people who want to make a difference and are targeted to drive growth. Our local teams play a key role in identifying M&A opportunities, building close relationships with owners and leading on acquisition integration.

An enabling central team

We have a small central team who ensure that the right controls and KPIs are in place, and support in setting the ambition for each operating company.

Sustainability supporting growth

Sustainability is core to our business model in terms of how we operate, the products we manufacture, and the services we offer.

Financial framework

Our financial framework is fundamental to our long-term success. The ability to deliver organic growth through the cycle, alongside value enhancing acquisitions, will result in superior earnings growth. A focus on cash generation and returns enables the cash generated to be re-invested in high growth, high return opportunities. This is all delivered within a disciplined capital allocation framework while maintaining a strong balance sheet.

The value we create and share

Delivering superior shareholder value

122.6p +16%

Underlying earnings per share

49.0p +14%

Dividend

Employment for local communities

We are committed to ensuring that we offer stable, inclusive employment for all members of the local communities

c. 4,500

Employees across 61 sites

Playing our part in sustainability

We are committed to reducing our greenhouse gas emissions and have signed up to the Science Based Targets initiative (SBTi)

7,685

No of tonnes of CO₂e reduced*

*vs base year, scope 1 and 2

See note on page 64 for additional information

An enhanced focus on priority end markets

We are focused on end markets which serve vital infrastructure and the built environment, which have multi decade growth drivers and benefit from secular tailwinds given the growing need for upgrade and renewal to maintain a properly functioning economy.

Our particular focus is on businesses which are leaders in niche markets with high barriers to entry and where our offering is typically a small fraction of the total system cost for customers.

As part of our strategic update, we have carried out an assessment of the end markets where we currently operate to identify opportunities to both accelerate growth in our existing core markets and to expand in attractive, adjacent markets.

We have categorised our end markets into four groups:

- **High growth emerging markets:** including data centres, renewables and gigafactories
- **Resilient growth anchors:** including electrical transmission & distribution and water infrastructure
- **Stable growth markets:** including transport products, transport infrastructure and public construction
- **Cyclically sensitive markets:** including industrial, residential and commercial construction

About 68% of total Group revenue in 2024 was derived from the first three categories, however there is a regional difference, with these three categories representing c.75% of US revenue and c.50% of UK and India revenues.

This disciplined and enhanced focus on end market dynamics enables us to set the ambition for our operating companies to drive further long-term growth in the most attractive markets. It will also inform our future capital allocation, resource planning and portfolio management decision making. Our business model is proven, and these enhancements will further underpin our financial and strategic delivery.



What we look for
in a Hill & Smith
operating company



Linked to our refreshed purpose, we have refined the criteria we will use as a guide to inform our portfolio management and M&A approach going forward.

Hill & Smith operating company framework

A Hill & Smith operating company has a strong focus on customer service and a deep understanding of customer needs. This allows our businesses to create value add solutions for customers and to drive differentiation versus their competitors. Our businesses are experts in their specific manufacturing or industrial processes and are typically low to medium in capital intensity.

Alongside this, our decentralised operating model promotes a highly driven and entrepreneurial culture, where we foster highly capable and agile local management teams who drive growth in both core and adjacent markets. Our objective is to develop high quality platform businesses with good potential for bolt-on M&A. Our local management teams play a key role in identifying potential M&A opportunities, building close relationships with owners and leading on acquisition integration.

Role of the centre and Group functions

We have a small central team who ensure that the right controls and KPIs are in place and support in setting the ambition for each operating company, enabling our businesses to deliver on their full potential. To date this approach has worked well and going forward we see opportunities for the central team to provide additional support in certain strategic capabilities, such as business planning with more structured market intelligence, to further improve the quality of our plans, along with increased focus on talent management to ensure we have the right capabilities to deliver on those plans. We encourage our operating companies to share best practice where relevant and there is potential to enhance this through the provision of advanced training in specific areas.

Active portfolio management

We see significant opportunities to use disciplined M&A to help us expand into new customers and end markets, as well as adjacent technologies, and ultimately accelerate our strategy.

As part of our recent strategic update, we have assessed the attractiveness of the Group's infrastructure and built environment end markets with a focus on higher growth, higher margins and lower cyclicality. This assessment will inform our M&A and portfolio management decisions in the short to medium term to increase our exposure to the most attractive, structurally growing markets.

Effective delivery on our M&A strategy requires our central M&A team to work closely with our operating company leaders to source opportunities, supported by best-in-class execution and post-acquisition integration. Our M&A strategy is underpinned by a strong balance sheet capable of supporting organic growth while also allowing us to deploy capital to value enhancing acquisitions.

Our refreshed medium term financial framework

Our disciplined financial framework is one of the key foundations of the Group's long term success. The ability to deliver organic growth through the cycle, alongside value enhancing acquisitions, will result in superior earnings growth. A clear focus on cash generation and returns enables the cash generated to be re-invested in high growth, high return opportunities. This is all delivered within a disciplined capital allocation framework while maintaining a strong balance sheet.

The strong financial performance since the framework was set two years ago, and the positive outlook for the Group, provide us with confidence to upgrade certain targets within the framework.

In 2024, the Group performed well against most elements of the framework. The organic revenue performance was mixed, reflecting good growth in our higher margin Engineered Solutions and Galvanizing businesses in the US offset by a subdued market demand in the UK and specific challenges in our US off-grid solar lighting business. The Group saw a return to organic revenue growth in the second half and we expect the portfolio to be able to deliver 5-7% organic growth through the cycle. Acquisitions contributed 6% constant currency revenue growth in the year, in line with the financial framework.

2024 operating profit margin expanded by 200bps to 16.8%, the increase reflecting the good volume growth in our higher margin US businesses. Going forward, we are confident that the Group can deliver 18%+ operating profit margin through the cycle given the structural growth drivers in the US, potential for UK market recovery and the flow through benefit of recent portfolio management actions. Linked to this, we have also upgraded our targets for return on invested capital to 22%+ to reflect the stronger returns generated by the current portfolio (24.8% in 2024), while also providing flexibility to deploy capital into value enhancing M&A where initial returns are typically below the targeted level.

Our cash conversion guideline remains unchanged, reflecting the Group's track record of strong cash generation, while also allowing for more significant investment in strategic growth capex, as appropriate, through the cycle. We aim to maintain a prudent balance sheet and as such our guideline on covenant leverage remains unchanged.

Annual performance targets

Organic revenue growth:

5-7%

Total revenue growth including acquisitions:

10%+

Operating profit margin:

18%+
(previously 15%+)

Return on invested capital (ROIC):

22%+
(previously 18%+)

Cash conversion:

80%+

Covenant leverage:

1-2 times

Our updated approach to capital allocation

The Group follows a disciplined approach to capital allocation:

1. Supporting organic growth

As a priority, we allocate capital to support organic growth, with a focus on higher return, structurally growing end markets. We require our operating companies to manage working capital efficiently and we invest in capital projects, talent and innovation to support future organic growth, with around half of 2024 capital expenditure allocated to growth investments.

2. Inorganic investment for long term growth

We allocate capital to inorganic investment, with a focus on businesses which have a clear alignment with our purpose, end market priorities and strategic framework with good long term growth potential. We follow a structured approach to acquisitions based on an agreed set of criteria and expect acquisitions to achieve returns above our Group cost of capital within a three-year timeframe. Based on our highly cash generative model, we continue to target to reinvest around £50m – £70m each year on value enhancing acquisitions. In 2024, we invested £58.5m on four highly complementary US acquisitions. Our acquisition pipeline remains active and is focused on high quality, strategically aligned opportunities.

3. Delivering strong returns

We aim to deliver a growing dividend, understanding the importance of providing consistent and growing returns to our shareholders. The ratio of covenant net debt to EBITDA is a key metric from a capital management perspective and we aim to maintain a prudent balance sheet, operating within a ratio of 1 to 2 times. The Board will consider returning surplus capital to shareholders through an appropriate mechanism if leverage is expected to fall below 0.5 times for a sustained period.

4. Measuring overall efficiency

We use return on invested capital (ROIC) to measure our overall capital efficiency, with an updated target of achieving returns in excess of 22%, through the cycle. This target return is appropriate for a Group that intends to deploy capital into M&A each year where initial returns will likely be below the targeted level. We are pleased to report that the Group's ROIC in 2024 increased to 24.8% (2023: 22.0%), the improvement reflecting the strong trading with good growth in our higher margin businesses and our disciplined approach to capital allocation, which more than offset the impact of acquisitions in the year.

Our future divisional reporting structure

We have changed our divisional reporting structure in 2025 to better reflect the way the Group is now managed, following the introduction of a regional Group President structure at the start of 2024 and the exit of certain non-core Roads & Security businesses in Q1 2025. This enables a closer focus on geographic end markets and growth opportunities. The new divisional structure is as follows:

- US Engineered Solutions: comprising all US operating companies excluding Galvanizing Services
- UK and India Engineered Solutions: comprising all UK operating companies and India, excluding Galvanizing Services
- Galvanizing Services: no change

We will report under the new structure in our half-year results in August 2025.

Sustainability

Sustainability underpins the Group's growth strategy, and we remain committed to making progress against our sustainability focus areas and goals. The health and safety of our people remains a top priority, and I am pleased to report that we have delivered a 23% reduction in our Lost Time Incident Rate (LTIR) rate to 0.33 in 2024. This reflects the enhancements made to our risk identification and assessment processes with an increased focus on accident prevention, including the re-launch of our lifesaving rules. During the year, we successfully implemented a new Group health and safety management system to make incident and near miss reporting easier for our people and to improve root cause analysis.

Given the improved health and safety performance, we have upgraded our LTIR targets to 0.275 for 2025 (previously 0.75) and to 0.1 for 2030 (previously 0.25).

Talented people are critical to the Group's success and during 2024 we launched a high potential programme, a first for the Group, with the aim of developing and nurturing individuals who we have identified as potential future leaders. We carried out our annual Groupwide engagement survey in September 2024 with 83% of our employees participating. It is disappointing that we did not see an increase in the overall engagement score in 2024 and this will be a significant area of focus for our leadership team in 2025.

Our focus on carbon reduction continues, with a 3% reduction in greenhouse gas emissions delivered in the year. During 2024 we engaged decarbonisation consultancies to conduct energy 'treasure hunts' in five of our sites, which has identified energy efficiency and carbon reduction opportunities that have been shared with the wider Group. Alongside this, our US companies started the transition to renewable energy contracts during the year and expect to complete this by the end of 2025, with our UK companies already fully transitioned.

Measuring our performance

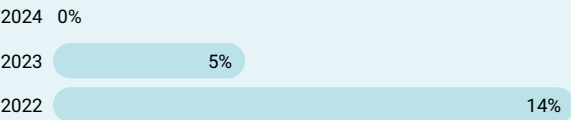
Financial KPIs

Non-financial KPIs

Organic revenue growth

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

Performance



Revenue was flat on an organic constant currency ('OCC') basis against a strong prior year comparator. We saw a return to organic revenue growth in the second half, with strong growth in our higher margin Engineered Solutions and Galvanizing Services businesses in the US (8% and 6% OCC revenue growth respectively). This was offset by subdued demand in the UK, particularly leading up to the general election (-5% OCC revenue decline) and the impact of previously reported challenges in our US off-grid solar lighting business.

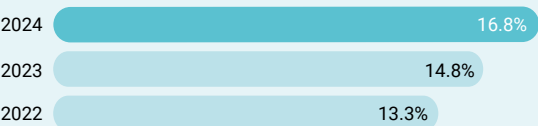
Link to strategy

The Group is exposed to attractive infrastructure and built environment end markets with structural growth drivers. This underpins our target of achieving 5-7% organic growth through the cycle.

Underlying operating profit margin

Underlying operating profit as a percentage of revenue.

Performance



Underlying operating margin increased by 200 basis points to 16.8% in 2024, the strong performance reflecting an improved portfolio mix, with good volume growth seen in our higher margin US businesses.

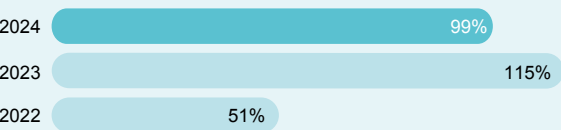
Link to strategy

Our strategic focus is on investing in higher return, higher growth niche markets with a refreshed target of achieving Group underlying operating margins of 18% + through the cycle.

Underlying cash conversion

Adjusted operating cash flow as a percentage of underlying operating profit. The calculation of adjusted operating cash flow is explained in note 4 to the financial statements.

Performance



Underlying cash conversion for the year was strong at 99%, reflecting a continued focus on working capital efficiency and disciplined approach to capital projects, with around half of 2024 capital expenditure allocated to growth investments.

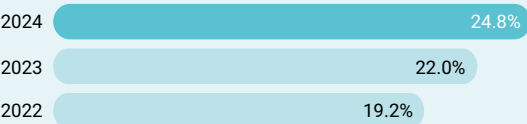
Link to strategy

Strong cash generation is fundamental to our strategy, enabling us to reinvest in organic and inorganic opportunities and grow returns to shareholders. Our cash conversion target of 80%+ reflects the Group's track record of strong cash generation, while also allowing for more significant investment in strategic growth capex.

Return on invested capital (ROIC)

Underlying operating profit divided by average invested capital. Invested capital is defined as the sum of intangible assets, property, plant and equipment, right-of-use assets, assets and liabilities held for sale, inventories, trade and other receivables, and trade and other payables.

Performance



The Group continued to deliver strong returns in 2024, achieving a ROIC of 24.8% (2023: 22.0%), the increase reflecting the faster growth in our larger US businesses which are typically lower in capital intensity.

Link to strategy

We use ROIC to measure our overall capital efficiency, with a refreshed target of achieving returns in excess of 22%, above the Group's cost of capital, through the cycle. We consider the ROIC financial framework to be appropriate for a Group that intends to deploy capital into M&A each year where initial returns will likely be below the targeted level.

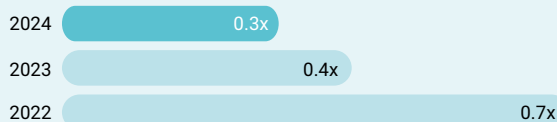
Our KPIs are linked to remuneration. For more details, see page 106.

Financial KPIs

Non-financial KPIs

Leverage

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

Performance

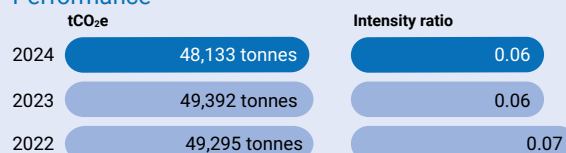
The Group was highly cash generative in 2024 with leverage falling to 0.3x, after spending c. £50m in the year on acquisitions, providing significant firepower to invest in organic and inorganic growth opportunities.

Link to strategy

We seek to maintain conservative leverage that minimises liquidity risk without compromising our ability to invest in both organic and inorganic growth opportunities. The ratio of covenant net debt to EBITDA is a key metric from a capital management perspective and we aim to maintain a prudent balance sheet, operating within a ratio of 1 to 2 times.

Greenhouse gas emissions

CO₂e emissions, from scope 1 and scope 2 (market-based).

Performance

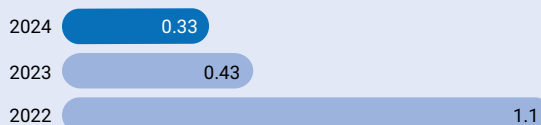
The Group delivered a 3% reduction in total scope 1 and 2 CO₂e emissions in 2024 and is on track to deliver its greenhouse gas emission reduction targets.

Link to strategy

Greenhouse gas emission reduction and energy efficiency are focus areas for our sustainability strategy, aligned with our SBTi commitment to reach net zero GHG emissions across the value chain by 2050.

Health and safety

Lost time incident rate (No. of incidents divided by hours worked x 100,000).

Performance

We delivered a 23% reduction in our Lost Time Incident Rate (LTIR) to 0.33 in 2024. This reflects the enhancements made to our risk identification and assessment processes with an increased focus on accident prevention including the re-launch of our lifesaving rules.

Link to strategy

Health and safety is a key priority for the Board and a focus area for our sustainability strategy. Given the improved health and safety performance, we have upgraded our LTIR targets to 0.275 for 2025 (previously 0.75) and to 0.1 for 2030 (previously 0.25).

Employee engagement

The percentage of our worldwide workforce who feel positively engaged with our Group, as determined by independent employee engagement surveys.

Performance

Employee engagement for 2024 was 56%, the same as 2023. It is disappointing that we did not see an increase in the overall engagement score in 2024 and this will be a significant area of focus for our leadership team in 2025.

Link to strategy

A highly engaged and talented workforce is critical to the Group's success. Employee engagement is a focus area for our sustainability strategy with a target of taking action to increase employee engagement to 75% by 2030, above the industry benchmark.

Operational & Financial Review



Rutger Helbing
Chief Executive



Hannah Nichols
Chief Financial Officer

2024 review

I am pleased to report that the Group has delivered a record set of full year results, underpinned by the excellent performance of our US businesses which continue to benefit from strong demand for our infrastructure products and solutions.

Our US operations now account for 76% of Group underlying operating profit. As expected, our UK businesses delivered a resilient performance against a more challenging market backdrop, with subdued demand from certain public sector customers, particularly in the period leading up to the General Election.

Revenue for the full year was up 5% and underlying operating profit was up 20% on a constant currency basis. We saw a return to organic revenue growth in the second half, with strong year on year OCC revenue growth in our higher margin Engineered Solutions (+8%) and Galvanizing Services (+6%) businesses in the US. This was offset by ongoing subdued demand in the UK (-5% OCC revenue decline) and the impact of previously reported challenges in our US off grid solar lighting business. Underlying operating margin for the full year increased by 200 basis points to 16.8%, reflecting an improved portfolio mix, with good growth seen in our higher margin US businesses.

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

Galvanizing Services delivered a record performance reflecting strong momentum in our higher margin US business, which delivered a 10% increase in volumes. Our UK business saw some market recovery in the second half with full year volumes 2% ahead of 2023.

As expected, revenue in Roads & Security was below 2023, due to a subdued UK market backdrop and lower customer demand in our US off grid solar lighting business against a strong prior year comparator. The division delivered good underlying operating profit growth compared to 2023, which included one-off operational improvement costs in US Roads and non-recurring charges relating to certain UK businesses.

We continue to successfully execute against our M&A strategy, with four complementary acquisitions made in 2024 for an aggregate expected consideration of £58.5m. All our acquired businesses fit within our existing US Engineered Solutions portfolio and initial trading has been positive. Acquisitions contributed c.£46m revenue and c.£10m underlying operating profit in 2024. In addition, as part of our ongoing approach of active portfolio management, in the first quarter of 2025, we successfully divested two of our non-core, loss making Roads & Security businesses (comprising £12.5m total revenue in 2024) which further improves the quality of the portfolio.

The Group continues to be highly cash generative and deliver strong returns, with cash conversion for the full year of 99% and return on invested capital (ROIC) increasing by 280 bps to 24.8%. The Group balance sheet continues to strengthen and year end covenant leverage of 0.3 times provides significant flexibility to support both organic and inorganic investment.

Dividend

Given the strong trading performance and confidence in the Group's prospects, the Board is recommending a final dividend of 32.5p per share, making a total dividend for the year of 49.0p per share (2023: 43.0p), an increase of 14%. The final dividend, if approved, will be paid on 4 July 2025 to shareholders on the register on 30 May 2025.

Outlook

The Group is well positioned, with exposure to a range of infrastructure and built environment end markets with attractive growth drivers. Our US businesses delivered around 76% of Group underlying operating profit in 2024 and we expect their strong trading momentum to continue in 2025, underpinned by investment to upgrade and onshore vital infrastructure and support technology change. We are closely monitoring the effect of current trade tensions on our businesses and supply chains however we do not see a significant impact at this time. The outlook for our UK businesses in 2025 is likely to remain challenging given budgetary pressures in the public sector, however we are cautiously optimistic for some level of recovery. We continue to see attractive growth opportunities in our Indian business. Overall, we are confident of another year of good progress in 2025.

Our focus on structurally growing niche end markets, together with our proven M&A strategy and the benefits of our agile operating model, provides confidence that the Group will continue to make progress in the medium to longer term, in line with our updated strategic and financial framework.

"Hill & Smith has delivered another record set of results, underpinned by the excellent performance in our US businesses, which continue to benefit from strong demand for our infrastructure solutions."



Operational Review

Engineered Solutions

	£m				
	2024	2023	Reported %	Constant currency %	OCC %
Revenue	418.7	367.0	+14	+17	+5
Underlying operating profit ⁽¹⁾	77.8	64.4	+21	+25	+10
Underlying operating margin % ⁽¹⁾	18.6%	17.5%			
Statutory operating profit	71.2	59.7			

1. Underlying measures are set out in note 4 to the financial statements and exclude certain non-underlying items, which are detailed in note 5 to the financial statements.

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

The division delivered an excellent performance in 2024, with 17% revenue and 25% profit growth on a constant currency basis, reflecting strong volume growth across our US businesses and the positive contribution from recent acquisitions. As a result, underlying operating margin increased by 110 bps to 18.6% (2023: 17.5%).

US

Our US Engineered Solutions portfolio continued to perform strongly in 2024 with 8% OCC revenue growth and further operating margin expansion.

Composites, our largest US business, delivered strong organic revenue and profit growth in 2024 against a record prior year comparator. This reflects strong demand for innovative composite solutions across a range of focus end markets including electrical grid infrastructure, cable management, industrial construction, water, and mass transit infrastructure. The business enters 2025 with a healthy order book and prospects for further growth are encouraging.

In July 2024 we completed the acquisition of Trident for an initial consideration after closing adjustments of £7.8m, with further consideration of up to £25.4m payable based on future revenues over the five years post-acquisition. Located in Illinois, Trident is a designer and supplier of highly resilient single and multi-layer composite utility poles, serving utility company needs across North America and the Caribbean. The acquisition is highly complementary to our existing product offering and increases our exposure to the attractive US electricity transmission and distribution market. Trident has been successfully integrated, and trading post acquisition has been positive.

Our business supplying structural steel products for electrical grid infrastructure delivered an excellent performance in 2024, with strong organic revenue and profit growth supported by high customer demand and a deliberate focus on higher margin projects. We consider US electrical transmission and distribution to be a very attractive end market with structural growth driven by the requirement to upgrade ageing infrastructure and increasing demands on the electric grid driving capacity expansion.

In 2024 we made two acquisitions in this subsector to help realise this growth potential. In January 2024 we acquired Capital Steel, based in New Jersey, for an initial consideration of £4.9m, and in September 2024 we acquired Whitlow, based in Georgia, for a consideration of £24.0m. These acquisitions expand our geographic footprint, providing access to new customers and significant cross selling and margin expansion opportunities. Both businesses have now been fully integrated and trading since acquisition has been ahead of our expectations. During the year we also completed the expansion of our existing facility at Burton, Ohio, which provides additional manufacturing capacity, and we have investment planned to increase our production output further in 2025.

Our engineered supports business delivered a record year, with organic growth driven by significant projects for clean water initiatives, battery plant production and semiconductor construction. In March 2024, we acquired FM Stainless, based in Georgia, for an initial consideration of £6.7m, a manufacturer of stainless steel pipe supports principally for the attractive water and waste water market, underpinned by multi-year water infrastructure investment. The integration into our existing business has gone smoothly and trading has been ahead of expectations. Given the positive demand outlook, we have invested in expanding our existing facility in Waggaman, Louisiana, and we expect the new facility to be fully operational in the second half of 2025.

The medium to long term growth prospects across all our US Engineered Solutions businesses remain positive. We expect market growth to be supported by investment to upgrade critical infrastructure and onshore vital components.

UK and India

As expected, our UK businesses, which represented 19% of divisional revenue in 2024, saw revenue decline by 7%, partly due to pricing reflecting lower steel input costs, and as a result profit was lower than 2023. The industrial flooring business benefitted from good demand from data centre fabrication projects, however demand from smaller order customers was more subdued. Our building products business experienced a continuation of lower demand levels, reflecting the slowdown in UK house building, with a strong focus on cost management to maintain operating margins. Both businesses are cautiously optimistic that they will see a return to growth in the second half of 2025.

Our engineered supports business in India delivered good organic growth in 2024, underpinned by international demand for LNG projects. The business enters 2025 with a robust order book and good medium term growth prospects.



Galvanizing Services

	£m				
	2024	2023	Reported %	Constant currency %	OCC %
Revenue	197.8	196.7	+1	+2	+2
Underlying operating profit ⁽¹⁾	50.3	45.7	+10	+13	+12
Underlying operating margin % ⁽¹⁾	25.4%	23.2%			
Statutory operating profit	49.2	43.8			

1. Underlying measures are set out in note 4 to the financial statements and exclude certain non-underlying items, which are detailed in note 5 to the financial Statements.

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

The division delivered a strong performance with revenue up 2% and underlying operating profit up 13% on a constant currency basis. Our higher margin US business delivered 7% revenue growth, reflecting strong customer demand, which was partly offset by lower revenue in the more challenging UK market, particularly in the first half. Operating margin increased by 220 bps to 25.4% due to the favourable geographical mix.

US

Our US galvanizing business delivered another impressive performance, with 6% OCC revenue growth and record operating profit. The strong revenue growth is attributable to a 9% organic increase in volumes, partly offset by pricing to reflect lower input costs. Volumes were sustained by strong demand from baseload customers in bridge and highway and transportation sectors, combined with continued growth in utility, data centre, clean energy segments and the onshoring of manufacturing. As a result, the business saw good margin expansion in the year and continues to deliver superior operating margins, with customers valuing the excellent service, product quality and additional services provided by the dedicated local teams.

The outlook for US galvanizing in 2025 remains strong, with ongoing investment in infrastructure, bridge construction, grid expansion and data centres expected to support continued volume growth. The business is well positioned geographically and, in the medium term, expects to benefit from larger privately funded construction projects and several large semiconductor chip manufacturing plants already in construction.

UK

2024 was a challenging year for UK galvanizing with the 2023 market slowdown continuing into the first half of 2024. While H1 volumes were lower than H1 2023, the business saw good volume growth in the second half supported by sales actions and some market recovery with full year volumes 2% ahead of prior year. Market pressure on pricing impacted average selling prices and as a result revenue was 4% lower than 2023. The business enhanced its focus on customer service with simplified operational and commercial structures, strengthened divisional management and local decision making to encourage an entrepreneurial culture.

While infrastructure and structural steel markets are expected to be stable in 2025, we expect good growth in energy transmission and cable management, linked to data centre growth. Alongside this, the business is working to offset the impact of expected higher employment costs from April 2025 through productivity improvements and cost recovery actions.

Roads & Security

	£m				
	2024	2023	Reported %	Constant currency %	OCC %
Revenue	238.6	266.1	-10	-9	-9
Underlying operating profit ⁽¹⁾	15.4	12.4	+24	+26	+26
Underlying operating margin % ⁽¹⁾	6.5%	4.7%			
Statutory operating (loss)/profit	(5.0)	0.3			

1. Underlying measures are set out in note 4 to the financial statements and exclude certain non-underlying items, which are detailed in note 5 to the financial statements.

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

Revenue was 9% lower than last year on a constant currency basis, attributable to lower H1 revenue in our US off grid solar lighting business, as previously announced, coupled with a challenging market backdrop for certain UK businesses. Underlying operating profit was 26% ahead of 2023 at constant currency, the prior year including one-off operational improvement costs for US Roads and non-recurring charges relating to certain UK businesses.

UK Roads

While revenue was 4% lower than 2023 on an OCC basis, underlying operating profit was ahead of the prior year. Our rental barrier business delivered a robust performance with revenue and profit growth, underpinned by good levels of operations activity and favourable outcomes on scheme completions. The wider UK roads portfolio was impacted by reduced demand and budgetary pressures seen in certain central and local government customers. As expected, revenue in our off-grid solar business was below the prior year, however the opportunity pipeline for 2025 is encouraging. 2023 included certain one-off charges for product installation rectification in our off grid solar business and legacy contract provisions in a divested car parking solutions business, which contributed to the year on year profit improvement.

We expect 2025 to remain challenging due to continued budgetary pressures and diminished visibility of project pipeline following delays to the release of Road Investment Strategy 3. Our agile market leading businesses remain focused on cost management and diversification and are well placed to benefit and deliver healthy returns when the market recovers.

US Roads

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

As previously highlighted, revenue and profit in our off grid solar lighting business were significantly below 2023, particularly in the first half, a strong comparator, with softer demand from our largest customer as they realigned inventory levels. The business is taking steps to innovate and diversify its customer base and the medium term outlook for the business remains positive, underpinned by a drive towards efficient off grid solar solutions. The planned move to a new leased facility successfully took place in June and positions the business well to deliver against its growth strategy.

Performance in the road traffic safety product business was ahead of 2023, with focused pricing and cost transformation actions. While the performance of the core barrier and attenuator product lines has been encouraging, supported by good customer demand, we will be taking action to address the non-core, low margin message board product line, in order to improve the quality of the business. The continued challenges in message boards have led to an impairment of goodwill and acquisition intangibles of £10.6m, and a further £2.6m of impairments relating to other assets utilised in the message boards business, all of which were recognised in non-underlying items.

UK Security

Revenue in our small UK security division declined by 6%, with operating profit at similar levels to the prior year. Our UK security businesses face challenging end markets with high levels of competition, so we are taking steps to improve the quality of our portfolio. In February 2025 we sold Parking Facilities, a loss-making perimeter access security business. Our core Security portfolio focuses on higher quality growth opportunities including security barrier operations and data centre perimeter security, and the 2025 outlook is positive.

Australia Roads

In January 2025 we divested Hill & Smith Pty Limited, our subscale, loss making Australian roads business.

Financial Review

Financial Results

	Underlying*					Statutory		
	31 Dec 2024	31 Dec 2023	Reported %	Constant Currency %	OCC %	31 Dec 2024	31 Dec 2023	Change %
Revenue	£855.1m	£829.8m	+3%	+5%	-	£855.1m	£829.8m	+3%
Operating profit	£143.5m	£122.5m	+17%	+20%	+12%	£115.4m	£103.8m	+11%
Operating margin	16.8%	14.8%	+200bps			13.5%	12.5%	+100bps
Profit before tax	£132.6m	£111.9m	+18%			£104.5m	£93.2m	+12%
Earnings per share	122.6p	105.4p	+16%			95.0p	86.0p	+10%
Dividend per share	49.0p	43.0p	+14%			49.0p	43.0p	+14%

* Underlying measures are set out in note 4 to the financial statements and exclude certain non-underlying items, which are detailed in note 5 to the financial statements

Results

The Group has delivered a strong set of 2024 results. Revenue was £855.1m (2023: £829.8m), up 3% on a reported basis. Revenue was flat on an OCC basis and 5% higher on a constant currency basis. The strong organic revenue growth seen in our higher margin US Engineered Solutions and US Galvanizing businesses was offset by declines in the UK, with a challenging market backdrop, and lower demand in our US off grid solar lighting business. Underlying operating profit was £143.5m (2023: £122.5m), an increase of 17% on a reported basis. OCC growth was 12% and constant currency growth was 20%. Operating margins improved to 16.8% (2023: 14.8%) reflecting the benefits of volume growth in our higher margin US businesses. Underlying profit before taxation was £132.6m (2023: £111.9m). Reported operating profit was £115.4m (2023: £103.8m) and reported profit before tax was £104.5m (2023: £93.2m). Underlying earnings per share increased to 122.6p (2023: 105.4p) and reported earnings per share was 95.0p (2023: 86.0p).

The principal reconciling items between underlying and reported operating profit are the £13.2m write down of goodwill, acquisition intangible and other assets relating to our US Roads business, Hill & Smith Inc., and the amortisation of other acquisition intangibles of £9.9m. Note 5 to the financial statements provides further details on the Group's non-underlying items.

Cash generation

The Group continues to be highly cash generative, delivering 99% underlying cash conversion in 2024. We expect the Group to continue to deliver strong cash conversion in 2025, in line with our financial framework and consistent with historic levels. The calculation of our underlying cash conversion ratio can be found in note 5 to the financial statements.

Operating cash flow before movement in working capital was £175.2m (2023: £151.4m). The working capital inflow in the year was £0.6m (2023: £22.8m inflow) with a continued focus on working capital efficiency. Working capital as a percentage of annualised sales was 15.2%, consistent with prior year (2023: 15.9%) and debtor days were 62 days (2023: 58 days).

Capital expenditure of £28.6m (2023: £31.8m) represents a multiple of depreciation and amortisation of 1.3 times (2023: 1.5 times). During the year we made capital investments to support organic growth including the expansion and upgrade of our engineered supports facility in Louisiana, investment in tooling and systems in our US composites business, and the purchase of an automated kettle line in one of our US galvanizing plants.

Net financing costs were £10.9m (2023: £10.6m). The net cost of pension fund financing under IAS 19 was £0.1m (2023: £0.3m), and the amortisation of costs relating to refinancing activities was £0.5m (2023: £0.6m).

The Group generated £108.6m of free cash flow in the year (2023: £104.8m), providing funds to support our acquisition strategy and dividend policy.

Net debt and financing

Net debt at the end of the year amounted to £96.9m (31 December 2023: £108.4m). Outflows in the year included £34.5m for the 2023 interim and final dividends and £47.4m on M&A activity, principally the four US acquisitions in the year. Net debt at the year end includes lease liabilities under IFRS 16 of £49.0m (31 December 2023: £43.7m), the increase being primarily due to our US off-grid solar business moving to a larger leased facility in June.

The Group's principal financing facilities comprise a £250m revolving credit facility, which expires in November 2027 and \$70m senior unsecured notes with maturities in June 2026 and June 2029, together with a further £6.7m of on-demand local overdraft arrangements. Throughout the year the Group has operated well within these facilities and at 31 December 2024,

the Group had £265.4m of headroom (£259.0m committed, £6.4m on demand). Approximately 55% of the Group's drawn debt at 31 December 2024 is subject to fixed interest rates, providing a hedge against recent market movements.

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0 times and interest cover of a minimum of 4.0 times. The ratio of covenant net debt to EBITDA at 31 December 2024 was 0.3 times (31 December 2023: 0.4 times) and interest cover was 20.4 times (31 December 2023: 17.3 times).

Return on Invested Capital

The Group continued to deliver strong returns in 2024, achieving a return on invested capital of 24.8% (2022: 22.0%), the increase reflecting the faster growth in our larger, higher margin US businesses which are typically lower in capital intensity.

Tax

The underlying effective tax rate for the year was 25.6% (FY 2023: 24.6%). The reported tax charge for the period was £28.1m (2023: £24.4m) and includes a £5.9m credit (2023: £3.2m credit) in respect of non-underlying items, principally relating to impairment charges and the amortisation of acquisition intangibles. Cash tax paid in the period was £26.5m (2023: £31.7m).

Exchange rates

The Group is exposed to movements in exchange rates when translating the results of its overseas operations into Sterling. Retranslating 2023 revenue and underlying operating profit using average exchange rates for 2024 would have reduced revenue by £15.4m and underlying operating profit by £3.4m, mainly due to Sterling's overall depreciation against the US Dollar. A one cent movement in the average US Dollar rate currently results in an adjustment of approximately £4.0m to the Group's annual revenues and £1.0m to annual underlying operating profit.

Non-underlying items

The total non-underlying items charged to operating profit in the Consolidated Income Statement amounted to £28.1m (2023: £18.7m). The items were mainly non-cash related and included the following:

- Impairment charges of £13.2m in respect of goodwill, acquisition intangible and other assets of Hill & Smith Inc., the Group's US road safety products business
- Losses on the remeasurement of Parking Facilities and Hill & Smith Pty as assets held for sale at the end of the year amounting to £3.1m
- Amortisation of acquisition intangible assets of £9.9m
- Expenses related to acquisitions and disposals of £1.9m, including a credit of £1.0m in respect of previously accrued deferred consideration relating to the National Signal acquisition.

The non-cash element of these charges was £25.2m. Further details are set out in note 5 to the financial statements.

Pensions

The Group operates defined benefit pension plans in the UK and the USA. The IAS 19 deficit of these plans at 31 December 2024 was £0.8m, a reduction of £3.3m from 31 December 2023 (£4.1m). The deficit of the UK scheme, the largest employee benefit obligation in the Group, was £0.2m (31 December 2023: £3.4m), the reduction mainly due to the Group's deficit recovery payments in the year.

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

Going concern

After making enquiries, the Directors have reasonable expectations that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and for the period to 30 June 2026. Accordingly, they continue to adopt the going concern principle.

When making this assessment, the Group considers whether it will be able to maintain adequate liquidity headroom above the level of its borrowing facilities and to operate within the financial covenants on those facilities. The Group has carefully modelled its cash flow outlook for the period to June 2026, considering the ongoing uncertainties in global economic conditions. In this "base case" scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2025, 31 December 2025 and 30 June 2026.

The Group has also carried out "reverse stress tests" to assess the performance levels at which either liquidity headroom would fall below zero or covenants would be breached in the period to 30 June 2026. The Directors do not consider the resulting performance levels to be plausible given the Group's strong trading performance in the period and the resilience of the end markets in which we operate.

Rutger Helbing
Chief Executive

Hannah Nichols
Chief Financial Officer

Stakeholder engagement

Effective engagement with our stakeholders and listening to their feedback is key to good decision making. Consideration of their interests drives long term sustainable value creation and promotes continued growth.

Our people



Our people are key to our success and as such it is important that we listen to their feedback to understand what matters to them and make our Group a great place to work. We are committed to providing not only a safe environment in which to work, but one where ideas are encouraged and people can flourish. We insist that people connected with the Group can work safely, are trained correctly, follow our Code of Conduct, and comply with all local legal and regulatory requirements.

Board oversight

The Board receives an update on health and safety matters at each meeting and takes time to consider health and safety trends, injuries and any root cause that can be acted upon. More widely, the Board also receives regular updates on human resources across the Group, including talent and development programmes.

The views of our people are collected through our annual employee engagement survey alongside direct feedback to the Executive Committee. The Board reviews the feedback and survey results and oversees the creation of action plans. The Remuneration Committee, under its mandate delegated by the Board, considers wider workforce remuneration and benefits when setting executive pay and cost of living increases.

What matters

- Health, safety and wellbeing
- Reward
- Engagement
- Job security
- Training and development
- Sustainability and the environment
- Reputation and ethical standards

How we engaged in 2024

- During 2024 we undertook a number of health and safety improvement initiatives including the launch of a Groupwide incident management system and the relaunch of the our nine Life Saving Rules.
- We carried out our fifth annual Groupwide engagement survey, which had an 83% response rate and included topics such as health and safety, working conditions, career development and culture.
- We continued our workforce forums to maintain dialogue between directors and operating company employees. A conversation was held on how executive remuneration aligns with wider Company pay policy.
- We continued to engage with our global Women's Network Steering Group, who identified three priorities for 2024: inclusive hiring; access to mentoring; and provision of female personal protection equipment.
- All major announcements were issued on the Group intranet to ensure important developments were accessible to our people.

Outcomes

Engaging with our employees has enabled us to better understand their needs and concerns and take appropriate actions. The results of the annual employee engagement survey have been reviewed and our Group Presidents are overseeing the creation and execution of local action plans.

Our companies

1 2 3 4 1 2 3 4 5 6 7 8

Our decentralised operating model places our operating companies close to their end markets and under the management of their own board of directors, fostering agility, customer intimacy and an entrepreneurial culture. Each operating company is responsible for delivering an organic growth target and their performance underpins the success of Group strategy.

Board oversight

The Board reviews operating company financial performance as a standing item at each meeting, identifying trends and taking decisions accordingly. In addition, operating company management are invited to Board meetings to discuss matters relating to their own businesses.

The Board also undertakes site visits during the year which provide an opportunity to meet with local management and discuss plans and strategy.

The Group has a strict Delegation of Authority in place, adherence to which is audited by our Group Internal Audit function. Under the Schedule of Matters Reserved, the Board has ensured that all significant items of strategy, finance, ethics and capital spend are reserved for its own attention. This includes oversight and approval of portfolio management decisions.

What matters

- Operational and financial performance
- Capital allocation
- Talent and development
- Health, safety and wellbeing
- Reputation and ethical standards

How we engaged in 2024

- In June 2024, the Board conducted a visit to the US. Companies visited included the Creative Composites Group, V&S Galvanizing, Hill & Smith Inc. and V&S Utilities.
- Rutger Helbing visited operating businesses as part of his onboarding to better understand each business and the day to day matters that are important to them and their customers / stakeholders.
- A new geographic Group President structure was introduced during the year with Group Presidents appointed for the US and UK & India. This new structure enables the Group Presidents to be more easily available to advise and assist with strategy, best practice sharing and day to day management matters.
- The Board approved four acquisitions during 2024, each having strong long term growth potential, all of which have been integrated into existing businesses. Additionally, in 2024, the Board approved the strategic decision to exit two non-core businesses; Hill & Smith Pty and Parking Facilities, with both disposals completing in early 2025.

Outcomes

Visiting sites and inviting members of operating company senior management to Board meetings, enables the Board to speak directly to the management teams and better understand the issues they face on the ground. Additionally, it allows the Board to see for themselves the quality of management beneath Executive Committee level.

The Group President structure has encouraged the introduction of functional cross-business working groups to share best practice.

Links to strategy:

- 1 Organic growth
- 2 Enhancing growth through M&A
- 3 Sustainability
- 4 Strong financial and risk management

Links to relevant KPIs:

- 1 Organic revenue growth
- 2 Underlying operating profit margin
- 3 Underlying cash conversion
- 4 Return on invested capital (ROIC)
- 5 Leverage
- 6 Greenhouse gas emissions
- 7 Health and safety
- 8 Employee engagement

Our local communities

3 4 6 7

We aim to conduct business in a responsible way that aligns with our purpose and values, and is additive to the communities that we serve. Our operating companies engage with their local communities on a business-by-business basis, supporting local charities and schools, as well as engaging with local authorities when seeking to develop their businesses.

Board oversight

Much of the day to day engagement with local communities takes place at local operating company level. Matters affecting the wider Group are referred to the Board.

What matters

- Reputational and ethical standards
- Sustainability and the environment
- Health, safety and wellbeing

How we engaged in 2024

In 2024 we:

- Continued our charity matching programme
- Encouraged our operating companies to engage with communities during our annual Sustainability Week, supporting local charities on a business-by-business basis

Outcomes

Our operating companies support wide-ranging charitable causes. We have continued our charity matching scheme whereby our employees can apply for central matching of charitable donations raised by themselves. During the year we supported charities such as MacMillan Cancer Support, the Rob Burrow Centre for Motor Neurone Disease, and a charity local to our head office, Valley House Shelter.

Our suppliers

1 3 4 2 3 5 6 7

Developing strong relationships between our operating companies and suppliers is key to the operating efficiency of our businesses. We actively engage with our suppliers at operating company level, working closely in partnership to ensure that they provide the right quality of raw materials and services to support our commitment to quality products and competitive customer solutions. We aim to have long term relationships with suppliers, encouraged through fair payment practices.

Board oversight

The Board has ultimate oversight of all business related matters including our supplier policies. Delegated responsibility for day-to-day supplier engagement lies with the local operating business. Any significant issues are reported to the Board via the Executive Directors.

What matters

- Quality
- Fair financial terms
- Long term relationships
- Sustainability and the environment

How we engaged in 2024

- Operating companies regularly met with existing and potential suppliers to discuss continuity and quality of supply.

- Operating companies worked with key suppliers to ensure their familiarity with our expectations with respect to ethical matters as set out in our Code of Business Conduct, Anti-Bribery & Corruption Policy, and Group Modern Slavery Policy. Each key supplier provides an annual compliance certificate confirming their adherence with our values and terms of service.
- We continued to engage with suppliers on sustainability, including with respect to the refresh of our materiality matrix and sustainability focus areas.

Outcomes

Operating companies regularly met with existing and potential suppliers to discuss continuity and quality of supply.

Additionally, operating companies worked with key suppliers to ensure their familiarity with our expectations with respect to ethical matters as set out in our Code of Business Conduct, Anti-Bribery & Corruption policy, and Group Modern Slavery Policy. Each key supplier provides an annual compliance certificate confirming their adherence with our values and terms of service.

We continued to engage with suppliers on sustainability, including with respect to the refresh of our materiality matrix and sustainability focus areas.

Our customers

1 3 1 6 7

Our operating companies work closely with their customers. Understand their needs, and the challenges they face, is fundamental to customer service and allows us to provide innovative solutions. By building up a detailed understanding of current customer needs, we can ensure we provide the right solutions and products to their problems, alongside the anticipation of future requirements.

Board oversight

Most of the day-to-day customer interaction takes place at the operating business level.

The Board reviews operating company performance as a standing item at each meeting, which identifies key customer matters. Where any significant customer matters are detected, these will be investigated by the relevant Group President who will update the Board as appropriate.

What matters

- Quality
- Fair financial terms
- Product innovation
- Long-term relationships
- Sustainability and the environment

How we engaged in 2024

- Our operating companies continued to foster close relationships with customers to understand their requirements and develop products and solutions to meet their needs.
- Continued our focus on sustainability and, as part of our materiality assessment, we contacted a selection of customers to better inform our understanding of what matters to them.
- Most of our businesses are accredited with ISO quality standards to provide comfort to our customers that we are able to deliver solutions which meet their requirements.
- All of our businesses are covered by our Code of Business Conduct which sets out expectations for how we conduct business, ethically and responsibly.

Outcomes

Developing close relationships with customers is critical to the success of the Group and fundamental to our business model. In 2024, our operating companies have continued our focus on product development, quality and customer service levels.

We have listened to our customers, alongside other stakeholder groups, in pulling together our sustainability materiality assessment which reaffirmed our sustainability focus areas going forward.

Links to strategy:

- 1 Organic growth
- 2 Enhancing growth through M&A
- 3 Sustainability
- 4 Strong financial and risk management

Links to relevant KPIs:

- 1 Organic revenue growth
- 2 Underlying operating profit margin
- 3 Underlying cash conversion
- 4 Return on invested capital (ROIC)
- 5 Leverage
- 6 Greenhouse gas emissions
- 7 Health and safety
- 8 Employee engagement

The environment

3 2 6 8

We play a key role in protecting the world through both the provision of our sustainable infrastructure products and services and through how we minimise our environmental impact as we deliver those products and services.

Board oversight

The CEO keeps the Board apprised of issues that arise in the course of business through his report to each meeting. Additionally, the Board receives at least two sustainability reports per year which are presented by the Group's Head of Sustainability. The Group's Sustainability Committee comprises members of the Executive Committee and other senior management, and helps to refine the Group's sustainability strategy, which is approved by the Board.

What matters

- Sustainable products including waste and water management
- Greenhouse gas emission reduction
- Environmentally friendly products and solutions

How we engaged in 2024

- We conducted a sustainability materiality assessment which included a section on environmental impact.
- We incorporated carbon reduction planning into the operating company strategic plan and budget processes, ensuring it is properly considered and budgeted for.
- A number of our operating companies undertook Life Cycle Assessments for individual products, with five of these being verified by a third party and published as Environmental Product Declarations.
- We became a Partner of the United States Department of Energy's Better Climate Challenge program, providing the operating companies with access to free tools and resources including fully-funded energy audits, use of diagnostic equipment and training on a range of sustainability topics.

Outcomes

The impact on the environment has been given more prominence and consideration in decision making and wider business activities.



Our investors

1 2 3 1 2 3 4 5 6 7

Our investors are the ultimate owners of the business. It is therefore imperative that the Board understands their views so it can operate the business in a way that delivers long term value. We recognise the value of engaging regularly with our investors. From the investor side, this promotes a better understanding of senior management and the strategy for the business. For the Group, this helps the Board to better understand the views of its investors which are to be taken into account when making decisions and setting long term strategy. Our CEO, CFO and Investor Relations team engage with our investors through a series of meetings, site visits and presentations.

Board oversight

The Board receives an update on investor relations matters at each Board meeting. In addition, the Company's brokers are invited to attend Board meetings during the year, and provide feedback from investors. The Chair is accessible to investors as necessary, and the Senior Independent Director is also available to provide an alternative channel through which investors can raise concerns. The Directors all attend the Company's AGM in order to discuss any other matters that shareholders wish to raise.

What matters

- Operational and financial performance
- Capital allocation
- Reputation and ethical standards
- Health, safety and wellbeing

How we engaged in 2024

- During the course of 2024, the Executive Chair, CEO, CFO and Head of IR met regularly with investors and analysts, holding over 150 investor meetings with existing and potential investors. In addition, our new CEO met with large investors on appointment as part of his onboarding process.
- The Company's AGM was held in May 2024, enabling face-to-face interaction between Board members and investors.
- We continued our focus on sustainability, and as part of our materiality assessment, we contacted a selection of our large shareholders to better inform our understanding of what matters to them.

Outcomes

Effective investor engagement enables us to take their views into account when setting the Group's strategy, making capital allocation decisions and in wider business decision making.

Links to strategy:

- 1 Organic growth
- 2 Enhancing growth through M&A
- 3 Sustainability
- 4 Strong financial and risk management

Links to relevant KPIs:

- 1 Organic revenue growth
- 2 Underlying operating profit margin
- 3 Underlying cash conversion
- 4 Return on invested capital (ROIC)
- 5 Leverage
- 6 Greenhouse gas emissions
- 7 Health and safety
- 8 Employee engagement

Section 172

The Directors of the Company are required by section 172 of the Companies Act 2006 to act in a way that they consider, in good faith, is most likely to promote the long term, sustainable success of the Company, for the benefit of its members as a whole. They are also required to take into account the interests of key stakeholders. Aside from this being a statutory duty, the Directors of Hill & Smith PLC believe that this is simply good business practice.

