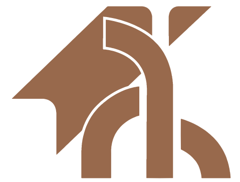
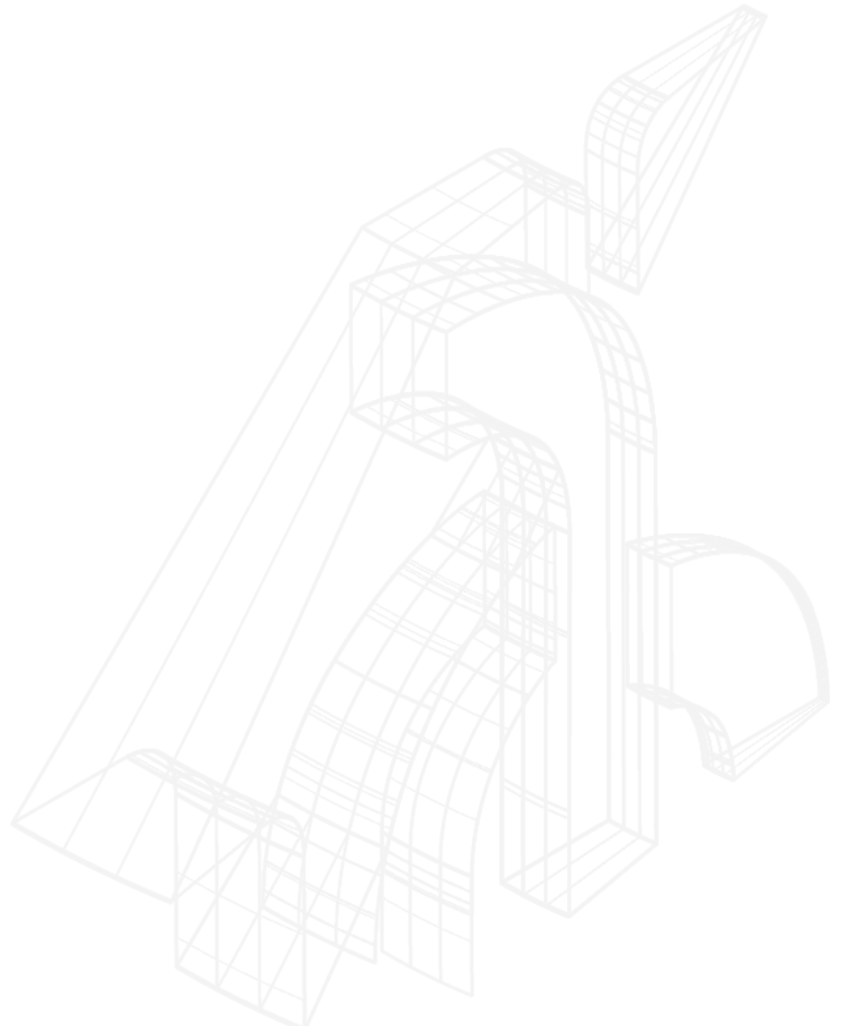


Severfield–Rowen Plc

Annual Report and Accounts

for the 15 month period ended 31 March 2013
www.sfrplc.com
Stock Code: SFR

Creating A Stronger Culture



Severfield–Rowen Plc is the largest specialist structural steelwork group in the UK, with a growing presence in India and a reputation for performance and value

Five reasons to invest

01 Market leading UK position — well positioned to benefit from a future recovery in the wider UK construction market.

02 Strong balance sheet — rights issue provides greater operational and financial flexibility.

03 Unrivalled experience and capability in design, fabrication and construction of steel structures.

04 Operational improvement and cost savings programme under way — operating margin target remains 5 per cent to 6 per cent in current market conditions.

05 Established foothold in the developing Indian market — good production capability with further investment made to support expansion.

Financial Highlights

Revenue **£318.3m** *2011: £267.8m*	**Underlying* Group operating (loss)/profit** (before results of Associates) **(£19.2m)** *2011: £14.2m*	**Operating (loss)/profit** (before results of Associates) **(£26.5m)** *2011: £10.9m*
Underlying (loss)/profit before tax **(£21.5m)** *2011: £10.1m*	**Underlying operating margin** (before results of Associates) **(6.0%)** *2011: 5.3%*	**(Loss)/profit after tax** (including non-underlying items) **(£23.1m)** *2011: £5.8m*
Underlying basic earnings per share **(20.70p)** *2011: 8.05p*	**Dividend per share** **1.50p** *2011: 5.00p*	

- Rights issue completed successfully on 5 April 2013 raising £44.8m of new funds (net of expenses)
- Revised revolving credit facility of £35m effective from completion of rights issue
- UK business reorganisation and operational improvements continuing under new Group leadership
- Underlying loss before tax of £21.5m (2011: £10.1m profit)
- Share of losses from Indian joint venture £0.3m (2011: £2.5m)
- Basic earnings per share of -25.91p (2011: 6.52p)
- No final dividend recommended (first interim dividend 1.50p per share)
- Period end net debt of £41.2m (31 December 2011: £31.3m)
- Solid UK order book of £197m at 1 May 2013 (31 December 2012: £209m)
- JSSL (India) order book of £29m at 1 May 2013 (31 December 2012: £29m)

* Underlying is before:

- the amortisation of acquired intangible assets — £3.4m (2011: £2.7m)
- contract legal costs and provision movements — £1.1m (2011: £0.6m)
- all costs associated with amendment of Group banking facilities — £2.1m (2011: £nil)
- restructuring and redundancy costs — £0.8m (2011: £nil)
- movements in valuation of derivative financial instruments — £0.1m favourable (2011: £nil)
- the associated tax impact of the above, together with the impact of a reduction in future corporation tax rates on the Group's deferred tax liability

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SECTION 1

Our Business

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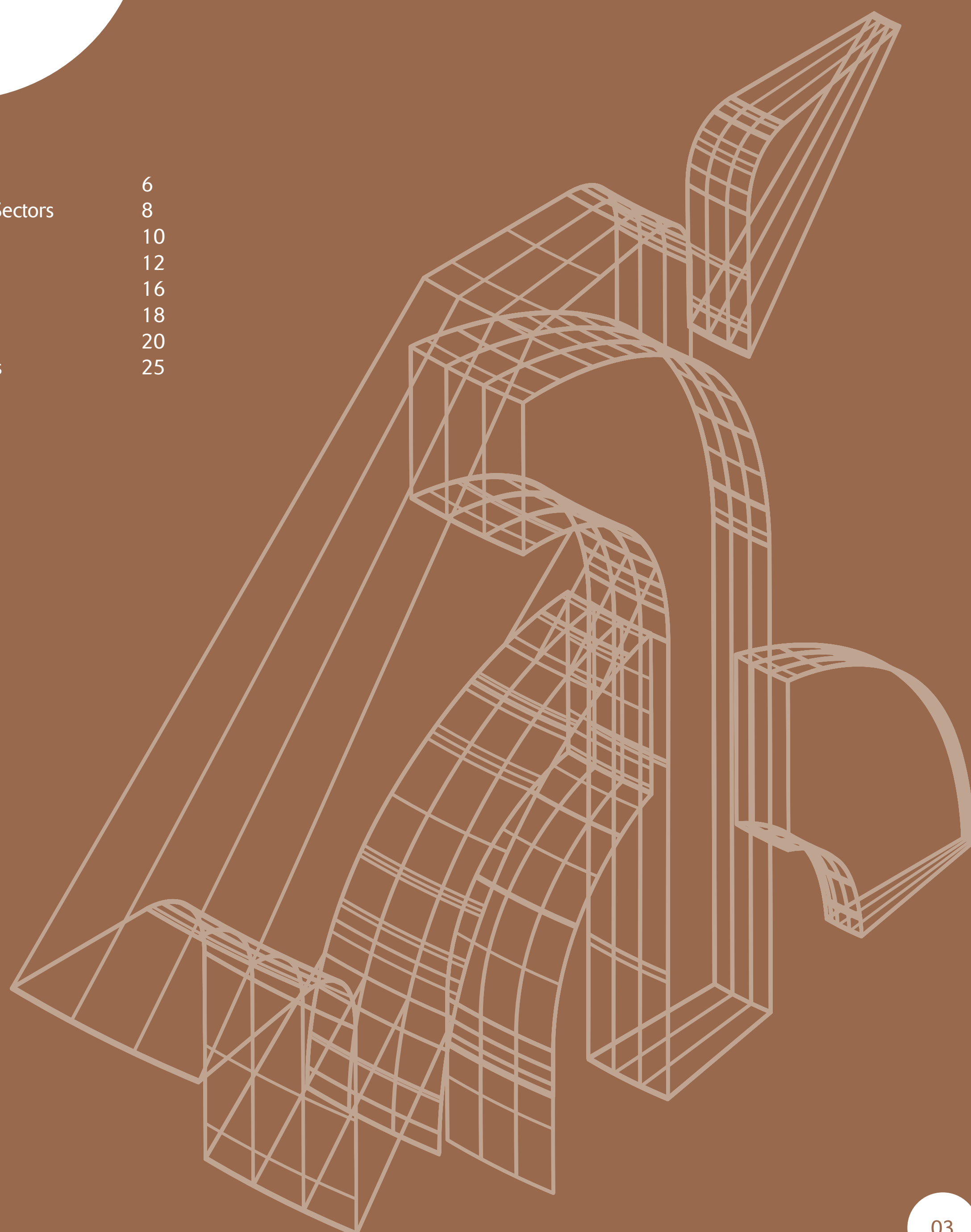
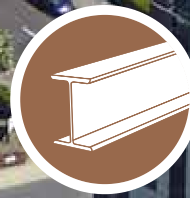


Pioneering Projects

Leeds Arena, with its iconic external honeycombed design, has a capacity of 13,500 and provides the UK with live entertainment, showing more than 140 events a year.

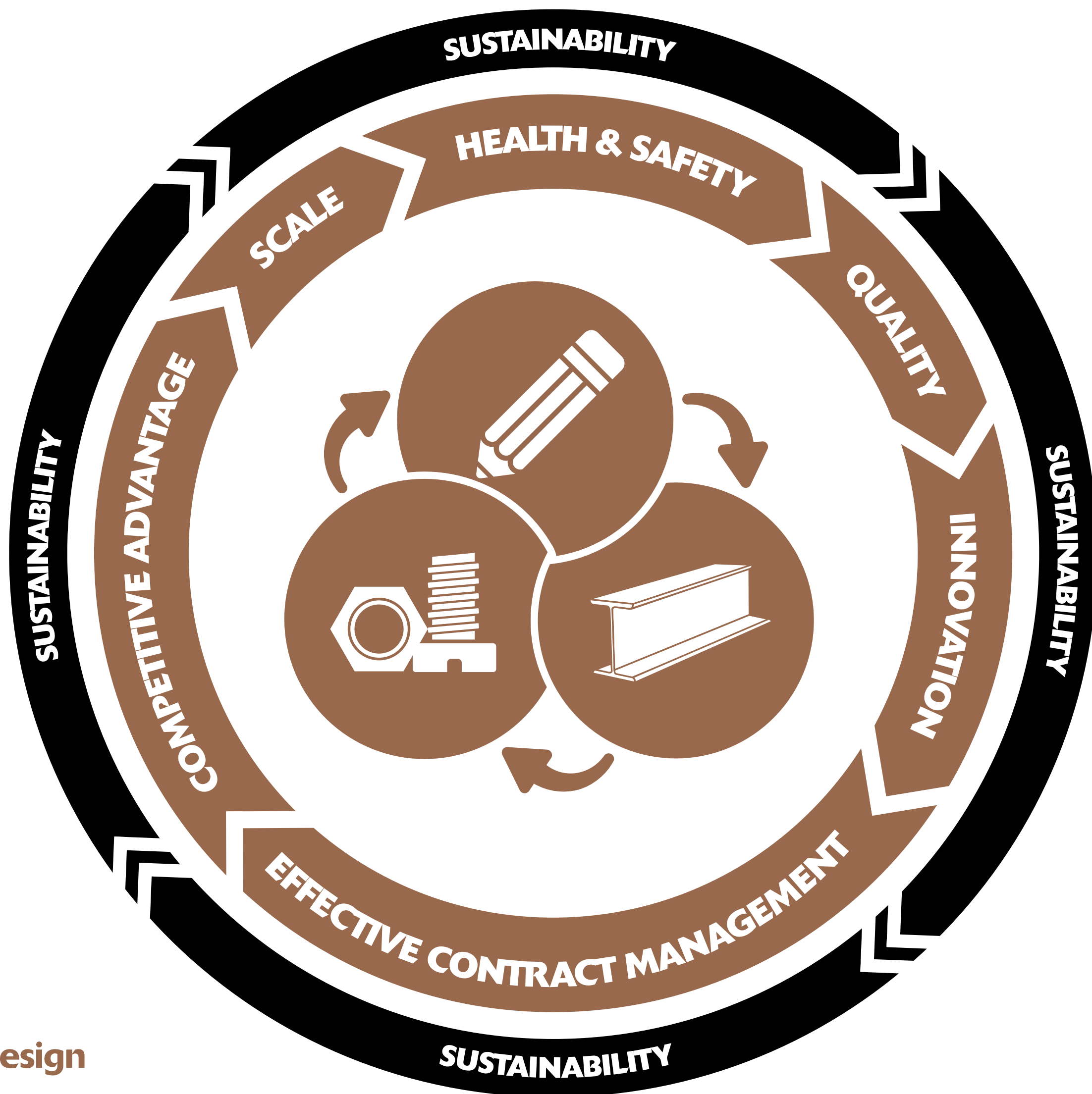


Location
Leeds, United Kingdom

Project
First Direct Arena

What We Do

The Group provides a full in-house service offering streamlined design, fabrication and construction capability with multi-sector flexibility that is unparalleled in the industry. The Group proactively seeks to continue its industry-leading position in the areas of health, safety and sustainability.

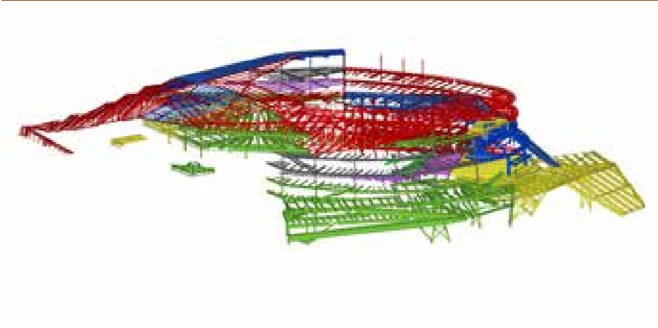


Design

Fabrication

Construction

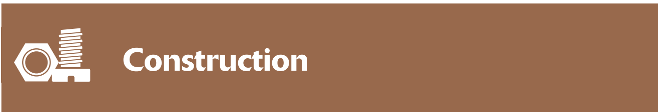
Design



The design process offers clients alternative concepts and solutions. By working closely with the Consulting Engineers at the concept of the project and with the assistance of the latest state-of-the-art computer software for 2-D and 3-D analysis modelling and design at their disposal, we are able to offer clients 'Value Engineering' for the most effective and efficient solutions. Advice on material choices, fabrication, fire protection, surface treatment and construction techniques can often lead to significant project savings.

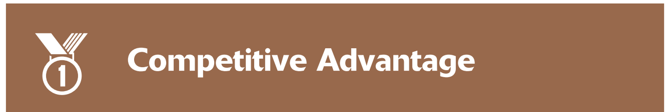
Fabrication

Operational investment has been significant and continuous over the years, with many innovative features being developed and incorporated. Modern, state-of-the-art processing equipment has been employed with full consideration for design, supporting layout, logistics, integration and construction.



Construction

The Group has its own in-house construction department which provides services for all of its construction requirements, making the Group the largest structural steel construction business in the UK, directly employing staff and owning plant. The Group is an industry leader in construction methodology.



Competitive Advantage

The Group's competitive advantages derive from its scale, client focus, flexibility, experience, cost base, productivity, supply chain strengths and integrated approach from design to construction.

Our Operations — Market Sectors

The Group's state-of-the-art facilities provide clients with unrivalled services and value in the execution of their projects.

Pictured: Cleveland Energy from Waste

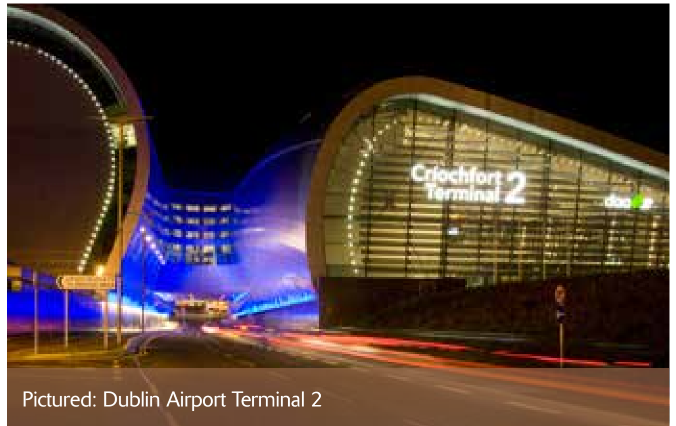
Power and energy
Power stations in the UK, Ireland and overseas have always been an important element for the Group where its capability to deal with special construction and engineering requirements leads to its unrivalled success in this sector. Our experience and professionalism in delivering such projects enables the Group to continue in its pivotal role in supply to this growing sector.

Pictured: Park House, London

Commercial offices
Performance benefits from Fabsec and Firebeam, together with other initiatives, have underpinned the Group's success in this sector.

Pictured: Amazon, Dunfermline

Distribution and industrial
The Group's competitive strengths, including design capability, supply chain coordination and fabrication/construction speeds, are key to its success in this sector. Group contracts include projects for Tesco, Asda and Morrisons.



Pictured: Dublin Airport Terminal 2

Transport
The Group has a strong reputation for successful delivery of major transportation related projects both in the UK and overseas, including airports. Group successes include Dublin International Airport and Heathrow's Terminal 5 and Terminal 2A.

Pictured: 2012 Olympic Stadium, Stratford

Stadiums and leisure
The Group has an unrivalled record in the design, engineering and building of many of the UK's best known stadiums and has provided timely and cost-effective solutions for long spanning, architecturally innovative structures. Group successes include Arsenal's Emirates Stadium, Wimbledon Centre Court, ExCeL Exhibition Centre, London and the 2012 Olympic Stadium, Stratford.

Pictured: Westfield Shopping Centre, Stratford

City centre and retail
Project management and supply chain linkage are vital aspects in the provision of successful execution in these challenging city centre and out-of-town projects.

Pictured: Southmead Hospital, Bristol

Health
Many hospitals are specified with structural steel frames. Span length, enhanced flexibility, adaptability and speed of construction are key factors conferring advantages to the Group in this sector.

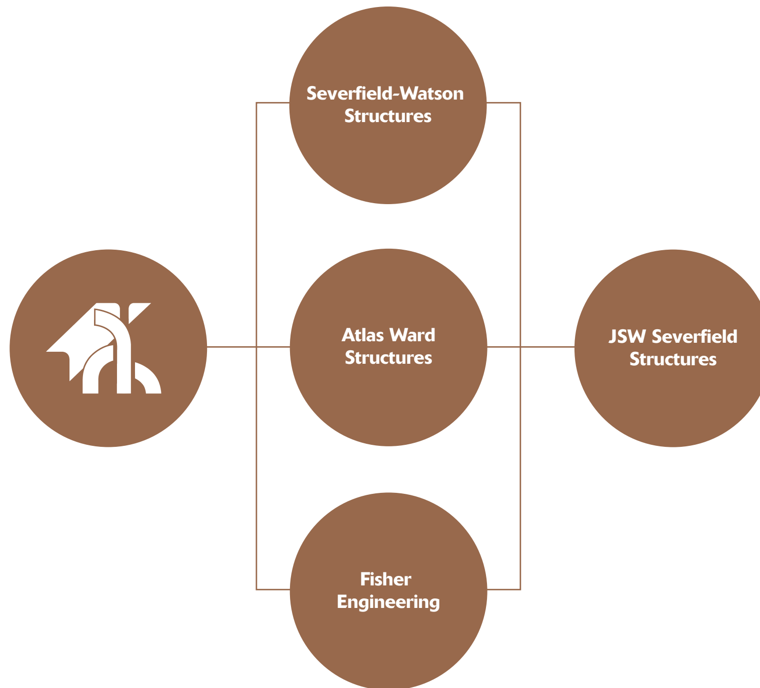
Pictured: Thameslink Borough Viaduct Bridge

Bridges and car parks
The Group has a strong reputation and extensive experience in the successful delivery of all types of bridgework. Group successes include Gatwick Pier 6 passenger bridge, the multi-award winning Gateshead Millennium Bridge, Stratford City Footbridge, and Thameslink Borough Viaduct Bridge for Network Rail in London.

Group at a Glance

The combined resources of our Group of companies have the design skills, engineering skills and experience to handle complex projects over a diverse range of market sectors.

We can facilitate the production of a wide range of steelwork packages, from projects requiring high added value engineering content to basic structural work.



Severfield–Watson Structures

Severfield-Watson Structures is the UK's largest structural steel company, with a combined current annual capacity of around 60,000 tonnes of fabricated steelwork per year and the most extensive product range and capability in the industry.

The business has two separate facilities (Dalton, North Yorkshire and Lostock, Lancashire) with their own specialist areas of expertise, but function as one trading company, capable of delivering a complete service from input at the conceptual stages to successful stages to successful project completion.

Atlas Ward Structures

Located in Sherburn, near Scarborough, Atlas Ward is the leading design and build steelwork contractor for distribution warehouses in the UK.

Atlas Ward designs, fabricates and erects structural steelwork principally for the warehouse, industrial and distribution sectors and has a business, skill base and client profile which is complementary to the rest of the Group.

AWS Engineering Solutions, specialising in stairs and other ancillary products, is also based at Sherburn.

Fisher Engineering

Located in Northern Ireland, Fisher Engineering is recognised to be one of Europe's leading constructional steel fabricators.

The company has a highly skilled workforce and is equipped with the latest state-of-the-art manufacturing processes.

The company has its own in-house construction business.

JSW Severfield Structures

Located adjacent to JSW Steel's Plant at Vidyanagar, in the District of Bellary, Karnataka, India, the plant consists of two fabrication lines and a plate line.

Plant investment has been significant, with many of Severfield–Rowen's innovative features being incorporated into the joint venture. The first phase of expansion is due for completion in 2013.

The company is involved in the design, fabrication and construction of structural steelwork to principally service the Indian markets.

JSW Severfield Structures

Severfield–Rowen's joint venture and operations in India are of significant importance in achieving our strategic growth ambitions

Overview

The period saw good progress made by the company in India across a wide range of areas:

- Good production capability with high quality product is now established in Bellary.
- Projects have been awarded from a growing selection of customers across a wide range of sectors.
- The transfer of technical skills is ongoing across all departments with operations in Bellary now limited to short-term skill transfer appointments.
- Good safety performance with market recognition of excellent safety through awards from major clients such as Siemens and Indiabulls.
- Further investment made to increase capacity and scope of operations at Bellary.
- Recent improvements in commercial focus and an expansion in geographical coverage to build the forward order book which is currently £29m.

Current and future projects

The demonstration of value through design, quality, speed, consistency and overall professional capability has led to the successful award of many prestigious projects from local and inward investors including:

- Two prestigious real estate projects in Mumbai for Reliance and Patel Engineering.
- Two significant manufacturing facilities for Michelin, near Chennai and Procter & Gamble, Hyderabad.
- Repeat commercial office work for Prestige Estates Projects Limited, Bangalore.
- World record for erecting fastest dry laundry building for Procter & Gamble.

The future

Recent independent market surveys confirm the Indian market is large and growing and the addressable opportunity for steel fabrication in construction remains large and the prospects for growth are good.

Steel is already used in many sectors including power, industrial and manufacturing but its adoption over concrete in these and other sectors is expected to gain momentum as the overall benefits are recognised, including its flexibility and recyclability.

Severfield–Rowen and our joint venture partners remain optimistic that the joint venture will continue to grow through market growth and through market penetration as more projects are seen and the benefits of overall value are received by clients.

Current operations
The plant is based in Bellary, Karnataka.

Capacity is 35,000 tonnes moving to 55,000 tonnes after phase two completion (end August 2013) and commissioning.

Two fabrication lines and a new bay to provide bespoke off-line heavy fabrication, tubular products, specialised multi-coat painting and further bogey line fabrication if required.

Indisec line to produce sections from plate and cellular beams for steel design optimisation and improved floor to ceiling space.

Second joint venture for floor metal decking line, also in Bellary.

