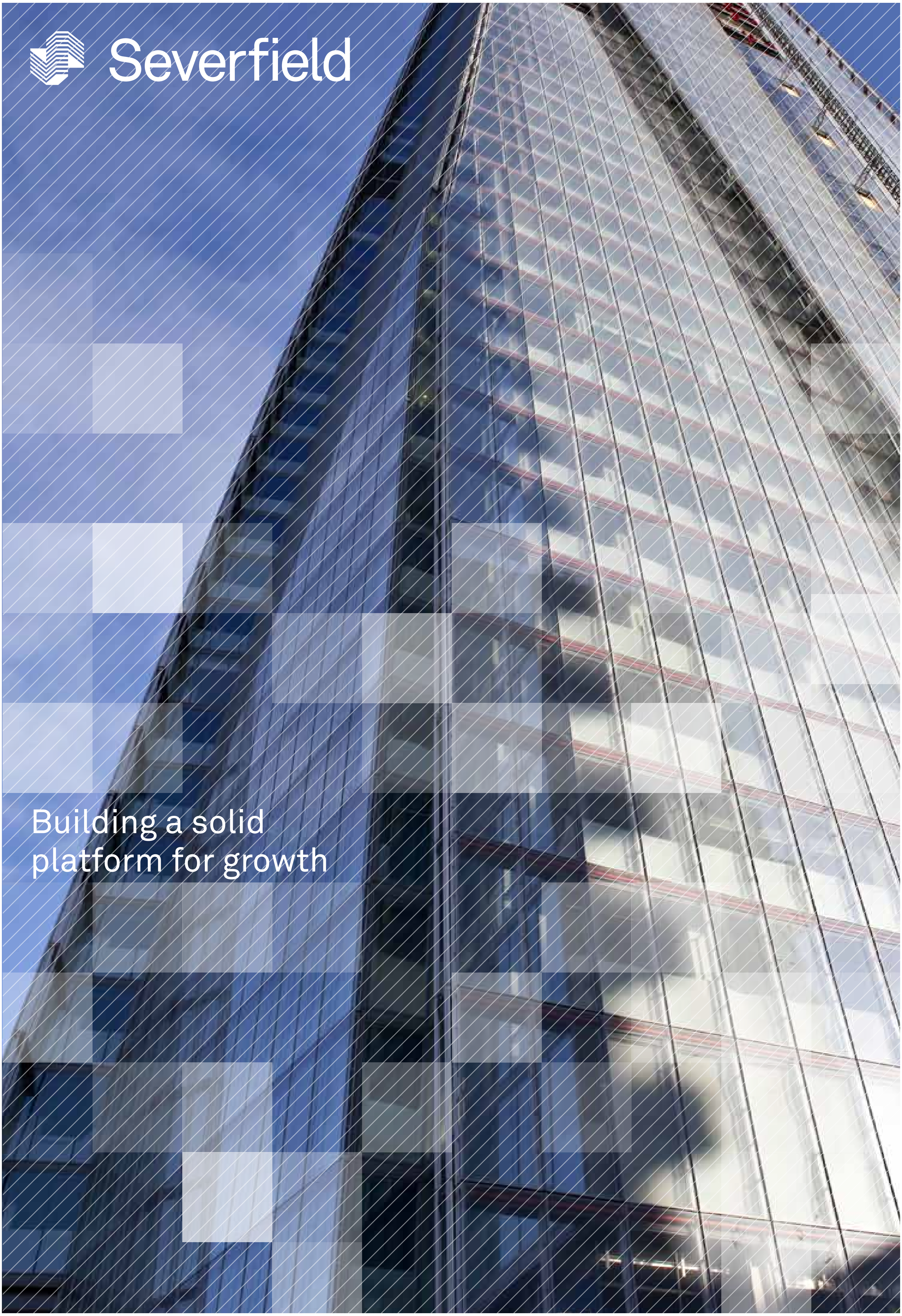


Annual report and accounts for the year ended 31 March 2014 ■ Stock code: SFR ■ www.severfield.com

Welcome to our 2014 annual report

Severfield plc is the largest specialist structural steelwork group in the UK, with a growing presence in India and a reputation for performance and value. Our vision is to be recognised as world-class leaders in structural steel, known for our ability to deliver any project, to the highest possible standards.

Five reasons to invest

1. Market leading UK position — well positioned to benefit from a future recovery in the wider UK construction market.
2. Strong balance sheet — rights issue provides greater operational and financial flexibility.
3. Unrivalled experience and capability in design, fabrication and construction of steel structures.
4. Operational improvement and cost savings programme under way — operating margin target remains 5 per cent to 6 per cent in current market conditions.
5. Established foothold in the developing Indian market — good production capability with further investment made to support expansion.

Investor website

We maintain a corporate website at www.severfield.com containing a wide range of information of interest to institutional and private investors including:

- Latest news and press releases
- Annual reports and investor presentations

Getting around the report

View more content within this report

Find out more information on our website: **www.severfield.com**

Our core values

/Safety
/Customer focus
/Integrity
/Commitment

What's inside

Our business and strategy

Case study: Aldgate Tower

Our performance

Chairman's introduction

Our financials

2013/14 highlights and milestones

Revenue

£231.3m

2013: £318.3m

Underlying* operating profit
(before results of JVs and associates)

£7.6m

2013: (£19.2m)

Underlying* operating margin
(before results of JVs and associates)

3.3%

2013: (6.0%)

Operating loss
(before JVs and associates)

£0.1m

2013: £26.5m

Underlying* profit
before tax

£4.0m

2013: (£21.5m)

Loss after tax

£2.6m

2013: £23.1m

Underlying* basic earnings
per share

0.88p

2013: (10.78p)

- UK underlying operating margin (before JVs and associates) recovery to 3.3 per cent (2013: -6.0 per cent)
- Share of losses from Indian joint venture of £3.0m (2013: £0.3m loss)
- Period end net funds position of £0.3m (31 March 2013: £41.2m net debt)
- Further restructuring of largest business, Severfield (UK) Limited, concluded successfully
- Operational improvement programme progressing well and continuing
- UK order book solid at £168m at 1 May 2014 (1 November 2013: £172m)
- India order book of £41m at 1 May 2014 (1 November 2013: £34m)
- Development of clear Group strategy in addition to anticipated recovery in UK market means the Group is well placed for future growth

* Underlying profit measures are stated before:

- amortisation of acquired intangible assets – £2.7m (2013: £3.4m)
- restructuring and redundancy costs – £2.6m (2013: £0.8m)
- retirement of acquired intangible assets – £2.4m (2013: nil)
- impairment of investment in associates – £0.4m (2013: nil)
- refinancing related transaction costs – nil (2013: £2.1m)
- contract legal costs and provision movements – nil (2013: £1.1m)
- movements in valuation of derivative financial instruments — nil (2013: £0.1m favourable)
- the associated tax impact of the above, together with the impact of a reduction in future corporation tax rates on deferred tax liabilities.

John Dodds Chairman

"We expect 2014/15 to be another year of progress."

Chairman's introduction

2013/14 was a year of transition for the Group. We have made a number of changes to the board, including the appointment of a new chief executive officer and three new non-executive directors, and the Group executive team has been strengthened. We now have a strategy in place for future growth, a clear vision for the future and a new Group branding.

The Group reported underlying operating profits for the year of £7.6m which represents a recovery in the UK operating margin to 3.3 per cent which is a good step towards our previously stated target of 5–6 per cent by 2015/16 in current market conditions. Underlying profit before tax of £4.0m represented a significant turnaround from the underlying loss of £21.5m in the 15 months to 31 March 2013. The UK order book of £168m remains solid.

This year has seen stabilisation and recovery in the UK business, but disappointment in India. The recovery in UK operating margins reflects the positive effects of the reorganisation undertaken in the first half of the year in the Group's largest trading entity, Severfield (UK) Limited, together with the Group's ongoing operational improvement programme.

Performance from the Indian joint venture was disappointing. The Group's share of losses for the year was £3.0m reflecting contract delays and timing variations which led to underutilisation of the factory. This situation was exacerbated by the effects on the Indian market of uncertainties around the election process. In response, significant changes have been made to the senior management team in India and a new business development and operational improvement programme has been implemented. We believe the market in India continues to present significant future growth opportunities, particularly in light of the recent election results.

Find out more in the **operating review** on pages 24 to 27

The rights issue which launched in February 2013 with the overwhelming support of our principal shareholders, was completed in April 2013, significantly strengthening the Group's balance sheet. The Group ended the year with net funds of £0.3m.

Find out more in the **financial review** on pages 28 to 31

Board

The composition of our board has changed substantially over the last 12 months and has, I believe, a stronger balance of skills and mix of experience.

Ian Lawson was appointed as chief executive officer in November 2013, allowing me to revert to my previous role of non-executive chairman. Ian has made an excellent start to his tenure and has been instrumental in formulating a fresh strategy and branding for the business which I am confident will make a significant contribution to our future performance. In addition, the executive team has been further strengthened with the appointment of Ian Cochrane as chief operating officer, Mark Sanderson as Group legal director and Company secretary, and Lee Mills as Group safety, health and environment (SHE) director.

Alun Griffiths joined the board as a non-executive director with effect from 1 May 2014 and Kevin Whiteman and Tony Osbaldiston will join the board with effect from 19 July 2014. In combination, they bring to the board a wealth of experience that will be of significant benefit to the Group as we continue our strategic and operational progression.

Chairman's introduction continued

Two non-executive directors will retire from the board following the year-end: Keith Elliott having served fifteen years, including as senior independent non-executive director, and Toby Hayward having served six years, including as non-executive chairman and chairman of the audit committee. I would like to wish both all the best for the future and thank them for all their efforts within the business.

Find out more about **corporate governance** on pages 52 to 57

Employees and safety

We remain committed to the health and safety of all our people and with the appointment of a new SHE director are looking forward to continued improvements in our performance in this area as we strive constantly to adopt the best safety, health and environmental practices. Our key strength remains the dedication and commitment of our people and on behalf of the board I would like to thank them for their hard work, loyalty and support especially in the difficult times experienced recently by the Group.

Find out more about **employees and safety** on pages 32 to 37

Strategy and branding

Following Ian's appointment as chief executive officer, the Group undertook a review of its brand and strategy. This resulted in the change of the Group's name to Severfield plc, a simpler naming structure for the main operating businesses, and a new branding strategy to enable improved and clearer communication with all stakeholders in the future. A significant amount of work was also undertaken in developing a new long-term strategy, the core of which revolves around the continuation of the UK operational improvement plan to ensure that we have a sustainable, profitable base for the business. The strategy will provide a platform for continued growth and we will be looking more actively for opportunities to expand the business both in the UK and in overseas markets.

