FINANCIALS REPORT

INDEPENDENT AUDITOR'S REPORT

to the members of Severfield plc

1. Our opinion is unmodified

We have audited the financial statements of Severfield plc ("the Company") for the 53 week period ended 30 March 2024 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 March 2024 and of the Group's profit for the period 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 UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the shareholders on 2 September 2015. The period of total uninterrupted engagement is for the nine financial years ended 30 March 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

OVERVIEW		
MATERIALITY: Group financial statements as a whole	£1.5m (2023: £1.4m) 4.7% of normalised group profit before tax (2023: 5.1% of group profit before tax)	
COVERAGE	94% (2023: 97%) of group profit before tax	
KEY AUDIT MATTERS		**VS 2023**
RECURRING RISKS	Carrying value of construction contract assets and onerous contract provisions, and revenue and profit recognition in relation to construction contracts	◀▶
	Parent Company's Key audit matter: Carrying value of parent Company's investments in subsidiaries and joint ventures, and recoverability of intercompany debtors	◀▶
EVENT DRIVEN	**New:** Identification and separate recognition of intangible assets and the resulting goodwill from the Voortman business combination	▲

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

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

	THE RISK	OUR RESPONSE
Carrying value of construction contract assets and onerous contract provisions, and revenue and profit recognition in relation to construction contracts Revenue: £464.6m (2023: £491.8m) Contract Asset: £36.8m (2023: £48.8m) Onerous contract provisions: £8.4m (2023: £nil) Refer to page 126 Audit Committee Report, pages 179 to 187 (accounting policies) and note 18 (financial disclosures).	**Subjective estimate** The Group's activities are undertaken via long-term construction contracts. The carrying value of the construction contract assets and onerous contract provisions, as well as the revenue and profit recognised, are based on an input measure (being costs incurred to date as a proportion of estimated total contract costs) and estimates of total contract consideration (being agreed contract consideration plus elements of variable consideration such as instances where the value of contract modifications is currently unagreed). Estimated total contract costs, and as a result revenues, can be affected by a variety of uncertainties that depend on the outcome of future events resulting in revisions throughout the contract period. In addition, during the current year, the Group has identified a number of loss-making contracts, and therefore has recognised a contract loss provision. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the carrying value of contract assets and onerous contract provisions, revenue and profit recognised on construction contracts 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, and possibly many times that amount. Therefore, auditor judgement is required to assess whether the directors' estimates for total forecast costs and variable consideration falls within an acceptable range. The financial statements (note 2) disclose the nature and extent of the estimates and judgements made by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Our sector experience:** Identifying high risk contracts with risk indicators including: large carrying value of contract assets, low margin or loss-making contracts with significant costs to complete estimates, uncertainty over variable consideration, and large contracts with significant costs to complete; – **Tests of detail:** For the high risk contracts identified, assessing management's judgement that revenue recognised is highly probable to not be reversed by agreeing to post period-end revenue certification, customer variation agreement or cash; – **Our sector experience:** Assessing forecast costs to complete in the sample of high risk contracts by understanding contract performance and costs incurred post period-end, along with discussion and challenge of management's costs to complete estimates through comparison with original budgets, current run rates and known risks; – **Tests of detail:** Assessing the accuracy of costs incurred to date through sample testing, including an assessment of whether the cost sampled was allocated to the appropriate contract; – **Historical comparisons:** Assessing the extent to which management are able to accurately forecast contract revenue and costs by comparing initial forecasted margins against the actual margins achieved for all contracts open at both the current and prior year end; – **Site visits:** For certain higher risk or larger value contracts, attending in person site visits, with the involvement of our own industry specialists, inspecting the physical progress on site for individual projects and identifying areas of complexity through observation and discussion with site personnel; – **Our major projects expertise:** For certain higher risk or larger contracts, using specialists from our Major Projects Advisory team to identify the risks and opportunities associated with the contract and develop a range of possible contract out-turns and challenge the appropriateness of revenue recognised and provisions held in relation to these contracts; – **Assessing transparency:** Assessing the adequacy of the Group's disclosures on revenue recognition and the degree of estimation involved in arriving at the construction contract assets and onerous contract provisions and associated revenue and profit recognition. **Our results** We found the carrying value of construction contract assets and onerous contract provisions, and revenue and profit recognition in relation to construction contracts, to be acceptable (2023: acceptable).

	THE RISK	OUR RESPONSE
Identification and separate recognition of intangible assets acquired and the resulting goodwill from the Voortman business combination Intangible assets acquired: (£3.9m) Resulting goodwill: (£16.3m) Refer to page 126 Audit Committee Report, page 181 (accounting policy) and page 213 (financial disclosures).	**Significant judgement:** On 3rd April 2023 the Group acquired 100 per cent of the share capital of Voortman Steel Construction Holding B.V. and its subsidiaries for a net cash consideration of €24m (£21.2m). Goodwill of £16.3m and identified intangible assets of £3.9m have been recognised in respect of this acquisition. Accounting for the acquisition involves the use of a high level of judgement to identify and recognise intangible assets separately from goodwill.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Our valuation expertise:** Using our own valuation specialists to assess the methodology used to identify the separate intangible assets that should be recognised, and challenging the completeness of these by considering other possible intangible assets which could have been recognised; – **Test of details:** Re-performing management's calculations in relation to the goodwill, consideration and intangible assets recognised on acquisition; – **Test of details:** Inspecting the purchase agreements, board minutes and market announcements and assessing whether the purchase price allocation accounting reflected these documents, as well as comparing the intangible assets identified by management to our understanding of the rationale for the purchase based on our inspection of these documents; – **Assessing valuer's credentials:** Assessing the competence, capabilities and objectivity of the external valuation experts engaged by the Group to assist in identifying the intangible assets. – **Assess transparency:** Assessing the adequacy of the Group's disclosures in respect of the judgements involved in determining the identification and separate recognition of intangible assets acquired and the resulting goodwill. **Our results** We found the Group's conclusions with regards to the identification and separate recognition of intangible assets acquired and the resulting goodwill to be acceptable.

	THE RISK	OUR RESPONSE
Carrying value of parent Company's investments in subsidiaries and joint ventures, and recoverability of intercompany debtors Investments: (£181.6 million; 2023: £152.6m) Amounts owed by subsidiary undertakings: (£42.4 million; 2023: £106.9) Refer to page 126 Audit Committee Report, page 224 (accounting policy) and page 227 (financial disclosures).	**Low risk, high value:** The carrying amount of the parent Company's investments in subsidiaries and joint ventures, and the intra-group debtor balances represent 61% (2023: 46%) and 14% (2023: 32%) respectively of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Tests of detail:** Comparing the carrying amount of 100% of the investments balance with the relevant subsidiaries' and joint ventures' draft balance sheets to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries and joint ventures have historically been profit making; – **Tests of detail:** Assessing 100% of group debtors to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making. – **Assessing subsidiary audits:** Assessing the work performed by the subsidiary/joint venture audit team, and considering the results of that work, on their net assets and profits, including assessing the ability of the subsidiary/joint venture to obtain liquid funds and therefore their ability to fund the repayment of the receivable. – **Comparing valuation:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of that subsidiary's or joint venture's profit. **Our results** – We found the Company's conclusion that there is no impairment of its investments in subsidiaries, joint ventures and intercompany debtors to be acceptable (2023: acceptable).

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

Materiality for the Group financial statements as a whole was set at £1,500,000 (2023: £1,370,000), determined with reference to a benchmark of Group profit before tax , normalised to add back this year's legacy employment tax charges and asset impairment charges as disclosed in note 5 (2023: Group profit before tax), of which it represents 4.7% (2023: 5.1%). We adjusted for these items because they do not represent the normal, continuing operations of the Group. Materiality for the parent company financial statements as a whole was set at £1,200,000 (2023: £959,000), determined with reference to a benchmark of Company total assets, of which it represents 0.4% (2023: 0.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to £1,125,000 (2023: £1,020,000) for the Group and £900,000 (2023: £719,000) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £75,000 (2023: £68,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT

to the members of Severfield plc

Of the Group's 24 (2023: 15) reporting components, we subjected 7 (2023: 7) to full scope audits for group purposes.

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

The remaining 11% (2023: 5%) of total Group revenue, 6% (2023: 3%) of Group profit before tax and 15% (2023: 4%) of total Group assets is represented by 17 (2023: 8) reporting components, none of which individually represented more than 6% (2023: 4%) of any of total Group revenue, Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back on.

The Group team approved the component materialities, which ranged from £600,000 to £1,200,000 (2023: £411,000 to £1,096,000) having regard to the mix of size and risk profile of the Group across the components.

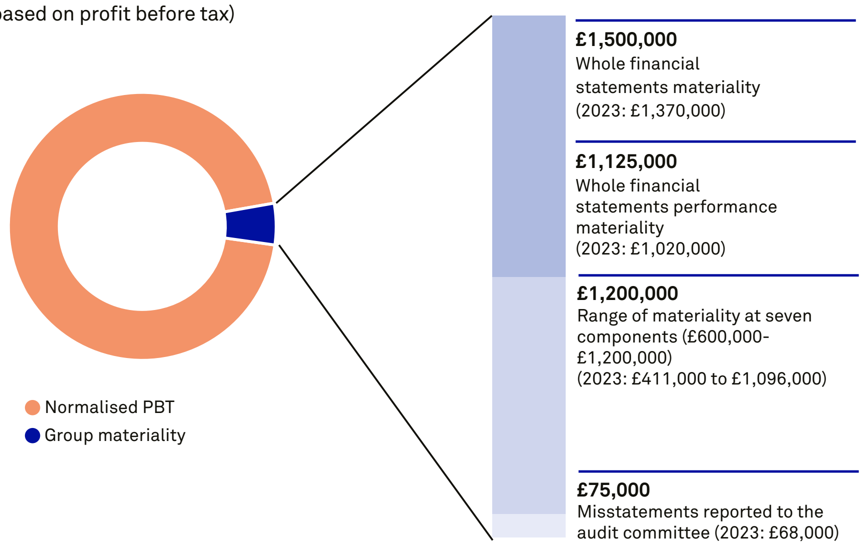
The work on 1 of the 7 components (2023: 1 of 7 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The group team performed procedures on the items excluded from normalised group profit before tax.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

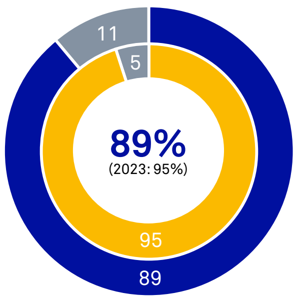
The Group team visited the component team in the Netherlands (2023: India) to assess the audit risk and strategy. Video and telephone conference meetings were also held with the component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. The Group team also reviewed the audit file of the component auditor.

Normalised profit before tax
£31,976,000 (2022: £27,107,000 based on profit before tax)

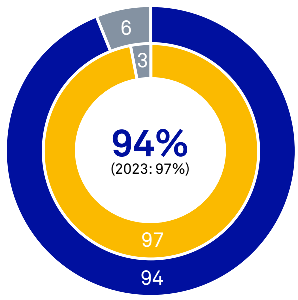
Group Materiality
£1.50m (2023: £1.37m)



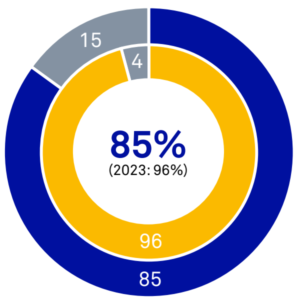
Group revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2024
- Full scope for group audit purposes 2023
- Residual components

4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were:

- ongoing economic issues including inflationary pressures and the resulting challenging market; and
- the potential for contract assets to increase as a result of contractual disputes or operational difficulties, leading to an increased working capital requirement.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test).

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

– we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

– we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;

– we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and

– the related statement under the Listing Rules set out on page 51 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal legal counsel and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management, including underlying profit before tax target for management remuneration.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at a Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, both in the current period and in future periods, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that contract revenue is recognised in an overly optimistic or cautious manner given the subjective nature and risk of bias in the related accounting estimates, and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

Further detail in respect of contract revenue is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations.
- Assessing significant accounting estimates for bias.
- Procedures over contract revenue performed for all full scope components are detailed in section 2 of this report.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit . This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly , the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and employment law recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the legacy employment taxation matter discussed in note 5 we assessed disclosures against our understanding from correspondence with the taxation authorities and used our taxation specialists to help us assess the matter.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report
Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Disclosures of emerging and principal risks and longer-term viability
We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement (page 52) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 52 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures
We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 163, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

CRAIG PARKIN (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KPMG LLP, STATUTORY AUDITOR

Chartered Accountants
1 Sovereign Street
Sovereign Square
Leeds
LS1 4DA

19 June 2024

CONSOLIDATED INCOME STATEMENT

Year ended 30 March 2024

	Note	Underlying year ended 30 March 2024 £000	Non-underlying year ended 30 March 2024 £000	Total year ended 30 March 2024 £000	Underlying year ended 25 March 2023 £000	Non-underlying year ended 25 March 2023 £000	Total year ended 25 March 2023 £000
Revenue	3	463,465	–	463,465	491,753	–	491,753
Operating costs	4	(425,775)	(13,225)	(439,000)	(458,686)	(4,811)	(463,497)
Operating profit before share of results of JVs and associates		37,690	(13,225)	24,465	33,067	(4,811)	28,256
Share of results of JVs and associates	15	1,950	–	1,950	1,898	–	1,898
Operating profit		39,640	(13,225)	26,415	34,965	(4,811)	30,154
Net finance expense	7	(3,095)	(300)	(3,395)	(2,489)	(558)	(3,047)
Profit before tax		36,545	(13,525)	23,020	32,476	(5,369)	27,107
Taxation	8	(9,076)	1,957	(7,119)	(6,238)	697	(5,541)
Profit for the year attributable to the equity holders of the parent		27,469	(11,568)	15,901	26,238	(4,672)	21,566
Earnings per share:							
Basic	10	8.94p	(3.76)p	5.18p	8.48p	(1.51)p	6.97p
Diluted	10	8.85p	(3.72)p	5.13p	8.39p	(1.49)p	6.90p

Further details of non-underlying items are disclosed in note 5 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 March 2024

	Note	Year ended 30 March 2024 £000	Year ended 25 March 2023 £000
Items that will not be reclassified to profit and loss:			
Actuarial loss on defined benefit pension scheme	30	**(745)**	(701)
Share of other comprehensive income of JVs and associates accounted for using the equity method	15	**869**	–
Tax relating to components that will not be reclassified	21	**186**	175
		310	(526)
Items that may be reclassified to profit and loss:			
Gains/(losses) taken to equity on cash flow hedges	25	**1,239**	(1,147)
Reclassification adjustments on cash flow hedges	25	**(314)**	243
Exchange difference on foreign operations	25	**(264)**	(86)
Tax relating to components that may be reclassified	21	**(398)**	153
		263	(837)
Other comprehensive income for the year		**573**	(1,363)
Profit for the year from continuing operations		**15,901**	21,566
Total comprehensive income for the year attributable to equity holders of the parent		**16,474**	20,203