Stakeholder engagement

The importance of understanding each stakeholder group is key to inclusive and effective decision making. Only through engagement can the needs and concerns of each stakeholder group be properly understood. The Group's decentralised business model helps us develop close links with the markets we operate in and maintain close customer relationships at a local level. Further information on how we interact with our stakeholders is included in the Stakeholder Engagement section on page 38.

The Board recognises the importance of understanding the priorities of different shareholder groups to inform the development of strategy. It also acknowledges that situations may arise where stakeholder groups have conflicting priorities. In these circumstances, the Board will seek to understand the needs and priorities of each group and, by doing so, assess them individually and collectively from the perspective of its strategic objectives and the long term sustainable success of the business.

Corporate context

The Group promotes and the Board approves, a range of policies which consider the interests of the Group's stakeholder groups and are important when seeking to achieve an appropriate balance between their interests. Further information on these policies are set out in the Ethical Conduct section on page 62.

Throughout the year, each Director remains conscious of their duty to the members and key stakeholder groups when taking decisions. Much of the day-to-day engagement takes place at a local level by our people in our operating companies. Our Group Presidents keep in close contact with the operating companies, raising items of importance with the Executive Committee and ultimately, the Board via the CEO and CFO. Additionally, the Board undertakes visits to operating companies during the course of the year and takes time to discuss items that matter to the local business and community.

The Board receives comprehensive papers from management during the year, including updates on health and safety performance, our people and talent management, investor relations, IT and cyber resilience. Papers and discussions include the views of key stakeholders and the likely long term impact of the decision. Additionally, as part of its decision making, the Board undertakes a rigorous evaluation of each proposal which includes risks and opportunities, evaluation and other options which should be considered. This, when combined with the skills, experience and challenge that the directors bring, creates a solid bedrock for good decision making and long term success.

Decision making in action

The Report below sets out three key decisions taken by the Board during 2024 and explains how the matters in section 172 were considered.

	Appointment of a new Chief Executive Officer	M&A strategy and acquisition of Whitlow Electric Services Company	The decision to exit the Australian roads market
Stakeholders considered	People Companies Customers Suppliers Investors Local communities Environment	People Companies Customers Investors Environment	People Companies Customers Investors
How the Board made its decision	<ul style="list-style-type: none"> The Chief Executive Officer is responsible for leading the business and the development of strategy in conjunction with the Board. As such this was a key decision. The Board took its time in finding the right candidate for appointment. A role profile was created which was used by the external search firm as part of the process. The key selection criteria included cultural fit, experience in similar industry and manufacturing, strategic vision, and someone who was able to lead the Group's decentralised operating model in a way consistent with its values. Following an extended search, the Board was delighted to appoint Rutger Helbing to the role. Further information can be found on page 92. 	<ul style="list-style-type: none"> The Group has a stated policy to acquire businesses with strong long term growth potential. As part of this, the CEO provides an update on M&A pipeline and activities at each Board meeting. The Group Corporate Development team works with the operating companies to identify potential targets which fit with the Group's strategic plans. The Board had been considering the acquisition of Whitlow for four months prior to it being presented as a final opportunity for approval. Key stakeholder considerations on the decision to acquire Whitlow included: <ul style="list-style-type: none"> price and strategic rationale (expanding the geographic footprint of the V&S Utilities business into the Southeast of the US) product fit cultural fit, skills and experience to build long term success. customer relationships, market dynamics and customer requirements and service levels In assessing the overall deal, the Board considered the risks and opportunities offered by the acquisition and determined that it would be beneficial for the Group to proceed. 	<ul style="list-style-type: none"> Following a reassessment of the Australian market for the sale and rental of temporary vehicle restraint barriers, the attractiveness of maintaining the business in the long term was considered by the Board. The Board considered the strategic rationale and potential financial returns for retaining and building the business or conducting a sale process. It was agreed that the Australian business had better long term prospects within a broader based, larger rental business operating in the Australian market. When considering the sale of the business: <ul style="list-style-type: none"> Shareholders were at the forefront of considerations. Financial advisors were appointed to maximise the sale proceeds for a business that had exhibited weak financial returns. Customers – would be better served with an Australian business that had a wider offering of rental products. People – the transaction would be unsettling for our people but within a larger, local group, the long term prospects of our people would improve.
Criteria considered	A, B, C, D, E, F	A, B, C, D, E, F	A, B, C, E, F

Key

- A. The likely consequences of any decision in the long term
- B. The interests of the Company's people
- C. The need to foster the Company's business relationships with suppliers, customers and others
- D. The impact of the Company's operations on the community and the environment
- E. The desirability of the Company maintaining a reputation for high standards of business conduct
- F. The need to act fairly between members of the Company

Our approach to sustainability

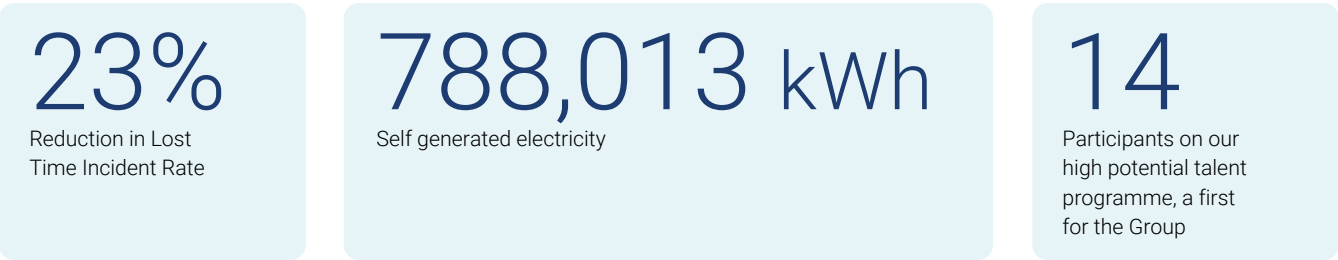
Our sustainability strategy

We have seven priorities in our sustainability strategy, across three focus areas:



Our CEO, Rutger Helbing, has Board responsibility for sustainability and is also a member of the Sustainability Committee. The Sustainability Committee, led by our Group Head of Sustainability, Lucinda Farrington-Parker, works with our operating companies to create actionable plans with measurable near and medium term targets.

The Committee also includes the Group CFO, our Group Presidents and a number of other Group employees who are driving our sustainability strategy forward. The Committee reports to the Board on a six-monthly basis, providing updates on progress made against targets.



Materiality assessment

Our previous materiality assessment was conducted in 2021. During 2024, we undertook another assessment to ensure that we continue to address those sustainability topics of most relevance to stakeholders and of greatest risk and/or opportunity to our business. This asked respondents to rate the identified issues in relation to both financial and impact materiality.

Key findings

The materiality assessment showed that our existing sustainability strategy is broadly in line with stakeholder expectations. We received a high number of responses from all stakeholder groups, showing a high level of engagement with the sustainability agenda.

Some minor changes have been made to our strategy as a result of the assessment findings:



- 'Health and safety' focus area changed to 'Health, safety and wellbeing'
- 'Diversity and inclusion' focus area changed to 'Equity, diversity and inclusion'
- 'Sustainable products' focus area updated to include:
 - Waste
 - Water
 - Energy management
 - Packaging

Materiality assessment matrix



● Protecting the world ● Saving & enhancing lives ● Sustainable governance

Our sustainability metrics and targets

Pillar	Focus area	Target	Progress	2024 actual	2023 actual	2025 target	2030 target
 Protecting the world	Greenhouse gas emissions and energy efficiency	Intensity Ratio (market-based) (tCO ₂ e per £000's revenue)	●	0.06	0.06	0.05	0.03
	Health, safety and wellbeing	Lost Time Incident Rate	●	0.33	0.43	0.275	0.1
 Saving and enhancing lives	Talent, development and engagement	Engagement score	●	56%	56%	66%	75%
	Equity, diversity and inclusion	Gender diversity					
		PLC Board	●	38%	29%	40%+	40%+
		Executive Committee	●	33%	40%	40%+	40%+
		Senior Leaders	●	22%	19%	20%+	40%+
		Ethnic Diversity					
		PLC Board	●	13%	14%	10%+	10%+
		Executive Committee	●	0%	20%	10%+	20%+
		Senior Leaders	●	15%	10%	10%+	10%+

● Not on track ● Slightly behind ● On track ● Achieved

Preparing for emerging sustainability regulations

	Outline of regulations	Actions we are taking	Time horizon
International Sustainability Standards Board (ISSB)	Formed by the IFRS Foundation to provide a global baseline for investor focused sustainability reporting.	<ul style="list-style-type: none"> Monitor mandatory reporting requirements and timelines. Align our reporting metrics with published standards. 	2026 – 2027
UK Transition Plan Taskforce (TPT) Disclosure Framework	Developed by the UK TPT to be the gold standard for climate transition plans.	<ul style="list-style-type: none"> Monitor mandatory reporting requirements and timelines. Developing our Costed Plan to meet the disclosure standard. 	2026 – 2027
EU Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD)	EU legislation to extend the scope of the Non-Financial Reporting Directive.	<ul style="list-style-type: none"> This is not currently applicable as Hill & Smith does not have sufficient turnover in the EU to fall within scope. 	N/A
Sustainable Finance Taxonomies	Classification system to define which economic activities qualify as sustainable.	<ul style="list-style-type: none"> The EU Taxonomy is not applicable to Hill & Smith, but we will await announcements on the UK Green Taxonomy. 	TBC subject to further government announcements
Taskforce on Nature-related Financial Disclosures (TNFD)	ISSB has confirmed it will use the TNFD framework to inform its nature related investor reporting standard.	<ul style="list-style-type: none"> Our Sustainability Committee is monitoring developments and will recommend actions for future disclosure. 	TBC subject to ISSB confirmation

Protecting the world

Greenhouse gas emissions and energy efficiency



Why does it matter?

We recognise that greenhouse gases are a major contributor to the climate crisis, and we are committed to managing and reducing the Group's emissions to support the Paris Agreement goals.

Our commitments

Science-based targets

Hill & Smith's near-term, long-term and overarching net zero emission reduction targets were approved by the Science Based Targets initiative ("SBTi") in December 2023, using a financial year running from 1 January to 31 December. Our approved science-based targets are as follows:

Overall net zero target

Hill & Smith commits to reach net zero greenhouse gas emissions across the value chain by 2050.

Near-term targets

By 2032, Hill & Smith commits to reduce absolute scope 1 and 2 greenhouse gas emissions by 55% from a 2020 base year. Hill & Smith also commits to reduce scope 3 greenhouse gas emissions by 60% per GBP value added by 2032 from a 2022 base year.

Long-term targets

Hill & Smith commits to reduce absolute scope 1 and 2 greenhouse gas emissions by 90% by 2040 from a 2020 base year and maintain 90% absolute reduction through 2050 from 2040. Hill & Smith also commits to reduce scope 3 greenhouse gas emissions by 97% per GBP value added by 2050 from a 2022 base year.

For scope 1 and 2, a market-based and absolute contraction approach was chosen. For scope 3, an economic intensity approach was selected due to the changing nature of our portfolio through organic developments and value enhancing acquisitions.

Intensity ratio targets

In addition to our approved science-based targets, we also have an internal target to achieve net zero for scope 1 and 2 by 2040 and we are measuring our near-term progress through reduction in our carbon intensity ratio (defined as tCO₂e per £million revenue). Our intensity ratio for 2024 has remained stable at 0.06 and we have reduced our targets for 2025 and 2030 to 0.05 and 0.03 respectively (previously 0.08 and 0.06).

Target	2024 actual	2023 actual	2025 target	2030 target
Intensity Ratio (market-based) (tCO ₂ e per £000's revenue)	0.06	0.06	0.05	0.03

What have we achieved in 2024?

Actions towards meeting greenhouse gas emissions reduction targets

A range of emissions reduction and energy efficiency initiatives have been undertaken by our operating companies during 2024, including the continued installation of solar panels, purchase of more energy efficient welding sets, installation of energy monitoring systems to track individual equipment consumption, and switching forklift trucks to electric. Two of our UK sites and two of our US sites have now made the switch to Hydrotreated Vegetable Oil ('HVO') in place of diesel and more are investigating this opportunity.

Consumption of natural gas for heating in the galvanizing process contributes 87% of the Group's total natural gas consumption, and therefore the use of energy in the galvanizing process is a key focus area for the Group's emissions reduction plan. In 2024, we continued to implement energy efficiency measures in both our UK and US galvanizing operations including waste heat recovery systems, kettle covers, and variable frequency drives, which will contribute to our emissions reduction plan.

In the UK, we trialled the use of a 'smart burner' system at one of our galvanizing sites, which has reduced natural gas consumption by around 15-20%. This technology is now being rolled out to the other facilities where it is feasible with existing systems.

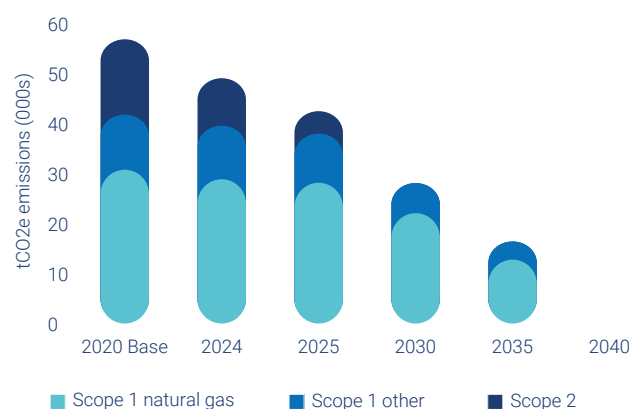
We became a Partner of the US Department of Energy's Better Climate Challenge program in February 2024, providing our operating companies with access to a wide range of free tools and resources including energy audits, use of diagnostic equipment and training on sustainability topics. As part of this program, we held our first 'Energy Treasure Hunt' at our New York galvanizing facility which identified the potential for 20% emissions reductions through a range of energy efficiency measures. These initiatives are now being considered at other galvanizing sites across the Group.

99% of our UK electricity requirements and 19% of our US electricity requirements were sourced through renewable energy certificates in 2024 and we are continuing to work with our US businesses on moving towards further renewable electricity supply over the next year. In addition, we generated 788,013 kWh of renewable energy from our own solar PV sources on several sites across the Group.

Work has continued on identifying opportunities to influence our scope 3 emissions, including contacting suppliers to obtain more product-specific information (such as recycled content and production methods for steel), using weight-based rather than spend-based data and emission factors to improve data quality, and investigating opportunities for lower embodied carbon concrete.

Costed plan

Net-zero scope 1 and 2 emissions by 2040



2020–2025

- Implementation of galvanizing energy efficiency measures
- Replace forklift fuel with renewables
- UK to renewable electricity. US start to move to renewable electricity

2026–2030

- Ongoing galvanizing energy efficiency measures
- Trial alternative galvanizing burner technologies
- Remaining forklift fuel replaced with renewables
- 100% of Group move to renewable electricity

2031–2035

- Galvanizing plants to alternative burner technology
- Commence replacing diesel in commercial vehicles with renewables

2036–2040

- Remaining galvanizing plants to alternative burner technology
- Replace diesel in commercial vehicles with renewables

We have continued to refine our costed plan which includes an assessment of the incremental capital, energy, carbon taxes and other operating costs to support our carbon reduction plan. The result of this has provided us with the confidence to continue our commitment to achieving our internal net zero target for scope 1 and 2 by 2040. Our current expectations are that the financial impact of achieving this will not have a material impact on the growth prospects for the Group, with modest levels of incremental capital investment required. The planned investment is included above in our costed plan.

Progress against science-based targets

Our progress against our science-based targets is set out below. For further information on how we plan to achieve our targets, see our costed plan on page 50. 100% of our scope 1, 2 and 3 emissions are included in our science-based targets.

Reporting item	2024	Base year value (2020)	2024 % change (from 2020)
Scope 1 (tCO ₂ e)	38,601	40,756	-5%
Scope 2 (market-based) (tCO ₂ e)	9,532	15,062	-37%
Total scope 1+2 (market-based) (tCO ₂ e)	48,133	55,818	-14%

Reporting item	2024	Base year value (2022)	2024 % change (from 2022)
Scope 3, category 1: Purchased goods & services (tCO ₂ e)	393,713	373,714	5%
Scope 3, category 2: Capital goods (tCO ₂ e)	7,188	4,530	59%
Scope 3, category 3: Fuel and energy-related activities (tCO ₂ e)	9,230	9,223	0%
Scope 3, category 4: Upstream transportation (tCO ₂ e)	25,216	29,904	-16%
Scope 3, category 5: Waste (tCO ₂ e)	2,200	3,779	-42%
Scope 3, category 6: Business travel (tCO ₂ e)	2,132	1,508	41%
Scope 3, category 7: Employee commuting (tCO ₂ e)	4,915	5,371	-8%
Scope 3, category 9: Downstream transportation (tCO ₂ e)	8,153	8,415	-3%
Scope 3, category 10: Processing of sold products (tCO ₂ e)	13,387	8,330	61%
Scope 3, category 11: Use of sold products (tCO ₂ e)	549,269	560,032	-2%
Scope 3, category 12: End-of-life treatment (tCO ₂ e)	794	2,672	-70%
Scope 3, category 13: Downstream leased assets (tCO ₂ e)	536	163	229%
Total scope 3 (all categories) (tCO ₂ e)	1,016,734	1,007,641	1%
Overall scope 3 emissions intensity (tCO ₂ e/£ value added)	5,912	8,297	-29%

Scope 3 categories 8 (upstream leased assets), 14 (franchises) and 15 (investments) have been assessed and deemed not to be relevant to the Group's activities. In accordance with our Greenhouse Gas Emissions Recalculation Policy, in our Basis of Reporting 2024 (available at [hs-group.com/who-we-are/governance/our-policies/](https://www.hs-group.com/who-we-are/governance/our-policies/)) and the GHG Protocol, our 2020-2023 scope 1, 2 and 3 data has been revised to remove the emissions relating to any operating companies that have been divested and to include estimates for the emissions from companies that we have acquired in the years since. This may result in stated emissions for previous years differing from those reported previously, but allows a meaningful comparison of current emissions with base year and historic year emissions. All re-stated emissions for historic years are available in our Basis of Reporting document on our website.

The DEFRA spend-based emission factors were updated after the 2022 baseline was established; this baseline has been recalculated during 2024 using the updated emission factors to make it comparable with 2023 and 2024 emission calculations, resulting in significantly lower emissions than previously reported.

Scope 3 emissions intensity uses operating profit in £m for value added.

Our 2025 focus areas

In 2025, we will focus on further developing local emissions reduction plans for each of our operating companies, considering both energy efficiency and switching to alternative fuels and/or technologies, to include scope 1, 2 and 3 emissions. We will look to partner with external organisations where appropriate to assist with feasibility studies and the installation of energy efficiency technology appropriate to each site.

We intend to further develop these plans into a high level Climate Transition Plan for the Group in line with the Transition Plan Taskforce Disclosure Framework published in 2023.

How will we measure progress?

We have invested in a sustainability software solution to record our greenhouse gas emissions. This provides greater visibility of our emissions and allows us to measure performance against our targets at both a Group and individual operating company level.

Base verification and assurance of greenhouse gas emissions

We engaged Bureau Veritas to conduct a verification review of our corporate greenhouse gas emissions inventory for the period 1 January to 31 December 2024. The review was performed to a limited level of assurance in accordance with the requirements of the International Standard on Assurance Engagements ('ISAE') 3000. The remit of the review included scope 1, scope 2, and all applicable scope 3 categories.

Bureau Veritas has found no evidence that the above reported data is not materially correct, with a limited level of assurance. The results of the assessment can be found on our website, www.hs-group.com.

Further information on our annual greenhouse gas inventory, scope 1, 2 and 3 reporting methodologies and data sources, exclusions, assumptions and estimations, plus the historic emission recalculations carried out this year, is available in our 'Basis of Reporting 2024' document, which can be found on our website, www.hs-group.com.

Base year recalculation policy and threshold

We have recalculated and restated our base year and historic year emissions across all scopes to reflect the effects of acquisitions and divestments. Details of these changes can be found in our 'Basis of Reporting 2024' document. Our Greenhouse Gas Emissions Recalculation process (included in the 'Basis of Reporting' document) defines a significant change as a cumulative change of 5% or larger in our total base year emissions. We have assessed the implications of these restatements on our science-based targets and have not identified a need to update the targets. Refer to the Governance section of the Group website for further information.

Sustainable products



Why does it matter?

Delivering solutions that improve the sustainability of our customers' operations is central to our Company purpose and strategy. We believe that our products and services can play an important role in addressing the challenges associated with increasing population and urbanisation, climate change and decarbonisation.

What have we achieved in 2024?

Life Cycle Assessments

During 2024, a number of our operating companies undertook Life Cycle Assessments ('LCA') for individual products, with five of these being verified by a third party and published as Environmental Product Declarations ('EPD'). We expect this to continue to be an increasing focus area for our customers going forward.

Waste management and water consumption

Waste generation varies significantly between operating companies. Some produce very little waste; some generate high proportions of recyclable waste types (such as steel). The galvanizing sites generate hazardous waste such as waste acid and degreaser. We take appropriate actions to ensure that these materials are disposed of in line with environmental regulations and recycled where locally possible.

Water use by our operating companies is typically for offices (toilets, hand washing and cleaning) and for process activities (such as pre-treatment tanks in our galvanizing facilities). We monitor the consumption of water across the Group and encourage sites to reduce consumption where possible.

Our water consumption and waste data for the past five years is set out below:

Measure	2024	2023	2022	2021	2020
Water consumption (m ³)	98,825	92,963	84,667	104,795	95,093
Water intensity (m ³ / £000 revenue)	0.12	0.11	0.12	0.17	0.16
Waste generated (tonnes)*	27,982	27,154	25,899	17,355	24,310
• Hazardous	9,961	9,792	9,471	n/a	n/a
• Non-hazardous	18,021	17,362	16,428	n/a	n/a
Waste intensity (tonnes / £000 revenue)	0.033	0.033	0.035	0.028	0.041
Waste recycled (%)	77	82	80	79	79

* The split between hazardous and non-hazardous waste is not available prior to 2022.

Our 2025 focus areas

We will continue to undertake LCAs on key products, with the publication of EPDs as they are verified.

During 2025 we will increase our monitoring of water consumption and reduction efforts, particularly on those sites in areas of high water stress. We will also work to reduce the impacts of the packaging materials we use.

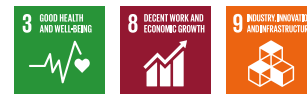
How will we measure progress?

We will report on the total number of products that have a verified EPD and aim to increase this number on an annual basis.

We will continue to disclose work done to assess the sustainability of our products.

Saving and enhancing lives

Health, safety and wellbeing



Why does it matter?

Keeping our employees, customers, and suppliers safe is our number one priority. Ensuring that our employees work in a safe environment and can return home to their loved ones at the end of their working day is of paramount importance.

What have we achieved in 2024?

In 2023, we introduced a regional health and safety organisational structure to allow the Group health and safety resources to be closer to individual operating companies within their region, and to better support the Managing Directors and the wider health and safety community. This structure was further strengthened with the introduction of our two regional Group Presidents during 2024, who provide senior level oversight and champion the Group health and safety agenda.

In July 2024, the Group successfully launched a Group wide incident management system. The new system makes it easy for all employees to report accidents in real time, and also encourages the reporting of leading indicators such as near misses, unsafe acts or conditions. In the second half of the year, we relaunched the Group's Nine Life Saving Rules, with poster campaigns and briefings to all operating companies, enhancing the focus on accident prevention rather than reaction to accidents. Significant focus was placed on fork lift truck safety in the latter part of the year and will continue throughout 2025 with the introduction of various pedestrian detection systems, electronic key control and vehicle impact systems to prevent personal injuries. The UK Galvanizing division has also introduced remote dipping to remove people from the highest risk areas surrounding the galvanizing baths, and significant investment has been made on vehicle trailers with additional safety features such as drop sides, additional nets, and hammocks to improve load security and road safety.

During the year we have sought feedback on operational and facility improvements through our employee forums, which include health and safety as a key discussion topic. To complement this and obtain a comprehensive view from all employees, we conducted a Group-wide employee safety culture survey in September 2024. This indicated there is a high level of understanding of internal health and safety expectations and employee responsibilities.

Our targets

Measure	2024 actual	2023 actual	2025 target	2030 target
Lost time incident rate	0.33	0.43	0.275	0.1

While we still have work to do in the area, these efforts have led to a 23% reduction in our Lost Time Incident Rate ('LTIR') to 0.33 in 2024 (2023: 0.43). All lost time incidents were investigated by health and safety managers alongside members of the local operational teams. Managing Directors were requested to present the investigation findings to the Group Presidents and Executive Committee members to demonstrate elevated involvement in the process. Learnings from all incidents are shared with the wider organisation, reinforcing the importance of keeping our people safe and communicating corrective actions.

Our 2025 focus areas

Our aim continues to be to reduce the number of health and safety incidents throughout our organisation along with minimising the severity of lost time incidents.

To support this objective, we will:

- Continue to focus on leading indicators, such as near miss reporting and safety observations, rather than lagging indicators
- Continue to drive campaigns focusing on those areas that represent major risks for the Group's operating companies
- Elevate our focus on employee behaviours and accountability
- Enhance the delivery of safety training for our people
- Continue to drive campaigns focusing on those areas that represent major risks for the Group's operating companies.

How will we measure progress?

We use Lost Time Incident Rate as the key indicator to track and monitor our progress in health and safety.

Our targets

Given the progress made in 2024, we have revised our LTIR targets to 0.275 for 2025 (previously 0.75) and to 0.1 for 2030 (previously 0.25).

Talent, development and engagement



Why does it matter?

Talented people are fundamental to the success of our autonomous business model and help deliver our purpose and growth ambitions. We need a highly engaged and capable workforce within our operating companies, and this can only be done by attracting, developing, supporting, and retaining the right people. Positive employee engagement and offering great careers for people increase our productivity, enhance our reputation, and deliver our growth plans.

What have we achieved in 2024?

In 2024, we have continued our focus on senior level succession, the development of high potential individuals within our operating companies, and manager and supervisor training and development. Within our Managing Director population, we have had four internal promotions in 2024 which reflects the focus being placed on internal succession planning. We also launched our senior talent development programme which included 14 participants based in the US, UK and India.

We ran our annual employee engagement survey in September 2024, with a high participation rate of 83%. While employee engagement for the overall Group remained static at 56% in 2024 (2023: 56%), the survey results highlighted that there is some variation in the engagement levels across our operating companies. Our aspiration is for every company to increase their employee engagement level every year. To achieve this, we know that local action plans will be most meaningful and will have the biggest impact.

We have continued to use apprenticeships as a way of attracting and developing early career talent. In the UK, 11 new apprentices joined in 2024, with 33 existing employees enrolling onto an apprenticeship as a way of upskilling themselves. In November 2024, we held our annual apprenticeship event in Manchester where we celebrated the achievements of our brilliant UK apprentices.

In response to the UK Corporate Governance Code requirement to have a workforce engagement mechanism, we continued with our Employee Forums in 2024, holding one face-to-face session in the US in April and one in the UK in May. We complemented this with virtual sessions in December. Topics included health and safety, employee engagement, executive remuneration and employee benefits. We gained valuable feedback and insights from the process and shared the output of the forums with our Managing Directors.

Our 2025 focus areas

Understanding the importance of highly engaged people, our Managing Directors have developed local action plans to address the areas identified for improvement in the recent engagement survey. These plans are being overseen by our Group Presidents to ensure that our employees continue to have regular feedback on progress being made and to enable employees to give feedback during the year. Our HR teams have held sessions to share best practice with the aim of assisting all companies to increase their engagement levels in 2025.

We will continue to develop our supervisors and managers, with development programmes planned for 2025. We are tracking progress that our supervisors and managers make after completing the programme. We will complete the pilot talent programme and review effectiveness of this to inform approach and content for future programmes. We will continue to provide development for our newer Managing Directors and will be refreshing our succession plans.

How will we measure progress?

We will continue to measure progress through our engagement survey against our targets. We will continue to seek further feedback via various communication channels and will act on feedback that we receive from our employees during the year. We will track internal moves at a senior level and for those supervisors and managers who complete our Enterprise-wide development programmes.

Our targets

Measure	2024 actual	2023 actual	2022 actual	2025 target	2030 target
Engagement score	56%	56%	61%	66%	75%
Movement in pts	—	-5pts	+6pts		

Case study

John Foster, Managing Director

Company: Prolectric

John joined the Group in 2017 as commercial finance business partner and was promoted to Commercial Director for VRS Solutions Group, now known as Hill & Smith Infrastructure, in 2021. During this time, John completed an MBA and qualified with the Institute of Directors to assist with his development goal to be a future leader. In 2023, John was seconded to be Managing Director for Hill & Smith Australia, successfully performing a strategic review of the business. Building on this experience, in 2024, John took on a project director and then interim Managing Director role for Prolectric, our UK off-grid solar business. We are delighted that John was permanently appointed as Managing Director of Prolectric in January 2025.

John was provided with structured development to assist with his transition to Managing Director including attending an executive business course and undergoing psychometric assessments. We are using this approach to assist career progression to Managing Director, recognising that it can be a significant transition in terms of role scope and expectation.

John comments:

"Completing psychometric profiles as part of my transition into a Managing Director role has been greatly beneficial, increasing my self-awareness and understanding of my leadership impact. I also found taking part in strategic planning and budget processes in my early roles in the Group increased my strategic understanding, which is important in a Managing Director role."



"I have had a fantastic career journey with Hill & Smith to date, and have been able to take advantage of career opportunities in the wider Group. My advice to others who want to develop into Managing Director roles is to embrace professional education and secondment opportunities as they arise."

Equity, diversity and inclusion



Why does it matter?

We aim to employ the best people for the job and help them thrive. We know that we can only do this by considering talented people from the whole community, making our business attractive for them to join and by providing an environment where they can be themselves and give their best. If we can provide attractive opportunities for our people, and ensure we have a workforce that is truly diverse, our business will perform to its absolute potential and achieve our ambitious economic growth plans, as well as deliver individual success.

Everyone is actively encouraged to communicate and share information with colleagues. It is important to us that we create an inclusive culture, where all voices and perspectives have an opportunity to be heard.

What have we achieved in 2024?

The 2024 employee survey highlighted that 73% of employees agreed that Hill & Smith values diversity. This is a good starting point, but we still have more to do in this area.

The Hill & Smith Women's Network focused on three workstream areas during 2024. These were provision of personal protective equipment ('PPE') specifically designed for females, providing mentors to aid personal development, and providing training and resources to promote inclusive hiring. During the year we joined two external Women's Networks to enable our employees to benefit from access to a wider network, tools and resources. In addition, we ran two internal webinars which received positive feedback and ran a series of focus groups to identify potential priorities for 2025.

We have continued to see improvement in our 2024 Gender Pay Gap, with the median and mean pay gap being slightly in favour of women. We have also reviewed our equal opportunities and diversity policy and our dignity at work policy, which set out clear expectations for all employees.

Our apprenticeship scheme is another method of attracting more diversity into our business.

Our 2025 focus areas

We will focus locally and at a Group level on increasing levels of diversity, so that we represent the communities that we serve. This will include continuing to provide tools, resources, and information in support of this, as well as taking part in national and international days that celebrate inclusion.

We will roll out equity, diversity and inclusion training in 2025, to further skills and knowledge for our employees. This will cover the benefits of a diverse workplace and how everyone can play a positive role in promoting inclusion in the workplace.

We want to build on the success of our apprenticeship programme, recognising it is an important way of attracting and retaining diverse talent. We will recruit additional apprentices and upskill existing colleagues through apprenticeships where feasible to do so. We will continue to employ interns within our US businesses.

How will we measure progress?

We will continue to measure gender and ethnic diversity at a senior level and review the engagement survey scores for diversity and inclusion to track progress.

Our targets

Gender diversity	2024 actual	2023 actual	2025 target	2030 target
PLC Board	38%	29%	40%+	40%+
Executive Committee	33%	40%	40%+	40%+
Senior leaders	22%	19%	20%+	40%+
Ethnic diversity	2024 actual	2023 actual	2025 target	2030 target
PLC Board	13%	14%	10%+	10%+
Executive Committee	0%	20%	10%+	20%+
Senior leaders	15%	10%	10%+	10%+

Case study

Lora Stadelman, Corporate Marketing Manager

Company: V&S Galvanizing

Lora has always had a passion for the steel industry. Starting her career as a welder by trade, she found a natural fit in sales at a local welding supply company and went to the galvanising plant on a sales call. The operations manager offered to give her a tour and she was fascinated by what she saw. They were hiring a sales manager but Lora wasn't looking to move roles. However, the VP of Sales and Marketing called Lora and, following his pitch, she changed her mind about applying and joined in April 2021.

From January 2025, Lora has moved into her new role of Corporate Marketing Manager. This is a natural progression that allows Lora to follow her passion for marketing. Her manager listens to her ideas and lets her try things out, which makes the role even more fulfilling.

Lora is actively involved in the Hill & Smith Women's Network, and the Association of Women in the Metal Industry. Lora has enjoyed seeing the progress made by the Hill & Smith Women's Network. For example, an opportunity was identified for all companies to provide female employees with PPE that is designed for them. Some were doing so already, and they were able to share their contacts and experiences.

The Association of Women in the Metal Industry didn't have a chapter in her area, so she was encouraged to assemble a team and start one. This required great teamwork and the new chapter was given official status in November 2024.



"Trust and cohesiveness are important. Managers share their knowledge and that helps us all to grow."

Sustainable governance

Climate risks and TCFD



Why does it matter?

We recognise that climate change is a pressing global issue and as a company we are committed to promoting a sustainable environment and providing updates on our progress in doing so. To that end, we are pleased to issue our report in response to the Task Force on Climate-related Financial Disclosures (‘TCFD’) recommendations.

What have we achieved in 2024?

The TCFD recommendations require companies to disclose information on their financial and physical risks and opportunities due to climate change, and how they are being managed. During 2024, we continued to develop our approach to assessing the impact of climate change on our business operations, strategy, and financial planning. We are compliant with the recommended disclosures, apart from partial compliance with Metrics and Targets. See page 61 for further details.

How do we ensure good governance?

The Board views oversight and effective management of environmental, social and governance-related risks as essential to the Group’s ability to execute its strategy and achieve long-term sustainable growth. The Board receives six-monthly updates on progress around sustainability focus areas including climate-related risks and opportunities. In addition, the annual budget process includes consideration of operating company level carbon reduction plans, and during 2024 similar focus was introduced into the strategic planning process which covers a five-year timeframe. The evaluation of potential acquisitions also includes an assessment of the impact on our greenhouse gas emissions reduction targets. The Audit Committee is responsible for overseeing the management of climate-related risks and opportunities and associated metrics and targets. In addition, the Risk Committee is responsible for identifying and assessing climate-related risks and opportunities with an established approach to support this assessment.

PLC Board

- Responsible for approving and overseeing the Group’s sustainability targets
- Receives six-monthly updates on sustainability progress from the Sustainability Committee
- Has oversight of TCFD reporting and disclosures (through the Audit Committee and Risk Committee)

Sustainability Committee

- Responsible for defining and delivering the Group’s sustainability approach and long-term goals
- Formed in 2021, meeting quarterly to review and oversee progress against sustainability targets
- Use of third party specialists to provide additional insight and training (including climate change issues)
- Members include: Group CEO, Group CFO, Group Presidents, Group Head of Sustainability and other senior management

Risk Committee

- Responsible for the methodology to identify and assess climate-related risks and opportunities
- Agrees TCFD metrics and targets with the Sustainability Committee
- Reports significant climate-related risks and opportunities and corresponding mitigation plans to the Audit Committee for consideration
- Further details about the Risk Committee can be found on page 67

What is the impact of climate-related risks and opportunities on our strategy?

To understand the impact that climate could have on our business, we performed a high-level assessment based on a range of climate change scenarios. The selected scenarios represent a range of government policy intervention from very low (resulting in a 4°C temperature increase), to significant (2°C), to aggressive (1.5°C). The timeframes were selected after consideration of the likely timing of transition risks, such as carbon pricing, and when significant physical climate changes are expected to materialise:

Scenario	"Global Net Zero by 2050"	Announced pledges	Higher warming
Overview	Global warming is limited to 1.5°C as the world reaches global net-zero emissions by 2050. Transition risks more prevalent.	Forecasts to what extent announced ambitions and targets are on path to deliver global net zero.	High-emissions scenario, consistent with a future with no policy changes to reduce emissions. Physical risks more prevalent.
Temperature increase	~1.5°C	~2°C	~4°C
Timeframes	2030 & 2040		2040

During the year, the Risk Committee completed an assessment of climate-related risks and opportunities (building on an initial risk assessment completed in 2021 with PwC) to determine which risks could have a material impact after considering both potential financial impact and likelihood. During 2024, we completed physical climate vulnerability analysis for new sites acquired in the year, building on the original 2021 analysis, which remains valid given there has been no change in the underlying climate analysis tool data since then. The assessment of transitional risk considered emerging regulatory requirements, such as carbon pricing.

The output of this assessment has enabled us to identify the material impacts on our business arising from each of these selected scenarios. The impacts were assessed without considering any actions that we might take to mitigate or adapt to these future climate change scenarios. The main impacts of the scenarios being:

Transition risk (TCFD, 2017)

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

Physical risk (TCFD, 2017)

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption.

Global warming scenario: 1.5°C and 2°C

As the global economy transitions to a low-carbon state, we have identified several potential short to medium term risks and opportunities for the Group:

- The availability of greener technology to adapt to lower emissions
- Increased demand for renewable energy leads to reduced supply or an increase in the cost of purchasing renewable energy
- The introduction of carbon pricing across our key geographies increases both our manufacturing costs and the costs of raw materials
- Potential opportunities for the Group given the existing focus on sustainable infrastructure products, for example galvanizing and certain composite applications. Further innovation in new products and services, in line with our purpose, will present further growth opportunities. See case studies on page 62.

Other risks identified, but not considered material at this stage, include reputational damage to the Group's brand due to climate inaction or negative climate impact from production/supply chain.

The EU Carbon Border Adjustment Mechanism ('CBAM') reporting requirements only apply to one of our operating companies, which has registered with the scheme and reports on imported steel as required. Quantities imported by this company are minimal and predominantly from the UK, so should not attract significant additional taxes once the transitional period ends.

UK CBAM will affect the majority of our UK operating companies, both in terms of reporting requirements and potential additional taxes on steel imported from outside of the EU (either directly, or passed on by distributors). We are monitoring developments of this scheme and briefing our businesses to ensure they are prepared; several have already started discussions with their suppliers to obtain the information that will be needed when UK CBAM comes into force in 2026.

Our UK operating companies with European customers are being asked for embodied carbon data to inform their reporting and we are providing this as and when requested.

Impact analysis

Under both scenarios, operating costs, particularly relating to carbon pricing, could increase if they are not proactively mitigated. We have therefore assessed the potential financial impact of carbon pricing relating to our current scope 1 and scope 2 emissions. The Group is committed to reducing greenhouse gas emissions as demonstrated by our 2040 net-zero ambition (see our costed plan on page 50) which will substantially mitigate the gross risk exposure to carbon pricing. The financial impact of carbon pricing has been considered as part of the costed plan. The impact of a potential increase in the cost of renewable energy is not considered material based on the Group's current renewable energy consumption. As the Group's adoption of renewable energy increases, future exposure to renewable energy pricing will partly be offset by self-generated energy.

Carbon Pricing* Gross Risk Impact (scope 1 and 2)

Annual impact by 2030	1.5°C	2°C
Average annual operating cost increase assuming no proactive carbon reduction plans are undertaken based on 2024 exit run rate emissions. Figures as at end of 2023 in brackets	£4.9m (£4.9m) Based on \$130 per tonne*	£4.5m (£4.5m) Based on \$120 per tonne*
Annual impact by 2040	1.5°C	2°C
Average annual operating cost increase assuming no proactive carbon reduction plans are undertaken based on 2024 exit run rate emissions. Figures as at end of 2023 in brackets	£7.7m (£7.7m) Based on \$205 per tonne*	£6.4m (£6.4m) Based on \$170 per tonne*

* Carbon pricing assumptions based on PwC estimates for advanced economies in 1.5°C and 2°C scenarios from 2021.

Global warming scenario – 4°C

Under this scenario, we expect to see an increase in the frequency and magnitude of extreme weather events across our global operations. This could present multiple challenges for the Group including:

- Damage to operations from extreme weather events
- Operational downtime due to severe weather conditions
- Difficult working conditions e.g., extreme temperature could have the potential to lead to reduced working hours or to an increase in absenteeism
- Potential for an increase in the number of injuries or accidents when conducting operations.

There are also potential growth opportunities relating to Group products and services which provide solutions for extreme weather. See case studies on page 62.

Impact analysis

This scenario may include costs relating to the repair of assets, increased volatility, business discontinuity and needed resiliency investments for addressing more severe and frequent natural disasters that would occur under a warming of 4°C. Working alongside PwC, we have analysed the Group's exposure to climate hazards at 58 operational sites (2023: 55 sites).

At the end of 2024, the Group had 15 sites at higher risk of one or more climate hazards with heat being the most significant threat (9 sites, 16%). The total number of higher risk sites has increased compared to 2023 (14 sites) due to acquisitions during 2024. In 2040, heat is predicted to remain the most significant threat to the Group (11 sites, 19%). Overall, 34% of sites have been identified to be at higher risk from one or more climate hazards by 2040, which represents c. 26% of 2024 Group revenue; however, the revenue at risk is much lower as the complete loss of annual revenue from a site following a climate hazard event is highly unlikely, as the sites have mitigations in place as well as the necessary insurance cover. During 2025, we will begin to assess and test business continuity plans at our sites most exposed to climate-related physical hazards.

The results of this analysis indicate the importance of taking action to reduce greenhouse gas emissions to minimise transition-related risks. It also suggests that, while physical climate change risks to our future business operations are relatively low, they may present opportunities for the Group. Given our focus on sustainable infrastructure, some of our operating companies already provide products and solutions to address extreme weather conditions, and we see this as an opportunity for future growth.

Hazard	Sites at higher risk*			
	2024 no of sites**	2024 % total sites	2040 no of sites	2040 % total sites
Flood	4 (3)	7%	6	10%
Wind	4 (3)	7%	5	9%
Precipitation	8 (7)	14%	9	16%
Heat	9 (8)	16%	11	19%
Hail/thunderstorms	6 (5)	10%	6	10%
Drought	1 (2)	2%	2	3%
Wildfire	3 (4)	5%	3	5%
Total unique sites with one or more high risk hazards	15 (14)	26%	20	34%

* PwC's climate analysis tool assigned each site, for each hazard, an absolute hazard score from 1 to 100. Sites with hazard scores greater than 70 were deemed higher risk.

** 2023 figures in brackets.

How do we manage risk?

The Risk Committee is responsible for identifying, assessing and managing climate-related risks and opportunities and reporting significant risks to the Board. This includes consideration of emerging regulatory requirements, such as carbon pricing. The impact assessment has identified that some of our operating companies may be more severely impacted by future climate change scenarios. The Risk Committee is responsible for actively working with our operating companies to ensure that appropriate mitigation strategies are in place using our established Risk Management Framework (refer to pages 66 to 68 for further details). Based on the scenario analysis and impact assessment outlined above, the Board deems climate change to be a Principal Risk to the Group (see page 70).

How will we measure progress?

The Group has set the following metrics and targets to assess and manage climate-related risks and opportunities:

- We are committed to reducing our scope 1 and 2 greenhouse gas emissions to achieve our net zero target by 2040. In the near term, we are measuring progress through reduction in our CO₂e intensity ratio. Refer to page 49 for further details of progress to date
- Having established our baseline scope 3 greenhouse gas emissions, we submitted our proposed near and long-term targets to SBTi in July 2023 and these were approved in December 2023
- While we have metrics for climate-related risks, during 2025 we will continue to develop cross-sector metrics for climate-related opportunities, capital deployment, internal carbon pricing, and remuneration
- In addition, we currently measure water usage and waste production and continue to look at ways to minimise our environmental impact.

TCFD elements	TCFD recommended disclosures	Compliant
Governance	a. Board oversight	✓
	b. Management's role	✓
Strategy	c. Climate-related risks and opportunities	✓
	d. Impact of climate-related risks and opportunities	✓
	e. Resilience of the organisation's strategy in climate scenarios	✓
Risk management	f. Risk identification and assessment	✓
	g. Managing climate-related risks	✓
	h. Integration into overall risk management process	✓
Metrics and targets	i. Metrics for climate-related risks and opportunities	x
	j. Scope 1, 2 and 3 greenhouse gas emission metrics	✓
	k. Climate-related targets – scope 1, 2 and 3	✓

Case study

Products enhancing resilience to extreme weather

'StormStrong' products Creative Composites Group, US

StormStrong products include utility poles, utility crossarms, lighting poles, waterfront sheet piles, waterfront pipe piles and fibre reinforced polymer ('FRP') cooling towers. They provide resilience, durability and corrosion resistance in both grid and shoreline applications to ensure structural integrity in extreme weather conditions such as hurricane-force winds, blizzards and deep freezes. Creative Composites Group also manufactures 'FireStrong' fire resistant utility poles that can protect the grid from the excessive heat generated by brush/grass fires.

Rail track flood resilience Asset International Structures, UK

The "Asset BaFix" track ballast shoulder retention system adds stability to rail tracks and provides flood resilience to ensure remote areas of rail networks are not cut off during flooding and extreme weather.

HVAC Vibration Isolation Systems Novia, US

Novia's vibration isolation roof curbs are designed to withstand significant weather events, such as hurricanes, to protect Heating Ventilation and Air Conditioning ('HVAC') systems and ensure life and safety critical facilities remain open and operational. Such facilities include hospitals, police and fire stations, data centres and educational centres.



Asset BaFix product

Ethical conduct



Why does it matter?

As an international group, we recognise that acting ethically underpins our commitment to doing business in a responsible manner:

- Protecting ourselves and our employees
- Creating a sense of pride in our employees that we 'do the right thing'
- Ensuring transparency when dealing with customers and suppliers
- Supporting the communities in which we work with fair and equitable employment policies and opportunities
- Ensuring that terms of business with our suppliers supports our commitment to ethical conduct and doing business responsibly
- Maintaining our reputation with all our stakeholders

The Group is committed to treating all people, whether employed directly by the Group or its operating companies 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 respects 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 basic human rights standards.

Our Group companies 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; we will not tolerate forced labour, or labour which involves physical, verbal or psychological harassment or intimidation of any kind; and we will not employ child labour in any of our operations.

Nor will we permit the exploitation of, or discrimination against, any vulnerable group. We have a zero tolerance approach to the fundamental violation of an individual's basic human rights that slavery and human trafficking represents. We aim to make a positive impact on society from our operations. 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 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.

What have we done in 2024?

The Group is committed to conducting its business activities responsibly and ethically and in accordance with the laws and regulations applicable to the jurisdictions in which we operate, and we have a series of policies that support this objective. These are supported by training and educational programmes for employees, together with a Group Code of Business Conduct ('CoBC') which underpins all our activities. The CoBC presides over areas such as health and safety, ethical business practice, gifts and entertainment, conducting international business, protection of individuals, resources and assets, and outlines 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.

For employees who wish to raise concerns without fear of reprisal or victimisation, we provide an external confidential, independent whistleblowing hotline and email facility, available in local languages. Employees can also contact senior managers within their business, the Group Company Secretary, or the Chair of the Audit Committee, without fear of reproach. 44 such issues were reported and investigated in 2024 (2023: 10). During 2024, we issued updated whistleblowing training to our employees and ensured that this was communicated at all levels within the organisation. We believe this heightened awareness resulted in the increase in whistleblowing reports and this is seen as a positive reflection of the awareness across the Group.

Specific policies have been developed and the following are available on the Group website www.hsgroup.com:

- Supply Chain Policy
- Code of Business Conduct
- Anti-bribery & Corruption Policy
- Modern Slavery Policy
- Whistleblowing Policy

Our 2025 focus areas

We regularly review operating companies' standard terms and conditions of purchase, and standard long term supply agreements across the Group. The terms and agreements must include requirements concerning ethical operations, including provisions addressing a supplier's obligation to comply with the UK Modern Slavery Act or similar local legal obligations. We will conduct annual audits to ensure that we fulfil our obligations under the UK Modern Slavery Act.

We will act in accordance with our CoBC, upholding our zero-tolerance approach to bribery and corruption. We will monitor and investigate all whistleblowing reports as well as learning the lessons from such incidents in order to manage such reports to an acceptable level. Additionally, we are rolling out more detailed training across the Group on undertaking best practice whistleblowing investigations.

We will continue to conduct our dealings with tax authorities with honesty, integrity, respect and fairness and in a spirit of co-operative compliance.

How do we ensure we are compliant?

- Annual Modern Slavery audits
- Board oversight of all whistleblowing reports
- Annual approval of all ethical policies by the Board or Executive Committee
- Maintain online training to ensure compliance with relevant legislation
- Annual certification by Group operating subsidiaries that they have complied with policies issued by the Group, and in particular with the CoBC.