Furthermore, a new vision was expressed for the Group, and its core values. The vision is 'to be recognised as world-class leaders in structural steel, known for our ability to deliver any project, to the highest possible standards'. The core values are safety, integrity, customer focus and commitment.

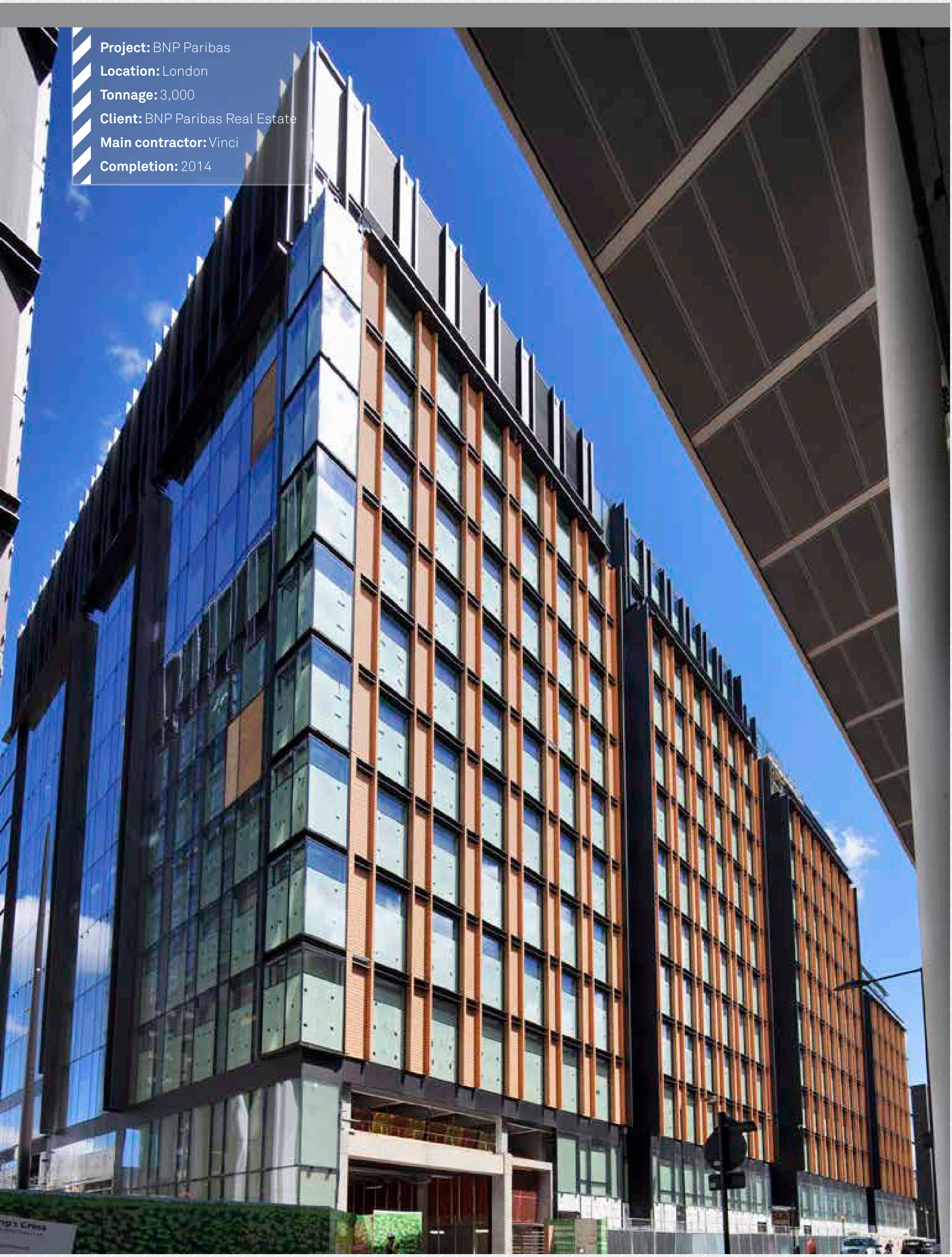
Find out more about **strategy** on pages 18 and 19

Outlook

Overall we expect 2014/15 to be another year of progress. We believe we are well placed, with the right leadership team, to deliver stronger growth in the future. We have excellent relationships with a number of key clients, unrivalled capacity and performance, a solid UK order book and have implemented a series of wide-ranging operational improvements both in the UK and India.

We now look ahead to a more optimistic industry outlook whilst not underestimating the challenges that lie ahead.

John Dodds
Non-executive chairman
11 July 2014



Project: BNP Paribas
Location: London
Tonnage: 3,000
Client: BNP Paribas Real Estate
Main contractor: Vinci
Completion: 2014

Strategic report

Our business and strategy

Project: Francis Crick Institute
Location: London
Tonnage: 2,300
Client: UKCMRI
Main contractor: Laing O'Rourke
Completion: 2014

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 added value engineering content to basic structural work.

Severfield (UK) Limited

Severfield (UK) Limited combines high volume structural steel production with specialist design and engineering expertise to deliver a complete service to clients from project concept to completion. It has a combined capacity of around 100,000 tonnes of fabricated steelwork per year, the most extensive product range and capability in the industry and its own highly skilled site construction teams.

Its Dalton site in North Yorkshire boasts ten state-of-the-art production lines where modern manufacturing and painting processes are undertaken in a controlled environment. The streamlined, high volume and efficient nature of this facility is geared for strong repeat business in the structures market. Its Lostock site in Lancashire can also take on more difficult or complex work with the capability of operating in 'challenging' environments such as live railways, airports, public places and city centres.

Severfield (Design & Build) Limited

Severfield (Design & Build) Limited, located in Sherburn, near Scarborough, is the principal design and build steelwork contractor for distribution warehouses and low rise structures in the UK.

The company designs, fabricates and constructs structural steelwork and portal frames principally for the warehouse, distribution and industrial sectors. The company also has a specialist steel stair and metalwork division and expertise in the commercial, residential, health and education sectors.

With an annual capacity of 25,000 tonnes, the company has a business, skill base and client profile which is complementary to the rest of the Group.

Severfield (NI) Limited

Severfield's base in Northern Ireland, Severfield (NI) Limited has a strong reputation for delivering quality constructional steel products in the UK and Irish structural steel market. It has contributed to such notable projects as Leadenhall Tower, Dundrum Shopping Centre in Dublin and Belfast's Odyssey Arena and Titanic Signature Building.

The company has an annual capacity in excess of 25,000 tonnes with full-service capabilities and is equipped with the latest state-of-the-art manufacturing processes.

The site's highly skilled workforce includes a directly employed site construction team.

Severfield (UK)

(Previously Severfield-Watson Structures)

Dalton, North Yorks and Lostock, Lancashire

Severfield (Design & Build)

(Previously Atlas Ward Structures)

Sherburn, North Yorkshire

JSW Severfield Structures

(Indian-based joint venture business)

Mumbai, India

Severfield (NI)

(Previously Fisher Engineering)

Enniskillen, Co. Fermanagh

JSW Severfield Structures Limited

Located adjacent to JSW Steel's plant at Vidyanagar, in the District of Bellary, Karnataka, India, the site has an annual capacity of 60,000 tonnes and consists of two fabrication lines and a plate line.

Plant investment has been significant, with many of the Group's innovative features being incorporated into the joint venture.

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

Our business model

What we do

Severfield is the UK's premier structural steel group, operating across four sites providing unrivalled capacity and capability. We also have an expanding operation in India, which forms part of our international growth plans. The Group's businesses perform every part of the fabrication and construction process from initial scheme design, through detailing, specification and manufacture to the eventual handover to our clients of a quality product on-site.

The Group's proven strengths are its unrivalled capacity and performance, iconic and high quality products, engineering excellence and customer service.

Our customers

Clients serviced by the Group cover a broad range of disciplines from construction contractors and developers, to engineers and architects. Contractors include Brookfield, BAM, Laing O'Rourke, Sir Robert McAlpine, MACE, Morgan Sindall, Skanska and Balfour Beatty, and developers include Stanhope, Hammerson, British Land, Land Securities, Network Rail, Westfield and Grosvenor. We have also developed structures for clients such as Arla Foods, ASDA, Sainsbury's, Jaguar Land Rover and developers such as ProLogis and Gazeley.

Resources

The Group has the largest capacity and capability of any steel fabrication company in the UK and can offer great choice, value and flexibility thanks to our national network of factories and the technical expertise of our people.

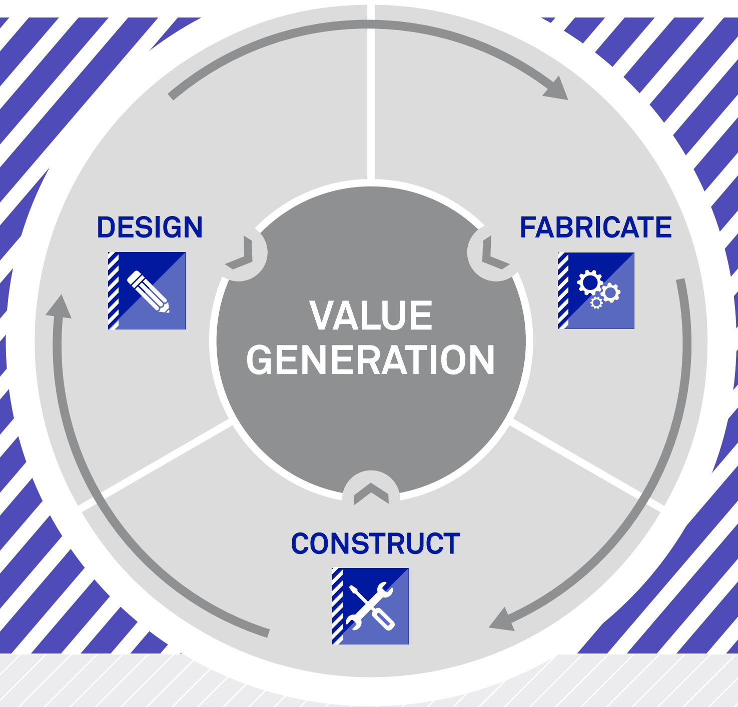
The Group is equipped with the latest state-of-the-art manufacturing and painting processes and has a highly skilled workforce of over 1,200 staff including an in-house construction team.

We have the design, experience and engineering skills to serve a diverse range of market sectors, from education and hospitals to bridges and commercial offices.