State-of-the-art plant

- The plant has been designed to optimise product range, quality and productivity, as befitting the demands of the construction industry in India.
- Incorporating state-of-the-art technology and processing equipment, the plant is managed and operated by highly qualified, experienced and dedicated people.
- Bespoke plated products Fabsec and Indisec are manufactured on-site at Bellary, Karnataka offering clients a range of benefits.
- The plant currently utilises 26,000m^2 of workspace, increasing to 34,000m^2 after phase two, and 52,000m^2 of logistics and storage area.

Locations within India

1 Delhi — Sales Representation

2 Bellary — Production Plant

3 Bangalore — Sales Representation and Drawing/Design Office

4 Mumbai — Head Office

Pioneering Projects

The Emirates Cable Car, located near the O2 Arena in London carries approximately two million pedestrians, cyclists and wheelchair users each year and is the first of its kind in the UK.

Project
Emirates Cable Car

Location
London, United Kingdom

Chairman's Statement

I am confident that our strengthened balance sheet together with the recent and future management and organisational changes will result in improved Group performance both in the near and longer term.

John Dodds – Chairman

The 15 months ended 31 March 2013 have probably been the most challenging in the Group's history. Problems with the contract for 122 Leadenhall Street were the most significant of several issues which adversely impacted the results for the period, and which were explained in detail with the 12 month interim results to 31 December 2012. Tom Haughey, the Chief Executive, stepped down from his position in January 2013, since when I have taken on the role of Executive Chairman on an interim basis.

We appreciated the overwhelming support of our shareholders during this period which enabled the Group to complete a rights issue which raised £44.8m net of fees. The resultant strong balance sheet provides the Group with greater operational and financial flexibility while demonstrating financial strength to customers, relative to its principal competitors, in a continuing difficult market environment.

The Group announced in August 2012 the reorganisation of three of its operating businesses into a single trading entity, Severfield–Watson Structures. A comprehensive management review since then has resulted in changes being made to the senior operating management structure of the Group and factory capacity is being reduced by approximately 10 per cent to align with market conditions. A further reorganisation of Severfield–Watson Structures has recently been announced which will result in a reduction in headcount of 93 people. These changes are difficult for all concerned but are necessary to ensure that the Group is on the best and most efficient footing to deliver improved performance in the continuing difficult climate.

Despite these challenges, I am encouraged by the Group's continuing strong relationship with key clients, and by its continued delivery of projects in line with client demands and expectations. The order book remains solid and reflects the continuing strength of the Group's market position. I am confident that the strengthened balance sheet and the operational changes we are making will result in a recovery in performance in the near term, leaving the Group well placed to benefit when the UK construction cycle starts to recover.

Results
The Group has made an underlying operating loss of £19.5m on revenue of £318.3m for the period. The Group loss after tax is £23.1m with basic earnings per share of -25.91p, both reflecting the impact of non-underlying items.

Dividend
As set out in the prospectus at the time of the rights issue, no final dividend is being recommended for the period.

Board changes
As previously announced, Tom Haughey stepped down as Chief Executive on 22 January 2013, at which time I assumed the role of Executive Chairman. I will continue in this role until a new Chief Executive is appointed.

Peter Emerson, Chief Operating Officer, retired on 5 June 2013, on his 60th birthday, as previously announced on 8 January 2013.

Ian Cochrane, previously Managing Director of Fisher Engineering, was appointed to the Board as Chief Operating Officer on 5 June 2013.

Geoff Wright retired from the Board at the end of December after six years of valuable service.

Our people
The past few months have been challenging for our management and employees. We are committed to restoring the Group to a stronger financial performance and it is only through the continuing effort and dedication of our management teams and employees that this will be achieved. On behalf of the Board, I would like to thank them all for their continued support and unstinting effort.

Outlook
While market conditions remain challenging, the Board is confident that with its strengthened financial position, and the reorganisation changes it is implementing, the Group is well placed to deliver improved financial performance in the near term, maintain its strong market position in the UK and achieve its strategic objectives in India.

John Dodds
Chairman
19 July 2013

Operating Review

UK overview

Market conditions remained very challenging during the period, exacerbated by very poor weather conditions in the final three months to 31 March 2013. Continued pain has been evident both within the structural steel sector and throughout the wider construction market. The need for improvement in the Group's estimating, risk management and contracting processes has been recognised and a change programme is now well under way which will lead towards improved efficiency and effectiveness in all of these key areas.

The Group's key strengths remain the design, fabrication and construction of steel structures, and we have continued to perform to clients' expectations throughout the past few difficult months.

Pictured: 60 Holborn Viaduct

Client relationships are strong and the Group remains the market leader in the UK by some considerable margin.

Atlas Ward Structures and Fisher Engineering have continued to perform profitably throughout the difficult trading environment.

Order book

The UK order book at £197m remains solid and contains a good mix of London commercial offices, industrial buildings, warehousing, waste to energy and transport projects.

The pipeline of future potential projects is encouraging, continuing at similar levels to those previously reported.

Reorganisation and costs

The Group announced the reorganisation of its largest businesses in August 2012, which started trading as a single entity on 1 January 2013. The change process will continue over several months and, following the refinancing and further management changes in the early part of 2013, a further stage in the reorganisation was announced on 15 May. The overall reorganisation will reduce costs by an annualised saving in excess of £4m and will enable the Group to compete effectively and profitably for the right mix of projects in the coming years.

Operating margins of 5 to 6 per cent remain the target in the prevailing economic climate and the reorganisation and associated improvement in contracting processes are essential to enable the Group to deliver this.

Projects

As mentioned previously, the Group's operational and performance issues have not impacted on its delivery of key projects for clients. Projects undertaken during the period include:

- Leadenhall Building
- Heathrow Airport
- Blackfriars Bridge
- London Bridge Place
- Arla Super Dairy
- 60 Holborn Viaduct

- Jaguar Land Rover, Midlands
- INEOS Runcorn
- Paris Philharmonic Hall
- BMW Extension, Oxford
- SDP Sellafield
- Gatwick Pier 5
- Tesco Distribution Centre, Reading
- East Croydon Footbridge
- Cleveland EfW
- ASDA, Rochdale
- Leeds Arena
- Streatham Hub
- Birmingham New Street Station
- Tate Modern
- London Cable Car
- ASDA, Grangemouth

Business investment

UK investment once again was largely for essential replacement equipment. The Group's stock of plant and equipment is relatively new and in good operating condition. The Group continues to invest in health and safety training and initiatives, both in our factories and at project sites.

India

Good production capability has now been established and the facility at Bellary is being expanded to increase overall capacity and flexibility. Senior management in India has been recently changed to provide a greater emphasis on cost control, estimating and risk management. The changes implemented in late 2012 to the business development management structure are being rewarded with an improved pipeline of opportunities. Our Indian business is now consistently performing at good operating margins; however, overall profitability is being eroded by the interest burden from the current debt equity structure. As a result JSSL's overall result continues to fluctuate around the break-even level at this time.

The order book of £29m at May 2013 is satisfactory but is expected to grow as the additional capacity becomes available and the improving pipeline starts to convert to orders.

Corporate Social Responsibility

In 2012 we built on the significant progress made since we started our 'Steel Futures' continuous improvement programme, which focuses on safety, sustainability, carbon management, people development, community engagement and working in partnership with our supply chain. In 2012 some key initiatives across the business also demonstrated our ability to profit from sustainability through smart procurement.

Some highlights of progress are:

- A first again in our sector and part of a select few in construction to achieve the Carbon Trust Standard for our commitment to reducing our CO_2 year on year. This is independently verified through external audit.
- We maintain our leadership position in continuing accreditation to the BREEAM, BES 6001 Responsible Sourcing of Materials externally verified through BRE Global.
- Completing the first phase of our theatre based behavioural safety programme we provided training for over 2,000 people which included employees and our subcontractor supply chain.
- 120+ employees involved in making design decisions for our projects were given external training on the management of risks and safety in design.
- The business completed and implemented a whole life cost analysis of our company vehicles with the potential outcome when fully implemented being over £0.3m of savings and a potential reduction of 450 tonnes of CO_2.
- Working with our supply chain we reduced electricity energy costs by £0.1m whilst still maintaining a CO_2 levy exempt renewable energy supply at our Bolton facility.
- At our Dalton factory we worked with our supplier to manage efficiencies and switched to Bio Fuel for our heating requirements.
- Working as part of the UKCG in setting standards for the industry, the Group has introduced a training centre for internal and external organisations to improve anti-entrapment awareness.
- The Group is committed to and is reporting externally our energy emissions through the Climate Change Agreement we have in place with DEFRA.
- 100 per cent of our timber products are sourced from verified FSC timber suppliers.
- Achilles Building Confidence – this external audit standard is stipulated by many of our clients. The Group achieved the highest score in 2012, a '5 Star Rating'.
- The Group recently achieved its first Gold ROSPA Safety Award.
- Community engagement – in 2012 our Atlas Ward business sponsored the Scarborough Engineering Week where over 2,000 students and school pupils attended.

We have plans for 2013 that we believe will further enhance our leadership position.

Summary and outlook

The Group is now putting a very difficult period behind it and is implementing a number of changes aimed at improving operational and financial performance within a reduced Group risk profile. The market is challenging but our position within the market and our customer relationships both remain strong.

The Indian joint venture has built a solid foundation and projects are now being successfully completed over a wider range of sectors for a broad range of customers. Capacity is being expanded and the business model increasingly tailored to the developing Indian market. The overall outlook for the joint venture business in India is positive.

Despite the difficult backdrop, our strong balance sheet combined with new management and organisation structure leaves the Group well placed to deliver improved performance in the near term.

Financial Review

The Group's results for the period reflect the impact of a number of contract execution issues, particularly on the Leadenhall contract. The financial impact of these issues required a rights issue, the proceeds of which leave the Group with a much stronger balance sheet with which to continue navigating through the UK construction downturn, and to make the operational and organisational changes required to improve performance.

Alan Dunsmore – Finance Director

Overview

The Group's results for the 15 months to 31 March 2013 reflect the impact of a number of contract execution issues during the period, particularly on the 122 Leadenhall Street contract, along with difficulties in securing appropriate value for contract variations on a small number of contracts. These issues are described in detail in the interim statement for the 12 month period to 31 December 2012. The financial impact of these issues required a rights issue, which raised £44.8m of funds net of expenses, and amendments to the Group's bank facilities. As the rights issue completed on 5 April, the funds raised were not received by the Group until after the period end, although the costs relating to the amendment of the Group's bank facilities are reflected in the period as non-underlying items. The period end net debt was £41.2m. The proceeds from the rights issue and the amended bank facilities secured therefore leave the Group with a much stronger balance sheet with which to continue navigating through the UK construction downturn, and to make the operational and organisational changes required to improve performance.

£m	15 months to 31 March 2013	12 months to 31 December 2011
Revenue	**318.3**	267.8
Operating (loss)/profit before results of Associates and non-underlying items	**(19.2)**	14.2
Results of Associates (underlying)	**(0.3)**	(2.5)
Non-underlying items (pre-tax)	**(7.3)**	(3.3)
(Loss)/profit before tax	**(28.9)**	6.8
(Loss)/profit after tax	**(23.1)**	5.8
Period end net debt	**(41.2)**	(31.3)

Revenue and operating loss

Revenue for the period was £318.3m (2011: £267.8m) and represents relatively flat production volumes and continuing stability in steel prices from the prior period. The underlying operating loss before results of Associates was £19.2m (2011: £14.2m profit), reflecting the impact of the Leadenhall Street contract and the results of the Board contract review undertaken in January, along with the weak trading highlighted during the period. The underlying operating margin for the period was -6.0 per cent (2011: 5.3 per cent) and actions are in hand to return this to a positive level in the near term. Market conditions remain challenging but there is opportunity to recover the Group's performance in the prevailing conditions and at current pricing levels.

Share of losses of Associates

The Group's share of losses from its Indian joint venture was £0.3m for the period (2011: £2.5m loss). This reflects more solid operating volumes throughout the period and generally positive underlying contract performance. The business is experiencing greater variability of contract timing than the Group is accustomed to in the UK market and order book loadings will need to be managed accordingly in future. In addition, while the performance of the business is generally positive, and providing encouraging signs for the future, it is not yet strong enough to offset the interest burden on its current debt levels. The debt/equity mix is being kept under review along with the developing operational and contract performance of the joint venture.

Finance costs

Net finance costs for the period were £2.0m (2011: £1.6m) reflecting prevailing debt levels throughout the 15 months. The amended facilities take effect from the start of the new financial year.

Non-underlying items

Non-underlying items for the period were £7.3m (2011: £3.3m) and include the following:

- Amortisation of acquired intangibles — £3.4m (2011: £2.7m).
- All costs relating to the amendment of the Group's banking facilities, including the write-off of fees relating to the November 2011 refinancing — £2.1m (2011: £nil).
- Incremental contract legal costs — £1.1m (2011: £0.6m).
- Restructuring and redundancy costs — £0.8m (2011: £nil).
- Movement in valuation of derivatives — £0.1m favourable (2011: £nil).

Taxation

The underlying tax credit of £3.1m represents an effective rate of 14.4 per cent (on the applicable loss, which excludes results of Associates). This compares with 23.2 per cent on applicable profit in the prior period. The current period credit reflects a prudent assessment of the future value of losses carried forward.

The total tax credit for the period was £5.7m which reflects an effective tax rate of 20.1 per cent. This includes the additional deferred tax benefit from the reduction in UK corporation tax to 23 per cent. This is categorised as non-underlying and is included in other items.

Earnings per share

Underlying basic earnings per share was -20.70p (2011: 8.05p). This calculation is based on the underlying loss after tax of £18.5m and 89,251,076 shares, being the weighted average number of shares in issue during the period.

Basic earnings per share, based on the loss after tax after non-underlying items is -25.91p (2011: 6.52p). For the 15 month period, there is no difference between basic and diluted earnings per share (2011: no difference).

Dividend

As set out in the prospectus at the time of the rights issue, no final dividend is being recommended for the period.

Balance sheet

Shareholders' funds decreased during the period from £132.3m to £102.4m. This equates to a total equity value per share of 114.7p at 31 March 2013, compared with 148.2p at the end of 2011.

Goodwill on the balance sheet is valued at £54.7m (2011: £54.7m) and is subject to an annual impairment review under IFRS 3. No impairment existed either at 31 March 2013 or 31 December 2011.

Other intangible assets on the balance sheet are valued at £15.1m (2011: £18.2m). This represents the net book value of the intangible assets identified on the acquisition of Fisher Engineering in 2007, along with new software assets installed during 2011 and 2012. The amortisation charged in the period was £3.5m (2011: £2.7m), giving a total amortised at the period end of £24.8m (2011: £21.3m).

The Group has property, plant and equipment and investment property totalling £80.1m (2011: £83.6m).

Financial Review continued

Pictured: Tate Modern

Depreciation charged in the period amounted to £5.0m (2011: £4.5m). Capital expenditure in the period was £2.7m (2011: £2.1m). This included further investment in new systems, modification of a production bay at our Lostock site, and the general replacement of capital equipment as required. During the period, the Group invested £3.0m (2011: £0.1m) as equity into the joint venture company in India. This was to support the expansion of the manufacturing facilities and to improve the equity base of the business.

The Group's capital expenditure in the year to 31 March 2014 in the UK is not expected to be more than £3.0m.

The Group's Atlas Ward subsidiary has a defined benefit pension scheme which, although closed to new members, had an IAS 19 deficit of £9.6m as at 31 December 2011. At 31 March 2013, the deficit increased to £11.8m and is shown as a liability in the Group balance sheet. The increase in the deficit is as a result of the changes in the assumptions made, including a reduction in corporate bond yields and an increase in mortality rates, partly offset by higher than expected returns on the scheme's assets.

Cash flow

There was an increase in net debt during the period of £9.9m to leave the period end position at £41.2m (2011: £31.3m).

Efforts to improve working capital management were offset by the operating loss for the period resulting in a cash inflow from operating activities of £0.8m. Net capital expenditure of £1.4m, additional equity investment in the India joint venture of £3.0m, finance costs of £1.7m and dividends paid of £4.5m combine to generate the net cash outflow for the period.

With the previously mentioned contract performance issues, the resultant level of debt became unsustainable and the Group raised £44.8m of new net funds in April as a result of the rights issue announced on 28 February. This leaves the balance sheet in a much stronger position for the current trading environment.

As part of the overall refinancing, the Group amended its banking facilities with RBS and Yorkshire Bank, a member of the National Australia Bank Group. It now has a £35m facility in place until November 2016, of which £20m is available for utilisation until December 2013. There are operating cash covenants but no profit covenants on the facility until 31 March 2014, which will allow the Group to rebuild its profitability without any short-term bank facility pressure.

Treasury

Group treasury activities are managed and controlled centrally. Risks to assets and potential liabilities to customers, employees and the public continue to be insured. The Group maintains its low risk financial management policy by insuring all significant trade debtors.

The treasury function seeks to reduce the Group's exposure to any interest rate, foreign exchange and other financial risks, to ensure that adequate, secure and cost-effective funding arrangements are maintained to finance current and planned future activities and to invest cash assets safely and profitably.

The Group continues to have some exposure to exchange rate fluctuations, currently between sterling, the euro and the US dollar. In order to maintain the projected level of profit budgeted on contracts, foreign exchange contracts are taken out to convert into sterling at the expected date of receipt.

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.

In the Group's interim financial statements for the 12 months ended 31 December 2012, information was provided on the then proposed equity fundraising ('rights issue') which, at that time, remained conditional on the approval of shareholders at the general meeting held on 18 March 2013. Shareholder approval was obtained and the rights issue completed on 5 April 2013, at which point the amendment and restatement of the existing facilities agreement ('Revised Facilities Agreement') with the Group's lenders became effective.

The key areas of uncertainty considered by the directors were as follows:

- The UK order book, which was £197m in May 2013, the pipeline of potential orders, including the relative attractiveness of the market sectors which are feeding that pipeline, and the anticipated conversion of this pipeline.
- The implications of the continuing challenging economic environment on the Group's revenues and results. The Group undertakes forecasts and projections of trading and cash flows on a regular basis. Whilst this is essential for targeting performance and identifying areas of focus for management to improve performance and mitigate the possible adverse impact of a deteriorating economic outlook, they also provide projections of working capital requirements.
- The impact of the very competitive environment within which the Group operates, including pressures on margins and counterparty risks. This included an assessment of the current stage of the economic cycle of the construction industry, the prospects for any recovery in the short to medium term, and the potential development of the competitive environment.
- The impact on our business of key suppliers being unable to meet their obligations to the Group including the ability of the Group to find alternative suppliers who could also enable the business to continue trading satisfactorily.
- The potential mitigating actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected.
- The committed finance facilities to the Group, including both the level of the facilities and the banking covenants attached to them. In accordance with the Revised Facilities Agreement, to meet day-to-day working capital requirements, the Group has access to £20m in credit facilities until 31 December 2013, when the facilities increase to £35m until their expiry in November 2016. This facility provides the Group with sufficient headroom both on the facility itself and on the bank covenants in place. This position is forecast to continue for the foreseeable future.

Having considered all the factors impacting the Group's business, including downside sensitivities, the directors are satisfied that the Group will be able to operate within the terms and conditions of the Group financing facilities for the foreseeable future.

Financial Review continued

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 2013 Annual Report.

Pro-forma financial information

As the results are for the 15 month statutory period to 31 March 2013, a pro-forma consolidated income statement for the 12 months to 31 March 2013 has been included in note 34 of the consolidated financial statements to aid comparison with future years.

Summary

Overall the results reflect what has been a very difficult period for the Group, both financially and organisationally. The successful rights issue now gives the Group the opportunity to realise the operational improvements which are under way and deliver improved financial performance in the near term.

Alan Dunsmore
Finance Director
19 July 2013

Pictured: Leadenhall Street

Key Performance Indicators

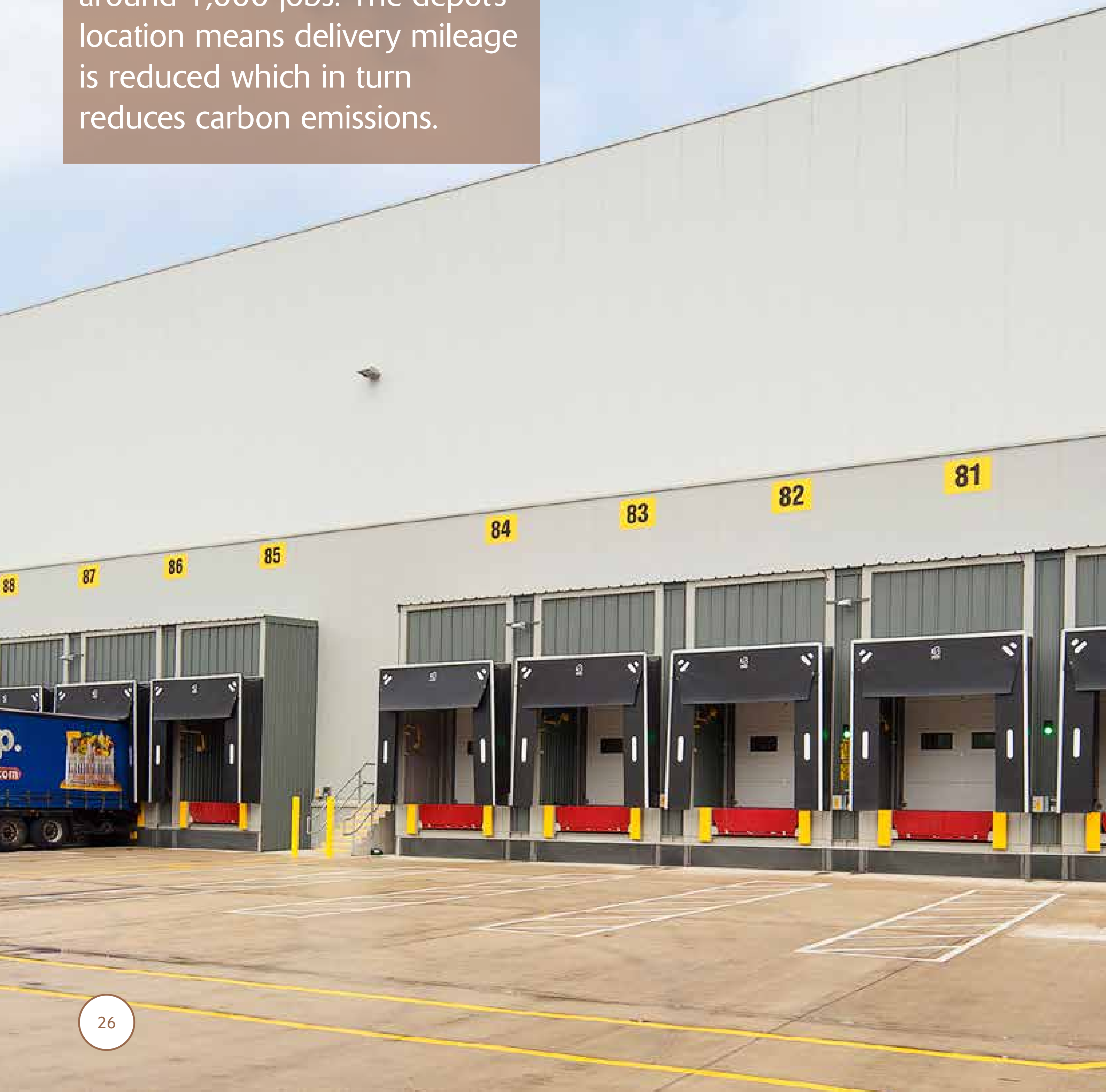
The Group measures success through key performance indicators (KPIs), shown below. These should be reviewed in the context of market conditions and the industry sector in which the Group operates.