Sustainability data

	2024	2023	2022	2021	2020
Product research & development					
Spend on R&D	£3.4m	£3.3m	£2.8m	£1.9m	£2.0m
Percentage of revenue	0.4%	0.4%	0.4%	0.3%	0.3%
Environmental					
Environmental penalties	£nil	£nil	£nil	£nil	£nil
Carbon Disclosure Project ('CDP') Rating	C	B	B	D	C
Group water usage (m ³)	98,825	92,963	84,667	104,795	95,093
Solid waste to landfill (tonnes)	6,338	4,769	5,138	3,600	5,165
Recycled waste (tonnes)	21,644	22,385	20,761	13,755	19,145
Percentage of recycled waste	77%	82%	80%	79%	79%
Greenhouse gas emissions					
Emissions (tCO ₂ e) – Scope 1: UK ⁽¹⁾	16,041	17,060	17,518	18,362	17,689
Emissions (tCO ₂ e) – Scope 1: Rest of World ⁽¹⁾	22,560	21,640	20,902	21,611	23,068
Location-based emissions (tCO ₂ e) – Scope 2: UK ⁽¹⁾	3,063	3,201	3,072	3,896	3,849
Location-based emissions (tCO ₂ e) – Scope 2: Rest of World ⁽¹⁾	10,995	10,705	10,234	10,668	10,486
Market-based emissions (tCO ₂ e) – Scope 2: UK ⁽¹⁾	82	164	428	1,094	4,477
Market-based emissions (tCO ₂ e) – Scope 2: Rest of World ⁽¹⁾	9,450	10,528	10,477	10,787	10,585
Intensity ratio	0.06	0.06	0.07	0.09	0.10
Scope 3 (tCO ₂ e) – Group ⁽¹⁾	1,016,734	862,259	1,007,641	n/a	n/a
Other greenhouse gas emissions – CH ₄ (tCO ₂ e)	67	64	61	66	63
Other greenhouse gas emissions – N ₂ O (tCO ₂ e)	137	155	156	165	157
Energy consumption					
Energy consumption UK (kWh)	95,875,309	100,338,137	103,246,843	110,355,033	104,827,829
Energy consumption rest of world (kWh)	150,792,407	144,927,420	142,328,304	147,407,078	154,029,308
Energy consumption total (kWh)	246,667,716	245,265,557	245,575,147	257,762,111	258,857,137
Health and safety					
No. of workplace fatalities	0	0	0	0	0
No. of lost time injuries	30	35	85	142	109
LTIR	0.33	0.43	1.1	1.7	1.5
No. of near miss reports	990	1,969	2,217	2,126	955
Ethical conduct					
Charitable donations	£119,618	£98,985	£62,000	£39,000	£21,000
Whistleblowing reports made by employees	44	10	12	2	3
Modern slavery audits carried out	Yes	Yes	Yes	Yes	Yes
Talent and employment practices					
No. of Group employees (as at 31 Dec)	4,559	4,336	3,817	4,402	4,398
Voluntary (regrettable) attrition rate	18%	9%	14%	14%	6%
Percentage of employees with access to a recognised Trade Union	3%	5%	11%	18%	18%
UK Gender Pay (Median Pay Gap)	-1.0%	-0.1%	2.8%	-4.5%	0.1%
Training spend	£0.8m	£0.9m	£0.8m	£0.6m	£0.4m
Total no. of days training	5,285	5,799	5,626	4,119	4,000
UK apprenticeships	66	60	55	49	34
Percentage of UK sites utilising the Apprenticeship Levy	89%	83%	89%	57%	49%
Employees participating in training & development	2,506	3,527	2,386	156	111
Percentage of employees participating in training & development that are female	8%	9%	10%	17%	10%

1. In accordance with our Greenhouse Gas Emissions Recalculation Policy, in our Basis of Reporting 2024 (available at hsgroup.com/who-we-are/governance/our-policies/) and the GHG Protocol, our 2020-2023 scope 1, 2 and 3 data has been revised to remove the emissions relating to any operating companies that have been divested and to include estimates for the emissions from companies that we have acquired during those years. This may result in stated emissions for previous years differing from those reported previously, but allows a meaningful comparison of current emissions with base year and historic year emissions.

	2024		2023		2022		2021		2020	
Engagement										
Engagement survey participation	83%		80%		80%		62%		n/a	
Engagement score	56%		56%		61%		55%		n/a	
Inclusion engagement score	73%		73%		69%		63%		n/a	
Gender diversity										
	M	F	M	F	M	F	M	F	M	F
PLC Directors										
	5	3	5	2	5	3	5	3	5	2
Executive Committee	4	2	3	2	4	2	4	2	n/a	n/a
No. of subsidiary directors	40	9	46	10	39	7	49	3	66	5
No. of senior leaders	100	28	109	26	78	20	201	38	174	39
Percentage of PLC Directors										
	62%	38%	71%	29%	62%	38%	62%	38%	71%	29%
Percentage of Executive Committee	67%	33%	60%	40%	67%	33%	67%	33%	n/a	n/a
Percentage of subsidiary directors	82%	18%	82%	18%	85%	15%	94%	6%	93%	7%
Percentage of senior leaders	78%	22%	81%	19%	80%	20%	84%	16%	82%	18%
Total percentage of Group employees	89%	11%	89%	11%	90%	10%	90%	10%	90%	10%

Sustainability Policies

The Group has several policies that support its Sustainability Plan. These are listed below, and can be found at <https://hsigroup.com/>

- Product Responsibility Policy
- Conflicts Mineral Policy
- Supply Chain Policy
- Environment Policy
- Health & Safety Policy
- Equal Opportunities & Diversity Policy
- Tax Strategy

Risk management

The Group has an established Enterprise Risk Management Framework that identifies, evaluates, manages and monitors risk. Enhancements have been implemented during 2024 to further improve and embed the risk management process.

Risk management

Effective risk management is critical to the achievement of our strategic drivers of organic growth, portfolio management, strong cash generation and sustainability. The Group benefits from an Enterprise Risk Management Framework that is integrated into the ongoing business activities of our operating companies.

Responsibilities

While the Board has delegated the ongoing discussion of risk and risk management to the Audit Committee and 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 Board where appropriate, for consideration and approval.

Enterprise risk management framework

The Group operates an Enterprise Risk Management Framework (the 'Framework') that ensures a consistent and proportionate approach is used to identify, evaluate, manage and monitor risks across all our operating companies. The Framework integrates with the Group's internal controls and compliance policies and is supported by the internal and external audit programmes. It uses a tiered approach to risk management, with risk registers at operating companies and a corporate level risk register feeding into the Group's Principal Risks, with flows of information and assurance (see Figure 1). In keeping with the Group's entrepreneurial approach, individual operating companies record and manage unique risks outside of the Group's Principal Risks as they see fit. This ensures risk management is effectively embedded in a way that fits each specific operating environment and risk horizon.

Figure 1 Risk Management Process



Within the Framework, the following roles and responsibilities exist:

The 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 Group risk appetite
- directs the external reporting of risk and viability

The Audit Committee

Supports the Board by:

- monitoring and directing the Risk Management Framework, risk 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 internal and external sources of assurance and information to enable it to recommend to the Board where changes may be needed to the Risk Management Framework and/or Group Principal Risks
- reviewing the detail of external reporting

The Risk Committee

Supports the Audit Committee by:

- acting as a conduit between the Group and our operating companies, supporting the dissemination of the Enterprise Risk Management Framework and risk appetite down from the Board, and flow of information and assurance back up to the Board
- helping executive management to embed the framework by designing and implementing procedures, tools and training
- proactively analysing and challenging the assessment, management and monitoring of operating company risk registers and day-to-day risk management
- ensuring the Board and Audit Committee are provided with sufficient information to discharge their responsibilities effectively

The Executive Committee

Supports the Risk Committee by:

- ensuring operating companies are effectively embedding the Group's Enterprise Risk Management Framework and are maintaining live risk registers that are actively managed
- overseeing the completion of risk reporting with escalation of any significant matters to the Risk Committee in a timely manner
- advising the Risk Committee on appropriate levels of target risk and on actions that may be required to ensure effective identification and mitigation of risk
- providing updates on action plans and control enhancements for risks in the corporate level risk register

Risk appetite

The framework clarifies how risk is to be managed in a way that satisfies the decentralised operating model of the Group (see Figure 2). The approach has allowed the Board to consider its appetite in the light of the Group's business model and carry out a robust assessment during 2024 of the principal risks and uncertainties that might threaten the Group's business model, future performance, solvency and liquidity (see pages 69 to 72 for the Group's Principal Risks and Uncertainties).

The Board accepts a level of risk in pursuit of its strategic objectives. Hill & Smith PLC assesses the risk of action (or inaction) as part of every decision and does not allow the Group 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 the due diligence process
- not entering into contracts that place an onerous contractual or reputational burden on the Group
- not entering geographic locations where bribery and corruption are accepted or tolerated
- not using certain chemicals or treatments (or changing existing treatments) that are harmful to the environment

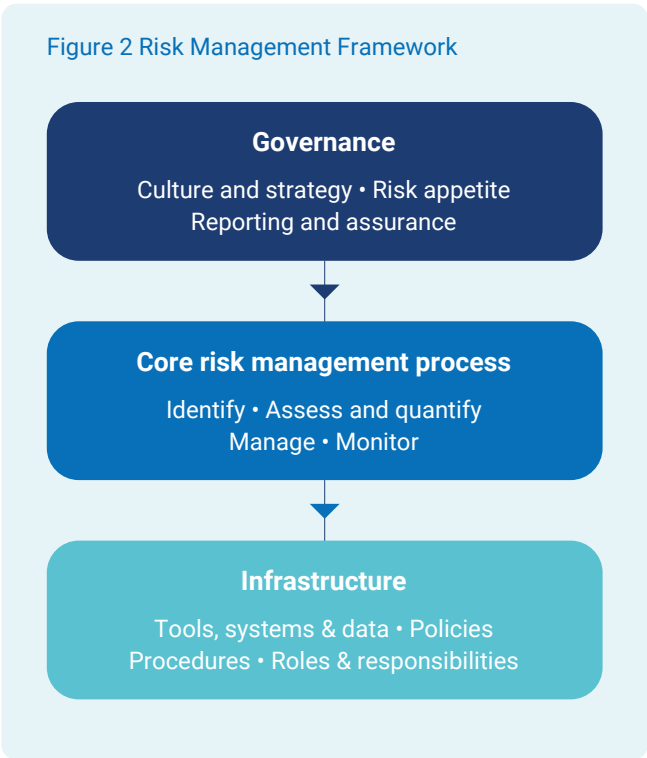
A single statement signifying the risk appetite of the Group is difficult to articulate due to its diverse nature, multiple geographic locations, markets and products. Risk appetite categories have been established for the Group's principal risks (see pages 69 to 72 for the Group's principal risks and uncertainties). The Board demonstrates its risk appetite by the decisions it has taken (and not taken) during the year.

Risk in 2024

Risk Committee

The Committee met formally four times during the year and comprises the Group Chief Financial Officer, Group Head of Risk & Internal Audit, Group Company Secretary, Group Director of Corporate Development, Group Financial Controller, Group Chief Legal Officer, Group IT Director and the Group Presidents, plus representatives of the Group's three business segments.

The Committee reviews and validates the risk reports from the operating companies as well as the corporate risk register, before presenting a six-monthly group wide report to the Audit Committee for discussion on both operating company level risks and Group risks. Review and 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 the top down.



Risk analysis

The Board reviewed in depth feedback from 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 Group faced. An increase in the exposure from the 'changes in global economic outlook and geopolitical environment', and 'IT systems failure' Principal Risks have been highlighted. The remaining Principal Risks have remained stable. For further details see pages 69 to 72.

Risk activities

Activities undertaken to enhance the Group's approach to risk in 2024 included:

- in conjunction with Lockton Companies LLP, development and launch of a revised risk register template and reporting tool for our operating companies
- virtual seminars and one-to-one sessions to introduce the revised risk register template and to provide ongoing training on the principles of risk management.

Emerging risks

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. During 2024, the Risk Committee identified, assessed and monitored emerging risks, with a session hosted by Lockton on emerging risks to provide an external perspective. The results from the emerging risks analysis were presented at the March 2025 Audit Committee and the prioritised emerging risks will be monitored throughout 2025.

Emerging risk	Timescale
Escalation of geopolitical tensions impacting supply chain and/or customer demand	Short (0-2 yrs)
Shifting workplace preferences	Medium (3-5yrs)
Increasing focus on sustainability credentials	Medium (3-5yrs)
Availability of raw materials	Long (5yrs +)

Risk in 2025 and beyond

The key focus during 2025 will include:

- completion of operating company business continuity tabletop exercises to help develop and improve business continuity plans
- continued assessment of the Principal Risks facing the Group and operating companies 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 operating companies.

Group principal risks 2024

Risk	Description and potential impact	Mitigation
Reduction in US infrastructure spending Risk movement: No change	Our growth is supported by multi-year planned government spending to upgrade US infrastructure, technology change and private investment from US manufacturers and producers to onshore vital components. Changes to these plans could have a detrimental impact on Group revenues. We remain confident that infrastructure investment will continue to form part of national spending plans under the new US federal government administration.	<ul style="list-style-type: none"> • Cross-party support for core infrastructure investment plans. • Our portfolio covers diverse products, markets and territories. • Market and product development initiatives. • Strategic planning process overseen by the Executive Committee and Board to anticipate and mitigate potential downside risks.
Changes in global economic outlook and geopolitical environment Risk movement: Increase	Material adverse changes in the political and economic environments in the end-user markets in which we operate have the potential to put at risk our ability to execute our strategy. 2024 has seen continued geopolitical tensions, including the potential introduction of tariffs under the new US federal government administration. We continue to monitor the risk, however we currently expect this to have limited impact on our supply chains and end markets.	<ul style="list-style-type: none"> • The Group has a diverse portfolio of operating companies with exposure to a range of infrastructure and built environment end markets. • Strong balance sheet with low leverage and mix of fixed and floating rate debt. • Current and future financial performance is continuously monitored, facilitating rapid response to changes in market conditions. • 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 external competitive landscape.
Increase in competitive pressure Risk movement: No change	Increased volatility, uncertainty and slowdown in our markets could result in increased competition, leading to a loss of customers and/or pricing pressure and consequently a loss of sales and reduced profits.	<ul style="list-style-type: none"> • The Group holds leading positions in niche infrastructure markets 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. • Our operating companies strive to provide superior products and high service levels to customers, while aiming to ensure there is no dependency on any one customer.
Product failure Risk movement: No change	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 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.	<ul style="list-style-type: none"> • Products tested, approved and accredited by regulatory bodies. • Quality control protocols fully implemented and continuously monitored. • Contractual controls in place to minimise economic impacts. • Product liability insurance cover maintained globally. • Litigation supported/managed by external legal specialists.

Risk	Description and potential impact	Mitigation
Climate change Risk movement: No change	Failure to adapt to and manage the threats and opportunities from climate change could have significant reputational, financial and operational impacts on the Group. Chronic changes in climate and extreme weather events may disrupt our operations and supply chains. Transitioning to a low-carbon economy may present technological challenges and the high energy demand of some of our operations could incur carbon taxes.	<ul style="list-style-type: none"> • Sustainability Committee to oversee and govern our carbon reduction plans and initiatives. • TCFD analysis to understand the risks and opportunities arising from climate change, including climate scenario modelling to evaluate the threat from extreme weather. • Costed plan established to set out how we will achieve net zero (for scopes 1 and 2) by 2040, reducing our exposure to transition risks. • Insurance cover, continuity planning and extreme weather protocols in place to mitigate our exposure from physical risks. • See Our Approach to Sustainability (including our TCFD report) for further details, pages 46 to 65.
Supply chain failure Risk movement: No change	The Group's businesses depend on the availability and timely delivery of raw materials and components. Supply chain failures due to availability, cost inflation, quality and/or insolvency may have an adverse impact on the Group's production capacity and lead to an inability to meet customer requirements. Climate change transition costs could also inflate the price of the goods we purchase.	<ul style="list-style-type: none"> • Group procurement standards, including robust due diligence of supply chain partners and the requirement for dual sourcing where available. • Regular interaction and assessment of performance/ financial status of key suppliers. • Group oversight of material procurement contracts ensuring robust contractual protections. • Contingency plans in place throughout the supply chain, such as purchasing additional stock of key raw materials, and securing additional supply chain capacity.
IT systems failure Risk movement: Increase	The Group relies on the information technology systems used in the daily operations of its operating companies. A failure of those systems or cyber attack could have a significant operational impact on the Group, impacting customer service, revenue and margins. During the year the global cyber threat has continued to evolve, with the proliferation of advanced cyber intrusion tools lowering the barrier for entry to criminals and states alike. The UK's National Cyber Security Centre (NCSC) has warned that ransomware remains one of the most pervasive cyber threats to UK organisations. Given this, while there has been continued enhancement of the Group's IT security controls during 2024, the Board considers the risk to be heightened.	<ul style="list-style-type: none"> • The Board maintains a watching brief on IT and cyber risk and has overseen significant investment across the Group to enhance IT security controls. • Wholesale network security improvements completed during 2024. • IT controls manual, mandating a robust set of information security controls covering basic cyber hygiene, system back-up procedures, hardware/ software protection, table top exercises, and security training. • Ongoing programme of IT controls compliance reviews completed by Internal Audit.

Risk

Description and potential impact

Mitigation

Portfolio management

Risk movement: No change

The Group's growth strategies include the acquisition of businesses to complement or supplement its existing activities. Failure to execute an effective acquisition due diligence and integration programme could have a significant impact on the Group's ability to generate sustainable profitable growth for shareholders.

- All potential acquisitions are tightly evaluated to ensure they fit within our purpose and core strategic goals.
- Due diligence protocols deployed in relation to assessment of target businesses, including financial, commercial, environmental and legal.
- Contractual protections and assurances sought from sellers to mitigate subsequent identification of risks.
- Board approval required for Group acquisitions, in line with its Schedule of Matters Reserved.
- Post-acquisition integration plans established for all acquisitions, with regular performance monitoring and reporting to the Board.

Failure to take advantage of product development and innovation

Risk movement: No change

The Group operates in core 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.

- Entrepreneurial culture and autonomous structure to encourage innovation and enable agile response to a changing competitive landscape.
- Our acquisitions strategy brings innovative products and technology to our portfolio.
- Board monitoring of emerging risks alongside external specialist support, where both the risks identified and the potential opportunities arising are considered.
- Active Intellectual Property management within individual operating companies overseen by Group.

Failure to attract, retain and develop an appropriately diverse, skilled and experienced workforce

Risk movement: No change

Talented employees are fundamental to the success of the Group. We aim to employ the best people for the job, and we know we can only do this by considering talented people from the whole community. Failure to attract, develop and retain high-quality individuals may impact our ability to deliver against our strategic goals.

- New training and development programme for high potential talent launched in 2024.
- Board level review of succession planning for senior leaders.
- Bespoke coaching and mentoring for identified MD successors to support development.
- Training and development programme in place for supervisors and line managers.
- Continued use of internships, apprenticeships and other vocational courses for specialist and technical roles.
- Appropriate remuneration and benefits, together with bonus opportunities and incentive plans offered to employees.
- Annual engagement survey results inform local operating action plans to improve engagement.
- Women's network to attract, retain and develop female employees.

Risk	Description and potential impact	Mitigation
Prevention of harm or injury to people <hr/> Risk movement: No change	<p>The Group is committed to ensuring the health, safety and wellbeing of all employees and third parties. The Group operates multiple manufacturing facilities, where a failure in the Group's health and safety procedures could lead to injury or to the death of employees or third parties.</p> <p>Our LTIR has reduced by 23% to 0.33 in 2024. Given the performance we have updated our target for 2025 to 0.275 from 0.75, reflecting that health and safety is a key focus area for the Group. Our 2030 target has also been reduced to 0.1 from 0.25.</p>	<ul style="list-style-type: none"> • Culture of zero tolerance promoted by the Board with clear targets and improvement metrics. • Regional health and safety organisational structure to allow Group health and safety resource to be closer to the individual operating companies. • Groupwide incident management system launched in July 2024. • Monitoring and review of LTI rates with all LTI incidents investigated and findings presented to the Executive Committee. Improvement recommendations are implemented and shared across the Group to minimise any reoccurrence. • Regular health and safety site audits. • Health and safety forums to monitor performance and share best practice. • External health and safety accreditations and relationships maintained with regulatory bodies.
Violation of applicable laws and regulations <hr/> Risk movement: No change	<p>The Group's operations must comply with a range of national and international laws and regulations including those related to modern slavery, anti-bribery and corruption, human rights, employment, GDPR, trade/export compliance and competition/anti-trust. A failure to comply with 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.</p>	<ul style="list-style-type: none"> • Group Code of Conduct sets out required approach for all staff. • Mandatory training for employees including Modern Slavery, Anti-Bribery and Corruption, and Competition Law compliance. • Programme of audits undertaken on a cyclical basis to review operating companies' compliance with regulatory requirements. • 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. • Toolkits issued to all UK operating companies to aid compliance with GDPR.

Non-financial and sustainability information statement

We aim to comply with the non-financial and sustainability reporting requirements contained in S414CA and S414CB of the Companies Act 2006. The table below, and the information it refers to, is intended to help readers understand our position on key non-financial matters. Further non-financial information is available in our Sustainability section (page 64 to 65) and on our website.

Reporting requirement	Policies and standards which govern our approach	Additional information	See Page No.
Environmental matters	<ul style="list-style-type: none"> Environment Policy* 	<ul style="list-style-type: none"> Sustainability Plan including: <ul style="list-style-type: none"> Our Approach Protecting the World Saving and enhancing lives Sustainable Governance Risk: TCFD Non-financial KPIs 	46 to 65
Employees	<ul style="list-style-type: none"> Group Code of Business Conduct* Health & Safety Policy* 	<ul style="list-style-type: none"> Sustainability Plan including: <ul style="list-style-type: none"> Health and safety Succession planning and talent management Group learning and development Wellbeing Risk: talent, diversity, recruitment and retention of key employees Non-financial KPIs 	53 to 57
Human rights	<ul style="list-style-type: none"> Equal Opportunities & Diversity Policy* Board Diversity Statement* Data Protection Policy* Modern Slavery Policy* 	<ul style="list-style-type: none"> Sustainability Plan including: <ul style="list-style-type: none"> Diversity & inclusion Gender Pay Human rights 	53 to 57
Community	<ul style="list-style-type: none"> Individual subsidiary approach 	<ul style="list-style-type: none"> Stakeholder engagement 	40
Anti-bribery and corruption	<ul style="list-style-type: none"> Anti-bribery & Corruption Policy* Supply Chain Policy* International Competition Law Policy Gifts & Entertainment Policy Whistleblowing Policy* 	<ul style="list-style-type: none"> Sustainability Plan including: <ul style="list-style-type: none"> Sustainable Governance Risk: violation of applicable laws and regulations 	62 to 63
Description of the business model	<ul style="list-style-type: none"> Our Strategy Our Business model 	—	2 to 27
Description of the principal risks and uncertainties and impact of business activities	<ul style="list-style-type: none"> Our Business Model Risk Framework Principal Risks and Uncertainties 	—	2 to 27 and 66 to 72
Non-financial key performance indicators	<ul style="list-style-type: none"> Employee engagement Diversity Lost time injury rate Greenhouse gas emissions Water and waste 	—	48 & 52

Those policies marked with an asterisk can be found on the Company's website hsigroup.com/who-we-are/governance/our-policies/

Governance at a glance

Hill & Smith PLC takes governance arrangements very seriously as they are the foundation of good management and decision making. With the appointment of Rutger Helbing, we have returned to a more standard structure where the Chair runs the Board and the Chief Executive Officer manages the business.

Governance Highlights

Appointed Rutger Helbing as Chief Executive Officer and oversaw his induction

Review performed of the skills and experience required and present on the Board

Successful acquisition and integration of four acquired businesses into our governance framework

Step change in the talent and development programmes across the business

Major Board decisions

- Approved the appointment of Rutger Helbing as Chief Executive Officer
- Approved the Group's Preliminary and Interim Statements
- Approved the Group's 2025 Budget
- Approved the acquisitions of Capital Steel, FM Stainless, Trident Industries and Whitlow Electric
- Commenced processes to dispose of two non-core Roads & Security businesses which were completed in Q1 2025
- Approved an updated Group Strategy

Meeting attendance

During 2024, the Board met on 10 occasions, the Audit Committee on four occasions, the Nomination Committee on seven occasions and the Remuneration Committee on seven occasions.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Alan Giddins	10/10	N/A	2/2	1/1
Rutger Helbing ¹	3/3	N/A	N/A	N/A
Hannah Nichols	10/10	N/A	N/A	N/A
Hooman Caman Javvi ²	6/7	N/A	N/A	N/A
Tony Quinlan	10/10	4/4	7/7	7/7
Carol Chesney	10/10	4/4	7/7	7/7
Mark Reckitt ³	4/4	2/2	1/1	3/3
Pete Raby	10/10	4/4	7/7	7/7
Leigh-Ann Russell ⁴	9/10	4/4	5/7	5/7
Farrokh Batliwala	10/10	4/4	7/7	7/7

1. Rutger Helbing appointed to the Board as Chief Executive Officer on 19 September 2024.

2. Hooman Caman Javvi appointed to the Board as Chief Operating Officer on 30 January 2024 and stood down from the Board on 19 September 2024.

3. Mark Reckitt retired from the Board on 23 May 2024.

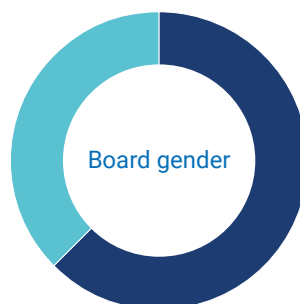
4. Leigh-Ann Russell was unable to attend one Board meeting for personal reasons.

Board diversity

(as at 31 December 2024)

The Board is committed to taking advantage of the benefits of diversity of thought and experience in respect of the composition of the Board.

As at 31 December 2024, the Board was 62.5% male and 37.5% female. In order to meet the Listing Rule target to have 40% female representation on the Board, without any of the current directors stepping down, it would be necessary to appoint an additional Non-executive Director. In the short term it is not felt beneficial to increase the number of individuals on the Board, but this will be kept under review following the appointment of a new CFO and a Non-executive Director to replace Leigh-Ann Russell.



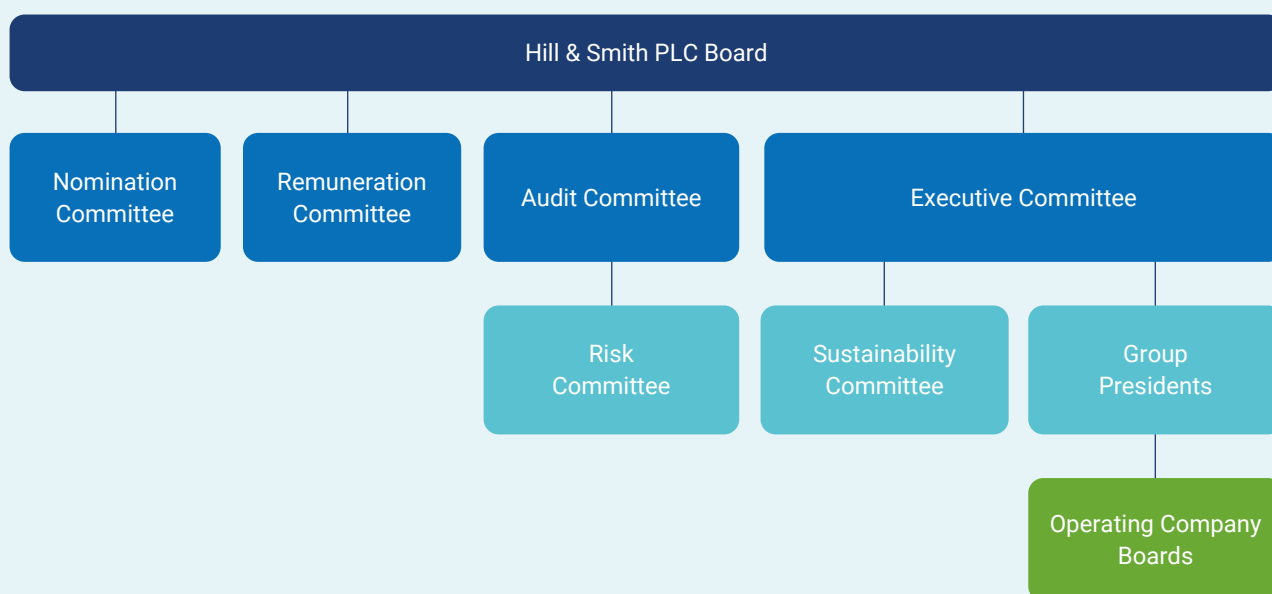
Female 3
Male 5



Ethnic group 1
White 7

The composition of the Board is 62.5% male and 37.5% female

Our governance framework



The Board takes decisions on strategy and in relation to items set out in the matters reserved for the Board. It has delegated various operational decisions to several Board and management committees (see above). The following pages set out the responsibilities of the three main Board committees and what they have achieved during 2024. The schedule of matters reserved for the Board and Terms of Reference of each Board committee can be found at www.hsgroup.com.

The Executive Committee assists the Chief Executive in carrying out the day-to-day management of the activities of the Group.

The Risk Committee is a management committee that reports directly to the Audit Committee to support the Audit Committee and Board with their risk management and internal control responsibilities.

The Sustainability Committee is a management level committee that reports directly to the Executive Committee, and at least twice a year, the Head of Sustainability will report directly to the Board.

Each of our operating companies has their own management team and reports directly to our Group Presidents, who also sit on our Executive Committee.

Introduction to Governance

On behalf of the Board, I am pleased to present Hill & Smith PLC's Governance Report for the year ended 31 December 2024.

Maintaining high standards of governance and acting ethically are vital ingredients to supporting the long term sustainable success of the Group. We understand the importance of the Board leading by example and promoting the desired culture and values throughout the organisation. All Board members are therefore expected to act with honesty, integrity and actively promote the Group's values.

Board changes in 2024

Following an extensive search process, the Board appointed Rutger Helbing to the role of Chief Executive Officer on 19 September 2024. After a short hand over period, I stepped back to a Non-executive Chair role, having held the Executive Chair position since July 2022.

Rutger's appointment, together with the appointment of two new Group Presidents, allowed the Board to re-look at the split of executive responsibilities and the decision was made not to continue with the role of Chief Operating Officer, with the result that Hooman Caman Javvi stepped down from the Group.

Carol Chesney joined the Board on 1 January 2024 as a Non-executive Director and took over from Mark Reckitt as Chair of the Audit Committee on Mark's retirement following the 2024 AGM.

Board changes in 2025

On 7 January 2025, we announced the resignation of Hannah Nichols as Chief Financial Officer and that she would leave the Group following the full year results. Hannah joined Hill & Smith in 2019 and has played an important role in driving the development of the Group over the last five and a half years. We are currently undertaking a search process to identify a suitable successor to Hannah and will update shareholders as appropriate.

Leigh-Ann Russell, having relocated to the US, has informed the Board that for work commitment and logistical reasons, she will need to step down from the Board following the publication of the 2024 results. I would like to thank Leigh-Ann for her significant contribution over the last four years. We will be looking to appoint a new Non-executive Director to the Board ahead of the AGM.



Alan Giddins
Chair

Board skills and experience

An effective Board is comprised of Directors with appropriate and compatible skills, which can support executive management in setting the Group's strategy, oversee its implementation and promote long term sustainable growth.

In navigating the Board changes outlined above, it was important that we fully understood the skills and experience required to deliver our long term strategy and then map them against the skills and experience on the Board. The results of this exercise are available in the Nomination Committee report on page 92. In commencing our search for a new Non-executive Director, we briefed the external search firm based on the Board's view of what additional skills would be additive to discussion and debate, and would enhance strategy and decision making.

We were also conscious of the need to consider diversity in all of its forms to support effective decision making and reduce the risk of groupthink. We have therefore given a clear brief to the search firm to produce a diverse list of candidates, including gender, ethnicity and personal attributes.

Board effectiveness

Following on from the externally facilitated effectiveness review conducted during 2023, we undertook an internal, questionnaire based 2024 Board effectiveness review, with input both from the Board and senior members of the Group management team. I am pleased to confirm that the review confirmed that the Board and each of its committees continued to perform to a high standard. The detailed output was considered by the Board and each committee, and improvement plans agreed for implementation during 2025.

I am especially pleased that the review considered that Board dynamics continued to be good with discussions held in a culture of openness and that all Directors felt able to fully contribute.

Whistleblowing

We recognise the importance of building a culture where our employees, as well as external third party stakeholders, are able to raise matters of importance and that any matters raised will be dealt with diligently and thoroughly without fear of reprisal. We do however recognise that there might be times when individuals would prefer to raise matters in confidence and anonymously. We therefore maintain an anonymous portal where matters can be reported. During 2024, we issued updated whistleblowing training to all employees and ensured that this was communicated at all levels within the organisation. From an organisational perspective we have also refreshed how reports are handled when they are received and are providing specific training on investigation procedure.

Board visits

We place great value on engagement with our stakeholders, including our employees at all levels. During 2024, our Directors visited a number of sites to meet with local management teams, tour sites and speak to employees. Formal visits include a presentation from the operating company on their strategy and end markets. Outside the formal Board visits, Non-executive Directors are encouraged to arrange informal site visits, which create excellent engagement opportunities with employees.

As part of Rutger Helbing's onboarding he visited operating businesses around the Group and took the time to discuss key aspects of their business, including market dynamics, products and services, customers and strategy.

During 2025, a schedule of Board visits has been agreed, including visiting some of our recent acquisitions.

M&A

We continued our targeted M&A strategy with the acquisitions of Capital Steel, FM Stainless, Trident Industries and Whitlow Electric in 2024. Once acquired, we have implemented a detailed 180 day integration plan, progress against which is reviewed formally by the Board.

Health, safety and the environment

Health and safety continues to be a priority focus for the Board, with a formal health and safety update provided at each Board meeting. Following the appointment of our two Group Presidents in March 2024, we changed the reporting lines for health and safety, and this, together with the full engagement of our Chief Executive Officer, is having a positive impact. In particular, I am pleased that our LTI rate once again decreased across the year.

Sustainability continues to be of significant importance to our stakeholders. The Board regularly receives sustainability updates from our Group Head of Sustainability and you can read more about our sustainability progress on pages 46 to 65.

Our Remuneration Committee has agreed that this is the right time to implement a greenhouse gas emissions reduction measure as part of our LTIP performance targets. More information can be found on page 116.

Key areas of focus for 2025

The Board will prioritise the following areas during 2025:

- CFO and Non-executive Director appointments
- Long term Board succession
- Senior level talent and development
- Further improvement in our approach to health & safety
- Delivery of our key initiatives linked to greenhouse gas reduction

Alan Giddins

Chair

11 March 2025

Board of Directors



Alan Giddins
Non-executive Chair (N) (R)

Appointed to the Board:
3 October 2017

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 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.

Alan is also Chair of Watkin Jones plc and a Non-executive Director of Big Society Capital, a leading social impact-led investor.

Between July 2022 and September 2024, Alan held the position of Executive Chair, following the departure of the Group's Chief Executive Officer, and prior to the appointment of Rutger Helbing.



Rutger Helbing
Chief Executive Officer

Appointed to the Board:
19 September 2024

Rutger joined the Group in September 2024. Prior to joining, Rutger was Chief Executive Officer at Tyman PLC and Devro plc. He brings strategic insight and wide-ranging experience across different industries, geographies and the value chain. His earlier career was spent in commercial and operational divisional finance roles in blue chip global manufacturing businesses including Unilever, ICI and AkzoNobel.



Hannah Nichols
Chief Financial Officer

Appointed to the Board:
16 September 2019

Hannah joined the Group in September 2019. Prior to joining, 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. In January 2024, Hannah was appointed a Non-executive Director and Audit Committee Chair of Oxford Instruments plc.

Committee membership

N Nomination Committee
 A Audit Committee
 R Remuneration Committee
 Chair



Tony Quinlan
Senior Independent Non-executive



Appointed to the Board:
2 December 2019

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.

In addition, Tony is a Senior Independent Director and Audit Chair of Costain Group PLC, and has served as Deputy Chair for the Port of London Authority, where he also chaired the Audit Committee.



Farrokh Batliwala
Independent Non-executive



Appointed to the Board:
1 April 2022

Farrokh was formerly President of the Connect and Control Technologies division of ITT Inc., a US listed industrials group. Farrokh has significant international operational and leadership experience, combined with having held senior roles in both strategy and mergers and acquisitions.

Prior to joining ITT, Farrokh held senior management roles at both Eaton Corporation and Pratt & Whitney. Farrokh lives on the East Coast of the US.



Carol Chesney
Independent Non-executive



Appointed to the Board:
1 January 2024

Since April 2018, Carol has served as a Non-executive Director and Chair of the Audit Committee of Hunting plc. In addition, she is a Non-executive Director and Chair of the Audit Committees of IQE plc and Imagination Technologies Group Limited. Past Non-executive roles include Renishaw plc and Biffa plc, for which she also served as Audit Committee Chair. Until 2018, Carol served as the Company Secretary of Halma plc, a FTSE 100 health, safety and environmental technology group, where her role included corporate governance, legal compliance, M&A, equity incentives, pensions, internal audit management, taxation, property, health and safety compliance, environmental reporting and anti-bribery and corruption compliance.



Pete Raby
Independent Non-executive



Appointed to the Board:
2 December 2019

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. In his nine-year career with Cobham, 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.



Leigh-Ann Russell
Independent Non-executive



Appointed to the Board:
1 April 2021

Leigh-Ann is Chief Information Officer, Global Head of Engineering and member of the Executive Committee at BNY.

Prior to joining BNY, Leigh-Ann was a member of BP's executive leadership team. As Executive Vice President, Innovation & Engineering her role covered Chief Scientist, Chief Technology Officer and Chief Digital Officer. Prior to that, Leigh-Ann was BP's Chief Procurement Officer, where she was accountable for its safe, ethical and competitive supply chain.

Leigh-Ann's career is based in engineering and operations. Her previous roles have included Engineering Manager and Operations Manager and Vice President of Technical Functions, where she led the Process Safety, Engineering and Operations discipline at BP.



Karen Atterbury
Group Company Secretary

Appointed 19 August 2024

Karen is a Fellow of the Chartered Governance Institute and has over 20 years' commercial company secretarial experience. Prior to joining, Karen held senior company secretarial positions at a number of listed companies including Renishaw plc, RPS Group plc and Headlam Group plc. Karen has specialised in corporate governance, compliance and mergers and acquisitions. She also has a strong background in group insurance, risk management and subsidiary governance.

Karen has day-to-day responsibility for the legal and company secretarial team and is responsible for providing governance advice and guidance to the Board and senior management.

Governance Report

The Board is ultimately responsible for the good governance, strategy, management, performance and long term sustainable success of the Group.

Basis of this report

We have used the UK Corporate Governance Code 2018 (the 'Code') to assess our governance arrangements during 2024. Hill & Smith is listed on the London Stock Exchange and has assessed its application of the Code under the headings of:

- Board leadership and company purpose
- Division of responsibilities
- Composition, succession and evaluation
- Audit, risk and internal control
- Remuneration

Compliance statement

Hill & Smith PLC is a company listed on the London Stock Exchange. During 2024, the Company fully complied with the provisions of the UK Corporate Governance Code 2018 (the 'Code'), with the exception of the requirement that the roles of Chair and Chief Executive should not be performed by the same person.

Alan Giddins was appointed Executive Chair in July 2022 while a search for a permanent Chief Executive Officer was undertaken. During this time, the Company was not in compliance with provisions 9 and 10 of the Code. On 19 September 2024, Rutger Helbing was appointed as the Company's new Chief Executive Officer. On the same date, Alan Giddins resumed his role as Non-executive Chair. From this date the roles of Chair and Chief Executive Officer have been performed by different people.

Board Leadership

About the Board

The Board sets the culture and values within which our businesses operate and is collectively responsible for the long term success of the Company. The Chair sets the culture of the Board, ensuring it is operating appropriately, effectively and with integrity. This in turn forms the basis of the ethics and values that our Chief Executive Officer, supported by the Executive Committee, is responsible for embedding across the Group.

Our operating businesses

Hill & Smith PLC (the 'Group') comprises the holding company and its principal operating companies, listed on page 213 to 214. The Group's businesses are directly supervised by local operating boards. There are clear lines of delegated authority and businesses are given a high degree of autonomy to promote their activities in an entrepreneurial fashion. The Managing Directors of our businesses report to the Group through one of the Group Presidents. The Group Presidents are members of the Executive Committee, alongside the Chief Executive Officer, Chief Financial Officer, the Group Head of Corporate Development Director and Group Company Secretary. Details of the Group's business model can be found on pages 20 to 21.

The Chief Executive Officer and Chief Financial Officer receive regular reports on the performance of the operating companies, and the Group Presidents are responsible for ensuring a consistent application of governance, operational procedures and Group policies and practices.

Board framework

The Board operates within a framework of scheduled Board meetings, discussions and site visits. The Board is directly supported by three committees: Audit; Nomination; and Remuneration. Membership of these committees is set out on pages 78 to 80 of this report.

The scope of Board decisions

The Board manages the Group with reference to a formal schedule of matters reserved for the Board, which is applied across three key pillars: strategy, internal control, and environmental, social and governance.

Strategy

- Group strategy and operating plans
- Business development including acquisitions and divestments
- Major capital investments and divestitures

Internal control

- Risk management, financial reporting and audit
- Financing, treasury and taxation
- Pension benefits and liabilities
- Compliance with laws and regulations
- Cyber security

Environmental, social and governance

- Corporate Governance
- Ethical standards
- Health and safety
- Environmental matters
- Succession planning
- Compliance with the Group's Code of Business Conduct

Our Section 172 Statement

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 2024 s.172 Statement can be found on page 44 of this report.

Where other businesses within the Group are required to make a s.172 Statement, these reports can be found within the Annual Report and Accounts for those entities.

Engagement with shareholders

The Board manages the Group on behalf of its shareholders, and undertakes this responsibility in such a way as to maximise shareholder value over the long term and to advance the interests of all stakeholders. In this respect, during the year, the Executive Chair/Chief Executive Officer and Chief Financial Officer met with institutional shareholder representatives in the UK, Europe and USA. Feedback from these meetings is included within the materials shared with the Board. The Board also receives reports from the Company's brokers and financial public relations agency detailing feedback from institutional shareholders following the Group's interim and full year results announcements.

Feedback and dialogue

All Board Directors are available to meet with shareholders to discuss matters of interest and can be contacted through the Group 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 Remuneration Committee Chair and Group Company Secretary also engage with shareholders and the investor community as and when required. Copies of all trading updates and Interim and Annual Reports are posted on the Company's website, together with details of key financial and shareholder information, governance statements, Group policies and corporate and organisational structure.

Hill & Smith PLC Annual General Meeting ('AGM')

The Hill & Smith PLC 2025 AGM will be held at Cranmore Park Conference, Event & Exhibition Centre, Cranmore Avenue, Shirley, West Midlands, B90 4LF at 11am on Thursday, 22 May 2025.

The Company welcomes the attendance of shareholders at the meeting, where you will be able to speak to the Directors and find out more about the Company's performance in the first part of 2025. The details of the 2025 AGM can be found on page 211 and in the Notice of Meeting.

The Company's Annual Report & Accounts and Notice of Meeting are published as soon as the time required for their printing allows, in order to provide the maximum time in advance of the AGM for feedback to be received from shareholders. Proxy votes submitted by shareholders for the AGM are collated and aggregated independently by the Company's registrars, provided at the AGM and published on the website shortly after the conclusion of that meeting.

Board Leadership and Company Purpose

Summary

One of the Board's principal roles is to provide strategic leadership to the Group. The Group has a clear purpose, which is embedded in the Board's thinking. We create value by providing solutions that enhance the resilience of vital infrastructure and the built environment and this informs our M&A, sustainability, capital allocation priorities and health and safety activities.

Division of responsibilities

Summary

There is a clear division of responsibilities between the Chair and the Chief Executive Officer which is set out in writing and available on our website at <https://hsgroup.com/who-we-are/governance/roles-and-responsibilities/>. The Chair is responsible for the leadership and effective working of the Board. The small size of the Board ensures all Directors contribute fully to the discussions and decisions. The Chair drives the Board agenda and determines how the Board should use the time available to it during meetings. The Chief Executive Officer is responsible for the management of the Group, executing strategy and development, meeting financial objectives, implementing policies and maintaining controls. The Executive Directors provide information to the Board via their regular written reports and the presentation of proposals for Board approval.

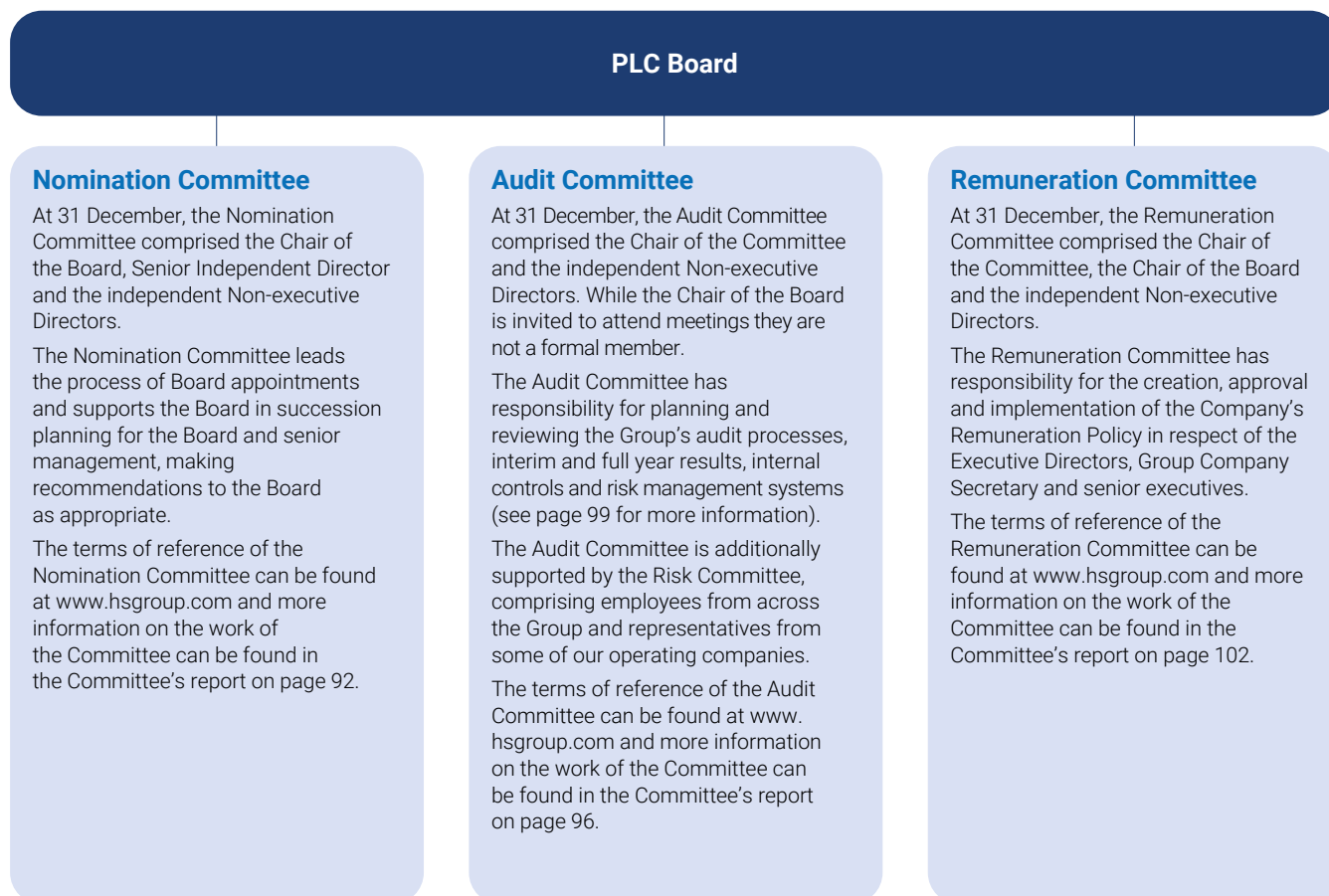
Role of Non-executive Directors

The Non-executive Directors have no managerial responsibility within the Group, are ineligible for any share-based remuneration and are independent of the Company. The Non-executive Directors provide oversight, challenge, strategic guidance and specialist support to the Executive Directors.

2024 key points

- The appointment of a new CEO allowed for the roles of Chair and CEO to be separated, complying with best practice under the UK Corporate Governance Code.
- Under the new CEO, the Board undertook a review of the Group's purpose and strategy.
- The strategic plan was reviewed during the year, which includes updates from Group businesses and the consideration of new initiatives or adjustments.
- Board members visited a number of operating companies and met with local management and employees enabling them to further understand local cultures, communities and underpinning our commitment to all stakeholders.
- The Board received regular Governance and Legal updates, enabling the Board to assess any impact and take any necessary action.

Board Committees



All Non-executive Directors were considered to have sufficient time to meet their Board responsibilities. There are clear divisions of responsibilities between the leadership of the Board and the executive leadership of the Group, and these have been approved by the Board and can be found at <https://hsgroup.com/who-we-are/governance/roles-and-responsibilities/>.

Executive Committee

The Executive Committee takes its authority from the Chief Executive Officer. It is not a committee of the Board but provides a valuable forum for senior executives to discuss matters of importance and support the Chief Executive Officer.

The Executive Committee is the senior management body for the Group and monitors and manages the performance of the business, reviews progress against the strategic objectives and formulates budgets and proposals on strategy and resource allocation, receives regular reports on human resources, health and safety, internal audit, compliance and whistleblowing, legal, investor relations and corporate affairs.

Frequency of meetings

During 2024, the Board met on 10 scheduled occasions, the Audit Committee met on four occasions, the Nomination Committee met seven times and the Remuneration Committee met on seven occasions. The attendance of each Director is set out on page 74.

Board visits to operations

Site visits are an important, regular feature of the Board calendar. They provide an excellent opportunity for the Board to engage with a wide group of employees and they also facilitate the Non-executive Directors' understanding of our businesses.

In 2024, the Board undertook visits to the following operating companies: Creative Composites Group; V&S Galvanizing; Hill & Smith Inc.; and V&S Utilities. At these visits, time was dedicated to both formal and informal discussions with employees.