Partners

A key ingredient for the long-term success of any business is the ability to forge strong and lasting relationships with supply chain partners, which provides clients with high value and consistent reliability. The Group spends a high percentage of its cost of sales on goods and subcontractor services. Careful management of the supply chain is essential to drive efficiency and suppliers are monitored to ensure that maximum benefits are delivered to clients and the Group.

As the UK's largest steelwork contractor, we engage with clients and the supply chain wherever we operate and long-term relationships are built with those who can meet the Group's standards in quality and sustainability. This helps to improve the interfaces between disciplines as we strive to optimise construction value and performance both now and in the future.



Value generation

All of the Group's revenue and profits are generated from the design, fabrication and construction of structural steelwork and its related activities. Our state-of-the-art manufacturing facilities have been established to generate profit and surplus cash flow.

Good cash generation and balance sheet management provide a solid foundation for the Group.

Close management of our contracts and cost base is critical to our success particularly in winning new contracts, reinvesting in our business and seeking further opportunities for growth. The Group's operational improvement programme, the objective of which is improved risk assessment and operational and contract management processes, is central to the generation of value.

Our 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. We have unrivalled capabilities and our facilities are the best in the UK and possibly in Europe.

We approach every project, from the highly technical to basic structural work, with the same level of safety, professionalism, commitment, care and customer service.

The dedication, expertise and experience of our workforce ensures that we offer more skills and variety than any other UK steel contractor. We are committed to matters of health and safety, sustainability, ethics and client and staff engagement.

Where we fit in the value chain

DESIGN

The Group's design department consists of highly skilled and motivated professional structural and civil engineers with specialist knowledge of structural steelwork design.

The design process offers our clients innovative concepts and solutions. We are able to offer 'value engineering' through the close guidance of our 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 building information modelling (BIM), analysis and design.

Our advice on material choices, fabrication, fire protection, surface treatment and construction techniques can often lead to significant project savings and efficiencies.

Our engineers are also involved in temporary works to suit site construction and buildability issues. Working closely with the Group's in-house construction team, we ensure the most efficient and safest solutions for our clients' needs. This expertise is essential for high-rise towers and other complex structures undertaken by the Group.

FABRICATE

The Group's fabrication facilities include expansive stockyard areas and in-line cutting, fabrication, welding and painting and some of the largest finished goods storage areas in the industry.

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.

Haulage for our steel products is managed by WS Transportation, which boasts a range of state-of-the-art equipment such as new trailers, trailer safe systems, cycle aware cameras and audible warning features for city centre deliveries.

CONSTRUCT

The Group has its own highly trained construction workforce which provides services for all of its construction requirements. Working closely with the project management team, they are leaders in steel construction and utilise the latest equipment on-site. The Group is an industry leader in construction methodology.

The Group also has a large and highly experienced contract management team. Each contract manager is the single point of contact with each client and is supported by all resources within the Group. Our contract managers engage with our clients and the supply chain to ensure optimum communication and performance in all aspects of the project, including site construction and administration.

Our business model continued

Health and safety

The well-being and safety of our employees, clients, suppliers and subcontractors are paramount and directly impact on the commercial viability of our business.

The directors, through the implementation of our safety, health and environmental philosophy, encourage each employee and subcontractor to strive constantly to adopt the best safety, health and environmental practices. Our dedicated SHE director has overall responsibility for health and safety operations, with the aim of minimising the risk of incidents and generally promoting a proactive health and safety culture.

A principal aim of the board is to ensure, through example and encouragement, that we behave ethically and responsibly, particularly in the fields of health and safety and environmental management.

Training standards are high within the Group to ensure performance excellence and health and safety standards and we work closely with equipment manufacturers to ensure that efficiency and safety are always at the forefront of operations.

The Group's health and safety team monitors all sites on a regular basis to make sure these essential standards are maintained. We have developed our own unique safety handrail solution (Sever Safe) and a tool-tethering system.

The items below support our health and safety policy and establish the areas that are essential to achieving our main goal, namely to ensure each and every employee can enjoy a safe working environment, with no exceptions.

Leadership — people at all levels have responsibility for their own health and safety and should set an example for others. Our management is accountable for health and safety and will demonstrate leadership through personal example.

Hazard, risks and control measures — we will identify the hazards and risks associated with our business activities and introduce appropriate control measures to challenge them in the changing environment and aim for continuous improvement.

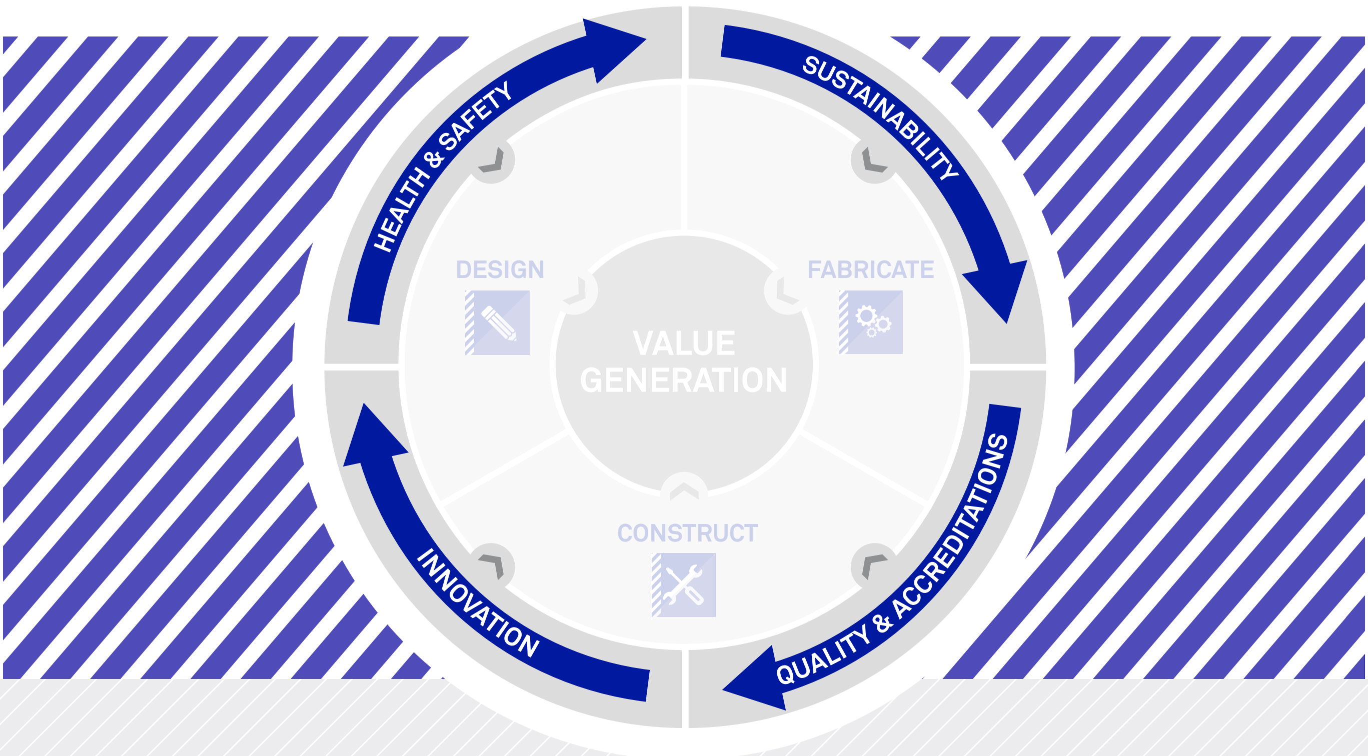
Health and well-being — we will promote and improve the health and well-being of all Group employees.

Competence and behaviour — we will ensure our employees are trained so they are skilled and qualified for their occupation and therefore can contribute to an improved health and safety performance.

Incident analyses and prevention — we will ensure work-related accidents and near-misses are reported, investigated and analysed to prevent reoccurrence. The investigations will focus on root cause and recommendations shared across the business.

Safety in design — our designers and construction management teams will focus on the design aspect of the structure with the objective to erect the structure more safely and efficiently.

Monitoring, audit and review — we will conduct regular internal audits on our management systems in order to achieve our objectives and targets to drive the health and safety culture of our business forward.



Sustainability

We are committed to minimising the environmental impact of our business through sustainable practices and continuous improvement of our environmental performance.

The following items support our environment policy and establish the areas that are essential to achieving the policy.

Management systems — to implement effective management systems and to encourage all our employees to act in an environmentally responsible manner.

Continuous improvement — to improve the environmental performance of our business through research and development of new technologies, preventing and reducing our emissions and minimising waste.

Sustainable development — to contribute to sustainable resources by using energy and raw materials more efficiently, thus optimising our natural resources.

Monitoring and reporting — to monitor and audit our environmental performance, report progress on policy objectives and strive for continuous improvement in our targets to achieve a more environmentally friendly business.

Find out more about **health and safety** and **sustainability** on pages 32 to 37

Find out more about **strategy** on pages 18 and 19

Find out more about **risk management** on pages 40 to 43

Quality and accreditations

Quality assurance is a fundamental feature across all of our operations. From initial enquiry through design, materials ordering, fabrication and construction, we employ processes designed to ensure full customer satisfaction.

Quality systems assumed through the British Standards Institution (BSI), together with welding control through The Welding Institute (TWI), operate to ensure customer requirements are recognised and delivered. Registration under the Qualified Steelwork Contractors Scheme provides extra confidence to customers.

The CE mark is a claim that a particular construction product can be used within the European Union and is based on the principal that the product is 'fit for purpose'. All of the Group's manufacturing facilities are CE marking compliant and have been independently assessed to meet the requirements of Execution Class 4. Accordingly, our clients can be assured that their steelwork is in compliance with the latest Europe-wide legislation and is manufactured to a level of quality that is second to none.

The Group has a strong policy of continuous improvement and seeks to enhance corporate management through proactive development. New facilities and procedures are integrated into the relevant quality assurance system as they are adopted.

The Group is committed to providing our clients with the best possible service and protecting our workforce wherever we operate. By gaining the necessary certification through recognised bodies, we provide the reassurance that we are properly trained and qualified to carry out our contractual and partnership obligations.

Innovation

Fabsec is the unrivalled market leader in the design, fabrication and supply of long span cellular and bespoke plated beams. It is a joint venture of four major UK companies at the forefront of the UK construction industry including the Group. FABSEC® beams and FBEAM® software are used on a variety of prestigious construction projects across the UK.

The FABSEC® production line at Dalton, which has a capacity in excess of 30,000 tonnes per annum, is a fully self-contained production facility. The process provides the structural steelwork sector with a full range of highly efficient plated sections, optimal section profiles and shop-applied intumescent coatings.

Marketplace

The Group's strategic focus is to increase its UK market share from construction activities, to enter new market sectors and to build market share from its existing European opportunities.