CONSOLIDATED BALANCE SHEET

At 30 March 2024

	Note	As at 30 March 2024 £000	As at 25 March 2023 £000
Assets			
Non-current assets			
Goodwill	11	98,469	82,188
Other intangible assets	12	5,508	7,095
Property, plant and equipment	13	96,434	92,067
Right-of-use assets	14	18,651	13,018
Interests in JVs and associates	15	37,364	31,784
Deferred tax assets	21	1,828	–
Contract assets, trade and other receivables	18	1,050	2,245
		259,304	228,397
Current assets			
Inventories	16	11,648	13,231
Contract assets, trade and other receivables	18	88,334	109,721
Derivative financial instruments	22	675	25
Current tax assets		4,646	2,278
Cash and cash equivalents	22	13,803	11,338
		119,106	136,593
Total assets		378,410	364,990
Liabilities			
Current liabilities			
Bank overdraft	22	(3,409)	–
Contract liabilities, trade and other payables	19	(78,934)	(102,699)
Provisions	20	(11,819)	–
Financial liabilities – borrowings	22	(6,200)	(4,150)
Financial liabilities – leases	22	(2,931)	(2,172)
		(103,293)	(109,021)
Non-current liabilities			
Contract liabilities, trade and other payables	19	(1,095)	(2,377)
Retirement benefit obligations	30	(11,464)	(12,871)
Financial liabilities – borrowings	22	(13,800)	(4,800)
Financial liabilities – leases	22	(16,142)	(11,224)
Deferred tax liabilities	21	(11,865)	(6,979)
		(54,366)	(38,251)
Total liabilities		(157,659)	(147,272)
Net assets		220,751	217,718
Equity			
Share capital	24	7,739	7,739
Share premium		88,522	88,522
Other reserves	25	4,728	5,959
Retained earnings		119,762	115,498
Total equity		220,751	217,718

The consolidated financial statements were approved by the board of directors on 19 June 2024 and signed on its behalf by:

ALAN DUNSMORE
CHIEF EXECUTIVE OFFICER

ADAM SEMPLE
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 March 2024

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 26 March 2023		**7,739**	**88,522**	**5,959**	**115,498**	**217,718**
Total comprehensive income for the year		**–**	**–**	**1,530**	**14,944**	**16,474**
Equity-settled share-based payments	25	**–**	**–**	**(1,234)**	**3,007**	**1,773**
Purchase of own shares	25	**–**	**–**	**(4,500)**	**–**	**(4,500)**
Allocation of owned shares	25	**–**	**–**	**2,973**	**(2,973)**	**–**
Dividends paid		**–**	**–**	**–**	**(10,714)**	**(10,714)**
At 30 March 2024		**7,739**	**88,522**	**4,728**	**119,762**	**220,751**

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 27 March 2022		7,738	88,511	4,485	103,226	203,960
Total comprehensive income for the year		–	–	(991)	21,194	20,203
Ordinary shares issued*		1	11	–	–	12
Equity-settled share-based payments	25	–	–	2,465	955	3,420
Dividends paid		–	–	–	(9,877)	(9,877)
At 25 March 2023		7,739	88,522	5,959	115,498	217,718

* The issue of shares represents shares allotted to satisfy the 2018, 2020 and 2021 Sharesave schemes.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 March 2024

	Note	Year ended 30 March 2024 £000	Year ended 25 March 2023 £000
Net cash flow from operating activities	26	**45,136**	50,292
Cash flows from investing activities			
Proceeds on disposal of other property, plant and equipment		**408**	317
Purchases of land and buildings		**(410)**	(635)
Purchases of intangible assets		**–**	(168)
Purchases of other property, plant and equipment		**(10,911)**	(5,668)
Acquisition of subsidiary, net of cash acquired	29	**(22,551)**	–
Investment in JVs and associates		**(2,801)**	–
Payment of deferred and contingent consideration		**(1,183)**	(8,534)
Net cash used in investing activities		**(37,448)**	(14,688)
Cash flows from financing activities			
Interest paid		**(3,220)**	(2,495)
Dividends paid		**(10,714)**	(9,877)
Proceeds from shares issued		**–**	12
Purchase of own shares (net of SAYE cash received)		**(3,120)**	–
Proceeds from borrowings		**19,000**	–
Repayment of borrowings		**(7,950)**	(5,900)
Repayment of lease liabilities		**(2,628)**	(2,032)
Net cash used in financing activities		**(8,632)**	(20,292)
Net (decrease)/increase in cash and cash equivalents		**(944)**	15,312
Cash and cash equivalents at beginning of year		**11,338**	(3,974)
Cash and cash equivalents at end of year	27	**10,394**	11,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 March 2024

1. Significant accounting policies

General information

Severfield plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is provided on page 229. The registered number of the Company is 1721262. The nature of the Group's operations and its principal activities are set out on pages 6 to 15. These financial statements are presented in sterling, which is the currency of the primary economic environment in which the Group operates.

Basis of preparation

The consolidated financial statements are prepared in accordance with UK-Adopted international accounting standards and in conformity with the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of some financial instruments. The principal accounting policies adopted are set out below.

Climate change

The Group recognises the systematic risk posed by climate change and the need for urgent mitigating action and are committed to addressing climate-related risks and reducing the Group's environmental impact and carbon emissions.

The impact of climate change has been considered in the preparation of these financial statements across a number of areas, including; the measurement of financial instruments, the carrying value and remaining useful lives of property, plant and equipment, the carrying value of goodwill and the Group's going concern and long-term viability assessments. None of these had a material impact on the consolidated financial statements. The Group will continue to develop its assessment of the financial impacts of climate change.

Financial period

The Group's annual report and accounts are made up to an appropriate Saturday around 31 March each year. For 2024, trading is shown for the 53-week period ended on 30 March 2024 (2023: 52-week period ended 25 March 2023). All references to 'the year ended 30 March 2024', throughout the annual report, relate to the 53-week period ended 30 March 2024.

The financial statements of the Group's joint venture, JSSL, are made up to the year ended 31 March 2024 (2023: year ended 31 March 2023).

Adoption of new and revised standards

The following new and amended standard, adopted in the current financial year, had no significant impact on the financial statements.

- IFRS 17 'Insurance Contracts' and Amendments to IFRS 17 'Insurance contracts';
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Account policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes: International Tax reform – Pillar Two Model Rules

Accounting standards not yet adopted by the Group

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these financial statements as their effective dates fall in periods beginning on or after 1 April 2024.

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current';
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure: Supplier Finance Arrangements.
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
- Amendments to IAS 1 'Non-Current Liabilities with Covenants' and;
- Amendments to IFRS 16 'Lease liability in a sale and lease back'.

The group is assessing the impact of these new standards and the Group's financial reporting will be presented in accordance with these standards from the relevant accounting period.

1. Significant accounting policies continued

Going concern

In determining whether the Group's annual consolidated financial statements can be prepared on the going concern basis, the directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities.

The following factors were considered as relevant:

- The UK and Europe order book and the pipeline of potential future orders;
- The Group's cash position and its borrowing facilities (see note 22), which are committed until December 2026, including both the level of those facilities and the three financial covenants attached to them (interest cover (>4x), net debt to EBITDA (<3.0x) and cash flow cover (>1x)); and
- The current market trading conditions and the potential impact of significant downside risks linked to our principal risks on the Group's profits and cash flows.

In the current financial year, the Group continued to trade profitably with positive operating cash flows and has a significant order book with strong earnings visibility into the next financial year and beyond. The directors have reviewed the Group's forecasts and projections for 2025 and for at least 12 months from the date of approval of the financial statements, including sensitivity analysis to assess the Group's resilience to potential adverse outcomes including a highly pessimistic 'severe but plausible' scenario. This 'severe but plausible' scenario is based on the combined impact of securing only 25 per cent of budgeted uncontracted orders for the next 12 months, one-off contract losses, a deterioration of market conditions and other downside factors. Given the strong previous performance of the Group, this scenario is only being modelled to stress test our strong financial position and demonstrates the existence of considerable headroom in the Group's covenants and borrowing facilities in this 'severe but plausible' scenario.

Having also made appropriate enquiries, the directors consider it reasonable to assume that the Group has adequate resources to be able to operate within the terms and conditions of its financing facilities for at least 12 months from the approval of the Group financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the Group financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company made up to the reporting date each year. Control is achieved where the Company has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Where relevant, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-underlying items

Non-underlying items have been separately identified by virtue of their magnitude or nature to enable a full understanding of the Group's financial performance and to make year-on-year comparisons. They are excluded by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group and are normally excluded by investors, analysts and brokers when making investment and other decisions. For an item to be considered as non-underlying, it must satisfy at least one of the following criteria:

- A significant item, which may span more than one accounting period;
- An item directly incurred as a result of either a business combination, disposal, or related to a major business change or restructuring programme; and
- An item which is unusual in nature (outside the normal course of business).

Non-underlying items have included the non-cash amortisation of acquired intangible assets, acquisition and similar transaction costs, and fair value adjustments for contingent consideration, all of which arise from business combinations and are classified as non-underlying because of the nature and expected infrequency of the events giving rise to them. Other non-underlying items have included, but are not limited to, significant rectification and remediation costs for completed contracts, certain one-off legal and consultancy costs, and impairments.

1. Significant accounting policies continued

Non-underlying items are presented as a separate column within their related consolidated income statement category on a consistent basis for each half year and full year results. The exclusion of non-underlying items may result in underlying earnings being materially higher or lower than total earnings. In particular, when items associated with purchase price allocations on business combinations are excluded, underlying earnings will be higher than total earnings.

Further details of non-underlying items are disclosed in note 5 to the consolidated financial statements.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Investments in joint ventures and associates

An associated company is an entity over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

A joint venture is an entity over which the Group is in a position to exercise joint control. The Group has adopted the equity method of accounting (as discussed below) for joint ventures and associated companies (together 'JVs and associates'), in accordance with IFRS 11.

The results and assets and liabilities of JVs and associates are incorporated in these financial statements using the equity method of accounting unless it meets the exceptions described in IAS 28. Investments in JVs and associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of their net assets, less any impairment in the value of individual investments. Losses in excess of the Group's interest in those JVs and associates are not recognised unless, and only to the extent that, the Group has incurred legal or constructive obligations on their behalf.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the JVs and associates at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the JVs and associates at the date of acquisition (i.e. discount on acquisition) is credited in the consolidated income statement in the period of acquisition.

The consolidated income statement includes the Group's share of the JVs and associates' profit less losses, whilst the Group's share of the net assets of the JVs and associates is shown in the consolidated balance sheet.

Goodwill

The Group recognises goodwill at cost less accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately as a loss and is not subsequently reversed.

Any contingent consideration is recognised at the date of acquisition. For acquisitions, subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The measurement period is the period from the date of acquisition to the date that the Group obtains complete information about facts and circumstances that existed as at the date of acquisition and is subject to a maximum of one year. If the change does not qualify as a measurement period adjustment, it is reflected in the consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisition is recognised immediately in the consolidated income statement.

1. Significant accounting policies continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided, net of sales taxes, rebates and discounts, after eliminating revenue within the Group.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Construction contracts

Revenue arises mainly from contracts for the design, fabrication and construction of structural steelwork. To determine whether to recognise revenue, the Group applies this five-step process:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price of the contract(s);
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

The Group enters into contracts for the design, fabrication and construction of structural steel projects in exchange for the agreed consideration and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. The transaction price is measured based on the consideration specified in a contract with a customer and, where applicable, the best estimate of any consideration related to modifications to the contract. Revenue recognised includes retentions and is net of rebates, discounts and value added tax. To depict the progress by which the Group transfers control of the construction to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by use of the input method (costs to complete). Where a modification to an existing contract occurs, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied or whether it is a modification to the existing performance obligation. This method is considered to most faithfully depict the transfer of goods and services to the customer over the life of the performance obligation.

The majority of construction contracts have payment terms based on contractual milestones, which are not necessarily aligned to when revenue is recognised, particularly for those contracts where revenue is recognised over time using the input method to determine the percentage of completion. This generally leads to recognition of revenue in advance of customer billings, for which a contract asset is recognised. Where cash is received from the customer in advance of recognising revenue under a contract, a contract liability is recorded (advance payments from customers). The practical expedient available under IFRS 15 has been taken, thus the Group does not adjust the promised amount of consideration for the effects of financing if the timing difference between the satisfaction of the performance obligations under the contract and the receipt of payment due under the contract are expected to be one year or less.

The general principles for revenue recognition are as follows:

- Revenues on contracts are recognised over time, using the input method, when progress towards complete satisfaction of the performance obligation can be reasonably measured.
- Provision is made for total losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.
- Variations are included in the transaction price when the customer has agreed the revised scope of work, or a new legally enforceable right has arisen. Where a new legally enforceable right has arisen or a contract modification agreed, but the corresponding change in price has not yet been agreed by the customer; only the amount that is considered highly probable not to reverse in the future, and that can be measured reliably, is included in the transaction price and therefore revenue when the associated performance obligations are met.
- Incentive payments are included in forecast contract revenues when the contract is sufficiently advanced that it is highly probable that the specified performance standards will be met or exceeded and the amount of the incentive payment can be reliably measured.

1. Significant accounting policies continued

- Claims receivable are recognised as income when negotiations have reached an advanced stage such that it is highly probable that the customer will accept the claim, and the amount that it is probable will be accepted by the customer can be measured reliably.
- Rectification work which is reasonably foreseeable is provided for as a cost of the contract and taken into account when assessing its overall profitability. Claims for rectification arising after the end of a contract and which have not been provided for are recognised as losses as they arise.

When determining whether a contract's outcome can be estimated reliably, management considers a number of indicators, including the stage of completion of the contract to provide assurance over the reliability of costs to complete, cumulative cash received and agreed certifications, the inherent risk in certain industry sectors and whether certain contract milestones have been satisfied.

All costs relating to contracts are recognised as expenses in the period in which they are incurred. Where the outcome of a contract cannot be reliably estimated, contract revenue is recognised only to the extent that contract costs incurred are expected to be recovered.

The input method is used to determine the percentage of completion by reference to the contract costs incurred to date (the proportion that estimated total contract costs are accounted for by contract costs incurred for work performed to date). Only those contract costs that reflect work performed are included in costs incurred to date.

Total expected contract costs are initially determined by the estimating function during the contract tender process. At launch, responsibility for the contract is handed over to the commercial function (consisting of qualified quantity surveyors) which, on an ongoing basis, reassesses the expected contract costs as the contract progresses, taking into account the risks identified in contract risk registers.

The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Regular monthly contract reviews form an integral part of the contract forecasting procedures.

Contract assets

Contract assets primarily relate to the Group's enforceable rights to consideration for work completed on construction contracts that has not yet been billed at the reporting date. Contract assets are transferred to receivables when the right to consideration becomes unconditional. This usually occurs when the Group issues an invoice to the customer.

Pre-contract tender costs are not considered material costs to the Group.

Contract liabilities

Contract liabilities primarily relate to the advance payments from customers for construction contracts, for which revenue is recognised over time.

Retirement benefit obligations

The Group operates two defined contribution pension schemes and costs of these schemes are charged to the income statement in the period in which they are incurred.

The Group has a defined benefit pension scheme which is now closed to new members. The liability recognised in the balance sheet comprises the present value of the defined benefit pension obligation, determined by discounting the estimated future cash flows using the market yield on a high-quality corporate bond, less the fair value of the scheme assets.

The cost of providing benefits recognised within operating costs in the income statement and the defined benefit obligations is determined at the reporting date by independent actuaries, using the projected unit credit method.

Actuarial gains and losses are recognised in the period in which they occur in the statement of comprehensive income.