Board decision making

The Board ensures it provides clear, responsible leadership to the Group in order to create sustainable long term success, ensuring there is an appropriate risk and control framework and resources to deliver its strategy. The activities undertaken by the Board during the year are set out on the opposite page.

The Board's interaction with key stakeholders is set out on pages 38 to 43. Three examples of key decisions taken by the Board during the year, along with how the Directors considered stakeholder interests when discharging their duties, are set out on page 45.

Board activities

Board composition and effectiveness

- Received updates from each of its committees
- Considered and approved any potential conflicts of interests at each meeting
- Reviewed and updated the Board workplan which included proposed site visits for 2025
- Appointed Carol Chesney as Non-executive Director and Chair of the Audit Committee following Mark Reckitt's retirement from the Board
- Considered and approved the appointment of Rutger Helbing as the CEO, agreed his remuneration and planned his induction and onboarding
- Reviewed the position of COO following the appointment of the new CEO and agreed that the position was redundant

Stakeholder engagement

- Received feedback from external advisors and investors following the publication of full year and half year results
- Met with shareholders at the 2024 AGM and reviewed the 2024 AGM proxy results
- Received regular updates regarding employee relations, apprenticeships and succession planning across the Group
- Met with investors at roadshows following half year and full year results announcements
- Agreed the pay and bonus framework for the Group
- Visited Group sites
- Reviewed and analysed the results of the employee engagement survey

Financial reporting and controls

- Reviewed the 2023 results and performance and approved the 2023 Annual Report and Accounts together with the supporting statements to the market
- Received regular trading updates from across the Group
- Reviewed and approved quarterly market updates including the 2024 interim results and provided investors with trading updates
- Recommended a final dividend payment put to shareholders at the 2024 AGM and approved the payment of an interim dividend payment in line with the Group dividend policy
- Received and reviewed Group budgets including those from individual businesses looking at performance against budget and forecast

Strategy

- Reviewed the strategic plan, including receiving regular updates on progress, and considered any new initiatives or adjustments
- Received updates from a variety of Group businesses
- Received M&A updates including post-acquisition reviews, as well as updates on acquisition pipeline, progress and approval of all acquisitions was reserved to its consideration
- Active portfolio management of Group businesses to align with current strategy

Governance

- Reviewed the committee terms of reference and a number of policy documents as part of the Group's Governance Framework
- Undertook an internal evaluation for 2024 considering the Board's performance, that of individual directors and its Committees and created action plans. Ensured actions from the 2023 evaluation were completed
- Received regular governance and legal updates and assessed any impact
- Reviewed and approved the Modern Slavery Statement to be published on the Group's website

Sustainability

- Received and approved the sustainability plan which was to be included in the Annual Report and Accounts
- Received regular updates on the Group's sustainability performance

Other

- Received regular updates on health and safety initiatives and reporting on any lost time incidents
- Agreed a strategy of employee engagement through 2024
- Reviewed and agreed capital expenditure within the Group's framework in relation to property acquisitions and maintenance of the Group's estate
- Received six-monthly IT updates which included a review of projects including ERP and cyber security, and agreed the IT control framework

Board conflicts of interest

The Board has a formal approach for dealing with conflicts of interests and external appointments, and this approach has been reviewed during the year. All Directors are required to disclose all significant third-party appointments prior to joining the Board and, once on the Board, before taking on any additional external appointments. The Group Company Secretary supports the Board with their consideration of any actual or potential conflicts and makes recommendations as to whether the relevant matters should be authorised by the Board. The Board will then consider whether or not a conflict exists and if so, what measures should be taken, if any, to mitigate the conflict. The Company has complied with these procedures.

During the year under review, the Board confirms 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 78 to 80.

Support available to the Board

The Board is supported by the Group Company Secretary, who ensures adequate communication and information flow between Board members. The Group Company Secretary is also responsible for assisting the Chair in all matters relating to corporate governance, including the Board evaluation process.

At the invitation of the Board, other members of the management team attend Board meetings to present on matters relating to their areas of responsibility, including regulatory compliance, investor relations, sustainability, risk management and internal control and information technology and cyber security.

The directors and management of operating companies are also supported by the central function, which includes legal and compliance, risk management, internal audit, treasury, taxation and corporate development.

All Directors have access to the advice and services of the Group Company Secretary and are able to take independent professional advice, when necessary, at the Company's expense, although no Director felt it necessary to seek such advice in the year ended 31 December 2024.

2024 Key Points

- We reviewed our schedule of matters reserved for the Board, the responsibilities of the Chair, Chief Executive Officer and Senior Independent Director
- We visited a number of Group sites enabling direct engagement with our people
- We reviewed and strengthened our whistleblowing policy process and procedures

Composition, succession and evaluation

At 31 December 2024, the Board comprised the Chair, the Chief Executive Officer, the Chief Financial Officer, Senior Independent Director ('SID') and four independent Non-executive Directors. The individual biographies of the Board members can be found on pages 78 to 80. At 31 December 2024, 71% of the Board (excluding the Chair but including the SID) comprised independent Non-executive Directors exceeding the requirement that at least half of the Board, excluding the Chair, is made up of independent directors.

Following an internally facilitated evaluation of the performance of the Board (see page 88 for more details), and on the recommendation of the Nomination Committee, each Director on the Board will stand for election/re-election at the Group's forthcoming Annual General Meeting ('AGM') with the exception of the Chief Financial Officer, Hannah Nichols, who will leave the business at the end of March 2025 and Leigh-Ann Russell, who will step down from the Board following the publication of the 2024 results.

Board profile

Our Directors have a broad range of backgrounds across industry, investment management and professional services. Their diverse and balanced mix of skills and business experience (see page 92) contributes to the effective functioning of the Board, its Committees, and the quality of decision making. This diversity of thought and professional attributes ensures that matters are effectively debated and challenged, and that no individual or group dominates the Board's decision making processes. This was confirmed by the Nomination Committee during the year.

Taking into account the provisions of the Code, the Board has determined that, during the year under review, none of the Non-executive Directors had any relationship or circumstance which would affect their performance, and the Board considers all of the Non-executive Directors to be independent in character and judgement. There is an effective procedure in place to deal with conflicts of interest, which are dealt with by the Board as and when they arise. Conflicts of interest are a standing item on the Board agenda, in addition to being subject to an annual review process.

Succession planning

The Nomination Committee has responsibility for evaluating medium and long term Board, Executive Committee and groupwide senior executive succession planning, and for making recommendations to the Board as appropriate. A formal appraisal process is undertaken for all operating company Managing Directors.

At a local level, each operating company is required to maintain its own succession plan, which is regularly reviewed and refreshed by each operating Board and overseen by the Group Presidents.

Group diversity

The Board is committed to ensuring that recruitment into the Group is undertaken based on merit, regardless of age, disability, marital or civil partner status, pregnancy and maternity, race, colour, nationality, ethnic or national origin, religion or belief, gender or sexual orientation. The Board places significant emphasis on ensuring that greater diversity is brought into the workforce, to enhance the quality of decision making through differing views and backgrounds.

For the purposes of the UK Listing Rules, gender identity and ethnic background are reported in the tables below. This information has been collated by questionnaire from each Board member or senior manager.

The manufacturing industry is not traditionally strong in gender diversity but in order to reach its full potential it is important that it reflects the society in which it operates. It is clear that we have more work to do and we will therefore continue to focus on achieving greater diversity, in all its forms, across our senior manager population and the Group as a whole.

Gender identity (as at 31 December 2024)

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, CFO and SID)	Number in executive management ¹	Percentage of executive management ¹
Men	5	62.5%	3	3	75%
Women	3	37.5%	1	1	25%
Not specified	—	—	—	—	—

Ethnic identity (as at 31 December 2024)

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, CFO and SID)	Number in executive management ¹	Percentage of executive management ¹
White British or other White	7	87.5%	4	4	100%
Mixed/Multiple Ethnic Group	—	—	—	—	—
Asian/Asian British	1	12.5%	—	—	—
Black/African/Caribbean/Black British	—	—	—	—	—
Other Ethnic Group	—	—	—	—	—
Not specified	—	—	—	—	—

1. Executive Management is defined as the Executive Committee (excluding Board Directors).

As part of this commitment, the Group includes in the annual report details of the numbers of men and women at Board level; the number of men and women who are 'senior leaders' (i.e. those employees with authority and responsibility for planning, directing and controlling the activities of the central function or the operating companies); and the number of men and women across the organisation as a whole (see page 56 for more details).

Board diversity

On 31 December 2024, Board membership comprised 37.5% female and 62.5% male and was 12.5% ethnically diverse. The Board is committed to ensuring that it has the right balance of skills, views and experience among its directors. The Board is cognisant of the FTSE Women's Leaders Review and Parker Review targets regarding gender and ethnic diversity on the Board. The Board has met the FRC targets of having a senior position on its board of directors being held by a woman, and at least one individual is from a minority ethnic background. For more details see the table on page 87. The Board has considered whether to appoint an additional female Non-executive Director to the Board in order to satisfy the 40% requirement as enshrined in the FCA Listing Rules. At the current time the Board does not feel it would be beneficial to increase the size of the Board, but will continue to review this position following the upcoming Board changes.

Director training and development

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, best practice and changes to commercial and financial risks.

Typical training for Directors includes attendance at seminars, forums, conferences and working groups, as well as the provision of information from the Group Company Secretary.

Evaluating the Board's performance

2023 outcomes

The 2023 Annual Report and Accounts outlined the results of the external interview-based Board evaluation exercise that was conducted by Gould Consulting. The Board reviewed progress against the recommendations with the following outcomes:

- The appointment of the Chief Executive Officer and return of Alan Giddins to the role of Chair, had been carefully and successfully managed
- The additional governance arrangements implemented following Alan Giddins taking up the role of Executive Chair had been effective
- The Group's talent and development programmes had been improved including in relation to high potential employees
- Operational risk matrices had continued to develop.

2024 evaluation

Following the external evaluation undertaken during 2023, the Board performed an internal evaluation of its own effectiveness during 2024 which was led by the Chair and Group Company Secretary. The evaluation was conducted by means of confidential online questionnaires. The questionnaires were tailored to include matters raised during the 2023 evaluation as areas for improvement, to monitor progress in those areas, alongside additional governance questions. The results of the evaluation noted positive evolution in several key areas including: the retention of Non-executive Director only sessions; increasing the visibility of key people updates, which were provided as part of the Chief Executive's review to each Board meeting; and the formalisation of the annual board agenda, allowing greater input from Non-executive Directors to the Board work plan.

The Board discussed the full results of the evaluation exercises and considered the following priorities for 2025:

- Re-evaluate the Group's purpose and key markets
- Consider more opportunities for the Non-executive Directors to engage with members of the senior leadership team outside the Boardroom and additionally the wider workforce
- Continue work to develop diversity initiatives throughout the organisation and plan for diversity at Board and senior management level.

Audit, risk and internal control

There is a strong framework of internal controls, and the work of our Internal Audit team gives confidence to the Board that Hill & Smith PLC is a well-run company.

Internal audit

During 2024, our Internal Audit team conducted audits across the breadth of our business, including a review of compliance with the Group Financial Controls Manual and Group IT Controls Manual. The Audit Committee received updates arising out of internal audits. The Audit Committee also reviewed and approved the annual audit plans for 2025, as prepared by the Head of Risk and Internal Audit.

Risk management

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, for internal control, and for reviewing the effectiveness of these processes.

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 the Group's 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. The review of the effectiveness of risk management and

internal control is covered through Internal Audit's quarterly reports to the Audit Committee (covering controls compliance, the status of audit action remediation and audits completed in the period) and a six-monthly report on operating company risk management, updates on the corporate risk register, and the status of the Group wide principal risks. The Board has neither identified nor been advised of any failings or weaknesses during the year which it has determined to be material or significant.

This process has been in place throughout 2024, 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 operating companies detailing the risks they have identified and what controls and assurances they have in place to mitigate these risks;
- A 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 Groupwide 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 key risks and uncertainties is shown on pages 69 to 72.

Internal controls

The Board maintains overall responsibility for embedding key controls within the Group. Together with the Audit Committee, the Board reviewed the effectiveness of the Group's risk management and internal control systems in accordance with the UK Governance Code for the year ended 31 December 2024, and up to the date of approving the Annual Report and financial statements.

Additionally, the Board:

- Ensured maintenance of a sound system of internal control and risk management;
- Reviewed 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 continues to ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- Considered and approved the half-yearly report, any other interim management statements and any preliminary announcement of results;
- Declared the interim dividend and recommended the final dividend;
- Approved any significant changes in accounting policies or practices; and
- Approved treasury policies, including foreign currency exposure and the use of financial derivatives.

Going concern

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 18 months from the balance sheet date. Major assumptions have been compared to external reference points, such as infrastructure spend forecasts across our chosen market sectors, government spending plans on road and other infrastructure, zinc and steel prices, and economic growth forecasts. This assessment showed that the Group will have sufficient headroom in the foreseeable future and the likelihood of breaching borrowing covenants in this period is considered to be remote. Having undertaken this work, the Directors are of the opinion that the Group has adequate committed resources to fund its operations for the foreseeable future and so determine that it is appropriate for the financial statements to be prepared on a going concern basis.

For more information see the Audit Committee report on page 96.

Longer term outlook and Viability Statement

The Directors have considered the prospects of the Group over the four-year period immediately following the 2024 financial year. This longer term assessment process supports the Board's statements on both viability, as set out below, and going concern, as set out on page 99. A four-year period was determined as the most appropriate as it is the remaining 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 four years would not be meaningful for the purpose of concluding on longer term viability.

The strategic planning process considered metrics which enable the assessment of the Group's key performance indicators (see pages 28 to 29), and in addition net debt, liquidity and financing requirements. In conducting the review of the Group's prospects, the Directors assessed the four-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 2 to 73). 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 four-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 25% decrease in revenues in the Group's larger US platform businesses, reflecting the importance of US infrastructure spend to the Group's strategy
- a 10% reduction in revenues across our other operating companies

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 2024 with a borrowing facility headroom of £265.4m and a history of strong cash generation, with cash conversion averaging in excess of 80% over the last ten years. The Directors noted that the Company's core revolving credit facility matures in November 2027, before the end of the four-year assessment period. However, based on past experience and normal market practice, the Directors have a reasonable expectation that this facility will be renewed or renegotiated before that date. The Directors also concluded that there would be sufficient headroom in the Group's existing facilities to repay the \$35m of Senior Unsecured Notes that are due to mature in June 2026. Taking this information into account, 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 2028.

Fair, balanced and understandable financial reporting

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

- that the process by which the allocation of responsibility for the preparation of certain sections of the Annual Report to individuals in the central team and their review by external advisors was fit for purpose
- that the information given represented the whole story of the business's performance in 2024 and did not mislead the reader by excluding any negative aspects of performance, that the disclosures of the Group's business segments and key messages are consistently delivered throughout the document, and that 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
- that the document allowed shareholders to follow the whole story of the Group's financial and non-financial performance in 2024, giving them a clear and understandable picture of the Group's business model, key drivers and commercial operations

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 126 and the Independent Auditor's Report on pages 127 to 137.

2024 key points

- Continued strengthening of our cyber resilience
- Continued our roll out of standardised business continuity planning process to our operating companies
- Evaluated our risk management tools and framework, to ensure we are getting the most value from our reporting
- Considered our material controls in the light of the 2024 Corporate Governance Code

Remuneration

About our Remuneration Policy

The current Directors' Remuneration Policy was last approved by shareholders at the 2023 AGM and will be next presented to shareholders for approval in 2026. The purpose of this policy is to enable the Group to recruit and retain Directors of sufficient calibre to develop and deliver our business strategy and create shareholder value; to ensure remuneration arrangements are in the best interests of the Group, in line with the wider workforce, do not pay more than is appropriate, and does not reward failure. More information on the Group's current Remuneration Policy is available in the summary policy table on pages 117 to 120 of the Directors' Remuneration Report.

The Directors' Remuneration Report on pages 102 to 120 sets out the remuneration of the Executive Directors for 2024.

Our Executive Director salary package

Our Executive Director pay arrangements are made up of three fundamental elements as set out in the graphic below, comprising salary, a short term cash bonus, and a longer three-year incentive arrangement. This balance ensures the package adequately reflects the need for long term decisions benefiting the business and provides a level of short term remuneration to retain high calibre individuals within the business.

Pay increases

The Remuneration Committee is acutely aware of the pressures facing many employees. While each operating company sets their own pay policy, the Committee continues to take into consideration wider workforce pay increases when setting increases for its Executive Directors and Executive Committee. More information is available on page 103 of the Group's Remuneration Report.

2024 key points

- Continued with offering Restricted Stock Units to a wider population than previous share-based awards, used as a tool to motivate and retain key employees.
- Approved changes to management bonus metrics, in order to better align with the Group's key performance metrics and strategy.



Nomination Committee Report

I am pleased to present the Nomination Committee report for the year ended 31 December 2024. This report is intended to give an account of the Committee and its activity. The Nomination Committee continues to play a key role in the stewardship of the Company.

Strengthening our Board

For the first part of the year, Tony Quinlan chaired this Committee while I continued my role as Executive Chair. I would like to thank Tony for undertaking this role. On the appointment of Rutger Helbing on 19 September 2024, I reverted to Non-executive Chair and resumed my duties as Chair of the Nomination Committee.

Chief Executive appointment

Following an extensive search, the Nomination Committee recommended the appointment of Rutger Helbing, which the Board subsequently approved, with effect from 19 September 2024.

Rutger’s appointment, together with the appointment in March 2024 of two new Group Presidents, allowed the Board to re-define the split of executive responsibilities and the decision was made not to continue with the role of Chief Operating Officer, with the result that Hooman Caman Javvi stepped down from the Group.

Other Director changes

The Board appointed Carol Chesney as a Non-executive director on 1 January 2024. Carol replaced Mark Reckitt as Chair of the Audit Committee following the 2024 AGM.

Following a relocation to the US, Leigh-Ann Russell informed the Board that for work commitment and logistical reasons she would need to stand down from the Board following the publication of the 2024 results. I would very much like to thank Leigh-Ann for her significant contribution over the last four years. We will be looking to appoint a new Non-executive Director to the Board ahead of the 2025 AGM.



Alan Giddins
Chair

Following the resignation of Hannah Nichols from the Board, as previously announced, the Committee has appointed an external party to undertake a search process for Hannah’s successor.

Both of the above searches are being undertaken by Russell Reynolds who have no other links to the Group. Prior to appointment of Russell Reynolds, the Committee had a full discussion on the diversity requirements set out in the UK Listing Rules, and gave specific instructions to Russell Reynolds to present a diverse list of candidates for consideration. Further information on these search processes can be found on page 94.

Board skills matrix (as at 31 December 2024)

The Directors bring a broad range of experience and skills to support the Group’s growth strategy.

Public sector and government strategy	●●●●	Health & safety management and oversight	●●●●●●
Digital and information technology strategy and governance	●●●●	International business	●●●●●●●●
Human resources	●●●●●●	Risk management and assurance	●●●●●●
Sustainability	●●●●●●	Investor relations	●●●●●
Sales, marketing and commercial	●●●●●●●	Mergers & Acquisitions	●●●●
Engineering, product development and design	●●●●●●	Strategic thinking	●●●●●●
Manufacturing and operations	●●●●	Financial expertise	●●●●●●●●
Compliance oversight	●●●●	Leadership and executive management	●●●●●●●●

Diversity and inclusion

The Committee is committed to ensuring that the Board, Executive Committee and senior management have a diverse mix of skills, experience, knowledge and background.

In considering diversity, gender plays an important role but the Board also takes into account social and ethnic background, alongside other cognitive and personal strengths.

It is important for the long term health of the Group that new appointments are made on merit to ensure that the best candidate fitting the skill requirements is appointed. However, as a Committee we believe in the value that diversity, in all its forms, can bring to the decision making process.

The Group's diversity statistics as required by the UK Listing Rules are set out on page 87. We will continue to consider diversity as a key consideration in future Board appointments.

Priorities for 2025

In our last report we outlined our priorities for 2024 which, in addition to concluding the appointment of the CEO, included reviewing the development plans for each member of the Executive Committee. There have been significant changes to the Executive Committee during the year, including the appointment of two new Group Presidents (one each in the UK and US) and the appointment of a new Group Company Secretary.

Our key priorities for 2025 are:

- Complete the appointments of a new CFO and a new Non-executive Director
- Update the succession plan to include short term and long term succession planning for Board and Executive Committee roles
- Review succession planning at operating company level to ensure the strength, breadth and diversity of the talent pipeline
- Continue the focus on senior level development needs.

The following report sets out in detail the work that we have undertaken during the year under review.

Alan Giddins
Chair

11 March 2025

Main role and key responsibilities

The key areas of focus for the Committee are: to review the structure, size and composition of the Board (taking into consideration the outcome of the Board evaluation exercise) and recommend to the Board any changes required; to plan for succession, taking into account diversity of gender, social and ethnic backgrounds, cognitive and personal strengths; and to identify and nominate, for the approval of the Board, candidates to fill vacancies as and when they arise.

The Committee is also responsible for making recommendations to the Board concerning Board committees and the re-election of Directors at the AGM.

Full details of responsibilities delegated to the Nomination Committee by the Board are set out in the written terms of reference which are available on the Company's website.

Activities of the Nomination Committee during the year

The Nomination Committee aims to spread matters delegated to it by the Board across its meetings, so that all items are considered during the financial year. The Committee confirms that it has completed the items delegated to it during the year under review. In addition to matters relating specifically to its terms of reference, agendas incorporate matters arising and topical items upon which the Nomination Committee has chosen to focus.

The key activities of the Nomination Committee during the year in discharging its principal areas of responsibility are shown in the table on page 94.

Membership and attendance at meetings

The Nomination Committee was chaired by Tony Quinlan until 19 September 2024 when Alan Giddins reverted to his previous position of Non-executive Chair and resumed the Chair of this Committee. Appointments to the Nomination Committee are made by the Board. Details of the members and their attendance at meetings is set out on page 74.

This composition continues to meet the Code requirement that the majority of the members are independent Non-executive Directors and there is no executive presence in line with best practice. Only members of the Nomination Committee are entitled to be present at meetings but other Directors (including the CEO), members of the Executive Committee and advisers may be invited to attend at the discretion of the Chair. The Group Company Secretary performs the role of Secretary to the Committee. No Director is involved in any decisions regarding their own continuation in office, re-appointment or re-election, including the Chair.

Board changes and appointment

The Committee has procedures in place for a formal, rigorous and transparent process for Board appointments, ensuring that appointments to the Board are made on merit, against objective criteria, and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The standard procedure in place for appointment to the roles of Chair or Non-executive positions is set out below:

- Board vacancy is identified and the Committee meets to confirm what additional skills and experience would support the achievement of Group strategy, to inform a detailed brief for the recruitment consultancy
- Appoint and brief an independent recruitment consultancy to carry out a market appraisal. Search firms for Board and senior roles are selected on the basis that they can put forward a diverse list of candidates for consideration
- Each candidate is considered on merit and against the comprehensive candidate brief developed by the Committee
- Interviews and meetings are held with the Committee and other Directors

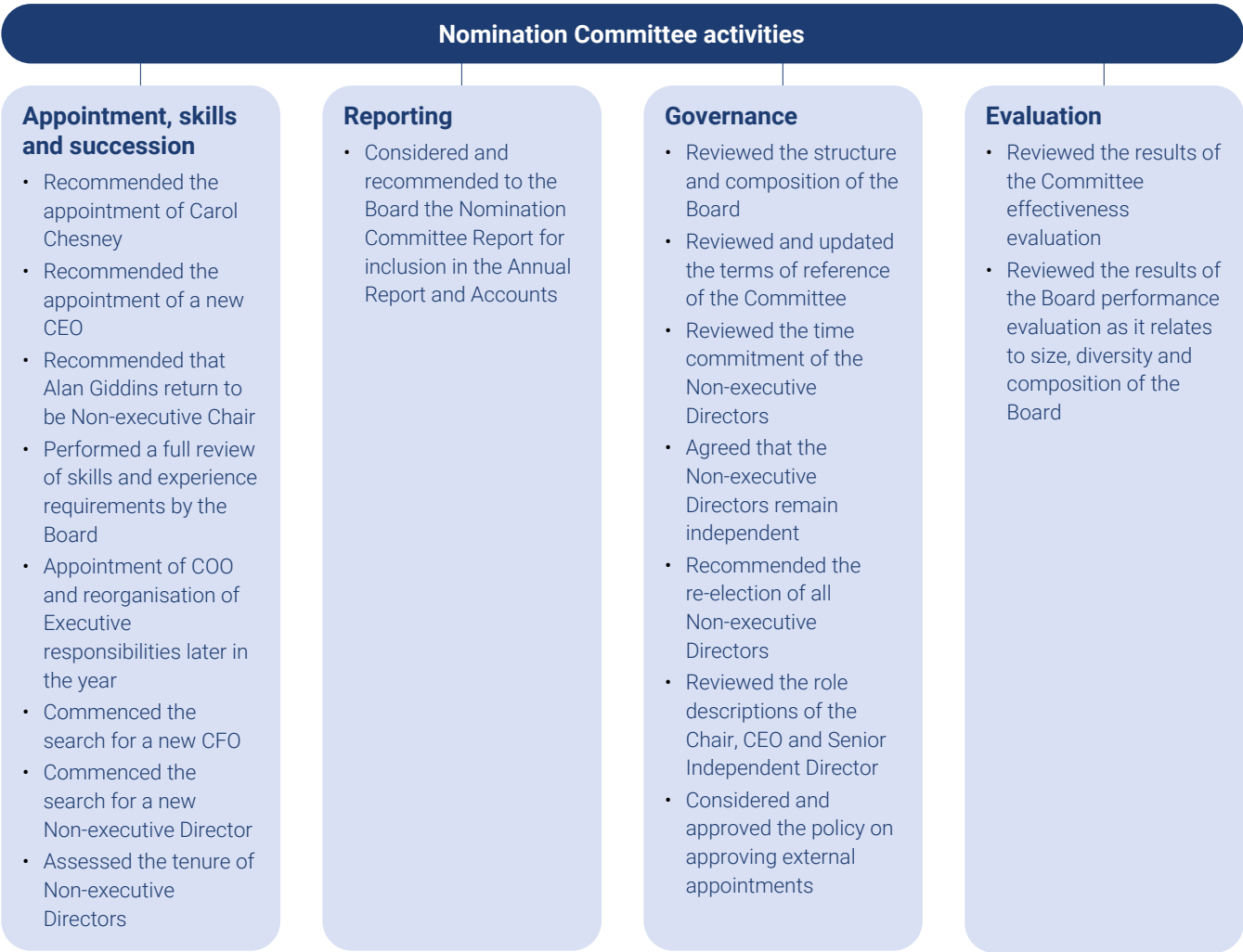
- The Committee meets to debate and, if thought fit approve, the candidate’s appointment
- The Board discusses and approves the appointment.

This process was used in the appointment of Carol Chesney during the year and is being followed with the current Non-executive Director and Chief Financial Officer searches.

With the consideration of the candidates for Executive positions, over and above the process outlined, the Committee also considered internal candidates to ensure that the best possible candidate was appointed. Heidrick & Struggles, who had no connection to the Company, undertook the search for the CEO.

The Company’s current Articles of Association provide that each Director will retire from office and shall be eligible for re-election at the third annual general meeting after the general meeting at which he or she was appointed or last re-elected. Nevertheless, in line with the Code, all Board members will stand for election or re-election at the 2025 AGM.

All Non-executive Directors are appointed to the Board for an initial three-year term which may be extended by two further three-year terms, subject to ongoing performance and independence evaluations. The letters of appointment for



all Non-executive Directors (alongside the service contracts of the Executive Directors) are available for inspection at the Company's registered office. Copies are also made available at the Company's Annual General Meeting for 15 minutes prior to the meeting and throughout. The letters of appointment clearly state the time commitment required by each Director and this is reviewed annually.

Skills review

A full skills review against those required for the achievement of Group strategy was undertaken during the year. The results of that skills assessment are outlined on page 92. Generally skills and experience on the Board were considered to be sufficient and appropriate to support Group strategy, however, further skills in IT/cyber and human resources would be of benefit.

Board induction

Upon joining, each new Director receives a tailored induction programme relevant to their experience, expertise and committee membership. In particular new Directors are actively encouraged to visit Group operating companies to meet senior management and other members of staff to aid their understanding of each operating business and understand the matters our people are dealing with on a daily basis.

An induction programme will typically include (but is not limited to):

- Background information about Group strategy
- Briefings on directors' duties and responsibilities, including those relevant to a UK listed company
- Information on Board meetings, matters reserved for the Board and terms of reference for Board committees and procedures
- Group policies
- Financial budgets
- Meetings with Executive Committee members; Head of Internal Audit and Risk and other members of senior management;
- Site visits to operating businesses;
- Meetings with the External Auditor, brokers and remuneration consultants

Following Rutger Helbing's appointment, the above programme was followed with site visits to the Group's US and UK businesses and discussions with key people throughout the Group.

Retirement and re-election

Each Director has been subject to a performance evaluation and the Committee has conducted its own annual review of the appropriateness of the Directors' skills and experience, their time commitment to the Company, and their contribution to the Board during the year. As part of this review, each Director confirmed that they continue to allocate sufficient time to discharge their responsibilities effectively, and the Committee evaluates their ability to do so taking into consideration other external commitments in addition to their individual performance throughout the year, and their skills and experience set against agreed strategy.

Following review, the Board, supported by the Nomination Committee, is of the opinion that each Director putting themselves forward for re-election, continues to make an effective and valuable contribution and demonstrates commitment to their role. It therefore recommends that shareholders approve the resolutions to be proposed to the forthcoming AGM relating to the re-election of Directors.

Advice

The Nomination Committee has access to such information and advice as it deems necessary, either from within the Company or externally at the Company's expense. This may include the appointment of external executive search consultants or other expert advisors, where appropriate.

This report forms part of the Corporate Governance Report and is signed on behalf of the Nomination Committee by:

Alan Giddins

Chair of the Nomination Committee

11 March 2025

Audit Committee Report

It is my pleasure to present my first report as Chair of the Audit Committee. This report is intended to give an account of the Committee and its activity.

The business model of Hill & Smith delegates substantial authority to the business units, which enables an entrepreneurial approach. Each operating company is responsible for ensuring that it has an effective set of internal controls and control environment, which places responsibility on its Managing Director and Finance Director. The Group Financial Controls Manual provides detailed guidance on the nature and frequency of the internal controls required at each operating company. This is supplemented by the Group Information Technology ('IT') Controls Manual, which sets out the minimum level of IT controls required at each operating company to ensure IT resilience and cyber security. IT infrastructure and related controls remains a key focus area for the Committee, resulting in the current investment plan in IT and cyber security.

In January 2025, the Audit Committee approved an internal audit plan for 2025, which included work to define the Group's material operational, reporting and compliance controls ahead of the implementation of the UK Corporate Governance Code changes, while continuing the primary work of monitoring our business units' compliance with our Group policies and controls.

The Risk Committee, as requested by the Audit Committee, has continued to build upon the risk assessment methodology, to build a clear picture of the risks being considered by the operating companies and the actions to mitigate them, and to facilitate discussions on risk appetite. More information on the risk management process adopted by the Group can be found on pages 66 to 68.

Following Ernst & Young LLP's ('EY') audit of the Group's financial statements in relation to the year ended 31 December 2023, the Committee met EY's lead partner to assess improvements that should be implemented for the 2024 audit. In July 2024, we discussed and agreed the plan for their year end audit procedures and agreed the fee in September 2024. The audit of our 2024 financial statements is the fifth audit that EY have conducted, and the Committee remains satisfied with their levels of independence, objectivity and professional judgement and the oversight they give to our financial statements.

"The Risk Committee, as requested by the Audit Committee, has continued to build upon the risk assessment methodology, to build a clear picture of the risks facing the Group and its operating companies."



Carol Chesney
Chair

This Audit Committee Report explains how the Committee has discharged its responsibilities during 2024, and considers the specific topics of:

- primary areas of judgement considered by the Committee in relation to the 2024 financial statements
- internal controls
- risk assessment, management and mitigation
- assessment of effectiveness of external audit

I trust you will find this report a helpful insight into the activities undertaken on your behalf. I should be delighted to answer any questions you might have and hope to see you at our AGM on 22 May 2025.

Carol Chesney
Chair

11 March 2025

2024 timeline

January

- Update on key matters relating to the 2023 audit
- Goodwill and intangible asset impairment review

Committee membership and purpose

During the year, and to the date of this report, the Audit Committee comprised:

Carol Chesney (appointed 1 January 2024)

Mark Reckitt (retired on 23 May 2024)

Pete Raby

Tony Quinlan

Leigh-Ann Russell

Farrokh Batliwala

Attendees at each of the meetings included, by invitation, the Executive Chair/Chief Executive Officer; the 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.

The overall purpose of the Audit Committee is one of oversight and monitoring of the entire financial reporting and control process, to ensure the integrity of the Group's financial statements and assurance over them. The Committee fulfils this remit by undertaking the following roles and responsibilities:

- monitoring the integrity of the financial statements of the Company and reviewing significant financial reporting judgements contained in them
- reviewing areas of the financial statements that require particular judgement
- providing advice (where requested by the Board) as to whether the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy
- reviewing the Company's internal financial controls, internal control, and risk management systems
- monitoring and reviewing the effectiveness of the Company's approving the Internal Audit Charter and annual audit plan
- reviewing outputs from the Group's risk management process, ensuring that operating companies are correctly identifying, articulating and measuring their risks, and mitigating controls

- making recommendations to the Board about the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor
- reviewing and monitoring the external auditor's independence and objectivity
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services and considering the impact this may have on independence
- reporting to the Board on how it has discharged its responsibilities

Governance

Carol Chesney, Committee Chair, is specifically identified as the Committee member having recent and relevant financial experience, thereby complying with provision 23 of the UK Corporate Governance Code 2018 ('the Code').

Carol is a qualified Chartered Accountant and previously held the position of Company Secretary, and prior to that, Group Financial Controller of Halma plc from 1995 to 2018. She is a Non-executive Director and Chair of the Audit Committees of Hunting plc, IQE plc, and Imagination Technologies Group Limited.

During the year, the Chair of the Audit Committee has maintained regular contact with the external audit partner at 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, and our approach to managing risk and assurance generally.

During the year, the Committee met on four occasions according to the requirements of the Company's financial calendar, covering the agenda items, set out below.

March

- Key risks and judgements relating to the 2023 financial statements
- Report from external auditor on the financial statements for the year ended 31 December 2023
- Financial statements and Annual Report for year ended 31 December 2023, including the statements on going concern, viability, and fair, balanced and understandable
- Internal audit update
- Group risk and principal risks review
- Review of the 2023 TCFD disclosure

July

- Key issues and judgements relating to the Interim Results
- Interim results for the six months ended 30 June 2024
- Internal audit update
- Summary of findings from balance sheet reviews
- External auditor planning report
- External auditor quality and independence assessment

September

- External auditor update and confirmation of 2024 fee
- Internal audit update
- Group risk and principal risks review
- Private meetings with the external auditor and the Head of Risk & Internal Audit

Primary areas of judgement considered by the Committee in relation to the 2024 accounts

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 138 to 197. 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 £152.6m at 31 December 2024. 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. The economic conditions experienced in the UK and the US are reflected in the assessment of the future performance of businesses across the Group. The Committee reviews and challenges the half-yearly and annual impairment testing carried out on the carrying value of goodwill and other intangible assets across the relevant cash generating units. Business plans, which are signed off by the Board, are reviewed and challenged as part of the audit by the external auditor, EY, which then reports to the Committee on this work. As part of this review, the Committee considered the assessments made in respect of Hill & Smith Inc. and Prolectric.

Hill & Smith Inc.

Hill & Smith Inc.'s performance between 2022 and 2024 has been subdued and impacted by operational challenges and consequent improvement costs. The operational challenges have related primarily to the trailer-mounted message board division, operating out of the Garland, Texas facility. While demand across the rest of the product portfolio gradually improved in 2024 and the operational challenges were largely addressed, demand for message boards saw further weakening driven by market competition and some supply chain constraints. The combination of ongoing difficulties in the message board division and a slower recovery elsewhere led management and the Board to reassess the business's future prospects, which in addition to reflecting a significantly more muted outlook for message boards, concluded that the pace of growth across certain other elements of the product range was likely to be slower than previously anticipated. Consequently the impairment review based on this revised assessment concluded that a full impairment of the acquisition goodwill of £8.6m and of the remaining acquisition intangible assets of £2.0m was appropriate. After reviewing management's forecasts for future performance, focussing on the reasons for the changes in outlook on each of the business's product lines, and challenging the assumptions adopted, the Committee agreed with management's conclusions.

Prolectric

Following a strong performance in our UK off-grid solar energy business in 2022, Prolectric's results in 2023 and 2024 were impacted by a downturn in the UK construction market leading to lower revenues and profitability, and the impact of a historical product installation issue on operations. Management's projections assume that medium term revenue growth will be above long-term averages due to a combination of a recovery in UK construction, the favourable resolution of the product installation issue, a shift in Prolectric's focus towards the more resilient facilities management sector, and tailwinds from corporate sustainability initiatives. The resulting impairment calculations indicated headroom of £4.4m (2022: £15.6m), the reduction reflecting a more conservative view on the pace of recovery given UK economic conditions. The Committee challenged management on the basis for their projections and on the rates of recovery assumed in Prolectric's key end markets. In conclusion, the Committee concurred with management's view that no impairment was required. The Committee agreed with management, however, that it was plausible that projected revenue growth rates may not be achieved and that the calculations were also sensitive to the assumed gross margins. The Committee studied the sensitivities to the revenue and margin forecasts that management had prepared, together with the disclosure of those sensitivities in the financial statements, concluding that they were appropriate.

The disclosures made in respect of the sensitivities around impairment calculations can be found in note 12 to the financial statements on pages 163 to 173.

Defined benefit pension scheme valuation

Net defined benefit pension obligations under IAS 19 amounted to £0.8m at 31 December 2024. 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 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.

Other areas of judgement

While not considered to be primary areas of judgement, the Committee's discussions in relation to the 2024 accounts also included the following:

- Given the relatively significant value of non-underlying items in 2024, the Committee challenged management on the presentation of those items. The discussion focused largely on losses incurred on impairment charges and the losses on remeasurement of assets held for sale at the end of the year. The Committee concurred with management's view.
- Following the acquisitions of Capital Steel, FM Stainless, Trident Industries and Whitlow Electric during the year, the Committee challenged management on the acquisition accounting, focusing on the appropriateness of fair value adjustments and the approach taken to valuation of acquisition intangibles. The Committee concurred with management's approach, noting the work of independent valuations experts in relation to the purchase price allocation under IFRS 3.

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 2024, the Committee received forecasts based on various scenarios and considered what would be required for the Group to breach its borrowing covenants or extinguish its borrowing facilities in the next 18 months, following the balance sheet date. Following a robust assessment of the forecasts, the Committee concluded that adoption of the going concern principle was appropriate for both the half year and full year results. The Committee also reviewed and approved the going concern disclosures that are included in the financial statements.

Internal audit

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 evaluate the effectiveness of internal controls, risk management and governance processes independently and objectively; 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 conducting 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.

Internal control

The Audit Committee is responsible for ensuring that the Group's system of internal control is embedded within all operating 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 is aligned to the Principal Risks of the business, adjusted to respond to unexpected events, and receives regular progress updates on the delivery of the objectives of the plan;
- The 18 internal audit reports and associated findings presented throughout the year, together with the progress made 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;
- Accounting judgements, including the carrying value of goodwill and intangible assets of Hill & Smith Inc. and Prolectric;
- External audit reports, including the results of early audit procedures and the audit findings in relation to the year end audit.

The 2024 Internal Audit Plan balanced the focus of the function between Groupwide Principal Risks and operating company level risks. It included a Groupwide thematic review of inventory management, which concluded that there was room for improvement in the maturity of inventory management across the Group. While several planned ERP implementations across the Group will help address this, it is crucial that there is sufficient training and management buy-in, to ensure the full capabilities of the enhanced systems are utilised.

Operating company level reviews, focusing on baseline internal controls, were conducted during the year (14 in relation to financial controls and three in relation to IT controls). Where internal audit work found instances of control weakness, or non-compliance with Group Policy, the findings were discussed by the Audit Committee. Such control weaknesses are taken seriously by management and the Audit Committee seeks to ensure that their cause is understood, and mitigating actions are taken to limit the potential for recurrence. Plans are discussed and timelines agreed with the relevant businesses, and these are monitored by the Internal Audit function to ensure compliance. Where operating companies fail to implement such corrective actions within a reasonable period as agreed, the Audit Committee is informed and further escalation measures are taken.

During the year, the Audit Committee challenged management on the gap between the self-assessment of financial controls compliance that operating companies complete and that of Internal Audit validated financial controls compliance. For 2025, there will be enhanced scrutiny of the self-assessments completed by operating companies and revised guidance will be issued on how to complete them.

The decentralised business model of Hill & Smith means that it is considered unlikely that a weakness at an individual operating company would have a material impact when taken in the context of the Group as a whole.

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.

Risk management

The risk management process is continually kept under review to ensure that outcomes from the operating companies' risk submissions provide the necessary information for the Audit Committee to conduct a robust assessment of the risks affecting the Group as a whole. A risk management and reporting template provides the Committee with more information on how operating companies perceive their risks and how they relate to the Group's Principal Risks. Through this process, operating company management are continually monitored and supported to ensure their 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 using the experiences of the Audit Committee and the Group's operating companies. In this, the Audit Committee is supported by the Group's Risk Committee, whose membership can be found on page 68.

The Risk Committee oversees the risk management process, which is one of continual improvement. The risk management and reporting template was developed during the year, supported by a programme of training that was delivered to all management teams across the Group via online webinars and user guides.

The Risk Committee reviews, discusses and validates the risk submission data received from the operating companies in addition to the corporate level risk register. The Audit Committee has received reports from the Risk Committee, detailing the Groupwide risk assessment process, the movements in major risks, and updates on operating companies' risk mitigation activity, together with their attitude to risk as measured by a 'target' risk score. The Committee uses this information to determine the risk appetite within the Group's operating companies and help inform the Board's overall risk appetite.

During 2024, the Committee directed that particular attention be paid to the Health and Safety and IT Security principal risks. The Committee noted that the prevention of harm or injury to employees was a major area of focus across the Group and that it was a regular topic of discussion within the Executive Committee as well as the Board itself.

During the year, the Committee received updates regarding IT resilience and cyber security from the Group IT Director and the Chief Information Security Officer. Regular updates on operating company compliance with the Group IT Controls Manual were provided by Internal Audit.

More information on the activities of the Risk Committee and the Group's Principal Risks can be found on pages 66 to 72.

TCFD

The TCFD (Taskforce on Climate-related Financial Disclosures) recommendations, published in 2017, encourage companies to disclose information on their financial risks and opportunities arising from climate change, and how these are being managed.

In 2021, the Group engaged PwC to perform analysis to enable a better understanding of our climate-related risks, by identifying transitional and physical risks and opportunities in future climate scenarios. In 2022, 2023, and 2024, PwC were further engaged to perform assessments of the physical risks for operational sites acquired in those years. The results from PwC's ongoing work were reviewed at the March 2025 Audit Committee, following which the Committee approved the 2024 disclosures relating to TCFD, which can be found in the Group's Sustainability Report on pages 46 to 65.

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 Group Company Secretary or a Group President 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 Group Company Secretary or any other member of Group-level management, are investigated under the supervision of the Group Company Secretary and resolved appropriately. Reports raised by the Group Company Secretary on these cases, on the investigative process, the conclusions, and any lessons to be learned from these events, are shared with the Board.

Assessment of effectiveness of external audit

There are several areas that the Committee considers in relation to the external auditor: performance in discharging the audit of the financial statements; independence and objectivity; and reappointment and remuneration.

External auditor performance

The external auditor, EY, provided the Committee with their plan for undertaking the 2024 audit during the Committee meeting in July 2024. 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 Hill & Smith Inc. and Prolectric; the risk of fraud in revenue recognition; inventory valuation and pension assumptions and valuation. 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 revisited by EY.

The external auditor prepared a detailed report of its findings in respect of the 2024 audit. The Committee discussed the issues raised in the report, particularly in relation to the areas highlighted, at their meeting in March 2025. 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 considered during the period under review and the Committee was satisfied of the auditor's independence. To help 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.

EY were appointed as the Group's auditors in June 2020, and they have confirmed to us that, as the partner in charge, Helen McLeod-Jones 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.

Audit and non-audit fees

At the October 2024 meeting, the Committee discussed and approved the proposed audit fee for 2024. The Committee noted that the c.25% increase in the fee reflected scope increases due to the four acquisitions made during the year, the inflationary cost pressures across the professional services industry, revised auditing standards, and increased technology costs, partly offset by efficiencies and other changes in the Group's portfolio.

The Committee maintained the approach of minimising the non-audit work carried out by the external auditor. The Committee's Non-audit Services Policy meets the detailed requirements of 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 Audit Committee. A report is 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 2024, no fees were paid to the auditor for non-audit services relating to other assurance services (2023: £13,000). In 2024, non-audit fees represented 0% of audit fees of £2.0m (2023: 0.8%). Further details of these amounts are included in note 8 of the financial statements on page 160.

Carol Chesney

Chair of the Audit Committee

11 March 2025

Remuneration Committee Report

Our Remuneration policy is designed to incentivise the achievement of stretching objectives while supporting our values and long term strategic goals.

As Chair of the Remuneration Committee and on behalf of the Board, I am pleased to share with you our report on Directors' remuneration for the year ended 31 December 2024. The Annual Report on Remuneration (pages 105 to 116) describes how the Remuneration Policy (the 'Policy') has been applied during the year and how we intend to implement our Policy for 2025.

I would like to thank those shareholders who provided feedback on remuneration matters ahead of our 2024 AGM. I was pleased that our Directors' Remuneration Report received 98.7% shareholder support, reflecting the ongoing support from shareholders of our approach to remuneration.

Business context

In 2024, the Group has again delivered a record set of results. Our large US platform businesses have demonstrated excellent results as they continue to benefit from strong demand for infrastructure products and solutions. Our UK businesses demonstrated resilience against a more challenging market backdrop.

The Group is reporting revenue of £855.1m and underlying operating profit of £143.5m. Underlying operating margin continued to increase at 16.8% with underlying earnings per share showing a 16% increase to 122.6p per share.

In addition to delivering excellent financial performance, 2024 has continued the progress of improving the quality of our portfolio of businesses. Four acquisitions have been made during the year, each value enhancing and increasing our exposure to lucrative US geographies and utility markets. Additionally, we commenced the process to divest two of the Group's non-core Roads & Security businesses, both of which completed in Q1 2025.

Leadership changes

On 19 September 2024, the Board was pleased to announce that Rutger Helbing would join the Board as Chief Executive Officer with immediate effect. This allowed Alan Giddins, who had been Executive Chair since July 2022, to step back from his executive role and revert to his previous position of Non-executive Chair.

Mr Helbing was appointed on a base salary of £670,000, positioning him at the market median base salary level for a FTSE 250 company. Given the calibre and experience of the individual, and the fact that Hill & Smith is an international business ranked in the top half of the FTSE 250, the Committee was comfortable that setting his salary at this level was appropriate.



Tony Quinlan
Chair

For 2024, Mr Helbing was eligible to receive a pro-rated bonus based on an annual maximum of up to 150% of salary, and in line with the Policy he will receive a maximum LTIP of 175% of salary for 2025. On joining, as agreed in connection with his appointment, Mr Helbing was granted a pro-rata 2014 LTIP award at 75% of salary to provide immediate alignment with the Company's medium to long term objectives.

In respect of his role as Non-executive Chair, Mr Giddins' fee level on reverting back to the role, was set at £320,000. Whilst this fee level is positioned around the upper quartile of FTSE 250 Chair roles, the Committee considered it appropriate, mindful of the size, complexity and international reach of Hill & Smith, and the expected time commitment of the role.

With the appointment of a new CEO, the Board also undertook a review of responsibilities amongst our senior executives. As a result of this, the role of Chief Operating Officer, undertaken by Hooman Caman Javvi, was made redundant, and Mr Caman Javvi stepped down from the Board on 19 September 2024. Full details of the leaver arrangements for Mr Caman Javvi can be found later in this report.

The Board also announced on 7 January 2025, that our Chief Financial Officer, Hannah Nichols, had decided to leave the business. She will leave the Group at the end of March 2025 after the publication of the full year results. Her remuneration arrangements on cessation of employment will be treated consistently with the Directors' Remuneration Policy and a summary has been included later in this report.

2024 remuneration outcomes

Workforce remuneration

The Committee remains cognisant of the ongoing scrutiny in relation to executive remuneration and the need to ensure that remuneration outcomes are appropriate within the context of the wider stakeholder experience.

In 2024, the Group set salary increase budgets at between 2% and 10%, depending on country and local circumstances. We continued to focus on measures within our operating companies that enable a good standard of living, targeted salary adjustments, financial education, and voucher programmes.

Annual bonus outcomes

For 2024, having been in employment for the full financial year and remaining in employment to the payment date, the CFO was entitled to receive a full year annual bonus. Our CEO and COO were both entitled to pro-rated bonus payments based on time in employment. The 2024 annual bonus was based on financial measures (80% weighting) and personal objectives (20% weighting). Aligned to the strong financial performance delivered during 2024, the formulaic outcome from the financial targets was 82.1% of maximum.

The Committee determined that this formulaic outcome represents a fair reflection of the financial and strategic performance of the business during the year, and agreed that no discretion should be applied to adjust it.