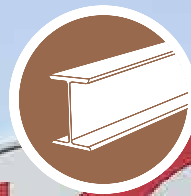
KPI	Comment	Performance in 2013
Underlying* operating profit margin	The operating margin is the principal measure used by the Group to assess the success of its UK strategy. It is the profit before non-underlying items such as the amortisation of intangible fixed assets, expressed as a percentage of revenue.	A reduction in the period ended 31 March 2013 to -6.0 per cent (2011: 5.3 per cent). The reduction reflects the impact of the Leadenhall Street contract and the results of the Board contract review undertaken in January, together with the weak trading highlighted during the period. Actions are in hand to return this to a positive level in the near term.
Underlying* basic earnings per share	Underlying basic earnings per share is taken as an overall indicator of performance. It is basic EPS before non-underlying items.	Underlying basic earnings per share decreased to -20.70p compared to 8.05p in the previous financial period.
Net debt	Cash is critical for providing the financial resources to develop the Group's business and to provide adequate working capital to operate smoothly. The Group has a robust and detailed cash forecasting procedure that considers the Group's position on a contract by contract basis.	Net debt as at 31 March 2013 was £41.2m (31 December 2011: £31.3m). The movement primarily reflects an outflow of cash from operating activities. Net debt has improved considerably post period end on the receipt of net proceeds from the rights issue of £44.8m.
Order book	The order book provides visibility on future activity and allows the Group to plan production and adapt accordingly. It only includes future revenue from legally committed contracts comprising both ongoing and newly won work. Whilst only the revenue within the order book is reported externally, a key forward indicator of future profitability that is tracked internally is the margin inherent within the forward order book.	The order book at 1 May 2013 for the Group (excluding the Indian joint venture) remains solid at £197m (31 December 2012: £209m) and contains a good mix of London commercial offices, industrial buildings, warehousing, waste to energy and transport projects.
Forward prospects and pipeline	The Group's prospect list and project pipeline provides longer term forward visibility on future orders and therefore production requirements. It only includes prospects with a good likelihood of conversion to orders in the near term.	The Group's pipeline of future potential projects is encouraging, continuing at similar levels to those previously reported.
Accident frequency ratio (AFR)	The AFR is a key measure of the safe operation of our business and is one of a number of health and safety measures the Group uses to monitor its activities. The AFR is the number of RIDDOR accidents to man-hours worked, multiplied by 100,000.	The AFR rate for the 2012 calendar year was 0.49 (2011: 0.60). The Group recognises that all injuries are unacceptable and is committed to reducing injuries in our workforce.

* Underlying profit has been defined on page 1.

Pioneering Projects

This distribution centre supplies Tesco stores in the South East of England and has provided around 1,000 jobs. The depot's location means delivery mileage is reduced which in turn reduces carbon emissions.





Project
Tesco
Distribution Centre

Location
Reading,
United Kingdom

SECTION 2

Our Governance

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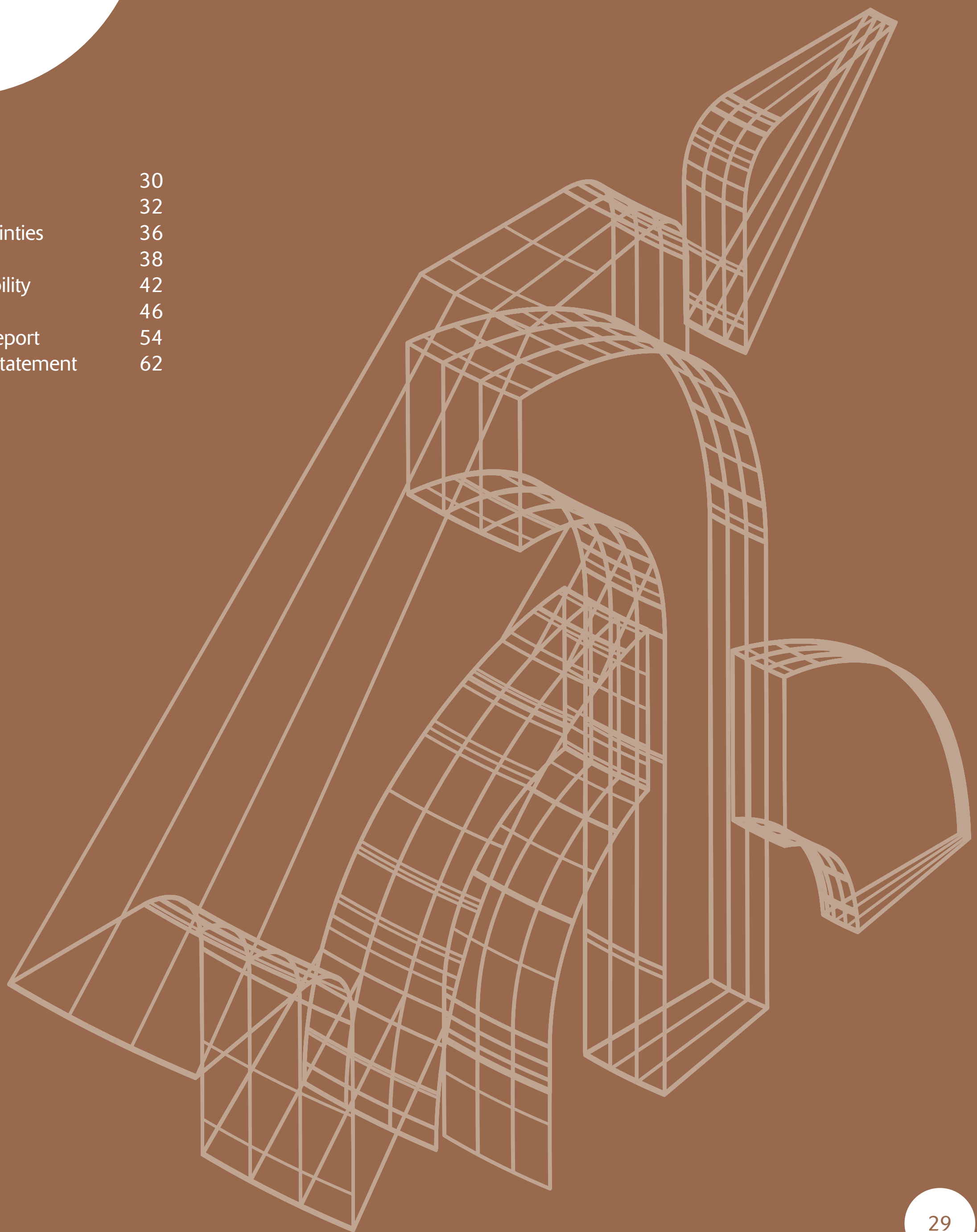


Board of Directors

1

1 John Dodds Executive Chairman

John Dodds joined the Company as a non-executive director in October 2010, becoming Chairman in September 2011. He retired in March 2010 from Kier Group plc, the construction and property services group, after serving for seven years as Group Chief Executive. He worked for Kier, both in the UK and overseas, for nearly 40 years and held a main board position through the employee buy-out process in 1992 and the subsequent flotation of the group on the London Stock Exchange in 1996.

John is a non-executive director of Newbury Racecourse Plc and Lagan Construction Holdings Limited.

2

2 Ian Cochrane Chief Operating Officer

Ian Cochrane joined the Group in 2007, following the acquisition of Fisher Engineering. Ian worked at Fisher Engineering for 26 years, starting in the drawing office and progressing to project management. He was appointed Project Director in January 2004 and Managing Director in October 2007.

In March 2013, Ian was appointed as Group Operations Director, and subsequently, in June 2013, as the Group's Chief Operating Officer having overall responsibility for all operational aspects of the Group.

Ian has a comprehensive understanding of all aspects of the business and has been involved in many major projects in the UK and Ireland, representing a range of market sectors.

3

3 Alan Dunsmore Finance Director

Alan Dunsmore joined the Company in March 2010 from Smiths Group Plc. Alan joined Smiths Group Medical Division in 1995, holding various positions throughout the business and from 2004 was Director of Finance for Smiths Detection. Prior to joining Smiths, he was with Coopers and Lybrand in Glasgow, where he qualified as a Chartered Accountant in 1992.

4

4 Derek Randall Executive Director, Business Development and International

Derek Randall was appointed Executive Director, Business Development in May 2008. He is a Master of Business Administration (Warwick Business School), Doctor of Business Administration (Nottingham Business School) and the Visiting Professor of International Management and Development at Birmingham City University's Business School. Before joining the Group, most of his career was with Corus Group latterly as Commercial Director of Long Products Division. Derek has served on the Executive Council of The Steel Construction Institute.

5

5 Keith Elliott Senior Non-Executive Director

Keith Elliott joined the Company as a non-executive director in October 1998. He retired in July that year from Bechtel, the international engineering and construction group, where he was a partner in Bechtel Corporation and Senior Vice-President responsible for its petroleum and chemical business. He is a graduate chemical engineer and serves as non-executive Chairman of Keltbray Group.

6

6 Toby Hayward Non-Executive Director and Chairman of Audit Committee

Toby Hayward was appointed non-executive Chairman in June 2008, stepping down in September 2011 to become Chairman of the Audit Committee. He qualified as a Chartered Accountant with Deloitte in 1984 and became an Investment Banker. He was a director of Corporate Finance at Singer & Friedlander Limited and Henry Ansbacher & Co Limited before working in the Equity Capital Markets team at Canaccord Capital Limited. He joined Jefferies International Limited as Managing Director in 2005 with responsibility for UK Corporate Broking and left Jefferies in June 2008 to concentrate on consultancy and non-executive work.

7

7 Chris Holt Non-Executive Director

Chris Holt joined the Company as a non-executive director in November 2011. He retired in September 2010 from MJ Gleeson Group plc after serving two years as Chief Executive, and prior to that three years as Group Finance Director. Chris's experience also includes 17 years with Foster Wheeler Limited as Finance Director and Deputy Chairman of the UK subsidiary company and 12 years with Bechtel Corporation. Chris is a graduate of Leeds University, a qualified accountant and has an MBA from Golden Gate University, San Francisco.

Executive Committee

1 John Dodds Executive Chairman

For details see Board of Directors on page 30.

2 Ian Cochrane Chief Operating Officer

For details see Board of Directors on page 30.

3 Alan Dunsmore Finance Director

For details see Board of Directors on page 30.

4 Derek Randall Executive Director, Business Development and International

For details see Board of Directors on page 30.

5 Nigel Pickard Managing Director, Atlas Ward Structures

Nigel Pickard joined the Group in 2005 following the acquisition of Atlas Ward Structures. He has 30 years' experience in the structural steelwork industry, working both in the UK and overseas markets. In 2000, Nigel was appointed Operations Director of Atlas Ward where he took full responsibility for production. Appointed as Managing Director in October 2002, Nigel transformed Atlas Ward's business, turning its substantial losses to profit and laid the foundations for further development in the future.

6 Brian Keys Managing Director, Fisher Engineering

Brian Keys joined Fisher Engineering Limited in 1986 as Production Manager, moving to Project Management in 2001 for a period of six years. Just prior to the acquisition of Fisher Engineering in 2007 Brian became Production Director, a role which he performed until his appointment as Managing Director in March 2013.

Brian has been involved in the successful delivery of many major projects throughout Ireland and the UK during his 27 year career in Fisher Engineering.

7 Steven Day Deputy Managing Director, Severfield–Watson Structures

Steven Day joined the Group in 2002 following the acquisition of Tubemasters, a business which he built and ran for 18 years previously. With over 35 years of experience in the UK structural steelwork market at all levels, he has considerable knowledge of the industry.

8 David Larter Group Director, Business Sustainability

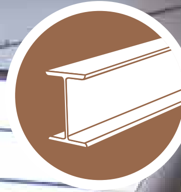
David Larter joined the Group in 2010 as Group Director, Business Sustainability. David has worked in the construction industry for 28 years and has held senior management and corporate strategic positions in international contracting and design consultancy businesses. He brings a wealth of experience in design, buildability and construction techniques on international major projects across a diverse range of sectors.

Pioneering Projects

The redevelopment of Blackfriars bridge and railway station was part of the Thameslink upgrade programme. It is the first railway station to span the River Thames.

Project
Blackfriars Bridge Development

Location
London,
United Kingdom



Principal Risks and Uncertainties

The Group's ongoing operations and growth plans are subject to a number of different risks and uncertainties. Risk management processes are put in place to assess, manage and control these on an ongoing basis. The principal ones facing the business are set out below, and are listed in no particular order.

Risk	Explanation	Impact	Mitigation/Comment
Commercial and market environment	The UK construction market, within which the Group operates, is currently at the bottom of the economic cycle, placing significant pressure on all parts of the supply chain, from end customers through to material and subcontract suppliers.	Weak demand is resulting in increased competition, tighter margins and the transfer of commercial, technical and financial risk down the supply chain, through more demanding contract terms and longer payment cycles.	• Reorganisation of business and strengthening of senior management to improve process and discipline around contract risk assessment, engagement and execution. • Close engagement with both customers and suppliers and monitoring of payment cycles. • Continuing use of credit insurance to minimise impact of customer failure.
Steel price movements	Steel is the key material used within the business and the largest single cost within a contract. Steel prices can vary significantly in a short period of time.	Such movements have the potential to impact the profitability of both individual contracts and the whole business significantly, particularly given the long duration of many of its contracts.	• Supply and pricing agreements with steel suppliers are negotiated to minimise individual contract risk. • Customer bids are structured to reflect the prevailing conditions within the market for raw steel.
People/skills	The Group has established a market leading position over many years due in large part to the experience and skills of its key people.	Loss of key people could adversely impact the Group's existing market position. Insufficient growth and development of its people and skillsets could restrict its growth ambitions both in the UK and overseas.	• Talent reviews undertaken regularly. • Development opportunities identified for staff to broaden their range of skills and experience. • A staff appraisal process continues to align the short and long-term needs and goals of the business with those of key staff. • Remuneration policy is regularly reviewed to ensure that it is competitive and strikes the appropriate balance between short and long-term rewards and incentives. • Skills gaps are continually identified and actions put in place to bridge these by either training, development or external recruitment.

Risk	Explanation	Impact	Mitigation/Comment
Interruption to fabrication facilities	The Group's production facilities are at the core of its business and the Group relies on smooth continued operation of them.	Interruption could impact both the Group's performance on existing contracts and its ability to bid for future contracts, thereby impacting its financial performance.	• The Group has four main production facilities so interruption at one facility could to some extent be absorbed by increasing capacity at a sister facility. • A wide network of subcontract fabricators is used on a recurring basis, both for short-term peak capacity requirements and for more specialised fabrication. This network could also be used to mitigate disruption to the Group's own fabrication facilities. • Appropriate levels of business interruption insurance cover are maintained and reviewed regularly with the assistance of independent advisers and brokers.
Indian joint venture	The Group has invested in a joint venture in India, where the growth prospects are believed to be substantial.	The growth, management and performance of this business will be a key element of the Group's development for the foreseeable future. Effective management of the joint venture is therefore key to the Group's continuing success.	• Robust joint venture agreement. • Two members of Group Board of Directors are members of joint venture Board. • Strong governance in place at joint venture. • Regular formal and informal meetings held with both joint venture management and joint venture partners. • Key positions within joint venture management structure are occupied by Group employees seconded to the joint venture.
Health and safety	The construction industry sets very high standards of health and safety which the Group aims to exceed to maintain the health and well-being of its employees.	Construction activities can result in injury or death to employees, with subsequent financial loss to the business, potential loss of reputation, where at fault, and ultimately exclusion from future business.	• Drive market leading standards for all employees at all times. • Director led safety leadership teams established to bring innovative solutions and to engage with all stakeholders to deliver continuous improvement in standards across the business and wider industry. • Priority Board review of ongoing performance. • Achievement of challenging health and safety performance targets is a key element of management remuneration.

Financial risks and uncertainties are separately described in the Financial Review on pages 20 to 24, and within note 22 to the consolidated financial statements.

Directors' Report

The directors present their annual report and the audited financial statements for the period ended 31 March 2013.

Principal activity and business review

The principal activity of the Group continues to be the design, fabrication and construction of structural steelwork, specialist claddings and ancillary products.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the period are listed in notes 14 and 15 to the consolidated financial statements.

A review of the Group's progress during the period and of its future prospects is contained in the Chairman's Statement on page 16, the Operating Review on pages 18 and 19 and the Financial Review on pages 20 to 24.

The key performance indicators of the Group are presented and discussed on page 25.

Explanation of the Group's approach to financial risk management is given in the treasury section on page 23 and in note 22 to the consolidated financial statements.

A review of the Group's performance in the area of health and safety, and its consideration of environmental and employment policies, is given in the Corporate Social Responsibility section on pages 42 to 45.

Results and dividends

The loss of the Group for the period after taxation amounted to £23,127,000 (2011: profit of £5,822,000), details of which are set out in the consolidated income statement on page 67.

An interim dividend of 1.5p net per share (2011: 1.5p) was paid on 26 October 2012. The directors do not recommend the payment of a final dividend (2011: 3.5p per share).

Fixed assets

Details of changes in the Group's fixed assets are given in notes 11, 12 and 13 to the consolidated financial statements.

Employees

The Group's principal employee policies are set out on page 42 to 45 in the Corporate Social Responsibility section.

Branches

The principal subsidiaries of the Group are set out in note 14 to the consolidated financial statements.

Directors

The present membership of the Board is stated on page 30. J Dodds was appointed Executive Chairman on 23 January 2013. I R S Cochrane was appointed as a director on 5 June 2013. T G Haughey resigned as a director on 23 January 2013. G H Wright retired on 31 December 2012 and P A Emerson retired on 5 June 2013. All of the other directors served throughout the period since the date of the previous annual report.

The directors' interests in the share capital of the Company are set out on page 60 in the Directors' Remuneration Report.

A D Dunsmore will retire at the Annual General Meeting in accordance with the Articles of Association and will offer himself for re-election.

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased during the past period.

Agreements with employees and significant agreements

There are no agreements between the Group and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Group's banking arrangements which expire in November 2016 can be terminated upon a change of control of the Group.

Share capital

The Company has a single class of share capital which is divided into ordinary shares of 2.5p each.

Three resolutions are to be proposed at the forthcoming Annual General Meeting relating to or concerning share capital. On 5 April 2013, the Company completed a rights issue which raised £44,756,000 (net of expenses). Pursuant to the rights issue, shareholders were offered new ordinary shares at 23p per share, on the basis of 7 new ordinary shares for every 3 existing ordinary shares held.

Significant shareholdings

As at 2 July 2013, the Group had been notified of the following voting rights to the Company's shares in accordance with the Disclosure Rules and Transparency Rules of the UK Listing Authority:

	2.5p Ordinary shares	%
M & G Investments	41,857,693	14.07
Aviva Investors	35,858,765	12.05
J O Hambro Capital Management	33,593,468	11.29
Threadneedle Investments	24,524,997	8.24
Rathbone Investment Management	17,113,984	5.75
Standard Life Investments	14,998,322	5.04
Legal & General Investment Management	14,991,799	5.04

The issue price of 23p per share represented a 38.7 per cent discount to the theoretical ex rights price of 37.55p based on the closing middle-market price of 71.5p per existing ordinary share on 27 February 2013. The rights issue was fully underwritten by Jefferies International Limited.

(i) The directors of the Company may only allot shares or grant rights to subscribe for, or convert any security into, shares if authorised to do so by shareholders. The authority granted at the last Annual General Meeting is due to expire at the conclusion of this year's Annual General Meeting. Accordingly, Resolution 9 to be proposed at the Annual General Meeting will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares (a) up to an aggregate nominal amount of £2,476,717, and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments which may be made under part (a) of the resolution) of £4,960,872.

These amounts represent approximately 33.3 per cent and approximately 66.7 per cent respectively of the total issued ordinary share capital of the Company as at 18 July 2013, the latest practicable date prior to publication of this document. If given, these authorities will expire at the Annual General Meeting of the Company in 2014 or on 30 September 2014, whichever is the earlier.

The directors have no present intention of issuing shares pursuant to this authority.

Following ABI guidance published on 31 December 2008, if the authority under Resolution 9(b) to allot share capital up to an aggregate nominal value of £4,960,872 is given, where allotments exceed £2,476,717 and one-third of the issued share capital of the Company (that is it exceeds the authority under Resolution 9(a), if given), all the directors of the Company will stand for re-election at the Annual General Meeting of the Company in 2014.

(ii) The directors of the Company also require a power from shareholders to allot equity securities or sell treasury shares for cash and otherwise than to existing shareholders pro rata to their holdings. The power granted at the last Annual General Meeting is due to expire at this year's Annual General Meeting. Accordingly, Resolution 10 to be proposed at the Annual General Meeting will be proposed as a special resolution to grant such a power. Apart from offers or invitations in proportion to the respective number of shares held, the power will be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £371,880 (being approximately 5 per cent of the Company's issued ordinary share capital at 18 July 2013, the latest practicable date prior to publication of this document). If given, this power will expire at the conclusion of the Annual General Meeting of the Company in 2014 or on 30 September 2014, whichever is the earlier to occur.

(iii) The directors are requesting that pursuant to Resolution 11 it be proposed at the Annual General Meeting they are given the authority to buy, by way of market purchases, up to 10 per cent of the issued share capital of the Company representing a maximum of 29,750,358 shares. The price to be paid will be no lower than 2.5p per share and no more than 105 per cent of the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the five business days preceding the day on which the shares are purchased.

Purchases would not be made in the close period preceding the announcement of the Group's interim or final results. This proposal does not indicate that the Company will purchase shares at any particular time or price, or imply any opinion on the part of the directors as to the market or other value of the Company's shares. This authority will expire at the end of the 2014 Annual General Meeting, or on 30 September 2014, whichever is the earlier.

It is the present intention of the directors to seek a similar authority annually.

The directors have no present intention of exercising this authority and will only do so at price levels which they consider to be in the interests of shareholders after taking account of the Group's overall financial position, and which would lead to a beneficial impact on the earnings per share of the Group.

Rights attaching to shares

The rights attaching to the ordinary shares are defined in the Company's Articles of Association. The Articles of Association may be changed with the agreement of shareholders. A shareholder whose name appears on the Company's register of members can choose whether his shares are evidenced by share certificates (i.e. in certificated form) or held in electronic (i.e. uncertificated) form in CREST (the electronic settlement system in the UK).

Subject to any restrictions below, shareholders may attend any general meeting of the Company and, on a show of hands, every shareholder (or his representative) who is present at a general meeting has one vote on each resolution and, on a poll, every shareholder (or his representative) who is present has one vote on each resolution for every ordinary share of which they are the registered shareholder. A resolution put to the vote of a general meeting is decided on a show of hands unless before, or on the declaration of the result of, a vote on a show of hands, a poll is demanded by the chairman of the meeting, or by at least five shareholders present in person or by proxy and having the right to vote, or by any shareholders present in person or by proxy having at least 10 per cent of the total voting rights of all shareholders, or by any shareholders present in person or by proxy holding ordinary shares in which an aggregate sum has been paid up of at least one-tenth of the total sum paid up on all ordinary shares.

Directors' Report continued

Shareholders can declare final dividends by passing an ordinary resolution but the amount of the dividends cannot exceed the amount recommended by the Board. The Board can pay interim dividends on any class of shares of the amounts and on the dates and for the periods they decide the distributable profits of the Company justify such payment.

Any dividend which has not been claimed for 12 years after it became due for payment will be forfeited and will then belong to the Company, unless the directors decide otherwise.

If the Company is wound up, the liquidator can, with the sanction of a special resolution passed by the shareholders, divide among the shareholders all or any part of the assets of the Company and he can value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator can also transfer the whole or any part of the assets to trustees upon any trusts for the benefit of the members. No shareholders can be compelled to accept any asset which would give them a liability.

Details of share-based payment schemes are set out in note 23.

Voting at general meetings

Any form of proxy sent by the Company to shareholders in relation to any general meeting must be delivered (subject to the provisions of the Articles of Association) to the Company, whether in written form or in electronic form, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote.

No shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide (where the shares represent at least 0.25 per cent in nominal value of the issued shares of the same class) that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered.

These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.

Transfer of shares

The Board may refuse to register a transfer of a share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register a transfer of a certificated share unless: (i) the instrument of transfer is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Board, accompanied by a certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; and (iii) is in favour of not more than four transferees.

Transfer of uncertificated shares must be carried out using CREST and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

There are no other limitations on the holding of ordinary shares in the Company.

Variation of rights

If at any time the capital of the Company is divided into different classes of shares, the special rights attaching to any class may be varied or revoked either:

(i) with the written consent of the holders of at least 75 per cent in nominal value of the issued shares of the class; or

(ii) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

The Company can issue new shares and attach any rights to them. If there is no restriction by special rights attaching to existing shares, rights attaching to new shares can take priority over the rights of existing shares.

General meetings

A resolution is to be proposed at the forthcoming Annual General Meeting that a general meeting of the Company, other than an Annual General Meeting, can be called on not less than 14 clear days' notice.

CREST

The Company's ordinary shares are in CREST, the electronic settlement system for stocks and shares.

Creditor payment policy

The Group's current policy concerning the payment of its trade creditors is to agree terms and conditions for its transactions with suppliers and to abide by those terms, subject to those terms and conditions being met by the supplier. At 31 March 2013, trade creditors of the Group represented 66 days of purchases (2011: 62 days).

Charitable and political contributions

During the period the Group made charitable donations of £56,000 (2011: £51,000), principally to local charities serving the communities in which the Group operates.

No contributions were made to any political parties during the current or preceding period.

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

The key factors considered by the directors in making the statement are set out in the Financial Review on page 23.

Auditor

Each director, at the date of approval of this Annual Report, confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Notice concerning the Annual General Meeting to be held at Solberge Hall Hotel, Newby Wiske, Northallerton, North Yorkshire, DL7 9ER at noon on Wednesday 11 September 2013, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for exercising voting rights, is contained in a circular to be sent to shareholders with this report.