1. Significant accounting policies continued

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all, or part of, the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. These are determined based on future changes in tax rates that have been enacted rather than simply future changes that have been proposed but not enacted. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are declared, appropriately authorised and no longer at the discretion of the Company.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, and plant and machinery are stated at cost in the balance sheet. Depreciation on buildings is included within operating costs.

Depreciation is provided on other property, plant and equipment to write off the cost of each asset over its estimated useful life at the following rates:

Freehold buildings	1 per cent straight-line
Long leasehold buildings	Shorter of 1 per cent straight-line or lease term
Plant and machinery	10 per cent straight-line
Fixtures, fittings and office equipment	10 per cent written down value
Computer equipment	20 per cent straight-line
Motor vehicles	25 per cent written down value
Site safety equipment	20 per cent straight-line

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included within operating costs.

1. Significant accounting policies continued

Right-of-use assets and lease liabilities

The Group adopted IFRS 16 'Leases' on 1 April 2019 using the modified retrospective approach. The standard has resulted in operating leases being recognised as right-of-use assets and lease liabilities on the consolidated balance sheet, as the classification as either operating leases or finance leases has been eliminated.

Under IFRS 16 'Leases', at the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether it has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset throughout the period of use.

Leases in which the Group is a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured equal to the lease liability and adjusted for the amount of any prepaid or accrued lease payments relating to the lease before the commencement date, any lease incentives received, initial direct costs associated with the lease and an initial estimate of restoration costs. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance 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 value guarantee;
- The exercise price under a purchase option that the Group is reasonably certain to exercise; and
- Penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, in accordance with the exemption available under IFRS 16. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Intangibles assets

The Group recognises intangible assets at cost less accumulated amortisation and impairment losses. Intangible assets acquired through acquisitions arise as a result of applying IFRS 3, which requires the separate recognition of intangible assets from goodwill.

Other acquired intangible assets include software costs.

Intangible assets are amortised on a straight-line basis over their useful economic lives as follows:

	Amortisation period
Customer relationships	3–5 years
Brands	5 years
Order book	18 months

1. Significant accounting policies continued

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case, the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories (raw materials and consumables and work in progress) are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method, with an appropriate allowance for estimated irrecoverable amounts recognised in the income statement in line with the requirements of IFRS 9. No expected credit losses (ECLs) have been provided for in respect of trade receivables, contract assets and intercompany receivables as these are not material.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank overdrafts. Bank overdrafts are shown in current liabilities on the balance sheet unless a legally enforceable right of offset exists, in accordance with IFRS 7, to allow net presentation of a financial asset and a financial liability.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest over the relevant period.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1. Significant accounting policies continued

Share-based payment transactions

The Group issues equity-settled share-based payments. These share-based payments are measured at fair value at the date of grant based on the Group's estimate of shares that will eventually vest. The fair value determined is then expensed in the consolidated income statement on a straight-line basis over the vesting period, with a corresponding increase in equity. Further details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 23.

Provisions

Provisions are recognised when (i) the Group has a present legal or constructive obligation as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount of the obligation can be estimated reliably. Provisions are recognised for items such as legal claims, disputes and onerous contracts.

When the Group expects some or all of a provision to be reimbursed, for example under and insurance contract or a back-to-back contractual agreement, the reimbursement is recognised as a seperate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement where the virtually certain recognition criteria is met.

Provisions are discounted where appropriate to do so and the impact is material.

Derivative financial instruments and hedge accounting

The Group enters into certain foreign exchange forward contracts to manage its exposure to currency movements. Further details of derivative financial instruments are disclosed in note 22.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss, except where hedge accounting is used, provided the conditions specified by IFRS 9 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IFRS 9 and practical to do so. When hedge accounting is used, the relevant hedging relationships are classified as cash flow hedges.

Where the hedging relationship is classified as a cash flow hedge, to the extent that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in other comprehensive income rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in other comprehensive income will be recycled to the income statement (operating costs).

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in other comprehensive income until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to net profit or loss for the period.

2. Critical accounting judgements and estimates

The preparation of financial statements under IFRS requires management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Assumptions and estimates are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised.

The following items are those that management considers to be critical due to the level of judgement and estimation required:

Revenue and profit recognition

Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract. Such judgements are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing contracts to completion. These estimates are made by reference to recovery of pre-contract costs, surveys of progress against the construction programme, changes in design and work scope, the contractual terms and site conditions under which the work is being performed, delays, costs incurred, claims received by the Group, external certification of the work performed and the recoverability of any unagreed income from claims and variations.

A contract loss provision is measured at the present value of the lower of expected costs of terminating the contract and the expected net costs of continuing with the contact, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract.

2. Critical accounting judgements and estimates continued

Management continually reviews the estimated final outturn on contracts and makes adjustments where necessary. Based on the above, management believes it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment. However, due to the level of uncertainty, combination of cost and income variables and timing across a large portfolio of contracts at different stages of their contract life, it is impracticable to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level.

Within this portfolio, there are a limited number of long-term contracts where the Group has incorporated significant judgements over revenue and profit, which have been recognised at a level at which a significant reversal of revenue is highly probable not to occur. However, there are a host of factors affecting potential outcomes in respect of these entitlements which could result in a range of reasonably possible outcomes on these contracts in the following financial year, ranging from a gain of £21,000,000 to a loss of £7,000,000. Management has assessed the range of reasonably possible outcomes on these limited number of contracts based on facts and circumstances that were present and known at the balance sheet date. As with any contract applying long-term contract accounting, these contracts are also affected by a variety of uncertainties that depend on future events, and so often need to be revised as contracts progress.

At the balance sheet date, amounts due from construction contract customers, included in contract assets, trade and other receivables, was £36,800,000 (2023: £48,840,000), see note 18.

Contingent liabilities

On an ongoing basis the Group is a party to uncertain contract positions, various actions, disputes and circumstances that could give rise to actions and disputes, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognised only where, based on the directors' best estimate and taking into account legal and expert advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. Disclosure of contingent liabilities is made in note 28 unless the possibility of a loss arising is considered remote. These potential liabilities are subject to uncertain future events, may extend over several years and their timing may differ from current assumptions. Management applies its judgement in determining whether or not a liability on the balance sheet should be recognised or a contingent liability should be disclosed.

Identification of intangible assets arising on the acquisition of VSCH

Under IFRS 3, Business Combinations, the identification of intangible assets acquired in a business combination requires judgment. This judgment involves determining whether identifiable intangible assets exist apart from goodwill and recognising them separately. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion. Management have used external advisers to assist with the process of identification of intangible assets and are comfortable that this is in line with the requirements of IFRS 3. Further details are disclosed in note 29.

Retirement benefit obligations

The Group's defined benefit pension scheme has been valued in accordance with IAS 19 'Employee Benefits'. The benefit obligation is calculated using a number of assumptions, including forecast discount and mortality rates (as disclosed in note 30). The present value of the benefit obligations is calculated by discounting the benefit obligation using market rates on relevant AA corporate bonds at the balance sheet date.

Significant judgement is required in setting the criteria for the valuation of the liability. Effects of changes in the actuarial assumptions underlying the benefit obligation, discount rates and the difference between expected and actual returns on the scheme's assets are classified as actuarial gains and losses.

The defined benefit obligation recognised at the balance sheet date was £11,464,000 (2023: £12,871,000).

Of the items discussed above, revenue and profit recognition represents the key source of estimation uncertainty.

3. Revenue and segmental analysis

Revenue

An analysis of the Group's revenue is as follows:

	2024 £000	2023 £000
Revenue from construction contracts	463,465	491,753
Other operating income (note 4)	1,870	1,852
Interest received (note 7)	320	133
Total income	**465,655**	493,738

3. Revenue and segmental analysis continued

Segmental results

In line with the requirements of IFRS 8, operating segments are identified on the basis of the information that is regularly reported and reviewed by the chief operating decision maker ('CODM'). The Group's CODM is deemed to be the executive committee, who are primarily responsible for the allocation of resources and the assessment of performance of the segments. Consistent with previous periods, management continues to identify multiple operating segments, primarily at an individual statutory entity level, which are reported and reviewed by the CODM. For the purpose of presentation under IFRS 8, the individual operating segments meet the aggregation criteria that allows them to be aggregated and presented as one reportable segment for the Group. However, in the current year, management consider it appropriate to disclose two operating segments as described below.

- Core Construction Operations – comprising the combined results of the Commercial and Industrial ('C&I') and Nuclear and Infrastructure ('N&I') divisions, including the results of Voortman Steel Construction Holding ('VSCH').
- Modular Solutions – Comprising Severfield Modular Solutions ('SMS') and the Group's share of profit (50%) from the joint venture company, Construction Metal Forming Limited ('CMF').

The separate presentation of the modular businesses, as 'Modular solutions', aligns with the maturity of the SMS business, which was established in 2018. In the current year it has reduced the levels of intercompany fabrication work as it grows external revenues from its core products.

The constituent operating segments that make up 'Core Construction Operations' have been aggregated because the nature of the products across the businesses, whilst serving different market sectors, are consistent in that they relate to the design, fabrication and erection of steel products. They have similar production processes and facilities, types of customers, methods of distribution, regulatory environments and economic characteristics. This is reinforced through the use of shared production facilities across the Group.

The C&I and N&I divisions were established in April 2022 to provide better client service and increased organisational clarity, both internally and externally. These still meet the aggregation criteria to be presented as one reportable segment under IFRS 8 and are therefore presented as such within Core Construction Operations.

Segment assets and liabilities are not presented as these are not reported to the CODM.

Year ended 30 March 2024:	Core Construction Operations £000	Modular Solutions £000	JSSL £000	Central costs/ eliminations £000	Total £000
Revenue	449,168	21,489	–	(7,192)	463,465
Underlying operating profit	37,430	260	–	–	37,690
Underlying operating profit margin	8.3%	1.2%			8.1%
Results from joint ventures (note 15)					
- Construction Metal Forming Limited	–	92	–	–	92
- JSSL	–	–	1,858	–	1,858
Finance expense (note 7)	–	–	–	(3,095)	(3,095)
Underlying profit before tax	37,430	352	1,858	(3,095)	36,545
Non-underlying items (note 5)	(14,270)	(115)	–	860	(13,525)
Profit before tax	23,160	237	1,858	(2,235)	23,020
Other material items of income and expense					
– Depreciation of owned property, plant and equipment (note 13)	(6,317)	(163)	–	–	(6,480)
– Depreciation of right-of-use assets (note 14)	(2,644)	(39)	–	–	(2,683)
– Other operating income (note 4)	1,625	245	–	–	1,870

3. Revenue and segmental analysis continued

Year ended 25 March 2023*:	Core Construction Operations £000	Modular Solutions £000	JSSL £000	Central costs/ eliminations £000	Total £000
Revenue	476,815	22,820	–	(7,882)	491,753
Underlying operating profit	33,705	(638)	–	–	33,067
Underlying operating profit margin	7.1%	(2.8%)			6.7%
Result from joint ventures (note 15)					
– Construction Metal Forming Limited	–	583	–	–	583
– JSSL	–	–	1,315	–	1,315
Finance expense (note 7)	–	–	–	(2,489)	(2,489)
Underlying profit before tax	33,705	(55)	1,315	(2,489)	32,476
Non-underlying items (note 5)	(3,338)	–	–	(2,031)	(5,369)
Profit before tax	30,367	(55)	1,315	(4,520)	27,107
Other material items of income and expense					
– Depreciation of owned property, plant and equipment (note 13)	(5,247)	(160)	–	–	(5,407)
– Depreciation of right-of-use assets (note 14)	(1,816)	(24)	–	–	(1,840)
– Other operating income (note 4)	1,659	193	–	–	1,852

* Comparative information has been restated to provide additional segmental disclosures.

Revenue

All revenue is derived from construction contracts and related assets. Additional disclosures are made under IFRS 15 to enable users to understand the relative size of the divisions. An analysis of the Group's revenue is as follows:

	2024 £000	2023* £000
– Commercial and Industrial	361,734	382,055
– Nuclear and Infrastructure	87,434	94,760
Total revenue from Core Construction Operations	449,168	476,815
Modular Solutions	21,489	22,820
Elimination of inter-segment revenue (Modular Solutions)	(7,192)	(7,882)
Total Group revenue	463,465	491,753

* Comparative information has been restated to provide additional segmental disclosures.

Geographical information

The following table presents revenue according to the primary geographical markets in which the Group operates. This disaggregation of revenue is presented for the Group's two operating segment described above.

Core Construction Operations – revenue by destination	2024 £000	2023* £000
United Kingdom	367,127	437,741
Republic of Ireland and continental Europe	82,041	39,074
	449,168	476,815

* Comparative information has been restated to provide additional segmental disclosures.

3. Revenue and segmental analysis continued

Modular Solutions – revenue by destination	2024 £000	2023* £000
United Kingdom	**17,486**	18,195
Rest of world	**4,003**	4,625
	21,489	22,820
Elimination of intercompany revenue (UK)	**(7,192)**	(7,882)
	14,297	14,938

Non-current asset geography

The following table provides information about the geography of non-curent assets excluding goodwill as this asset is not attributable to a geographical location.

Non-current assets by destination	2024 £000	2023* £000
United Kingdom	**151,856**	146,111
Rest of world	**8,979**	98
	160,835	146,209

Contract balances

The following table provides information about the receivables, contract assets and contract liabilities from contracts with customers:

	2024 £000	2023 £000
Trade and other receivables (note 18)	**38,788**	42,838
Contract assets (note 18)	**36,800**	48,840
Contract liabilities (note 19)	**(4,489)**	(19,584)

Contract assets primarily relate to the Group's right to consideration for work completed but not billed at the reporting date on construction contracts. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance payments from customers for construction contracts, for which revenue is recognised over time.

The table below represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at 30 March 2024 and have an original expected contract duration of more than one year:

	2025 £000	2026 £000
Construction contracts	111,948	26,823

The total transaction price allocated to the remaining performance obligations represents the contracted revenue to be earned by the Group for goods and services which the Group has promised to deliver to its customers, where the original contract duration is more than one year. This includes performance obligations which are partially satisfied at the year end or those which are unsatisfied but which the Group has committed to providing. The transaction price does not contain variable consideration for items such as discounts or rebates. The practical expedient available under IFRS 15 has been taken and therefore no information is provided for the transaction price allocated to the remaining performance obligations where the original expected contract duration is one year or less.

Information about major customers

Group revenue includes revenue of £100,189,000 (2023: £135,318,000), relating to one major client (2023: two major clients), who individually contributed more than 10 per cent of Group revenue in the year ended 30 March 2024.

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Year ended 30 March 2024

4. Operating costs

	2024 £000	2023 £000
Raw materials and consumables (including subcontractor costs)	234,916	307,766
Staff costs (note 6)	116,440	99,479
Other operating charges	66,524	45,364
Amortisation of other intangible assets (note 12)	90	79
Operating lease expense:		
– plant and machinery	217	179
– land and buildings	137	190
– motor vehicles	158	234
Depreciation (notes 13 and 14):		
– owned property, plant and equipment	6,480	5,407
– right-of-use assets	2,683	1,840
Other operating income	(1,870)	(1,852)
Operating costs before non-underlying items	425,775	458,686
Non-underlying items (note 5)	13,225	4,811
	439,000	463,497
Other operating charges include:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	60	45
Fees payable to the Company's auditor for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	840	650
– audit-related assurance services	96	25
– other assurance services	–	–

Other operating income mainly represents research and development tax credits.