Marketplace

The total value of structural steel output in the UK, estimated by the British Constructional Steel Association (BCSA), was approximately £1.6bn in 2013. This represents UK structural steel production for calendar year 2013 of 848,000 tonnes. The value of this market, which is considered addressable by the Group, is approximately £1.1bn, which represents production levels of 500,000 tonnes.

The Group's potential production capability is approximately 150,000 tonnes, which represents 15 per cent of the current estimated capacity of the UK market of 1,000,000 tonnes. Its current share of the UK market is approximately 90,000 tonnes, resulting in an addressable market share for 2013 of *c.*18 per cent and a total UK market share for 2013 of *c.*11 per cent.

The Group's key market sectors and estimated market share are shown below.

Outlook

Market conditions have remained challenging over the past year, as a continued squeeze on margins has put pressure on contractors and, most notably, the supply chain. Nevertheless there are signs that the market will pick up towards the end of 2014. The Group is well placed for future growth given the anticipated recovery in the core UK market driven primarily by infrastructure and private sector construction growth.

Forecasts prepared by the BCSA over the next three years show an expected increase in UK structural steel production, including in the Group's key markets of power and energy, stadiums and leisure, commercial offices, industrial and health.

UK order book

The Group has a well-diversified order book of £168m (May 2014) which represents approximately eight months of forward production capacity. It has reduced in overall terms over the year from previous levels but this reflects both the capacity reduction arising from the reorganisation of Severfield (UK) Limited, as well as a longer negotiating period on major contracts arising from our improving risk management processes. The market has been stable during the year but prices have remained competitive and we continue to focus on ensuring that there is a fair balance of risk and reward within the contracts. The current order book does not yet reflect the positive impact of the improvement in market conditions anticipated towards the end of 2014.

Our sectors

Sector	Market tonnage in 2013 (000s)	Market tonnage in 2013 (%)	Group market share (estimated)
Industrial and distribution	**350**	**42%**	**5-10%**
Commercial offices	**88**	**10%**	**30-40%**
Education	**88**	**10%**	**<5%**
Power and energy	**37**	**4%**	**20-30%**
Agriculture	**35**	**4%**	**0%**
Health	**31**	**4%**	**5-10%**
Leisure	**31**	**4%**	**20-30%**
Bridges	**25**	**3%**	**<5%**
Retail	**20**	**2%**	**40-50%**
Other	**53**	**6%**	**5-10%**
Export	**90**	**11%**	**<5%**
Total	**848**	**100%**	

Find out more about **strategy** on pages 18 and 19

Find out more about **KPIs** on pages 38 and 39

Find out more about **risk management** on pages 40 to 43

UK order book

Sector	November 2013 £172m	May 2014 £168m	Future trend
Commercial offices	**27%**	**31%**	
Transport	**22%**	**18%**	
Stadiums and leisure	**5%**	**18%**	
Industrial and distribution	**16%**	**11%**	
Power and energy	**12%**	**7%**	
Data centres and other	**5%**	**6%**	
Retail	**6%**	**4%**	
Bridges	**3%**	**3%**	
Health and education	**4%**	**2%**	

Pipeline/prospects

The Group continues to monitor the future pipeline of work which is likely to convert to orders in the near term. This provides forward visibility of future orders and helps to facilitate production planning. The Group's pipeline of future orders is encouraging and includes prestigious developments in the commercial offices, stadiums and leisure, data centres, industrial (warehousing) and transport sectors.

Market sectors

With our extensive experience in multiple sectors, the Group's state-of-the-art facilities provide our clients with unrivalled services and value in the execution of their projects. Our structures serve people every day, whether for work, play or travel, or to provide essential services, from health to education. The Group's key market sectors are discussed in detail on pages 16 and 17.

Current estimated UK capacity

1,000,000
tonnes

Total UK production of constructional steelwork

848,000
tonnes

Group share of UK market

90,000
tonnes

Group potential capacity

150,000
tonnes

Market sectors

Stadiums and leisure

Stadiums and leisure complexes are important sectors for the steelwork industry. The Group has an unrivalled record in the design, engineering and building of many of the UK's best known sports hubs, from the world-renowned Olympic Stadium to Arsenal Football Club's Emirates Stadium.

We have also provided timely and cost-effective solutions for key leisure destinations, ranging from exhibition and conference centres to state-of-the-art concert arenas. Other Group successes include Wimbledon Centre Court, Leeds Arena, Resorts World, Birmingham and Tate Modern Gallery.

Retail

Retail developments are becoming increasingly complex and ambitious as towns and cities position themselves as attractive shopping destinations in today's competitive economy. Major redevelopment in cities and out-of-town shopping facilities are challenging projects in their own right, requiring different skills and services. Project management and supply chain linkage are vital to successful project execution. Group successes include Westfield Shopping Centre, Hereford Old Livestock Market, John Lewis, Birmingham and projects for ASDA, Sainsbury's, Tesco and Aldi.

Power and energy

Power stations, sustainable energy facilities and waste processing plants form an important part of our business. Our professionalism, extensive sector experience and ability to meet specific engineering requirements enable us to continue serving these vital sectors in the UK and other parts of the world. Group successes include Essex Waste Treatment Plant, Cardiff, Suffolk and Cleveland Waste-to-Energy plants, Sellafield and Staythorpe Power Station.

Commercial offices

Through our work in the commercial office sector, we have made a significant impact on the cityscapes of London and other major commercial hubs around the country. We ensure our structural steel methods, products and processes keep up with the needs and challenges of this rapidly evolving sector. Our success is underpinned by specialist products such as FABSEC® and Firebeam®, together with other initiatives. Group successes include 5 Broadgate, Aldgate Tower, Moorgate Exchange, Fitzroy Place, BNP Paribas and Mark Lane.

Industrial and distribution

The Group is a trusted partner to the industrial, warehousing and distribution sectors, thanks to our strong reputation for engineering excellence and versatility. Unrivalled capacity, the ability to meet diverse and rigorous requirements and other strengths such as design capability, supply chain co-ordination and delivery speeds set us apart from our competitors. Our clients cover a wide range of sectors from automotive to retail, with major contracts including projects for ASDA, Sainsbury's, Tesco, Airbus and Jaguar Land Rover.

Transport

Transportation is a key market sector for the Group, which has delivered many prestigious projects, from multiple contracts with Heathrow Airport, to the pioneering Emirates Cable Car, which carries approximately two million passengers each year. Our extensive transportation expertise includes international airports, rail facilities and multi-storey car parks. Services range from design, planning and high-volume steel supply, to fabrication and construction. Other Group successes include Dublin International Airport, Birmingham New Street Station and Manchester Victoria Station.

Health and education

We have a long history in providing world class steel solutions for hospitals, which are increasingly being specified with structural steel frames. Key factors giving us an advantage in this sector include span length, enhanced flexibility, adaptability and speed of construction. We have also worked with many education clients and contractors over the years, each project bringing its own specific requirements and challenges. Group successes include Francis Crick Institute, Southmead Hospital and the University of Strathclyde.

Bridges

As a key element of a country's infrastructure, bridge building requires skill, precision and quality on a large scale. Many of the steel bridges we create become famed landmarks in their own right. The Group has a strong reputation and extensive experience in the successful delivery of all types of bridgework, from major transport routes to footbridges. Group successes include East Croydon station Footbridge, Gateshead Millennium Bridge, Thameslink Borough Viaduct Footbridge, Pulpit Rock Viaduct and Glasgow Smartbridge.

Our strategy

In 2013/14 a new long-term strategy was developed for the Group. The core of this strategy revolves around building a solid platform for continued growth. To support this strategy, we have articulated a vision for the Group, and its core values.

VISION AND MISSION	VALUES
VISION Our vision is to be recognised as world-class leaders in structural steel, known for our ability to deliver any project, to the highest possible standards.	**Safety** There's a reason it is known as 'safety first'. We make no apologies for the fact that profit and loss, deadlines and headlines, all come second to making sure everyone goes home safely. Every day.
MISSION As ambitious, innovative leaders in a demanding and ever developing industry, we will use our collective strengths and resources to build the capacity required to deliver the structures of the future.	**Customer focus** Our clients are paramount in all that we do. We are here to understand their requirements and meet their aspirations. Together we will deliver projects of which we can all be proud.
	Integrity We operate in a complex and challenging industry, one that often requires innovative thinking and a flexible approach to deliver successful outcomes. The one thing we'll never compromise on though is our integrity, which ensures we're able to maintain the exceptionally high standards we set for ourselves.
	Commitment We may move with the times, but our long and rich history means that we have a few old-fashioned beliefs. One of those beliefs is that you stand by your word. When the Group say we'll deliver, whatever challenges lie ahead, you can depend on us to deliver, and to the highest possible standard.

Identify growth opportunities

In the short to medium-term, our aim is to capitalise on growth opportunities both in the UK and in overseas markets as follows:

- Increase UK market share — growing market share in areas where the business already operates.
- Enter new UK market sectors — looking for new market areas where the business has not operated in the past, taking advantage of our existing capacity and capabilities.
- Building from existing European opportunities, including through working with known construction companies.

Drive operational improvements and efficiencies

During the year, recognising the difficult economic conditions, we launched a comprehensive Group operational improvement programme. The objective of this has been to improve risk assessment, operational and contract management processes within the business, which should ultimately lead to an improvement in operating margins. Our aim is to restore underlying operating margins to 5–6 per cent in 2015/16 in current market conditions which, in accordance with the Group's business model, should generate surplus cash flow.

Find out more in the **operating review** on pages 24 to 27

Sustainability of India

We believe that the Indian market presents great opportunities for steel fabrication. However, the poor recent performance of the joint venture has highlighted that the conversion of the market from concrete to steel is taking longer than expected.

In response, we have taken actions to improve the order book, strengthen management, reduce overheads and improve business development, which should lead to better future performance. Our aim is to ensure that the business develops a sustainable position whilst the market continues its conversion to steel.

Find out more about **India** on pages 20 and 21

Quality of service

Our industry experience allows us to better understand our customers' own strategic objectives and enables us to design, fabricate and construct structural steelwork solutions to support these objectives. By understanding, anticipating and responding to customer needs we aim to build secure, sustainable and mutually valuable relationships and create lasting customer satisfaction.

Find out more about our **business model** on pages 10 to 13

Develop our people

Our people are at the heart of our business and are vital to the success of our vision and the achievement of our strategic goals. Our aim is to attract and recruit the right person at every level and to keep them engaged so that we can deliver our goals and customer commitments whilst maintaining a safe working environment.