Approved by the Board of Directors and signed on behalf of the Board.

J D Rhodes
Company Secretary
19 July 2013

Dalton Airfield Industrial Estate,
Dalton, Thirsk, North Yorkshire, YO7 3JN.

Corporate Social Responsibility

- Safety Leadership
- Behavioural Safety
- Safety 'Golden Rules'
- Health & Well-being

- Community & Stakeholder Engagement
- Leadership & People Development
- Market Leading Innovation
- Supply Chain Partnering

- Carbon Management & Reduction
- Transport Policy & Strategy
- Renewable Energy
- Responsible Sourcing of Materials

Introduction

Corporate Social Responsibility is an integral part of our business and is fundamental to our future.

We are committed to operating a successful responsible business which meets the expectations of our stakeholders. We work beyond compliance to consider the impact of our activities on the environment, ensure the best health and safety performance standards and demonstrate our socially responsible actions.

In 2010 we introduced our 'Steel Futures' strategy to develop a market leading position for the Group. We continue to be proactive and demonstrate progress in each key area to promote a Safe Future, Sustainable Future and Zero Carbon Future.

Our continuous improvement programme has been developed to provide the strategic vision, objectives and targets that have been set to focus this programme of investment and behavioural change. We recognise the importance of leadership and commitment from our senior management teams and the need to engage employees, contractors and other stakeholders in order for our programme to succeed.

During the period ended 31 March 2013 we focused on five key areas for continuous improvement — work environment, commitment, leadership, engagement and behaviour.

Some of the highlights during the period are:

- A first again in our sector and part of a select few in construction to achieve the Carbon Trust Standard for our commitment to reducing our CO_2 year on year. This is independently verified through external audit.
- We maintain our leadership position in continuing accreditation to the BREEAM, BES 6001 Responsible Sourcing of Materials externally verified through BRE Global.
- Completing the first phase of our theatre based behavioural safety programme we provided training for over 2,000 people which included employees and our subcontractor supply chain.
- 120+ employees involved in making design decisions for our projects were given external training on the management of risk and safety in design.
- The business completed and implemented a whole life cost analysis of our company vehicles with the potential outcome when fully implemented being over £0.3m of savings and a potential reduction of 450 tonnes of CO_2.
- Working with our supply chain we reduced electricity energy costs by £0.1m whilst still maintaining a CO_2 levy exempt renewable energy supply at our Bolton facility.
- At our Dalton factory we worked with our supplier to manage efficiencies and switched to Bio Fuel for our heating requirements.
- The Group recently achieved its first Gold ROSPA Safety Award.

Health and safety

The Executive Board has again been working hard with our employees and supply chain partners throughout the period. The Group's network of safety leadership teams chaired by each business unit managing director (with representation from unions and shop floor employees) has created a proactive environment for change and maintained excellent progress.

We have also been working closely with our key clients through the UKCG; this continues to bring real recognition for the efforts our employees are delivering.

The Group's fully functional health and safety department supports the operational directors in developing and maintaining a positive health and safety culture for all aspects of our operations. Each operating subsidiary has a worker health and safety committee with direct access to the main Board via monthly health and safety meetings.

The Group operates in some difficult working environments and is proud of its good safety record.

The Group is supported by some excellent employee champions for safety who work on our clients' projects. Recognition for their hard work is regularly communicated back to the business which demonstrates the progress we are making. The Group is also proud of being externally recognised for our 'Steel Futures' programme; the improvements we demonstrated during the period enabled the achievement of the British Safety Council International Safety Award and our first Gold RoSPA Safety Award.

The successful roll-out and communication of our health and safety Golden Rules across all our factory and construction sites has reinforced our commitment to proactively addressing safety wherever we have a presence.

01: British Safety Council: International Safety Award winner 2013.

02: Royal Society for the Prevention of Accidents (RoSPA): 2013 Gold Award.

Employee and workforce engagement

Our people are the future of our business and the Group's reputation depends on the skills, quality and effectiveness of our employees and contractors. We are committed to developing the skills of our people through mentoring and training opportunities, to enable them to fulfil their potential.

We are committed to the fair and equal treatment of all employees through the implementation of our equal opportunities, ethical and anti-corruption policies. These specifically prohibit discrimination on the grounds of race, religion, sex, sexual orientation, age, nationality or ethnic origin.

As an employer we promote a culture of open communication and support with our staff and union representatives. Regular engagement with employees on all matters concerning the business performance and future developments is provided through scheduled team meetings and presentations. We value feedback and suggestions for improvement.

Training

The Group has made a significant commitment to ensure our people and those engaged on our projects have the necessary skills and training to deliver the standards and performance expected.

The Group's in-house training company, ECT, is creating and delivering bespoke people development programmes to upskill all areas of our operations.

Through our Skills Academy the Group has the ability to target key areas of development and opportunities where we can work with our clients and other external organisations within the industry.

The Group has also engaged industry leading external consultants to help deliver innovative 'Safety in Design' and a theatre based behavioural safety training programme.

Behavioural safety training

At Severfield–Rowen we have completed the first phase of our behavioural safety training to engage with all employees from construction to factory and office based, we also included our subcontract site based supply chain.

The Group has hosted multiple events around the UK; to date over 2,000 people have attended and the events have been well supported, the feedback being very positive.

Skills development — Safety in Design

The Group recognises the importance of upskilling to continuously improve the professionalism of our teams; we have been developing new approaches to risk identification and risk mitigation through smart design and buildability techniques.

To ensure communications improve we developed a pictorial based method statement to assist our construction teams in the safe delivery of projects, which was well received by our clients.

The Group completed the Shard project during the period. One of the key challenges was the installation of the Shard spire from level 75 to the top. Our ability to provide off-site assembly and modularisation was a great help in reducing the work at height risks.

As part of our management strategy the Group provided external training to 120+ staff in techniques to improve 'Safety in Design'.

Corporate Social Responsibility continued

Community engagement

The Group continues its long-standing commitment to support charities and organisations in the community through involvement and proactively engaging both locally and nationally.

The Group takes pride in its relationships with local communities and where possible provides support and encourages involvement. Some of the projects we helped during the period include:

- The Prince's Trust to provide training and development opportunities for young people in the construction industry.
- We donated sustainable timber planters, compost and plants to seven local Yorkshire schools to raise sustainability awareness.
- We arranged school visits to our manufacturing facilities to promote engineering and construction as prospective careers.
- Our Fisher Engineering business sponsors and works closely with local football and rugby teams, supporting the community and engaging many employees and their families in sport.
- Our Atlas Ward business sponsored and presented at the Scarborough Engineering week where over 2,000 pupils and students attended to get an understanding of career opportunities within the engineering sector.

Our stakeholders

At Severfield–Rowen we fully recognise the need to be progressive in addressing the sustainability and environmental agenda.

We are working with stakeholders to create a step change in our organisation. Through discussions with some of our leading clients we seek to be recognised as a proactive organisation in delivering our shared sustainability vision.

The Group is proud to be recognised as the first Steel Fabrication contractor to achieve the Standard of BES 6001 to demonstrate the Responsible Sourcing of Construction Products. We achieved a Very Good Performance accreditation rating from BRE Global, giving the Group a leadership position in the industry. This award also enables our clients and project partners to benefit from a higher BREEAM scoring when specifying Severfield–Rowen steel products.

We take full account of project specific and corporate requirements set by our clients.

SCARBOROUGH ENGINEERING WEEK — Hosted by Atlas Ward

Excellent demonstration of our local community support and engagement.
The use of interactive touch screen equipment to showcase 3-D modelling.

We can demonstrate our corporate commitment to sustainable and ethical procurement, meeting and often exceeding our clients' expectations.

Profiting from sustainability

The Group saw the benefits of its revised procurement strategy during the period; this brought together the drive to reduce costs whilst also leveraging sustainable solutions for the Group.

Profiting from sustainability will be a key focus for the Group during the year ending 31 March 2014. This can be a real differentiator with our clients and we have already presented some of our successes to date and received excellent feedback.

Environmental management and sustainability

The Group is committed to going beyond compliance to minimise the impact of business activities on the environment. Across the Group we operate an Environmental Management System which has been certified to the ISO14001 standard since 2007.

We recognise that good environmental management makes good business sense. By focusing on our key areas of impact, namely, factory energy, waste, VOC emissions and fuels, we manage our activities through our operating procedures and seek to continually improve our performance.

We have been proactive in minimising the volume of waste produced in our factories and project sites and diverting waste away from landfill to recycling and reuse. We track our performance across the Group and approximately 90 per cent of waste generated is diverted from landfill.

All our works and project sites operate to our sustainability policies. We are able to track our sustainability performance on a project by project basis and where required report this information to our clients.

Assessing and minimising risk through our supply chain is important to the efficiency of our operations, and our clients.

Following an external audit in 2012, we achieved a five star supplier rating in the Achilles Building Confidence supply chain accreditation scheme, demonstrating effective management of our supply chain risks.

Carbon agenda

We have been measuring and reporting our carbon footprint for several years, improving our understanding of the organisation's climate change impacts.

During the period we were awarded the Carbon Trust Standard, demonstrating through an external audit good carbon management practices and that we are reducing our greenhouse gas emissions. We are the first Steel Fabrication Contractor to achieve this recognised best practice standard.

We are already working towards reporting our carbon footprint in our next Directors' Report in line with the forthcoming GHG Emissions Reporting Regulations.

Energy efficiency and supply remain key issues for our business. In March 2012 we revised our Energy Policy, restating our commitment to reducing energy consumption and implementing a low carbon strategy for the business. We will be signing up to a new Climate Change Agreement for our Dalton site. The Severfield–Watson business has secured a climate change levy exemption through purchasing its electricity from renewable sources.

During the period we commissioned a strategic energy review of our Dalton site; this highlighted a number of opportunities for energy efficiency and renewable energy generation which we are considering further. We have set annual energy reduction targets for all sites and next year look forward to reporting on progress against these.

We are already collecting information to enable us to monitor the indirect carbon emissions resulting from the transportation of products from fabrication shops to project sites. We do not use our own vehicle fleet, but recognise this is an area where we can work with haulage contractors to potentially reduce our indirect carbon footprint.

CARBON TRUST STANDARD

REDUCING CO2 YEAR ON YEAR

CERTIFICATE OF ACHIEVEMENT

Severfield Rowen PLC
Dalton Airfield,
Dalton
Thirsk
YO7 3JN

has achieved Carbon Trust Standard certification for:

All UK operations including all subsidiaries

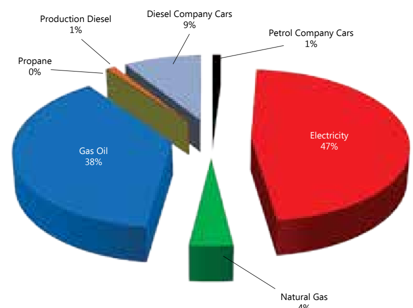
for and on behalf of Carbon Trust Certification Ltd

Morgan Jones, Certification Manager

Awarded [illegible] Valid until [illegible]

Licence No: [illegible]

www.carbontruststandard.com



Corporate Governance

The Board is committed to the ongoing maintenance of high standards of corporate governance. It is accountable to the Company's shareholders for good corporate governance. This statement together with the Directors' Remuneration Report on pages 54 to 61 describe how the Group has applied the principles set out in the 2010 Corporate Governance Code, including both the Main Principles and the supporting principles, set out by the Financial Reporting Council ('the Code').

Directors

The Board

The Company is controlled through the Board of Directors which currently comprises four executive and three non-executive directors, all of which are considered as independent.

J Dodds became Executive Chairman on 23 January 2013.

I R S Cochrane was appointed as an executive director on 5 June 2013.

G H Wright retired on 1 December 2012 and P A Emerson retired on 5 June 2013.

T G Haughey resigned on 23 January 2013.

From 1 January 2012 to 23 January 2013, the Board had a separate Chairman and Chief Executive in line with the Code. During this period, the Chairman was mainly responsible for the running of the Board, evaluating its performance and ensuring that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive's responsibilities focused on coordinating the Group's business and assessing and implementing strategy.

The resignation of T G Haughey as Chief Executive on 23 January 2013 was unforeseen and resulted in the Group not being compliant under provision A.2.1 of the Code. J Dodds took on the role as Executive Chairman, on an interim basis, from 23 January 2013. This is a temporary arrangement, designed to facilitate clear leadership until a Chief Executive is appointed. The Board deemed such measures necessary for the successful stewardship of the Group during this period and that extraordinary measures were justified in order to provide the Group with clear leadership in challenging circumstances.

J K Elliott is the senior independent non-executive director and leads the performance review of the Chairman, taking into account the views of the executive directors. All directors are able to take independent professional advice in furtherance of their duties if necessary.

Notwithstanding the vacant position of Chief Executive, the Board considers that the balance of relevant experience amongst the various Board members enables the Board to exercise effective leadership and control of the Group. It also ensures that the decision making process cannot be dominated by any individual or small group of individuals. An Executive Committee consisting of the members indicated on pages 32 and 33 was established in 2008. This Committee assists the main Board by focusing on strategic and operational performance matters relating to the business and meets formally on a monthly basis.

In addition, a Group Health and Safety Committee, comprising all members of the Executive Committee, meets formally on a monthly basis. Safety Leadership Teams for each operating company report to the Health and Safety Committee.

J Dodds has Board level responsibility for employment matters; I R S Cochrane has Board level responsibility for corporate and social responsibility and health and safety matters.

Board effectiveness

The Board has a formal schedule of matters reserved for it. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks including environmental and health and safety issues. It reviews the strategic direction of individual trading subsidiaries, codes of conduct, annual budgets, progress towards achievement of those budgets and significant capital expenditure programmes.

The Board also considers employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. Other specific responsibilities are delegated to the Board committees described below. All directors, in accordance with the Code, will submit themselves for re-election at least once every three years. The performance of individual directors is evaluated annually in conjunction with the remuneration review.

The Board generally meets monthly and during the 15 month period ended 31 March 2013 met 13 times. A formal agenda for each meeting is agreed with the Chairman and is circulated in advance of the meeting to allow time for proper consideration, together with relevant papers including key strategic, operational and financial information.

	Board	Remuneration Committee	Audit Committee	Nominations Committee
Total number of meetings held	13	8	4	6
J Dodds[1]	13	6	2	6
T G Haughey[2]	11	–	–	–
P A Emerson	13	–	–	–
A D Dunsmore	13	–	–	–
D Randall	11	–	–	–
J K Elliott	13	8	4	6
T J L Hayward	13	8	4	6
N C Holt	13	8	4	6
G H Wright[3]	7	4	1	1

1 Full attendance at Board and relevant committee meetings during period as a non-executive director and as Executive Chairman.

2 Full attendance at Board and relevant committee meetings until resignation.

3 Three non-attended Board meetings and one non-attended Audit Committee meeting prior to retirement.

Attendance of individual directors during the period ended 31 March 2013 at scheduled Board meetings and at meetings of the Remuneration, Audit and Nominations Committees is set out above.

Non-attendance by directors at meetings was due to either conflicting commitments previously agreed or illness. The majority of the Board meetings are held at either the Group's Head Office in Dalton, North Yorkshire or at various locations in London. During the period four of the meetings were held at the offices of the Group's other operating subsidiaries providing non-executive directors the opportunity to increase their knowledge and understanding of the Group's operations.

Board committees

The Board has established three standing committees, all of which operate within defined terms of reference, which are available from the Company Secretary by request and will be available for inspection at the AGM.

The committees established are the Audit Committee, the Remuneration Committee and the Nominations Committee. Trading companies are managed by separate boards of directors. Any matters of a material nature concerning the trading companies are reported to the Group Board of directors on a monthly basis.

J K Elliott continues in his role as Senior Non-Executive Director for the immediate future notwithstanding that he has now served as a director for 14 years. He also continues with his chairmanship of the Remuneration Committee. The Board recognises that whilst he is technically non-independent due to tenure, his concurrent tenure, representing the average period for which he has served on the Board contemporaneously with the executive directors, has been significantly reduced following the resignation of T G Haughey and retirement of P A Emerson. Furthermore, the Board believes that he continues to act independently and recognises his high level of commitment and effective contribution to the Board's decision making process.

Audit Committee

The Audit Committee comprises the non-executive directors and is chaired by T J L Hayward. Both T J L Hayward and N C Holt are Chartered Accountants. The Committee has written terms of reference which will be available for inspection at the Annual General Meeting. Meetings are held at least three times per annum and additional meetings may be requested by the auditor.

The responsibility of the Audit Committee principally falls into the following areas:

- To monitor the integrity of the financial statements and formal announcements and to review significant financial reporting judgements.
- To review the Group's internal financial controls.
- To make recommendations to the Board in relation to the appointment and removal of the external auditor and to approve their remuneration and their terms of engagement.
- To review the nature of non-audit services supplied and non-audit fees relative to the audit fee.

Corporate Governance continued

- To provide independent oversight over the external audit process through agreeing the suitability of the scope and approach of the external auditor's work, assessing their objectivity in undertaking their work and monitoring their independence taking into account relevant UK professional regulatory requirements and the auditor's period in office and compensation.
- To oversee the effectiveness of the external audit process particularly with regard to the quality and cost-effectiveness of the auditor's work.
- To consider the need for an internal audit function. The Committee agrees with the directors' opinion that the Group is not of sufficient size and complexity to require an internal audit function.

Consistent with exercising these responsibilities the Committee has considered in detail both the final and interim results for the 15 month period ended 31 March 2013 specifically reviewing the appropriateness of significant accounting policies, financial reporting issues and judgements and relevant reports from both management and the external auditor.

Throughout the period the Committee has continued to assist the Board in achieving its obligations under the Code in areas of risk management and internal control, focusing particularly on areas of compliance with legal requirements, accounting standards and the Listing Rules, and ensuring that an effective system of internal financial and non-financial controls is maintained.

The Committee recognises that, given their knowledge of the business, there are often advantages in using the auditor to provide certain non-audit services. The Committee is satisfied that the independence of the auditor has not been impaired by providing these services. Non-audit services provided by the auditor during the period ended 31 March 2013 included corporate finance services, corporation tax compliance advice and advice in connection with the Group's banking arrangements. The Committee has a policy of limiting fees to the auditor for non-audit services to 100 per cent of the audit fee and requiring competitive tender for all work with a fee over £30,000.

There are no specific types of non-audit work from which the auditor is specifically excluded but the Committee may reserve the right to insist that the auditor be excluded from tendering for work that may present a potential conflict of interest. The auditor complies with the Accounting Practices Board (APB) Ethical Standards applying to non-audit services.

Notwithstanding the limit of non-audit fees to 100% of the audit fee, the rights issue which the Group undertook during the period required the preparation of a working capital and other reports for the sponsors of the rights issue, Jefferies International Limited. It is normal practice for sponsors to engage a group's auditor to prepare reports of this nature for transactions of this type and accordingly, Deloitte was engaged to perform this work. Whilst Jefferies International Limited also obtained the benefit of the reports, the fee for the work was paid by the Group.

Details of the auditor's fees are shown in note 4 to the consolidated financial statements.

On invitation, the Finance Director, other executive directors, Executive Committee members and the auditor attend meetings to assist the Committee to fulfil its duties.

The Committee met on four occasions during the 15 month period ended 31 March 2013 with full attendance by all members except for G H Wright who did not attend one meeting prior to his retirement.

Remuneration Committee

The Remuneration Committee operates under written terms of reference. These terms of reference are available for inspection at the Annual General Meeting and are published on the Group's website. The Committee comprises the non-executive directors, and is chaired by J K Elliott.

Nominations Committee

The Nominations Committee comprises the non-executive directors and has been chaired by N C Holt since 24 January 2013. The Committee was previously chaired by G H Wright until his retirement on 31 December 2013 and by J Dodds from 1 January 2013 to 23 January 2013 until his appointment as Executive Chairman. The principal task of the Committee is to deal with key appointments to the Board, and related employment matters.

The Committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board, and will meet as and when required. The terms of reference for the Nominations Committee will be available for inspection at the Annual General Meeting.

The Committee met on six occasions during the 15 month period ended 31 March 2013 with full attendance.

Following on from the resignation of T G Haughey the Committee was unanimous in appointing J Dodds as Executive Chairman, whilst also undertaking a search for a permanent Chief Executive. The Committee was also unanimous in appointing I R S Cochrane, formerly Managing Director of our subsidiary in Northern Ireland, Fisher Engineering Limited, to the Board as Chief Operating Officer effective from 5 June 2013.

The Committee has appointed Korn/Ferry International to lead the recruitment process for a new Chief Executive. At the date of this report, this process remains ongoing, the results of which will be announced once the Committee has identified a suitable candidate.

All directors are required to seek re-election by the members at the Annual General Meeting following their appointment. Non-executive directors are not appointed for a fixed term.

The terms and conditions of appointment of non-executive directors will be available for inspection at the Annual General Meeting.

Corporate objectives

Our corporate objectives are as follows:

Growth built on success — since becoming a public company in 1988, Severfield–Rowen has grown to become market leader in the design, fabrication and construction of structural steel. Our leading position provides competitive advantage through production capacity, quality, delivery, the assumption of complexity and project management. We will leverage this advantage through continuing investment in human and capital resources, the application of emerging technologies and the constant refinement of our design, production and construction processes — the cornerstones of our success.

Geographic diversification — these process improvements will be applied at our production facilities and construction sites at home and overseas. We will continue to seek out international opportunities which enhance growth and value for the Group. Such investments will frequently be made in partnership with premier local companies who can provide value enhancement and established routes into our core markets around the world.

Contribution to community and environment — in all of our production centres and work sites we will operate within an overriding sense of commitment to our surroundings. We will focus on training local people, we will set new standards for health and safety, our environmental policies will aim to surpass local requirements and we will introduce leading edge technologies to the regions in which we operate.

Enhanced shareholder value — through these strategies we aim to grow in size and market value and provide attractive returns to our shareholders. As a unique player in the engineering sector and as a British manufacturing business, we will offer a valuable diversification to many of our shareholders' portfolios.

Directors' remuneration

The Directors' Remuneration Report is set out on pages 54 to 61.

Accountability and audit

Financial reporting

The performance and financial position of the Group are provided in the Operating Review on pages 18 and 19 and the Financial Review on pages 20 to 24, together with the Chairman's Statement on pages 16 and 17 and the Directors' Report on pages 38 to 41.

These reports enable the Board to present a balanced and understandable assessment of the Group's position and prospects. The directors' responsibilities for the financial statements are described in the Directors' Responsibilities Statement on page 62.

Internal control

An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group, which involves working closely with independent risk management consultants. This process has been in place for the full financial period and up to the date of the approval of these financial statements and is regularly reviewed by the Board. This process is in accordance with the guidance provided by the Turnbull Report.

The Board has formally acknowledged its overall responsibility for reviewing the effectiveness of internal control. It believes that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process.

There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Corporate Governance continued

In carrying out its review of the effectiveness of internal control in the Group the Board has taken into consideration the following key features of the risk management process and system of internal control:

- Senior management from all key disciplines and subsidiary companies within the Group are involved in the process of risk assessment in order to identify and assess Group objectives, key issues and controls. A further review has been performed to identify those risks relevant to the Group as a whole. This assessment encompassed all aspects of risk including operational, compliance, financial and strategic. A risk register is in place and is updated on an ongoing basis and a control strategy has been determined for each of the significant risks.
- The Risk Management Committee, chaired by J Dodds has the primary responsibility to identify, monitor and control the significant risks to an acceptable level throughout the Group. The Committee receives information on relevant risk matters from line management and other sources on a regular basis.
- The Group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual results with budgets. Management accounts are prepared for each subsidiary company and the Group on a monthly basis. Material variances from budget are thoroughly investigated. In addition, a more detailed profitability forecast based on actual contracts secured is regularly prepared to monitor the performance of the main operating company of the Group as the year progresses. Risks are identified and appraised throughout the annual process of preparing budgets. The Board approves the Group's annual budget.
- A credit insurance committee comprising J Dodds, I R S Cochrane and A D Dunsmore has been established to review matters when adequate credit insurance on the Group's customers cannot be purchased in the present economic climate.

Cash flow forecasts are regularly prepared to ensure that the Group has adequate funds and resources for the foreseeable future.

Standard financial control procedures operate throughout the Group to ensure the integrity of the Group's financial statements.

The Group operates a comprehensive 'whistleblowing' policy, which is available on the Group's website. Accordingly, staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee reviews adherence with this policy on an ongoing basis.

Subsidiary company meetings consider and report on risk on a monthly basis as part of the monthly business review process. This process is followed to ensure that, as far as possible, the controls and safeguards are being operated in line with established procedures and standards.

Safety, Health and Environmental risks are continually monitored at all sites and are reviewed on a monthly basis by senior management and the Board.