Fees payable to KPMG LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Details of the Group's policy on the use of the auditor for non-audit services, the reason why the auditor was used, and how the auditor's independence and objectivity were safeguarded are set out in the audit committee report on pages 126 and 129. No services were performed pursuant to contingent fee arrangements.

5. Non-underlying items

	2024 £000	2023 £000
Operating costs	13,225	4,811
Finance expense	300	558
Non-underlying items before tax	13,525	5,369
Tax on non-underlying items (note 5)	(1,957)	(697)
Non-underlying items after tax	11,568	4,672

Non-underlying items before tax consist of:	2024 £000	2023 £000
Amortisation of acquired intangible assets (note 12)	5,399	3,338
Legacy employment tax charge	4,413	–
Asset impairment charges (note 13)	4,543	–
Unwinding of discount on contingent consideration – DAM Structures	300	558
Fair value adjustment to contingent consideration– DAM Structures	(1,130)	(343)
Acquisition-related expenses – VSCH	–	1,816
Non-underlying items before tax	13,525	5,369

The amortisation of acquired intangible assets of £5,399,000 (2023: £3,338,000) represents the amortisation of customer relationships, order books and brand name, which were identified on the acquisitions of Harry Peers, DAM Structures and VSCH in 2020, 2021 and 2023, respectively.

The asset impairment charge of £4,543,000 relates to the impairment of assets at our leasehold facility in Sherburn. During the year, we were advised of the landlord's intention to terminate the factory lease. As a result, an impairment review of property, plant and equipment was performed, resulting in a non-cash charge.

The legacy employment tax charge of £4,413,000 relates to an assessment raised by HMRC for historical income tax and national insurance ('NIC') liabilities. The Group disputes the charge and is in ongoing discussions with HMRC to bring this matter to a conclusion. Notwithstanding this, since HMRC has issued formal determinations for the amounts it considers are due, a charge of £4,413,000 has been recognised, including interest of £428,000.

In the prior year acquisition-related expenses of £1,816,000, represent acquisition and transaction costs associated with the VSCH acquisition.

The basis for stating results on an underlying basis is set out on pages 180 and 181. The board believes that non-underlying items should be separately identified on the face of the income statement to assist in understanding the underlying performance of the Group. Their separate identification results in the calculation of an underlying profit measure, which is the same as that presented and reviewed by management and are normally excluded by investors, analysts and brokers when making investment and other decisions. Accordingly, certain alternative performance measures ('APMs') have been used throughout this annual report to supplement rather than replace the measures provided under IFRS, see note 33.

6. Staff costs

Details of directors' remuneration for the year are provided in the audited part of the directors' remuneration report on page 138.

The average number of persons employed by the Group (including executive directors) during the year was:

	2024 Number	2023 Number
Production and site	1,551	1,402
Sales and administration	367	317
	1,918	1,719

6. Staff costs continued

The aggregate payroll costs of these persons were as follows:

	2024 £000	2023 £000
Wages and salaries	100,061	86,131
Social security costs	11,587	9,188
Other pension costs	4,792	4,160
	116,440	99,479

In addition, in 2024 there were share-based payment charges of £1,589,000 (2023: £3,420,000), as detailed in note 23.

7. Net finance expense

	2024 £000	2023 £000
Finance income	(320)	(133)
Finance expense	3,395	2,622
	3,095	2,489
Unwinding of discount on contingent consideration	300	558
	3,395	3,047

8. Taxation

a) The taxation charge comprises:

	2024 £000	2023 £000
Current tax		
Corporation tax charge	(5,649)	(5,460)
Foreign tax relief/other relief	70	51
Foreign tax suffered	(70)	(51)
Adjustments to prior years' provisions	136	60
	(5,513)	(5,400)
Deferred tax (note 21)		
Current year charge	(973)	(144)
Impact of change in future years' tax rates	–	(14)
Adjustments to prior years' provisions	(633)	17
	(1,606)	(141)
	(7,119)	(5,541)

b) Tax reconciliation

The charge for the year can be reconciled to the profit per the income statement as follows:

	2024 £000	2023 £000
Profit before tax	23,020	27,107
Tax on profit at standard UK corporation tax rate	(5,755)	(5,150)
Expenses not deductible for tax purposes	(1,381)	(1,068)
Income not taxable	97	234
Effect of overseas tax rate	(57)	–
Tax effect of share of results of JVs and associates	474	380
Adjustments to prior years' provisions	(497)	77
Rate differences	–	(14)
	(7,119)	(5,541)

Legislation to increase the UK standard rate of corporation tax from 19% to 25% was substantively enacted on 24 May 2021, effective from 1 April 2023, which has resulted in a UK corporation tax rate of 25% in 2024. The UK deferred tax is calculated at 25%. The overseas tax is calculated at the rates prevailing in the respective jurisdictions.

9. Dividends

	2024 £000	2023 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 25 March 2023 of 2.1p per share (2023: 1.9p)	6,423	5,864
Interim dividend for the year ended 30 March 2024 of 1.4p per share (2023: 1.3p)	4,291	4,013
	10,714	9,877

The directors are recommending a final dividend of 2.3p per share (2023: 2.1p). This, together with the interim dividend of 1.4p per share (2023:1.3p) will result in a total dividend of 3.7p per share (2023: 3.4p).

10. Earnings per share

Earnings per share is calculated as follows:

	2024 £000	2023 £000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent Company	15,901	21,566
Earnings for the purposes of underlying basic earnings per share being underlying net profit attributable to equity holders of the parent Company	27,469	26,238

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	307,131,912	309,533,696
Effect of dilutive potential ordinary shares	3,093,177	3,239,813
Weighted average number of ordinary shares for the purposes of diluted earnings per share	310,225,089	312,773,509
Basic earnings per share	5.18p	6.97p
Underlying basic earnings per share	8.94p	8.48p
Diluted earnings per share	5.13p	6.90p
Underlying diluted earnings per share	8.85p	8.39p

Reconciliation of earnings	2024 £000	2023 £000
Net profit attributable to equity holders of the parent Company	15,901	21,566
Non-underlying items (note 5)	11,568	4,672
Underlying net profit attributable to equity holders of the parent Company	27,469	26,238

Basic earnings per share is calculated by dividing the profit after tax attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding those shares held in employee benefit trusts. Shares held in employee benefit trusts are treated as cancelled because, except for a nominal amount, dividends have been waived.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares from the vesting of share awards. Underlying earnings per share calculations are included to give a better indication of the Group's underlying performance.

11. Goodwill

The goodwill balance was created on the following acquisitions:

	£000
On the Voortman Steel Construction Holdings acquisition in 2023	16,281
On the DAM Structures acquisition in 2022	11,474
On the Harry Peers acquisition in 2019	16,002
On the Fisher Engineering acquisition in 2007	47,980
On the Atlas Ward acquisition in 2005	6,571
On the Watson Steel Structures acquisition in 2001	161
	98,469

All of the acquisitions above are included in one reported segment (Core Construction Operations) and the cash flows of the businesses are closely related. Testing for impairment is performed at the cash-generating unit ('CGU') level, which is the level at which management monitors goodwill for internal purposes. There are five CGUs identified as part of the impairment, these mainly reflect the acquisitions made by the Group.

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill may be impaired.

The recoverable amounts of goodwill are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations on future changes in the market.

The Group has prepared cash flows for the next financial year, which the directors believe capture the Group's most up-to-date 'realistic' forecast position, together with cash flows based on projections for the following two years. After this period, cash flows have been extrapolated using a growth rate of 2.0 per cent (2023: 1.5 per cent) which does not exceed the long-term growth rate for the relevant markets. The cash flow forecasts have been discounted using a pre-tax discount rate of 13.0 per cent (2023: 12.5 per cent).

Following the impairment reviews performed by the Group, no impairment charge was recorded in the year ended 30 March 2024.

Management has analysed a number of sensitivity scenarios when performing the impairment reviews, including a reduction in operating margin and an increased discount rate. None of those scenarios resulted in an impairment to goodwill. Management considers that no reasonably possible change in the key assumptions would cause the goodwill to fall below its carrying value at 30 March 2024.

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12. Other intangible assets

	Intangible assets acquired on acquisition £000	Other intangible assets £000	Total £000
Cost			
At 27 March 2022	19,504	1,508	21,012
Additions	–	168	168
At 26 March 2023	19,504	1,676	21,180
Additions	3,902	–	3,902
At 30 March 2024	**23,406**	**1,676**	**25,082**
Amortisation			
At 27 March 2022	9,454	1,215	10,669
Charge for the year	3,338	78	3,416
At 26 March 2023	12,792	1,293	14,085
Charge for the year	5,399	90	5,489
At 30 March 2024	**18,191**	**1,383**	**19,574**
Carrying amount			
At 30 March 2024	**5,215**	**293**	**5,508**
At 25 March 2023	6,712	383	7,095

The intangible assets acquired on acquisition arise as a result of applying IFRS 3, which requires the separate recognition of acquired intangibles from goodwill. The Group's acquired intangible assets are as follows:

	Customer relationships £000	Brands £000	Order book £000	Total £000
Cost				
At 27 March 2022	14,923	813	3,768	19,504
At 26 March 2023	14,923	813	3,768	19,504
Additions	2,512	–	1,390	3,902
At 30 March 2024	**17,435**	**813**	**5,158**	**23,406**
Amortisation				
At 27 March 2022	5,316	370	3,768	9,454
Charge for the year	3,190	148	–	3,338
At 26 March 2023	8,506	518	3,768	12,792
Charge for the year	3,714	295	1,390	5,399
At 30 March 2024	**12,220**	**813**	**5,158**	**18,191**
Carrying amount				
At 30 March 2024	**5,215**	**–**	**–**	**5,215**
At 25 March 2023	6,417	295	–	6,712

Amortisation of acquired intangible assets is included in the consolidated income statement as part of operating costs and is classified as a non-underlying item (see note 5).

13. Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost					
At 27 March 2022	73,423	51,065	11,893	379	136,760
Additions	635	5,008	660	–	6,303
Disposals	–	(847)	(24)	(84)	(955)
At 26 March 2023	74,058	55,226	12,529	295	142,108
Additions	410	7,929	2,322	660	11,321
Acquisition of subsidiary (note 29)	–	3,732	156	690	4,578
Disposals	–	(3,307)	(723)	(342)	(4,372)
Exchange adjustments	–	(162)	(5)	(27)	(194)
At 30 March 2024	**74,468**	**63,418**	**14,279**	**1,276**	**153,441**
Accumulated depreciation					
At 27 March 2022	8,012	32,268	4,926	118	45,324
Charge for the year	748	3,405	1,165	89	5,407
Disposals	–	(615)	(14)	(61)	(690)
At 26 March 2023	8,760	35,058	6,077	146	50,041
Charge for the year	797	4,052	1,307	324	6,480
Impairments	4,428	89	26	–	4,543
Disposals	–	(3,201)	(633)	(223)	(4,057)
At 30 March 2024	**13,985**	**35,998**	**6,777**	**247**	**57,007**
Carrying amount					
At 30 March 2024	**60,483**	**27,420**	**7,502**	**1,029**	**96,434**
At 25 March 2023	65,298	20,168	6,452	149	92,067

The impairment charge to land and buildings is included in the consolidated income statement as part of operating costs and is classified as a non-underlying item. See note 5 for further details.

14. Right-of-use assets

The Group leases land and buildings, plant and equipment and motor vehicles and these are presented as non-current assets. Information about leases for which the Group is a lessee is presented below:

	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Total £000
Cost				
At 27 March 2022	10,212	3,033	2,077	15,322
Additions	1,576	1,285	984	3,845
Disposals	(421)	(2)	(771)	(1,194)
At 26 March 2023	11,367	4,316	2,290	17,973
Additions	888	1,495	1,095	3,478
Acquisition of subsidiary (note 29)	4,880	–	161	5,041
Disposals	–	(54)	(500)	(554)
Exchange adjustments	(131)	–	(8)	(139)
At 30 March 2024	**17,004**	**5,757**	**3,038**	**25,799**
Accumulated depreciation				
At 27 March 2022	2,631	372	1,249	4,252
Charge for the year	964	306	570	1,840
Disposals	(421)	(2)	(714)	(1,137)
At 26 March 2023	3,174	676	1,105	4,955
Charge for the year	1,419	700	564	2,683
Disposals	(2)	(54)	(426)	(482)
Exchange adjustments	(5)	–	(3)	(8)
At 30 March 2024	**4,586**	**1,322**	**1,240**	**7,148**
Carrying amount				
At 30 March 2024	**12,418**	**4,435**	**1,798**	**18,651**
At 25 March 2023	8,193	3,640	1,185	13,018

15. Interests in JVs and associates

The Group has an interest in an associated company and three joint ventures as follows:

	Holding %	Class of capital
Associated companies:		
Fabsec Limited — Development of fire beam	33.0	Ordinary
Joint ventures:		
JSW Severfield Structures Limited — Structural steelwork serving the Indian market	50.0	Ordinary
Construction Metal Forming Limited — Manufacturer of cold rolled metal products	50.0	Ordinary
Bouwcombinatie Van Wijnen — Dormant	50.0	Ordinary

In 2008 a formal agreement was signed in India with JSW Building Systems Limited (a subsidiary of JSW Steel Limited of India) to form a 50/50 joint venture, JSW Severfield Structures Limited, to create a structural steelwork business in Bellary and Mumbai, India, primarily serving the Indian market.

During the year the Group invested a further £2,767,000 (2023: £nil) into JSW Severfield Structures Limited for the purchase of land in Gujarat to facilitate future expansion. The Group did not make any further investments in Construction Metal Forming Limited, Fabsec Limited or Bouwcombinatie Van Wijnen during the year (2023: £nil).

15. Interests in JVs and associates continued

	Goodwill £000	Share of net assets/ (liabilities) £000	Total £000
At 27 March 2022	5,326	24,810	30,136
Profit retained	–	1,898	1,898
Deferred tax adjustments	–	(250)	(250)
At 26 March 2023	5,326	26,458	31,784
Profit retained	–	1,950	**1,950**
Share of other comprehensive income	–	869	**869**
Acquisition of subsidiary (note 29)	–	94	**94**
Investments	–	2,801	**2,801**
Deferred tax adjustments	–	(134)	**(134)**
At 30 March 2024	**5,326**	**32,038**	**37,364**

The Group's share of the retained profit for the year of JVs and associates is made up as follows:

Share of results	Fabsec Limited £000	JSW Severfield Structures Limited £000	CMF Limited £000	Bouwcombinatie Van Wijnen £000	Total £000
2024	**–**	**1,858**	**92**	**–**	**1,950**
2023	–	1,315	583	–	1,898

Summarised financial information in respect of the Group's JVs and associates is as follows:

	Fabsec Limited £000	JSW Severfield Structures Limited £000	CMF Limited £000	Bouwcombinatie Van Wijnen £000	**2024 £000**	2023 £000
Current assets	184	118,352	10,459	219	**129,214**	122,567
Non-current assets	–	26,001	24,685	–	**50,686**	36,380
Current liabilities	(17)	(98,268)	(14,826)	(36)	**(113,147)**	(107,696)
Non-current liabilities	–	(2,724)	(9,532)	–	**(12,256)**	(6,594)
Net assets	167	43,361	10,786	183	**54,497**	44,657
Group's share of net (liabilities)/ assets	84	21,681	5,393	91	**27,249**	22,550
Goodwill	–	–	5,326	–	**5,326**	5,326
Investment	–	–	2,444	–	**2,444**	2,444
Impact of foreign exchange on share of net assets	–	923	–	–	**923**	671
Accounting policy alignment	(84)	1,357	116	33	**1,422**	793
Carrying amount of interest in JVs and associates	–	23,961	13,279	124	**37,364**	31,784
Revenue	177	130,773	29,107	–	**160,057**	178,571
Depreciation and amortisation	(1)	(2,674)	(136)	–	**(2,811)**	(2,368)
Net finance expense	–	(5,590)	(638)	–	**(6,228)**	(5,508)
Taxation	–	(575)	50	–	**(525)**	(1,223)
Profit after tax	1,049	3,716	184	–	**4,949**	3,851
Group's share of profit after tax	–	1,858	92	–	**1,950**	1,898

There were no contingent liabilities or capital commitments (2023: none) associated with the Group's JVs and associates.