Find out more about **developing talent** on pages 35 and 36

Investment in technology

We will invest in market-leading technology in the short and medium-term in order to support the ongoing requirements of the business and for growth. Capital investment will be determined by a structured and responsive approach to meeting customer expectations and as part of a more general capital replacement programme. We expect the level of investment to increase to a replenishment rate of £4–5m per annum in the future.

Find out more about how these strategic objectives will be measured through our **KPIs** on pages 38 and 39

Mumbai Airport – air traffic control tower

Find out more about **strategy** on pages 18 and 19

JSW Severfield Structures

The Group's joint venture and operations in India are of significant importance in achieving its strategic growth ambitions.

Overview

Performance from the Indian joint venture was disappointing during the year. In response to this, the Indian management team was strengthened including the appointment of Derek Randall as managing director. In addition, an overhead reduction programme was initiated, and completed, and a new business development and operational improvement programme was put in place which is expected to generate a substantial improvement in the future performance of the business.

Notwithstanding the challenges we faced in the year, there were some encouraging signs of operational progress across a wide range of areas including:

- Continually high quality products and short and consistent delivery times which are best in class and appreciated by clients.
- Full design, fabrication and site construction services providing design and build projects to a wide variety of commercial and industrial sectors.
- Technical predesign services to assist clients in choosing the best methods of construction to achieve budget, timescale, performance and aesthetic requirements.
- An excellent safety performance across the business which is recognised, appreciated and expected by valued clients.
- The successful completion of our phase two expansion, improving scope of supply and increasing capacity to approximately 60,000 tonnes per annum.
- An increasing order book in excess of £40m.

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:

- A prestigious office project in Bangalore for NetApp, an American data storage company. This is designed to use structural steel for both the core and frame.
- Our first school building in Mumbai for Ajmera.
- Industrial projects including assignments for L&T, JSW Steel Limited, Reliance, OPG, Doosan and ITC.
- Commercial projects for Raheja and Shakespeare.

The future

India remains primarily a concrete construction market which presents great opportunity for steel. The Indian market is now more buoyant after the recent change in government with market prospects forecast to improve. The addressable opportunity for steel fabrication in construction remains large and the prospects for conversion from concrete to steel are expected to improve. The market potential continues to be reaffirmed in all the market research that we carry out, both formal and informal.

Severfield and our joint venture partner JSW Steel are optimistic that the joint venture will improve performance and will grow through market demand overall improving and through market penetration as the benefits of total delivered value are appreciated by clients.

Annual capacity	Site area	Order book
60,000 tonnes	65 acres	£40m+

Current operations

The plant is based in Bellary, Karnataka.

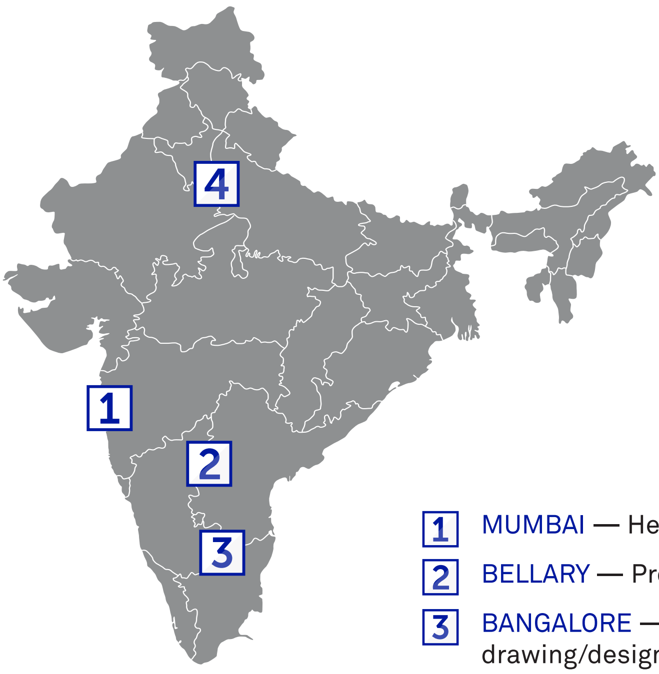
Depending on mix, the capacity is now approximately 60,000 tonnes per annum following the successful implementation of our phase two expansion. The plant consists of:

- A bit shop, 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.
- An Indisec line to produce sections from plate and to make cellular beams for steel design optimisation and improved floor to ceiling space.
- Off-line facilities to make hand-railing, stairs and other ancillary products.
- A second joint venture JSW Structural Metal Decking Limited (between JSW Severfield Structures and SMD Asia) which has a metal decking floor 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 and Indisec are manufactured on-site at Bellary, Karnataka offering clients a range of benefits.
- The plant currently utilises around 35,000 square metres of covered area, and 52,000 square metres of logistics and storage area. The site is on 65 acres, allowing future expansion.

Locations within India



1 MUMBAI — Head office

2 BELLARY — Production plant

3 BANGALORE — Sales representation and drawing/design office

4 DELHI — Sales representation

Strategic report

Our performance

Project: Glasgow Smartbridge
Location: Glasgow
Tonnage: 286
Client: Glasgow City Council
Main contractor: Farrans Construction
Completion: 2014

Operating review

Ian Lawson Chief executive officer

The development of a clear Group strategy in addition to the anticipated recovery in the core UK markets means that the Group is well placed for future growth.

Group overview

This year has seen stabilisation and recovery in the UK business, but disappointment in India. Underlying profit before tax of £4.0m represented a significant turnaround from the underlying loss of £21.5m in the 15 months to 31 March 2013. This reflected both a good recovery in UK operating margins but also a share of losses from our Indian joint venture of £3.0m. The rights issue launched in February 2013 was completed in April 2013, significantly strengthening the Group's balance sheet. Good working capital management during the year has resulted in a positive net funds position of £0.3m at the year-end.

I was appointed in November 2013 which enabled John Dodds to step back into his role as non-executive chairman. I have continued to drive the UK operational improvement programme which started under John's leadership. In addition, I have conducted an initial review of the Group's branding, communications and market positioning, and have now put in place the initial foundations of a more comprehensive Group strategy.

UK review

UK turnover of £231.3m compared with £318.3m in the prior 15 month period and reflected a modest reduction in capacity at our largest business. More importantly, the underlying operating profit of £7.6m represents a recovery in the UK operating margin to 3.3 per cent which is a good step towards our previously stated target of 5–6 per cent by 2015/16 in current market conditions.

The largest business in the Group, Severfield (UK) Limited ('SUKL') was reorganised in the first half of the year. Ian Cochrane, previously managing director of our Severfield (NI) Limited ('SNIL') business in Enniskillen and now chief operating officer, was appointed acting managing director of SUKL in April 2013 and implemented this reorganisation. There were three key elements to the reorganisation: firstly, a reduction in capacity of ten per cent to improve the overall supply and demand dynamic in the market, secondly, a further reduction in overheads following an initial reduction in the previous period, taking the total savings made to £4m per annum, and

"Substantial operational improvements have been achieved during the year."

thirdly, a reorganisation and strengthening of the management team. This business reorganisation has been completed with all the anticipated savings realised, with a one-time restructuring charge of £2.6m recorded in the first half of the year.

In parallel with this reorganisation, a comprehensive operational improvement programme was launched across the Group. The objective of this has been to improve risk assessment and operational and contract management processes within the business. This programme has made good progress in the year, which is reflected in the improved underlying operating margin, and will continue into the 2014/15 financial year. Management believes the programme will lead to underlying operating margins reaching 5–6 per cent in 2015/16 in current market conditions.

During the year, good progress was made in resolving the main legacy contract issues which were at the core of the operating losses in the previous period. As expected, there were challenges in resolving some of these issues but overall the outcome of those legacy contracts has been in line with the board's expectations coming into the year, and the board believes that balance sheet risk relating to these contracts has now been removed.

Case study: Aldgate Tower

Find out more information on our website:
www.severfield.com/our-projects

Client: Aldgate Tower Developments
Location: London
Main contractor: Brookfield Multiplex
Tonnage: 5,500

Project overview:
The project is a new state-of-the-art office development, the first phase of a wider regeneration of the Aldgate area by Aldgate Tower Developments.

A steel solution has allowed the construction of an 18 storey commercial development on top of an existing raft foundation originally designed to support a smaller building. The building provides 16 floors of grade A office space, plus two upper levels for plant equipment.

Below ground, the structure is founded on an existing three level reinforced concrete basement raft, a feature that has had an overwhelming impact on the design and construction of the tower. As the raft was in use it had to be retained and incorporated into the design, so a framing material for the new building that could be safely and quickly erected above functioning office space was needed.

Operating review continued

Order book and market conditions

The UK order book, at £168m, remains solid and within a range which management is comfortable with, representing approximately eight months of forward production capacity. It has reduced in overall terms over the year from previous levels but this reflects both the capacity reduction arising from the business reorganisation, as well as a longer negotiating period on major contracts arising from our improving risk management processes. The market has been stable during the year but prices have remained competitive and we continue to focus on ensuring that there is a fair balance of risk and reward within the contracts. There are signs that the market will pick up towards the end of 2014 but the current order book does not yet reflect this.

Projects

Throughout the significant reorganisation over the past 18 months, we have continued to deliver projects to our clients' expectations. Projects undertaken in the current year included:

- Finsbury Square
- Moorgate Exchange
- 5 Broadgate
- Fitzroy Place
- BNP Paribas
- Aldgate Tower
- Nova, Victoria
- Glasgow Smartbridge
- Microsoft Data Centre, Amsterdam
- Birmingham New Street Station
- Paris Philharmonic
- Manchester Victoria Station
- Jaguar Land Rover, Midlands
- Intel Developments, Ireland

India

Performance from the Indian joint venture, JSW Severfield Structures Limited ('JSSL'), was disappointing in the year, with the Group's share of losses totalling £3.0m, particularly as in the previous period the business had achieved close to a breakeven position. While order book levels at the start of the year were satisfactory, unexpected delays and timing variations to some of the contracts within that order book quickly led to the factory being underutilised. Pressure to fill this spare capacity led to deterioration in the project mix within the business with low and even negative margin industrial projects being secured to utilise some of the spare capacity and make a contribution towards the overheads of the business. This situation did not improve as the year progressed.

Behind this poor performance it became increasingly clear that the market for steel fabrication and commercial development of the business was not progressing as well as expected. India remains primarily a concrete construction market which presents great opportunity for steel. This potential continues to be reaffirmed in all the market research that we carry out, both formal and informal. However, converting concrete projects to steel projects continues to take longer than anticipated and efforts in this area are being stepped up.