During the period, the Group's financial performance was significantly impacted by a combination of commercial and contract performance issues. These resulted in part from the risk associated with the Group having to operate in a more difficult commercial and market environment as set out on pages 16 to 24, and partly from the Group not having in place sufficiently rigorous processes and procedures to properly recognise some of the risks associated with certain of its contracts. The financial impact and subsequent Board contract review process identified the need for the Group to implement stronger contracting processes and disciplines, notably in execution and risk management, particularly in relation to its more complex contracts. To date, these steps have included changes to senior management, including the Chief Executive, a reorganisation of elements of the business and an ongoing programme to implement the stronger processes and disciplines required. The Board is monitoring this programme closely to ensure that the Group is structured and managed to operate effectively in the current commercial and market environment.

Relations with shareholders

The Company encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing.

In addition to normal meetings with institutional shareholders, private investors and analysts during the period, attended by the then Chief Executive, T G Haughey, P A Emerson and A D Dunsmore, extensive discussions and meetings took place between J Dodds and institutional investors during the rights issue process. Feedback from all of these meetings was reported to the Board, including the non-executive directors.

Direct discussions took place during the period between shareholders' representatives and J K Elliott with particular reference to the Directors' Remuneration Report.

The Board has sought to use the Annual General Meeting to communicate with private investors and encourages their participation.

Compliance statement

The Board has applied and was in compliance with the principles set out in the Code during the period from 1 January 2012 to 23 January 2013. From 24 January 2013 and up until the date of this report the Group was not compliant under provision A.2.1 of the Code which requires the Board to operate with a separate Chairman and Chief Executive.

Following the resignation of T G Haughey on 23 January 2013, J Dodds who was previously operating as Non-Executive Chairman took on the role as Executive Chairman. This is a temporary arrangement, designed to facilitate clear leadership until a Chief Executive is appointed. The Board deemed such measures necessary for the successful stewardship of the Group during this period and that extraordinary measures were justified in order to provide the Group with clear leadership in challenging circumstances.

Pioneering Projects

The project will see the reconfiguration of Gatwick Pier 5 to accommodate larger super jets for both short and long haul flights. The upgrade is part of the airport's plans to increase passenger numbers.

Project
Gatwick Pier 5

Location
Gatwick, United Kingdom

Directors' Remuneration Report

Introduction

The period ended 31 March 2013 was one of the most difficult periods faced by our Remuneration Committee. The profit warnings and underlying performance problems are a matter of public record and have been comprehensively addressed and largely rectified by our Executive Chairman, who took office on 23 January 2013 following the resignation of the Chief Executive.

The restructuring of the business that started in 2012 is now well advanced, significant changes to the members of the executive management team have taken place and the regulatory environment has continued to evolve. In this context the Remuneration Committee is committed to policies that comply with current regulations and guidelines while at the same time meeting our policy objectives. This has given rise to significant changes to our future remuneration policies which are set out in this report.

The Chairman has reported on the restructuring of the Board and the appointment of a new Chief Operating Officer in June 2013, following the retirement of the previous incumbent. Their remuneration will be aligned with our new policies outlined herein and compliant with market norms and best practice.

The rights issue launched in March and completed in April 2013 recapitalised the business with a stabilised financial structure to ensure the long-term future of the Group. The Group's brand and corporate reputation for performance are intact (underscored by the high level of support from our major shareholders in the recapitalisation process), the order book is strong and the outlook for the year ahead is good.

Remuneration related corporate governance has continued to develop in recent years, coupled with shareholders expressing a desire for greater pay restraint and further disclosure.

Institutional investor guidance has identified broad themes which have permeated into companies' best practice, namely, a simplification of policy, improved transparency, better links between pay and performance and avoiding reward for failure. Within that context the Committee has introduced new policies aimed at improving the alignment with shareholders by increasing the component of directors' remuneration delivered in shares, and providing the combined benefit of a reduction in cash outgoings and a strong return in the future to both our shareholders and directors. In summary, the Committee has taken the following actions in relation to the ongoing remuneration policy:

- Restricting salary adjustments exclusively to changes in responsibilities for the year commencing 1 April 2013.
- Annual bonus to be restructured with 50 per cent deferred into shares for three years.
- Bonus ranges have been changed to align with current best practice and shareholder expectations.
- Annual bonus to be measured 80 per cent against PBT and 20 per cent against a measurable health and safety target.
- PSP award levels to be scaled back this year in recognition of market norms and the lower share price.
- Introduction of clawback into both the annual bonus and PSP.

The Committee believes that these changes simplify the structure of our policies, align them closely with best practice and market norms whilst at the same time retain our underlying objective of executive reward, retention and motivation.

We have done this with cognisance of the increased reporting requirements and the introduction of the binding vote on some aspects of future remuneration under the Department of Business, Innovation and Skills ('BIS') proposals in 2014 and beyond.

We are therefore positioned for a seamless interface with the format and content of future reporting but not yet fully compliant with all of the future BIS requirements in this year's report.

Within that framework we have organised this report into three sections:

- This **introduction** setting out a summary of our current strategy and objectives.
- A **policy section** summarising our policies for the year ending 31 March 2014 and describing all elements of planned future remuneration.
- An **implementation section** summarising the process by which executive remuneration is determined and how our directors have been remunerated in the 15 month period ended 31 March 2013.

Reporting regulations

This report, approved by the Board, has been prepared in accordance with Schedule 8 to the accounting regulations under the Companies Act 2006 and the Listing Rules of the Financial Services Authority. It also describes how the Board has applied the Principles relating to directors' remuneration under the UK Corporate Governance Code. The Remuneration Committee has also taken into consideration guidelines published by institutional investor advisory bodies such as the ABI and RREV. As required by the legal regulations, a resolution to approve this report will be proposed at the Annual General Meeting of the Company at which time the financial statements will be approved.

The regulations require the auditor to report to the Group's shareholders on the auditable part of the Directors' Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006. The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration policy

Set out below we summarise the components of future policy that will apply from 1 April 2013.

Element of Remuneration	Purpose	Maximum opportunity	Operation	Change during the year
Overall remuneration	To attract and retain directors of the highest calibre and encourage them to provide excellent performance in line with the Group's strategy and shareholder interests.	Opportunity for individual pay elements are set out below.	The Committee reviews the structure of directors' arrangements every few years and otherwise as required. Remuneration levels are reviewed annually to ensure they remain competitive with reference to comparable businesses.	Our policy objectives relating to executive remuneration remain unchanged.
Base salaries	To attract and retain directors of the highest calibre.	There is no prescribed maximum annual increase.	Base salaries are reviewed annually by the Committee, taking into account Group performance, individual performance, changes in responsibility, levels of increase across the broader workforce and the annual remuneration review for comparable companies.	No general or cost of living adjustment was awarded at 1 April 2013, nor is any planned for the current year. Salaries for the incoming Chief Executive and Chief Operating Officer are being aligned with those of their predecessors which the Remuneration Committee had deemed appropriate based on benchmarking at comparable companies which were found to be within the market range.
Annual bonus	To focus attention on profit and corporate strategy, incentivise outperformance of targets and provide a deferred element to reinforce the impact of long-term performance.	Plc directors: maximum 100 per cent of base salary per annum for exceptional performance; on target maximum 50 per cent of base salary. Divisional directors: maximum 75 per cent of base salary per annum for exceptional performance; on target maximum 45 per cent of base salary.	80 per cent based on profit before tax (PBT) in the year versus budgeted PBT and 20 per cent based on a single target of accident frequency ratio ('AFR') throughout the Group. These targets are established by the Remuneration Committee and are reset annually at the start of each year.	Annual bonus awards will be made 50 per cent in cash and 50 per cent into shares deferred for three years, with clawback mechanism. Dividends will accrue on the shares during the three year holding period.

Directors' Remuneration Report continued

Element of Remuneration	Purpose	Maximum opportunity	Operation	Change during the year
Performance Share Plan ('PSP') (approved by shareholders in 2007)	The Remuneration Committee plans to continue to use the PSP as the principal LTIP for motivation of directors' longer-term performance and alignment with shareholders' interests.	Maximum award level is 150 per cent of salary.	Shares are awarded at the start of a three year period which vest subject to the achievement of an earnings per share (EPS) performance condition, assessed at the end of a three year performance period, with clawback mechanism. Dividends will accrue on the shares during the three year performance period.	The award levels have been scaled back this year in alignment with market norms and the lower share price. Chief Executive: maximum 100 per cent of base salary per annum. Plc directors: maximum 75 per cent of base salary per annum. Divisional directors: maximum 50 per cent of base salary per annum.
Pension	To provide for a contribution towards post retirement income.	Contribution rates for each director are £50,000 per annum.	Not performance related.	The Remuneration Committee is reviewing Group policy to determine if our policies are fit for purpose, fair, consistent with best practice and competitive.
Benefits	To provide market competitive benefits.	In line with local market practice. Non-monetary in nature.	Not performance related.	The Remuneration Committee is reviewing Group policy to determine if our policies are fit for purpose, fair, consistent with best practice and competitive.

Base salaries

In the implementation section of this report we will summarise directors' remuneration under the temporary arrangements that were put in place at the time of the Chief Executive's resignation to ensure the orderly management of the business through the transition period. On 23 January 2013 the Group's Non-Executive Chairman, John Dodds, assumed the role of Executive Chairman (incorporating the Chief Executive role) pending the sourcing and recruitment of a new Chief Executive. Shortly thereafter, Ian Cochrane, the Managing Director of our subsidiary in Northern Ireland, Fisher Engineering, took up the role of Group Operations Director and was appointed to the Board in June 2013 as Chief Operating Officer, following the retirement of Peter Emerson.

The current annual base salaries for executive directors are:

Executive Chairman	£350,000 p.a.
Peter Emerson, former Chief Operating Officer	£272,707 p.a. (retired on 5 June 2013)
Ian Cochrane, Chief Operating Officer	£275,000 p.a. (appointed on 5 June 2013)
Alan Dunsmore, Finance Director	£226,150 p.a.
Derek Randall, Executive Director	£226,150 p.a.

Annual bonuses

Profit performance-based component — 80 per cent

The sliding scale range for bonus targets in 2013/14 is as follows:

Maximum bonus based on PBT versus budget

PBT % of budget	Plc directors	Divisional directors
95 or below	0	0
100	50	45
120 or better	100	75

Other performance-based component — 20 per cent

The Remuneration Committee has selected for the year ending 31 March 2014 a single target of accident frequency ratio ('AFR') throughout the Group. AFR is an industry recognised and measurable target.

The pre-set targets have not been disclosed due to commercial sensitivities. The targets will be disclosed retrospectively in next year's implementation report along with actual performance.

The Remuneration Committee may, at its discretion, make awards below the computed maximum if events or circumstances justify a lesser award.

Performance Share Plan (PSP)

In the three years commencing April 2013 and ending in March 2016 we will designate four Plc executive directors and four divisional directors to participate in the PSP.

The EPS target range for each PSP award is set by the Remuneration Committee, prior to grant, with a three year look-ahead.

The implementation section of this report records the fact that no awards have vested for the past three years and no vesting is expected for the period ended 31 March 2013; that is no vesting for four consecutive years.

Our role as the Remuneration Committee includes the establishment of performance goals through long-term incentive plans which are challenging but achievable through superior performance, thereby incentivising and rewarding success. We try to set performance conditions in our rolling three year targets that achieve that balance.

The Remuneration Committee has considered and taken advice on alternative performance measures, such as TSR, to substitute for the use of the EPS range used in the past. Lack of a suitable peer group of similar listed companies made this approach impracticable and we found no better benchmark.

This year we must set a performance condition for a three year period commencing on 1 April 2013 and ending on 31 March 2016. While we have a good order book, an extensive prospects list and a strong balance sheet helped by the successful rights issue in April 2013, the risks and uncertainties in a three year forecast are clearly substantial.

At the lower threshold, below which no awards will vest, we have set a target EPS of 2.69p representing PBT of approximately £8m. If this level is achieved 25 per cent of the shares granted will vest. At the higher end the target EPS is set at 6.05p equivalent to a PBT approaching £18m. If this is achieved, 100 per cent of the shares granted will vest. Vesting at EPS levels between the lower and upper thresholds will be calculated by linear interpolation.

We have been over optimistic in past years' plans making the PSP ineffective as an incentive plan. We believe the new goals inject realism into the process whilst retaining a high element of challenge.

Clawback

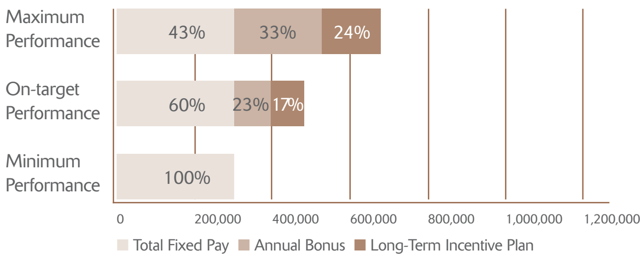
The Remuneration Committee will introduce this year clawback provisions relating to both the directors' bonus plan and the Performance Share Plan. Clawback will be restricted to instances of financial misstatement, error or gross misconduct.

Remuneration mix

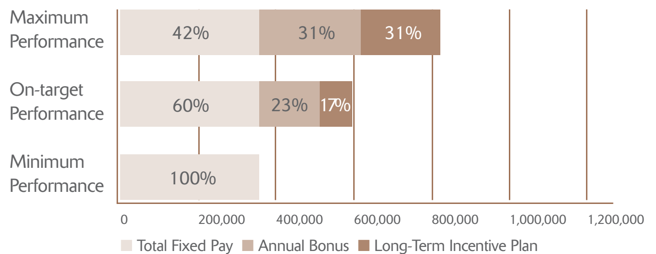
The overall remuneration package is structured to reward excellent performance and to provide longer-term motivation by providing an appropriate balance between fixed and variable components.

The charts below present scenario analysis showing the balance of fixed and variable pay for the Plc directors assuming (i) that no award is earned under the Annual Bonus and no vesting is achieved under the PSP ('Minimum Performance'), (ii) 50 per cent of the maximum bonus is earned under the Annual Bonus and 50 per cent of the PSP awards vests ('On-target Performance'), and (iii) full vesting under both plans ('Maximum Performance').

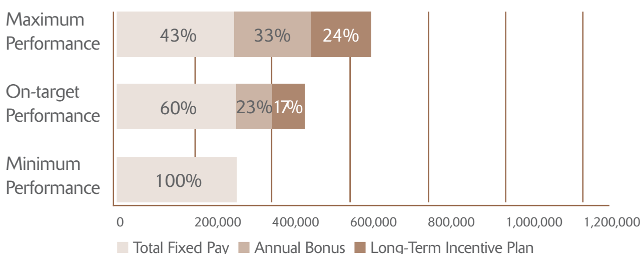
Finance Director



Chief Operating Officer



Executive Director



Directors' Remuneration Report continued

Executive directors' service agreements

We have now developed a pro-forma agreement incorporating current best practice which will supersede all existing agreements and be used consistently for future agreements.

The current service contracts of executive directors run on a rolling basis and are no longer than 12 months' duration. Notice periods of 12 months are required to be given by all parties. Payment to be made in lieu of notice on termination is equal to 12 months' salary and benefits.

For details of the contracts of each director including the date, unexpired term and any payment obligations on early termination are available from the Company Secretary and at the Annual General Meeting.

Non-executive directors

The remuneration of non-executive directors is considered by the executive directors and will reflect the time that they commit to the Group. Non-executive directors cannot participate in any of the annual bonus, long-term incentive or the Group's pension scheme.

Shareholding guideline

A policy was introduced in 2004 and is to be carried forward whereby executive directors will be required to retain shares acquired under long-term incentive schemes until such time they have built up a holding equivalent in market value (at the date of vesting) to the executive's base salary. Thereafter, the executive directors will be under a continuing obligation to maintain at least such a holding. The requirement underscores the Committee's policy to align executive director remuneration and shareholder interests.

Implementation

In this section, we report on the process by which executive remuneration is determined and the implementation of our policies in the 15 month period ended 31 March 2013.

Remuneration Committee

Membership, Meetings and Attendance

The Group has an established Remuneration Committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code.

The members of the Remuneration Committee who served during the period are shown below together with their attendance at Remuneration Committee meetings:

	Number of meetings attended
J K Elliott (Chairman)	8/8
T J L Hayward	8/8
G H Wright[1]	4/4
J Dodds[2]	6/6
N C Holt	8/8

[1] G H Wright resigned as a director on 31 December 2012. He attended four meetings prior to his departure.

[2] J Dodds became Executive Chairman on 23 January 2013. He attended six meetings prior to his assumption of the executive role when he resigned from the Committee.

The Group considers all members of the Committee to be independent. Executive directors may attend Remuneration Committee meetings at the invitation of the Committee Chairman, but do not take part in any discussion about their own remuneration.

The statements made herein regarding remuneration policy apply equally to the divisional directors who serve on the Executive Management Committee and to the executive directors who sit on the Board of Severfield–Rowen Plc.

The terms of reference for the Remuneration Committee are available from the Company Secretary and are published on the Group's website.

Advisers to the Committee

The Committee retained New Bridge Street (an AON Hewitt company) as an independent adviser to the Remuneration Committee throughout the period. Neither New Bridge Street nor any other part of Aon Hewitt provided other services to the Group during the period.

The fees paid to New Bridge Street in respect of work carried out in the 15 months to 31 March 2013 totalled £20,000.

Directors' total remuneration

All base salaries were increased by 3.1 per cent on 1 January 2012 in alignment with a similar increase in workforce pay. Notwithstanding that increase the total directors' payroll cost in 2012 remained substantially below 2009 levels due to a directors' pay cut on 1 January 2010 which has never been reversed.

No directors' bonuses were paid during or at the end of the period.

No bonus was earned in the period against the financial target of PBT versus budgeted PBT with the Group recording a substantial loss. Non-financial bonuses were earned against pre-set targets for health and safety, client performance feedback and Indian joint venture progress. However, the Remuneration Committee withheld such bonus earnings in the light of overall results and in particular, performance problems in our core businesses.

Executive management change

The Chief Executive Tom Haughey resigned on 22 January 2013. John Dodds took over as Executive Chairman on 23 January 2013.

Tom Haughey: compromise agreement

An agreement was negotiated with the outgoing Chief Executive to compensate him for loss of earnings and benefits for 12 months from 23 January 2013 in accordance with the terms of his service agreement. Compensation covered was restricted to loss of salary and benefits. There was no compensation for loss of bonus provisions and no ex gratia allowances of any kind.

John Dodds: conditions of employment

The Remuneration Committee entered into an agreement with John Dodds effective 23 January 2013 to compensate him during his temporary transition from Non-Executive Chairman to Executive Chairman and Acting Chief Executive.

It is planned that this arrangement will continue until a permanent Chief Executive is recruited and the Board is satisfied that the successor is ready to take control. At that time it is planned to revert to the status quo. The arrangement with John Dodds includes a base salary commensurate with the executive role and a performance-related bonus of up to £50,000 payable at the time of the transition to a permanent Chief Executive. No other bonus or share award is planned for the Executive Chairman.

Vesting record

PSP awards made in 2008, 2009 and 2010 did not vest at the end of 2010, 2011 and 2012 due to the substantial contraction of the market, the tightening of margins and the performance problems experienced in the past period. The awards made in 2011 are unlikely to vest at the end of 2013 (now March 2014) as the recovery from the performance problems experienced in 2012 is likely to extend into 2014.

As a result, we will have experienced four consecutive years of no vesting under the PSP.

Post rights issue adjustment to PSP pending awards

There are two pending sets of PSP awards dating back to shares awarded under the three year periods commencing in January 2011 and January 2012 and ending on 31 December 2013 and 2014 respectively. These latter year ends will be deferred to 31 March 2014 and 31 March 2015 respectively.

Adjustments are necessary to these pending awards. The first adjustment derives from the increased numbers of shares in issue following the rights issue. The second pertains to the change in the year end dates as no audited accounts will be available for the future December year ends.

The Remuneration Committee, having taken advice, is making the following adjustments:

- The formula for adjustment of the quantum of PSP share awards will be based on the relationship between the last day cum rights share price (73p) and the TERP, theoretical ex rights price (38p), giving a factor of 73/38 = 1.92105. On that basis the number of shares awarded under pending performance conditions will be increased by a factor of 1.92105.
- The EPS targets under both pending performance conditions of 12.5p will be factored down using the same ratio as used for adjustment of the quantum of awards. Accordingly, the lower threshold of 12.5p EPS reduces to 12.5/1.92105 = 6.5p EPS.
- There will be no adjustment for the protracted (by three months) end dates as in the Committee's view it is not possible to prejudge whether the extension makes the performance conditions more or less challenging.

Shareholder voting

The results below show the response to the 2012 AGM shareholder voting for the Directors' 2011 Remuneration Report:

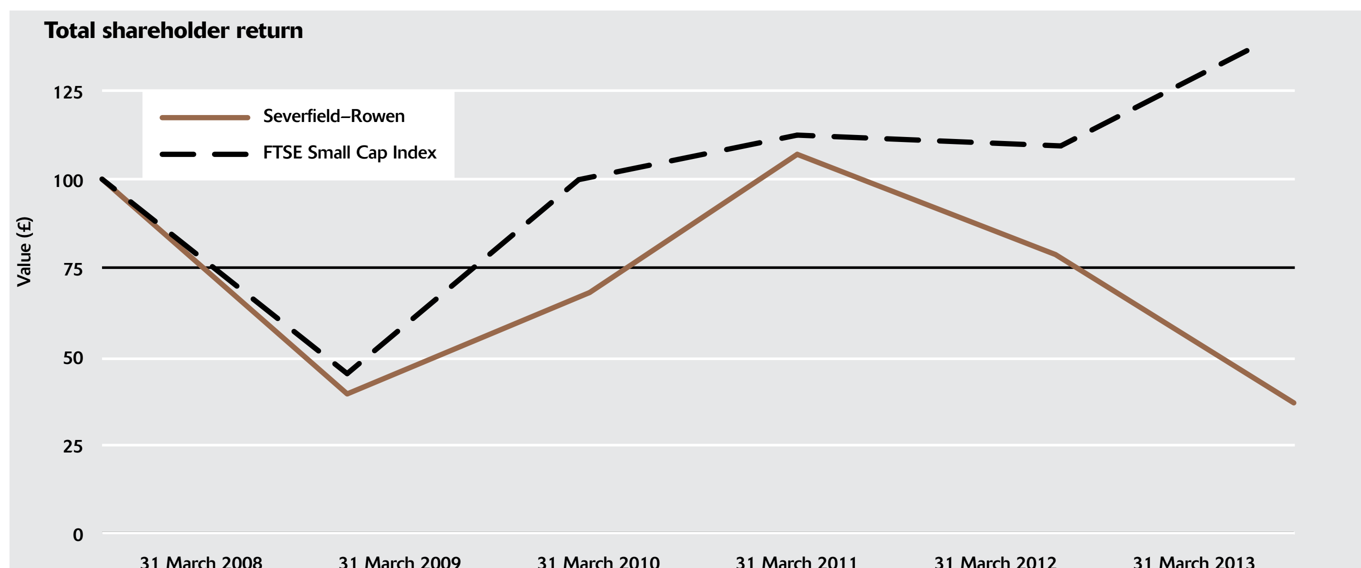
Votes 'For'	Votes 'Against'	Votes 'Abstentions'[1]
50,114,215	10,343,566	4,239,159
77.5%	16%	6.5%

[1] A vote abstention is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' and 'Against' a resolution.

Performance graph

The following graph shows the Group's performance, measured by total shareholder return, compared with the performance of the FTSE Small Cap Index. It is based on the change in the value of a £100 investment made on 31 March 2008 over the five-year period ended 31 March 2013.

This index was selected as it represents a broad equity market index and an appropriate comparator group of companies over the period.



This graph shows the value, by 31 March 2013, of £100 invested in Severfield–Rowen Plc on 31 March 2008 compared with the value of £100 invested in the FTSE Small Cap Index. The other points plotted are the values at intervening financial year ends

Directors' Remuneration Report continued

Directors' interests

The directors and their families had the following beneficial interests in the share capital (2.5p ordinary shares) of the Company:

	18 July 2013*	31 March 2013*	31 December 2011*
J Dodds	**151,331**	10,000	10,000
P A Emerson (until 5/6/13)	**—**	173,312	173,312
A D Dunsmore	**50,000**	15,000	10,000
D Randall	**50,000**	15,000	15,000
I R S Cochrane (from 5/6/13)	**2,708,979**	—	—
J K Elliott	**383,088**	200,000	200,000
T J L Hayward	**100,000**	30,000	30,000
N C Holt	**35,240**	10,572	10,572

* Or date of appointment.

The information presented at 18 July 2013 reflects the impact on the ordinary share capital of the Company of the rights issue which completed on 5 April 2013 together with post period end share dealings by directors.