Details of the outturns against individual financial performance measures and personal objectives are set out on pages 107 and 108. In line with the Policy, half of the bonuses earned by the CEO and CFO will be deferred into shares for two years, to ensure long term alignment with the interests of shareholders. The annual bonus for Hooman Caman Javvi, having had regard to past practice for employees made redundant, and in recognition that Hooman Caman Javvi's bonus at the commencement of the year was set to reflect non-PLC Director terms and his tenure was limited as a PLC Director due to his redundancy, will be paid 100% in cash in line with contractual commitments.

As set out in the 2022 and 2023 Remuneration Report, our Executive Chair Alan Giddins has not participated in any variable remuneration arrangements since his appointment. The Remuneration Committee, taking external legal and governance advice and in consultation with Alan, felt this best preserved the independence of the position, allowing him to revert to his role as Non-executive Chair.

“The Committee is satisfied that the Remuneration Policy has operated as intended.”

Shareholder support for 2024 Remuneration Report:

98.7%
approval

2024 annual bonus max for CEO:

150%
of salary (prorated for time in office)

Maximum bonus for new CFO in 2025:

125%
of salary

CEO salary increase for 2025:

2%

2025 Executive Committee salary increase range:

2% to 4%

Non-executive Director 2025 base fee increase:

3.5%

Long term incentive outcomes

With regard to our long term performance, our 2022 long term incentive award is eligible to vest based on performance from 1 January 2022 to 31 December 2024. The portion of this award vesting was determined based on performance against Underlying Earnings Per Share ("UEPS") and Relative Total Shareholder Return ("TSR") targets.

In relation to TSR performance, the Company was measured against the FTSE 250, excluding financial services companies and investment trusts, and ranked 26 out of 129 companies. The UEPS, at 31 December 2024 was 122.6p, with the overall financial performance for the full year being strong. The application of the performance conditions supports full vesting of the LTIP.

Considering the financial performance of the Company and taking into account the disposals and acquisitions made in the three-year performance period and the progress against non-financial metrics achieved during the performance period, the Committee is comfortable that the formulaic outturn of the 2022 long term incentive is appropriate. As such the Committee agreed that no discretion should be applied to adjust the formulaic outcome.

The Committee is satisfied that the Remuneration Policy has operated as intended, and in reaching this conclusion took into account overall Company performance and other information, such as internal pay ratios and shareholder feedback.

Employee and shareholder engagement

Our Board members visited a number of operating companies in both the US and UK during the year and solicited feedback on a broad range of topics that included remuneration, operational performance and structure, and how our structures align with strategy. We additionally ran a full and anonymised employee survey. These mechanisms enabled the Board to better understand the views of our employees, which then inform Board discussions.

Additionally, the CEO and CFO regularly attend our workforce employee forums. A discussion was held on executive remuneration and how executive pay decisions are made, in addition to how executive remuneration links to wider workforce remuneration.

As outlined more fully on page 82, the Chair of the Remuneration Committee and the Group Company Secretary make themselves available to discuss with investors any aspect of Remuneration that they wish to discuss. Additionally, the Chair of the Remuneration Committee makes himself available at the Company's AGM to discuss matters of remuneration with the Company's shareholders. The Company also engages with each of the proxy agencies prior to the AGM.

Looking forward to 2025

Base salary

The base salary of the current CFO will remain unchanged for 2025, while the salary of the CEO will be increased by 2% to £683,400 effective 1 January 2025. This compares to an average budgeted salary increase for the workforce in our UK operating companies of 2.6%.

Variable remuneration

The annual bonus and long term incentive arrangements for 2025 will be aligned to the Policy with the maximum opportunity being 150% and 175% of salary respectively for the CEO and following the appointment of a new CFO, 125% and 150% of salary respectively. The current CFO will not be entitled to participate in the 2025 annual bonus or receive a 2025 LTIP.

Performance measures for the annual bonus are unchanged from 2024 and will be subject to challenging underlying operating profit (60%), cash conversion (20%) and non-financial (20%) targets.

The long term incentive will continue to operate with challenging UEPS (50%), relative TSR (40%) and, for the first time, greenhouse gas emissions (10%) targets to align with our adoption of science-based carbon reduction targets.

Non-executive Director fees

The Non-executive Director base fee has been increased to £60,000 (3.5% increase) with additional fees being increased by 10% with effect from January 2025. When considering these increases the Board took into account the time requirement each Director was expected to give and wider market context. See page 116 for more details.

Conclusion

The Committee recognises the excellent performance that has been delivered during 2024 and believes that remuneration outcomes fairly reflect this performance.

2025 will mark the final year of our current three-year Policy cycle, with a new Policy being presented to shareholders for approval at the 2026 AGM. The Committee has already commenced work to review the existing Policy and identify any potential changes. We look forward to engaging with shareholders ahead of the 2026 AGM to set out any proposed changes.

We hope that having read this report you will be able to vote in support of the resolution for the Annual Report on Remuneration at our 2025 AGM.

Tony Quinlan
Chair

11 March 2025

Directors' annual remuneration report

During the year to 31 December 2024, the Remuneration Committee consisted of Tony Quinlan (Chair), Farrokh Batliwala, Carol Chesney, Pete Raby, Leigh-Ann Russell and Mark Reckitt (until he retired from the Board on 23 May 2024). Alan Giddins joined the Committee on 19 September 2024 when he reverted to his role of Chair.

During the year, the Committee considered the following:

January to March

- Determination of variable pay outturns for the 2023 bonus and 2021 LTIP as reported in last year's Directors' Remuneration Report
- Confirmation of the Executive Directors' annual bonus targets and objectives for 2024
- Approval of LTIP 2024 award
- Consideration of the Group's Gender Pay statement

April to August

- Approval of SAYE 2024 award

September to December

- Consideration and approval of the remuneration arrangements for our new CEO
- Consideration of the leaving arrangements for the COO
- 2025 salary review for Executive Directors and members of the Group's Executive Committee, having considered the range of increases applied to the wider workforce
- Executive Directors' bonus plan for 2025
- Consideration of market update as provided by the Committee's adviser
- Consideration of metrics to be used in Executive Directors' short and long term incentive plans

Reward linked to performance

Underlying Operating Profit¹

£144.0m Actual

£137.4m Target

1. at budgeted exchange rates

Underlying Cash Conversion¹

99% Actual

85% Target

1. at budgeted exchange rates

Total annual bonus plan – outcome, including achievement of personal objectives

Hannah Nichols:

81.7%

of maximum opportunity

Rutger Helbing:

82.6%

of maximum opportunity

Remuneration at a glance

To incentivise our employees to achieve our strategy, we provide market competitive remuneration which is aligned with our shareholders' experience.

Remuneration Policy and structure summary

Element	Purpose/structure	Operation for 2025
Base salary and benefits	Enables the Group to recruit and retain Executive Directors	CEO – £683,400 (2% increase) CFO – £405,000 (no increase) ¹
Pension	To provide post-retirement benefits for Executive Directors	CEO – 6.5% of salary CFO – 6.5% of salary ¹
Annual bonus	To incentivise the achievement of short term Group targets Performance measures and targets are reviewed and set annually by the Remuneration Committee. At least 50% of bonus will be based on financial measures 50% of any bonus is deferred into shares for two years	2025 performance measures: Underlying operating profit (60%), underlying cash conversion (20%), and individual personal objectives, including health and safety and sustainability (20%) Maximum opportunity: CEO 150% of salary CFO 125% of salary ¹
LTIP	To incentivise the achievement of longer term Group targets Three-year performance period, with a further two-year holding period	2025 performance measures: Relative TSR (40%), growth in UEPS (50%) and greenhouse gas emissions reduction (10%) targets Grant size: CEO – 175% of salary CFO – 150% of salary ¹
Shareholding guidelines	To encourage shareholder alignment both during and after employment	200% shareholding for Executive Directors during employment and for two years after employment ends

1. The current CFO has no entitlement to a 2025 annual bonus payment or a 2025 award under the LTIP.

More details can be found on pages 107 to 110

Financial performance	Alignment with shareholders	Alignment with the wider workforce
£143.5m Underlying operating profit	50% Proportion of annual bonus received in shares	CEO: 2% CFO: 0% Salary increase for Executive Directors
16.8% Underlying operating profit margin	200% Shareholding guideline (% of salary)	2% – 10% Salary increase budgets for the wider workforce
99% Underlying cash conversion	100% LTIP awards subject to a mandatory two-year holding period	6.5% Pension contributions (or payment in lieu) for Executive Directors
£39.4m Dividends paid to shareholders	211 of our people with an interest in long term share awards	6.5% Company contribution available for UK employees

More details can be found on pages 117 to 120

Implementation of the Remuneration Policy during 2024

Single remuneration figure

	Year	Base salary/ fees ¹	Taxable benefits ²	Pension ³	Total fixed pay	Annual bonus ⁴	LTIP ⁵	Total variable pay	Total 'Single Figure'
Rutger Helbing ⁶	2024	188,115	11,755	12,228	212,098	235,898	—	235,898	447,996
	2023	—	—	—	—	—	—	—	—
Hannah Nichols	2024	405,000	13,045	26,325	444,370	413,682	686,532	1,100,214	1,544,584
	2023	374,523	12,822	24,344	411,689	447,086	548,474	995,560	1,407,249
Alan Giddins ⁶	2024	512,500	—	—	512,500	—	—	—	512,500
	2023	584,554	—	—	584,554	—	—	—	584,554
Hooman Caman Javvi ^{6,7}	2024	374,578	12,726	24,871	412,175	219,426	348,379	567,805	979,980
	2023	—	—	—	—	—	—	—	—
Totals	2024	1,480,193	37,526	63,424	1,581,143	869,006	1,034,911	1,903,917	3,485,060
	2023	959,077	12,822	24,344	996,243	447,086	548,474	995,560	1,991,803

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

2. The taxable value of benefits received in the year: Membership of the Company's healthcare scheme, income protection scheme, personal accident insurance, car (or cash allowance), ill health and life assurance. A total of £7,225.21 was paid to Rutger Helbing in lieu of subsistence, which is subject to PAYE and NIC deductions.

3. Pension was provided as a cash allowance paid in lieu of pension at 6.5% base salary.

4. 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 pages 107 to 108.

5. Represents the value of shares vested under the rules of the Hill & Smith LTIP, in respect of the performance period ended 31 December 2024. A description of the basis on which awards vested and the value can be found on page 108.

6. The amounts paid to Rutger Helbing, Alan Giddins and Hooman Caman Javvi represent the value paid in relation to time served as an Executive Director (or in Alan Giddins' case, Executive Chair) during the year.

7. Hooman Caman Javvi additionally received a contribution of £5,500+vat towards his legal fees in connection with his departure arrangements.

2024 Annual Bonus

Rutger Helbing, Hannah Nichols and Hooman Caman Javvi were eligible to earn bonuses for 2024 of up to 150%, 125% and 100% of salary respectively. The bonus to be paid to Rutger Helbing and Hooman Caman Javvi will be pro-rated based on time in office.

For Rutger Helbing and Hannah Nichols, in line with the Policy, 50% of any bonus is paid in cash and the remaining 50% is deferred into shares for two years, with no performance conditions, and subject, ordinarily, to continued employment.

The extent to which bonuses were earned is summarised below:

Measure	Weighting	Target — 50% of maximum	Maximum — 100% of maximum	Actual performance	Actual bonus earned (% of maximum)
Underlying operating profit ¹	60%	£137m	£150m	£144m	76%
Underlying cash conversion ¹	20%	85%	95%	99%	100%
Personal objectives	20%	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. For the purposes of calculating the annual bonus, underlying operating profit and underlying cash conversion are calculated at budgeted rates of exchange.

The personal objectives set for each Executive Director are summarised below, along with the key achievements (adjusted as necessary as a result of commercial sensitivities).

Executive Director	Objectives	Key achievements
Rutger Helbing	<ul style="list-style-type: none"> Strong early engagement across the Group Undertake a rigorous budget process with final budget demonstrating appropriate stretch Initial review of Group strategy in relation to its markets and businesses 	<ul style="list-style-type: none"> Excellent and proactive engagement with operating companies Well run budget process including sufficient stretch across the Group Strategy and business model reviewed, with a refreshed purpose, end market focus and operating company framework
Hannah Nichols	<ul style="list-style-type: none"> Enhance and redefine operating company KPIs and forward looking indicators Provide clear leadership of the Group's information security and ERP strategy Review the process for Group-level balance sheet reviews and assess the efficiency of the process 	<ul style="list-style-type: none"> KPIs reviewed and redefined ERP strategy developed, agreed and progressing in line with plan Board approved cyber security improvements completed and progressing in line with plan
Hooman Caman Javvi	<ul style="list-style-type: none"> Lead the Group strategy process and deliver the 2024 health and safety roadmap Deliver a successful exit from under performing portfolio companies 	<ul style="list-style-type: none"> Strategy review approved by the Board. Health and safety LTI rate reduced by 23% to 31 December 2024 Exit processes commenced and led with disposals completed in Q1 2025
Achievement (personal objectives)		
Rutger Helbing	84.7% of maximum	
Hannah Nichols	80.3% of maximum	
Hooman Caman Javvi	75.0% of maximum	

The Committee considered the formulaic outturn of the annual bonus for 2024 to be appropriate and reflected the financial and non-financial performance of the business during the year (with the extent of achievement against the financial and non-financial targets being broadly consistent); therefore, no discretion was applied. In confirming the bonus outcomes, the Committee noted the positive shareholder return generated during 2024 and the 18% growth in underlying profit before tax.

The cash bonus and deferred bonus earned in respect of 2024 are as follows.

Executive Director	Total bonus earned	Bonus paid in cash	Bonus paid as an award of deferred shares
Rutger Helbing ¹	£235,898	£117,949	£117,949
Hannah Nichols	£413,682	£206,841	£206,841
Hooman Caman Javvi ²	£219,426	£219,426	—

1. The bonus paid to Rutger Helbing has been pro-rated for time served on the Board during the year

2. The bonus paid to Hooman Caman Javvi has been pro-rated for service and 100% paid in cash

LTIP awards vesting in respect of 2024

Hannah Nichols and Hooman Caman Javvi were made LTIP awards in 2022 of 31,487 and 17,655 shares respectively. These awards vested subject to the achievement of performance conditions based on UEPS growth over the three-year performance period ended 31 December 2024 (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).

On 6 March 2025, the Remuneration Committee approved the extent to which the awards vested, and the value included in the single figure of remuneration table as a result is set out below:

Performance targets		Vesting	Actual performance	Actual vesting
UEPS annual compound growth rate over three years	Threshold 3% Maximum 11%	20% 100%	16%	100%
TSR	Median Upper quartile	20% 100%	TSR ranked 26 out of 129	100%

Considering the financial performance of the Company and taking into account the disposals and acquisitions made in the three-year performance period, the Committee is comfortable that the targets were no more or less challenging than when they were originally set.

	Number of shares granted	Number of shares to lapse	Number of dividend equivalent shares	Number of shares to vest	Total	Estimated value (£000) ¹
Hannah Nichols	31,487	—	2,349	31,487	33,836	687
Hooman Caman Javvi	17,655	1,676	1,191	15,979	17,170	348

1. The value of shares is calculated by reference to the average share price for the three months to 31 December 2024, being £20.29.

Executive Director shareholding guidelines

The Company's guidelines are that Executive Directors must hold 200% of their base salary in shares.

In order to meet this requirement, Directors are required to build up such by retaining at least half of any shares earned through incentive arrangements until that shareholding requirement is met. Shares awarded as part of the deferred bonus arrangements also count towards this requirement. Although not subject to shareholding requirements, Alan Giddins has been included in the table below with the % salary based on that paid during his tenure as Executive Chair.

	Rutger Helbing	Hannah Nichols	Alan Giddins	Hooman Caman Javvi ¹
Shareholding requirement	200%	200%	—	200%
Shareholding on 31 December 2024	10,000	3,106	93,125	—
Vested LTIP awards and all deferred share awards on 31 December 2024 (net of tax and NIC)	—	48,801	—	9,275
Total shares	10,000	51,907	93,125	9,275
Share value ²	186,800	969,619	1,739,575	173,267
Current % of salary / date the individual stood down from the Board (based on salary on 31 December 2024)	28	239	283	46

1. Data shown at the date Hooman Caman Javvi stood down from the Board (19 September 2024).

2. Share value based on mid-market close price on 31 December 2024 of £18.68.

Executive Directors are 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 2024 and the date of publication of this report.

Share awards granted during the year

During the year to 31 December 2024, 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	Performance period ³
Rutger Helbing	19 September 2024	Nil cost option	24,552	£502,497 ¹	31 December 2026
Hannah Nichols	19 March 2024	Nil cost option	32,245	£607,496 ²	31 December 2026
Hooman Caman Javvi ⁴	19 March 2024	Nil cost option	25,212	£474,994 ²	31 December 2026

1. Calculated by reference to the share price of £20.47 being the average mid-market close price for the three business days immediately preceding the date of grant.

2. Calculated by reference to the share price of £18.84 being the mid-market close price from the day immediately preceding the date of grant.

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.

4. The treatment of Hooman Caman Javvi's awards is outlined in the section relating to payments to past directors. The number of shares vesting will be pro-rated for service.

The performance conditions for these awards are as follows:

Vesting amount	UEPS compound annual growth rate over three years (50% of the award)	TSR (50% of the award) ²
0% vesting	Less than 5%	Below median
20% vesting ¹	5%	Median
Maximum vesting ¹	14%	Upper quartile

1. Straight line vesting will apply between these two points.

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

SAYE

The interests of Executive Directors who served in 2024 in options for ordinary shares in the Company, granted under the Company's SAYE schemes, are included in the following table:

	Year	Grant price	Awards held at 31 December 2023	Granted during the year	Exercised during the year	Lapsed during the year	Awards held at 31 December 2024 ¹	Period that option is exercisable	
								From	To
Hannah Nichols	2022	£7.94	3,778	—	—	—	3,778	1 Jan 2026	1 July 2026
Hooman Caman Javvi	2022	£7.94	3,778	—	—	—	3,778	1 Jan 2026	1 July 2026

1. Or at the date of leaving the Board.

Rutger Helbing does not participate in the SAYE.

Statement of Executive Directors' shareholding and interest in shares

	Type	Owned outright	Vested but not exercised ¹	Unvested		Total at 31 December 2024
				Subject to performance conditions	Not subject to performance conditions	
Hannah Nichols	Shares	3,106	—	—	—	3,106
	LTIP ¹	—	48,111	99,799	—	147,910
	Deferred Share Plan	—	18,803	—	25,163	43,966
	Market value options ²	—	1,078	—	—	1,078
	SAYE options ³	—	—	—	3,778	3,778
Rutger Helbing	Shares	10,000	—	—	—	10,000
	LTIP ¹	—	—	24,552	—	24,552
	Deferred Share Plan	—	—	—	—	—
	Market value options ²	—	—	—	—	—
	SAYE options ³	—	—	—	—	—
Hooman Caman Javvi ⁴	Shares	—	—	—	—	—
	Buy-out award	—	—	—	10,593	10,593
	LTIP	—	—	64,053	—	64,053
	Deferred Share Plan	—	—	—	6,908	6,908
	Market value options ²	—	—	2,311	—	2,311
	SAYE options ³	—	—	—	3,778	3,778

1. Including those vested but still in holding period.

2. The market value options were granted under the tax-advantaged part of the ESOS as part of the LTIP award granted in 2020 to Hannah Nichols and 2023 to Hooman Caman Javvi and are subject to the same performance conditions as those LTIP awards.

3. A breakdown of SAYE awards is shown above.

4. All amounts are shown for Hooman Caman Javvi at the date he stepped down from the Board (19 September 2024).

Loss of office payments and payments to former Directors

Hooman Caman Javvi

As announced on 19 September 2024, the role of Chief Operating Officer was made redundant and therefore Hooman Caman Javvi received the following payments. All payments are in line with the Directors' Remuneration Policy as approved by shareholders at the 2023 AGM.

- Mr Caman Javvi's contractual 12 month notice period began on Thursday, 19 September 2024. He remained in employment, in line with his contractual notice period, until 5 January 2025 when his employment was terminated in order for Mr Caman Javvi to commence alternative employment. During this period, he continued to receive salary, pension allowance and certain benefits.
- PILON: Mr Caman Javvi's employment with the Company ended on 5 January 2025 when he commenced alternative employment. He ceased to receive salary, pension allowance and certain benefits from that date.
- Bonus: Mr Caman Javvi was eligible for a discretionary bonus for the financial year ending 31 December 2024, pro-rated for his service from 1 January up to 19 September 2024, paid at the normal time and subject to achievement of performance measures.
- Outplacement support: outplacement support was eligible to be provided up to the value of £50,000 plus VAT. No outplacement support was paid during the year to 31 December 2024 nor will it be paid, as Mr Caman Javvi obtained alternative employment.
- Statutory redundancy payment: a statutory redundancy payment of £2,100 was made.
- In-flight awards: the Remuneration Committee considered the contribution that Mr Caman Javvi has made during his tenure and the fact that the role of Chief Operating Officer had been made redundant. Therefore, in line with the default in the various plans, he was a 'good leaver' and his awards were treated as follows:
 - Buy-out Award: Mr Caman Javvi holds an award over 10,593 Hill & Smith shares. He will retain this award which was fully vested as at 16 March 2024 and discretion has been exercised so that it will remain exercisable in accordance with its terms.
 - Existing Deferred Bonus Awards: Mr Caman Javvi holds awards under the Deferred Bonus Plan granted in 2023 and 2024. The awards are in respect of bonuses earned in 2022 and 2023 respectively. In line with the relevant rules, Mr Caman Javvi retained his previously earned deferred bonus awards. The Committee determined that both awards will be eligible for exercise from March 2025 with both awards relating to bonuses earned prior to being promoted to a PLC Director.
 - Existing LTIP Awards: Mr Caman Javvi holds LTIP awards granted in March 2022, March 2023, and March 2024. The number of shares which are subject to these awards

will be determined by reference to the achievement of performance targets during a performance period comprised of the three years commencing on 1 January of the year of grant applicable to each award. Due to his redundancy, Mr Caman Javvi will retain the benefit of these awards but the number of shares in respect of which the award will ultimately vest will be pro-rated to reflect the period of his employment to 19 September 2024 compared with the performance period. The awards will vest and can be exercised at the normal time but, where applicable, can only be exercised following a two-year holding period.

- Existing Executive Share Option Scheme option: Mr Caman Javvi holds an option granted in 2023. The number of shares in respect of which the option will vest is determined by reference to the achievement of applicable performance targets. Mr Caman Javvi will retain the benefit of this option but the number of shares in respect of which the option may ultimately be exercised will be pro-rated to reflect the period of his employment to 19 September 2024 compared with the vesting period.
- Existing SAYE option: Mr Caman Javvi holds an option granted under the Hill & Smith SAYE Scheme which, in accordance with the scheme rules, will be retained and can be exercised in accordance with its terms within the six months following his date of leaving.
- All other awards will lapse on termination of employment in accordance with their terms.
- Legal fees: Mr Caman Javvi received a contribution of £5,500 plus VAT towards legal fees in connection with his departure arrangements.
- No further payments are to be made to Mr Caman Javvi in connection with his loss of office or the cessation of his employment.

Hannah Nichols

On 7 January 2025 the Company announced the resignation of Hannah Nichols from the Board. The following payments will be made in line with her contractual entitlements and rules of the relevant incentive plans:

- Ms Nichols' contractual 12 month notice period began on 7 January 2025 and she will be paid her salary and contractual benefits until she leaves the Company. On her cessation of employment she will not receive any further salary or benefit payments.
- She will receive a discretionary bonus for the financial year ending 31 December 2024 having been in employment for the full year. In line with the Policy, the bonus will be paid 50% in cash and 50% deferred shares.
- In line with the relevant plan rules, with deferred bonus awards, the Committee determined that the 2022 and 2023 previously earned deferred bonus awards will remain eligible to vest on their normal vesting dates.
- All other incentive plan awards will lapse on cessation of employment in line with the relevant plan rules.

There were no other loss of office payments made to past Directors during the year ended 31 December 2024.

Non-executive Directors

Non-executive Director single figure comparison

Director	Role	Board fees	Other fees	Taxable benefits	Annual bonus	LTIP	Pension	Total 'Single Figure' 2024 ¹	Total 'Single Figure' 2023 ¹
Alan Giddins ²	Chair	53,333	—	—	—	—	—	53,333	—
Tony Quinlan	Senior Independent Director	85,192	—	—	—	—	—	85,192	70,133
Farrokh Batliwala ³	Non-executive Director	58,384	—	—	—	—	—	58,384	55,823
Carol Chesney	Non-executive Director	63,833	—	—	—	—	—	63,833	—
Pete Raby	Non-executive Director	58,000	—	—	—	—	—	58,000	55,455
Leigh-Ann Russell	Non-executive Director	58,000	—	—	—	—	—	58,000	55,455
Mark Reckitt ⁴	Non-executive Director	28,333	—	—	—	—	—	28,333	64,725
Annette Kelleher ⁵	Non-executive Director	—	—	—	—	—	—	—	26,969
TOTAL		405,075	—	—	—	—	—	405,075	328,560

1. The Non-executive Directors do not participate in any variable arrangements. Separate sections for fixed and variable pay are not included.
2. Fees for Alan Giddins reflect those paid to him once his role reverted to being Non-executive Chair.
3. Farrokh Batliwala's fee is set in GBP which is then converted to USD for payment. The total disclosed reflects the equivalent amount converted back to GBP.
4. Mark Reckitt stepped down from the Board on 23 May 2024.
5. Annette Kelleher stepped down from the Board on 25 May 2023.

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

Non-executive Director shareholding

	2024	2023
Alan Giddins	93,125	89,225
Farrokh Batliwala	2,000	2,000
Carol Chesney	—	—
Leigh-Ann Russell	2,000	2,000
Mark Reckitt ¹	4,000	4,000
Pete Raby	5,020	5,020
Tony Quinlan	3,111	3,111

1. Mark Reckitt stepped down from the Board on 23 May 2024 and the shareholding shown above is at that date.

There was no change in these beneficial interests between 31 December 2024 and 11 March 2025. 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.

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

Annual percentage change in the remuneration of Directors and employees

The table below shows the annual percentage change in each Director's salary/fees, benefits and bonus between the year ended 31 December 2023 and the year ended 31 December 2024, 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 Group's wider workforce.

The average employee change has been calculated by reference to the mean of employee pay.

		Average employee	Wider workforce	Hannah Nichols	Alan Giddins	Leigh-Ann Russell	Mark Reckitt	Pete Raby	Tony Quinlan	Farrokh Batliwala	Hooman Caman Javvi	Carol Chesney	Rutger Helbing
Salary/fees	2023 – 2024	4.9%	2.0%-10.0%	8.1%	(3.2)% ²	4.6%	(56.2)% ³	4.6%	21.5% ⁴	4.6%	n/a	n/a	n/a
	2022 – 2023	5.4%	1.3%-10.0%	5.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	n/a	n/a	n/a
	2021 – 2022	4.1%	2.0%-9.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	n/a	n/a	n/a	n/a
	2020 – 2021	2.9%	2.9%	2.0%	2.0%	n/a	2.0%	2.0%	2.0%	n/a	n/a	n/a	n/a
	2019 – 2020	2.9%	2.9%	2.9%	2.5%	n/a	2.5%	2.5%	2.5%	n/a	n/a	n/a	n/a
Taxable benefits	2023 – 2024	n/a	n/a	1.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2022 – 2023	n/a	n/a	1.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2021 – 2022	n/a	n/a	0.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2020 – 2021	n/a	n/a	5.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2019 – 2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Annual bonus	2023 – 2024	n/a	153% ¹	(7.5)%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2022 – 2023	n/a	20.3% ¹	30%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2021 – 2022	n/a	44.5% ¹	(8)%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2020 – 2021	n/a	340.3% ¹	454.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2019 – 2020	n/a	112.0% ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. The bonus figures were taken from those senior executives operating on similar incentivised arrangements to the CFO and capable of influencing the Group's performance.

2. Alan Giddins' salary / fees include fees paid both as Executive and Non-executive Chair.

3. Mark Reckitt retired from the Board on 23 May 2024.

4. Tony Quinlan was paid a fee for being Chair of the Remuneration and Nomination Committees from 1 January 2024. His fee for chairing the Nomination Committee ended when Alan Giddins took the Chair back on 19 September 2024.

Single Figure of the Chief Executive compared to the wider workforce

This is our sixth year of reporting the CEO pay ratio and the table below sets out our CEO pay ratio figures.

As in previous years, the Company has opted to use option B of the Pay Ratio regulations. Gender Pay Gap information has recently been collated to meet our Gender Related Pay Gap ('GRPG') reporting requirements for 2023/24, to identify the three relevant employees. The rationale behind adopting this option is that data required to meet both BEIS and GRPG regulations has to be collected for our UK-based employees and this option allows both to be completed, efficiently and effectively in the time allowed to make any relevant public statements.

Year	Method	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2024	Option B	25:1	20:1	23:1
2023	Option B	17:1	18:1	15:1
2022	Option B	39:1	37:1	32:1
2021	Option B	68:1	63:1	41:1
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.

2024	CEO/Executive Chair ¹	25 th percentile	Median	75 th percentile
Salary	£700,615	£34,581	£38,813	£41,118
Total remuneration	£960,496	£38,118	£49,013	£42,146

1. Calculated using the amount earned while performing the role of the CEO taken from the single figure table.

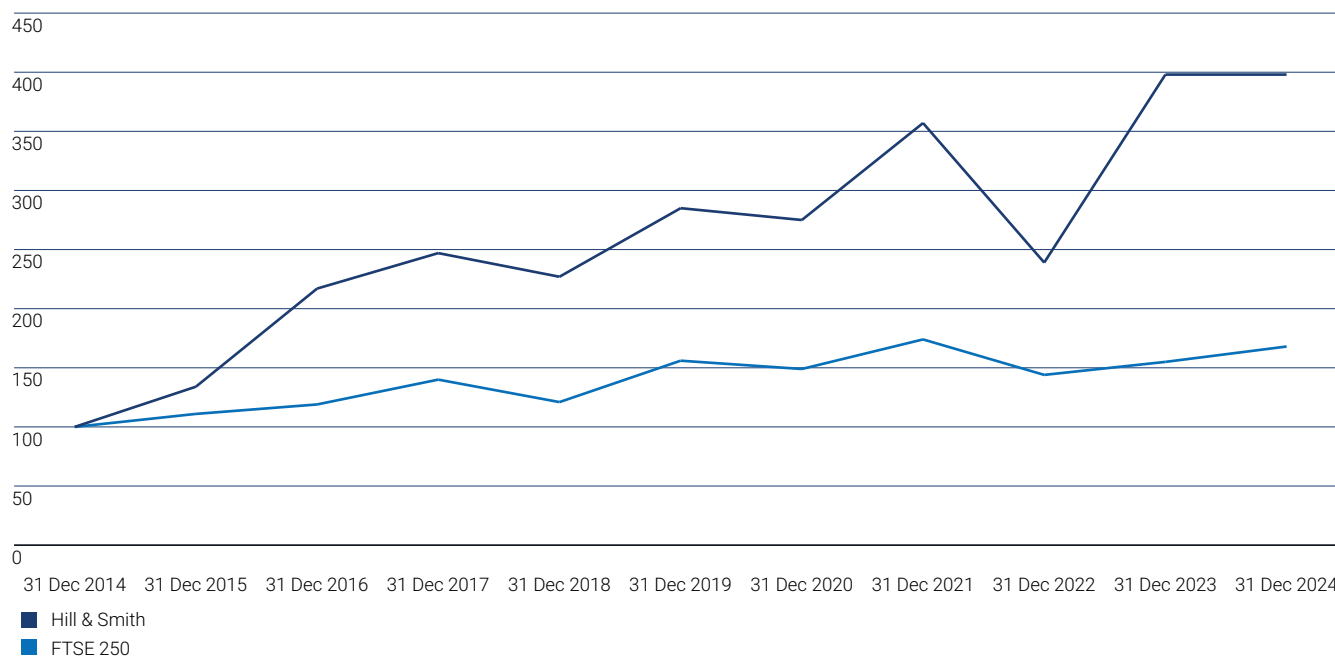
The ratio has increased from 2023 on account of the incoming CEO receiving variable remuneration, including a pro-rated annual bonus. The median pay ratio is less than the pay ratio for the 75th percentile, due to the individual at median receiving a larger bonus.

In this context, the Committee considers that the median ratio for 2024 is consistent with the pay, reward and progression policies for employees as a whole.

Pay for performance

The graph below shows the Company's TSR performance over the 10 years to 31 December 2024 as compared to the FTSE 250.

Total shareholder return



The table below details the CEO/Executive Chair's single figure remuneration and actual variable pay outcomes over the same period.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024			
						Derek Muir	Paul Simmons	Paul Simmons	Paul Simmons	Alan Giddins	Alan Giddins	Alan Giddins	Rutger Helbing
CEO/Executive Chair													
Single Figure (£000)	1,894	2,134	2,085	1,506	1,187	980	318	1,781	798	257	585	512	448
Annual bonus (% of max.)	100	100	94	19	43	19	19	88	72	n/a	n/a	n/a	83
LTIP vesting (% of max)	98	100	100	100	31	36	n/a	100	Nil	n/a	n/a	n/a	n/a

Relative importance of spend on pay

	2024	2023	% Change
Dividends paid in respect of the financial year	£39.4m	£34.5m	14.2%
Overall spend on pay ¹	£227.2m	£203.2m	11.7%

1. This includes a 7% change in the average number of people employed by the Group. See note 6 to the accounts on page 159.

Statement of shareholder voting

The following table shows the results of the vote on the Annual Remuneration Report at the 2024 AGM and the binding vote on the current Remuneration Policy at the 2023 AGM.

	For	Against	Withheld
Remuneration Policy (2023)			
% of votes cast	98.46%	1.54%	6,275 votes were withheld in relation to this resolution (<0.01%)
	61,858,119	967,984	
Remuneration Report (2024)			
% of votes cast	98.69%	1.31%	55,599 votes were withheld in relation to this resolution (<0.01%)
	62,134,207	825,108	

Advisors

Korn Ferry were appointed as external advisor to the Remuneration Committee in 2022 following a competitive tender process.

Korn Ferry did not provide any services other than in relation to advising the Remuneration Committee during the year and the Committee is satisfied that no conflict of interest can arise as a result of these services. Korn Ferry has voluntarily signed up to the Remuneration Consultants Group Code of Conduct. In view of these factors, the Committee is satisfied that the advice it receives from Korn Ferry is objective and independent. For the year under review, Korn Ferry received fees of £55,192 in connection with its work for the Committee, which were charged on a time cost basis.

The Chief Executive Officer (and prior to his appointment, Executive Chair) and Chief Financial Officer, attend Remuneration Committee meetings by invitation to provide advice and respond to specific questions, but are not in attendance when their own remuneration is discussed. The Group Company Secretary acts as Secretary to the Remuneration Committee, but is similarly not in attendance when their own remuneration is discussed.

How the Remuneration Policy will be implemented for 2025

Executive Directors

Salary

Base salaries as from 1 January 2025 are:

Rutger Helbing	£683,400
Hannah Nichols	£405,000

As detailed in the Remuneration Committee Chair Review on pages 102 to 104, Rutger Helbing's base salary has been increased by 2%. This compares to a range of salary increases provided to the wider workforce within our operating companies, of 2% to 10% for 2025.

Pension and benefits

The pension contribution for both Executive Directors is 6.5% of base salary.

Annual bonus

The maximum opportunity for Rutger Helbing will be 150% of salary.

The bonus is structured so that 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 2025 financial year the bonus metrics and weightings will be:

- Underlying operating profit (60%)
- Underlying cash conversion (20%)
- Individual personal objectives, including a health and safety target and a sustainability target (20%)

The Committee does not consider it appropriate to prospectively disclose the targets under the annual bonus plan due to issues of commercial sensitivity. However, detailed retrospective disclosure of the financial targets and the sustainability and individual strategic objectives, and performance against them, will be included in next year's Directors' Remuneration Report. As was the case in 2024, the range of financial targets approved for 2025 have been set in the context of current business planning and the current economic outlook. Overall, the targets are considered similarly challenging to those set in prior years in the current market context.

LTIP

The 2025 LTIP award for Rutger Helbing will be 175% of salary. The award will be subject to performance conditions based on relative TSR, UEPS growth and greenhouse gas reduction as set out below.

Hannah Nichols will not be eligible to receive an LTIP grant in respect of 2025.

UEPS compound annual growth rate over three years (50% of the award) ¹	TSR ^{1,2} (40% of the award)	GHG reduction target ¹ (10% of the award)	Vesting amount
Less than 4%	Below median	0-17%	0% vesting
4%	median	17%	20% vesting
14%	Upper quartile	26%	100% vesting

1. GHG vesting schedule has an intermediate vesting step with 50% vesting at a 21% reduction with straight line vesting between threshold (20% vesting at a reduction of 17%), target (50% vesting at a 21% reduction) and maximum (100% vesting at a 26% reduction). Other targets vest on a straight line basis from the threshold performance level to maximum
2. Relative to the FTSE 250 (excluding investment trusts and financial services companies).

The range of UEPS targets was set having had regard to current business planning, driven by a combination of organic and inorganic growth, the current economic outlook, and market expectations for the future performance of the business. Overall, the targets are considered similarly challenging to those set in prior years in the current market context. The greenhouse gas reduction targets are introduced for the first time for the 2025 LTIP award and have been set based on our 2032 and 2050 SBTi commitments.

The Committee will undertake a final review of the targets and broader terms of the awards prior to grant.

Non-executive Directors

The fees of the Non-executive Directors are reviewed regularly to ensure they are in line with the market so the Company can attract and retain individuals of the highest calibre.

In December 2024, the Board approved a 3.5% increase to the base fee for the Non-executive Directors for 2025. The fees for additional roles are as follows:

	2025	2024
Chair ¹	£320,000	£320,000 ¹
Non-executive Director	£60,000	£58,000
Senior Independent Director	£11,000	£10,000
Audit Committee Chair	£11,000	£10,000
Nomination Committee Chair	£11,000	£10,000
Remuneration Committee Chair	£11,000	£10,000

1. Upon appointment of Rutger Helbing, Alan Giddins reverted to being the Non-executive Chair, receiving an annual fee of £320,000.

Tony Quinlan

Chair of the Remuneration Committee

11 March 2025

Annual Remuneration Policy Report

The Company's Directors' Remuneration Policy (the 'Policy') was approved at the 2023 AGM and took effect from the close of that meeting. The below provides a summary of the Policy, with the full policy as approved by shareholders being included in the Company's 2022 Annual Report and Accounts, which is available at <https://hsigroup.com/investors/reports-and-presentations/>

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	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>Any salary increases may be implemented over such time as the Remuneration Committee deems appropriate.</p>
Maximum opportunity	<p>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:</p> <ul style="list-style-type: none"> • increase in scope or responsibility; • performance in role; or • an Executive Director being moved to market positioning over time. <p>No maximum salary opportunity has been set out in this policy report to avoid setting expectations for Executive Directors.</p>
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	<p>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).</p> <p>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.</p> <p>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.</p>
Maximum opportunity	<p>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 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.</p>
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 typical contribution available in respect of the location of employment of the Director (e.g. currently the typical rate available to the UK-based workforce is 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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Deferred bonus awards will vest in the event of a change of control.</p> <p>Malus and clawback provisions apply to the annual bonus as described below this table.</p>
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.
Performance metrics	<p>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:</p> <ul style="list-style-type: none"> • measures based on earnings per share • budgeted profit • operating margins • cash conversion • return on capital <p>At least 50% of bonus will be based on financial measures. Subject to the Remuneration Committee's discretion to amend formulaic outputs, for financial targets, normally 0% of the maximum is payable for achieving the threshold performance target (0% below threshold), 50% at the target level of performance and 100% at maximum. 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.</p>

Long Term Incentive Plan ('LTIP')

Purpose and link to strategy	<p>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.</p>
Operation	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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. 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 up to £60,000 (from April 2023) 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.</p> <p>Malus and clawback provisions apply to the entire LTIP as described below.</p>
Maximum opportunity	<p>The annual LTIP maximum in respect of any financial year is:</p> <ul style="list-style-type: none"> • CEO: 175% of base salary • any other Executive Director: 150% of base salary <p>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.</p>
Performance metrics	<p>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.</p> <p>Performance measures will be based on financial metrics, and/or share price growth related metrics, and/or strategic metrics.</p> <p>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 20% of the maximum opportunity will vest for each element.</p> <p>For achievement of maximum performance 100% of the maximum opportunity will vest; there is usually straight-line vesting between threshold and maximum performance.</p> <p>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.</p>

Shareholding guidelines

Purpose and link to strategy	To encourage strong shareholder alignment both during and after employment with the Company.
Operation	<p>Each Executive Director is required to hold 50% of the shares acquired through the LTIP and any deferred bonus plan award (after sales to cover tax and any exercise price) until the value of their total shareholding is equal to 200% of their annual base salary.</p> <p>Shares subject to award under the deferred bonus plan 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.</p> <p>Shares subject to LTIP awards which are capable of exercise count towards the limit on a net of assumed tax basis.</p> <p>In addition, a post-employment shareholding requirement will apply only to shares acquired pursuant to LTIP and the deferred bonus plan 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 plan awards granted in respect of earlier years.</p> <p>Post-employment, each Executive Director is expected to maintain such of their shares, which are subject to the post-employment shareholding policy, as have a value equal to the in-service shareholding guideline (which requires the holding of shares during employment with a value equal to 200% of salary) for a period of two years 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.</p> <p>Share ownership guidelines only apply to permanent Executive Director positions and in exceptional circumstances the Committee may disapply the post-employment share ownership guideline (e.g. death).</p>
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	<p>Fees are reviewed periodically and are determined by the Board. The fee structure is as follows:</p> <ul style="list-style-type: none"> • 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 • additional fees may be paid for taking on additional roles or for additional time commitments. <p>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 for 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.</p>
Maximum opportunity	<p>Fees are subject to an overall cap as set out in the Company's Articles of Association from time to time.</p> <p>Fees are based on the time commitment and responsibilities of the role.</p> <p>Fees are appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market.</p>
Performance metrics	Not applicable.

Recovery provisions

The Committee may, at any time within two years following the determination of the annual bonus, or two years following vesting of the LTIP, determine that malus and/or clawback shall apply in the event of:

- a material misstatement in the Group's financial results for the bonus year
- the Remuneration Committee reasonably determining that the participant has been guilty of gross misconduct
- an error in assessing any applicable performance condition
- reputational damage to the Group
- corporate failure
- a failure of acceptable health and safety standards

Before the vesting of an LTIP award, the Remuneration Committee may also decide to reduce or cancel the award if any of the above events occur.

Directors' Report (and other statutory disclosures)

The Directors present their report, together with the audited financial statements, for the year ended 31 December 2024. This report contains additional information which the Directors are required by law and regulation to include within the Annual Report and Accounts. In conjunction with the information from the Chair's Introduction on page 10 to the Statement of Directors' Responsibilities on page 126, this section constitutes the Directors' Report in accordance with the Companies Act 2006.

Principal activities

The principal activities of the Group are the manufacture and supply of Engineered Solutions, Galvanizing Services and Roads & Security products and services mainly in the UK, USA and India. The principal activity of the Company is that of a holding company and its subsidiaries are listed on page 208. Further details of the Group's activities and future plans are set out in the Strategic Report on pages 2 to 73.

Strategic report and future developments

The Group is required by the Companies Act 2006 to include a Strategic Report in this document. The information that fulfils the requirements of the Strategic Report, and which is incorporated in this report by reference, can be found on page 2 to page 73. The Strategic Report includes certain disclosures required to be contained in the Directors' Report as follows: the viability statement (page 90), approach to diversity (page 56), workforce engagement (page 54), an indication of likely future developments (page 16, Chief Executive Officer's Review), and the approach to risk management (pages 66 to 72).

Corporate governance statement

The corporate governance statement as required by the Financial Conduct Authority's Disclosure and Transparency Rules (DTR) 7.2.1 is set out on page 81 and is incorporated into this report by reference.

Acquisitions

January 2024 – the acquisition of the business and assets of Capital Steel from its shareholder, Robert Hickman, who stayed with the business. The cash consideration was £5.5m. Further cash consideration of up to \$1.2m (c.£1.0m) is payable, conditional on Capital Steel's achievement of financial performance targets in the two years post-acquisition.

March 2024 – the acquisition of the business and assets of FM Stainless from its principal shareholder, Chad Hood, who stayed with the business. The cash consideration was £6.8m. Further cash consideration of c.£0.4m is payable, conditional on achievement of financial performance targets in the year following acquisition.

July 2024 – the acquisition of the business and assets of Trident for a cash consideration of £8.1m. Further cash consideration of up to £25.4m is payable based on future revenues over the five years post-acquisition. The business was acquired from two private shareholders. The management team, who were not shareholders, stayed with the business.

September 2024 – the acquisition of the business and assets of Whitlow from its shareholder, Bruce Whitlow, who stayed with the business. The cash consideration was £24.0m.

Post balance sheet events

As part of the Group's active portfolio management, in the first quarter of 2025, the Group successfully divested two of its non-core, loss making Roads and Security businesses, Hill & Smith Pty Limited and Parking Facilities Limited; both of which were classified as held for sale as at 31 December 2024 (see note 14 for further details).

Financial results and ordinary dividends

The Group profit before taxation for the year amounted to £104.5m (2023: £93.2m). Group revenue at £855.1m, 3% up on 2023 (£829.8m). Operating profit at £115.4m, up 11% on 2023 (£103.8m).

The full results for the year and financial position at 31 December 2024 are shown in the Consolidated Income Statement on page 138 and Statement of Financial Position on page 140.

The Directors recommend the payment of a final dividend of 32.5p per ordinary share (2023: 28.0p) which, together with the interim dividend of 16.5p per ordinary share (2023: 15.0p per ordinary share) paid on 7 January 2025, makes a total distribution for the year of 49.0p per ordinary share (2023: 43.0p per ordinary share). Subject to shareholders approving this recommendation at the AGM, the final dividend will be paid on 4 July 2025 to shareholders on the register at the close of business on 30 May 2025. The latest date for receipt of Dividend Re-investment Plan elections is 13 June 2025.

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 2024	80,195,569
Total new ordinary shares issued during the year	247,822
Issued share capital 31 December 2024	80,443,391
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 24 on pages 188 to 189 of the Group financial statements.

Details of the results for the year are shown on the Consolidated Income Statement on page 138 and the business segment information is given on pages 153 to 155.

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 Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. The Company's Articles of Association were last amended at the general meeting held on 17 May 2018 with the updated articles being filed with the Registrar of Companies.

Directors

The names of the Directors of the Company who served throughout the year, including brief biographies, are set out on pages 78 to 80. Changes to the Board during the period are set out on page 92. Details of the Non-executive Directors' Letters of Appointment are set out below:

	Date of appointment	Length of service	Expected end date
Alan Giddins	3 October 2017	7 years 3 months	30 September 2026
Farrokh Batliwala	1 April 2022	2 year 9 months	31 March 2031
Carol Chesney	1 January 2024	1 Year 0 months	31 December 2033
Leigh-Ann Russell	1 April 2021	3 years 9 months	31 March 2030 ¹
Pete Raby	2 December 2019	5 years 1 month	30 November 2028
Tony Quinlan	2 December 2019	5 years 1 month	30 November 2028

1. Leigh-Ann Russell will step down from the Board on 12 March 2025.

Directors' interests

The interests of the Directors in the share capital of Hill & Smith PLC, as at 31 December 2024, are set out on page 110.

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. All Directors are subject to annual election by shareholders at the AGM in line with the provisions of the UK Corporate Governance Code.

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 23 on pages 182 to 188.

Research and development

During the year, the Group spent a total of £3.4m (2023: £3.3m) on research and development.

Political and charitable donations

The Company's policy is not to make any donations for political purposes in the UK or to donate to political parties or incur political expenditure outside the UK. Accordingly, neither the Company nor its subsidiaries made any political donations or incurred political expenditure in the financial period under review (2023: £nil).

The Company actively encourages each of its businesses to build strong relationships with the communities in which they operate and where they predominantly recruit from. As part of this focus the Company has in place a Charitable Donations Policy which supports locally focused charitable giving and community involvement by each of the Company's businesses, allowing local communities to benefit directly. An outline of the Company's approach to charitable donations is given as part of the Sustainability Report on page 46.

Charitable giving is undertaken through both monetary and product donations to good local causes. Monetary donations made during the year in support of charitable causes nationally, and those of interest to employees amounted to £119,618 (2023: £98,985).

Employment policies

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

Modern Slavery Act

The Board fully supports the aims of the Modern Slavery Act and the Company has a zero tolerance approach to slavery and human trafficking.

Our suppliers are expected to engage and adhere to the Hill & Smith Code of Business Conduct and the Company will work with all suppliers to ensure compliance. If any supplier is found to be involved in any form of Modern Slavery or unethical behaviour, the Company will look to suspend or cease trading with that supplier. Full information can be found in the Company's Modern Slavery Statement which is published annually on the Company's website and which details the actions undertaken to prevent slavery and human trafficking in both the Company's organisation and its supply chain.

Human rights

We support the United Nations' Universal Declaration of Human Rights and have policies and processes in place to ensure that we act in accordance with our cultural values which encompass areas such as equal opportunities, diversity, inclusion and respect, anti-corruption and bribery, whistleblowing and fraud. We do not believe this to be a material issue in our business.

The Hill & Smith Code of Business Conduct sets out the standards we expect with respect to: health, safety and the environment; fair, honest and ethical business practices (including bribery and corruption); gifts and entertainment; competition laws; export controls and sanctions; and people (including equal opportunities, conflicts of interest, harassment, labour laws and anti-slavery). This Code of Business Conduct applies to everyone engaged by the Group including: Directors and officers; employees; and contractors, consultants, representatives and agents; and commercial intermediaries.