In response to these challenges, Derek Randall, executive director, moved to India full-time in August 2013. It was then agreed with our joint venture partner, JSW Steel, to reorganise the management of the business in December, at which point Derek became managing director. An overhead reduction programme was initiated, and now completed, and a new business development and operational improvement programme is in place which is expected to generate a substantial improvement in the performance of the business in the current financial year. Ultimately the business is developing a sustainable position whilst the market continues the expected conversion from concrete to steel. Greater economic optimism following the recent election may help this development.

Business investment

UK investment was kept at relatively low levels during the year while the business was reorganised and stabilised. Total investment was £2.2m and represented low level replacement of some older plant and equipment. While the general stock of capital equipment across the business remains in good order, it is likely that the level of investment will need to increase to a more normal replenishment rate of £4-5m per annum in the future.

New equity of £3.5m was invested in the Indian joint venture during the year. This was required both to fund the ongoing losses of the business and the balance of the investment initiated in 2012 to increase the capability and capacity of the factory.

Safety

The Group's accident frequency rate (AFR) for the year was 0.57. Whilst this was only marginally worse than the level of 0.55 for the previous period, it fell short of the targets that the board had set for improvement. This performance reflected a disappointing first half of the year, followed by a marked improvement in the second half. The Group's approach towards health and safety was reviewed during the year and a number of new initiatives were implemented. It is hoped that the improving trend we have seen in the second half of the year is a result of some of these initiatives but more time is needed to confirm that this is the case and that we have a sustainable trend heading in a positive direction. The safety and welfare of all our employees is of paramount importance to the Group and in order to further strengthen and improve on our safety culture and systems a new SHE director was appointed in April 2014.

Strategy, branding and communication

Following my appointment, we undertook a comprehensive review of the Group's branding and market positioning and feedback was gathered from major customers, management and staff. This resulted in the change of the Group's name to Severfield plc in May 2014, a simpler and less confusing naming structure for the Group's main operating businesses, and a new branding strategy to support this, elements of which are reflected in this report. It is believed that this new approach will better reflect the Group's strong market position and enable improved and clearer communication with all stakeholders in the future.

This review identified a number of areas for improvement in the Group's internal and external communications strategy and this will be a key area of activity in the coming year.

A significant amount of work was also undertaken in developing a new long-term strategy for the Group. The core of this strategy revolves around the continuation of the UK operational improvement plan to ensure that we have a sustainable, profitable base for the business going forward. Beyond this, it will involve a continual drive to improve operational efficiency, investment to ensure that the Group continues to have market leading technology, greater focus on developing our people and, most importantly, providing an unrivalled quality of service to customers. The strategy will provide a platform for continued growth and we will be looking more actively for opportunities to expand the business both in the UK and in overseas markets. The UK in particular may involve looking for new market areas where the business has not operated in the past as well as growing market share in areas where the business already operates.

Vision, values and people

As part of the branding and strategy development work, the executive and senior management team articulated a vision for the Group, and its core values. The vision is 'to be recognised as world-class leaders in structural steel, known for our ability to deliver any project, to the highest possible standards'. The core values are safety, integrity, customer focus and commitment.

The values represent much of what the organisation lives by, even in recent challenging times. To that end, I would like to recognise the difficult times that our staff and employees have experienced recently and to thank them not only for their continued efforts on behalf of the Group, but also for the warm welcome which I have received since I was appointed.

Summary and outlook

The Group is recovering well and has made significant progress during the year in strengthening operations and management. With a developing strategy, focused branding and better market positioning, the Group is increasingly well placed to deliver stronger growth in the future, particularly if the core UK market starts to recover as expected.

While the Indian joint venture remains challenging, there is significant market potential. The strengthened management team, reduced cost base and greater business development focus are expected to lead to improved performance in the current year.

Ian Lawson
Chief executive officer
11 July 2014

> "Our core values are safety, integrity, customer focus and commitment."

Financial review

Alan Dunsmore Group finance director

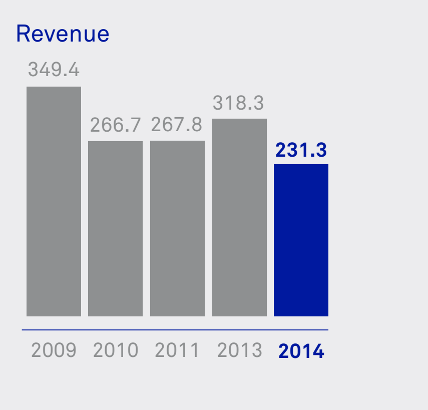
The results for the year reflect the stability restored to the UK business and the resolution of legacy contract issues.

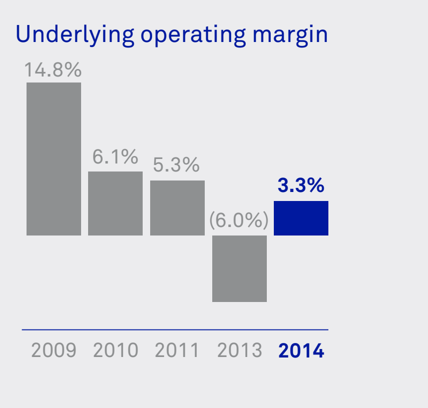
Trading performance

Revenue for the year of £231.3m compared with £318.3m for the 15 month period to 31 March 2013. This represented a more stable underlying performance along with a modest reduction in capacity in our largest operating business during the year. The underlying operating profit before results of JVs and associates was £7.6m which reflects a significant turnaround from the loss of £19.2m in the prior 15 month period. The underlying operating margin of 3.3 per cent (2013: -6.0 per cent) reflects the stability restored to the UK business and the resolution of legacy contracts which marks a significant progression towards the target of 5–6 per cent for the 2015/16 financial year. The share of results of JVs and associates was a loss of £3.0m (2013: loss of £0.3m) and net finance costs were £0.6m (2013: £2.0m). Underlying profit before tax was £4.0m (2013: loss of £21.5m). The statutory loss before tax, reflecting both underlying and non-underlying items, was £4.1m (2013: loss of £28.9m).

Share of losses of JVs and associates

The Group's share of losses from its Indian joint venture was £3.0m for the year (2013: loss of £0.3m). This reflected the impact of unused capacity and therefore under-recovered overheads in the factory, a poorer mix of work going through the factory, and losses booked on negative margin contracts secured to provide some factory throughput. The underlying issue was a high level of delays and timing variability on existing orders, coupled with a lack of good quality, higher margin work in the pipeline to fill the available capacity. Actions to improve the order book, strengthen management and reduce overheads have been taken which should lead to an improved result in the coming year.





£m	2014	2013
Revenue	**231.3**	318.3
Underlying operating profit/(loss) (before results of JVs and associates)	**7.6**	(19.2)
Underlying profit/(loss) before tax	**4.0**	(21.5)
Underlying earnings per share	**0.88p**	(10.78p)
Net funds/(debt)	**0.3**	(41.2)
Operating loss (before results of JVs and associates)	**(0.1)**	(26.5)
Loss after tax	**(2.6)**	(23.1)

Non-underlying items

Non-underlying items for the year were £8.1m (2013: £7.3m) and include the following:

Amortisation of acquired intangible assets — £2.7m (2013: £3.4m).

Retirement of acquired intangible asset relating to brand value of Fisher Engineering — £2.4m (2013: nil).

Restructuring and redundancy costs — £2.6m (2013: £0.8m).

Impairment of investment in associates — £0.4m (2013: nil).

During the past six months, a review has been undertaken of the Group's market position and branding. As a result of this, the Group's name has been changed to Severfield plc and the names of the Group's main operating businesses have also been changed to incorporate the Severfield name. Accordingly, the directors have concluded that there is no ongoing value in the legacy Fisher Engineering brand and the residual net book value has been written off.

A further restructuring of the Group's main business, Severfield (UK) Limited was undertaken during the year. This resulted in a one-time restructuring charge of £2.6m which included redundancy costs of £1.8m and a provision of £0.8m for an onerous lease on a property no longer used.

In the first half of the year, Kennedy Watts Partnership Limited, an associate company in which the Group had a 25.1 per cent shareholding, went into administration. The Group's net investment in this business of £0.4m was correspondingly impaired to nil.

Finance costs

Net finance costs in the year were £0.6m (2013: £2.0m). The reduction over the prior period reflects substantially reduced net debt levels throughout the year following the completion of the rights issue on 5 April 2013.

Taxation

The underlying tax charge of £1.4m represents an effective tax rate of 20.2 per cent on the applicable profit (which excludes results from JVs and associates). This compares with an underlying credit of 14.4 per cent in the prior period relating to the losses incurred in that period.

The total tax credit for the year of £1.4m reflects the underlying tax charge, offset by deferred tax benefits arising from the amortisation and retirement of intangibles in the year, and also the benefit of the reduction in UK corporation tax to 20 per cent in the deferred tax calculation. This item is categorised as non-underlying and is included in other items.

"Significant progress has been made towards the target underlying margin of 5–6 per cent for 2015/16."

Financial review continued

Earnings per share

Underlying basic earnings per share was 0.88p (2013: -10.78p). This calculation is based on the underlying profit after tax of £2.6m and 295,791,922 shares, being the weighted average number of shares in issue during the year.

Basic earnings per share, based on the statutory loss after tax, is -0.89p (2013: -13.49p). There was no difference between basic and diluted earnings per share in the year (2013: no difference).

Dividend

No final dividend is being recommended. The board is committed to reinstating the payment of dividends. Depending, among other things, on improved financial performance, it intends to introduce a progressive dividend policy, having regard to the Group's underlying earnings, cash flows and capital investment plans, the requirement to maintain an appropriate level of dividend cover and the prevailing market outlook.

Balance sheet

Shareholders' funds increased from £102.4m to £143.4m in the year, following the completion of the rights issue on 5 April 2013, which raised £44.8m of new funds.

Goodwill on the balance sheet is valued at £54.7m (2013: £54.7m) and is subject to an annual impairment review under IFRS 3. No impairment existed either at 31 March 2014 or 31 March 2013.

Other intangible assets on the balance sheet are valued at £9.8m (2013: £15.1m). This represents the net book value of the intangible assets identified on the acquisition of Fisher Engineering in 2007, along with some new software assets installed during 2011 and 2012. Amortisation of £2.9m was charged in the year and the asset of £2.4m relating to the Fisher Engineering brand was retired, as a result of the rebranding of the Group and renaming of its main operating businesses.

The Group has property, plant and equipment and investment property totalling £78.0m (2013: £80.1m). Depreciation charged in the year amounted to £3.6m (2013: £5.0m). Capital expenditure in the year was £2.2m (2013: £2.7m). This included new equipment for use on our construction sites and general replacement of capital equipment as required. During the year the Group invested £3.5m (2013: £3.0m) as equity into its Indian joint venture company to finance its trading losses in the year and also the balance of its investment to expand capability and capacity.