16. Inventories

	2024 £000	2023 £000
Raw materials and consumables	11,377	12,328
Work-in-progress	271	903
	11,648	13,231

17. Construction contracts

	2024 £000	2023 £000
Contracts-in-progress at balance sheet date:		
Amounts due from construction contract customers included in contract assets, trade and other receivables	75,558	91,678
Amounts due to construction contract customers included in trade and other payables (note 19)	(4,489)	(19,584)
	71,069	72,094
Contract costs incurred plus recognised profits less recognised losses to date	489,085	722,342
Less: progress billings received	(418,016)	(650,248)
	71,069	72,094

18. Contract assets, trade and other receivables

Current assets	2024 £000	2023 £000
Amounts due from construction contract customers (note 17):		
Trade and other receivables	37,738	40,593
Contract assets	36,800	48,840
Total	74,538	89,433
Other receivables	5,232	7,281
Prepayments and accrued income	8,199	11,027
Amounts due from JVs and associates	365	1,980
	88,334	109,721

Non-current assets	2024 £000	2023 £000
Trade and other receivables	1,050	2,245
	1,050	2,245

Contract assets of £36,800,000 (2023: £48,840,000) mainly reflect the Group's right to consideration for work completed but not yet invoiced at the year end. These are transferred to trade receivables when there is an unconditional right to payment.

The average credit period taken on revenue, calculated on a count-back basis to make appropriate allowance for monthly revenue phasing, is 57 days (2023: 85 days). No interest is charged on receivables.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Before accepting any new customer, the Group uses an external credit rating agency to assess the potential customer's credit quality and defines credit limits by customer. It is Group policy that adequate credit insurance is taken out on all customers where possible to manage the exposure that may arise as the contractual work proceeds. The Group's executive risk committee reviews situations where adequate credit insurance on the Group's customers cannot be purchased as required. The Group has rigorous procedures in place for monitoring and obtaining settlement of retentions in a prompt manner. Overdue retentions at 30 March 2024 were £nil (2023: £nil).

19. Contract liabilities, trade and other payables

	2024 £000	2023 £000
Trade creditors	**28,690**	36,284
Other taxation and social security	**5,777**	4,432
Other creditors and accruals	**37,502**	37,645
Contract liabilities (note 17)	**4,489**	19,584
Amounts owed to JVs and associates	**2,476**	4,754
	78,934	102,699

In the current year, other creditors and accruals includes the outstanding contingent purchase consideration for DAM Structures of £120,000 (2023: £881,000) which is payable in the next 12 months.

Contract liabilities of £4,489,000 (2023: £19,584,000) reflect advance payments from customers for construction contracts for which revenue has not been recognised as at 30 March 2024.

Non-current liabilities	2024 £000	2023 £000
Other creditors and accruals	**1,095**	2,377
	1,095	2,377

Non-current other creditors and accruals in the current and prior year reflects the outstanding contingent purchase consideration for DAM Structures of £1,095,000 (2023: £2,377,000) which is payable in the next two years, subject to certain conditions beyond the Group's control.

The directors consider that the carrying amount of trade payables approximates to their fair value.

The average credit period taken for trade purchases, calculated on a count-back basis to make appropriate allowance for monthly revenue phasing, is 36 days (2023: 39 days).

20. Provisions

	Legacy employment tax	Loss provisions	Total
Balance at 26 March 2023	–	–	–
Provisions made during the year	4,413	8,446	12,859
Provisions used during the year	(1,040)	–	(1,040)
Balance at 30 March 2024	**3,373**	**8,446**	**11,819**

For all provisions, the resulting cash outflows are expected to occur within 12 months.

Legacy employment tax charge

During the year, HMRC raised an assessment for historical income tax and national insurance ('NIC') liabilities. The Group disputes the charge and is in ongoing discussions with HMRC to bring this matter to a conclusion. Notwithstanding this, since HMRC has issued formal determinations for the amounts it considers are due, a provision has been recognised to reflect the amounts claimed by HMRC.

Loss provisions

The Group has provided for certain losses where the costs of fulfilling our obligations under construction contracts exceed the current forecast revenue. These are assessed in line with the details set out in our critical accounting judgement, in note 2, and the criteria stipulated in IFRS 15.

21. Deferred tax assets and liabilities

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	2024 £000	2023 £000
Deferred tax liabilities	(11,865)	(11,661)
Deferred tax assets	3,493	4,682
	(10,037)	(6,979)

Deferred tax assets and liabilities are offset against each other in the balance sheet where this is permitted and/or required by IAS 12. Where they are not offset, this is shown as a non current asset in the balance sheet. At the year end £1,828,000 (2023: £nil) related to foreign deferred tax assets and deferred tax assets on right of use assets and hence have been classified as non current assets.

	Excess capital allowances £000	Acquired intangible assets £000	Retirement benefit £000	Trading losses £000	Other £000	Total £000
At 27 March 2022	(9,682)	(2,201)	3,599	446	672	(7,166)
Prior year adjustment	1	–	–	–	16	17
(Charge)/credit to income statement	(615)	834	(557)	(105)	285	(158)
Charge to other comprehensive income	–	–	175	–	153	328
At 26 March 2023	(10,296)	(1,367)	3,217	341	1,126	(6,979)
Prior year adjustment	(140)	(312)	–	–	(181)	(633)
(Charge)/credit to income statement	(1,402)	1,367	(538)	(341)	(59)	(973)
(Charge)/credit to other comprehensive income	–	–	186	–	(398)	(212)
Acquisition of subsidiary (note 29)	(373)	(1,007)	–	–	140	(1,240)
At 30 March 2024	(12,211)	(1,319)	2,865	–	628	(10,037)

22. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while optimising the return to stakeholders. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group monitors capital using the following indicators:

i) Gearing ratio

	2024 £000	2023 £000
Borrowings	(20,000)	(8,950)
Cash and cash equivalents (net of overdraft)	10,394	11,338
Unamortised debt arrangement fees	235	321
Net (debt)/funds	(9,371)	2,709
Equity	220,751	217,718
Net debt to equity ratio	4.2%	(1.2%)

Equity includes all capital and reserves of the Group attributable to equity holders of the parent. There are no externally imposed capital requirements.

The Group excludes IFRS 16 lease liabilities from its measure of net (debt)/funds as they are excluded from the definition of net (debt)/funds as set out in the Group's borrowing facilities.

22. Financial instruments continued

ii) Return on capital employed

Underlying operating profit divided by the average of opening and closing capital employed. Capital employed is defined as shareholders' equity after adding back retirement benefit obligations (net of tax), acquired intangible assets and net (debt)/funds.

	2024 £000	2023 £000
Underlying operating profit		
Underlying operating profit (before JVs and associates)	37,690	33,067
Share of results of JVs and associates	1,950	1,898
	39,640	34,965
Capital employed:		
Shareholders' equity	220,751	217,718
Cash and cash equivalents (net of overdrafts)	(10,394)	(11,338)
Borrowings	20,000	8,950
Net debt/(funds) (for ROCE purposes)	9,606	(2,388)
Acquired intangible assets (note 12)	(5,215)	(6,712)
Retirement benefit obligations (net of deferred tax) (note 30)	8,599	9,654
	233,741	218,272
Average capital employed	226,007	220,902
Return on capital employed	17.5%	15.8%

Categories of financial instruments

	Carrying value	
	2024 £000	2023 £000
Financial assets		
Cash and cash equivalents	13,803	11,338
Trade and other receivables (note 18)	38,788	42,838
Derivative financial instruments	675	25
Financial liabilities		
Bank overdrafts	(3,409)	–
Trade creditors (note 19)	(28,690)	(36,284)
Other creditors and accruals (note 19)	(38,597)	(40,022)
Lease liabilities	(19,073)	(13,396)

The Group's financial instruments consist of borrowings, cash, unamortised debt arrangement fees, items that arise directly from its operations and derivative financial instruments. Cash and cash equivalents, trade and other receivables and trade and other payables generally have short terms to maturity. For this reason, their carrying values approximate to fair value. The Group's borrowings relate principally to amounts drawn down against its revolving credit facility, the carrying amounts of which approximate to their fair values by virtue of being floating rate instruments.

The Group is required to analyse financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. Financial instruments continued

Derivative financial instruments and contingent consideration are valued at fair value through profit or loss, and are valued as such on initial recognition. These relate to foreign currency forward contracts measured using quoted forward exchange rates and yield curves matching the maturities of the contracts. These derivative financial instruments are categorised as level 2 financial instruments. Except for derivative financial instruments, the carrying amounts of financial assets and financial liabilities are recorded at amortised cost in the consolidated financial statements.

General risk management principles

The board has overall responsibility for the establishment and oversight of the Group's risk management framework. A formal risk assessment and management framework for assessing, monitoring and managing the strategic, operational and financial risks of the Group is in place to ensure appropriate risk management of its operations. Internal control and risk management systems are embedded in the operations of the divisions.

Financial risks and management

The Group has exposure to a variety of financial risks through the conduct of its operations. Risk management is governed by the Group's operational policies, which are subject to periodic review by the board of directors.

Credit risk

The Group's primary exposure to credit risk arises from the potential for non-payment or default from construction contract customers, encompassing both trade receivables and contract assets. The degree to which the Group is exposed to this credit risk depends on the individual characteristics of the contract counterparty and the nature of the project. The Group's credit risk is also influenced by the general macroeconomic conditions. The Group does not have significant concentration of risk in respect of amounts due from construction contract customers at the reporting date due to the amount being spread across a wide range of customers. Due to the nature of the Group's operations, it is normal practice for customers to hold retentions in respect of contracts completed. Retentions held by customers at 30 March 2024 were £5,332,000 (2023: £7,146,000).

The Group manages its exposure to credit risk through the application of its credit risk management policies which specify the minimum requirements in respect of the creditworthiness of potential customers, assessed through reports from credit agencies, and the timing and extent of progress payments in respect of contracts. In addition, before accepting any new customer, adequate credit insurance is taken out as reported in note 18. Where credit insurance is difficult to acquire, the executive risk committee determines the appropriate exposure for the Group to take with a customer by typically structuring contracts to require payments on account or limit the amounts that the Group is outstanding at any one time.

Consideration of potential future events is taken into account when deciding when, and how much, to impair the Group's contract assets and trade receivables. The Group does not expect to report credit losses which would materially impact the income statement. In recent reporting periods credit losses in the income statement have been immaterial.

The Group manages the collection of retentions through its post-completion project monitoring procedures and ongoing contact with customers so as to ensure that potential issues that could lead to the non-payment of retentions are addressed as soon as they are identified.

Amounts outstanding from construction contract customers are due with reference to the payment terms for each particular contract but the majority would be receivable within four months from the end of the reporting period. Amounts due for settlement after 12 months are disclosed in note 18.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The ultimate responsibility for liquidity risk rests with the board.

The Group generates cash through its operations and aims to manage liquidity by ensuring that it will always have sufficient financing facilities to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Forecast and actual cash flow is continuously monitored.

The Group has a £60m revolving credit facility ('RCF') with HSBC Bank PLC and Virgin Money which matures in December 2026. This facility provides additional liquidity following the VSCH acquisition and to support the continued growth strategy of the Group. The RCF is subject to three financial covenants, namely interest cover, net debt to EBITDA and debt service (cash flow) cover. The Group operated well within these covenant limits throughout the year ended 30 March 2024.

22. Financial instruments continued

As at 30 March 2024, £56,591,000 (2023: £60,000,000) of this facility was not drawn but available. Up to £15,000,000 of this facility is available by way of an overdraft (2023: £15,000,000).

In accordance with IFRS 7, the following tables detail the Group's remaining contractual maturity for its financial liabilities at the reporting date. The amounts are gross, undiscounted and include contractual interest payments.

	Maturity analysis						
	Carrying value £000	Less than 3 months £000	3 months to 1 year £000	1–2 years £000	2–5 years £000	5+ years £000	Total £000
Liabilities – 2024							
Trade and other payables	**67,287**	**61,185**	**4,923**	**619**	**560**	**–**	**67,287**
Financial liabilities – leases	**19,073**	**1,436**	**2,727**	**3,248**	**6,245**	**9,996**	**23,652**
Borrowings	**20,000**	**1,900**	**5,537**	**7,003**	**8,199**	**–**	**22,639**
	118,179	**76,340**	**13,187**	**10,870**	**15,004**	**9,996**	**125,397**
Liabilities – 2023							
Trade and other payables	77,845	72,821	2,649	658	1,717	–	77,845
Financial liabilities – leases	13,396	630	1,899	2,187	5,025	8,338	18,079
Borrowings	8,950	1,598	2,982	2,654	2,498	–	9,732
	100,191	75,049	7,530	5,499	9,240	8,338	105,656

The Group's debt facility consists of the revolving credit facility of which £nil is drawn and the overdraft facility of which £3.4m is drawn. This agreement expires in December 2026. In addition £20m is outstanding on the acquisition term loans, which is repayable in instalments until December 2026. Interest on both agreements is charged at a floating rate based on SONIA plus a variable margin.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans	Lease liabilities
Balance at 26 March 2023	8,950	13,396
Changes from financing cashflows		
Payments of borrowings	(7,950)	–
New borrowings	19,000	–
Interest paid	(1,696)	(882)
Payments of lease liabilities	–	(2,628)
Total changes arising from financing cash flows	**9,354**	**(3,510)**
Other changes		
Interest expense	1,696	882
Acquired on acquisition	–	5,042
New leases	–	3,324
Lease disposals	–	(61)
Total other changes	**1,696**	**9,187**
Balance at 30 March 2024	**20,000**	**19,073**

Market risk

The Group's activities expose it primarily to the market risks of foreign currency exchange rates and interest rates. The Group has entered into certain derivative financial instruments to manage its exposure to foreign currency risk.

Market risk exposures are monitored and are supplemented by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

22. Financial instruments continued

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group seeks to minimise the effects of currency risks by using derivative financial instruments when appropriate to hedge these risk exposures against contracted sales. The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Group does not enter into, or trade, financial instruments, including derivative financial instruments for speculative purposes.

The carrying value of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2024 £000	2023 £000	**2024 £000**	2023 £000
Euro	**(14,574)**	(3,831)	**35,314**	10,672
US dollar	**(5)**	(18)	**16**	2
	(14,579)	(3,849)	**35,330**	10,674

Foreign currency sensitivity analysis

The Group only has material exposure to Euro and USD denominated financial assets and liabilities.