Employment of disabled persons

It is our policy that people with disabilities should have full and fair consideration for vacancies within the Group having regard for their aptitudes and abilities. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

Equal opportunities

We are committed to the elimination of unlawful and unfair discrimination, and the fair and equal treatment of all. The heart of the Company's approach to its people is the provision of an environment where everyone can fulfil their potential and where colleagues from all backgrounds can feel confident in their ability to achieve their best. The Company has in place various policies to ensure this is reflected in the culture of the business (including an Equal Opportunities policy and a Dignity at Work policy). Contravention of these policies is treated as a disciplinary matter and may result in dismissal.

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 Hannah Nichols.

The Group has a revolving credit facility and unsecured notes, which include change of control provisions. Under these provisions, a change in ownership/control of the Company could result in the 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 they ought to have taken as a Director to make themselves aware of any relevant audit information and have established that the Company's auditor is aware of that information.

A statement by the Directors on their responsibilities in respect of the Annual Report and Accounts is given on page 126 and a statement by the Auditor on their responsibilities is given on page 136.

External auditor

Ernst & Young LLP have indicated their willingness to continue as Auditor and their reappointment has been approved by the Audit Committee. Resolutions to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the 2025 AGM.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00am on Thursday, 22 May 2025 at Cranmore Park Conference, Event & Exhibition Centre, Cranmore Avenue, Shirley, West Midlands, B90 4LF, United Kingdom. Notice is sent to shareholders separately with this Report, together with an explanation of the special business to be considered at the meeting, which is also available on the Company's website at www.hsgroup.com.

Other important dates can be found in the Financial Calendar on page 210.

Rights under employees' share schemes

As at 31 December 2024, VG, as trustee of the Hill & Smith Group Employee Trust Company Limited ('Trust'), held 70,318 shares, approximately 0.9% of the issued share capital of the Company (excluding treasury shares) for the purpose of satisfying options and awards under the various employee share schemes operated by the Company. VG waives dividends due on all of their total holding. Details of employee share schemes are set out in note 24 to the financial statements. Details of long term incentive schemes for the Directors are shown in the Remuneration Report on pages 188 to 189.

Securities carrying special rights

There are no requirements for prior approval of any transfers and no person holds securities in the Company carrying special rights with regard to control of the Company.

Substantial shareholdings

Notifications of the following voting interests in the Company's ordinary share capital had been received by the Company (in accordance with Chapter 5 of the DTR), with the information received from the discloser stated to be correct at the time of disclosure.

As at and up to 31 December 2024, the persons set out in the table below have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company's issued share capital.

On the 5 March 2025, the Company received notification from BlackRock that the number of ordinary shares they now hold is 6,203,505 shares, being 7.69% of the issued share capital at the time of notification.

Shareholder	Number of ordinary shares ¹	% of issued share capital ²
abrdn	7,792,399	9.71
BlackRock	6,175,078	7.10
Vanguard Group	3,778,735	4.71
Invesco	3,384,836	4.22
AXA Framlington Investment Managers	3,144,476	3.92

1. Represents the number of voting rights last notified to the Company by the respective shareholder in accordance with DTR 5.1.

2. Based on the total shares held in the Company as at the notification date.

By order of the Board

Karen Atterbury

Group Company Secretary

11 March 2025

Statement of Directors' responsibilities

Statement of Directors' Responsibilities in respect of the Annual Report, Strategic Report, Directors' Report and the financial statements

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and applicable law and have elected to prepare 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 UK adopted international accounting standards;
- 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 comply 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

Karen Atterbury
Group Company Secretary

11 March 2025

Independent auditor's report to the members of Hill & Smith PLC

Opinion

- Hill & Smith PLC's Group financial statements and Parent Company financial statements (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 2024 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 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 16 to the financial statements including material accounting policy information
Consolidated statement of Changes in Equity	
Consolidated Cash Flow Statement	
Related notes 1 to 28 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent Company 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.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group nor the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

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:

- Understanding the process undertaken by management to perform the going concern assessment, including the evaluation of current global macro-economic factors on the Group and the Group's access to available sources of liquidity;
- Evaluating the appropriateness of the duration of the going concern assessment period to 30 June 2026 and considering the existence of any significant events or conditions beyond this period, based on our inquiries of management, the Group's 4 year Strategic Plan and knowledge arising from other audit procedures.
- Obtaining management's going concern assessment, including the cash flow forecasts and covenant calculations for the going concern period to 30 June 2026. We verified these forecasts were consistent with the Board approved forecasts ensuring the operating profit, working capital adjustments and resultant cashflows in the going concern assessment matched those in the forecasts. The Group has modelled a base case, which is consistent with the assumptions used in the Group's impairment assessments. Additionally, two primary reverse stress tests have been modelled, which determine a) 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 its financial covenants under its core borrowing facilities;

- Obtaining the signed agreements for the Group's credit facilities and, through inspection, confirming the terms of these, including the level of facilities and basis of covenants were consistent with those considered in management's assessment;
- Confirming that management's forecasts included the repayment of a portion of the Senior Unsecured Notes totalling £28.0m which are due to be repaid in June 2026 being within the going concern period;
- Assessing the reasonableness of the key assumptions underpinning the Group's forecasts in the context of other supporting evidence gained from our audit procedures on goodwill impairment reviews. This included consideration of trends in Group performance and other external market studies and data, such as analyst and industry forecasts. In particular, we assessed the achievability of the revenue projections in management's base case and downside scenario to the Group's performance and external industry forecasts;
- Assessing the historical accuracy of management's forecasting for the past seven years, by comparing the Group's actual results to Board approved budgets and re-forecasts, to further challenge the prospective financial information included in the going concern assessment;
- Scrutinising the results of management's reverse stress test scenario and assessing 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. This was achieved by considering the drop in revenues required for the Group to either run out of liquidity or breach covenants and comparing this reduction to the fall in the Group's actual results achieved through the course of the COVID-19 pandemic (being when the Group had the lowest level of revenues and profits in the past five years). We also considered mitigating actions, assessing whether they were within management's control and whether they were supported by actual mitigations achieved historically;
- Testing the clerical accuracy of the models used to prepare the Group's going concern assessment through re-computation of the models;
- Performing sensitivity analysis to challenge management's assessment of the impact of climate change based on their latest costed plan; and
- Ensuring the appropriateness of the Group's disclosures concerning the going concern basis of preparation by verifying these met regulatory and legislative requirements.

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

We observed that the Group achieved the forecasts that it was targeting in 2024. We observed the significant liquidity that the Group has at its disposal that can be utilised should it be required.

Based on the work we have 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 a period to 30 June 2026.

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	<ul style="list-style-type: none"> We performed an audit of the complete financial information of 5 trading components and 1 non-trading component and audit procedures on specific balances for a further 25 components. We performed centralised procedures on the following accounts: goodwill, acquired intangibles, loans and borrowings including associated financial expenses, investments in subsidiary undertakings (Parent Company), retirement benefit obligations, equity (Group and Parent Company), intercompany eliminations and consolidation journals. For certain accounts the audit procedures were completed by a combination of ourselves, as the primary team, and by component auditors. These included cash and cash equivalents, right of use assets and liabilities, income tax liabilities, deferred tax assets, deferred tax liabilities and classification of underlying / non-underlying expenses.
Key audit matters	<ul style="list-style-type: none"> Revenue recognition – the risk of management override through inappropriate manual journals to revenue or inappropriate revenue cut-off Carrying value of goodwill in relation to the Prolectric and Hill & Smith Inc Cash Generating Units ("CGUs") Valuation of inventory provisions Valuation and completeness of acquisition intangibles and valuation of contingent consideration on acquisitions
Materiality	<ul style="list-style-type: none"> Overall Group materiality of £6.6m which represents 5% of adjusted operating profit. Parent Company materiality is determined to be £5.5 million which is 1.5% of equity.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

In the current year our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, with input from our component auditors, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that centralised audit procedures can be performed on all components in the following audit areas: goodwill impairment assessments, elimination of intercompany balances and transactions over the course of the year, taxation, external loans and borrowings and the associated interest charges, dividends and distributable reserve testing, testing of land and building related ROU assets and lease liabilities, obtaining bank confirmations for all bank accounts held by the Group and consolidation adjustments.

We identified 20 components as individually relevant to the Group due to relevant events and conditions underlying the identified risks of material misstatement of the Group financial statements being associated with the reporting components or a pervasive risks of material misstatement of the Group financial statements or a significant risk or an area of higher assessed risk of material misstatement of the Group financial statements being associated with the components. We did not identify any components of the Group as individually relevant due to materiality or financial size of the component relative to the Group.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the Group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the Group significant financial statement account balance.

We then considered whether the remaining Group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the Group financial statements. We selected 11 components of the Group to include in our audit scope to address these risks.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the 31 components selected, we designed and performed audit procedures on the entire financial information of 6 components ("full scope components"). For 9 components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components"). For the remaining 16 components, we performed specified audit procedures to obtain evidence for one or more relevant assertions.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key audit matters section of our report below.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors from other EY global network 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 25 components where we perform specific audit procedures, 18 of these were performed directly by the primary audit team.

For the remaining 11 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.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits the overseas full scope component locations on a rotational basis. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in the United States of America. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, visiting subsidiary operational sites, attending closing meetings and reviewing key audit working papers.

Where relevant, the Key Audit Matters sections provides detail of the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We maintained continuous and open dialogue with the component audit teams in addition to holding formal meetings to ensure that we are fully aware of their progress and the results of their procedures. Close meetings for full, specific and specified procedures components (excluding those performed by the primary team) were held either in person or via video conference in January and February 2025 and were attended by the Senior Statutory Auditor and/ or other members of the primary audit team. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact Hill & Smith PLC. The Group has determined that the most significant future impacts from climate change on their operations will be from transitioning to a lower carbon economy (transition risk). These are explained on pages 58 to 62 in the required Task Force On Climate Related Financial Disclosures and on page 70 in the principal risks and uncertainties. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we review management's assessment of the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained how they have reflected the impact of climate change in their financial statements and in their Sustainability Plan and how this aligns with their commitment to the aspirations of the Paris Agreement to achieve a carbon net zero target by 2040 for Scopes 1 and 2. The Basis of Preparation (Note 1) includes management's assessment of the impact of climate change. These disclosures, alongside information in the Strategic Report, explain how emerging regulatory requirements have been considered within management's "costed plan". Management concluded that no issues were identified which would impact the carrying value of long and indefinite lived assets nor have any other material impact on the financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on page 61 and whether these have been appropriately reflected in judgements and estimates following the requirements of UK adopted international accounting standards. This included challenging management's assessment that the most relevant impact of climate risks related to assets with indefinite and long lives and whether the carrying value of these assets could be impacted by measures taken to address global warming. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the following key audit matter: carrying value of goodwill in relation to Prolectric and Hill & Smith Inc cash generating units. Details of the impact, our procedures and findings are included in our explanation of key audit matters below.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition The risk of management override through inappropriate manual journals to revenue or inappropriate revenue cut-off (£855.1m, 2023: £829.8m)	Procedures to respond to this risk were performed by both the primary audit team and component teams.	
Cut-off 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. The level of risk associated to this key audit matter is unchanged from the prior year.	<p>We performed the following audit procedures at 5 full and 9 specific scope locations where revenue is in scope. Revenue at these locations represents 81% of the total revenue balance of £855.1m. These procedures were additionally performed at 11 trading components at which we performed specified procedures, representing a further 19% of the total revenue balance before intra-Group eliminations.</p> <p>We performed walkthroughs of the process by which revenue is recognised and recorded at the full, specific and specified procedures scope locations.</p> <p>For all trading components at which we performed specified procedures, data analytics procedures were performed over the correlation of sales and cash receipts to test the existence and occurrence of revenue being recorded in the correct period.</p> <p>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:</p> <ul style="list-style-type: none"> 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. <p>For engineered solutions 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 the level of installation that has taken place in the year.</p> <p>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 operational personnel and inspected inventory ledgers and bill of materials to confirm the products were non-standard and that significant re-work would be required for the product to be sold via other means.</p> <p>We examined post year end credit notes to assess any evidence of inappropriate revenue recognition cut-off for the year ended 31 December 2024.</p> <p>For all locations we performed analytical procedures to compare revenue recognised with our expectations, management's forecasts and, where possible, external market data.</p>	Our audit procedures did not identify evidence of material misstatements related to revenue recognition and we found no evidence of management bias.
Management override As revenue is a key performance indicator for external communication and a key input into management's earnings based incentives, we also identified a risk of management override through inappropriate manual topside revenue journal entries being processed. The level of risk associated to this key audit matter is unchanged from the prior year.	<p>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.</p> <p>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 these in scope components represents 94% of the total revenue balance.</p> <p>For all components, we performed analytical procedures to compare revenue recognised with our expectations, management's forecasts and, where possible, external market data.</p>	Our procedures performed did not identify any unsupported manual adjustments to revenue or any unexplained anomalies from our revenue analytics.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of goodwill in relation to Hill & Smith Inc (£0.0m, 2023: £8.7m) and Prolectric (£5.5m, 2023: £5.5m)		
<p>Prolectric, originally acquired in 2021, has had a track record of growth until the current year. A combination of a slow down in their industry, and operational challenges has reduced headroom and increased sensitivity applicable to this CGU.</p> <p>Hill & Smith Inc. manufactures and sells a range of traffic management solutions as well as the sale and rental of crash prevention products. The Hill & Smith Inc CGU performance has not been in line with management's forecasts nor market expectations since 2022. Actions were taken in the prior year to improve future trading performance which have not yielded the expected results. This led to management reassessing the business' future prospects, which reflected muted profitability and slower pace of growth than previously anticipated and resulted in a £10.6m impairment of the CGUs intangible assets.</p> <p>The estimated recoverable amount for 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.</p> <p>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.</p> <p>The Financial Statements (Note 12) disclose the sensitivity estimated by the Group.</p>	<p>Procedures to respond to this risk were performed by the primary audit team. We examined management's methodology and the model used for assessing the valuation of the Hill & Smith Inc and Prolectric CGUs to understand the composition of 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:</p> <ul style="list-style-type: none"> • Independently constructing 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, and performance since lockdowns, drivers of growth and reasonableness of margins; • Challenging the medium and long-term forecast growth rates used by considering evidence available such as industry and country forecasts and inflation data; and • Analysing available information to identify any contrary evidence, including views provided in analyst reports, and specifically for Hill & Smith Inc., market studies; and • Assessing the impact of climate change on future forecasts, and how it has been included in each assessment. This included challenging the completeness of Management's climate change "costed plan" which considers the financial impact of their climate related commitments. <p>Specifically for each CGU, we further focussed on:</p> <ul style="list-style-type: none"> • For Prolectric, we agreed orders received in the last quarter of 2024 and first two months of 2025 to support the near term growth forecasts for the CGU; • For Hill & Smith Inc. we benchmarked expectations around future growth rates with externally produced market studies and challenged if it was feasible for these growth rates to be applied to the business. • Our risk assessment also considered whether there was an incentive by management to overstate the impairment charge for Hill & Smith Inc. We developed an independent alternative scenario using mid-point assumptions of our internally developed ranges. • We further challenged the achievability of management's planned turnaround actions and considered the timing and feasibility of completing these. <p>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.</p> <p>We challenged the completeness of range of scenarios considered in the sensitivity analysis undertaken by management.</p> <p>We assessed whether the disclosures in relation to the key assumptions around Prolectric were adequate given the sensitivity of the level of headroom to possible changes in these key assumptions.</p> <p>All audit procedures performed to address this risk have been wholly performed by the primary audit team.</p>	<p>Our year end audit procedures did not identify evidence of material misstatement regarding the carrying value of goodwill in the Group.</p> <p>We consider the impairment recognised in relation to the Hill & Smith Inc related CGU to be materially stated and appropriately disclosed in non-underlying items. Management has appropriately included sensitivity analysis disclosures in Note 12 to the Financial Statements to reflect the level of estimation uncertainty for Prolectric.</p>

Key observations communicated to the Audit Committee

Risk

Our response to the risk

Valuation of inventory provisions (Net inventory value – £100.7m, 2023: £106.1m)

The valuation of inventory across the Group is dependent on establishing appropriate valuation processes including estimation of excess and obsolete stock. 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.

The level of risk associated to the element of the inventory provisioning key audit matter is unchanged from the prior year.

The level of risk associated to the valuation of gross inventory value has decreased from the prior year reflecting the ERP IT system upgrades and enhancement to inventory valuation processes that have taken place across the Group. This led to the removal of the gross inventory valuation risk from the key audit matter.

Procedures to respond to this risk were performed by both the primary audit team and component teams.

We performed the following audit procedures at 5 full, 9 specific scope, and 3 specified procedures 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 full and specific scope components where inventory was in scope.

Of the components in scope for inventory, we were able to physically attend all counts to observe any physical evidence of obsolescence.

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 assessing the adequacy of the excess and obsolete inventory provisions across the Group is considered appropriate.

Valuation and completeness of goodwill and acquisition intangibles £45.4m (2023: £36.8m) and valuation of contingent consideration arising from acquisitions £13.2m (2023: £nil)

During the year the Group made four acquisitions recognising goodwill and identifiable intangible assets of £45.4m.

There is a high level of estimation uncertainty and subjectivity associated with valuing the intangible assets.

Three of the acquisitions have deferred consideration associated to them which is variable based on the future economic performance of the businesses. Estimations are required at the acquisition date of how much deferred consideration will be payable. An amount of £14.3m has been assumed in determining the goodwill balance for these acquisitions.

If the estimations used to value the identifiable intangible assets and deferred consideration are not appropriate there is a risk the goodwill, identifiable intangible assets and deferred consideration balances are materially misstated.

Procedures to respond to this risk were performed by the primary audit team.

We obtained an understanding of the acquisitions through inquiry of management. This included understanding the methodology and process undertaken to identify and prepare valuation of the acquired intangible assets. We also walked through the controls over the valuation of the acquired intangible assets, valuation of deferred consideration and understood management's process to comply with IFRS 3 Business Combinations.

We performed detailed testing of the acquisitions, with support from our valuation specialists to critically assess and corroborate the key inputs of the valuation including:

- Independently, using EY's valuation specialists, constructed our own expectation of the weighted average cost of capital, royalty rate and internal rate of return and compared them to those derived by management;
- Analysing the historical accuracy of budgets versus actual results to determine the reliability of cash flow forecasting based on past experience;
- Verifying opening balances to ensure that they are correctly incorporated into the consolidation for the Group financial statements through a detailed monthly trend analysis of the assets and liabilities acquired;
- Challenging the completeness of intangible assets identified through the acquisition accounting process; and
- Assessing the competence of managements specialists engaged to perform the valuation of the acquired intangibles.

Using publicly available third-party market data sources we performed procedures to benchmark managements assumptions and to understand the extent to which the changes in the key assumptions gave rise to a materially different valuation for the intangible assets. This included developing a range of alternative scenarios, sensitising the assumptions we considered most subject to change using plausible variations on those assumptions.

The assumptions used in our alternative scenarios considered:

- Appropriateness of the valuation methodologies applied to each separately identifiable intangible asset identified;
- Understanding assumptions made by management, such as; weighted average cost of capital, royalty rate and internal rate of return and compared them to our independently calculated range; and
- Benchmarking of the royalty rate and discount rate assumptions to other transactions which have occurred within the sector.

We have scrutinised the Sale and Purchase Agreements and assessed the appropriateness of management's calculations in determining the consideration paid for the business.

We assessed whether the disclosures in the group financial statements were in accordance with the requirements of IFRS 3.

For the acquisitions made where deferred consideration existed, we scrutinised the agreements to understand the requirements needed for payment to be made, assessed the classification of contingent consideration, obtained management's models and tested the significant assumptions and clerical accuracy without exception.

Our year end audit procedures did not identify evidence of material misstatement regarding the value of goodwill, identifiable intangible assets and deferred consideration arising on the acquisitions.

We have confirmed the disclosures included within Note 12 provide the required information per IFRS 3 Business Combinations.

In the current year, the following changes have been reflected in our Key Audit Matters ("KAMs"):

- For the year ended 31 December 2023, our Key Audit Matter on impairment included the carrying value of assets in the ATG Access CGU. This is no longer considered a Key Audit Matter given the actual performance of ATG Access and the resultant available headroom compared to the carrying value of the assets in the CGU.
- For the year ended 31 December 2023, our auditor's report included a Key Audit Matter in relation to the gross valuation of inventory and the establishment of standard costing bases. The strengthening of standard costing bases and ERP IT System upgrades that have taken place across the Group have improved access to information related to inventory valuation techniques and accordingly we no longer consider this element of inventory valuation to be a Key Audit Matter.
- The increased cash and deferred consideration paid for acquisitions during the year ended 31 December 2024 and associated goodwill and intangible assets recognised on these acquisitions has led to an increased risk of material misstatement associated to the acquisitions. This has led to the inclusion of this risk as a Key Audit Matter.

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 £6.6 million (2023: £5.2 million), which is 5% (2023: 5%) of adjusted operating profit. We believe that adjusted operating profit provides is the most relevant performance measure to the stakeholders of the Group as it excludes material non-recurring items.

We initially calculated materiality for the Group to be £6.5 million based on 5% of forecast adjusted operating profit. The final results were higher than management's initial forecast. Therefore, we reassessed final materiality to be £6.6 million based on 5% of adjusted operating profit.



We determined materiality for the Parent Company to be £5.5 million (2023: £5.3 million), which is 1.5% (2023: 1.5%) of equity.

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 75% (2023: 75%) of our planning materiality, namely £4.9 million (2023: £3.9 million). We have set performance materiality at this percentage due to our expectation of misstatements being low.

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the Group financial statements. 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 £0.7 million to £2.8 million (2023: £0.4 million to £2.5 million).

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 £0.3 million (2023: £0.3 million), 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 126, 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 this gives rise to 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

We have reviewed 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 by the UK Listing Rules.

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 page 89;
- 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 90;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 90;
- Directors' statement on fair, balanced and understandable set out on page 90;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 88;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 88; and
- The section describing the work of the audit committee set out on page 96.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 126, 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 which are directly relevant to specific assertions in the Financial Statements are those that relate to the reporting framework (UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and the 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 UK Listing Rules and those laws and regulations relating to data privacy, health & safety and employee matters.

- We understood how Hill & Smith 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 also observed the oversight of those charged with governance, the culture of honest and ethical behaviour and whether a strong emphasis is placed on fraud prevention and deterrence, which may reduce opportunities for fraud to take place.
- 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; scrutiny of management specialist reports; 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. As appropriate, we also involved EY specialists to assist with our procedures.
- 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.

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 14th 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 5 years, covering the years ending 31 December 2020 to 31 December 2024.

- 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

11 March 2025

Consolidated Income Statement

Year ended 31 December 2024

	Notes	2024			2023		
		Underlying £m	Non- underlying* £m	Total £m	Underlying £m	Non- underlying* £m	Total £m
Revenue	3	855.1	—	855.1	829.8	—	829.8
Cost of sales		(513.3)	—	(513.3)	(513.1)	—	(513.1)
Gross profit		341.8	—	341.8	316.7	—	316.7
Distribution costs		(26.8)	—	(26.8)	(24.7)	—	(24.7)
Administrative expenses		(172.0)	(28.1)	(200.1)	(169.9)	(18.7)	(188.6)
Other operating income		0.5	—	0.5	0.4	—	0.4
Operating profit	3, 4	143.5	(28.1)	115.4	122.5	(18.7)	103.8
Financial income	7	0.5	—	0.5	0.5	—	0.5
Financial expenses	7	(11.4)	—	(11.4)	(11.1)	—	(11.1)
Profit before taxation		132.6	(28.1)	104.5	111.9	(18.7)	93.2
Taxation	9	(34.0)	5.9	(28.1)	(27.6)	3.2	(24.4)
Profit for the year attributable to the owners of the parent		98.6	(22.2)	76.4	84.3	(15.5)	68.8
Basic earnings per share	10			95.0p			86.0p
Diluted earnings per share	10			93.9p			85.0p

* The Group's definition of non-underlying items is included in the Group Accounting Policies on page 151 and further details on non-underlying items are included in note 5.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	Notes	2024 £m	2023 £m
Profit for the year		76.4	68.8
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations	23	5.6	(19.4)
Exchange differences on foreign currency borrowings designated as net investment hedges	23	(0.6)	4.2
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss on defined benefit pension schemes	26	(0.2)	(0.4)
Taxation on items that will not be reclassified to profit or loss	9	—	0.1
Other comprehensive income/(loss) for the year		4.8	(15.5)
Total comprehensive income for the year attributable to owners of the parent		81.2	53.3

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Intangible assets	12	236.0	205.7
Property, plant & equipment	13	185.1	184.4
Right-of-use assets	15	43.2	41.8
Corporation tax receivables	9	—	1.6
Deferred tax assets	16	0.1	0.4
		464.4	433.9
Current assets			
Assets held for sale	14	12.7	2.5
Inventories	17	100.1	106.1
Trade and other receivables	18	162.5	137.3
Current tax assets		1.3	0.8
Cash and cash equivalents	19	55.0	34.4
		331.6	281.1
Total assets		796.0	715.0
Current liabilities			
Liabilities held for sale	14	(6.9)	—
Trade and other liabilities	20	(133.5)	(119.6)
Current tax liabilities		(0.7)	(3.9)
Provisions	22	(7.1)	(6.6)
Lease liabilities	15	(9.1)	(8.0)
Loans and borrowings	20	(0.8)	(1.4)
		(158.1)	(139.5)
Net current assets		173.5	141.6
Non-current liabilities			
Other liabilities	21	(11.2)	(1.0)
Provisions	22	(2.3)	(2.6)
Deferred tax liabilities	16	(12.3)	(9.9)
Retirement benefit obligations	26	(0.8)	(4.1)
Lease liabilities	15	(36.9)	(35.7)
Loans and borrowings	21	(98.7)	(97.7)
		(162.2)	(151.0)
Total liabilities		(320.3)	(290.5)
Net assets		475.7	424.5
Equity			
Share capital	24	20.1	20.0
Share premium		47.0	44.6
Other reserves		4.9	4.9
Translation reserve		27.9	22.9
Retained earnings		375.8	332.1
Total equity		475.7	424.5

Approved by the Board of Directors on 11 March 2025 and signed on its behalf by:

RA Helbing
Director

HK Nichols
Director

Company Number: 671474

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Notes	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 January 2023		20.0	42.8	4.9	38.1	289.2	395.0
Comprehensive income							
Profit for the year		—	—	—	—	68.8	68.8
Other comprehensive loss for the year		—	—	—	(15.2)	(0.3)	(15.5)
Transactions with owners recognised directly in equity							
Dividends	11	—	—	—	—	(28.0)	(28.0)
Credit to equity of share-based payments	24	—	—	—	—	3.7	3.7
Own shares held by employee benefit trust		—	—	—	—	(1.6)	(1.6)
Satisfaction of long-term incentive and deferred bonus awards		—	—	—	—	(1.0)	(1.0)
Tax taken directly to the Consolidated Statement of Changes in Equity	9	—	—	—	—	1.3	1.3
Shares issued	24	—	1.8	—	—	—	1.8
At 31 December 2023		20.0	44.6	4.9	22.9	332.1	424.5
Comprehensive income							
Profit for the year		—	—	—	—	76.4	76.4
Other comprehensive income for the year		—	—	—	5.0	(0.2)	4.8
Transactions with owners recognised directly in equity							
Dividends	11	—	—	—	—	(34.5)	(34.5)
Credit to equity of share-based payments	24	—	—	—	—	3.4	3.4
Own shares held by employee benefit trust		—	—	—	—	1.6	1.6
Satisfaction of long-term incentive and deferred bonus awards		—	—	—	—	(2.8)	(2.8)
Tax taken directly to the Consolidated Statement of Changes in Equity	9	—	—	—	—	(0.2)	(0.2)
Shares issued	24	0.1	2.4	—	—	—	2.5
At 31 December 2024		20.1	47.0	4.9	27.9	375.8	475.7

At 31 December 2023 a total of 156,484 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 £2.9m, was included within retained earnings at that date. During 2024, 161,760 shares have been issued in settlement of awards to employees and a further 75,594 shares purchased, leaving 70,318 shares held at 31 December 2024, at a cost of £1.3m included within retained earnings.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 £m	2023 £m
Profit before tax		104.5	93.2
Add back net financing costs	7	10.9	10.6
Operating profit	3, 4	115.4	103.8
Adjusted for non-cash items:			
Share-based payments	6, 24	3.4	4.1
Loss on disposal of subsidiaries	5	—	4.2
(Gain)/loss on disposal of non-current assets	8	(0.4)	0.2
Loss/(gain) on disposal of assets held for sale	8, 14	0.2	(0.7)
Depreciation of owned assets	8, 13	20.8	19.7
Amortisation of intangible assets	8, 12	11.1	9.6
Right-of-use asset depreciation	8, 15	10.4	9.3
Gain on lease termination	15	(0.6)	(0.1)
Release of accrued contingent consideration		(1.7)	—
Research & development expenditure credit		(0.5)	—
Impairment of non-current assets	8, 12, 13, 15	14.0	1.3
Loss on remeasurement of assets held for sale	5, 14	3.1	—
Operating cash flow before movement in working capital		175.2	151.4
Decrease in inventories		9.3	15.0
(Increase)/decrease in receivables		(11.8)	8.0
Increase/(decrease) in payables		3.1	(0.2)
Increase in insurance reimbursement asset	19, 22	(3.8)	—
Decrease in provisions and employee benefits		(3.4)	(0.8)
Net movement in working capital		(6.6)	22.0
Cash generated by operations		168.6	173.4
Purchase of assets for rental to customers		(2.3)	(2.3)
Income taxes paid		(26.5)	(31.7)
Interest paid	7	(8.8)	(8.9)
Interest paid on lease liabilities	15	(2.0)	(1.3)
Net cash from operating activities		129.0	129.2
Interest received	7	0.5	0.5
Proceeds on disposal of non-current assets		1.1	0.8
Proceeds on disposal of assets held for sale		2.3	2.5
Purchase of property, plant and equipment		(21.3)	(26.7)
Purchase of intangible assets		(5.0)	(2.8)
Acquisitions of subsidiaries	13	(44.5)	(48.4)
Deferred consideration in respect of prior year acquisitions		(2.1)	(2.8)
Disposals of subsidiaries	5	—	(0.2)
Net cash used in investing activities		(69.0)	(77.1)
Issue of new shares	24	2.5	1.8
Purchase of shares for employee benefit trust	19	(1.2)	(2.6)
Dividends paid	11	(34.5)	(28.0)
Costs associated with refinancing during the year	19	—	(0.5)
Repayment of lease liabilities	19	(9.0)	(9.4)
Cash paid on early termination of lease contract		(0.1)	—
New loans and borrowings	19	62.5	73.9
Repayment of loans and borrowings	19	(63.7)	(76.3)
Net cash used in financing activities		(43.5)	(41.1)
Net increase in cash and cash equivalents net of bank overdraft		16.5	11.0
Cash and cash equivalents net of bank overdraft at the beginning of the year		34.4	24.8
Effect of exchange rate fluctuations		0.4	(1.4)
Cash and cash equivalents net of bank overdraft and overdraft classified as held for sale at the end of the year	19	51.3	34.4

Notes to the Consolidated Financial Statements

1. Group Accounting Policies

Hill & Smith PLC is a company incorporated in the UK. The consolidated financial statements of Hill & Smith PLC and its subsidiaries (the "Group") are presented for the year ended 31 December 2024.

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 UK-adopted International Accounting Standards. The Company has elected to prepare its Parent Company Financial Statements, which are presented on pages 198 to 209, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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 2.

Basis of preparation

The consolidated financial statements comprise the financial statements of the Company, Hill & Smith PLC, and its subsidiaries as at 31 December 2024. 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.

In preparing the consolidated financial statements, management has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures. This included an assessment of assets with indefinite and long lives and how they could be impacted by measures taken to address global warming. As outlined in the Operational and Financial Review on page 30, physical climate change presents a relatively low risk to the Group's future business operations and transition risks are also expected to have a relatively low impact when considered together with the mitigating actions that the Group intends to take. As such, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

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 Financial Statements are presented in Sterling and all values are stated in million (£m) rounded to one decimal place, except where otherwise indicated.

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, at least 12 months from the date of approval of these financial statements. The Group's going concern assessment period is the 18-month period from the balance sheet date to 30 June 2026 (referred to throughout as 'the going concern period'). 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 during the going concern period.

At 31 December 2024, the Group had £308.1m of committed borrowing facilities, of which only £28.5m matures within the going concern period, and a further £6.7m of on-demand facilities. The Group's principal debt facilities include: its core £250m revolving credit facility, which expires in November 2027; \$70m of US Senior Unsecured Notes, one tranche (\$35m) of which is due to expire in June 2026 and the second tranche (\$35m) is due to expire in June 2029; and other local committed borrowing facilities of £2.1m. The amount drawn down under these committed facilities at 31 December 2024 was £100.7m, which together with cash and cash equivalents (including any overdrafts classified as held for sale) of £51.6m gave total headroom of £265.4m (£259m committed, £6.4m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2024 and the date of approval of these financial statements. The only significant changes to liquidity headroom during that period were the disposals of Hill & Smith Pty and Parking Facilities (see Note 14 for further details) which positively impacted headroom.

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 2024 was 0.3 times and interest cover was 20.4 times. Note 23 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.

1. Group Accounting Policies *continued*

Going concern and liquidity risk *continued*

The Group has carefully modelled its cash flow outlook for the going concern period, taking account of the current 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 2025, 31 December 2025 and 30 June 2026. The base case scenario assumes full repayment of the first tranche of US Senior Unsecured Notes (\$35m) which are due to expire in June 2026.

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 32% compared with current expectations throughout the going concern period. A reduction in headroom against borrowing facilities to nil would occur if the Group experienced a sustained revenue reduction of 33% compared with current expectations for the going concern period. The Directors do not consider any of these scenarios to be plausible given the generally positive outlook across the infrastructure markets in which the Group operates. The Directors also noted the Group's ability 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. Furthermore, the Group 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 during the going concern period. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

New IFRS standards and interpretations adopted during 2024

The following amendments and interpretations applied for the first time in 2024, and therefore were adopted by the Group:

- Amendments to IAS 1 – Classification of liabilities as current or non-current and non-current liabilities with covenants
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

These amendments 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 2025:

- Amendments to IAS 21 – Lack of exchangeability

To be adopted for year-ending 31 December 2026:

- Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments
- IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity

To be adopted for year-ending 31 December 2027:

- IFRS 18 – Presentation and Disclosure in Financial Statements
- IFRS 19 – Subsidiaries without Public Accountability

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.

1. Group Accounting Policies *continued*

Contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Where it meets the definition of a financial liability, the fair value will be re-measured at each subsequent reporting period and the re-measurement will be recognised as a non-underlying charge or credit in the consolidated income statement. The determination of fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (see note 23 for further details).

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 are therefore 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 is recorded as a non-underlying item within administrative expenses (note 5).

Where computer software is non-cloud based and 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. Where software is cloud-based (stored, managed and available through the cloud), the associated licence costs generally do not meet the criteria for recognition of an intangible asset since cloud-based arrangements generally do not provide a resource that the Group can control. Accordingly, such licenses are expensed to the Consolidated Income Statement. The development and implementation of a cloud-based system could give rise to an intangible asset. Each cloud-based computing arrangement is considered on a case-by-case basis. Where it is determined that a cloud computing arrangement does not include an intangible asset, the implementation costs are expensed to the Consolidated Income Statement.

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 Consolidated Income Statement.

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.

1. Group Accounting Policies *continued*

Property, plant, equipment and depreciation

Property, plant and equipment 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.

Assets in the course of construction are stated at cost, net of any accumulated impairment losses.

Certain of the Group's Roads businesses routinely generate revenue from the rental of assets to customers. Such assets are accounted for as plant and equipment. If an asset that is held for rental is sold, the asset is transferred from property, plant and equipment to inventories at the carrying amount when the asset ceases to be rented. The proceeds from the sale of such assets are recognised as revenue in the Consolidated Income Statement.

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	up 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 Consolidated Income Statement when the asset is derecognised.

Repair and maintenance costs are recognised in the Consolidated Income Statement 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, or when indicators of impairment exist, and an impairment loss is recognised, where appropriate, 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 Consolidated 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 or 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, intangible assets and right-of-use 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.

1. Group Accounting Policies *continued*

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 23(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.

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 objectives 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, of 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, where there is a right of and intention to offset, included as a component of cash and cash equivalents for the purpose of the Consolidated Financial Statement and Consolidated Statement of Cash Flows. The Group's bank arrangements and facilities with Barclays Bank plc provide the legally enforceable right to offset and the Group demonstrates its intention to offset by regularly sweeping cash balances within each bank. Consequently, the balances have been offset in the financial statements.

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.

1. Group Accounting Policies *continued***Foreign currencies** *continued*

The principal exchange rates used were as follows:

	2024		2023	
	Average	Closing	Average	Closing
Sterling to US Dollar (£1 = USD)	1.28	1.25	1.24	1.27
Sterling to Indian Rupee (£1 = INR)	106.95	107.22	102.68	106.08
Sterling to Australian Dollar (£1 = AUD)	1.94	2.02	1.87	1.87

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 has either commenced or 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.

Provisions relating to legal claims or disputes are recognised when it is probable that the Group will be required to settle claims against it as a result of a past event and the amount of the obligation can be reliably estimated. The Group recognises a provision based on the expected settlement amount for the claim. A separate receivable (or 'reimbursement asset') from insurers is recognised within other receivables to the extent it is virtually certain of being received.

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.

1. Group Accounting Policies *continued*

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. It includes consideration received from the customer for freight activities only if the transportation activities are required to fulfil a performance obligation. If the transportation activities are determined to be a separate performance obligation, an entity will only recognise the consideration as revenue if the entity is determined to be acting as principal in the agreement, otherwise the consideration received from the customer for transport costs is recognised net of the related cost, rather than as revenue. 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.

Engineered Solutions 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 Engineered Solutions 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 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 routinely generate revenue from the rental of assets to customers. Revenue from these rental agreements is recognised over the period over which the assets are available to the customer. If an asset that is held for rental is sold, the asset is transferred from property, plant and equipment to inventories at the carrying amount when the asset ceases to be rented. The proceeds from the sale of such assets are recognised as revenue in the Consolidated Income Statement. Transportation costs relating to the rental of temporary road barrier are included in cost of sales.

The Group classifies proceeds from the sale of scrap products generated in the manufacturing process within revenue.

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.

The Group classifies proceeds from the sale of by-products generated during the galvanizing process within revenue.

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.

1. Group Accounting Policies *continued*

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 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 and reported in the Consolidated Statement of Comprehensive Income.

Share-based payment transactions

The Group issues equity settled share-based payments to certain employees, including those in the form of buy-out awards or deferred bonus awards. 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.

1. Group Accounting Policies *continued*

Non-underlying items

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 and disposals, comprising professional fees incurred, any consideration which, under IFRS 3 is required to be treated as a post-acquisition employment expense, and changes in contingent consideration payable on acquisitions
- Impairment charges in respect of tangible or intangible fixed assets, or right-of-use assets
- Changes in the fair value of derivative financial instruments
- Significant past service items or curtailments and settlements relating to defined benefit pension obligations resulting from material changes in the terms of the schemes.

The non-underlying tax charge or credit comprises the tax effect of the above items.

Details in respect of the non-underlying items recognised in the current and prior year are set out in note 5 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.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, with effect from 1 January 2024. An assessment of the potential exposure to Pillar Two income taxes has been performed, noting that the Group primarily operates in the UK and US where Pillar Two effective tax rates are higher than 15%. Currently the only jurisdiction identified where the transitional safe harbour relief may not be available is in respect of the Group's small trading operation in Ireland, however the Group does not expect a significant exposure to Pillar Two income taxes to result given the relatively low level of profitability in the Irish entity.

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 nor 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.

2. 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.

Impairment of goodwill (note 12)

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 ("CGU's"). 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 CGU. These factors are all affected by prevailing market and economic factors outside the Group's control. Further information on this issue, including sensitivity analyses for certain CGUs, is included in note 12.

Actuarial assumptions on pension obligations (note 26)

Estimates

In determining the valuation of the UK 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 26.

Taxation (notes 9 and 16)

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 tax authorities to resolve the matter. The tax liability is reassessed in each period to reflect management's best estimate in light of the information available. Included in the current tax payable is a liability of £6.0m (2023: £4.5m) for uncertain tax positions. In addition, £0.6m (2023: £0.6m) of the deferred tax liability relates to uncertain tax positions. 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 £8.4m (2023: £nil to £6.1m) 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. Further information is set out in note 9 and note 16.

Non-current assets held for sale (note 14)

Judgements

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. Determining whether a sale is highly probable can require some judgement and requires analysis of all relevant facts and circumstances as at the balance sheet date.

3. Segmental information

Business segment analysis

The Group has three reportable segments which are Engineered Solutions, Roads & Security and Galvanizing Services. The Group's internal management structure and financial reporting systems differentiate between these segments, and, in reporting, management have taken the view that they comprise a reporting segment on the basis of the following economic characteristics:

- The **Engineered Solutions** segment contains a group of businesses supplying products characterised by a degree of engineering expertise, to public and private customers involved in the construction of facilities serving the utilities and other infrastructure markets;
- The **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; 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.

Segmental Income Statement

	2024			2023		
	Revenue £m	Reported operating profit £m	Underlying operating profit* £m	Revenue £m	Reported operating profit £m	Underlying operating profit* £m
Engineered Solutions	418.7	71.2	77.8	367.0	59.7	64.4
Roads & Security	238.6	(5.0)	15.4	266.1	0.3	12.4
Galvanizing Services	197.8	49.2	50.3	196.7	43.8	45.7
Group	855.1	115.4	143.5	829.8	103.8	122.5
Net financing costs		(10.9)	(10.9)		(10.6)	(10.6)
Profit before taxation		104.5	132.6		93.2	111.9
Taxation		(28.1)	(34.0)		(24.4)	(27.6)
Profit after taxation		76.4	98.6		68.8	84.3

* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies on page 151 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 £4.9m (2023: £5.2m) of products and services to Roads & Security and £3.3m (2023: £2.5m) of products and services to Engineered Solutions. Engineered Solutions sold £0.1m (2023: £0.6m) of products and services to Roads & Security. These internal revenues, along with revenues generated from within their own segments, have been eliminated on consolidation.

3. 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.

Primary geographical markets	Engineered Solutions		Roads & Security		Galvanizing Services		Total	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
UK	74.9	80.6	146.3	155.0	80.9	83.9	302.1	319.5
Rest of Europe	9.4	8.2	13.5	11.0	—	—	22.9	19.2
North America	316.4	259.2	74.5	90.4	116.9	112.8	507.8	462.4
The Middle East	10.0	12.5	1.2	1.9	—	—	11.2	14.4
Rest of Asia	6.2	5.5	0.5	0.7	—	—	6.7	6.2
Rest of the world	1.8	1.0	2.6	7.1	—	—	4.4	8.1
	418.7	367.0	238.6	266.1	197.8	196.7	855.1	829.8
Major product/service line								
Manufacture, supply and installation of products	418.7	367.0	215.0	241.2	—	—	633.7	608.2
Galvanizing Services	—	—	—	—	197.8	196.7	197.8	196.7
Rental of assets to customers	—	—	23.6	24.9	—	—	23.6	24.9
	418.7	367.0	238.6	266.1	197.8	196.7	855.1	829.8
Timing of revenue recognition								
Products and services transferred at a point in time	212.7	172.7	174.9	208.1	197.8	196.7	585.4	577.5
Products and services transferred over time	206.0	194.3	63.7	58.0	—	—	269.7	252.3
	418.7	367.0	238.6	266.1	197.8	196.7	855.1	829.8

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**

	2024		2023	
	Capital expenditure £m	Impairment losses, amortisation and depreciation £m	Capital expenditure £m	Impairment losses, amortisation and depreciation £m
Engineered Solutions	13.3	10.7	11.7	7.4
Roads & Security	8.5	27.1	8.2	14.9
Galvanizing Services	5.6	7.7	11.0	7.7
Total Group	27.4	45.5	30.9	30.0
Property, plant and equipment (note 13)	22.4	22.5	28.1	20.4
Intangible assets (note 12)	5.0	23.0	2.8	9.6
Total Group	27.4	45.5	30.9	30.0

The 2024 amounts for impairment losses, amortisation and depreciation relating to the Roads and Security segment included asset impairments of £13.2m relating to H&S Inc. as explained in note 5.

3. Segmental information continued

Geographical analysis

Total assets

	2024 £m	2023 £m
UK	292.8	262.8
Rest of Europe	4.0	3.6
North America	473.9	419.6
Asia	17.4	16.0
Rest of the world	7.9	13.0
Total Group	796.0	715.0

Non-current assets

	2024 £m	2023 £m
UK	168.4	181.0
Rest of Europe	1.5	0.8
North America	291.1	239.8
Asia	3.4	3.2
Rest of the world	—	9.1
Total Group	464.4	433.9

Capital expenditure

	2024 £m	2023 £m
UK	9.1	12.7
Rest of Europe	0.5	0.3
North America	17.1	16.6
Asia	0.6	0.6
Rest of the world	0.1	0.7
Total Group	27.4	30.9

4. 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 margin
- Organic and constant currency measures of change in revenue and underlying operating profit
- Underlying cash conversion ratio
- Capital expenditure to depreciation and amortisation ratio
- Covenant net debt to EBITDA ratio
- Underlying earnings per share. A reconciliation of statutory earnings per share to underlying earnings per share is provided in note 10.

All underlying measures exclude certain non-underlying items, which are detailed in note 5. References to an underlying profit measure are made on this basis and, in the opinion of the Directors, aid the understanding of the underlying business performance as they exclude items whose quantum, nature or volatility gives further information to obtain a fuller understanding of the underlying performance of the business. APMs are presented on a consistent basis over time to assist in comparison of performance.

Reconciliation of underlying to reported profit before tax

	2024 £m	2023 £m
Underlying profit before tax	132.6	111.9
Non-underlying items included in operating profit	(28.1)	(18.7)
Reported profit before tax	104.5	93.2

Reconciliation of underlying to reported operating profit by segment

	Engineered Solutions		Roads & Security		Galvanizing Services		Total	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Underlying operating profit	77.8	64.4	15.4	12.4	50.3	45.7	143.5	122.5
Non-underlying items								
Amortisation of acquisition intangibles	(5.1)	(3.0)	(3.7)	(4.2)	(1.1)	(1.2)	(9.9)	(8.4)
Business reorganisation costs	—	—	—	(0.2)	—	—	—	(0.2)
Impairment of assets	—	—	(13.2)	(0.6)	—	—	(13.2)	(0.6)
Loss on remeasurement of assets held for sale	—	—	(3.1)	—	—	—	(3.1)	—
Expenses related to acquisitions and disposals	(1.5)	(1.7)	(0.4)	(2.9)	—	(0.7)	(1.9)	(5.3)
Loss on disposal of subsidiaries	—	—	—	(4.2)	—	—	—	(4.2)
Reported operating profit/(loss)	71.2	59.7	(5.0)	0.3	49.2	43.8	115.4	103.8

Calculation of underlying operating margin

	Engineered Solutions		Roads & Security		Galvanizing Services		Total	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Underlying operating profit	77.8	64.4	15.4	12.4	50.3	45.7	143.5	122.5
Revenue	418.7	367.0	238.6	266.1	197.8	196.7	855.1	829.8
Underlying operating margin (%)	18.6%	17.5%	6.5%	4.7%	25.4%	23.2%	16.8%	14.8%

4. Alternative Performance Measures continued

Measures of organic and constant currency change in revenue and underlying operating profit

Organic constant currency 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. Constant currency amounts are prepared using exchange rates which prevailed in the current year.