The Group's capital expenditure in the year to 31 March 2015 is expected to return towards long-term replenishment levels of £4–5m per annum.

The Group has a defined benefit pension scheme which, although closed to new members, had an IAS 19 deficit of £12.5m at 31 March 2014 (2013: £11.8m). The increase in the deficit is as a result of an increase in the assumption made on mortality rates and a lower investment return on scheme assets, offset by contributions made by the Group during the year to reduce the deficit.

Cash flow

The Group finished the year with net funds on the balance sheet of £0.3m (2013: £41.2m net debt). The debt was repaid with the £44.8m net proceeds from the rights issue which completed on 5 April 2013. Operating cash flows for the year before working capital movements were £8.4m. Net working capital increased by £6.3m reflecting good progress in reducing outstanding balances on legacy contracts at 31 March 2013, offset by a normalisation of the trade creditor position which was somewhat stretched immediately preceding the rights issue, and the unwind of advance payments of £5.3m. The working capital position at 31 March 2014 is believed to represent a more normal position in relation to the underlying contracts which the business is now working on.

Net investment during the year was £5.0m, with £3.5m going into the Indian joint venture as additional equity and £1.5m being the net capital expenditure outflow for the year.

The Group has a £35m banking facility with Yorkshire Bank, part of National Australia Bank, and RBS in place until November 2016. Following a recovery period after completion of the rights issue, normal debt and interest cover covenants are now operating on this facility.

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 and the euro. 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. The following factors were considered as relevant:

- The UK order book, which remains strong, and the pipeline of potential future orders.
- The Group's operational improvement plan which is driving stronger financial performance and is expected to continue doing so in the current competitive commercial environment.
- The committed finance facilities to the Group, including both the level of the facilities and the banking covenants attached to them.

Based on the above, and having made appropriate enquiries and reviewed medium-term cash forecasts, the directors consider it reasonable to assume that the Group has adequate resources to continue for the foreseeable future and therefore that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Alan Dunsmore
Group finance director
11 July 2014

Case study:
Suffolk Waste-to-Energy Plant

Find out more information on our website:
www.severfield.com/our-projects

Client: SITA Waste Management (for Suffolk Council)
Location: Ipswich
Main contractor: Lagan Construction
Tonnage: 1,550

Project overview:
This Suffolk energy from waste facility will use modern technology to provide enough electricity to power 30,000 homes, saving the equivalent of 75,000 tonnes of carbon dioxide each year. The new plant will treat 260,000 tonnes of waste per annum. The facility features a state-of-the-art glazed visitor centre, landscaped wetland area and an on-site ash processing facility.

The project involves the supply and construction of structural and secondary steelwork for a high free-standing structure including 30 metre roof trusses, span trusses and crane beams, elements of which were erected adjacent to a live railway line, the supply and installation of pre cast walls, stairs and lift cores and 2,500 square metres of metal decking with construction handrail.

Corporate social responsibility

As the UK's premier structural steel group, we know that the decisions we make can have a significant effect on the environment and people's lives and communities.

Our commitment to corporate responsibility forms part of the strategy of the Group and is essential to ensure that we deliver value to our stakeholders. We take this responsibility very seriously and are committed to good practice in all our CSR activities. We work beyond compliance to consider how we can have a positive impact on communities, minimise risk in our operations and ensure the best health and safety performance standards.

Statement of ethics

Severfield is the UK's leading structural steel company. We also operate elsewhere in the world and we pride ourselves on our reputation for acting fairly and ethically wherever we do business.

Our reputation is built on our Company values, the values of our employees and our collective commitment to acting with integrity throughout our organisation.

This commitment can be seen in our core values and mission statement which has been communicated via roadshows to all of our personnel.

SAFETY, HEALTH AND ENVIRONMENT

During the year we have continued to progress our strategy of continuous improvement to meet our vision of being recognised as world-class leaders in structural steel, known for our ability to deliver any project to the highest possible standards. Those standards include corporate social responsibility.

We have a set of defined objectives and targets for the factories which include leading indicators such as director reviews, number of leadership team and safety meetings held, number of toolbox talks delivered, safety, health and environment (SHE) training delivered and safety suggestions. Reactive indicators include accident frequency rates, near misses, health and safety audits plus safety violations.

This year we have introduced a health and safety improvement scheme whereby we have incentivised a reduction in our accident rate and an improvement in near miss reporting on-site and in our factories.

> "Everything else comes second to ensuring everyone goes home safely every day."

STEEL FUTURES

The Group's continuous improvement programme

SAFE FUTURE

- Safety leadership
- Behavioural safety
- Safety 'Golden Rules'
- Health and well-being

SUSTAINABLE FUTURE

- Community and stakeholder engagement
- Leadership and people development
- Market leading innovation
- Supply chain partnering

ZERO CARBON FUTURE

- Carbon management and reduction
- Transport policy and strategy
- Renewable energy
- Responsible sourcing of materials

During the coming year we will be defining a full set of objectives and targets to meet our vision and conform to our core values.

Our five key focus areas are:

- Work environment
- Commitment
- Leadership
- Engagement
- Behaviour

Progress during the year in each of these areas is discussed below.

Work environment

This year we have focused on improving the lighting levels in the factories to make them a better, safer place to work; this work will be ongoing in 2014/15. Not only does this improve the work environment for our personnel and increase lux levels but it also has a positive impact on our energy costs and greenhouse gas emissions.

We have improved the conditions of the yards in all of our factories and have undertaken a comprehensive review of welfare facilities in Lostock and Dalton with these recommendations being implemented in the next year. We are also improving our pedestrian management at Dalton over the coming year.

We have been trialling better personal protective equipment (PPE) with our site-based personnel and will very shortly issue a new standard to enhance the equipment we provide to our workforce.

Commitment

The Group continues to maintain a healthy SHE budget together with a professional, well qualified SHE team, headed by the Group SHE director.

Our commitment to 'getting it right' is demonstrated by our Group, factory and site safety leadership team (SLT) meetings which are now held monthly and minuted, and we have representatives from the workforce at these meetings.

We are committed to achieving SHE excellence and moving into the next year, we have set goals on better communication, working towards zero harm and on a coaching ethos to enable the Group to achieve its ambitions in this arena.

Leadership

Everyone in our business is a leader as the success of any organisation is based on how well it is able to capture the talents of every individual. Our directors and senior managers also demonstrate their leadership by being seen doing the right thing. This can be through factory

We had an AFR for the year of 0.57

We carried out 1,159 man days of SHE training in 2013/14

Severfield UK employee (Bhogi Patel) receiving his monetary voucher after his name was pulled from a draw of hazard cards submitted in the month.

Corporate social responsibility continued

and site tours wearing the correct PPE and demonstrating adherence to our safe systems of work; it can be chairing safety and energy reduction meetings; and it can be one-minute corridor conversations with employees and others affected by our business to demonstrate awareness and action.

Engagement

We engage with our stakeholders on a daily basis. Key engagement behaviours are communication, involvement, visibility and support. We are always striving to communicate better. This year we have been actively involving the directors in SHE committees and we use the audit process as a communication tool.

We have commenced safety, health and environmental auditing of our supply chain which provides assurance that our supply chain meet legal requirements and our own standards plus, where applicable, any standards stipulated by our clients. We find these audits are a good method of initiating community involvement since a number of our supply chains are geographically close to our factory locations.

We have placed all of our SHE documentation on the Group's intranet in 2013/14 and are training our workforce to make this the port of call for all SHE systems across the Group. This makes us more efficient, enables assurance that our workforce are using the correct documentation at all times and reduces the amount of paper in our business.

Behaviour

We define behaviour as everything we say and do. This means that any culture change model needs to include an element of understanding of what drives these behaviours and how we elicit positive, safe behaviours in the workplace. We are keen to understand this and during the next year we will embark on the next phase of our behavioural safety programme, starting with training the SHE team in cognitive behaviours.

Health and safety performance

In 2013/14 we had 22 RIDDORs compared to 24 in 2012/13. The Group's accident frequency rate (AFR) for the year was 0.57. Whilst this was only marginally worse than the level of 0.55 for the previous period, it fell short of the targets that the board had set for improvement. We believe that our strategy of the five key focus areas above will deliver the performance we desire. In addition to our systems and engineering controls, we believe our behavioural safety programme will deliver a quantum change in our performance over the next year.

Our health and safety management system is fully compliant with OHSAS 18001 and has been externally audited to demonstrate compliance.

We attended a number of client meetings during the year and our SHE director liaises directly with the SHE teams within our client organisations to ensure that we are meeting their expectations as well as our own, together with legal requirements. With respect to our employees and supply chain; they are represented at our SLTs and committees and our visible leadership means that we frequently have workplace-based conversations with our employees and supply chain alike.

It is our intention to involve our supply chain in our behavioural safety strategy since they frequently represent the Group on the sites upon which we work and hence they are as much at risk of an incident as a member of our own workforce.

We reflected upon our Golden Rules in our last annual report: suffice to say these are now embedded in our corporate psychology and these are having an impact on the behaviour of anyone we 'touch' in our working environment (see below).

We are in the process of undertaking a third-party driver audit and following on from this we are introducing mandatory documentation checks and our higher risk drivers will be undertaking additional driver training.

GOLDEN RULES

SAFETY FIRST
TURN UP FIT FOR WORK
ENSURE YOU ARE TRAINED/TASK BRIEFED
EVERY UNSAFE EVENT MUST BE REPORTED
LOOK AROUND – STOP IF ANYTHING CHANGES

THINKSAFE **ACT**SAFE **HOME**SAFE

We have undertaken 1,159 man-days of training in the year. This includes more than 40 different courses; examples are: site manager safety training scheme, overhead crane use, portable magnet use, lifejacket use and reversing vehicles.

In terms of health, we have undertaken occupational health assessments of 845 personnel in the year. These personnel undertook tests and checks on their audiometric performance, visual and acuity field, lung function, blood pressure, hand arm vibration syndrome, urinalysis and musculoskeletal disorders. These checks enable us to quickly spot any work-related issues which may have a deleterious effect on our employees and address this to ensure we are not harming our employees in the course of their work.

By way of example on communication of health issues, skin cancer kills seven construction workers a year and we have distributed awareness documentation on this issue across our factories and construction sites:

In addition, we also deliver toolbox talks on men's health and an example is shown below:

PEOPLE

We're very proud of our 1,200-strong workforce and recognise that to be the best, we need the best people and we work with every single employee to develop, grow and nurture their individual talents.