AUDITED INFORMATION

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2013 £000	2011 £000
Emoluments — salaries, bonus and taxable benefits	**1,459**	1,755
— fees	**345**	295
Money purchase pension contributions	**180**	216
	1,984	2,266

Directors' emoluments

Details of the directors' emoluments are as follows:

	Basic salary £000	Fees £000	Bonus £000	Taxable benefits £000	**2013 Total £000**	2011 Total £000
Executive						
T G Haughey[1] (until 23/1/13)	367	—	—	29	**396**	646
P A Emerson	341	—	—	32	**373**	455
A D Dunsmore	281	—	—	32	**313**	346
D Randall	281	—	—	34	**315**	308
J Dodds[2]	61	99	—	1	**161**	68
Non-executive						
J K Elliott	—	75	—	—	**75**	60
T J L Hayward	—	75	—	—	**75**	83
N C Holt	—	51	—	—	**51**	7
G H Wright (from 31/12/12)	—	45	—	—	**45**	45
D P Ridley (until 31/10/11)	—	—	—	—	**—**	32
Aggregate emoluments	1,331	345	—	128	**1,804**	2,050

Taxable benefits include the provision of company cars, fuel for company cars and private medical insurance.

[1] T G Haughey received compensation for loss of office of £423,000 (which includes pension contributions and other taxable benefits of £82,000) on his resignation as Chief Executive on 23 January 2013. These payments represent amounts to which the Group was contractually obliged.

[2] J Dodds operated as a non-executive director from 1 January 2012 until 23 January 2013 when he was appointed Executive Chairman. The fees he received as a non-executive director and the salary he received as an executive director have been disclosed separately.

Directors' pension entitlements

The executive directors are members of the Group's money purchase pension schemes. Contributions paid in respect of these schemes in the period are as follows:

	2013 £000	2011 £000
T G Haughey (until 23/1/13)	**54**	55
P A Emerson	**–**	54
A D Dunsmore	**63**	54
D Randall	**63**	53
Aggregate entitlements	**180**	216

Directors' share options

There are no share options outstanding at 31 March 2013 (2011: none).

The market price of the shares at 31 March 2013 was 38.00p and the range during the period was 35.40p to 114.26p.

Annual Deferred Bonus Share Scheme

Under the terms of the Severfield–Rowen Plc 1999 Annual Deferred Bonus Share Scheme no deferred share awards (as defined in the Scheme Rules) were made in the period ended 31 March 2013.

There were no bonus shares outstanding at 31 March 2013.

Performance Share Plan

Under the Performance Share Plan the following awards over shares in issue at 31 March 2013 will vest with the directors subject to achievement of the performance criteria described on page 57:

	Number of shares vesting in 2013	Number of shares vesting in 2014	Number of shares vesting in 2015	Total number of shares
P A Emerson	151,471	155,273	170,869	477,613
A D Dunsmore	125,613	111,007	141,698	378,318
D Randall	70,686	111,007	141,698	323,391
Total	**347,770**	**377,287**	**454,265**	**1,179,322**

Approval

This report was approved by the Board of Directors and signed on behalf of the Board.

J K Elliott
Chairman of Remuneration Committee
19 July 2013

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the consolidated financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the consolidated and parent company financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Business Review on pages 3 to 25 and the Directors' Report on pages 38 to 41 includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

J Dodds
Chairman
19 July 2013

A D Dunsmore
Finance Director

Pioneering Projects

Terminal 2A will service an estimated 20 million passengers every year. The new terminal will produce significantly less carbon than the building it is replacing.

Location
London, United Kingdom

Project
Terminal 2A, Heathrow Airport

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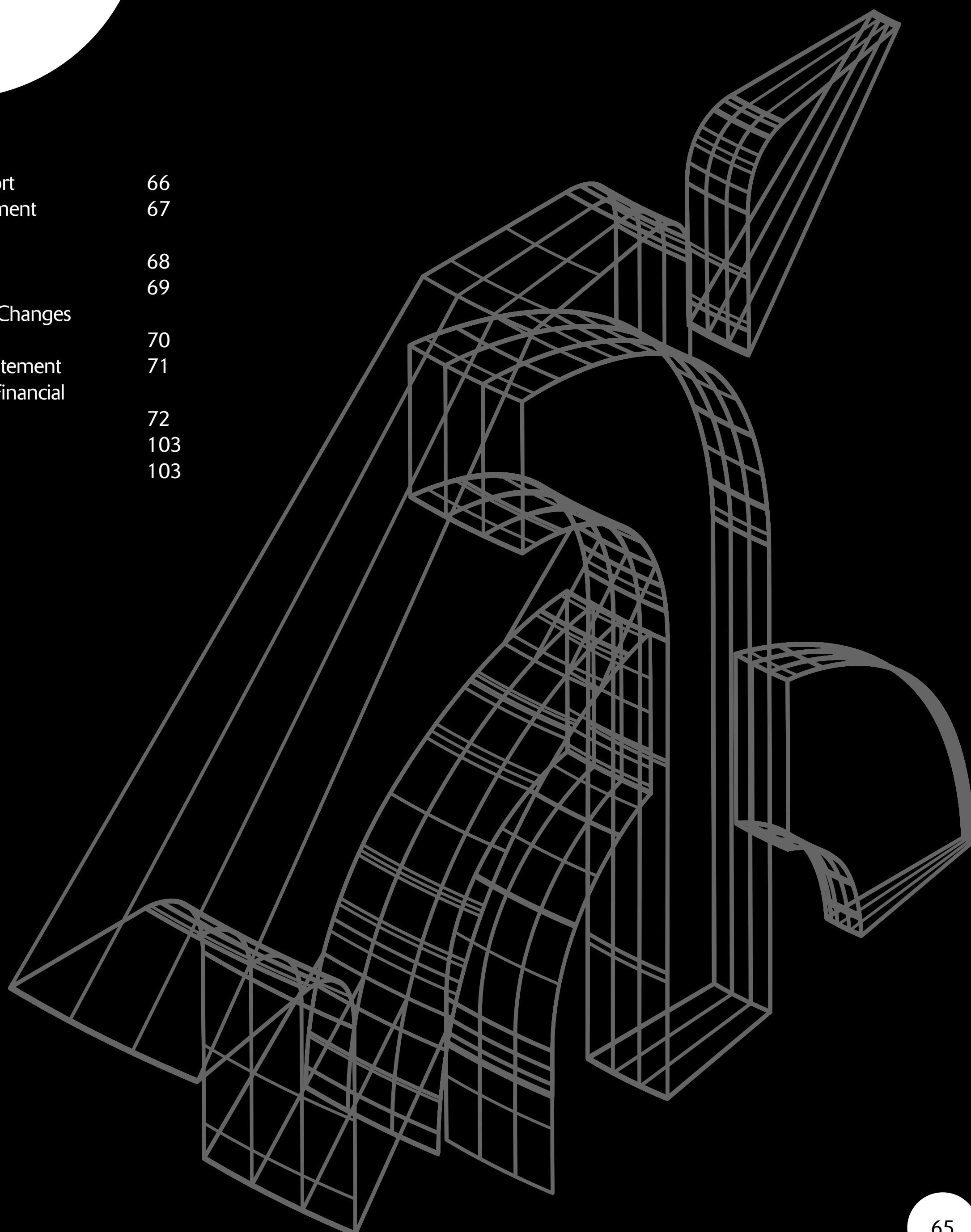

Independent Auditor's Report

to the Members of Severfield–Rowen Plc

We have audited the Group financial statements of Severfield–Rowen Plc for the 15 month period ended 31 March 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- 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.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Directors' Report in relation to going concern;
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Severfield–Rowen Plc for the 15 month period ended 31 March 2013.

David M Johnson
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
19 July 2013

Consolidated Income Statement

15 month period ended 31 March 2013

	Note	**Before Other Items 2013 £000**	**Other Items 2013 £000**	**Total 2013 £000**	Before Other Items 2011 £000	Other Items 2011 £000	Total* 2011 £000
Continuing operations							
Revenue	3	**318,256**	**–**	**318,256**	267,778	–	267,778
Cost of sales		**(330,945)**	**(1,766)**	**(332,711)**	(246,889)	(590)	(247,479)
Gross (loss)/profit		**(12,689)**	**(1,766)**	**(14,455)**	20,889	(590)	20,299
Other operating income		**993**	**–**	**993**	508	–	508
Distribution costs		**(2,912)**	**–**	**(2,912)**	(2,756)	–	(2,756)
Administrative expenses		**(4,610)**	**(5,664)**	**(10,274)**	(4,448)	(2,749)	(7,197)
Movements in the valuation of derivative financial instruments		**–**	**104**	**104**	–	4	4
Operating (loss)/profit before share of results of Associates		**(19,218)**	**(7,326)**	**(26,544)**	14,193	(3,335)	10,858
Share of results of Associates		**(310)**	**–**	**(310)**	(2,522)	–	(2,522)
Operating (loss)/profit	4	**(19,528)**	**(7,326)**	**(26,854)**	11,671	(3,335)	8,336
Finance income	7	**10**	**–**	**10**	27	–	27
Finance expense	7	**(2,014)**	**–**	**(2,014)**	(1,581)	–	(1,581)
(Loss)/profit before tax		**(21,532)**	**(7,326)**	**(28,858)**	10,117	(3,335)	6,782
Tax	8	**3,057**	**2,674**	**5,731**	(2,929)	1,969	(960)
(Loss)/profit for the period attributable to the equity holders of the parent		**(18,475)**	**(4,652)**	**(23,127)**	7,188	(1,366)	5,822
(Loss)/earnings per share:	10						
Basic		**(20.70p)**	**(5.21p)**	**(25.91p)**	8.05p	(1.53p)	6.52p
Diluted		**(20.70p)**	**(5.21p)**	**(25.91p)**	8.05p	(1.53p)	6.52p

* The comparative information represents the year ended 31 December 2011.

Further details of other items are disclosed in note 5 to the consolidated financial statements. Other items have been disclosed separately to give an indication of the underlying earnings of the Group.

Consolidated Statement of Comprehensive Income

15 month period ended 31 March 2013

	Note	**Period ended 31 March 2013 £000**	Year ended 31 December 2011 £000
Actuarial loss on defined benefit pension scheme	31	**(2,824)**	(1,369)
Tax relating to components of other comprehensive income	21	**458**	172
Other comprehensive income for the period		**(2,366)**	(1,197)
(Loss)/profit for the period from continuing operations		**(23,127)**	5,822
Total comprehensive income for the period attributable to equity holders of the parent		**(25,493)**	4,625

Consolidated Balance Sheet

At 31 March 2013

	Note	At 31 March 2013 £000	At 31 December 2011 £000
Assets			
Non-current assets			
Goodwill	11	**54,712**	54,712
Other intangible assets	12	**15,100**	18,227
Property, plant and equipment	13	**76,141**	79,594
Investment property	13	**3,910**	3,960
Interests in Associates	15	**3,168**	447
Deferred tax asset	21	**1,840**	–
		154,871	156,940
Current assets			
Inventories	16	**8,214**	9,085
Trade and other receivables	18	**71,599**	89,161
Cash and cash equivalents		**671**	2,264
		80,484	100,510
Total assets		**235,355**	257,450
Liabilities			
Current liabilities			
Trade and other payables	19	**(70,894)**	(66,322)
Financial liabilities — borrowings	22	**(41,461)**	(33,159)
Financial liabilities — finance leases	22	**(194)**	(101)
Financial liabilities — derivatives	22	**—**	(104)
Current tax liabilities		**5**	(3,883)
		(112,544)	(103,569)
Non-current liabilities			
Retirement benefit obligations	31	**(11,811)**	(9,552)
Financial liabilities — finance leases	22	**(206)**	(254)
Deferred tax liabilities	21	**(8,393)**	(11,177)
Provisions	20	**—**	(600)
		(20,410)	(21,583)
Total liabilities		**(132,954)**	(125,152)
Net assets		**102,401**	132,298
Equity			
Share capital	24	**2,231**	2,231
Share premium account		**46,152**	46,152
Other reserves	25	**527**	469
Retained earnings		**53,491**	83,446
Total equity		**102,401**	132,298

The consolidated financial statements were approved by the Board of Directors on 19 July 2013 and signed on its behalf by:

J Dodds
Chairman

A D Dunsmore
Finance Director

Consolidated Statement of Changes in Equity

15 month period ended 31 March 2013

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2012		**2,231**	**46,152**	**469**	**83,446**	**132,298**
Loss for the period (attributable to equity holders of the parent)		**–**	**–**	**–**	**(23,127)**	**(23,127)**
Dividends paid	9	**–**	**–**	**–**	**(4,462)**	**(4,462)**
Equity settled share-based payments	23	**–**	**–**	**58**	**–**	**58**
Actuarial loss on defined benefit pension scheme	31	**–**	**–**	**–**	**(2,824)**	**(2,824)**
Deferred income taxes on defined benefit pension scheme	21	**–**	**–**	**–**	**458**	**458**
At 31 March 2013		**2,231**	**46,152**	**527**	**53,491**	**102,401**

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2011		2,231	46,152	169	82,391	130,943
Profit for the period (attributable to equity holders of the parent)		–	–	–	5,822	5,822
Dividends paid	9	–	–	–	(3,570)	(3,570)
Equity settled share-based payments	23	–	–	300	–	300
Actuarial loss on defined benefit pension scheme	31	–	–	–	(1,369)	(1,369)
Deferred income taxes on defined benefit pension scheme	21	–	–	–	172	172
At 31 December 2011		2,231	46,152	469	83,446	132,298

Consolidated Cash Flow Statement

15 month period ended 31 March 2013

	Note	**Period ended 31 March 2013 £000**	Year ended 31 December 2011 £000
Net cash flow from operating activities	26	**804**	(8,968)
Cash flows from investing activities			
Interest received		**10**	28
Proceeds on disposal of property, plant and equipment		**1,343**	624
Purchases of property, plant and equipment		**(2,311)**	(1,658)
Purchases of intangible fixed assets		**(402)**	(481)
Investment in Associates		**(3,031)**	(113)
Net cash used in investing activities		**(4,391)**	(1,600)
Cash flows from financing activities			
Interest paid		**(1,687)**	(2,072)
Dividends paid		**(4,462)**	(3,570)
New finance leases		**275**	457
Repayment of obligations under finance leases		**(230)**	(102)
New borrowings		**8,098**	14,530
Net cash generated from financing activities		**1,994**	9,243
Net decrease in cash and cash equivalents		**(1,593)**	(1,325)
Cash and cash equivalents at beginning of period		**2,264**	3,589
Cash and cash equivalents at end of period		**671**	2,264

Notes to the Consolidated Financial Statements

15 month period ended 31 March 2013

1. Significant accounting policies

General information

Severfield–Rowen 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 41. 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 11. These financial statements are presented in sterling which is the currency of the primary economic environment in which the Group operates.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

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

During the period a number of amendments to IFRS became effective. These are amendments to IFRS 1 'First-time adoption of IFRS', Severe hyperinflation and removal of fixed dates for first-time adopters, amendments to IFRS 7 'Financial instruments: Disclosures', Disclosures on transfer of financial assets, and amendments to IAS 12 'Income Taxes', Amendments for deferred tax and recovery of underlying assets. The Group has considered the above amendments and has concluded that they are either not relevant to the Group or that they do not have a significant impact on the consolidated financial statements.

A number of other new and amended IFRS were issued during the period which do not become effective until after 31 March 2013. Other than amendments to IAS 19 'Employee Benefits', none of these are likely to have a material impact on the Group for the year ended 31 March 2014. The most significant change that will impact the Group is that the amendment to IAS 19 requires the expected returns on pension plan assets, currently calculated based on management's best estimate of expected returns, to be calculated at the liability discount rate. The removal of the reserve for scheme expenses from within the defined benefit obligation and service cost will also have an impact on both the Group's net assets and income statement. The standard is effective for reporting periods beginning on or after 1 January 2013 and the Group will therefore adopt the revised standard for the year ending 31 March 2014.

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the consolidated financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the consolidated financial statements.

The key factors considered by the directors in making the statement are set out within the Financial Review on pages 20 to 24.

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 to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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.

Consolidated income statement disclosure

In order to give an indication of the underlying earnings of the Group, certain items are presented in the middle column of the consolidated income statement entitled 'other items'. Further details of other 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, plus any costs directly attributable to the business combination. 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 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 chosen to adopt the equity method of accounting (as discussed below) for joint ventures and associated companies (together 'Associates'), in accordance with IAS 31.

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

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the Associate 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 Associate 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 Associates' profit less losses while the Group's share of the net assets of the Associates is shown in the consolidated balance sheet.

Goodwill
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.

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.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill arising prior to 1 January 1998 of £1,122,000 was taken directly to reserves in the year in which it arose. Such goodwill has not been reinstated on the balance sheet.

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

Revenue recognition
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
Profit is recognised on contracts, if the final outcome can be assessed reliably, by including in the income statement revenue and related cost as contract activity progresses. Revenue is calculated as the proportion of total expected contract value which corresponds to the proportion of costs incurred to date to total expected costs for that contract. Variations in contract work, claims and incentive payments are included in revenue to the extent that there is appropriate certainty that they will ultimately be accepted by the customer and can be measured reliably.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent contract costs have been incurred and it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total expected contract costs will exceed total expected contract revenue, the expected loss is recognised as an expense immediately.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

Property, plant and equipment acquired under finance leases are capitalised in the balance sheet at fair value and depreciated in accordance with the Group's accounting policy. The capital element of the leasing commitment is included as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the income statement, and capital, which reduces the outstanding obligation.

Operating profit
Operating profit is stated after charging any restructuring costs, impairment and amortisation charges, gains or losses arising on the fair value of foreign exchange derivative contracts and after the share of results of Associates and the impact of any movements in legal provisions but before investment income and finance costs.

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

1. Significant accounting policies continued

Additionally, we present a separate additional, non-statutory, heading 'operating profit before results of Associates' to assist in isolating the impact of the Group's Indian joint venture. This also excludes the results of two other non-material associates.

Retirement benefit costs

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.

In addition, Atlas Ward, acquired on 31 March 2005, has a defined benefit scheme which is now closed. The liability in respect of this scheme is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets, together with adjustments for actuarial gains/losses.

The finance cost of liabilities and expected return of assets are included within administrative expenses in the consolidated income statement.

The actuarial gain or loss is charged through the consolidated statement of comprehensive income and is made up of the difference between the expected return on assets and those actually achieved, the difference between the actuarial assumptions for liabilities and actual experience in the period and any changes in the assumptions used in the valuations.

The pension scheme deficit is recognised in full and presented on the face of the consolidated balance sheet. The associated deferred tax asset is recognised within the net deferred tax liability within non-current liabilities in the consolidated balance sheet.

Taxation

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

The 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

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, and plant and machinery are currently stated at cost in the balance sheet. Depreciation on buildings is charged to income.

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/ Investment properties	1% straight-line
Plant and machinery	10% straight-line
Fixtures, fittings and office equipment	10% written down value
Computer equipment	20% straight-line
Motor vehicles	25% written down value
Site safety equipment	20% straight-line

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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 recognised in income.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less provision for impairment. Depreciation will be charged annually based on the Group's stated depreciation policy together with an annual impairment review. Where properties have been impaired below cost and are being held at directors' valuation the directors have taken appropriate external guidance on the likely current value of properties. No investment properties have been subject to formal external valuation.

Intangibles

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 on all business combinations from 1 January 2004.

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	10 years
Brands	25 years
Know-how	10 years
Software costs	7 years

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 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 receivables

Trade receivables are classified as loans and receivables, and therefore measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

1. Significant accounting policies continued

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.

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 the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and, as appropriate, are discounted to present value where the effect is material.

Derivative financial instruments

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.

2. Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Revenue and margin recognition

The Group's revenue recognition and margin recognition are central to the way the Group values the work it has carried out in each financial year. These policies require forecasts to be made of the outcomes of long-term construction contracts, which require assessments and judgements to be made on recovery of pre-contract costs, changes in work scopes, contract programmes and maintenance liabilities.

The Group applies rigorous internal control procedures over the determination of each of the above variables to ensure that profit take as at the balance sheet date and the extent of future costs to contract completion are reasonably and consistently determined.

Retirement benefit obligations

Details of the Group's defined benefit pension scheme are set out in note 31. The scheme has been valued in accordance with IAS 19 'Employee Benefits'. At 31 March 2013 the defined benefit obligation recognised on the Group's balance sheet was £11,811,000. The benefit obligation is calculated using a number of assumptions including increases in pension benefits, mortality rates and inflation and the future investment returns from the scheme's assets. 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.

The scheme's assets are valued at market rates at the balance sheet date. 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.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements. Those judgements involving estimations are dealt with below.

Impairment of goodwill and intangible assets arising from acquisitions

Determining whether goodwill or associated intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which these assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £54,712,000 and of intangible assets arising from acquisitions was £14,311,000. No impairment was recorded during the period ended 31 March 2013.

Impairment of investment property

In the absence of a formal valuation, determining the carrying value of the Group's investment property requires an assessment of fair value. The key factors considered by the directors in determining fair value are the possible open market valuation and rental yields on the property. The written down value of the Group's investment property as at the balance sheet date was £3,910,000 reflecting the depreciation charge of £50,000 recorded during the period ended 31 March 2013.

Recognition of deferred tax assets

The carrying values of deferred tax assets on the balance sheet are dependent on the estimates of future cash flows arising from the Group's operations. The realisation of the deferred tax asset recognised at 31 March 2013 of £1,840,000 is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets where it is more likely than not that the benefit will be realised.

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

3. Revenue and segmental analysis

Revenue

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

	2013 £000	2011 £000
Revenue from construction contracts	**318,256**	267,778
Total revenue	**318,256**	267,778
Other operating income	**993**	508
Interest received	**10**	27
Total income	**319,259**	268,313

Segmental results

Following adoption of IFRS 8, the Group has identified its operating segments as those upon which the Executive Committee regularly assesses performance.

The Group has deemed it appropriate to aggregate its operating segments into one reported segment. The constituent operating segments have been aggregated as they have businesses that have similar products and services, production processes, types of customer, methods of distribution, regulatory environments and economic characteristics.

Revenue, which relates wholly to construction contracts and related activities in both periods, originated from the United Kingdom.

Revenues by product group

All revenue is derived from construction contracts and related assets.

Geographical information

The Group's revenue from external customers are detailed below:

	2013 £000	2011 £000
Revenue by destination:		
United Kingdom	**307,631**	261,158
Republic of Ireland and mainland Europe	**7,734**	990
Other countries	**2,891**	5,630
	318,256	267,778

All revenue originated from the United Kingdom and all non-current assets of the Group are located in the United Kingdom.

Information about major customers

Included in revenue is approximately £104,300,000 (2011: £79,200,000) in relation to sales from two customers (2011: two customers) who individually contributed over 10 per cent to combined Group revenue in the relevant periods.

4. Operating (loss)/profit

Operating (loss)/profit for the period has been arrived at after crediting:	**2013 £000**	2011 £000
Rent receivable	**691**	495
Unrealised gains on derivative financial instruments	**104**	4
Gain on sale of property, plant and equipment	**507**	20
and after charging:		
Amortisation of intangible assets (note 12)	**3,529**	2,749
Depreciation on owned assets (note 13)	**4,826**	4,413
Depreciation on assets held under finance lease	**105**	51
Depreciation of investment properties (note 13)	**50**	40
Auditor's remuneration		
— audit	**174**	154
— other services	**447**	121
Rentals under operating leases		
— hire of plant and machinery	**2,837**	4,142
— other operating leases	**1,634**	1,045
Staff costs (note 6)	**67,924**	52,430

The analysis of auditor's remuneration is as follows:

	2013 £000	2011 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**17**	16
Fees payable to the Company's auditor and their associates for other services to the Group		
— The audit of the Company's subsidiaries pursuant to legislation	**157**	138
Total audit fees	**174**	154
Audit-related assurance services	**50**	—
Taxation compliance services	**45**	—
Other taxation advisory services	**20**	91
Corporate finance services	**332**	30
Total non-audit fees	**447**	121

Fees payable to Deloitte 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.

Corporate finance services provided during the period were incurred in the preparation of working capital and other reports in support of the rights issue (see note 33).

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

5. Other items

	2013 £000	2011 £000
Amortisation of acquired intangible assets (note 12)	**(3,435)**	(2,749)
Refinancing related transaction costs	**(2,139)**	–
Contract legal costs and provision movements	**(1,089)**	(590)
Restructuring and redundancy costs	**(767)**	–
Movements in the valuation of derivative financial instruments	**104**	4
Other items before tax	**(7,326)**	(3,335)
Tax on other items	**2,674**	1,969
Other items after tax	**(4,652)**	(1,366)

Refinancing related transaction costs consist of all costs associated with the amendment of the Group's banking facilities, including the write-off of costs relating to the November 2011 refinancing in accordance with IAS 39.