The following table details the Group's sensitivity to a 10 per cent increase and decrease in sterling against the relevant foreign currencies. Ten per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and derivative financial instruments and adjusts their translation at the year-end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where sterling strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	US dollar currency impact		Euro currency impact	
	2024 £000	2023 £000	**2024 £000**	2023 £000
Profit or loss and equity	**1**	2	**230**	118

At present, the Group's translation exposure to the Indian rupee via its Indian joint venture is not significant. As the business grows, this exposure is expected to become more significant.

Forward foreign exchange contracts

It is the Group's policy to enter into forward foreign exchange contracts to cover future euro and US dollar currency receipts on relevant contracts.

The Group uses forward foreign currency contracts to hedge currency risk associated with expected future sales or purchases for which the Group has firm commitments. The terms of the forward foreign currency contracts are negotiated to match the terms of the commitments. During the year, the Group has applied cash flow hedge accounting to these forward foreign currency transactions. As at 30 March 2024, derivatives designated as cash flow hedges were an asset of £675,000 (2023: £25,000) and recognised total gains of £925,000 (2023: losses of £904,000) in equity and losses of £274,000 (2023: gains of £256,000) in profit and loss in the year.

At 30 March 2024, the Group had forward exchange contracts of 18.5m Euros (2023: 5.7m Euros) at an average exchange rate of €1.14/£ (2023: €1.13/£) which mature within 12 months of the year end. In addition, the Group had forward exchange contracts of 498m SEK (2023: nil) at an average exchange rate of 13.34 (2023: N/A) which mature within 12 months of the year end.

22. Financial instruments continued

Interest rate risk management

The Group is exposed to interest rate risk as described under the market risk paragraph earlier in this note. The Group does not currently hedge any of its interest rate exposure.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the gross amount of liability outstanding at balance sheet date was outstanding for the whole period. A 0.5 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5 per cent higher and all other variables were held constant, the Group's profit for the year ended 30 March 2024 and the Group's equity at that date would decrease by £172,000 (2023: £173,000). If the £60,000,000 facility is fully utilised the exposure increases by £300,000. This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

23. Share-based payments

The Group operates a share-based incentive scheme for the Company's executive directors (being both board directors and certain members of the executive committee) and selected senior management. These awards will, under normal circumstances, vest subject to continued service and the achievement of performance conditions over a three-year period. Further details are given in the audited section of the directors' remuneration report on pages 134 to 162. The Group recognised a total charge of £1,589,000 (2023: £3,420,000) relating to its performance share plan and Sharesave scheme.

Performance share plan

The vesting of awards under PSP is subject to performance conditions set by the remuneration committee. The Group recognised a total charge of £428,000 for the year (2023: £2,352,000) with a corresponding entry to reserves. The weighted average fair value of share options granted during the year was £0.61 per share. Three outstanding awards had been granted to 30 March 2024: During the year ended 26 March 2022 the remuneration committee granted 2,709,748 ordinary shares of 2.5p each at £nil value.

The vesting of these awards was dependent on the Group's underlying earnings per share performance over the three-year period from 28 March 2021 to 30 March 2024. The following vesting schedule applies:

Underlying EPS performance for year ended 30 March 2024	% of award vesting
Equal to less than 7.61p	0%
Equal to 9.92p or better	100%
Between 7.61p and 9.92p	between 25% and 100%

The assumptions used to measure the fair value of the shares granted are as follows:

Share price on date of grant	£0.81*
Exercise price	nil
Expected volatility (using historical performance)	94%
Risk-free rate	0.3%
Dividend	3.1p
Actual life	three years

* Granted on 17 June 2021.

The Black Scholes pricing model was used, with the above assumptions, to produce a grant date fair value of £1,929,000. Subsequently, in line with IFRS 2, an annual charge is calculated based on the expected number of options to vest when factoring in changes to non-market conditions. For FY24 this charge was £87,000 (FY23: £839,000).

During the period ended 25 March 2023 the remuneration committee granted 3,204,413 ordinary shares of 2.5p each at £nil value.

23. Share-based payments continued

The vesting of these awards will be dependent on the Group's underlying earnings per share performance over the three-year period from 25 March 2023 to 29 March 2025. The following vesting schedule applies:

Underlying EPS performance for year ended 30 March 2024	% of award vesting
Equal to less than 7.50p	0%
Equal to 8.80p or better	100%
Between 7.50p and 8.80p	between 25% and 100%

The assumptions used to measure the fair value of the shares granted are as follows:

Share price on date of grant	£0.62*
Exercise price	nil
Expected volatility (using historical performance)	108%
Risk-free rate	4.3%
Dividend	3.3p
Actual life	three years

* Granted on 17 June 2022.

The Black Scholes pricing model was used, with the above assumptions, to produce a grant date fair value of £1,564,000. Subsequently, in line with IFRS 2, an annual charge is calculated based on the expected number of options to vest when factoring in changes to non-market conditions. For FY24 this charge was £1,000 (FY23: £527,000).

Restricted share plan

During the year ended 30 March 2024 the remuneration committee granted 1,480,979 ordinary shares of 2.5p each at £nil value.

The vesting of these awards will be dependent on the Group achieving the 5 performance underpins as agreed by the remuneration committee and disclosed on page 154.

The assumptions used to measure the fair value of the shares granted are as follows:

Share price on date of grant	£0.70*
Exercise price	nil
Expected volatility (using historical performance)	111%
Risk-free rate	4.8%
Dividend	3.4p
Actual life	three years

* Granted on 15 September 2023.

The Black Scholes pricing model was used, with the above assumptions, to produce a grant date fair value of £1,020,000. Subsequently, in line with IFRS 2, an annual charge is calculated based on the expected number of options to vest when factoring in changes to non-market conditions. For FY24 this charge was £340,000 (FY23: nil).

Reconciliation of share awards outstanding under the performance/restricted share plans are as follows:

	2024 Number	2023 Number
Outstanding at the beginning of the year	**8,496,227**	8,110,391
Granted during the year	**1,480,979**	3,204,413
Vested during the year	**(2,825,886)**	–
Lapsed during the year	**(1,145,757)**	(2,818,577)
Outstanding at the end of the year	**6,005,563**	8,496,227

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23. Share-based payments continued

Save As You Earn share option plan ('Sharesave')

The plan, which was established in 2015 and expires in 2025, is open to all employees on the UK payroll. Participants may elect to save up to £500 per month over the life of the plan under three-yearly savings schemes, each with a separate savings contract.

Under the 2021 Sharesave scheme, options were granted by the Company to participating employees to buy shares at a discount of 20 per cent from the then market price. At the end of the 2021 Sharesave scheme in 2024, these options will become exercisable for a period of six months. A charge of £322,000 (2023: £322,000) was recognised in the current period in relation to the 2021 Sharesave scheme.

Under the 2022 Sharesave scheme, options were granted by the Company to participating employees to buy shares at a discount of 20 per cent from the then market price. At the end of the 2022 Sharesave scheme in 2025, these options will become exercisable for a period of six months. A charge of £359,000 (2023: £359,000) was recognised in the current period in relation to the 2022 Sharesave scheme.

Under the 2023 Sharesave scheme, options were granted by the Company to participating employees to buy shares at a discount of 20 per cent from the then market price. At the end of the 2023 Sharesave scheme in 2026, these options will become exercisable for a period of six months. A charge of £481,000 (2023: £nil) was recognised in the current period in relation to the 2023 Sharesave scheme.

Reconciliation of share awards outstanding under the Sharesave plan are as follows:

Save As You Earn option plan ('Sharesave')

	2024 Number	2023 Number
Outstanding at the beginning of the year	7,308,555	5,918,097
Granted during the year	3,489,038	3,023,688
Lapsed during the year	(2,603,678)	(1,617,970)
Vested during the year	(2,073,852)	(15,260)
Outstanding at the end of the year	**6,120,063**	7,308,555

24. Share capital

	2024 £000	2023 £000
Issued and fully paid:		
309,538,321 ordinary shares of 2.5p each (2023: 309,538,321 ordinary shares of 2.5p each)	7,739	7,739

The ordinary shares carry no right to fixed income. There are no share options outstanding as at 30 March 2024 (2023: nil).

25. Other reserves

	Share-based payment reserve £000	Shares held in trust	Revaluation reserve	Capital redemption reserve £000	Hedge accounting reserve £000	Currency translation reserve £000	Total £000
At 27 March 2022	3,386	–	–	139	903	57	4,485
Share-based payments	2,465	–	–	–	–	–	2,465
Losses taken to equity on cash flow hedges	–	–	–	–	(1,147)	–	(1,147)
Reclassification adjustments on cash flow hedges	–	–	–	–	243	–	243
Exchange difference on foreign operations	–	–	–	–	–	(87)	(87)
At 26 March 2023	5,851	–	–	139	(1)	(30)	5,959
Share-based payments	(1,234)	–	–	–	–	–	**(1,234)**
Shares acquired by employee benefit trust	–	(4,500)	–	–	–	–	**(4,500)**
Shares utilised	–	2,973	–	–	–	–	**2,973**
Share of other comprehensive income of JV's and associates accounted for using the equity method	–	–	869	–	–	–	**869**
Gains taken to equity on cash flow hedges	–	–	–	–	1,239	–	**1,239**
Reclassification adjustments on cash flow hedges	–	–	–	–	(314)	–	**(314)**
Exchange difference on foreign operations	–	–	–	–	–	(264)	**(264)**
At 30 March 2024	**4,616**	**(1,527)**	**869**	**139**	**924**	**(293)**	**4,728**

Reconciliation of share based payment transactions in the statement of changes in equity

	Year ended 30 March 2024		Year ended 25 March 2023	
	Other reserves	**Retained earnings**	Other reserves	Retained earnings
Share based payment charge[1]	**1,589**	**–**	3,420	–
Tax paid on vesting of 2020 award[1]	**(1,196)**	**–**	–	–
SAYE cash received[2]	**1,380**	**–**	–	–
Awards vested/lapsed in the year	**(3,006)**	**3,006**	(955)	955
Equity settled share based payments	**(1,234)**	**3,006**	2,465	955
Purchase of own shares[2]	**(4,500)**	**–**	–	–
Allocation of owned shares on vesting	**2,973**	**(2,973)**	–	–
Total reserves movements	**(2,761)**	**33**	2,465	955

1 Operating cash flows
2 Cash flows from financing activities

During the year the company instructed the employee benefit trust to purchases shares for total value of £4,500,000 which were used in the vesting of the PSP and SAYE schemes during the year. A reconciliation of shares held in the trust is shown below:

	£000	Shares
Brought forward 26 April 2023	–	–
Purchased in the year	4,500	6,705,486
Used during the year	(2,973)	(4,299,077)
Closing 30 April 2024	**1,527**	**2,406,409**

26. Net cash flow from operating activities

	2024 £000	2023 £000
Operating profit from operations	26,415	30,154
Adjustments:		
Depreciation of property, plant and equipment (note 13)	6,480	5,407
Depreciation of right-of-use assets (note 14)	2,683	1,840
Gain on disposal of other property, plant and equipment	(92)	(52)
Fixed asset impairment (note 5,13)	4,543	–
Amortisation of intangible assets (note 12)	5,489	3,416
Movements in pension scheme (note 30)	(2,152)	(2,226)
Share of results of JVs and associates (note 15)	(1,950)	(1,898)
Share-based payments (note 25)	392	3,420
Exchange adjustments	(373)	–
Operating cash flows before movements in working capital	41,435	40,061
Decrease in inventories	1,729	4,774
Decrease in receivables	31,232	10,701
Decrease in payables	(21,962)	(1,724)
Cash generated from operations	52,434	53,812
Tax paid	(7,298)	(3,520)
Net cash flow from operating activities	45,136	50,292

	2024 £000	2023 £000
Cash generated from operations	52,434	53,812
Proceeds on disposal of other property, plant and equipment	408	317
Purchases of land and buildings	(410)	(635)
Purchases of other property, plant and equipment	(10,911)	(5,668)
	41,521	47,826
Underlying operating profit (before JVs and associates)	37,690	33,067
Operating cash conversion	110%	145%

27. Analysis of net (debt)/funds

	2024 £000	2023 £000
Borrowings	(20,000)	(8,950)
Cash and cash equivalents (net of overdraft)	10,394	11,338
Unamortised debt arrangement fees	235	321
	(9,371)	2,709

The Group excludes IFRS 16 lease liabilities from its measure of net debt/funds as they are excluded from the definition of net debt as set out in the Group's borrowing facilities. See note 33 for APM definitions.

28. Contingent liabilities

Liabilities have been recorded for the directors' best estimate of uncertain contract positions, known legal claims, legal actions in progress and circumstances that could give rise to claims or actions. The Group takes legal advice as to the likelihood of the success of and the likely value of such claims and actions and no liability is recorded where the directors consider, based on that advice, that the claim or action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation or liability arising out of such claim or action.

The Company and its subsidiaries have provided unlimited multilateral guarantees to secure any bank overdrafts and loans of all other Group companies. At 30 March 2024 this amounted to £nil (2023: £nil). The Group has also given performance bonds in the normal course of trade.

29. Business combinations

Summary of acquisition

On 3 April 2023, the Company acquired 100 per cent of the share capital of VSCH.

VSCH is profitable, cash generative and provides a manufacturing base in Europe, allowing Severfield to benefit from VSCH's strong reputation in the Netherlands and its growing pipeline of opportunities.

The board believes that the acquisition is enhancing the Group's reputation and presence in the European market, building on its existing European business, and is helping to accelerate Severfield's European growth strategy.

The acquisition provides Severfield with immediate access to new and attractive market sectors, providing the Group with further market and geographical diversification outside its core UK operations. VSCH is highly regarded by its clients and is presenting Severfield with a number of opportunities for further profitable growth, including access to a wider European client base and a platform to offer a wider range of services to its existing clients.

The net consideration of €25.7m (£22.6m) comprises:

	£000
Gross consideration	26,348
Net cash acquired (excluding payments in advance)	(3,797)
Net consideration	**22,551**

VSCH was acquired for an initial gross consideration of £26,348,000, including cash and cash equivalents of £3,797,000, which has been funded by a combination of Group cash reserves and a new term loan.

The fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

	£000
Non-current assets	
Investment in joint ventures	94
Property, plant and equipment	4,578
Right of use assets	5,041
	9,713
Current assets	
Inventories	146
Contract assets, trade and other receivables	8,367
Cash and cash equivalents (excluding payments in advance)	3,797
	12,310
Total assets	**22,023**
Current liabilities	
Trade and other payables	(9,577)
Lease liabilities	(212)
	(9,789)
Non-current liabilities	
Lease liabilities	(4,829)
Deferred tax liabilities	(233)
Total liabilities	**(14,851)**
Net assets	7,172
Net cash acquired (excluding payments in advance)	(3,797)
Net identifiable assets acquired	**3,375**
Identified intangible assets	3,902
Deferred tax on intangibles	(1,007)
Goodwill	16,281
Net assets acquired	**22,551**

29. Business combinations continued

Goodwill of £16,281,000 represents the ability and skill of employees and management, know-how and the quality of goods and services provided, which do not meet the criteria to be separately recognised in accordance with IFRS3 (Revised) 'Business combinations'. The goodwill arising from the acquisition is not expected to be deductible for income tax purposes.

Analysis of amounts disclosed in the cash flow statement in connection with the acquisition:

	2023 £000
Gross initial cash consideration	26,348
Net cash acquired (including payments in advance)	(3,797)
Total cash outflow – investing activities	**22,551**

Acquisition-related costs of £1,816,000 were fully expensed in the period ended 25 March 2023 as non-underlying operating costs (see note 5).