	Engineered Solutions		Roads & Security		Galvanizing Services		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
2023	367.0	64.4	266.1	12.4	196.7	45.7	829.8	122.5
Impact of exchange rate movements from 2023 to 2024	(9.0)	(2.1)	(2.9)	(0.2)	(3.5)	(1.1)	(15.4)	(3.4)
2023 translated at 2024 exchange rates (A)	358.0	62.3	263.2	12.2	193.2	44.6	814.4	119.1
Acquisition, disposals and closures	44.1	9.4	(1.9)	—	1.3	0.4	43.5	9.8
Organic growth/(decline) (B)	16.6	6.1	(22.7)	3.2	3.3	5.3	(2.8)	14.6
2024 (C)	418.7	77.8	238.6	15.4	197.8	50.3	855.1	143.5
Organic growth % (B divided by A)	4.6%	9.8%	-8.6%	26.2%	1.7%	11.9%	-0.3%	12.3%
Constant currency change % ((C-A) divided by A)	17.0%	24.9%	-9.3%	26.2%	2.4%	12.8%	5.0%	20.5%

Calculation of underlying cash conversion ratio

	2024 £m	2023 £m
Underlying operating profit	143.5	122.5
Calculation of adjusted operating cash flow:		
Cash generated by operations	168.6	173.4
Purchase of assets for rental to customers	(2.3)	(2.3)
Purchase of property, plant and equipment	(21.3)	(26.7)
Purchase of intangible assets	(5.0)	(2.8)
Repayment of lease liabilities	(9.0)	(9.4)
Proceeds on disposal of non-current assets and assets held for sale	3.4	3.3
Defined benefit pension scheme deficit payments	3.7	3.7
Add back: Cash flows relating to non-underlying items	4.0	1.9
Adjusted operating cash flow	142.1	141.1
Underlying cash conversion (%)	99%	115%

4. Alternative Performance Measures *continued***Calculation of capital expenditure to depreciation and amortisation ratio**

	2024 £m	2023 £m
Calculation of capital expenditure:		
Purchase of assets for rental customers	2.3	2.3
Purchase of property, plant and equipment	21.3	26.7
Purchase of intangible assets	5.0	2.8
	28.6	31.8
Calculation of depreciation and amortisation:		
Depreciation of property, plant and equipment	20.8	19.7
Amortisation of development costs	1.1	1.0
Amortisation of other intangible assets	0.1	0.2
	22.0	20.9
Capital expenditure to depreciation and amortisation ratio	1.3x	1.5x

Calculation of covenant net debt to EBITDA ratio

	2024 £m	2023 £m
Net debt (note 19)	96.9	108.4
Lease liabilities	(46.0)	(43.7)
Lease liabilities classified as held for sale	(3.0)	—
Amounts related to refinancing	1.5	2.0
Covenant net debt (A)	49.4	66.7
Underlying operating profit	143.5	122.5
Depreciation of owned assets	20.8	19.7
Right-of-use asset depreciation	10.4	9.3
Amortisation of development costs	1.1	1.0
Amortisation of other intangible assets	0.1	0.2
Underlying EBITDA	175.9	152.7
Adjusted for:		
Lease payments	(11.0)	(10.4)
Share-based payments expense	3.4	4.1
Annualised EBITDA of subsidiaries acquired/disposed	5.5	3.5
Covenant EBITDA (B)	173.8	149.9
Covenant net debt to EBITDA (A divided by B)	0.3	0.4

5. Non-underlying items

Included in operating profit

	2024 £m	2023 £m
Loss on disposal of subsidiaries	—	(4.2)
Business reorganisation costs	—	(0.2)
Impairment of assets (a)	(13.2)	(0.6)
Loss on remeasurement of assets held for sale (b)	(3.1)	—
Amortisation of acquisition intangibles	(9.9)	(8.4)
Expenses related to acquisitions and disposals (c)	(1.9)	(5.3)
Total non-underlying items	(28.1)	(18.7)

Notes:

- a) The impairment charge of £13.2m relates to H&S Inc., the Group's US road products business, comprising £8.6m of goodwill and £2.0m of acquisition intangible assets (explained in note 12), and a further £1.5m relating to property, plant and equipment, £0.7m relating to other intangible assets and £0.4m relating to right-of-use assets. In assessing the carrying value of the H&S Inc. CGU, the projected cash flows showed that its message boards division, operating out of Garland, Texas, is not expected to generate sufficient future cash flows to support the carrying value of the property, plant and equipment and intangible fixed assets utilised in that part of the business. We therefore assessed the fair value less costs of disposal of those assets, concluding that their fair value was £2.2m lower than their previous carrying value. Similarly an impairment of £0.4m was recognised in respect of the fair value of the Garland property right-of-use asset, reflecting its estimated recoverable value.
- b) The loss on remeasurement of assets held for sale relates primarily to the two businesses classified as individual disposal groups as at 31 December 2024, as explained in note 14. The carrying amounts were reduced to their fair value less costs to sell, resulting in a loss on remeasurement of £3.1m.
- c) Expenses related to acquisitions and disposals include a credit of £1.7m in respect of previously accrued contingent consideration on the National Signal acquisition that is not now expected to be paid, and additional costs of £0.4m relating to the Group's disposal of its small, loss-making Berry Systems business in 2023, together with professional fees incurred on the four US acquisitions in 2024 and the two disposals initiated in 2024 which have been classified as disposal groups (see note 14 for further details).

Included in taxation

The tax effect of the above items is a credit to the income statement of £5.9m (2023: £3.2m).

6. Employees

	2024 No.	2023 No.
The average number of people employed by the Group during the year		
Engineered Solutions	2,286	2,054
Roads & Security	987	1,018
Galvanizing Services	1,358	1,264
Total Group	4,631	4,336
	2024 £m	2023 £m
Total employee benefit expense for the year		
Wages and salaries	192.5	171.4
Share-based payments (note 24)	3.4	4.1
Social security costs	26.2	23.1
Pension costs (note 26)	5.1	4.6
	227.2	203.2
	2024 £m	2023 £m
Remuneration of key management personnel		
Remuneration in relation to short term benefits	4.8	2.8
Share based payments	1.7	0.8
Company contributions to money purchase pension plans	0.1	0.1
	6.6	3.7

6. Employees *continued*

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group. Key management personnel are considered to be the Board of Directors of Hill & Smith PLC and the members of the Executive Board who are not also Directors of the Group.

Further details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 102 to 120.

7. Net financing costs

	2024 £m	2023 £m
Interest on bank deposits	0.5	0.5
Financial income	0.5	0.5
Interest on loans and borrowings	(8.8)	(8.9)
Interest on lease liabilities (note 15)	(2.0)	(1.3)
Financial expenses related to refinancing activities	(0.5)	(0.6)
Interest cost on net pension scheme deficit (note 26)	(0.1)	(0.3)
Financial expense	(11.4)	(11.1)
Net financing costs	(10.9)	(10.6)

8. Expenses and auditor's remuneration

	2024 £m	2023 £m
Income statement charges		
Depreciation of property, plant and equipment	(20.8)	(19.7)
Right-of-use asset depreciation	(10.4)	(9.3)
Short term leases	(3.7)	(1.0)
Low value leases	(0.1)	—
Loss on disposal of non-current assets	—	(0.2)
Loss on disposal of assets held for sale	(0.2)	—
Research and development expenditure	(1.5)	(1.0)
Amortisation of acquisition related intangibles	(9.9)	(8.4)
Amortisation of development costs	(1.1)	(1.0)
Amortisation of other intangible assets	(0.1)	(0.2)
Impairment losses:		
Intangible fixed assets	(11.9)	—
Tangible fixed assets	(1.7)	(0.7)
Right-of-use lease assets	(0.4)	(0.6)
Income statement credits		
Gain on disposal of assets held for sale	—	0.7
Gain on lease terminations	0.6	0.1
Gain on disposal of non-current assets	0.4	—
Foreign exchange gain	0.4	0.2
Sublease income (note 15)	0.1	0.1

8. Expenses and auditor's remuneration *continued*

A detailed analysis of the auditor's remuneration worldwide is as follows:

	2024 £m	2023 £m
Audit of the Company's Annual Accounts	0.7	0.5
Audit of the Company's subsidiaries	1.3	1.1
	2.0	1.6

A description of the work of the Audit Committee is set out in the Audit Committee Report on pages 96 to 101 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor. Audit-related assurance services totalled £nil (2023: £13,000).

9. Taxation

	2024 £m	2023 £m
Current tax		
UK corporation tax	4.1	4.1
Overseas tax at prevailing local rates	23.4	20.7
Adjustments in respect of prior years	(2.3)	1.3
	25.2	26.1
Deferred tax (note 16)		
UK deferred tax	3.7	1.1
Overseas tax at prevailing local rates	(2.4)	(0.4)
Adjustments in respect of prior years	1.6	(2.4)
	2.9	(1.7)
Tax on profit in the Consolidated Income Statement	28.1	24.4
Deferred Tax (note 16)		
Relating to defined benefit pension schemes	—	(0.1)
Tax on items taken directly to other comprehensive income	—	(0.1)
Current tax		
Relating to share-based payments	(0.2)	—
Deferred tax (note 16)		
Relating to share-based payments	0.4	(1.3)
Tax taken directly to the Consolidated Statement of Changes in Equity	0.2	(1.3)

The tax charge in the Consolidated Income Statement for the period is higher (2023: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2024 £m	2023 £m
Profit before taxation	104.5	93.2
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 25.0% (2023: 23.5%)	26.1	21.9
Expenses not deductible/income not chargeable for tax purposes	3.1	2.3
Benefits from international financing arrangements — current and prior years	(0.1)	(0.1)
Local tax incentives	(0.1)	(0.1)
Overseas profits taxed at higher/(lower) rates	(0.2)	1.5
Adjustments in respect of prior years	(0.7)	(1.1)
Tax charge	28.1	24.4

9. Taxation *continued*

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

Applications to annul the Commission's decision had been made in prior years by the UK Government, the Group and other affected taxpayers. The EU General Court delivered its decision on these applications in June 2022, finding in favour of the Commission. In August 2022, the UK Government and several multinationals, including the Group, appealed against the General Court's decision. The appeal was heard by the Court of Justice of the European Union ('CJEU') on 10 January 2024, and the CJEU's judgement was delivered on 19 September 2024 overturning the Commission's original decision. Following this, HMRC have enacted legislation which will provide for the tax, and interest, to be repaid, which we expect to be in 2025.

10. Earnings per share

The weighted average number of ordinary shares in issue during the year was 80.4m (2023: 80.0m), diluted for the effects of the outstanding dilutive share options 81.4m (2023: 81.0m). Diluted earnings per share takes account of the dilutive effect of all outstanding share options disclosed in note 24, 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.

	2024		2023	
	Pence per share	£m	Pence per share	£m
Basic earnings	95.0	76.4	86.0	68.8
Non-underlying items*	27.6	22.2	19.4	15.5
Underlying earnings	122.6	98.6	105.4	84.3
Diluted earnings	93.9	76.4	85.0	68.8
Non-underlying items*	27.2	22.2	19.1	15.5
Underlying diluted earnings	121.1	98.6	104.1	84.3

* Non-underlying items as detailed in note 5.

11. Dividends

Dividends paid during the year

	2024		2023	
	Pence per share	£m	Pence per share	£m
Interim dividend paid in relation to year-ended 31 December 2022	—	—	13.0	10.4
Final dividend paid in relation to year-ended 31 December 2022	—	—	22.0	17.6
Interim dividend paid in relation to year ended 31 December 2023	15.0	12.0	—	—
Final dividend paid in relation to year ended 31 December 2023	28.0	22.5	—	—
Total	43.0	34.5	35.0	28.0

11. Dividends continued

Dividends declared in respect of the year

	2024		2023	
	Pence per share	£m	Pence per share	£m
Interim dividend declared in relation to year-ended 31 December 2023	—	—	15.0	12.0
Final dividend declared in relation to year-ended 31 December 2023	—	—	28.0	22.5
Interim dividend declared in relation to year ended 31 December 2024	16.5	13.3	—	—
Final dividend proposed in relation to year ended 31 December 2024	32.5	26.1	—	—
Total	49.0	39.4	43.0	34.5

The final dividend for 2024 was proposed after the year end date and was not recognised as a liability at 31 December 2024, in accordance with IAS 10.

12. 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 2023	160.4	28.6	66.8	21.4	17.9	295.1
Exchange adjustments	(5.3)	(1.2)	(2.2)	(0.1)	(0.4)	(9.2)
Acquisitions of subsidiaries	17.2	1.3	16.3	—	2.0	36.8
Reclassification from tangible fixed assets	—	—	—	0.2	0.6	0.8
Additions	—	—	—	2.1	0.7	2.8
Disposals of subsidiaries	(8.6)	(0.2)	(3.9)	(0.9)	(0.4)	(14.0)
At 31 December 2023	163.7	28.5	77.0	22.7	20.4	312.3
Exchange adjustment	1.8	0.3	1.5	—	0.1	3.7
Acquisitions of subsidiaries	8.1	1.5	31.7	—	4.1	45.4
Additions	—	—	—	1.9	3.1	5.0
Transfers to assets held for sale	(1.6)	(0.9)	(9.1)	—	(0.1)	(11.7)
Reclassifications	—	—	—	0.8	(0.8)	—
At 31 December 2024	172.0	29.4	101.1	25.4	26.8	354.7
Amortisation and impairment losses						
At 1 January 2023	29.0	13.7	42.1	15.6	12.1	112.5
Exchange adjustments	(0.9)	(0.5)	(1.1)	—	(0.2)	(2.7)
Reclassification from tangible fixed assets	—	—	—	—	0.5	0.5
Disposals of subsidiaries	(8.0)	(0.2)	(3.9)	(0.7)	(0.5)	(13.3)
Amortisation charge for the year	—	0.9	4.6	1.0	3.1	9.6
At 31 December 2023	20.1	13.9	41.7	15.9	15.0	106.6
Exchange adjustments	0.4	0.1	0.3	(0.2)	0.2	0.8
Transfers to assets held for sale	(1.6)	(0.9)	(9.1)	—	(0.1)	(11.7)
Amortisation charge for the year	—	0.9	6.2	1.1	2.9	11.1
Impairment	8.6	0.3	1.7	1.1	0.2	11.9
Reclassifications	—	—	—	0.8	(0.8)	—
At 31 December 2024	27.5	14.3	40.8	18.7	17.4	118.7
Carrying values						
At 1 January 2023	131.4	14.9	24.7	5.8	5.8	182.6
At 31 December 2023	143.6	14.6	35.3	6.8	5.4	205.7
At 31 December 2024	144.5	15.1	60.3	6.7	9.4	236.0

12. Intangible assets *continued***2024****Capital Steel**

In January 2024 the Group acquired the trade and assets of Capital Steel for cash consideration after working capital adjustments of £5.5m. Capital Steel is a structural steel electrical infrastructure manufacturer which provides engineering and fabrication capabilities on a range of structural steel and substation components, principally for the electrical utility and heavy highway construction end markets. The acquisition was a highly strategic bolt-on acquisition opportunity for V&S Schuler and subsequent to acquisition the business has become part of V&S Utilities, within the Group's Engineered Solutions division.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustment £m	Total £m
Intangible Assets			
Customer lists	—	1.9	1.9
Brand name	—	0.3	0.3
Order backlog	—	0.7	0.7
Property, plant and equipment	0.2	—	0.2
Right-of-use assets	0.4	0.3	0.7
Inventories	2.4	(0.5)	1.9
Other current assets	1.9	0.7	2.6
Total assets	4.9	3.4	8.3
Lease liabilities	(0.4)	(0.3)	(0.7)
Current liabilities	(2.9)	(0.1)	(3.0)
Total liabilities	(3.3)	(0.4)	(3.7)
Net assets	1.6	3.0	4.6
Consideration			
Initial consideration paid in the year			4.9
Working capital adjustments paid in the year			0.6
Fair value of contingent consideration due within one year			0.3
Fair value of contingent consideration due between one and two years			0.3
Goodwill			1.5

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

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

Post-acquisition the acquired business has contributed £11.6m revenue and £3.0m underlying and reported operating profit, which are included in the Group's Consolidated Income Statement. As the acquisition was made on 5 January 2024, the Group's results for the year would be materially unchanged had the acquisition been made on 1 January 2024. The Group incurred expenses of £0.5m relating to the acquisition, £0.3m of which were incurred in the current year, and are included in non-underlying costs (see note 5).

12. Intangible assets *continued*

FM Stainless

In March 2024 the Group acquired the trade and assets of FM Stainless for a cash consideration after working capital adjustments of £6.8m. FM Stainless is a fabricator and distributor of high-alloy, stainless steel engineered pipe supports, expansion anchors and fasteners. The acquisition is a highly strategic bolt-on opportunity for The Paterson Group ('TPG') and subsequent to acquisition the business has become part of TPG, within the Group's Engineered Solutions division.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustment £m	Total £m
Intangible Assets			
Brand name	—	0.2	0.2
Customer lists	—	2.6	2.6
Order backlog	—	0.3	0.3
Property, plant and equipment	0.1	1.5	1.6
Inventories	2.0	(0.4)	1.6
Other current assets	1.3	—	1.3
Total assets	3.4	4.2	7.6
Current liabilities	(0.3)	(0.4)	(0.7)
Total liabilities	(0.3)	(0.4)	(0.7)
Net assets	3.1	3.8	6.9
Consideration			
Initial consideration paid in the year			6.7
Working capital adjustments paid in the year			0.1
Fair value of contingent consideration due within one year			0.4
Goodwill			0.3

Brands, customer lists and the order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill is attributable to opportunities with new customers as the business expands its product and customer base, opportunities for expansion into new territories/geographies, and FM Stainless' highly skilled workforce. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £1.3m of trade receivables, which have a gross value of £1.3m.

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

Post-acquisition the acquired business has contributed £6.5m revenue and £1.2m underlying and reported operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2024, the Group's results for the year would have shown revenue of £856.3m, underlying operating profit of £143.8m and reported operating profit of £115.7m. The Group incurred expenses of £0.3m relating to the acquisition, which are included in non-underlying costs (see note 5).

12. Intangible assets *continued***Trident**

In July 2024 the Group acquired the trade and assets of Trident for cash consideration after closing and working capital adjustments of £8.2m and further cash consideration of up to £25.4m, payable based on future revenues over the five years post-acquisition. Located in Greater St Louis, Illinois, Trident is a designer and supplier of composite utility poles, serving utility company needs across North America and the Caribbean. The business has a long-term outsourced manufacturing relationship with Enduro Composites, and will become part of the Creative Composites Group, within the Engineered Solutions division.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustment £m	Total £m
Intangible Assets			
Customer lists	—	16.0	16.0
Brand names	—	0.4	0.4
Order backlog	—	1.7	1.7
Property, plant and equipment	0.2	(0.1)	0.1
Right-of-use assets	—	0.1	0.1
Inventories	1.8	—	1.8
Other current assets	3.2	—	3.2
Total assets	5.2	18.1	23.3
Lease liabilities	—	(0.1)	(0.1)
Current liabilities	(3.9)	—	(3.9)
Non-current liabilities	(0.7)	(0.2)	(0.9)
Total liabilities	(4.6)	(0.3)	(4.9)
Net assets	0.6	17.8	18.4
Consideration			
Initial consideration paid in the year			7.8
Working capital adjustments paid in the year			0.4
Fair value of contingent consideration due within one year			3.7
Fair value of contingent consideration due between two and five years			9.6
Goodwill			3.1

Brands, customer lists and the order backlog have been recognised as specific intangible assets as a result of the acquisition.

The residual goodwill is attributable to opportunities with new customers as the business expands its product and customer base, opportunities for expansion into new territories/geographies, and Trident's highly skilled workforce. Trident will form part of the Creative Composites Group CGU for the purpose of annual goodwill impairment testing. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £3.2m of trade receivables, which have a gross value of £3.2m.

As part of the acquisition agreement, contingent consideration has been agreed. The amount of contingent consideration is dependent on revenue over the five years subsequent to acquisition. The maximum contingent consideration payable is £25.4m. As at the acquisition date, the fair value of the contingent consideration was estimated to be £13.3m, calculated on a probability-weighted basis.

Post-acquisition the acquired business has contributed £7.2m revenue and £1.8m underlying and reported operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2024, the Group's results for the year would have shown revenue of £865.5m, underlying operating profit of £146.2m and reported operating profit of £118.1m. The Group incurred expenses of £0.4m relating to the acquisition, which are included in non-underlying costs (see note 5).

12. Intangible assets *continued*

Whitlow Electric

In September 2024 the Group acquired the trade and assets of Whitlow Electric Service Company ("Whitlow") for initial cash consideration of £24.0m. Located in Elberton, Georgia, Whitlow designs and manufactures a range of structural steel and substation components for the US electrical infrastructure market. Whitlow will become part of V&S Utilities, within the Engineered Solutions division, and builds on the successful acquisition and integration of Capital Steel, broadening the geographic footprint in the US and providing new customers in the attractive Southeast market and increasing the Group's structural steel fabrication capacity, presenting opportunities for cross selling and margin expansion.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Provisional policy alignment and fair value adjustment £m	Total £m
Intangible Assets			
Brand name	—	0.6	0.6
Customer lists	—	11.2	11.2
Order backlog	—	1.4	1.4
Property, plant and equipment	1.1	4.5	5.6
Inventories	1.2	(0.6)	0.6
Other current assets	1.8	0.7	2.5
Total assets	4.1	17.8	21.9
Current liabilities	(1.4)	—	(1.4)
Total liabilities	(1.4)	—	(1.4)
Net assets	2.7	17.8	20.5
Consideration			
Consideration paid in the year			24.0
Working capital adjustments receivable within one year			(0.3)
Goodwill			3.2

Brands, customer lists and the order backlog have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill is attributable to opportunities with new customers as the business expands its product and customer base, opportunities for expansion into new territories/geographies, and Whitlow's highly skilled workforce. Whitlow will form part of the V&S Utilities CGU for the purpose of annual goodwill impairment testing. Policy alignment and fair value adjustments have been made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired includes £1.8m of trade receivables, which have a gross value of £1.8m.

Post-acquisition the acquired business has contributed £6.0m revenue and £0.9m underlying and reported operating profit, which are included in the Group's Consolidated Income Statement. If the acquisition had been made on 1 January 2024, the Group's results for the year would have shown revenue of £868.6m, underlying operating profit of £145.5m and reported operating profit of £117.4m. The Group incurred expenses of £0.5m relating to the acquisition, which are included in non-underlying costs (see note 5).

12. Intangible assets *continued***2023****Enduro Composites, Inc.**

On 17 February 2023 the Group acquired 100% of the share capital of Enduro Composites, Inc. ("Enduro") for cash consideration after working capital adjustments of £28.7m. Enduro, located in Houston, Texas, is a designer, manufacturer and supplier of engineered composite solutions focused on industrial and infrastructure market segments. Enduro has become part of the Creative Composites Group within the Group's Engineered Solutions division.

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	—	1.0	1.0
Customer lists	—	9.9	9.9
Order backlog	—	1.6	1.6
Property, plant and equipment	2.7	(0.2)	2.5
Right-of-use assets	—	2.3	2.3
Inventories	4.5	(0.5)	4.0
Current assets	6.5	(0.1)	6.4
Deferred tax asset	1.4	—	1.4
Cash and cash equivalents	1.8	—	1.8
Total assets	16.9	14.0	30.9
Lease liabilities	—	(2.3)	(2.3)
Current liabilities	(4.8)	(0.3)	(5.1)
Corporation tax	—	(0.2)	(0.2)
Deferred tax liability	—	(2.9)	(2.9)
Total liabilities	(4.8)	(5.7)	(10.5)
Net assets	12.1	8.3	20.4
Consideration			
Total consideration			28.7
Goodwill			8.3
Cash flow effect			
Consideration paid in the year of acquisition			28.7
Cash acquired with the business			(1.8)
Net cash consideration shown in the Consolidated Statement of Cash Flows			26.9

Brands, customer lists and an order backlog were recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising, which was allocated to the Engineered Solutions segment, primarily represents the highly skilled workforce, future technological advantages and potential for geographical expansion afforded to the Group. Policy alignment and fair value adjustments were made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. In respect of leases, the Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the terms of the leases relative to market terms. The fair value of the current assets acquired included £5.8m of trade receivables, which had a gross value of £6.2m.

12. Intangible assets *continued*

Korns Galvanizing Company Inc.

On 8 March 2023 the Group acquired the business and assets of Korns Galvanizing Company Inc. ("Korns") for a cash consideration of £9.4m. Korns, located in Johnstown, Pennsylvania, has a single site specialising in spin galvanizing and has a customer base spread across a wide range of infrastructure related end markets, including commercial construction, fire protection, oil & gas and utilities.

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	—	1.6	1.6
Property, plant and equipment	1.2	—	1.2
Inventories	0.5	(0.1)	0.4
Current assets	0.3	—	0.3
Total assets	2.0	1.5	3.5
Current liabilities	(0.2)	(0.1)	(0.3)
Total liabilities	(0.2)	(0.1)	(0.3)
Net assets	1.8	1.4	3.2
Consideration			
Total consideration			9.4
Goodwill			6.2
Cash flow effect			
Consideration paid in the year of acquisition			9.4
Cash acquired with the business			—
Net cash consideration shown in the Consolidated Statement of Cash Flows			9.4

Customer lists were recognised as a specific intangible asset as a result of the acquisition. The residual goodwill arising, which was allocated to the US Galvanizing CGU within the Galvanizing Services segment, primarily represents the highly skilled workforce and potential for geographical expansion afforded to the Group. Policy alignment and fair value adjustments were made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired included £0.3m of trade receivables, which had a gross value of £0.3m.

12. Intangible assets *continued***United Fiberglass of America Inc.**

On 16 November 2023 the Group acquired the business and assets of United Fiberglass of America Inc. ("United Fiberglass") for cash consideration after working capital adjustments of £12.4m. United Fiberglass, located in Springfield, Ohio, is a designer, manufacturer and supplier of composite pipe, conduit and bridge drain infrastructure systems. The business has become part of Creative Composites Group, within our Engineered Solutions division. The business is highly complementary to our existing composite activities and will further accelerate our strategy in this exciting and growing market, expanding our customer base and product range, while also providing additional manufacturing capability.

Details of the acquisition are set out below:

	Pre-acquisition carrying amount £m	Policy alignment and fair value adjustments £m	Total £m
Intangible Assets			
Brand name	—	0.3	0.3
Customer lists	—	4.0	4.0
Order backlog	—	0.4	0.4
Property, plant and equipment	0.6	2.4	3.0
Inventories	1.8	(0.1)	1.7
Current assets	1.2	—	1.2
Total assets	3.6	7.0	10.6
Current liabilities	(0.7)	—	(0.7)
Total liabilities	(0.7)	—	(0.7)
Net assets	2.9	7.0	9.9
Consideration			
Total consideration			12.4
Goodwill			2.5
Cash flow effect			
Consideration paid in the year of acquisition (2023)			11.8
Working capital adjustments paid in 2024			0.6
Total cash consideration			12.4

Brands, customer lists and an order backlog were recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising, which was allocated to the Engineered Solutions segment, primarily represents the highly skilled workforce, future technological advantages and potential for geographical expansion afforded to the Group. Policy alignment and fair value adjustments were made to align the accounting policies of the acquired business with the Group's accounting policies and to reflect the fair value of assets and liabilities acquired. The fair value of the current assets acquired included £1.1m of trade receivables, which had a gross value of £1.2m.

Conn-Fab Sales, Inc.

In December 2023, we acquired the equipment, inventory, customer lists, order book and intellectual property of Conn-Fab Sales, Inc. ("Conn-Fab"), which specialises in adapter curbs, rails, and other customised rooftop seismic support solutions. The acquisition supports the expansion of our existing product portfolio and geographical reach across the US and southern Canada. Consideration paid in the year of acquisition was £0.3m. A further £0.5m was payable over the 18 months following acquisition, once the qualifying accepted order value (as agreed at acquisition date) has converted to sale; £0.3m of this was paid during 2024 and is included in the Consolidated Statement of Cash Flows. The remainder is expected to be paid during 2025. As the fair value of assets acquired was minimal, the total consideration of £0.8m was allocated to customer lists acquired.

12. Intangible assets continued

Cash generating units with significant amounts of goodwill

	2024 £m	2023 £m
Engineered Solutions		
Creative Composites Group*	32.7	19.3
V&S Utilities	10.6	5.7
Enduro Composites*	—	8.3
Others <£5m individually	4.1	5.2
Roads & Security		
National Signal	7.1	7.0
ATG Access	4.7	4.7
H&S Inc.	—	8.7
Hill & Smith Infrastructure	9.8	9.8
Mallatite	9.6	9.6
Prolectric	5.5	5.5
Others <£5m individually	0.2	0.2
Galvanizing Services		
USA	33.3	32.7
UK	26.9	26.9
	144.5	143.6

* Enduro Composites now forms part of the Creative Composites Group and has therefore been incorporated into the Creative Composites Group CGU for the purposes of goodwill impairment testing.

Goodwill impairment reviews have been carried out on all CGUs to which goodwill is allocated.

Methodology and assumptions

Impairment tests on the carrying values of goodwill and certain brand names* of £8.1m (2023: £8.0m), 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 2026 through 2028, 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. 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 and 2021 given the sharp economic movements in those years due to COVID-19. The long-term growth rates are 2.0% in the UK and 2.5% in the USA.

12. Intangible assets *continued***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, are 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.

	2024			2023		
	Goodwill £m	Headroom/ (impairment) £m	Discount rate	Goodwill £m	Headroom/ (impairment) £m	Discount rate
Creative Composites Group	32.7	457.4	14.3%	19.3	185.6	15.3%
V&S Utilities	10.6	155.1	14.4%	5.7	95.5	15.2%
Hill & Smith Infrastructure	9.8	49.8	14.8%	9.8	26.7	14.8%
ATG Access	4.7	8.3	14.8%	4.7	5.5	14.6%
Mallatite	9.6	31.5	14.9%	9.6	30.0	14.8%
Prolectric	5.5	4.4	14.7%	5.5	15.6	14.4%
H&S Inc.	8.6	(10.6)	14.7%	8.7	15.9	15.0%
National Signal	7.1	21.5	14.1%	7.0	38.9	15.1%
Galvanizing Services – USA*	33.3	332.4	14.4%	32.7	210.4	15.2%
Galvanizing Services – UK	26.9	55.1	15.0%	26.9	90.6	14.6%

* The Group's only other indefinite life intangible assets relate to brand names allocated to the Galvanizing Services – USA CGU.

Based on the methodology set out above, the impairment review for H&S Inc. concluded that the carrying value of the business exceeded its estimated recoverable amount and accordingly an impairment charge of £10.6m has been recognised, comprising a full impairment of the goodwill of £8.6m and the remaining acquisition intangible assets of £2.0m.

H&S Inc. manufactures, sells and rents a range of work zone protection products including crash attenuators, trailer-mounted message boards, and temporary road safety barriers, to construction contractors and traffic specialists across the US roads market. The business' performance in 2022 and 2023 was subdued and was impacted by operational challenges and consequent improvement costs. The operational challenges related primarily to the trailer-mounted message board division, operating out of the Garland, Texas facility. Whilst demand across the rest of the product portfolio gradually improved in 2024 and the operational challenges were largely addressed, demand for message boards saw further weakening driven by market competition and some supply chain constraints. The combination of ongoing difficulties in the message board division and a slower recovery elsewhere led the Board to reassess the business' future prospects, which in addition to reflecting a significantly more muted outlook for message boards, concluded that the pace of growth across certain other elements of the product range was likely to be slower than previously anticipated. Consequently the impairment review based on this revised assessment concluded that H&S Inc.'s future cash flows were not sufficient to support its carrying value, resulting in a full impairment of the acquisition goodwill of £8.6m and of the remaining acquisition intangible assets of £2.0m.

12. Intangible assets *continued*

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 Prolectric.

Prolectric

Prolectric manufactures, sells and rents a range of off-grid solar energy products including temporary and permanent solar lighting, lighting towers and hybrid power generators, to construction contractors, hire companies and private businesses across the UK infrastructure markets. Following strong performance subsequent to the Group's acquisition of the business in 2021, its results in 2023 were impacted by a downturn in the UK construction market as well as operational challenges, which led to lower revenues and profitability. As expected, performance in 2024 remained subdued while the operational challenges were resolved, however recent order intake rates have improved and the pipeline for 2025 is encouraging. The Group's projections for the business result in calculated headroom of £4.4m, lower than the prior year (£15.6m) reflecting a more cautious assumption on the rate of recovery. We acknowledge that there could be variations in the pace of recovery in underlying UK construction activity and in growth across Prolectric's other markets, and if lower than that assumed in our projections, could result in a future impairment. Revenue growth and gross profit margins are the key assumptions on which the impairment calculations are most sensitive. The following table provides information on the impact on calculated headroom of possible scenarios for each of those key assumptions (independently in each case), the first showing the Board approved projections, the second the assumptions that result in zero headroom, and the third a severe but plausible downside scenario which would trigger a material impairment. The calculations are not particularly sensitive to other assumptions such as long-term growth rates or the discount rate and we do not believe that there are any reasonable possible changes in assumptions for these metrics that could lead to a material impairment.

Input	Scenario	Sensitivity applied %	Headroom/ (impairment) £m
Compound annual revenue growth 2025-2029	Base case	24.9%	4.4
	Zero headroom	23.0%	—
	H&S sensitivity	20.2%	(5.0)
Average gross profit margin 2025-2029	Base case	46.5%	4.4
	Zero headroom	44.5%	—
	H&S sensitivity	41.6%	(5.0)

13. Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Cost			
At 1 January 2023	107.1	229.3	336.4
Exchange adjustments	(4.4)	(5.4)	(9.8)
Acquisitions of subsidiaries	3.9	2.6	6.5
Additions	6.8	21.3	28.1
Disposals of subsidiaries	(0.4)	(0.8)	(1.2)
Transfers from right-of-use lease asset	—	1.1	1.1
Transfers to inventory	—	(6.9)	(6.9)
Transfers to assets held for sale	(3.4)	—	(3.4)
Reclassification to intangible fixed assets	—	(0.8)	(0.8)
Reclassification	2.4	(2.4)	—
Disposals	(1.6)	(12.9)	(14.5)
At 31 December 2023	110.4	225.1	335.5
Exchange adjustments	1.5	1.1	2.6
Acquisitions of subsidiaries	3.8	3.7	7.5
Additions	7.2	15.2	22.4
Transfers to inventory	—	(1.5)	(1.5)
Transfers to assets held for sale	(0.1)	(9.9)	(10.0)
Disposals	(0.5)	(10.5)	(11.0)
At 31 December 2024	122.3	223.2	345.5
Depreciation and impairment losses			
At 1 January 2023	31.3	118.8	150.1
Exchange adjustments	(1.5)	(2.1)	(3.6)
Disposals of subsidiaries	(0.4)	(0.7)	(1.1)
Disposals	(1.9)	(11.6)	(13.5)
Transfers to assets held for sale	(0.9)	—	(0.9)
Transfers from right-of-use lease asset	—	0.2	0.2
Reclassification to intangible fixed assets	—	(0.5)	(0.5)
Charge for the year	3.8	15.9	19.7
Impairment	0.7	—	0.7
At 31 December 2023	31.1	120.0	151.1
Exchange adjustments	0.5	0.7	1.2
Disposals	(1.2)	(9.1)	(10.3)
Transfers to asset held for sale	—	(2.6)	(2.6)
Transfers to inventory	—	(1.5)	(1.5)
Charge for the year	4.0	16.8	20.8
Impairment	—	1.7	1.7
At 31 December 2024	34.4	126.0	160.4
Carrying Values			
At 1 January 2023	75.8	110.5	186.3
At 31 December 2023	79.3	105.1	184.4
At 31 December 2024	87.9	97.2	185.1

The gross book value of land and buildings includes freehold land of £18.0m (2023: £17.8m). Included within plant, machinery and vehicles are assets held for rental with a cost of £95.8m (2023: £103.9m) and accumulated depreciation of £54.2m (2023: £51.5m)

14. Assets and liabilities held for sale

	2024 £m	2023 £m
Assets held for sale		
At 1 January	2.5	1.8
Disposals	(2.5)	(1.8)
Transfers from property, plant and equipment (note 13)	7.4	2.5
Transfers from right-of-use assets (note 15)	2.8	—
Transfers from working capital	5.7	—
Loss on remeasurement	(3.1)	—
Exchange adjustments	(0.1)	—
Total assets held for sale at 31 December	12.7	2.5
Liabilities held for sale		
Lease liabilities (note 15)	(3.0)	—
Deferred tax liability (note 16)	(0.5)	—
Bank overdraft	(3.4)	—
Total liabilities held for sale at 31 December	(6.9)	—
Total net assets held for sale at 31 December	5.8	2.5

Following a strategic review during 2024, the Group took the decision to seek buyers for Hill & Smith Pty Limited, the Group's Australian roads business, and Parking Facilities Limited, one of our smaller UK security businesses. At 31 December 2024, in each case the Group had committed to a sale, actively marketed the business and was in advanced stages of negotiation with the buyer. Subsequent to the year end, in January 2025 the sale of Hill & Smith Pty's trade and assets was completed and in February 2025 we sold our shareholding in Parking Facilities.

In accordance with IFRS 5, the assets and liabilities of the businesses have been recognised as disposal groups held for sale at 31 December 2024 and reported separately in the Consolidated Statement of Financial Position.

Immediately before the classification of the two businesses as held for sale, their recoverable amount was estimated, with no impairment loss being identified. Following the classification, losses on remeasurement of £1.1m relating to Parking Facilities and £2.0m related to Hill & Smith Pty Limited were recognised to reduce the carrying amount of the assets in the disposal groups to their fair value less costs to sell.

Assets held for sale at 31 December 2023 represented a property held by one of the Group's UK roads businesses, which was sold in December 2024 for a consideration of £2.3m resulting in a loss on disposal of £0.2m.

15. 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 years ended 31 December 2023 and 31 December 2024 were as follows:

	Land and buildings £m	Plant and equipment £m	Total £m
Right-of-use assets			
At 1 January 2023	29.5	9.2	38.7
Acquisitions of subsidiaries	2.2	0.1	2.3
Additions	10.6	4.1	14.7
Disposals of subsidiaries	(0.1)	(0.2)	(0.3)
Terminations	(2.2)	(0.1)	(2.3)
Depreciation charge for the year	(5.6)	(3.7)	(9.3)
Transfers to property, plant and equipment	—	(0.9)	(0.9)
Re-measurement	0.1	0.1	0.2
Impairment	(0.6)	—	(0.6)
Effect of movements in foreign exchange	(0.7)	—	(0.7)
At 31 December 2023	33.2	8.6	41.8
Acquisition of subsidiaries	0.8	—	0.8
Additions	8.4	7.5	15.9
Terminations	(1.5)	(0.1)	(1.6)
Depreciation charge for the year	(6.2)	(4.2)	(10.4)
Transfers to assets held for sale	(2.7)	(0.1)	(2.8)
Re-measurement	(0.3)	(0.1)	(0.4)
Impairment	(0.4)	—	(0.4)
Effect of movement in foreign exchange	0.3	—	0.3
At 31 December 2024	31.6	11.6	43.2
		2024 £m	2023 £m
Lease liabilities			
At 1 January		43.7	39.3
Additions		16.0	14.6
Terminations		(2.2)	(2.4)
Interest expense		2.0	1.3
Disposals of subsidiaries		—	(0.3)
Acquisitions of subsidiaries		0.8	2.3
Lease payments		(11.0)	(10.4)
Re-measurement		(0.5)	—
Effects of movements in foreign exchange		0.2	(0.7)
Transfers to liabilities held for sale		(3.0)	—
At 31 December		46.0	43.7

15. Leases continued

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2024 £m	2023 £m
Depreciation of right-of-use assets	10.4	9.3
Short-term lease expense	3.7	1.0
Low-value lease expense	0.1	—
Sublease income	(0.1)	(0.1)
Charged to operating profit	14.1	10.2
Interest expense relating to lease liabilities	2.0	1.3
Charged to profit before taxation	16.1	11.5

The maturity of the lease liabilities at 31 December was as follows:

	2024 £m	2023 £m
Due within one year	9.1	8.0
Due between one and two years	7.8	6.7
Due between two and three years	6.5	5.5
Due between three and four years	5.7	4.1
Due between four and five years	5.0	3.0
Due after more than five years	11.9	16.4
Total lease liabilities	46.0	43.7

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 that are not included in the lease term; and
- Undiscounted future rental payments relating to periods that are included in the lease term as the break clauses are not expected to be exercised.

	2024			2023		
	Within five years £m	More than five years £m	Total £m	Within five years £m	More than five years £m	Total £m
Extension options expected not to be exercised	0.4	20.5	20.9	0.3	9.4	9.7
Termination options expected not to be exercised	0.8	3.2	4.0	1.3	5.3	6.6

The Group has lease contracts that have not yet commenced as at 31 December 2024. The total future lease payments for these non-cancellable lease contracts are £2.6m (2023: £4.5m).

16. Deferred taxation

	Intangible Assets £m	Property, plant and equipment £m	Inventories £m	Retirement obligation £m	Other timing differences £m	Total £m
At 1 January 2023	(8.7)	(12.8)	(0.1)	1.8	8.3	(11.5)
Exchange adjustments	0.2	0.3	0.1	—	(0.2)	0.4
Acquisitions of subsidiaries	(2.8)	(0.3)	0.2	—	1.4	(1.5)
Credited/(charged) for the year in the Consolidated Income Statement	0.9	(4.4)	0.4	(0.9)	5.7	1.7
Credited for the year in the Consolidated Statement of Comprehensive Income	—	—	—	0.1	—	0.1
Credited for the year in the Consolidated Statement of Changes in Equity	—	—	—	—	1.3	1.3
At 31 December 2023	(10.4)	(17.2)	0.6	1.0	16.5	(9.5)
Exchange adjustments	0.1	—	—	—	—	0.1
Transfer to liabilities held for sale	—	2.4	—	—	(1.9)	0.5
Credited/(charged) for the year in the Consolidated Income Statement	5.0	(0.6)	0.2	(0.8)	(6.7)	(2.9)
Charged for the year in the Consolidated Statement of Changes in Equity	—	—	—	—	(0.4)	(0.4)
At 31 December 2024	(5.3)	(15.4)	0.8	0.2	7.5	(12.2)
					2024 £m	2023 £m
Deferred tax assets					0.1	0.4
Deferred tax liabilities					(12.3)	(9.9)
Deferred tax liability					(12.2)	(9.5)

The deferred tax asset of £7.5m (2023: £16.5m) in respect of other timing differences includes £1.9m (2023: £10.3m) in relation to tax losses and £2.9m (2023: £2.9m) in relation to share based payments.

No deferred tax asset has been recognised in respect of other tax losses of £16.2m (2023: £16.5m) 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 £0.3m (2023: £0.7m) 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.

17. Inventories

	2024 £m	2023 £m
Raw materials and consumables	62.5	64.4
Work in progress	5.1	9.6
Finished goods and goods for resale	32.5	32.1
	100.1	106.1

The amount of inventories expensed to the Consolidated Income Statement in the year was £432.2m (2023: £442.6m). The value of inventories written down and expensed in the Consolidated Income Statement during the year amounted to £4.8m (2023: £3.7m).

18. Trade and other receivables

	2024 £m	2023 £m
Trade and other current receivables		
Trade receivables	129.3	118.4
Prepayments	7.2	6.2
Other receivables	3.0	0.9
Insurance reimbursement asset (note 22)	3.8	—
Contract assets	19.2	11.8
	162.5	137.3

The movements in contract assets and contract liabilities (note 20) during the year correspond to the completion of performance obligations partially satisfied as at 31 December 2023 offset by contracts that are in progress at 31 December 2024.

19. Cash and borrowings

	2024 £m	2023 £m
Cash and cash equivalents in the Consolidated Statement of Financial Position		
Cash and cash equivalents net of bank overdrafts*	55.0	34.4
Bank overdraft+	(0.3)	—
Bank overdraft classified as held for sale	(3.4)	—
Cash and cash equivalents net of bank overdrafts and overdraft classified as held for sale	51.3	34.4
Interest bearing loans and other borrowings		
Amounts due within one year	(0.5)	(1.4)
Amounts due after more than one year	(98.7)	(97.7)
Lease liabilities due within one year	(9.1)	(8.0)
Lease liabilities due after more than one year	(36.9)	(35.7)
Lease liabilities classified as held for sale	(3.0)	—
Net debt	(96.9)	(108.4)
Change in net debt		
Operating profit	115.4	103.8
Non-cash items	59.8	47.6
Operating cash flow before movement in working capital	175.2	151.4
Net movement in working capital	0.6	22.8
Increase in insurance reimbursement asset	(3.8)	—
Decrease in provisions and employee benefits	(3.4)	(0.8)
Operating cash flow	168.6	173.4
Income taxes paid	(26.5)	(31.7)
Net financing costs paid	(8.3)	(8.4)
Capital expenditure	(28.6)	(31.8)
Proceeds on disposal of non-current assets and assets held for sale	3.4	3.3

19. Cash and borrowings *continued*

	2024 £m	2023 £m
Free cash flow	108.6	104.8
Dividends paid	(34.5)	(28.0)
Acquisitions of subsidiaries	(47.4)	(53.5)
Disposals of subsidiaries	—	(0.2)
Amortisation of costs associated with refinancing activities	(0.5)	(0.6)
Purchase of shares for employee benefit trust	(1.2)	(2.6)
Issue of new shares	2.5	1.8
Lease additions, terminations and remeasurements	(13.3)	(12.6)
Leases disposed of	—	0.3
Interest on lease liabilities	(2.0)	(1.3)
Net debt decrease	12.2	8.1
Effect of exchange rate fluctuations	(0.7)	3.2
Net debt at the beginning of the year	(108.4)	(119.7)
Net debt at the end of the year	(96.9)	(108.4)

*Included within cash and cash equivalents net of bank overdrafts are overdrafts amounting to £19.9m (2023: £19.6m) for which the Group has a legally enforceable right of offset and the intention to settle on a net basis.

+Represents an overdraft for which the Group has no right of offset.

Reconciliation of movements in financial liabilities to cash flows arising from financing activities

	2024 £m	2023 £m
Interest bearing loans and other borrowings and lease liabilities		
At 1 January	142.8	144.2
New loans and borrowings	62.5	73.9
Repayment of loans and borrowings	(63.7)	(76.3)
Repayment of lease liabilities	(9.0)	(9.4)
Costs associated with refinancing during the year	—	(0.5)
Cash flows used in financing activities	(10.2)	(12.3)
Other changes		
Effect of exchange rate fluctuations	0.8	(3.2)
Amortisation of costs associated with refinancing activities	0.5	0.6
Lease changes:		
Effect of exchange rate fluctuations	0.2	(0.7)
New leases	16.0	14.6
Terminations	(2.2)	(2.4)
Re-measurement	(0.5)	—
Acquisitions of subsidiaries	0.8	2.3
Disposals of subsidiaries	—	(0.3)
Interest expense	2.0	1.3
Interest paid	(2.0)	(1.3)
At 31 December	148.2	142.8

20. Current liabilities

	2024 £m	2023 £m
Interest bearing loans and borrowings		
Loans and borrowings	0.5	1.4
Bank overdrafts	0.3	—
	0.8	1.4
Trade and other current liabilities		
Trade Payables	61.5	53.4
Other taxation and social expenses	4.2	4.1
Accrued expenses	46.4	47.0
Contingent consideration on acquisitions	4.5	—
Deferred consideration on acquisitions	—	2.2
Contract liabilities	13.3	9.3
Fair value derivatives	0.1	0.3
Other payables	3.5	3.3
	133.5	119.6

During the year, £8.6m (2023: £2.0m) of revenue was recognised in respect of contract liabilities present as at 1 January 2024.

21. Non-current liabilities

	2024 £m	2023 £m
Interest bearing loans and borrowings		
Loans and borrowings	98.7	97.7
	98.7	97.7
Other non-current liabilities		
Contract liabilities > 1 year*	1.1	—
Contingent consideration on acquisitions	10.1	—
Deferred consideration on acquisitions	—	1.0
	11.2	1.0

* Contract liabilities > 1 year do not represent partially satisfied performance obligations as at the balance sheet date.

22. Provisions

	Environmental £m	Restructuring £m	Product rectification £m	Other £m	Total £m
At 1 January 2023	1.2	3.4	—	1.8	6.4
Exchange adjustments	—	—	—	(0.1)	(0.1)
Charged during the year	—	1.1	3.1	—	4.2
Utilised during the year	—	(1.2)	(0.1)	—	(1.3)
At 31 December 2023	1.2	3.3	3.0	1.7	9.2
Exchange adjustments	—	—	—	—	—
Charged during the year	—	—	—	4.3	4.3
Utilised during the year	—	(1.2)	(1.4)	—	(2.6)
Released during the year	—	—	(1.2)	(0.3)	(1.5)
At 31 December 2024	1.2	2.1	0.4	5.7	9.4

22. Provisions *continued*

	2024 £m	2023 £m
Provisions – amounts due within one year	7.1	6.6
Provisions – amounts due after more than one year and less than five years	2.3	2.6
	9.4	9.2

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. The provision of £3.3m at 31 December 2023 included £2.7m relating to the closure of the Group's variable message sign business that was announced in 2021, of which £1.1m has been utilised during 2024. The remaining provision is expected to be utilised in 2025.

Product rectification

The £3.0m provision brought forward was in respect of an issue identified with the historical installation of certain products by our UK off-grid solar business. The issue has been substantially resolved in 2024 and the total cost of remediation was less than had been estimated, resulting in a £1.2m release in the year. The remaining provision of £0.4m is expected to be utilised in 2025.

Other provisions

Other provisions relate to various matters including obligations in respect of property dilapidations and legal claims or disputes which arise from various legal actions, proceedings or other claims that are pending against the Group's operating companies and are based on management's best estimates of the most likely outcome, taking into account the opinions of legal counsel. The charge for the year includes £3.3m recognised in the current year relating to a claim which arose during the year and is fully covered by an insurance policy; a corresponding asset has been recognised within the Group's insurance reimbursement asset (note 18).

23. 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.

23. Financial instruments continued

The Group has a policy of insuring a substantial majority of receivables in its UK businesses, which account for 39% (2023: 45%) of the Group's trade receivables. Any residual uninsured risk is spread across a significant number of customers. In our US businesses, which account for 53% (2023: 46%) of the Group's trade receivables, our operating companies have a policy of taking out trade references before granting credit limits and selectively insuring against credit risk where it is deemed appropriate by management. Purchase limits are established for each customer 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 other overseas businesses operate on a similar basis to the US. As a result of these policies, impairment losses are not significant.

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 loans and borrowings maturing within the next 12 months. As at 31 December 2024 all such debt was covered by cash and cash equivalents netting to £54.2m positive current liquidity (2023: £33.0m).

The Group's principal UK revolving credit facility is unsecured, has a value of £250m and has a maturity in November 2027. Along with various other secured and on demand lines of credit, including bank overdrafts, the Group has access to bank borrowing facilities of £258.8m at 31 December 2024 (2023: £256.6m).

In addition, in 2019 the Group signed an agreement with an institutional investor for a private placement of \$70m Senior Unsecured Notes. The issue consisted of two equal tranches with maturities in June 2026 and June 2029 respectively.

At 31 December 2024, the Group's total committed borrowing facilities were £308.1m (2023: £307.3m) and the amount undrawn at this date was £207.5m (2023: £206.2m).

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 23(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 may be 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 2024 credit exposure including cash deposited did not exceed £12.9m with any single institution (2023: £6.8m).