Tax on other items includes the impact of a reduction in future corporation tax rates that have been substantively enacted on the Group's deferred tax liability.

6. Directors and employees

Details of directors' remuneration for the period are provided in the audited part of the Directors' Remuneration Report on pages 60 and 61.

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

	2013 Number	2011 Number
Production and site	**1,200**	1,154
Sales and administration	**65**	53
	1,265	1,207

The aggregate payroll costs of these persons were as follows:

	2013 £000	2011 £000
Wages and salaries	**59,155**	45,157
Social security costs	**6,620**	5,239
Other pension costs	**2,149**	2,034
	67,924	52,430

Employee remuneration costs under share-based payment schemes are set out in note 23.

7. Finance income and expense

	2013 £000	2011 £000
Finance income – interest receivable	**10**	27
Finance expense – interest and other costs in relation to bank borrowings	**(2,014)**	(1,581)
Net finance expense	**(2,004)**	(1,554)

8. Taxation

a) The taxation (credit)/charge comprises:

	2013 £000	2011 £000
Current tax		
UK corporation tax	**(1,429)**	3,730
Adjustments to prior years' tax provisions	**(135)**	(920)
	(1,564)	2,810
Deferred tax		
Current period credit (note 21)	**(3,299)**	(954)
Impact of reduction in future years' tax rates	**(886)**	(1,085)
Adjustments to prior years' provisions	**18**	189
	(4,167)	(1,850)
Total tax (credit)/charge	**(5,731)**	960

b) Tax reconciliation
The (credit)/charge for the period can be reconciled to the (loss)/profit per the income statement as follows:

	2013 £000	2011 £000
(Loss)/profit before tax	**(28,858)**	6,782
Tax on ordinary activities at standard UK corporation tax rate	**(7,041)**	1,797
Expenses not deductible for tax purposes	**162**	311
Tax effect of share of results of Associates	**76**	668
Unprovided deferred tax movement	**2,075**	–
Adjustments to prior years' provisions	**(117)**	(731)
Rate differences	**(886)**	(1,085)
Income tax (credit)/charge for the period	**(5,731)**	960

Rate differences arise through the enacted reduction in corporation tax rates from 25 per cent to 23 per cent effective April 2014 reducing the level of the Group's deferred tax liabilities. This item is treated as non-underlying.

9. Dividends

	2013 £000	2011 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2011 of 3.5p (31 December 2010: 2.5p) per share	**3,123**	2,231
Interim dividend for the period ended 31 March 2013 of 1.5p (31 December 2011: 1.5p) per share	**1,339**	1,339
	4,462	3,570
Proposed final dividend for the period ended 31 March 2013 of nil (31 December 2011: 3.5p) per share	**–**	3,123

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

10. Earnings per share

(Loss)/earnings per share is calculated as follows:

	2013 £000	2011 £000
(Loss)/earnings for the purposes of basic (loss)/earnings per share being net (loss)/profit attributable to equity holders of the parent company	**(23,127)**	5,822
(Loss)/earnings for the purposes of underlying basic (loss)/earnings per share being underlying net (loss)/profit attributable to equity holders of the parent company	**(18,475)**	7,188

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**89,251,076**	89,251,076
Effect of dilutive potential ordinary shares:		
Share-based payments scheme	**–**	–
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**89,251,076**	89,251,076
Basic (loss)/earnings per share	**(25.91p)**	6.52p
Underlying basic (loss)/earnings per share	**(20.70p)**	8.05p
Diluted (loss)/earnings per share	**(25.91p)**	6.52p
Underlying diluted (loss)/earnings per share	**(20.70p)**	8.05p

Reconciliation of earnings

	2013 £000	2011 £000
Net (loss)/profit attributable to equity holders of the parent company	**(23,127)**	5,822
Other items	**4,652**	1,366
Underlying net profit attributable to equity holders of the parent company	**(18,475)**	7,188

Further details of other items are provided in note 5.

11. Goodwill

The carrying value of goodwill is allocated to cash-generating units (CGUs) as follows:

	£000
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
	54,712

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might 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 period. 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. It is anticipated that sales volumes in the UK will not increase materially over the next three years.

The Group prepares forecast cash flows based on the following year's budget, approved by the directors, together with cash flows based on budgets for the following two years which are derived from the directors' views on revenue prospects until March 2016. After this period, the growth rate applied to the cash flow forecasts is the projected economic growth rate for the industry. The cash flow forecasts have been discounted using a pre-tax discount rate of 9 per cent (2011: 9 per cent).

Following the impairment reviews performed by the Group, no impairment charge was recorded in the period ended 31 March 2013.

Management considers that no reasonably possible change in the key assumptions would cause the goodwill attached to the above CGUs to fall below their carrying value at 31 March 2013.

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

12. Other intangible assets

	Intangible assets acquired on acquisition £000	Other intangible assets £000	Total £000
Cost			
At 1 January 2011	39,000	–	39,000
Additions	–	481	481
At 1 January 2012	39,000	481	39,481
Additions	–	402	402
At 31 March 2013	**39,000**	**883**	**39,883**
Amortisation			
At 1 January 2011	18,505	–	18,505
Charge for the year	2,749	–	2,749
At 1 January 2012	21,254	–	21,254
Charge for the period	3,435	94	3,529
At 31 March 2013	**24,689**	**94**	**24,783**
Carrying amount			
At 31 March 2013	**14,311**	**789**	**15,100**
At 31 December 2011	17,746	481	18,227

The intangible assets acquired on acquisition arise as a result of applying IFRS 3 which requires the separate recognition of acquired intangibles from goodwill. During 2007 the acquisition of Fisher Engineering Limited resulted in intangible assets as follows:

	Customer relationships £000	Brands £000	Order book £000	Know-how £000	Total £000
Cost					
At 1 January 2011 and 31 March 2013	**25,800**	**3,200**	**9,600**	**400**	**39,000**
Amortisation					
At 1 January 2011	8,361	414	9,600	130	18,505
Charge for the year	2,581	128	–	40	2,749
At 1 January 2012	10,942	542	9,600	170	21,254
Charge for the period	3,225	160	–	50	3,435
At 31 March 2013	**14,167**	**702**	**9,600**	**220**	**24,689**
Net book value					
At 31 March 2013	**11,633**	**2,498**	**–**	**180**	**14,311**
At 31 December 2011	14,858	2,658	–	230	17,746

Amortisation of acquired intangibles is included in the consolidated income statement as part of administrative expenses and is classified within the middle column entitled 'other items'.

The amortisation period for each category of intangible asset is disclosed in the statement of significant accounting policies on page 75.

13. Property, plant and equipment (including investment property)

	Investment property £000	Freehold and long leasehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost						
At 1 January 2011	6,197	65,620	38,219	2,019	2,303	114,358
Additions	—	26	940	234	496	1,696
Disposals	—	(263)	(7,526)	(673)	(609)	(9,071)
At 1 January 2012	6,197	65,383	31,633	1,580	2,190	106,983
Additions	—	806	952	280	276	2,314
Disposals	—	—	(2,238)	—	(514)	(2,752)
At 31 March 2013	**6,197**	**66,189**	**30,347**	**1,860**	**1,952**	**106,545**
Accumulated depreciation						
Depreciation						
At 1 January 2011	2,197	1,883	20,856	1,375	1,098	27,409
Charge for the year	40	468	3,452	177	367	4,504
Disposals	—	—	(7,405)	(673)	(406)	(8,484)
At 1 January 2012	2,237	2,351	16,903	879	1,059	23,429
Charge for the period	50	590	3,708	205	428	4,981
Disposals	—	—	(1,525)	—	(391)	(1,916)
At 31 March 2013	**2,287**	**2,941**	**19,086**	**1,084**	**1,096**	**26,494**
Carrying amount						
At 31 March 2013	**3,910**	**63,248**	**11,261**	**776**	**856**	**80,051**
At 31 December 2011	3,960	63,032	14,730	701	1,131	83,554

The net book value of the Group's plant and machinery includes £675,000 (2011: £438,000) in respect of assets held under finance leases.

The investment property represents land and buildings held in Leeds. The Group received rental income on this property until the end of 2012 at a rate of £378,000 per annum. The Group entered into a new five-year lease agreement for the property in 2013 which included an initial one-year rent free period, followed by four annual rental receipts of £320,000.

The property is subject to an annual depreciation charge of 1 per cent on a straight-line basis in accordance with Group policy. No independent valuation by an appropriately qualified surveyor was obtained during the current or prior periods.

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

14. Subsidiaries

The Company has investments in the following significant subsidiary undertakings. All of the companies listed are registered in England and Wales.

Severfield–Watson Structures Limited*	— steel fabrication
Watson Steel Structures Limited	— steel fabrication
Atlas Ward Structures Limited	— steel fabrication
Fisher Engineering Limited	— steel fabrication and construction

* Formerly Severfield–Rowen Structures Limited.

The Company owns the whole of the issued share capital of the subsidiaries noted above.

15. Interests in Associates

The Company has an interest in two associated companies and a joint venture as follows:

Associated companies:	Holding %	Class of capital
Kennedy Watts Partnership Limited — CAD/CAM steelwork design	25.1	Preferred ordinary
Fabsec Limited — development of fire beam	25.0	Ordinary
Joint venture:		
JSW Severfield Structures Limited — structural steelwork serving the Indian market	50.0	Ordinary

On 17 November 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. As set out on pages 12 and 13 the joint venture is now established and undertaking contracts serving the Indian market.

JSW Severfield Structures Limited is registered in India, and during the period the Group invested a further £3,031,000 (2011: £112,000) in the joint venture.

Group	Goodwill £000	Share of net assets/ (liabilities) £000	Loans to Associate undertaking £000	Total £000
At 1 January 2011	251	2,535	71	2,857
Net assets acquired	—	112	—	112
Losses retained	—	(2,522)	—	(2,522)
At 1 January 2012	251	125	71	447
Net assets acquired	—	3,031	—	3,031
Losses retained	—	(310)	—	(310)
At 31 March 2013	**251**	**2,846**	**71**	**3,168**

The Group's share of the retained profit/(loss) for the period of the Associates is made up as follows:

	Kennedy Watts Partnership Limited £000	Fabsec Limited £000	JSW Severfield Structures Limited £000	Total £000
Share of results	**(4)**	**56**	**(362)**	**(310)**

Summarised financial information in respect of the Group's Associates is as follows:

	2013 £000	2011 £000
Total assets	**46,485**	39,122
Total liabilities	**(40,040)**	(37,730)
Net assets	**6,445**	1,392
Group's share of Associates' net assets	**3,369**	871
Revenue	**40,444**	22,567
Loss after tax	**(515)**	(4,998)
Group's share of Associates' loss after tax for the period	**(310)**	(2,522)

During the year ended 31 December 2005 the Board reviewed the investment of long-term loans outstanding from Fabsec Limited of £614,000 and concluded that there was an element of doubt over the collection of this loan in the short to medium term. Consequently, after considering the net liabilities of Fabsec Limited, a provision of £543,000 was made against the debt. This provision remains in place at 31 March 2013.

16. Inventories

	2013 £000	2011 £000
Raw materials and consumables	**5,986**	3,991
Work-in-progress	**2,228**	5,094
	8,214	9,085

17. Construction contracts

	2013 £000	2011 £000
Contracts in progress at balance sheet date:		
Amounts due from construction contract customers included in trade and other receivables	**63,228**	78,095
Amounts due to construction contract customers included in trade and other payables	**(5,702)**	(299)
	57,526	77,796
Contract costs incurred plus recognised profits less recognised losses to date	**556,377**	569,763
Less: progress billings	**(498,851)**	(491,967)
	57,526	77,796

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

18. Trade and other receivables

	2013 £000	2011 £000
Amounts due from construction contract customers (note 17):		
– Current amounts receivable in respect of progress billings	58,511	71,104
– Retentions due within one year	2,901	4,133
– Retentions due after one year	1,816	2,858
Total	63,228	78,095
Other receivables	294	6,731
Prepayments and accrued income	6,849	3,493
Amounts due from Associates	1,228	842
	71,599	89,161

Prepayment and accrued income includes the transaction costs of £3,142,000 associated with the rights issue which completed in April 2013 (see note 33). These costs will be transferred to equity in the year ending 31 March 2014.

The average credit period taken on revenue, calculated on a count-back basis to make appropriate allowance for monthly revenue phasing, is 84 days (2011: 83 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 to manage the exposure that may arise as the contractual work proceeds. Accordingly, no bad debt provisions are held or expenses incurred. The Group's credit insurance committee reviews situations where adequate credit insurance on the Group's customers cannot be purchased in the present economic climate as required.

Due to the nature of the business involving applications for payment, contractually overdue amounts within trade and other receivables are limited to retentions. The Group has rigorous procedures in place for monitoring and obtaining settlement of retentions in a prompt manner.

Amounts overdue at 31 March 2013 in respect of retentions were £nil (31 December 2011: £189,000).

19. Trade and other payables

	2013 £000	2011 £000
Trade creditors	47,994	54,332
Other taxation and social security	4,341	4,434
Other creditors and accruals	12,857	7,124
Payments in advance (note 17)	5,702	299
Amounts owed to Associates	–	133
	70,894	66,322

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 66 days (2011: 62 days).

20. Provisions

	2013 £000	2011 £000
Contract legal provisions	–	600

Contract legal provisions represented contract liabilities, including fault and warranty provisions and associated legal costs, and were utilised in full during the period. The movement in the period comprises the following:

	£000
At 1 January 2012	600
Utilisation of provision	(600)
At 31 March 2013	–

21. Deferred tax 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.

	2013 £000	2011 £000
Deferred tax liabilities	(11,228)	(13,833)
Deferred tax assets	4,675	2,656
	(6,553)	(11,177)

Deferred tax is disclosed in the balance sheet as follows:

	2013 £000	2011 £000
Deferred tax liabilities	(8,393)	(11,177)
Deferred tax asset — trading losses	1,840	–
	(6,553)	(11,177)

The net deferred tax liability is made up as follows:

	2013 £000	2011 £000
Excess capital allowances	(7,937)	(9,293)
Other timing differences	120	139
Trading losses	1,840	–
Intangible assets on acquisition of subsidiary	(3,292)	(4,437)
Forward exchange contracts	–	26
On retirement benefit obligations	2,716	2,388
	(6,553)	(11,177)

The movement during the period in net deferred tax liability is as follows:

	2013 £000	2011 £000
At start of period	(11,177)	(13,199)
Current period credit	3,299	954
Impact of reduction in future years' tax rates	886	1,085
Adjustment in respect of prior years	(19)	(189)
Deferred tax in relation to pension scheme losses	458	172
At end of period	(6,553)	(11,177)

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

21. Deferred tax liabilities continued

The deferred tax assets reducing the deferred tax liability relate to 23 per cent (2011: 25 per cent) of the Group's deficit on its defined benefit retirement scheme, trading losses carried forward and other timing differences. The tax losses on which a deferred tax asset has been recognised do not expire.

Unrecognised deferred tax assets amounted to £2,131,000 (2011: £59,000).

The Government announced in March 2012 that it intended to reduce the rate of corporation tax from 25 per cent to 23 per cent and the Finance Act 2012, which was substantively enacted on 17 July 2012, included provisions to reduce the rate of corporation tax to 23 per cent with effect from 1 April 2013. Accordingly, deferred tax balances have been revalued to the lower rate of 23 per cent in these accounts, which has resulted in a credit to the consolidated income statement of £886,000 and the consolidated statement of comprehensive income of £385,000.

The Government has announced in March 2013 a further reduction in the rate of corporation tax to 21 per cent with effect from 1 April 2014 and then by a further 1 per cent each year to 20 per cent by 1 April 2015. As this legislation was not substantively enacted by 31 March 2013, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. If the deferred tax assets and liabilities of the Group were all to reverse after 1 April 2014, the effect of the changes from 23 per cent to 20 per cent would be to reduce the net deferred tax liability by approximately £855,000. To the extent that the deferred tax reverses more quickly than this the impact on the net deferred tax liability will be reduced.

22. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns 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.

Gearing ratio

The Board reviews the capital structure of the Group on a semi-annual basis. As part of this review, it considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the period end is as follows:

	2013 **£000**	2011 £000
Borrowings	**(41,461)**	(33,159)
Cash and cash equivalents	**671**	2,264
Finance leases	**(400)**	(355)
Net debt	**(41,190)**	(31,250)
Equity	**102,401**	132,298
Net debt to equity ratio	**40.2%**	23.6%

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

The gearing ratio has improved significantly post period end on completion of the rights issue in April 2013 (see note 33).

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the consolidated financial statements.

Categories of financial instruments

	Carrying value	
	2013	2011
	£000	£000
Financial assets		
Cash and cash equivalents	**671**	2,264
Amounts due from construction contract customers	**63,228**	78,095
Financial liabilities		
Trade creditors	**(47,994)**	(54,332)
Other payables	**(22,900)**	(11,857)
Borrowings	**(41,461)**	(33,159)
Derivative financial instruments	**–**	(104)
Finance leases	**(400)**	(355)

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).

Derivative financial instruments are the only instruments 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 and are considered to approximate to their fair value.

Cash and cash equivalents

This comprises cash held by the Group and short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

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.

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

22. Financial instruments continued

Credit risk

The Group's primary exposure to credit risk arises from the potential for non-payment or default from construction contract debtors. 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 with them 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 31 March 2013 were £4,717,000 (31 December 2011: £6,991,000).

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 credit insurance committee determines the appropriate exposure for the Group to take with a customer.

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 17.

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 liquidity 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.

Borrowings represent the Group's revolving credit facility from the Royal Bank of Scotland and Yorkshire Bank, a member of National Australia Bank Group, jointly which provides credit support of up to £50,000,000 at an interest rate of between 1.90 per cent and 2.65 per cent above LIBOR subject to the ratio of Group net debt to EBITDA. This facility was renewed in November 2011 and was available for five years ending November 2016 at 31 March 2013. In April 2013, this revolving credit facility was refinanced with the Group's lenders (see note 33).

As at 31 March 2013 £40,000,000 was drawn down on this facility with £10,000,000 of further facility not drawn but available. Up to £10,000,000 of this facility is available by way of an overdraft.

Borrowings outstanding, net of associated issue costs, at 31 March 2013 amounted to £41,461,000 (31 December 2011: £33,159,000).

IFRS 7 requires disclosure of the maturity of the Group's remaining contractual financial liabilities. The following tables detail the Group's remaining contractual maturity for its financial liabilities and assets:

2013 Analysis

Current liabilities	Balance sheet value £000	Maturity Analysis Less than 3 months £000	3 months to 1 year £000	1–2 years £000	2–5 years £000	Total £000
Trade and other payables	70,894	65,387	5,445	60	2	70,894
Financial liabilities — borrowings[1]	41,461	—	—	—	41,461	41,461
Financial liabilities — finance leases	400	48	146	181	25	400
Financial liabilities — derivative financial instruments[2]	—	—	—	—	—	—
	112,755	**65,435**	**5,591**	**241**	**41,488**	**112,755**
Current assets						
Cash and cash equivalents[3]	(671)	(671)	—	—	—	(671)
	(671)	**(671)**	—	—	—	**(671)**
Total	**112,084**	**64,764**	**5,591**	**241**	**41,488**	**112,084**

2011 Analysis

Current liabilities	Balance sheet value £000	Less than 3 months £000	3 months to 1 year £000	1–2 years £000	2–5 years £000	Total £000
Trade and other payables	66,322	62,566	3,692	64	—	66,322
Financial liabilities — borrowings[1]	33,159	—	—	—	33,159	33,159
Financial liabilities — finance leases	355	25	79	104	147	355
Financial liabilities — derivative financial instruments[2]	104	104	—	—	—	104
	99,940	62,695	3,771	168	33,306	99,940
Current assets						
Cash and cash equivalents[3]	(2,264)	(2,264)	—	—	—	(2,264)
	(2,264)	(2,264)	—	—	—	(2,264)
Total	97,676	60,431	3,771	168	33,306	97,676

[1] Details of the conditions applying to these borrowings are provided on page 92.
[2] The Group has no gross settled derivative financial instruments and, therefore, solely the pay leg has been disclosed within liabilities.
[3] Cash and cash equivalents have also been disclosed in order to present a full analysis of the Group's financial assets.

Market risk

The Group's activities expose it primarily to the financial risks of changes in credit risks described above, in foreign currency exchange rates and interest rates. The Group has entered into a variety of 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.

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.

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

22. Financial instruments continued

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

	Liabilities		Assets	
	2013 £000	2011 £000	**2013 £000**	2011 £000
Euro	**(73)**	(36)	**4,901**	1,426
US dollar	**–**	–	**948**	959
	(73)	(36)	**5,849**	2,385

Foreign currency sensitivity analysis

The Group is only significantly exposed to the euro and US dollar.

The following table details the Group's sensitivity to a 10 per cent increase and decrease in sterling against the relevant foreign currencies. 10 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 period end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the sterling strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of the 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	
	2013 £000	2011 £000	**2013 £000**	2011 £000
Profit or loss and equity	**–**	8	**434**	331

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

At 31 March 2013, the Group had forward exchange contracts held for the sale of 10.8m euros (2011: 4.9m euros) and 1.5m US dollars (2011: 1.0 million US dollars) at an average exchange rate of 1.176 euros/£ (2011: 1.189 euros/£) and 1.514 US dollars/£ (2011: 1.544 US dollars/£) to the pound and maturing within 12 months of the period end.

Interest rate risk management

The Group is exposed to interest rate risk as described under the borrowings 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 period ended 31 March 2013 and the Group's equity at that date would decrease by £190,000 (2011: £180,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings. If the £50,000,000 facility is fully utilised the exposure increases to £250,000.

23. Share-based payments

The Group operates a share-based incentive scheme open to all employees of the Group although the current intention is that only the Company's executive directors (being both Board directors and certain members of the Executive Committee) and selected senior employees will participate in the scheme. Further details are given in the Directors' Remuneration Report on pages 54 to 61.

Performance Share Plan

The vesting of awards is subject to performance conditions set by the Remuneration Committee. The Group recognised a total credit of £145,000 for the period (2011: charge of £145,000) with a corresponding entry to reserves representing the reversal of the 2011 charge for the 2011 scheme since these awards are not expected to vest. Three outstanding awards had been granted to 31 March 2013:

- During the year ended 31 December 2010 the Remuneration Committee granted a further 793,072 ordinary shares of 2.5p each at nil value to the executive directors. The vesting of these awards will be dependent on the Group's earnings per share performance over the three year period from 1 January 2010 to 31 December 2012, with the following vesting schedule to apply:

EPS performance for year ending 31 December 2012	% of award vesting
Equal to less than 25.0p	0%
Equal to 35.0p or better	100%
Between 25.0p and 35.0p	Pro rata between 0% and 100%

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

Share price on date of grant	£2.04*
Exercise price	nil
Expected volatility (using historic performance)	50%
Risk-free rate	5.0%
Dividend	10.0p
Expected percentage options exercised versus granted	nil
Actual life	three years

* Granted on 5 March 2010.

The Black–Scholes pricing model produced, using the above assumptions, an annual charge of £nil (2011: £nil).

- During the year ended 31 December 2011 the Remuneration Committee granted a further 720,408 ordinary shares of 2.5p each at nil value to the executive directors. The vesting of these awards will be dependent on the Group's earnings per share performance over the three year period from 1 January 2011 to 31 December 2013, with the following vesting schedule to apply:

EPS performance for year ended 31 December 2013†	% of award vesting
Equal to less than 12.5p	0%
Equal to 25.0p or better	100%
Between 12.5p and 25.0p	Pro rata between 0% and 100%

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

Share price on date of grant	£2.45*
Exercise price	nil
Expected volatility (using historic performance)	50%
Risk-free rate	5.0%
Dividend	10.0p
Expected percentage options exercised versus granted	nil
Actual life	three years

* Granted on 14 April 2011.
† Now deferred to 31 March 2014.

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

23. Share-based payments continued

The Black–Scholes pricing model produced, using the above assumptions, an annual charge of £nil (2011: £145,000). The prior year charge was reversed in the period ended 31 March 2013 since these awards are not expected to vest.

- During the period ended 31 March 2013 the Remuneration Committee granted 1,113,508 ordinary shares of 2.5p each at nil value to the executive directors. The vesting of these awards will be dependent on the Group's earnings per share performance over the three year period from 1 January 2012 to 31 December 2014, with the following vesting schedule to apply:

EPS performance for year ending 31 December 2014†	% of award vesting
Equal to less than 12.5p	0%
Equal to 22.5p or better	100%
Between 12.5p and 22.5p	Pro rata 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	£2.00*
Exercise price	nil
Expected volatility (using historic performance)	50%
Risk-free rate	1.7%
Dividend	5.0p
Expected percentage options exercised versus granted	nil
Actual life	three years

* Granted on 7 March 2012.
† Now deferred to 31 March 2015.