The acquired business contributed, to the Group, revenues of £59,480,000 and profit after tax of £4,934,000 since the acquisition date.

30. Retirement benefit obligations

Defined contribution schemes

The Group operates two defined contribution retirement benefit schemes. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £4,792,000 (2023: £4,160,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 30 March 2024, contributions of £950,000 (2023: £765,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

The Group has a defined benefit scheme which is now closed to new members and no defined benefit membership rights will accrue under the scheme.

The scheme exposes the Group to actuarial and other risks, the most significant of which are considered to be:

Investment risk	The present values of the scheme liabilities are calculated using a discount rate determined by reference to corporate bond yields; if the return on scheme assets is below this rate, it will create a plan deficit. The Group holds a significant proportion of growth assets (bonds, gilts and equities) to leverage the return generated by the scheme.
Interest risk	A decrease in the corporate bond interest rate will increase the scheme liabilities, although this will be partially offset by an increase in the return on the scheme's assets.
Longevity risk	The present values of the scheme liabilities are calculated by reference to the best estimate of the mortality of scheme participants which reflect continuing improvements in life expectancy. An increase in the life expectancy of the scheme participants will increase the scheme's liabilities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation was carried out at 25 March 2023 by Mr Chris Hunter, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	2024 %	2023 %
Key assumptions used:		
Discount rate	**4.8**	4.6
Inflation (RPI)	**3.4**	3.1

30. Retirement benefit obligations continued

When considering mortality assumptions, a life expectancy to 85 at age 65 has been used for the year ended 30 March 2024 (2023: 86). For the year ended 30 March 2024, the Group updated the allowance for future mortality improvements from the CMI 2021 model to the CMI 2022 model. The 2022 model includes a partial allowance (a weight of 25%) for mortality experience in 2022 to reflect emerging evidence that current rates may now be more indicative of future experience. The 0.25% early years adjustment has been removed as it is now less appropriate to assume lower early years mortality in light of post pandemic mortality experience in the general population.

The discount rate and RPI inflation assumptions for the 2024 disclosures in this note have been calculated using a cash flow weighted single-equivalent approach based on the iBoxx Corporate AA index yield curve and the Bank of England's inflation yield curve, respectively, in line with the prior year.

Impact on scheme liabilities of changes to key assumptions:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 6.0%
Rate of mortality	Reducing by 10%	Increase by 2.4%
Price inflation	Increase/decrease by 0.5%	Increase/decrease by 4.2%

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2024 £000	2023 £000
Interest cost	1,517	1,217
Interest income	(987)	(844)
	530	373

The charge for the year has been included in operating costs. Actuarial gains and losses have been reported in the statement of comprehensive income. The cumulative actuarial gains and losses recognised amount to a loss of £20,345,000 (2023: £19,600,000).

The actual return on scheme assets were a gain of £693,000 (2023: loss of £8,990,000).

The amount included in the balance sheet arising from the Group's obligations in respect of the defined benefit retirement scheme is as follows:

	2024 £000	2023 £000
Present value of defined benefit obligations	(34,003)	(33,933)
Fair value of scheme assets	22,539	21,062
	(11,464)	(12,871)

The major categories of scheme assets as a percentage of the total scheme assets are as follows:

	2024 £000	2023 £000	2024 %	2023 %
Equities	3,337	3,307	14.8	15.7
Bonds and gilts	6,378	5,287	28.3	25.1
Cash	4,067	1,598	18.1	7.6
Property	1,876	2,534	8.3	12.0
LDI funds	6,521	4,993	28.9	23.7
Other	360	3,343	1.6	15.9
	22,539	21,062	100.0	100.0

Bonds and gilts include a mixture of corporate and government bonds and fixed and index-linked gilts. Approximately 8 per cent of bonds have a sub-investment grade credit rating (BB+ or lower) and approximately 76 per cent of gilts are index-linked, with 24 per cent being fixed.

30. Retirement benefit obligations continued

Movements in the present value of defined benefit obligations were as follows:

	2024 £000	2023 £000
At start of year	(33,933)	(43,562)
Interest cost	(1,517)	(1,217)
Actuarial (losses)/gains	(451)	9,133
Benefits paid	1,898	1,713
At end of year	(34,003)	(33,933)

Actuarial gains arising from changes in demographic assumptions, changes in financial assumptions and gains or losses arising from experience were gains of £1,084,000 (2023: gains of £19,000), losses of £317,000 (2023: gains of £10,464,000) and losses of £1,218,000 (2023: losses of £1,350,000) respectively. The large gain in 2023 on 'changes in financial assumptions' is driven by an increase in the discount rate. The present value of defined benefit obligations at the year end is as follows:

	2024 £000	2023 £000
Liability in respect of deferred members	(15,237)	(19,811)
Liability in respect of pensioner members	(18,766)	(14,122)
	(34,003)	(33,933)

Movements in the fair value of scheme assets were as follows:

	2024 £000	2023 £000
At start of year	21,062	29,166
Interest income	987	844
Actuarial losses	(294)	(9,834)
Employer contributions	2,682	2,599
Benefits paid	(1,898)	(1,713)
At end of year	22,539	21,062

During the course of 2024, bond yields increased slightly, which increased the discount rate. However this has been offset by higher assumed future price inflation. The present value (PV) of the Schemes liabilities are explicitly linked to both bond yields and inflation, with the net effect being a marginal decrease to the PV of the liabilities. The Scheme's investment strategy also adopts a liability driven investing (LDI) strategy which invest in bonds/bond type instruments in order to hedge a proportion of the expected movement in the value of the liabilities. Correspondingly the return on Scheme assets was marginally lower than assumed during the period.

The Group expects to contribute £231,000 (2023: £224,000) per month to its defined benefit pension scheme in the year to 29 March 2025.

History of experience of gains and losses:

	2024	2023	2022	2021	2020
Experience (losses)/gains on scheme assets (£000)	(294)	(9,834)	(60)	2,222	(1,093)
Percentage of scheme assets	(1.3%)	(46.7%)	(0.2%)	8.0%	(4.3%)
Experience gains/(losses) on scheme liabilities (£000)	(451)	1,350	157	419	(1,007)
Percentage of the present value of scheme liabilities	(1.3%)	4.0%	0.4%	0.8%	(2.2%)
Total amount recognised in the consolidated statement of comprehensive income (£000)	(745)	(701)	5,938	(4,906)	255
Percentage of the present value of scheme liabilities	2.2%	2.1%	13.6%	(9.8%)	0.6%

The weighted average period over which benefits are expected to be paid, or the duration of the liabilities, is currently 12 years (2023: 14 years). The reduction in duration is due to the increase in discount rates and the use of more up to date membership data following the completion of the 5 April 2023 triennial valuation. Annual increases are provided to pensions in payment at the lower of of RPI and 5% for the majority of members.

30. Retirement benefit obligations continued

The Scheme's investments in the BNY Mellon Real Return Fund (formerly referred to as the Newton Real Return Fund), non-Liability Driven Investment (LDI) funds invested with Legal & General, and M&G Alpha Opportunities Funds are quoted on a recognisable exchange with respective stock market identifiers. However, the assets invested with Legal & General in their LDI Funds and the Standard Life Pooled Property Fund are not publicly quoted.

The Scheme invests in several pooled LDI funds, through unit linked insurance policies, with Legal & General which themselves invest in a combination of gilts, gilt repos (synthetic gilts) and swap based instruments of varying duration and interest rate/inflation characteristics. The composition of the funds is designed so as to hedge a proportion of the Scheme's liabilities and specifically the sensitivity of the liabilities to both changes in interest rates and longer term inflation expectations. Such funds adopt a moderate degree of leverage (on average x2) and as such depending on market movements the funds may call and/or distribute additional capital in order to maintain leverage within a particular range set by the pooled fund manager.

The schemes operate under trust law and are managed and administered by trustees on behalf of the members in accordance with the terms of the trust deed and rules and relevant legislation. Defined benefit contributions are determined in consultation with the trustees, after taking actuarial advice. The trustees are responsible for establishing the investment strategy and ensuring that there are sufficient assets to meet the cost of current and future benefit.

The recognition of a pension scheme surplus is determined by IAS 19 and applying IFRIC 14 which is an interpretation providing further guidance about when a surplus can be recognised. The group considers that under the Pension scheme rules, the group has an unconditional right to a refund of surplus after all pension payments have been made. Hence if the scheme was ever in a surplus, it would be recognised accordingly.

Subsequently to the balance sheet date the pension schemes principal employer was transferred to another company within the group. As a result the pension schemes assets and liabilities were transferred at fair value. The scheme continues to benefit from a parent company guarantee from Severfield plc.

31. Related party transactions

	Directors		Key management	
	2024 £000	2023 £000	2024 £000	2023 £000
Short-term employee benefits	1,138	1,259	2,640	3,334
Contributions into the pension schemes	79	151	93	96
Share based payments	200	1,377	137	568
Total income statement charge	1,417	2,787	2,870	3,998
PSP awards vesting based on respective performance year[1]	550	1,093	316	428
Gain on exercise of share options[2]	1,076	–	430	–

1 2024 relates to the 2021 PSP awards vesting June 2024, with a 2024 performance period. 2023 relates to the 2020 PSP award vested December 2023, with a 2023 performance period.

2 2024 relates to the gain on exercise of 2020 share options. No share options were exercised in 2023.

Short-term employee benefits include salary, bonus, national insurance contributions, the provision of company cars, fuel for company cars, car allowances and private medical insurance.

Further detail on directors' remuneration is provided in the audited part of the directors' remuneration report on page 138.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associated undertakings are disclosed below.

During the year the Group purchased services in the ordinary course of business from Fabsec Limited ('Fabsec') at a cost of £48,000 (2023: £48,000). The amount due to Fabsec at 30 March 2024 was £117,000 (2023: £117,000).

During the year the Group has purchased services from Construction Metal Forming Limited ('CMF') at a cost of £9,085,000 (2023: £16,808,000). The amount due from and to CMF at 30 March 2024 was £nil (2023: £4,637,000) and £2,126,000 (2023: £1,001,000) respectively.

During the year the Group incurred additional operating costs in relation to the day-to-day running of its Indian joint venture ('JSSL') of £234,000 (2023: £271,000). Those costs were recharged to JSSL during the year and the amount due from JSSL at 30 March 2024 was £132,000 (2023: £806,000).

32. Subsequent events

On 17 April 2024, the Group announced and launched a share buyback programme, with the intention to purchase its ordinary shares of 2.5 pence, with a maximum aggregate consideration of £10m (excluding stamp duty and other expenses). The purpose of this buyback programme is to return surplus capital to shareholders.

The Company has entered into an irrevocable non-discretionary agreement with Liberum Capital Limited ('Liberum'), pursuant to which Liberum shall purchase Ordinary Shares as riskless principal (and not as agent of Severfield) for the subsequent sale on to, and purchase by, Severfield, up to the maximum aggregate consideration of £10m. Liberum will make its trading decisions in relation to the Ordinary Shares independently of, and uninfluenced by, the Company, within the programme terms and certain pre-set parameters.

Any purchase of Ordinary Shares under the Buyback will take place in open market transactions and may be made from time to time depending on market conditions, share price and trading volumes. Any Ordinary Shares purchased by the Company will be cancelled and the number of Ordinary Shares in issue reduced accordingly.

As at 18 June, the Group had purchased and cancelled 1,370,344 Ordinary Shares at a cost of £968,000.

33. Alternative performance measures

The Group provides alternative performance measures, including underlying operating profit and underlying profit before tax, to enable users to better understand the performance and earnings trends of the Group. The Group's alternative performance measures are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies and they are not intended to be a substitute for, or superior to, measures defined under IFRS.

In order to facilitate understanding of the APMs used by the Group, and their relationship to reported IFRS measures, definitions and numerical reconciliations are set out below.

Alternative performance measure ('APM')	Definition	Rationale
Underlying operating profit (before JVs and associates)	Operating profit before non–underlying items and the results of JVs and associates.	Profit measure reflecting underlying trading performance of wholly owned subsidiaries.
Underlying profit before tax	Profit before tax before non–underlying items.	Profit measure widely used by investors and analysts.
Underlying basic earnings per share ('EPS')	Underlying profit after tax divided by the weighted average number of shares in issue during the year.	Underlying EPS reflects the Group's operational performance per ordinary share outstanding.
Net (debt)/funds (pre-IFRS 16)	Balance drawn down on the Group's revolving credit facility, with unamortised debt arrangement costs added back, less cash and cash equivalents (including bank overdrafts) before IFRS–16 lease liabilities.	Measure of the Group's cash indebtedness before IFRS–16 lease liabilities, which are excluded from the definition of net funds/(debt) in the Group's borrowing facilities. This measure supports the assessment of available liquidity and cash flow generation in the reporting period.
Operating cash conversion	Cash generated from operations after net capital expenditure (before interest and tax) expressed as a percentage of underlying operating profit (before JVs and associates) (see note 26).	Measure of how successful we are in converting profit to cash through management of working capital and capital expenditure. Widely used by investors and analysts.

33. Alternative performance measures continued

Alternative performance measure ('APM')	Definition	Rationale
Underlying return on capital employed	Underlying operating profit divided by the average of opening and closing capital employed. Capital employed is defined as shareholders' equity excluding retirement benefit obligations (net of tax), acquired intangible assets and net funds (see note 22)	Measures the return generated on the capital we have invested in the business and reflects our ability to add shareholder value over the long term. We have an asset–intensive business model and ROCE reflects how productively we deploy those capital resources.
Economic value generated and distributed	Economic value generated reflects Group revenue. Economic value distributed is operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments.	A basic indication of how the Group has created wealth for its stakeholders and an important ESG measure.