Currency risk

The Group publishes its Consolidated Financial Statements in Sterling, but conducts business in several foreign currencies, including significant operations based in the US. This results in foreign currency exchange risk due to exchange rate movements, which will affect the Group's transaction costs and, more significantly, the translation of the results and net assets of its foreign operations. The Group's translation reserve includes a gain of £5.6m (2023: loss of £19.4m), principally as a result of Sterling's depreciation against the US Dollar in 2024, representing this translation effect on overseas earnings and net assets.

The trading currency of each operation is predominantly in the same denomination. However, the Group uses forward exchange contracts to minimise currency risk where appropriate. The Group does not apply hedge accounting to these derivative financial instruments.

The Group has hedged its investment in its US operations by way of financing the acquisitions through like denominations of its bank borrowings 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 Senior Unsecured Notes account for 56% (2023: 55%) of the Group's outstanding gross borrowings at 31 December 2024 and attract a fixed rate of interest averaging 3.92% (2023: 3.92%) per annum. All other borrowings bear interest at floating rates. At the current time the Group feels that this ratio of fixed to floating borrowings is appropriate but continues to monitor it in the context of economic indicators and wider market conditions.

23. Financial instruments *continued***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 Group 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, 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 2024 and 2023.

The Group's revolving credit facility and Senior Unsecured Notes are both subject to two covenants: the Group is required to maintain a minimum interest cover of 4.0 to 1; and the Group is required to maintain a net debt to EBITDA ratio of less than 3.0 to 1. The revolving credit facility is also subject to an additional covenant which requires the aggregate of the assets of all Obligors to the facility to be at least 80% of the gross assets of the Group, and similarly the aggregate of the profits before interest and tax of all Obligors to be at least 80% of the profits before interest and tax of the Group. The covenants are tested every six months until the maturity of the respective borrowings. As set out in the going concern disclosure on page 143, the Group has no indication that it will have difficulty complying with these covenants.

There were no significant 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.

	Fair Value £m	Amortised cost £m	Total carrying value £m
Cash and cash equivalents net of bank overdraft*	—	55.0	55.0
Bank overdraft+	—	(0.3)	(0.3)
Bank overdraft classified as held for sale	—	(3.4)	(3.4)
Loans and other borrowings due within one year	—	(0.5)	(0.5)
Loans and other borrowings due after more than one year	—	(98.7)	(98.7)
Lease liabilities due within one year	—	(9.1)	(9.1)
Lease liabilities due after more than one year	—	(36.9)	(36.9)
Lease liabilities classified as held for sale	—	(3.0)	(3.0)
Derivative liability	(0.1)	—	(0.1)
Other assets	—	136.1	136.1
Other liabilities	—	(111.4)	(111.4)
Contingent consideration	(14.6)	—	(14.6)
Total as at 31 December 2024	(14.7)	(72.2)	(86.9)
Cash and cash equivalents net of bank overdraft*	—	34.4	34.4
Loans and other borrowings due within one year	—	(1.4)	(1.4)
Loans and other borrowings due after more than one year	—	(97.7)	(97.7)
Lease liabilities due within one year	—	(8.0)	(8.0)
Lease liabilities due after more than one year	—	(35.7)	(35.7)
Derivative liability	(0.3)	—	(0.3)
Other assets	—	119.3	119.3
Other liabilities	—	(106.9)	(106.9)
Total as at 31 December 2023	(0.3)	(96.0)	(96.3)

*Included within cash and cash equivalents net of bank overdrafts are overdrafts amounting to £19.9m (2023: £19.6m) for which the Group has a legally enforceable right of offset and the intention to settle on a net basis.

+Represents an overdraft for which the Group has no right of offset.

23. 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 liabilities	–	(0.1)	–	(0.1)
Contingent consideration	–	–	(14.6)	(14.6)
Total at 31 December 2024	–	(0.1)	(14.6)	(14.7)
Derivative liabilities	–	(0.3)	–	(0.3)
Total at 31 December 2023	–	(0.3)	–	(0.3)

At 31 December 2024 the Group did not have any assets or liabilities classified at Level 1 in the fair value hierarchy (2023: nil). There have been no transfers in any direction in the year.

Details of the contingent consideration which arose on the acquisitions made during the year (see note 12) are set out below.

The fair value of the contingent consideration liability as at 31 December 2024 was materially equal to the fair value determined as at the acquisition dates. No re-measurements have been recognised in the Consolidated Income Statement during the current year.

	Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
Contingent consideration liability	Discounted cash flow method	<ul style="list-style-type: none"> • Probability weighted revenue • Discount rate 	<ul style="list-style-type: none"> • 10% increase/(decrease) in the probability weighted revenues would result in an increase/(decrease) in the fair value of the liability by £1.4m. • 100bps increase/(decrease) in the discount rate would result in an increase/(decrease) in the fair value of the liability by £0.3m.

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 SONIA/SOFR.

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 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 SONIA/SOFR. 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. The financial assets and liabilities not denominated in the functional currency of these entities are insignificant to the Group.

Certain UK subsidiaries hold £56.0m (2023: £68.1m) of US Dollar denominated interest bearing loans, which are predominantly used to fund the Group's US operations and are designated as a hedge of the net investment in those foreign operations. The foreign currency loss of £0.6m (2023: gain of £4.2m) 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.

23. Financial instruments *continued***Fixed rate financial liabilities**

	Weighted average interest rate %	Weighted average period for which rate is fixed Years
US Dollar at 31 December 2024	3.9	3.0
US Dollar at 31 December 2023	3.9	4.0

(c) Maturity profile

The table below sets out the contractual cash flows associated with the Group's financial liabilities 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
Unsecured loans and borrowings	Floating	42.6	(51.7)	(2.7)	(2.7)	(46.3)	—
Senior Unsecured Notes	3.92%	56.0	(62.6)	(2.2)	(29.6)	(30.8)	—
Lease liabilities	Floating	46.0	(52.9)	(10.5)	(9.2)	(19.8)	(13.4)
Other liabilities	n/a	125.9	(125.9)	(124.8)	(1.1)	—	—
Contingent consideration	8.6%*	14.6	(17.3)	(4.1)	(3.7)	(9.5)	—
Derivative liabilities	n/a	0.1	(0.1)	(0.1)	—	—	—
Total at 31 December 2024		285.2	(310.5)	(144.4)	(46.3)	(106.4)	(13.4)
Unsecured loans and borrowings	Floating	44.1	(57.3)	(4.3)	(2.9)	(50.1)	—
Senior Unsecured Notes	3.92%	55.0	(63.9)	(2.2)	(2.2)	(31.4)	(28.1)
Lease liabilities	Floating	43.7	(51.6)	(9.5)	(7.8)	(14.7)	(19.6)
Other liabilities	n/a	114.6	(114.6)	(113.6)	(1.0)	—	—
Derivative liabilities	n/a	0.3	(0.3)	(0.3)	—	—	—
Total at 31 December 2023		257.7	(287.7)	(129.9)	(13.9)	(96.2)	(47.7)

*This is the discount rate applied to discount future cash flows back to their present value. Further details of the method used to calculate the fair value of the contingent consideration liability are set out on page 185 above.

The unsecured bank borrowings bear interest based on SONIA/SOFR, plus a margin (as defined in the facilities agreement) which varies depending on the Group's ratio of net debt to EBITDA.

The Group had the following undrawn committed facilities at 31 December, in respect of which all conditions precedent had been met:

	2024 £m	2023 £m
Undrawn committed borrowing facilities	207.5	206.2

(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 £nil (2023: £nil). The fair values of the Group's other financial instruments at 31 December 2024 and 2023 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.

(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

	2024 £m	2023 £m
Trade and other receivables and contract assets at amortised cost	151.5	131.1
Cash and cash equivalents at the end of the year	55.0	34.4
Total	206.5	165.5

23. Financial instruments continued

Carrying value of trade receivables by geography

	2024 £m	2023 £m
UK	48.8	53.3
Rest of Europe	2.8	3.2
North America	69.0	54.6
Rest of the world	8.7	7.3
Total	129.3	118.4

Carrying value of trade receivables by business segment

	2024 £m	2023 £m
Engineered Solutions	67.8	37.0
Roads & Security	33.8	51.6
Galvanizing Services	27.7	29.8
Total	129.3	118.4

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 where applicable, which is 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 reporting date. The charge to the Consolidated Income Statement in the year in respect of the expected loss of trade receivables was £1.5m (2023: £1.5m). 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:

	2024			2023		
	Gross £m	Provisions £m	Net £m	Gross £m	Provisions £m	Net £m
Not past due	83.6	—	83.6	77.1	—	77.1
Past due 1 – 30 days	25.7	(0.1)	25.6	26.8	(0.1)	26.7
Past due 31 – 120 days	14.6	(0.4)	14.2	11.6	(0.2)	11.4
Past due more than 120 days	7.5	(1.6)	5.9	7.1	(3.9)	3.2
Total	131.4	(2.1)	129.3	122.6	(4.2)	118.4

The movements in provisions for impairment of trade receivables are as follows:

	£m
At 1 January 2023	3.4
Exchange Adjustments	(0.1)
Acquisitions of subsidiaries	0.5
Charged in the year	1.5
Utilised in the year	(1.1)
At 31 December 2023	4.2
Exchange Adjustments	(0.1)
Charged in the year	1.5
Utilised in the year	(2.4)
Reclassifications	(1.1)
At 31 December 2024	2.1

23. 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 £1.4m, 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 total group underlying operating profit in the Consolidated Income Statement would have been a gain of £9.6m and the impact on equity would have been an increase of £44.8m.
- Based on a 10% strengthening in Sterling against all currencies throughout the year, the impact on the total group underlying operating profit in the Consolidated Income Statement would have been a loss of £7.9m and the impact on equity would have been a decrease of £36.6m.

24. Called up share capital

	2024 £m	2023 £m
Allotted, called up and fully paid		
80.4m ordinary shares of 25p each (2023: 80.2m)	20.1	20.0

In 2024 the Company issued 0.2m shares under its various share option schemes (2023: 0.2m), realising £2.5m (2023: £1.8m).

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"), Restricted Stock Units ("RSU") and Executive Share Option Schemes ("ESOS") – the Remuneration Committee may, at its discretion, structure awards as approved awards comprising a tax qualifying option granted under the ESOS, RSU and LTIP awards. LTIP and RSU awards are at nil cost and ESOS is a costed option
- Buy-out awards – on joining the Company, certain senior managers may forfeit long term incentive awards at their previous employer. The Company may compensate them for these awards by granting awards over Hill & Smith shares. The awards are at nil cost.

The number of options outstanding by scheme is as follows:

	2024		2023	
	Number of shares	Option price range (p)	Number of shares	Option price range (p)
SAYE schemes †	714,415	794p to 1,640p	823,938	794p to 1,485p
LTIP awards †^	517,481	—	567,808	—
ESOS awards †^	93,926	316p to 1,113p	265,233	316p to 1,113p
RSU awards †	86,550	—	44,400	—
Buy-out awards	75,496	—	21,187	—
Outstanding at the end of the year	1,487,868		1,722,566	
Exercisable at the year end	168,049		288,173	
Not exercisable at the year end	1,319,819		1,434,393	
Outstanding at the end of the year	1,487,868		1,722,566	

† 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 at the vesting date.

^ Vesting of awards under the LTIP and ESOS schemes is subject to various financial performance criteria.

24. Called up share capital continued

The remaining weighted average life of the outstanding share options is 5 years 0 months (2023: 5 years 0 months).

The movement and weighted average exercise prices of share options during the year are as follows:

	Weighted average exercise price (p) 2024	Millions of options 2024	Weighted average exercise price (p) 2023	Millions of options 2023
Outstanding at the beginning of the year	610	1.7	655	1.8
Granted during the year	483	0.4	480	0.3
Exercised during the year	(733)	(0.4)	(810)	(0.2)
Lapsed during the year	(405)	(0.2)	(583)	(0.2)
Outstanding at the end of the year	559	1.5	610	1.7

The weighted average share price on the dates of exercise of share options during the year was 1,913p (2023: 1,483p), and the weighted average fair value of options and awards granted in the year was 1,636p (2023: 1,214p). The weighted average exercise price of outstanding options exercisable at the year-end was 1,110p (2023: 1,102p).

Share-based payments – options

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 HMRC approved or unapproved schemes. Other than the LTIP, RSU 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.

As explained in the Directors Remuneration Report on pages 102 to 120, bonuses awarded to the Executive Directors include an element awarded in shares, deferred for a period of two years. The Group has determined the fair value of such awards to be equal to their cash equivalent. The resulting charge is included in the expense arising from share-based payments in the year to which the awards relate.

The key assumptions for the grants in the current and prior year were as follows:

	2024			2023		
	SAYE	LTIP/RSU	Buy-out awards	SAYE	LTIP/RSU	Buy-out awards
Expected share price volatility (%)	30%/19%	28%	n/a	24%/15%	32%	n/a
Dividend yield (%)	2.17%	0.0%	n/a	2.07%	0.0%	n/a
Option life (years)	3/5	3	n/a	3/5	3	n/a
Risk free interest rate (%)	4.0%/4.1%	4.2%	n/a	4.6%/4.5%	3.4%	n/a

The total expense recognised for the period arising from share-based payments is as follows:

	2024 £m	2023 £m
Equity-settled	3.4	3.7
Cash-settled	–	(0.4)
Total expensed during the year	3.4	4.1

The carrying amount of the liability in relation to cash-settled share-based payments at the end of the year was £0.4m (2023: £0.7m).

25. Guarantees and other financial commitments

(a) Guarantees

Subsidiary audit exemptions

Hill & Smith PLC has issued guarantees over the liabilities of the following predominantly non-trading UK subsidiaries as at 31 December 2024 under Section 479C of the Companies Act 2006. These entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act:

Company Name	Company Number
Bergen Pipe Supports Limited	00926644
Bergen Pipe Supports Group Limited	01013871
Hill & Smith (International) Limited	11331411
Hill & Smith (Americas) Limited	07269581
Hill & Smith (Americas) 2 Limited	10783462
Hill & Smith (Americas) 3 Limited	12060645
Asset International Structures Limited	15082506
Hill & Smith Overseas Limited	06614400
Hill & Smith (Treasury) Limited	06814150
Hill & Smith (USA) Limited	06876775
Hardstaff Barriers Limited	02791285
Cobaco Holdings Limited	08317210
Signpost Solutions Limited	01084535
Mallatite Minor Structures & Products Limited	13717429
Bowater Doors Limited	13738120
Expamet Limited	13748629
VMS Newco Limited	12968560
Varley & Gulliver Limited	00330433
Ash & Lacy Limited	00047169
Ash & Lacy Manufacturing Limited	03008964
Ash & Lacy Services Limited	02798286
Hawkshead Properties Limited	00562451
Redman Fisher Engineering Limited	00169316
Hill & Smith (Australia) Limited	14411306
Widnes Galvanising Limited	02206443
Black Oldco Limited	14466538

The Group had no financial guarantee contracts outstanding as at 31 December 2024.

(b) Capital commitments

	2024 £m	2023 £m
Contracted for but not provided in the accounts	3.6	5.6

25. Guarantees and other financial commitments *continued*

(c) Operating lease receivables

The total future minimum commitments receivable under non-cancellable operating leases are analysed as follows:

	2024		2023	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Within one year	0.1	7.4	0.1	6.4
Between one and two years	—	0.6	—	0.7
	0.1	8.0	0.1	7.1

(d) Purchase commitments

Certain Group companies enter into purchase commitments which obligate the Group to buy specified amounts of raw materials from sellers at a future point in time (usually within one year from the balance sheet date). These commitments are summarised as follows:

	2024 £m	2023 £m
Contracted for but not provided in the accounts	22.7	19.1

26. Pensions

Total

The total Group retirement benefit assets and obligations are detailed below:

	UK £m	US £m	2024 £m	UK £m	US £m	2023 £m
Total fair value of scheme assets	47.0	2.6	49.6	48.5	2.7	51.2
Present value of scheme funded obligations	(47.2)	(3.2)	(50.4)	(51.9)	(3.4)	(55.3)
Retirement benefit obligation	(0.2)	(0.6)	(0.8)	(3.4)	(0.7)	(4.1)

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 weighted average maturity (the 'duration') of the defined benefit plan obligations at the end of the reporting period is approximately 9 years (2023: 10 years).

The assets of the Scheme are administered by Trustees and are kept entirely separate from those of the Group. The Trustees undertake a full funding valuation of the Scheme every three years, which is used to determine the rates at which the Group contributes to the Scheme, with the objective of providing the funds required to meet pension obligations as they fall due.

The Group remains actively engaged in dialogue with the Scheme's Trustees with regard to management, funding and investment strategy. Following the triennial funding valuation of the Scheme as at April 2022, the Group continues to have a deficit recovery plan with the Trustees that requires cash contributions of £3.7m per annum until March 2026. The results of the triennial valuation have been incorporated in the IAS 19 position at 31 December 2024, updated by an independent qualified actuary.

The Consolidated Income Statement for the year includes a pension charge within operating profit of £3.0m (2023: £3.3m), which includes the costs of the defined contribution and the defined benefit sections of the Scheme. All actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

26. 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 deficit 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 to value the Scheme's liabilities at 31 December:

	2024	2023
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions payment	3.2%	3.1%
Discount rate	5.4%	4.5%
Inflation — RPI	3.3%	3.2%
Inflation — CPI	2.4%	2.3%
Mortality table	114%/117%	114%/117%
	CMI 2023	CMI 2022
	1.25%	1.25%

The mortality assumptions imply the following expected future lifetimes from age 65:

	2024	2023
Males currently aged 45	21.8 years	21.6 years
Females currently aged 45	24.4 years	24.1 years
Males currently aged 65	20.6 years	20.4 years
Females currently aged 65	23.0 years	22.7 years

The assumptions have been chosen by the Directors from a range of possible actuarial assumptions which, due to the timescales covered, may not be borne out in practice. The Group takes advice from an independent actuary regarding the appropriateness of the assumptions used.

Over the last three years, short-term inflation in the UK has at times been significantly higher than we have seen in previous years. The Group has made an allowance for this higher inflation experience within the liabilities of the Scheme. Over the duration of the Scheme's liabilities, market expectations of inflation (which have been used to derive the inflation assumptions above) are significantly lower than this recent experience.

26. 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 9 years (the weighted average term maturity of the Scheme's liabilities) and which is therefore inherently uncertain is also set out below.

	Market value 2024 £m	Market value 2023 £m
Assets		
Quoted Investment Funds		
Equities	3.6	—
Bonds	7.0	15.6
Diversified growth funds	8.4	—
Liability Driven Investment ("LDI") funds	10.6	15.0
Alternatives*	12.1	12.2
Unquoted Investment Funds		
With profits policies	1.0	0.9
Cash	4.3	4.8
Total fair value of Scheme assets	47.0	48.5
Present value of Scheme funded obligations	(47.2)	(51.9)
Retirement benefit obligation	(0.2)	(3.4)

* Alternatives are investments in asset classes other than traditional equities, bonds, property and cash. They include investments in private equity, private credit, hedge funds, infrastructure, and renewable energy investments.

In 2017 the Group and the Trustees undertook an investment review of the Scheme. The intention of the 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. The 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. Following the April 2022 triennial valuation, there has been no further change to the previously agreed strategy.

Assets in the bonds and equities categories, which account for approximately 23% (2023: 32%) of total Scheme assets, have quoted market prices in active markets. Excluding cash, the balance of £32.1m (2023: £28.1m) represents the Scheme's investment in LDI funds and Secure Income Assets Funds. The LDI funds are invested in inflation linked bonds issued by the UK Government as well as fixed rate bonds. Secure Income Assets Funds (Alternatives) are invested in a diversified portfolio of infrastructure debts, private corporate debts and real estate debts. The sensitivity of these funds to changes in interest rates is measured using hedging multiples. Where asset prices are not directly derivable, an accurate price is determined from a subset of observable market data.

Total expense recognised in the Consolidated Income Statement

	2024			2023		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service costs	1.9	—	1.9	2.3	—	2.3
Expenses	0.8	0.3	1.1	0.5	0.5	1.0
Charge to operating profit	2.7	0.3	3.0	2.8	0.5	3.3
Interest on net Scheme deficit	—	0.1	0.1	—	0.2	0.2
Total charge to profit before tax	2.7	0.4	3.1	2.8	0.7	3.5

26. Pensions *continued***Change in the present value of the defined benefit obligations**

	2024 £m	2023 £m
Opening defined benefit obligations	51.9	51.4
Interest cost	2.3	2.4
Actuarial (gain)/loss arising from:		
Financial assumptions	(3.5)	1.6
Demographic assumptions	0.2	(1.0)
Experience assumptions	0.1	1.4
Benefits paid	(3.8)	(3.9)
Closing defined benefit obligations	47.2	51.9

Changes in fair values of Scheme assets

	2024 £m	2023 £m
Opening fair value of assets	48.5	44.9
Interest income	2.2	2.2
Return on plan assets excluding interest income	(3.6)	1.6
Employer contributions	3.7	3.7
Benefits paid	(3.8)	(3.9)
Closing fair value of assets	47.0	48.5
Actual return on Scheme assets	(1.4)	3.8
Expected employer contributions in the following year		
Defined benefit scheme	4.0	4.0
Defined contribution schemes	1.9	2.0

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of Scheme assets/ liabilities %	2024 £m	% of Scheme assets/ liabilities %	2023 £m
Return on plan assets excluding interest income	(8)	(3.6)	3	1.6
Changes in assumptions underlying the present value of Scheme obligations	7	3.2	(4)	(2.0)
Amount recognised in the year	(1)	(0.4)	(1)	(0.4)

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 2024 £m	Increase in pensions payment (+0.1% p.a.) £m	Decrease in pensions payment (-0.1% p.a.) £m	Discount rate (+0.1% p.a.) £m	Discount rate (-0.1% p.a.) £m	Inflation rate (+0.1% p.a.) £m	Inflation rate (-0.1% p.a.) £m	Life expectancy (+1 year) £m	Life expectancy (-1 year) £m
Value of funded obligations	(47.2)	(47.4)	(47.0)	(46.8)	(47.6)	(47.5)	(46.9)	(49.3)	(45.1)
Fair value of plan assets	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0
Deficit	(0.2)	(0.4)	(0.0)	0.2	(0.6)	(0.5)	0.1	(2.3)	1.9

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of 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.

26. Pensions continued

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.

The Group is aware of the Court of Appeal's ruling on 25 July 2024 in the case of Virgin Media v NTL Pension Trustees II Limited (and others) which confirmed the implications of not having a confirmation from the actuary in accordance with Section 37 of the Pension Schemes Act 1993, when rule changes were made to pension schemes such as the Group's UK Scheme, between 6 April 1997 and 6 April 2016. The Board of Trustees of the Hill & Smith Pension Scheme, which is responsible for compliance with Section 37, is continuing to liaise with its professional advisers in respect of rule changes that occurred in the relevant period. An initial compliance investigation has been completed and, based upon the information currently available, we are not aware of any material omissions in compliance, hence the Group does not expect any material change to the pension accounting reflected in these financial statements.

USA

In the US, 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 7 years (2023: 7 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 £2.1m (2023: £1.2m).

The Consolidated Income Statement for the year includes a pension charge within operating profit of £2.1m (2023: £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 2024. All actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

The principal assumptions used by the actuaries:

	2024	2023
Rate of increase in salaries	n/a	n/a
Discount rate	5.31%	4.68%
Inflation	0.00%	0.0%
Mortality table	PRI – 2012 Private Retirement Plans; Scale MP – 2021 improvements	PRI – 2012 Private Retirement Plans; Scale MP – 2021 improvements

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 2024 £m	Market value 2023 £m
Assets		
Insured fixed interest assets quoted in active markets	2.5	2.7
Cash	0.1	—
Total fair value of scheme assets	2.6	2.7
Present value of Scheme funded obligations	(3.2)	(3.4)
Retirement benefit obligation	(0.6)	(0.7)

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.

26. Pensions *continued*

Total expense recognised in the Consolidated Income Statement

	2024			2023		
	Defined contribution schemes £m	Defined benefit schemes £m	Total £m	Defined contribution schemes £m	Defined benefit schemes £m	Total £m
Current service costs	2.0	0.1	2.1	1.2	0.1	1.3
Charge to operating profit	2.0	0.1	2.1	1.2	0.1	1.3
Interest on net Scheme deficit	—	—	—	—	0.1	0.1
Total charge to profit before tax	2.0	0.1	2.1	1.2	0.2	1.4

Change in the present value of the defined benefit obligation

	2024 £m	2023 £m
Opening defined benefit obligations	3.4	3.4
Interest cost	0.1	0.2
Actuarial (gain)/loss arising from:		
Financial assumptions	(0.1)	0.1
Demographic assumptions	—	(0.2)
Experience assumptions	—	0.3
Benefits paid	(0.2)	(0.2)
Exchange adjustments	—	(0.2)
Closing defined benefit obligations	3.2	3.4

Changes in fair values of scheme assets

	2024 £m	2023 £m
Opening fair value of assets	2.7	2.7
Return on plan assets excluding interest income	0.1	0.2
Interest on plan assets	0.1	0.1
Employer contributions	—	0.1
Admin expenses	(0.1)	(0.1)
Benefits paid	(0.2)	(0.2)
Exchange adjustments	—	(0.1)
Closing fair value of assets	2.6	2.7
Actual return on Scheme assets	0.2	0.3
Expected employer contributions in the following year		
Defined contribution schemes	2.0	1.2

Amounts recognised in the Consolidated Statement of Comprehensive Income

	% of Scheme assets/ liabilities %	2024 £m	% of Scheme assets/ liabilities %	2023 £m
Experience loss on scheme obligations	—	—	(9)	(0.3)
Return on plan assets excluding interest income	4	0.1	7	0.2
Changes in assumptions underlying the present value of Scheme obligations	3	0.1	2	0.1
Amount recognised in the year	7	0.2	—	—

The Group considers that any reasonable sensitivities applied to the assumptions for the overseas schemes would not have a material impact on the Consolidated Financial Statements.

27. Related Party Transactions

As explained in note 6, the key management personnel are considered to be the Board of Directors of Hill & Smith PLC and the members of the Executive Board who are not also Directors of Hill & Smith PLC. The Board of Directors' remuneration can be seen in the Directors' Remuneration Report on pages 102 to 120. The combined remuneration of key management personnel can be seen in note 6 to the financial statements on page 159.

28. Subsequent events

As part of the Group's active portfolio management, in the first quarter of 2025, the Group successfully divested two of its non-core, loss making Roads and Security businesses, Hill & Smith Pty Limited and Parking Facilities Limited; both of which were classified as held for sale as at 31 December 2024 (see note 14 for further details).

Company Balance Sheet

31 December 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Tangible assets	4	1.1	1.4
Right-of-use assets	5	0.3	0.3
Deferred tax asset	6	3.0	7.2
Investments	7	320.0	290.1
Debtors due in more than one year	8	74.3	102.6
		398.7	401.6
Current assets			
Debtors	9	15.4	12.3
Cash and cash equivalents		0.1	0.1
		15.5	12.4
Total assets		414.2	414.0
Creditors: amounts falling due within one year			
Bank loans and overdrafts	10, 11	(15.1)	(15.8)
Lease Liabilities	5	(0.1)	(0.1)
Other creditors	10	(37.5)	(53.3)
		(52.7)	(69.2)
Net current liabilities		(37.2)	(56.8)
Total assets less current liabilities		361.5	344.8
Non-current liabilities			
Creditors: amounts falling due after more than one year	11	(10.0)	0.2
Provisions: pension liabilities	12	—	(0.1)
Net assets		351.5	344.9
Share capital and reserves			
Called up share capital	13	20.1	20.0
Share premium		47.0	44.6
Capital redemption reserve		0.2	0.2
Retained earnings		284.2	280.1
Total equity		351.5	344.9

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 £36.5m in the year (2023: £49.5m).

Approved by the Board of Directors on 11 March 2025 and signed on its behalf by:

RA Helbing
Director

HK Nichols
Director

Company Number: 671474

Company Statement of Changes in Equity

31 December 2024

	Called up share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2023	20.0	42.8	0.2	257.0	320.0
Comprehensive income					
Profit for the year	—	—	—	49.5	49.5
Other comprehensive income for the year	—	—	—	0.1	0.1
Transactions with owners recognised directly in equity					
Dividends	—	—	—	(28.0)	(28.0)
Credit to equity of share-based payments	—	—	—	3.7	3.7
Satisfaction of long-term incentive and deferred bonus awards	—	—	—	(2.6)	(2.6)
Tax taken directly to the Consolidated Statement of Changes in Equity	—	—	—	0.4	0.4
Shares issued	—	1.8	—	—	1.8
At 31 December 2023	20.0	44.6	0.2	280.1	344.9
Comprehensive income					
Profit for the year	—	—	—	36.5	36.5
Transactions with owners recognised directly in equity					
Dividends	—	—	—	(34.5)	(34.5)
Credit to equity of share-based payments	—	—	—	3.4	3.4
Own shares held by employee benefit trust	—	—	—	1.6	1.6
Satisfaction of long-term incentive and deferred bonus awards	—	—	—	(2.8)	(2.8)
Tax taken directly to the Consolidated Statement of Changes in Equity	—	—	—	(0.1)	(0.1)
Shares issued	0.1	2.4	—	—	2.5
At 31 December 2024	20.1	47.0	0.2	284.2	351.5

Details of share options and related share-based payments are contained in note 24 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 Long Term Incentive Plans and other remuneration agreements 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 £106.8m (2023: £102.8m), representing 2.7 times (2023: 3.0 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 £89.4m available for distribution at 31 December 2024 (2023: £44.8m). Further reserves are available for distribution from trading subsidiaries located overseas, subject to local regulations.

Notes to the Company Financial Statements

1. 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 Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and in accordance with applicable accounting standards but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

As the Consolidated Financial Statements include the equivalent disclosures, the Company has taken the available exemptions under FRS 101 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
- The effects of new but not yet effective IFRSs.

The Accounting Policies set out on pages 200 to 203 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 in subsidiaries 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, where there is a right of and intention to offset, included as a component of cash and cash equivalents. The Group's bank arrangements and facilities with Barclays Bank plc provide the legally enforceable right to offset and the Group demonstrates its intention to offset by regularly sweeping cash balances within each bank. Consequently, the balances have been offset in the Balance Sheet.

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.

1. Company Principal Accounting Policies *continued*

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	up to 20 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Where computer software is non-cloud based and is an integral part of a related item of computer hardware, the software is treated as a tangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software.

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 profit and loss account 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.

1. Company Principal Accounting Policies *continued*

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.

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.

1. Company Principal Accounting Policies *continued*

Ordinary dividends

Dividends are recognised in the Financial Statements in the period in which they are approved by the Company's shareholders. Dividend income is recognised in the Profit and Loss Account on the date the Company's right to receive payment is established.

Financial guarantee contracts

Where the Company provides guarantees relating to bank borrowings and other liabilities of other Group companies, under IFRS 9 such contracts are initially recognised in the financial statements at fair value at the time the guarantee is issued. The company estimates the fair value of the financial guarantee as being the difference between the net present value of the contractual cash flows required under a debt instrument and the net present value of the contractual cash flows that would have been required without the guarantee. Subsequent to initial recognition, the company's liability under each guarantee is measured at the higher of the amount initially recognised less the cumulative amount of income recognised in accordance with the principals of IFRS 15 Revenue from Contracts with Customers and the loss allowance that would be recorded on the exposure. A financial guarantee liability is derecognised when the liability underlying the guarantee is discharged or cancelled or expires if the guarantees withdrawn or cancelled.

2. Profit before taxation

Fees paid to Ernst & Young 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 PLC because the Group Financial Statements are required to disclose such fees on a consolidated basis.

3. Dividends

Dividends paid during the year

	2024		2023	
	Pence per share	£m	Pence per share	£m
Interim dividend paid in relation to year-ended 31 December 2022	—	—	13.0	10.4
Final dividend paid in relation to year-ended 31 December 2022	—	—	22.0	17.6
Interim dividend paid in relation to year ended 31 December 2023	15.0	12.0	—	—
Final dividend paid in relation to year ended 31 December 2023	28.0	22.5	—	—
Total	43.0	34.5	35.0	28.0

Dividends declared in respect of the year

	2024		2023	
	Pence per share	£m	Pence per share	£m
Interim dividend declared in relation to year-ended 31 December 2023	—	—	15.0	12.0
Final dividend declared in relation to year-ended 31 December 2023	—	—	28.0	22.5
Interim dividend declared in relation to year ended 31 December 2024	16.5	13.3	—	—
Final dividend proposed in relation to year ended 31 December 2024	32.5	26.1	—	—
Total	49.0	39.4	43.0	34.5

The final dividend for the year was proposed after the year end date and was not recognised as a liability at 31 December 2024, in accordance with IAS 10.

4. Tangible fixed assets

	Short leasehold properties £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation			
At 1 January 2024	0.4	1.7	2.1
At 31 December 2024	0.4	1.7	2.1
Depreciation			
At 1 January 2024	0.1	0.6	0.7
Charge for the year	0.1	0.2	0.3
At 31 December 2024	0.2	0.8	1.0
Net book value			
At 31 December 2024	0.2	0.9	1.1
At 31 December 2023	0.3	1.1	1.4

5. Leases

The movements in the carrying value of the right-of-use assets and lease liabilities in the year ended 31 December 2024 are as follows:

	Land and buildings £m	Plant and equipment £m	Total £m
Right-of-use assets			
Balance at 1 January 2024	0.2	0.1	0.3
Additions	—	0.2	0.2
Depreciation charge for the year	(0.1)	(0.1)	(0.2)
At 31 December 2024	0.1	0.2	0.3
			Total £m
Lease Liabilities			
Balance at 1 January 2024			0.4
Additions			0.2
Lease payments			(0.2)
At 31 December 2024			0.4

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2024 £m	2023 £m
Depreciation of right-of-use assets	0.2	0.1
Charged to operating profit and profit before taxation	0.2	0.1

The maturities of the lease liabilities at 31 December were as follows:

	2024 £m	2023 £m
Due within one year	0.1	0.1
Due between one and two years	0.2	0.1
Due between two and three years	0.1	0.1
Due between three and five years	—	0.1
Total lease liabilities	0.4	0.4

6. Deferred tax asset

	2024 £m	2023 £m
Deferred tax asset at 1 January	7.2	2.9
(Charge)/credit for the year in the profit and loss account	(4.1)	3.9
(Charge)/credit for the year directly in equity	(0.1)	0.4
Deferred tax asset at 31 December	3.0	7.2
Other timing differences	3.0	7.2

7. Fixed asset investments

	Shares in subsidiary undertakings £m	Total £m
Cost		
At 1 January 2024	386.3	386.3
Additions	29.9	29.9
Disposal	(46.4)	(46.4)
At 31 December 2024	369.8	369.8
Provisions		
At 1 January 2024	96.2	96.2
Disposal	(46.4)	(46.4)
At 31 December 2024	49.8	49.8
Net book value		
At 31 December 2024	320.0	320.0
At 31 December 2023	290.1	290.1

A list of the businesses owned by the Company is given in note 16. All of the Company's subsidiaries are wholly owned.

8. Debtors due in more than one year

	2024 £m	2023 £m
Amounts owed by subsidiary undertakings	74.3	102.6
	74.3	102.6

Amounts owed by subsidiary undertakings are repayable on demand and, if required, can be called upon at the sole discretion of the Company. As the Company does not intend to call on these balances in the next 12 months, they have been classified as debtors due in more than one year. The Company charges interest on these balances at a rate that approximates to the interest rate that it pays on its external borrowing facilities (further details of which are set out in note 23 of the Group Financial Statements).

9. Debtors

	2024 £m	2023 £m
Amounts owed by subsidiary undertakings	6.7	5.9
Corporation tax	6.2	4.2
Other debtors	0.4	0.5
Prepayments and accrued income	2.1	1.7
	15.4	12.3

10. Creditors: amounts falling due within one year

	2024 £m	2023 £m
Bank loans and overdrafts (note 11)		
Bank overdrafts	15.1	15.8
	15.1	15.8
Other creditors		
Trade creditors	3.0	1.5
Other taxation and social security	0.2	0.2
Accruals	5.0	5.6
Other creditors	1.6	1.5
Amounts owed to subsidiary undertakings	27.7	44.5
	37.5	53.3

11. 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 23 of the Group Financial Statements.

	2024 £m	2023 £m
Bank loans	9.7	(0.5)
Lease liabilities	0.3	0.3
	10.0	(0.2)

The Company's bank loans and borrowings are also analysed below into the periods in which they mature:

	2024 £m	2023 £m
Amounts due within one year (note 10)	15.1	15.8
Amounts due after more than one year:		
Between two and five years	9.7	(0.5)
	24.8	15.3

In the prior year the Company had no bank loans falling due after more than one year. The £0.5m bank loan in 2023 represented unamortised bank fees.

12. Pension liabilities

The Company contributes to the Group's Hill & Smith 2016 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 26 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 (2023: £0.4m), which includes the costs of the defined contribution schemes and the defined benefit schemes.

13. Called up share capital

	2024 £m	2023 £m
Allotted, called up and fully paid		
80.4m ordinary shares of 25p each (2023: 80.2m)	20.1	20.0

In 2024 the Company issued 0.2m shares under its various share option schemes (2023: 0.2m), realising £2.5m (2023: £1.8m). Details of share options and related share-based payments are contained in note 24 to the Group Financial Statements.

Each ordinary share carries equal voting rights and there are no restrictions on any share.

14. Guarantees

Subsidiary audit exemptions

Hill & Smith PLC has issued guarantees over the liabilities of the following predominantly non-trading UK subsidiaries as at 31 December 2024 under Section 479C of the Companies Act 2006. These entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act:

Company Name	Company Number
Bergen Pipe Supports Limited	00926644
Bergen Pipe Supports Group Limited	01013871
Hill & Smith (International) Limited	11331411
Hill & Smith (Americas) Limited	07269581
Hill & Smith (Americas) 2 Limited	10783462
Hill & Smith (Americas) 3 Limited	12060645
Asset International Structures Limited	15082506
Hill & Smith Overseas Limited	06614400
Hill & Smith (Treasury) Limited	06814150
Hill & Smith (USA) Limited	06876775
Hardstaff Barriers Limited	02791285
Cobaco Holdings Limited	08317210
Signpost Solutions Limited	01084535
Mallatite Minor Structures & Products Limited	13717429
Bowater Doors Limited	13738120
Examet Limited	13748629
VMS Newco Limited	12968560
Varley & Gulliver Limited	00330433
Ash & Lacy Limited	00047169
Ash & Lacy Manufacturing Limited	03008964
Ash & Lacy Services Limited	02798286
Hawkshead Properties Limited	00562451
Redman Fisher Engineering Limited	00169316
Hill & Smith (Australia) Limited	14411306
Widnes Galvanising Limited	02206443
Black Oldco Limited	14466538

The Company guarantees the bank loans, overdrafts and other borrowings of certain subsidiary undertakings. The amount outstanding at 31 December 2024 was £97.1m (2023: £100.2m).

15. 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 6 to the Group Financial Statements.

The Company has taken the available exemption under FRS 101 not to disclose transactions with wholly owned Group companies.

16. Subsidiaries

Incorporated in the UK

AAJG Holdings Limited (H)
 Access Design & Engineering Limited (D)
 Ash & Lacy Limited (H)*
 Ash & Lacy Manufacturing Limited (H)
 Ash & Lacy Services Limited (H)
 Asset International Limited (D)
 Asset International Structures Limited (R)
 ATG Access Ltd (R)
 A W Thorne Limited (D)*
 Barkers Engineering Limited (R, G)
 Bergen Pipe Supports Group Limited (H)*
 Bergen Pipe Supports Limited (D)
 Berry Safety Systems Limited (D)*
 Black Oldco Limited (R)
 Bipel Group plc (D)
 Birtley Group Limited (E, G) *
 Bowater Doors Limited (E)
 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 (E)
 Forgen Renewables Limited (D)
 Hawkshead Properties Limited (H)
 Hardstaff Barriers Limited (D)
 Hill & Smith (Americas) Limited (H)
 Hill & Smith (Americas) 2 Limited (D)
 Hill & Smith (Americas) 3 Limited (D)
 Hill & Smith (Australia) Limited (H)
 Hill & Smith (Treasury) Limited (D)*
 Hill & Smith (USA) Limited (D)
 Hill & Smith (VSG) Limited (D)
 Hill & Smith Galvanized Products Limited (D) *
 Hill & Smith Group Limited (D)
 Hill & Smith PLC (H)
 Hill & Smith (International) Limited (D)
 Hill & Smith Infrastructure Products Group Limited (D)
 Hill & Smith Infrastructure Limited (R)*
 Hill & Smith Overseas Limited (H)*
 Hill & Smith Pension Trustees Limited (D) *
 H&S Expamet Limited (D)
 J. & F. Pool Limited (D)
 Jevons Tools Limited (D)
 Joseph Ash Limited (G)

Lionweld Steel Limited (D)
 Lionweld Kennedy Flooring Limited (E)*
 Mallatite Limited (R)*
 Mallatite Minor Structures & Products Limited (R)
 Medway Galvanising Company Limited (G)
 Parking Facilities Ltd (R)
 Pipe Supports Overseas Limited (H)*
 Post & Column Limited (D)
 Premier Galvanizing Limited (G)
 Prolectric Services Limited (R)
 Redman Architectural Metalwork Limited (D)
 Redman Fisher Engineering Limited (D)
 Safety and Security Barrier Holdings Limited (D)
 Signature Limited (D)
 Signpost Solutions Limited (D)
 Tegrel Limited (D)*
 Telford Galvanizers Limited (D)
 The Global Tank and Foundry (Wolverhampton) Limited (D)
 Variable Message Signs Limited (D)
 Varley & Gulliver Limited (D)
 Vista Galvanizing (UK) Limited (D)
 VMS Newco Limited (R)
 Western Galvanizers Limited (D)
 Widnes Galvanising Limited (G)
 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.

(E) Engineered Solutions

(R) Roads & Security

(G) Galvanizing

(D) Dormant

(H) Holding Company

* Directly held by Hill & Smith PLC

16. Subsidiaries *continued*

Incorporated in the USA

Balance Oldco Inc. (D)
 Bergen Pipe Supports, Inc. (E)
 Carpenter & Paterson, Inc. (E)
 Creative Pultrusions, Inc. (E)
 CPK Manufacturing LLC (E)
 CPCA Manufacturing LLC (E)
 Enduro Composites, Inc. (E)
 Hill & Smith Group Holdings, Inc. (H)
 Hill & Smith US Group Inc (H)
 Hill & Smith, Inc. (R)
 National Signal LLC (R)
 Novia Corporation (E)
 Prolectric US Inc. (D)
 Voigt & Schweitzer LLC (H)
 V&S Whitlow Electric LLC (E)
 V&S Capital Steel LLC (E)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 Korns Galvanizing (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. (E)
 V&S Schuler Tubular Products LLC (E)
 V&S Taunton Galvanizing, LLC (G)

Incorporated in Australia

Hill & Smith Pty Limited (R)

Incorporated in Jersey

Hill & Smith (Jersey) Limited (H)

Vista Limited (H)

Incorporated in India

Bergen Pipe Supports (India) Private
 Limited (E)

Hill & Smith Infrastructure Products India
 Private Limited (D)

Incorporated in Ireland

Redman Fisher Limited (E)

Hill & Smith (Ireland) Unlimited Company (D)

Incorporated in Norway

ATA Hill & Smith AS (R)

Incorporated in Spain

Prolectric Solar Lighting SL (D)

All of the above subsidiaries not incorporated in the UK 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.

(E) Engineered Solutions

(R) Roads & Security

(G) Galvanizing

(D) Dormant

(H) Holding Company

* Directly held by Hill & Smith PLC

Five Year Summary

Continuing operations	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Revenue	855.1	829.8	732.1	625.2	588.4
Underlying operating profit	143.5	122.5	97.1	77.3	64.7
Underlying profit before taxation	132.6	111.9	87.9	71.1	57.3
Shareholders' funds	475.7	424.5	395.0	339.6	320.5
	Pence	Pence	Pence	Pence	Pence
Underlying earnings per share	122.6	105.4	85.4	70.0	57.9
Proposed dividends per share	49.0	43.0	35.0	31.0	26.7

Financial calendar

Annual General Meeting	Thursday 22 May 2025
Trading Update	Thursday 22 May 2025
Ex-dividend date for 2024 final dividend	Thursday 29 May 2025
Record date 2024 final dividend	Friday 30 May 2025
Dividend Reinvestment Plan – last date for election	Friday 13 June 2025
2024 final dividend payable	Friday 4 July 2025
Announcement of 2025 interim results	Wednesday 13 August 2025
Trading Update	Wednesday 26 November 2025

Shareholder information

Shareholder Base

Holdings of shares at 10 March 2025

Range of Shareholders	Number of Holders	%	Number of Shares	%
1 – 500	549	31.79	98,194	0.12
501 – 1000	229	13.26	178,787	0.22
1001 – 5000	457	26.46	1,116,174	1.39
5001 – 50,000	289	16.73	4,701,496	5.84
50,001 – 100,000	72	4.17	5,210,868	6.48
100,001 – 500,000	94	5.44	22,541,887	28.01
500,001 – 1,000,000	19	1.10	12,249,529	15.22
Above 1,000,001	18	1.04	34,369,268	42.71
	1,727	100.0	80,466,203	100.0

Shareholder Base

	Number of Holders	%	Number of Shares	%
Individuals	1,189	68.85	2,732,975	3.40
Institutions	529	30.63	77,591,682	96.43
Other corporate	9	0.52	141,546	0.18
	1782	100.0	80,309,876	100.0

Dividend History – Dividend per Share

	2024	2023	2022	2021	2020
Interim	16.5p	15.0p	13.0p	12.0p	9.2p
Final	32.5p	28.0p	22.0p	19.0p	17.5p
	49.0p	43.0p	35.0p	31.0p	26.7p

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.hsgroup.com and includes share price information, investor relations information and contact details.

Annual General Meeting

The AGM will be held on Thursday 22 May 2025 at 11.00am at Cranmore Park Conference and Exhibition Centre, Cranmore Avenue, Shirley, Solihull, B90 4LF. 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 call 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.
- DRIP shares will be purchased as soon as possible on or after the dividend pay date.

Shareholder helpline number

There is a Computershare helpline for shareholders who have enquiries about their shareholdings. The dedicated helpline number is 0370 707 1058.

Principal Group businesses

US Engineered Solutions

United States

Creative Composites Group

Fiber reinforced polymer (FRP) composite solutions

214 Industrial Lane, Alum Bank
Pennsylvania 15521 USA

Tel: +1 (814) 839 4186

www.creativecompositesgroup.com

V&S Utilities

Electrical transmission and distribution substation structures

2240 Allen Avenue S.E.
Canton, Ohio 44707 USA

Tel: +1 (330) 452 5200

www.vsschuler.com

The Paterson Group

Engineered pipe support solutions and ancillary products

434 Latigue Road
Waggaman, LA 70094 USA

Tel: +1 (504) 431 7722

www.pipehangers.com

Novia Corporation Inc.

Vibration and seismic control solutions

1 Northwestern Drive
Salem, New Hampshire 03079 USA

Tel: +1 (603) 898 8600

www.cp-novia.com

National Signal LLC

Solar light towers, message signs and other construction equipment

14489 Industry Circle
La Mirada, CA 90638 USA

Tel: +1 714-441-7707

www.nationalsignalinc.net

Hill & Smith Inc.

Roadside and workzone safety products and solutions

2740 Airport Drive, Suite 310/320
Columbus, Ohio 43219 USA

Tel: +1 (614) 340 6294

www.hillandsmith.com

UK & India Engineered Solutions

United Kingdom

Hill & Smith Infrastructure Limited

Temporary and permanent road safety barriers, vehicle restraint systems, security solutions, bridge parapets and retained earth systems

Springvale Business & Industrial Park
Bilston, Wolverhampton WV14 0QL

Tel: +44 (0) 1902 499400

www.hill-smith.co.uk

Mallatite Limited

Lighting columns and traffic safety solutions

Holmewood Industrial Estate, Hardwick View Road,
Holmewood, Chesterfield,
Derbyshire S42 5SA

Tel: +44 (0) 1246 593280

www.mallatite.co.uk

Prolectric Services Limited

Sustainable lighting, power and security solutions

35 Hither Green Industrial Estate,
Cleveland BS21 6XU

Tel: +44 (0)1275400570

www.prolectric.co.uk

ATG Access LTD

Hostile vehicle mitigation and perimeter security solutions

Cobaco House, North Florida Road
Haydock Industrial Estate, Haydock,
Merseyside WA11 9TP

Tel: +44 (0) 8456 757574

www.atgaccess.com

Barkers Engineering Limited

Perimeter security solutions

Duke Street, Fenton, Stoke-on-Trent,
Staffordshire ST4 3NS

Tel: +44 (0) 1782 319264

www.barkersengineering.com

Birtley Group Ltd

Galvanized lintels, construction fittings, composite doors, builders' metalwork & plasterers' accessories

Mary Avenue, Birtley,
County Durham DH3 1JF

Tel: +44 (0) 191 410 663

www.birtleygroup.co.uk

Lionweld Kennedy Flooring Ltd

Open steel flooring, handrailing and ancillary products

Marsh Road, Middlesbrough TS1 5JS

Tel: +44 (0) 1642 24515

www.lk-uk.com

India

Bergen Pipe Supports (India) Private Ltd

Engineered pipe support solutions

Incorporated in India

Plot No.12, Ground Floor
'RADHA'

Mangala Nagar Main Road
Porur, Chennai 600116
India

Tel: +91 8576 305 666

www.pipesupports.com

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

www.josephash.co.uk

United States Of America

Voigt & Schweitzer LLC

Galvanizing services

987 Buckeye Park Road,

Columbus, Ohio 43207

USA

Tel: +1 (614) 449 8281

www.hotdipgalvanizing.com

Note: Divisional reporting structure as of 1 January 2025.

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EC2N 4JL

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