The Black–Scholes pricing model produced, using the above assumptions, an annual charge of £nil.

Share Incentive Plan

During 2010 the Group implemented a Share Incentive Plan for Group employees. As part of the scheme 202,384 new ordinary shares of 2.5p were issued which are being held in trust for a three year period on behalf of 973 Group employees. The vesting of these awards will be subject to continued employment for each of the relevant employees. Options are forfeited if the employee leaves the Group before the options vest. The share price on the date of issue of the shares (29 October 2010) was £2.41 and the fair value was measured based on the market price of the shares at the date of grant. The aggregate of the estimated values of the awards granted in 2010 is £488,000. A charge of £203,000 (2011: £155,000) was recognised in the current period in relation to the Share Incentive Plan.

24. Share capital

	2013 £000	2011 £000
Authorised:		
108,000,000 ordinary shares of 2.5p each	**2,700**	2,700
Issued and fully paid:		
89,251,076 ordinary shares of 2.5p each	**2,231**	2,231

There are no share options outstanding as at 31 March 2013 (31 December 2011: nil).

25. Other reserves

	Share-based payment reserve £000	Other reserves £000	Total £000
Balance at 1 January 2011	30	139	169
Share-based payments charge	300	—	300
Balance at 1 January 2012	330	139	469
Share-based payments charge	58	—	58
Balance at 31 March 2013	388	139	527

The movement in the share-based payment reserve represents the share-based payment charge of £58,000 (2011: £300,000) (see note 23).

26. Notes to the cash flow statement

	2013 £000	2011 £000
Operating (loss)/profit from continuing operations	**(26,854)**	8,336
Adjustments:		
Depreciation of property, plant and equipment	**4,930**	4,464
Depreciation of investment property	**50**	40
Gain on disposal of property, plant and equipment	**(507)**	(20)
Amortisation of intangible assets	**3,528**	2,749
Movements in pension scheme	**(565)**	(349)
Share of results of Associates	**310**	2,522
Share-based payments	**58**	300
Movement in valuation of derivatives	**(104)**	(4)
Operating cash flows before movements in working capital	**(19,154)**	18,038
Decrease in inventories	**871**	3,548
Decrease/(increase) in receivables	**17,562**	(17,301)
Increase/(decrease) in payables	**4,448**	(9,592)
Decrease in provisions	**(600)**	—
Cash generated from/(used in) operations	**3,127**	(5,307)
Tax paid	**(2,323)**	(3,661)
Net cash flow from operating activities	**804**	(8,968)

27. Analysis of net debt

	2013 £000	2011 £000
Cash and cash equivalents	**671**	2,264
Financial liabilities — borrowings	**(41,461)**	(33,159)
Financial liabilities — finance leases	**(400)**	(355)
	(41,190)	(31,250)

28. Capital commitments

	2013 £000	2011 £000
Contracted for but not provided in the financial statements	**—**	150

Group Accounts

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

29. Contingent liabilities

The Company and its subsidiaries have provided unlimited multilateral guarantees to secure any bank overdrafts and loans of all other Group companies. At 31 March 2013 these amounted to £40,000,000 (2011: £40,000,000). The Group has also given performance bonds in the normal course of trade.

30. Operating lease arrangements

The Group as lessee

The Group leases a number of its premises under operating leases which expire between 2013 and 2032.

The total future minimum lease rentals are as follows:

	2013 £000	2011 £000
Minimum lease rentals due:		
— Within one year	**1,381**	1,361
— After one year and within five years	**4,754**	5,331
— After five years	**12,897**	12,308
	19,032	19,000

The Group also leases certain items of plant and machinery and vehicles whose total future minimum lease rentals are as follows:

	2013 £000	2011 £000
Minimum lease rentals due:		
— Within one year	**1,572**	1,155
— After one year and within five years	**1,672**	1,486
— After five years	**—**	—
	3,244	2,641

The Group as lessor

Property rental income earned on owned properties during the period was £691,000 (2011: £495,000). The properties held have committed tenants for the next one to five years. All operating lease contracts contain market review clauses in the event that the lessees exercise the options to renew. The lessees do not have an option to purchase the property at the expiry of the lease period.

As at the balance sheet date the Group had contracted with tenants for the following future minimum lease payments:

	2013 £000	2011 £000
— Within one year	**319**	542
— After one year and within five years	**1,561**	447
— After five years	**—**	—
	1,880	989

31. Retirement benefit schemes

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 £1,691,000 (2011: £1,435,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2013, contributions of £200,000 (2011: £237,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

Atlas Ward has a defined benefit scheme which is now closed to new members.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 5 April 2011 by Mr Christopher 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.

	2013 %	2011 %
Key assumptions used:		
Discount rate	**4.2**	4.9
Expected return on scheme assets	**4.2**	4.5
Expected rate of salary increases	**—**	—
Future pension increases	**2.9**	2.6

When considering mortality assumptions a male life expectancy to 85 at age 65 has been used for the period ended 31 March 2013 (31 December 2011: 85).

Impact on scheme liabilities of changes to key assumptions:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 3.7%
Rate of mortality	Increase by 1 year	Increase by 2.8%

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

	2013 £000	2011 £000
Interest cost	**1,607**	1,333
Expected return on scheme assets	**(972)**	(823)
	635	510

The charge for the period has been included in administrative expenses. 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 £8,248,000 (2011: £5,424,000).

The actual return on scheme assets was a gain of £1,933,000 (2011: £1,066,000).

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

	2013 £000	2011 £000
Present value of defined benefit obligations	**(31,061)**	(26,800)
Fair value of scheme assets	**19,250**	17,248
Deficit in scheme liability recognised in the balance sheet	**(11,811)**	(9,552)

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

31. Retirement benefit schemes continued

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

	2013 %	2011 %
Equities	**22.6**	18.3
Bonds and gilts	**62.0**	59.3
Cash	**5.3**	10.9
Property	**8.2**	9.5
Other	**1.9**	2.0
	100.0	100.0

When investments are held in bonds and cash, the expected long-term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long-term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension plan.

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

	2013 £000	2011 £000
At start of period	**(26,800)**	(24,610)
Interest cost	**(1,607)**	(1,333)
Actuarial losses	**(3,785)**	(1,612)
Benefits paid	**1,131**	755
At end of period	**(31,061)**	(26,800)

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

	2013 £000	2011 £000
At start of period	**17,248**	16,078
Expected return on scheme assets	**972**	823
Actuarial gains	**961**	243
Employer contributions	**1,200**	859
Benefits paid	**(1,131)**	(755)
At end of period	**19,250**	17,248

None of the scheme's assets were invested in Atlas Ward or property occupied by Atlas Ward.

The Group expects to contribute £83,000 per month to its defined benefit pension scheme in the year to 31 March 2014.

History of experience of gains and losses:

	2013	2011	2010	2009	2008
Experience gains and (losses) on scheme assets (£000)	**961**	243	(3.4)	377	(1,674)
Percentage of scheme assets	**5.0%**	1.4%	(0.2%)	2.5%	(12.1%)
Experience (gains) and losses on scheme liabilities (£000)	**424**	(512)	1,013	(223)	(198)
Percentage of the present value of scheme liabilities	**1.4%**	(1.9%)	4.1%	(1.0%)	(1.0%)
Total amount recognised in the consolidated statement of comprehensive income (£000)	**(2,824)**	(1,369)	(440)	(2,091)	(190)
Percentage of the present value of scheme liabilities	**(9.1%)**	(5.1%)	(1.8%)	(8.9%)	(0.9%)

32. Related party transactions

The remuneration of the directors is provided in the audited part of the Directors' Remuneration Report on pages 60 and 61.

In addition to the Board of Directors, members of the Executive Committee are also considered as key management personnel of the Group. Information about the remuneration of the additional directors who belong to the Executive Committee is as follows:

	2013 £000	2011 £000
Short-term employee benefits	**1,153**	1,091
Contributions into pension schemes	**150**	121
	1,303	1,212

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

The charge in relation to share-based payments is provided in note 23 and relates to executive directors and members of the Executive Committee.

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 period the Group purchased services in the ordinary course of business from Kennedy Watts Partnership Limited at a cost of £823,000 (2011: £531,000). The amount outstanding at 31 March 2013 was £172,000 (31 December 2011: £97,000).

Loans outstanding from Fabsec Limited at 31 March 2013 amounted to £574,000 (31 December 2011: £574,000). The directors continue to have doubts regarding the collectability of these loans and consequently a provision of £543,000 remains in place leaving a balance at 31 December 2013 of £31,000 (31 December 2011: £31,000). During the period the Group purchased services in the ordinary course of business from Fabsec Limited at a cost of £199,000 (2011: £165,000). The amount outstanding at 31 March 2013 was £32,000 (31 December 2011: £36,000).

During the period the Group incurred additional operating costs in relation to the day-to-day running of the joint venture in India of £1,357,000 (2011: £1,051,000). Those costs were recharged to the joint venture company during the period and the amount outstanding at 31 March 2013 was £1,228,000 (31 December 2011: £841,000).

Notes to the Consolidated Financial Statements continued

15 month period ended 31 March 2013

33. Post-balance sheet events

On 18 March 2013, at the general meeting, the Group received shareholder approval for a 7:3 rights issue of up to 208,252,511 new ordinary shares at 23 pence per share. The rights issue completed on 5 April 2013 with the Group receiving net proceeds of £44,756,000 consisting of gross proceeds of £47,898,000 offset by transaction costs of £3,142,000.

On completion of the rights issue, the amendment and restatement of the existing facilities agreement with the Group's lenders became effective. Under the revised facilities agreement, the Group has access to a revolving credit facility of £20,000,000 until December 2013, when the facility increases to £35,000,000 until its expiry in November 2016.

34. Pro-forma financial information (unaudited)

The Group's underlying results (before other items) for the 12 month period to 31 March 2013 are stated below.

This pro-forma income statement has been prepared by deducting from the statutory results for the 15 month period ended 31 March 2013 the results for the three month period ended 31 March 2012, as derived from the Group's management accounts. The split of administrative expenses and distribution costs for the three month period ended 31 March 2012 has been calculated on a pro rata basis based on those costs incurred in the six month interim period to 30 June 2012.

	Before other items
Continuing operations	
Revenue	248,254
Cost of sales	(262,532)
Gross loss	**(14,278)**
Other operating income	843
Distribution costs	(2,414)
Administrative expenses	(3,637)
Movements in the valuation of derivative financial instruments	–
Operating loss before share of results of Associates	**(19,486)**
Share of results of Associates	(135)
Operating loss	**(19,621)**
Finance income	10
Finance expense	(1,656)
Loss before tax	**(21,267)**

Five Year Summary

	IFRS				
	2013† £000	2011 £000	2010 £000	2009 £000	2008 £000
Results					
Revenue	**318,256**	267,778	266,692	349,417	394,325
Underlying* operating (loss)/profit	**(19,218)**	14,193	16,204	51,828	55,107
Underlying* (loss)/profit before tax	**(21,532)**	10,117	15,283	50,814	52,479
Non-underlying items	**(4,652)**	(1,366)	(3,490)	(5,118)	(9,885)
(Loss)/profit attributable to equity holders of Severfield–Rowen Plc	**(23,127)**	5,822	7,633	31,313	23,976
Assets employed					
Non-current assets	**154,871**	156,940	165,013	170,731	177,987
Net current liabilities	**(32,060)**	(3,059)	(11,739)	(12,732)	(33,355)
Non-current liabilities	**(20,410)**	(21,583)	(22,331)	(25,524)	(24,869)
Net assets	**102,401**	132,298	130,943	132,475	119,763
Key statistics					
Earnings per share:					
Basic — underlying*	**(20.70p)**	8.05p	12.50p	40.00p	42.20p
Basic	**(25.91p)**	6.52p	8.58p	35.34p	27.06p
Diluted — underlying*	**(20.70p)**	8.05p	12.50p	39.80p	42.15p
Diluted	**(25.91p)**	6.52p	8.58p	35.16p	27.02p
Dividends per share	**1.50p**	5.00p	7.50p	15.00p	20.00p
Dividend cover (times) — underlying* basis	**(13.8)**	1.6	1.3	2.7	2.1
Share price — high	**114.26p**	333.50p	313.20p	243.00p	460.00p
— low	**35.40p**	150.00p	177.20p	119.50p	131.25p

Key statistics for prior years have been restated to reflect the 4:1 share capital in October 2007.

* The basis of stating results on an underlying basis is set out on page 1.

† Represents the 15 month period ended 31 March 2013.

Financial Calendar

Preliminary announcement of full year results	4 June 2013
Publication of Annual Report	30 July 2013
Annual General Meeting	11 September 2013
Announcement of interim results (provisional)	26 November 2013

SECTION

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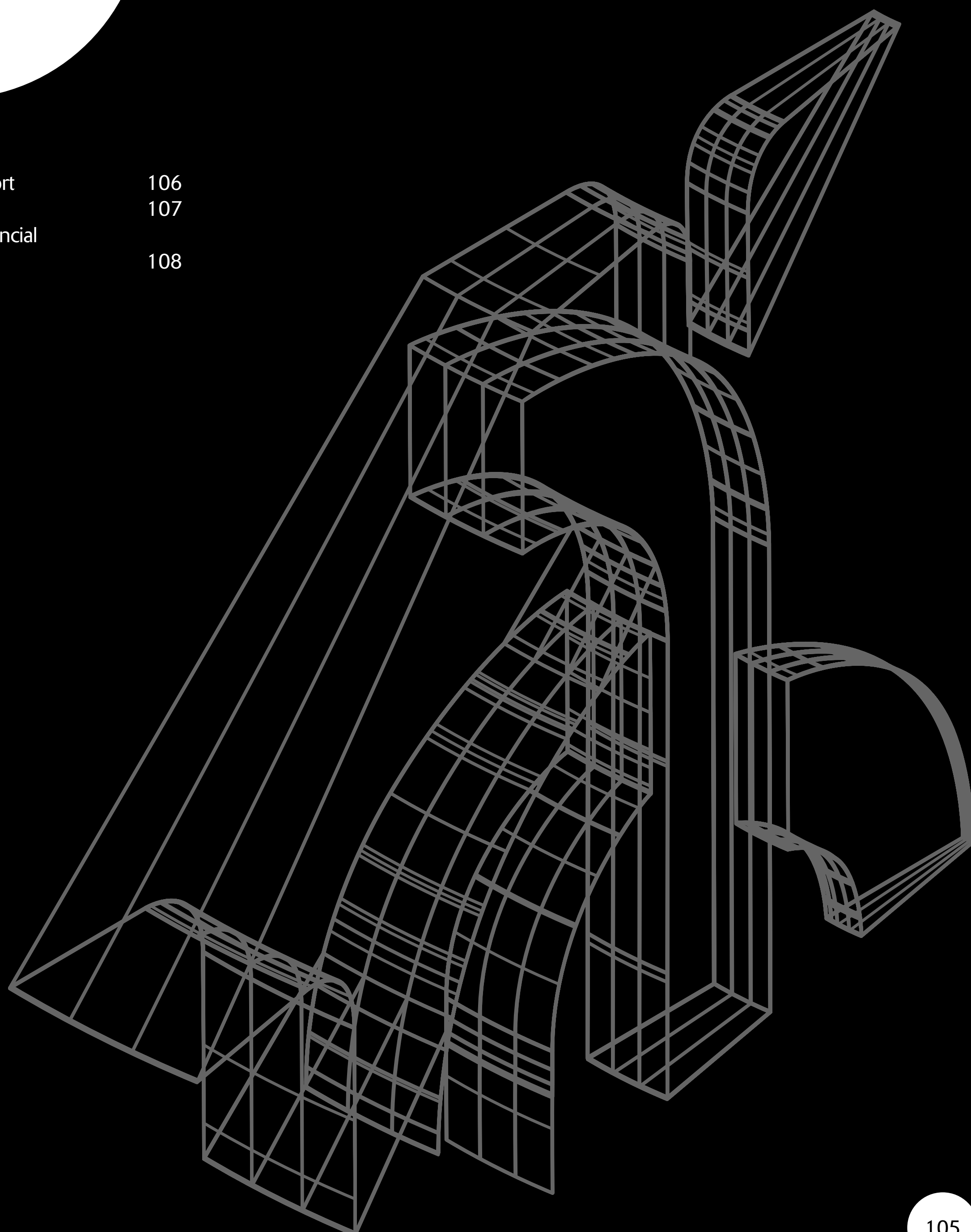

Independent Auditor's Report

to the Members of Severfield–Rowen Plc

We have audited the parent company financial statements of Severfield–Rowen Plc for the period ended 31 March 2013 which comprise the Company balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the Group financial statements of Severfield–Rowen Plc for the 15 month period ended 31 March 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

David M Johnson
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
19 July 2013

Company Balance Sheet

At 31 March 2013

	Note	**2013 £000**	2011 £000
Fixed assets			
Tangible assets	4	**61,376**	61,376
Intangible assets		**789**	481
Investments	5	**96,360**	100,729
		158,525	162,586
Current assets			
Debtors	6	**67,121**	54,305
Cash at bank and in hand		**–**	–
		67,121	54,305
Creditors — amounts falling due within one year	7	**(173,874)**	(163,543)
Net current liabilities		**(106,753)**	(109,238)
Total assets less current liabilities		**51,772**	53,348
Capital and reserves			
Called-up share capital	9	**2,231**	2,231
Share premium account	10	**46,152**	46,152
Other reserves	11	**377**	319
Profit and loss account	12	**3,012**	4,646
Equity and total shareholders' funds		**51,772**	53,348

The financial statements were approved by the Board of Directors on 19 July 2013 and signed on its behalf by:

J Dodds
Chairman

A D Dunsmore
Finance Director

Severfield-Rowen Plc
Registered in England No: 1721262

Notes to the Company Financial Statements

15 month period ended 31 March 2013

1. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable UK accounting standards ('UK GAAP').

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt a going concern basis in preparing the financial statements. The key factors considered by the directors in making the statement are set out within the Financial Review on pages 20 to 24.

Profit and loss account

In accordance with the exemption allowed by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

Cash flow

The Company is exempt from the requirements of Financial Reporting Standard No. 1 (Revised) 'Cash Flow Statements'.

Tangible fixed assets

Freehold and long leasehold land is held at cost and not depreciated.

Depreciation is provided on other fixed assets to write off the cost of each asset over its estimated useful life at the following rates:

Freehold buildings 1% straight-line

Intangible fixed assets

Intangible fixed assets relate to capitalised software costs. These are in relation to systems that as at 31 December 2011 were in the commissioning phase and accordingly, to date, no amortisation has been charged.

Going forward amortisation will be applied over the following periods:

Software costs 7 years

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share-based payments

Share-based payments are accounted for as described in the Group accounting policies on page 76.

Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3(b) of FRS 8 'Related Party Disclosures' not to disclose transactions with other wholly owned Group companies.

2. Operating profit

The auditor's remuneration for audit services to the Company was £17,000 (2011: £16,000).

The Company has no employees other than the directors whose remuneration was borne by subsidiary undertakings.

3. Profit of the Company

The Company has taken advantage of Section 408 of the Companies Act 2006 and consequently its profit and loss account is not presented as part of these accounts. The profit of the Company for the financial period amounted to £2,828,000 (2011 loss: £471,000). Dividends paid and proposed are disclosed in note 9 to the consolidated financial statements.

4. Tangible fixed assets

	Freehold and long leasehold land and buildings £000	Motor Vehicles	Total
Cost			
At 1 January 2012	63,626	294	63,920
Additions	678	–	678
Disposals	–	(59)	(59)
At 31 March 2013	**64,304**	**235**	**64,539**
Depreciation			
At 1 January 2012	2,460	84	2,544
Provided in period	570	64	634
Disposals	–	(15)	(15)
At 31 March 2013	**3,030**	**133**	**3,163**
Net book value			
At 31 March 2013	**61,274**	**102**	**61,376**
At 31 December 2011	61,166	210	61,376

The Company's freehold and long leasehold land and buildings includes those which are occupied and used by some of the Company's subsidiary undertakings.

5. Investments

	2013 £000	2011 £000
Investment in subsidiaries	**87,354**	94,754
Investment in associated companies	**535**	535
Investment in joint ventures	**8,471**	5,440
	96,360	100,729

Notes to the Company Financial Statements continued

15 month period ended 31 March 2013

5. Investments continued

Investment in subsidiaries

The Company has investments in the following significant subsidiary undertakings. All of the companies listed are registered in England and Wales.

Severfield–Watson Structures Limited*	— steel fabrication
Watson Steel Structures Limited	— steel fabrication
Atlas Ward Structures Limited	— steel fabrication
Fisher Engineering Limited	— steel fabrication and construction

* Formerly Severfield–Rowen Structures Limited.

The Company owns the whole of the issued share capital of the subsidiaries noted above.

Following the annual testing for impairment the carrying value of the Company's investment in Action Merchants Limited, the holding company for Fisher Engineering Limited, was impaired by £7,400,000 (2011: £5,500,000) reducing the carrying value accordingly.

	£000
Cost	
At 1 January 2012 and 31 March 2013	**107,554**
Provision for impairment	
At 1 January 2012	12,800
Charge for the period	7,400
At 31 March 2013	**20,200**
Net book value	
At 31 March 2013	**87,354**
At 31 December 2011	94,754

Investment in associates

The Company has an interest in associated companies as follows:

		Holding %	Class of capital
Kennedy Watts Partnership Limited	— CAD/CAM steelwork design	25.1	Preferred ordinary
Fabsec Limited	— development of fire beam	25.0	Ordinary

	£000
Cost	
At 31 December 2011 and 31 March 2013	**535**

Investment in joint ventures

On 17 November 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 and, during the period, the Company invested indirectly £3,031,000 (2011: £112,000) in the joint venture. The investment is carried in Severfield–Rowen Mauritius Limited, a wholly owned subsidiary of the Company.

	£000
Cost	
At 1 January 2012	5,440
Additions	3,031
At 31 March 2013	**8,471**

6. Debtors

	2013 £000	2011 £000
Other debtors	3,433	1,610
Amounts owed by subsidiary undertakings	62,531	52,207
Deferred tax asset (note 8)	287	189
Corporation tax recoverable	870	299
	67,121	54,305

7. Creditors — amounts falling due within one year

	2013 £000	2011 £000
Bank borrowings	42,347	40,693
Other creditors and accruals	6,759	3,074
Amounts owed to subsidiary undertakings	124,768	119,776
	173,874	163,543

Borrowings represent the Group's revolving credit facility from the Royal Bank of Scotland and National Australia Bank jointly as disclosed in note 22 to the consolidated financial statements. The facility is available until November 2016.

8. Deferred tax

	Amount provided		Amount unprovided	
	2013 £000	2011 £000	2013 £000	2011 £000
Excess capital allowances	(182)	(77)	–	–
Short-term timing differences	(105)	(112)	–	–
	(287)	(189)	–	–

Deferred tax — movement for the period

	£000
At 1 January 2012	(189)
Current period credit	(98)
At 31 March 2013	**(287)**

9. Share capital

	2013 £000	2011 £000
Authorised:		
108,000,000 ordinary shares of 2.5p each	2,700	2,700
Issued and fully paid:		
89,251,076 ordinary shares of 2.5p each (2011: 89,251,076)	2,231	2,231

There are no share options outstanding as at 31 March 2013 (2011: nil).

Notes to the Company Financial Statements continued

15 month period ended 31 March 2013

10. Share premium account

	2013 £000	2011 £000
At 31 December 2011 and 31 March 2013	**46,152**	46,152

11. Other reserves

	2013 £000	2011 £000
At start of period	**319**	55
Share-based payment charge	**58**	300
Other reserve movement	**–**	(36)
At end of period	**377**	319

The movement in the share-based payment reserve represents the share-based payment charge of £58,000 (2011: £300,000).

12. Profit and loss account

	2013 £000	2011 £000
At start of period	**4,646**	8,687
Dividends paid	**(4,462)**	(3,570)
Net profit/(loss) for the period	**2,828**	(471)
At end of period	**3,012**	4,646

13. Movement in shareholders' funds

	2013 £000	2011 £000
At start of period	**53,348**	57,125
Dividends paid	**(4,462)**	(3,570)
Net profit/(loss) for the period	**2,828**	(471)
Other reserve movement	**–**	(36)
Movement in share-based payment reserve	**58**	300
At end of period	**51,772**	53,348

14. Capital commitments

	2013 £000	2011 £000
Contracted for but not provided in the financial statements	**–**	127

15. Contingent liabilities

The Company has provided an unlimited guarantee to secure any bank overdrafts and loans of all other Group companies. At 31 March 2013 these amounted to £nil (2011: £nil).

Addresses and Advisers

Registered Office and Headquarters

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North Yorkshire
YO7 3JN

Operational Businesses

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YO7 3JN

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