Reconciliations to IFRS measures

Underlying operating profit (before JVs and associates)	Note	2024 £000	2023 £000
Underlying operating profit (before JVs and associates)		**37,690**	33,067
Non-underlying operating items	5	**(13,225)**	(4,811)
Share of results of JVs and associates	15	**1,950**	1,898
Operating profit		**26,415**	30,154

Underlying profit before tax	Note	2024 £000	2023 £000
Underlying profit before tax		**36,545**	32,476
Non-underlying items	5	**(13,525)**	(5,369)
Profit before tax		**23,020**	27,107

33. Alternative performance measures continued

Underlying basic earnings per share	Note	2024 £000	2023 £000
Underlying net profit attributable to equity holders of the parent Company	10	27,469	26,238
Non-underlying items after tax	5	(11,568)	(4,672)
Net profit attributable to equity holders of the parent Company		15,901	21,566
Weighted average number of ordinary shares	10	307,131,912	309,533,696
Underlying basic earnings per share		8.94p	8.48p
Basic earnings per share		5.18p	6.97p

Net funds/(debt) (pre-IFRS 16)	Note	2024 £000	2023 £000
Borrowings		(20,000)	(8,950)
Cash and cash equivalents		10,394	11,338
Unamortised debt arrangement costs		235	321
Net funds/(debt) (pre-IFRS 16)	27	(9,371)	2,709
IFRS 16 lease liabilities	22	(19,073)	(13,396)
Net debt (post-IFRS 16)		(28,444)	(10,687)

Economic value generated and distributed	Note	2024 £000	2023 £000
Revenue	3	463,465	491,753
Economic value generated		464,588	491,753
Operating costs	4	439,000	463,497
Non-underlying operating items	5	(13,225)	(4,811)
Underlying operating costs		425,775	458,686
Payments to providers of capital		3,715	3,180
Non-underlying finance expense	5	(300)	(558)
Underlying payments to providers of capital		3,415	2,622
Payments to government		9,076	6,238
Economic value distributed		438,266	467,546

FIVE YEAR SUMMARY

Year ended 30 March 2024

	2024 £000	2023 £000	2022 £000	2021 £000	2020 £000
Results					
Revenue	**463,465**	491,753	403,563	363,254	327,364
Underlying* operating profit (before JVs and associates)	**37,690**	33,067	26,881	25,470	26,978
Underlying* profit before tax	**36,545**	32,476	27,098	24,331	28,621
Non-underlying items before tax	**(13,525)**	(5,369)	(6,098)	(3,224)	(2,808)
Profit attributable to equity holders of Severfield plc	**15,901**	21,566	15,601	17,304	20,415
Assets employed					
Non-current assets	**257,476**	228,397	230,054	230,076	203,783
Net current assets	**12,764**	27,572	17,383	22,247	21,068
Non-current liabilities	**(49,184)**	(38,251)	(43,477)	(61,394)	(41,176)
Net assets	**221,056**	217,718	203,960	190,929	183,675
Key statistics					
Earnings per share:					
Basic – underlying*	**8.94p**	8.48p	7.22p	6.43p	7.74p
Basic	**5.18p**	6.97p	5.05p	5.63p	6.68p
Diluted – underlying*	**8.85p**	8.39p	7.19p	6.43p	7.70p
Diluted	**5.13p**	6.90p	5.03p	5.63p	6.64p
Dividends per share	**3.70p**	3.40p	3.10p	2.90p	2.90p
Dividend cover (times) – underlying* basis	**2.4**	2.4	2.4	2.2	2.7
Share price – high	**76.20p**	75.49p	84.80p	79.90p	96.00p
– low	**48.10p**	46.65p	62.60p	51.20p	57.20p

* The basis of stating results on an underlying basis is set out on pages 180 to 181.

FINANCIAL CALENDAR

Preliminary announcement of full-year results	19 June 2024
Publication of annual report	July 2024
Annual general meeting	30 July 2024
Announcement of interim results (provisional)	20 November 2024

COMPANY BALANCE SHEET

Year ended 30 March 2024

	Note	Year ended 30 March 2024 £000	Year ended 25 March 2023 £000
Non-current assets			
Tangible assets	2	**54,778**	58,602
Intangible assets		**167**	208
Right-of-use asset	3	**1,713**	2,061
Investments	4	**181,607**	152,598
Debtors – amounts falling due after one year	5	**18,091**	106,898
		256,356	320,367
Current assets			
Debtors – amounts falling due within one year	5	**8,060**	11,312
Cash at bank		**–**	1,845
		8,060	13,157
Current liabilities			
Bank overdraft		**(4,541)**	–
Trade and other payables	6	**(100,699)**	(179,121)
Provisions		**(3,373)**	–
Financial liabilities – borrowings		**(6,200)**	(4,150)
Financial liabilities – leases		**(327)**	(287)
		(115,140)	(183,558)
Non-current liabilities			
Trade and other payables	6	**(1,095)**	(2,377)
Financial liabilities – borrowings		**(13,800)**	(4,800)
Financial Liabilities – leases		**(1,458)**	(1,786)
		(16,353)	(8,963)
Total assets less liabilities		**132,923**	141,003
Capital and reserves			
Share capital		**7,739**	7,739
Share premium		**88,522**	88,522
Other reserves		**3,189**	5,950
Profit and loss account		**33,473**	38,792
Equity and total shareholders' funds		**132,923**	141,003

The Company reported a profit for the financial year ended 30 March 2024 of £5,361,000 (2023: profit of £7,847,000).

The financial statements were approved by the board of directors on 19 June 2024 and signed on its behalf by:

ALAN DUNSMORE
CHIEF EXECUTIVE OFFICER

ADAM SEMPLE
CHIEF FINANCIAL OFFICER

Severfield plc
Registered in England No.1721262

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 March 2024

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 26 March 2023	**7,739**	**88,522**	**5,950**	**38,792**	**141,003**
Total comprehensive income for the year	**–**	**–**	**–**	**5,361**	**5,361**
Equity-settled share-based payments	**–**	**–**	**(1,234)**	**3,007**	**1,773**
Purchase of own shares	**–**	**–**	**(4,500)**	**–**	**(4,500)**
Allocation of owned shares	**–**	**–**	**2,973**	**(2,973)**	**–**
Dividends paid	**–**	**–**	**–**	**(10,714)**	**(10,714)**
At 30 March 2024	**7,739**	**88,522**	**3,189**	**33,473**	**132,923**

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 27 March 2022	7,738	88,511	3,485	39,867	139,601
Total comprehensive income for the year	–	–	–	7,847	7,847
Ordinary shares issued*	1	11	–	–	12
Equity settled share-based payments	–	–	2,465	955	3,420
Dividends paid	–	–	–	(9,877)	(9,877)
At 25 March 2023	7,739	88,522	5,950	38,792	141,003

* The issue of shares represents shares allotted to satisfy the 2018, 2020 and 2021 and Sharesave scheme.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 30 March 2024

1. Significant accounting policies

Basis of accounting

The financial statements of the Company have been 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 UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006, and as set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement and related notes, related party transactions and comparative period reconciliations. In addition, disclosures in relation to share capital (note 24), share premium and dividends (note 9) have not been repeated here as there are no differences to those provided in the consolidated financial statements.

Except as noted below, the Company's accounting policies are consistent with those described in the consolidated financial statements of Severfield plc.

Profit of the parent Company

The Company has taken advantage of section 408 of the Act and consequently the statement of comprehensive income (including the profit and loss account) of the parent company is not presented as part of these accounts.

Audit fees

The Company has taken the exemption granted under SI 2008/489 not to disclose non-audit fees paid to its auditor.

Employees

Directors' remuneration and details of their share-based payments are disclosed in the audited part of the directors' remuneration report on page 138 and in notes 6 and 23 to the consolidated financial statements.

Investments

Investments in subsidiaries, joint ventures and associates are stated at cost less, where appropriate, provisions for impairment.

Amounts owed by subsidiary undertakings

The Company holds intercompany loans with subsidiary undertakings which are repayable on demand. None of these loans are past due nor impaired. Expected credit losses on these balances is not considered material. The carrying value of these loans approximates to their fair value.

2. Tangible fixed assets

	Land and buildings £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost				
At 26 March 2023	66,129	688	33	66,850
Additions	–	1,210	–	1,210
Disposals	–	–	(33)	(33)
At 30 March 2024	**66,129**	**1,898**	**–**	**68,027**
Accumulated depreciation				
At 26 March 2023	7,932	285	31	8,248
Charge for the year	559	45	–	604
Impairments	4,428	–	–	4,428
Disposals	–	–	(31)	(31)
At 30 March 2024	**12,919**	**330**	**–**	**13,249**
Carrying amount				
At 30 March 2024	**53,210**	**1,568**	**–**	**54,778**
At 25 March 2023	58,197	403	2	58,602

The Company's land and buildings include those which are occupied and used by some of the Company's subsidiary undertakings. The rental income from these assets in the current year was £600,000 (2023: £600,000), which is set at a rate only to cover certain of the costs of maintaining the properties.

The impairment charge against fixed assets is included in the consolidated income statement as part of operating costs and is classified as a non-underlying item (see note 5 to the Group's consolidated financial statements).

3. Right-of-use assets

	Long leasehold land and buildings £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost				
At 26 March 2023	794	1,284	90	2,168
Disposals	–	–	(45)	(45)
At 30 March 2024	**794**	**1,284**	**45**	**2,123**
Accumulated depreciation				
At 26 March 2023	7	42	58	107
Charge for the year	79	258	10	347
Disposals	–	–	(44)	(44)
At 30 March 2024	**86**	**300**	**24**	**410**
Carrying amount				
At 30 March 2024	**708**	**984**	**21**	**1,713**
At 25 March 2023	787	1,242	32	2,061

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 30 March 2024

4. Investments

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, joint ventures and associated undertakings, including their country of incorporation, as at 30 March 2024 is disclosed below. All of these had a reporting period ended 30 March 2024, except where indicated.

Name of undertaking	Incorporated in	Class of capital
100% owned by Severfield plc		
Severfield Commercial and Industrial Limited (formerly Severfield (UK) Limited)	England and Wales	Ordinary
Severfield Commercial and Industrial (NI) Limited(i) (formerly Severfield (NI) Limited)	Northern Ireland	Ordinary
Severfield (Design & Build) Limited	England and Wales	Ordinary
Severfield Modular Solutions Limited (formerly Severfield (Products & Processing) Limited)	England and Wales	Ordinary
Severfield Europe B.V.(ii)	Netherlands	Ordinary
Severfield Europe Holdings B.V.(vii)	Netherlands	Ordinary
Severfield (Nuclear & Infrastructure) Limited	England and Wales	Ordinary
Severfield International Limited	England and Wales	Ordinary
Severfield Mauritius Limited(iii)	Mauritius	Ordinary
Severfield Infrastructure Limited	England and Wales	Ordinary
Leeds 27 Limited**	England and Wales	Ordinary
100% owned by Severfield Europe Holdings B.V.		
Voortman Design and Build B.V.(vii)	Netherlands	Ordinary
Severfield Steel Construction Netherlands B.V.(vii)	Netherlands	Ordinary
Severfield Steel Projects B.V.(vii)	Netherlands	Ordinary
Severfield De Haven B.V.(vii)	Netherlands	Ordinary
Severfield Sales & Projects Management B.V.(vii)	Netherlands	Ordinary
Severfield International Steel Projects B.V.(vii)	Netherlands	Ordinary
50% owned by Severfield plc		
Construction Metal Forming Limited*(iv)	England and Wales	Ordinary
50% owned by Severfield Mauritius Limited		
JSW Severfield Structures Limited(v)†	India	Ordinary
50% owned by Severfield Steel Projects B.V.		
Bouwcombinatie Van Wijnen(vii)†	Netherlands	Ordinary
33% owned by Severfield plc		
Fabsec Limited*(vi)	England and Wales	Ordinary

* Companies with a reporting period ended 31 December 2022.

** Dormant company.

‡ Unless otherwise stated, the registered office address for each of the above is Severs House, Dalton Airfield Industrial Estate, Dalton, Thirsk, North Yorkshire YO7 3JN.

† Companies with a reporting period ended 31 March 2023.

Registered office classification key:

(i) Fisher House, Main Street, Ballinamallard, Enniskillen, Co Fermanagh BT94 2FY

(ii) Gildelaan 11 2e Verdiepin, 4761 BA Zevenbergen

(iii) Felix House, 24 Dr. Joseph Rivière Street, Port Louis, Mauritius

(iv) Millennium House, Severn Link Distribution Centre, Newhouse Farm Industrial Estate, Mathern, Chepstow NP16 6UN

(v) 401 Grande Palladium, 4th Floor, 175 CST Road, Kalina, Santacrus East, Mumbai, India, 400098

(vi) Unit 561 Avenue E East, Thorp Arch Estate, Wetherby LS23 7DB

(vii) Plaagslagen 16 7463 PH Rijssen, Netherlands

4. Investments continued

	2024 £000	2023 £000
Investment in subsidiaries	146,079	119,671
Investment in joint ventures	35,528	32,927
	181,607	152,598

Investment in subsidiaries

	£000
Cost	
At 26 March 2023	119,671
Investment in the year	26,408
At 30 March 2024	**146,079**
Provision for impairment	
At 30 March 2024	**–**
Net book value	
At 30 March 2024	**146,079**
At 26 March 2023	119,671

Investment in joint ventures
In 2008 a formal agreement was signed in India with JSW Building Systems Limited (a subsidiary of JSW Steel Limited of India) to form a 50/50 joint venture, JSW Severfield Structures Limited, to create a structural steelwork business in Bellary and Mumbai, India, serving primarily the Indian market.

JSW Severfield Structures Limited is registered in India. During the financial year the company invested £2,781,000 in the joint venture for the purchase of land in Gujarat to facilitate future expansion, taking the total equity investment in JSSL to £26.2m (2023: £23.4m). The investment is carried in Severfield Mauritius Limited, a wholly owned subsidiary of the Company.

5. Debtors – amounts falling due within one year

Current assets	2024 £000	2023 £000
Other debtors	2,035	1,488
Amounts owed by JVs and associates	252	179
Corporation tax recoverable	5,773	9,645
	8,060	11,312

Non-current assets	2024 £000	2023 £000
Amounts owed by subsidiary undertakings	18,091	106,898
	18,091	106,898

Amounts owed by subsidiary undertakings are non-interest bearing and repayable on demand. They are classified as non-current where we don't expect a repayment in the next 12 months. No impairment of the receivable was recorded at 30 March 2024 or 25 March 2023.

6. Creditors – amounts falling due within one year

Current liabilities	2024 £000	2023 £000
Other creditors and accruals	7,611	16,082
Amounts owed to subsidiary undertakings	86,186	156,640
Amounts owed to JVs and associates	346	129
Deferred tax liability (note 7)	6,556	6,270
	100,699	179,121

Non-current liabilities	2024 £000	2023 £000
Other creditors and accruals	1,095	2,377
	1,095	2,377

7. Provisions

	Legacy employment tax	Total
Balance at 26 March 2023	–	–
Provisions made during the year	4,413	4,413
Provisions used during the year	(1,040)	(1,040)
Balance at 30 March 2024	**3,373**	**3,373**

For all provisions, the resulting cash outflows are expected to occur within 12 months.

Legacy employment tax charge
During the year, HMRC raised an assessment for historical income tax and national insurance ('NIC') liabilities. The Group disputes the charge and is in ongoing discussions with HMRC to bring this matter to a conclusion. Notwithstanding this, since HMRC has issued formal determinations for the amounts it considers are due, a provision has been recognised to reflect the amounts claimed by HMRC.

8. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	2024 £000	2023 £000
Deferred tax liabilities	(7,027)	(6,779)
Deferred tax assets	471	509
	(6,556)	(6,270)

Deferred tax – movement for the year:

	Excess capital allowances £000	Other temporary differences £000	Total £000
At 27 March 2022	(6,852)	297	(6,555)
Current year credit	73	212	285
At 26 March 2023	(6,779)	509	(6,270)
Current year charge	(248)	(38)	(286)
At 30 March 2024	**(7,027)**	**471**	**(6,556)**

9. Contingent liabilities

The Company has provided an unlimited multilateral guarantee to secure any bank overdrafts and loans of all other Group companies. At 30 March 2024 these amounted to £3,409,000 (2023: £nil).

ADDRESSES AND ADVISERS

Registered office and Headquarters

Severfield plc
Severs House
Dalton Airfield Industrial Estate
Dalton, Thirsk
North Yorkshire
YO7 3JN

Operational businesses

Severfield Commercial & Industrial Limited (formerly Severfield (UK) Limited)
Severs House
Dalton Airfield
Industrial Estate
Dalton, Thirsk
North Yorkshire
YO7 3JN

Severfield (Design & Build) Limited
Ward House
Sherburn
Malton
North Yorkshire
YO17 8PZ

Severfield Commercial & Industrial NI Limited (formerly Severfield NI Limited) Severfield (NI) Limited
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BT94 2FY

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