Change

In 2013/14, our people were called upon to embrace change and in particular Severfield (UK) completed its reorganisation, resulting in a strong, talented and aligned team. By continuing to invest in the capabilities and leadership of our people, we continue to enhance the quality of services we deliver to our clients and communities and attract and retain the best people within our sector.

Leadership, management and development

Our success is driven by our people so we want to ensure that we have capable leaders and managers to deliver our strategy and build teams with the right skills and capability to deliver now and in the future.

During 2013/14, we have invested in building our leadership teams and individual leadership capability, ensuring that our leaders understand our strategy, the associated business challenges and their roles in leading and engaging their teams. We undertook the first two stages of a leadership development programme with our directors and associates and will continue this programme in 2014/15.

Talent and succession

In order to protect the long-term success of our business we want to ensure that we understand our talent pipeline and support their development so that our people can be the best that they can be. Our aim is to be an employer of choice for current and future talent within the structural steel industry and the wider business community.

In 2014/15 we will conduct a Group-wide review of emerging talent to ensure consistency and visibility of talent, succession planning and career opportunity. Our agility in deploying talent and experience to maximise opportunities through sharing knowledge across the Group is a key differentiator and one which we will continue to develop.

We are passionate about helping young people take their first step onto the construction career ladder, from school leavers experiencing the world of work for the first time, to graduates qualified in disciplines relevant to the construction sector. We believe that the recruitment and training of apprentices is fundamental to business development; another means of ensuring that we have all the desired skill bases available in the future.

Corporate social responsibility continued

We have 48 apprentices within the Group, having taken on at least ten apprentices each year since our dedicated apprenticeship programme launched in 2010. Among the opportunities available, we have provided placements for welders, platers, maintenance engineers and steel erectors. We are also committed to providing opportunities for graduates across a number of functions, including business support, quantity surveying, design engineering and site and project management.

Diversity

We believe that equal opportunity means hiring and retaining the best people, developing them to their full potential and using their talents and resources to the full. Diversity of people, skills and abilities is a strength which will help us to achieve our best. This is not only about treating our people with dignity and respect; it also makes sound business sense.

At 31 March 2014, the Group workforce consisted of 1,203 employees of whom 80 (seven per cent) were female. The Group's executive committee (see page 48) consisted of ten directors, of whom one was female (ten per cent). The Group board of directors (see page 46) did not have any female representation.

Communications

Maintaining a strong dialogue with our people can be challenging in such a geographically diverse Group, with a mix of factory, office and site-based employees. Our internal communications draw on a wide variety of media, including our workspace document sharing system, Company newsletters, consultative groups, factory committees, suggestion schemes and employee roadshows. In 2014/15, the Group has appointed a communications manager to develop more effective internal and external communication strategies.

High performance culture

We set ourselves stretching goals and we want our people to understand the key part that they play in our strategy and our success. We want them to feel accountable for their delivery and rewarded for their success. In light of this, during 2014/15 we will redefine our performance management tools and processes.

In 2014, we also plan to focus on employee engagement as there are proven links between an engaged workforce and excellence in customer service and business delivery. We are in the process of defining our approach to an employee survey that will enable us to prioritise actions that mean the most to our people. Subsequently, we plan to implement a number of initiatives across our business to help strengthen employee connection to our goals and ambitions.

Reward

We recognise that our approach to reward is critical to our ability to both attract and retain the best people and drive a performance culture. Each of our divisions offers a competitive reward package appropriate to the labour market in which they operate and reviews salaries annually in line with market rates. Our focus is on cash and variable pay rather than fixed benefits and each division's reward package includes an annual Group profit performance related bonus which encourages the achievement of our strategic objectives.

Over 65 per cent of our employees are shareholders in the Company via our share incentive plan and in 2014/15, we intend to set up a save as you earn share scheme to provide our employees with an improved choice in the way that they participate.

Our people are also eligible to participate in a Group defined contribution pension scheme towards which we contribute as well as having the option to make their own contributions through salary sacrifice. We have also been able to facilitate a number of flexible benefits that enable our people to access programmes and savings that would not be available to them on an individual basis without additional cost to the Group. These include cycle to work and childcare voucher schemes. During 2014/15, we will look to widen the range of flexible benefits that we offer to our people.

COMMUNITIES

We recognise the importance of our local communities in building strong links and relationships that will enable us to attract and employ local people and improve the world in which we all live and work.

In terms of engagement with the wider community in which we work, we typically work for a main contractor who consults the local community affected by each project we work on. Main contractor initiatives include maximising opportunities to employ local people from disadvantaged groups, for example the long-term unemployed. The Group seeks to share in these opportunities and further develop the support it can offer to disadvantaged groups.

Our companies take a leadership role within the industry by providing employees, customers, suppliers and potential employees with opportunities for seminars, field trips and site visits.

Staff throughout the Group maintain close contact with local schools, colleges and universities to share best practice and provide examples of leading-edge structural engineering. For example, our Severfield (Design & Build) business sponsored and presented at the Scarborough Engineering week where over 2,000 students attended to get an understanding of career opportunities within the engineering sector.

In 2013/14, the Group's factory committees have considered how best each facility can support local communities and charitable organisations. During the year, our people have donated their time to raise funds for a wide variety of charities which the Group has supported, including the Yorkshire Air Ambulance and local hospices. In 2014/15, the Group will set up the Severfield foundation to champion charitable work and organise donations.

Despite the difficult economic conditions that have existed for everyone over recent years, we are enormously proud of the way our employees have continued to engage with their local communities and with our charitable activities.

ENIRONMENTAL PERFORMANCE

The Group maintains its environmental management system which is certified to ISO 14001 and has been since 2007.

Information on our environmental impact is collated monthly and is reported to the board. This includes impacts such as waste, factory energy, VOC emissions and fuels. With respect to waste, 98 per cent is recovered or recycled.

All our works and project sites operate in accordance with our sustainability policies. We track our sustainability performance on a project by project basis and, where required, report information to our clients.

Greenhouse gas emissions reporting

In accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, we report our emissions as described below.

Reporting boundaries

To the best of our knowledge, we have included all material emission sources which fall within the boundaries of our consolidated accounts.

All direct (scope 1) and indirect (scope 2) emissions are reported in absolute tonnes equivalent CO_2 (CO_2e). Greenhouse gases ('GHG') included are carbon dioxide, methane and nitrous oxide emissions from the combustion of fuels disclosed below, and carbon dioxide emissions from the consumption of purchased electricity.

- Scope 1 GHG emissions are from: natural gas, gas oil, propane, kerosene, welding gases, diesel and petrol.
- Scope 2 GHG emissions are from: electricity purchased and consumed.

Methodology

The Group's GHG emissions have been calculated using an operational control approach in accordance with WRI/WBCSD GHG reporting protocols (revised edition) and emission factors from UK Government GHG conversion factors for company reporting 2013. This is the first year that our GHG emissions have been reported.

Results

For the year ended 31 March 2014, the Group's global GHG emissions were as follows:

Emissions from:	Tonnes of $C0_2e$
Scope 1 – combustion of fuel and operation of facilities	**6,340**
Scope 2 – electricity, heat, steam and cooling purchased for own use	**6,179**
Total	**12,519**
Intensity measurement:	Tonnes of $C0_2e$
Absolute tonnes equivalent CO_2 per £m of revenue	**54**

We also met our monthly average VOC concentration limit targets for every factory during the year ended 31 March 2014.

Key performance indicators

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

The Group uses a range of financial and non-financial indictors across our businesses to monitor the Group's aggregated performance against key Group executive committee and board objectives as follows:

KPI	Description / method of calculation	Performance in 2014
Underlying operating profit/margin	Underlying operating profit is a key measure of the operating profitability of the Group's revenue-generating businesses. This is the principal measure used by the Group to assess the success of its UK strategy. Underlying operating profit is defined as operating profit before other (non-underlying) items and before the results of JVs and associates (which principally includes the results of the Indian joint venture). Underlying operating margin is calculated as underlying operating profit expressed as a percentage of revenue.	The underlying operating profit before results of JVs and associates was £7.6m which reflects a significant turnaround from the loss of £19.2m in the prior 15 month period. The underlying operating margin of 3.3 per cent (2013: -6.0 per cent) reflects the stability restored to the UK business and the resolution of legacy contracts which marks a significant progression towards the target of 5-6 per cent for the 2015/16 financial year.
Underlying basic earnings per share	Underlying basic earnings per share represents an overall indicator of performance and is an important internal measure which is also used for setting performance share plan targets. This calculation is based on the underlying profit after tax and the weighted average number of shares in issue during the period.	Underlying basic earnings per share was 0.88p (2013: -10.78p) and reflects a good recovery in UK operating margins offset by a share of losses from our Indian joint venture.

KPI	Description / method of calculation	Performance in 2014
Operating cash flow	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 is also required to comply with operating cash flow covenants. The Group has a robust and detailed cash forecasting procedure that considers the Group's position on a contract by contract basis. Operating cash flow is defined as cash flow before interest, tax and capital investment.	The operating cash inflow for the year was £2.1m. This represents operating cash inflows before working capital movements of £8.4m offset by an outflow from working capital of £6.3m. The outflow from working capital reflects good progress in reducing outstanding balances on legacy contracts at 31 March 2013, offset by a normalisation of the trade creditor position which was somewhat stretched immediately preceding the rights issue, and the unwind of advance payments of £5.3m.
Order book	The order book represents the amount of outstanding work on secured contracts. It is a key measure of our success in winning new work and also provides visibility of future earnings. It only includes future revenue from legally committed contracts comprising both ongoing and newly secured 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 UK order book of £168m represents approximately eight months of forward production capacity. It has reduced in overall terms over the year from previous levels but this reflects the capacity reduction arising from the business reorganisation, as well as a longer negotiating period on major contracts arising from our improving risk management processes.
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. AFR is an industry-standard measurement equivalent to one reportable lost-time incident resulting in more than three working days' absence per 100,000 hours worked, which equates to approximately one working lifetime.	The Group's AFR for the year was 0.57 (2013: 0.55). This performance reflected a disappointing first half of the year, followed by a marked improvement in the second half. The Group's approach towards health and safety was reviewed during the year and a number of new initiatives were implemented. The Group recognises that all injuries are unacceptable and is committed to reducing injuries in our workforce.

How the business manages risk

The board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The Group's ongoing operations and growth plans are subject to a number of different risks and uncertainties. Although we cannot eliminate such risks and uncertainties completely, we have established risk and internal control systems and procedures to mitigate their impact and the likelihood of them occurring.

We have continued to develop and improve our approach to business risk management during the course of the year in response to changes in the business and operating environment. We maintain close working relationships between Group management and the businesses to understand and address risks.

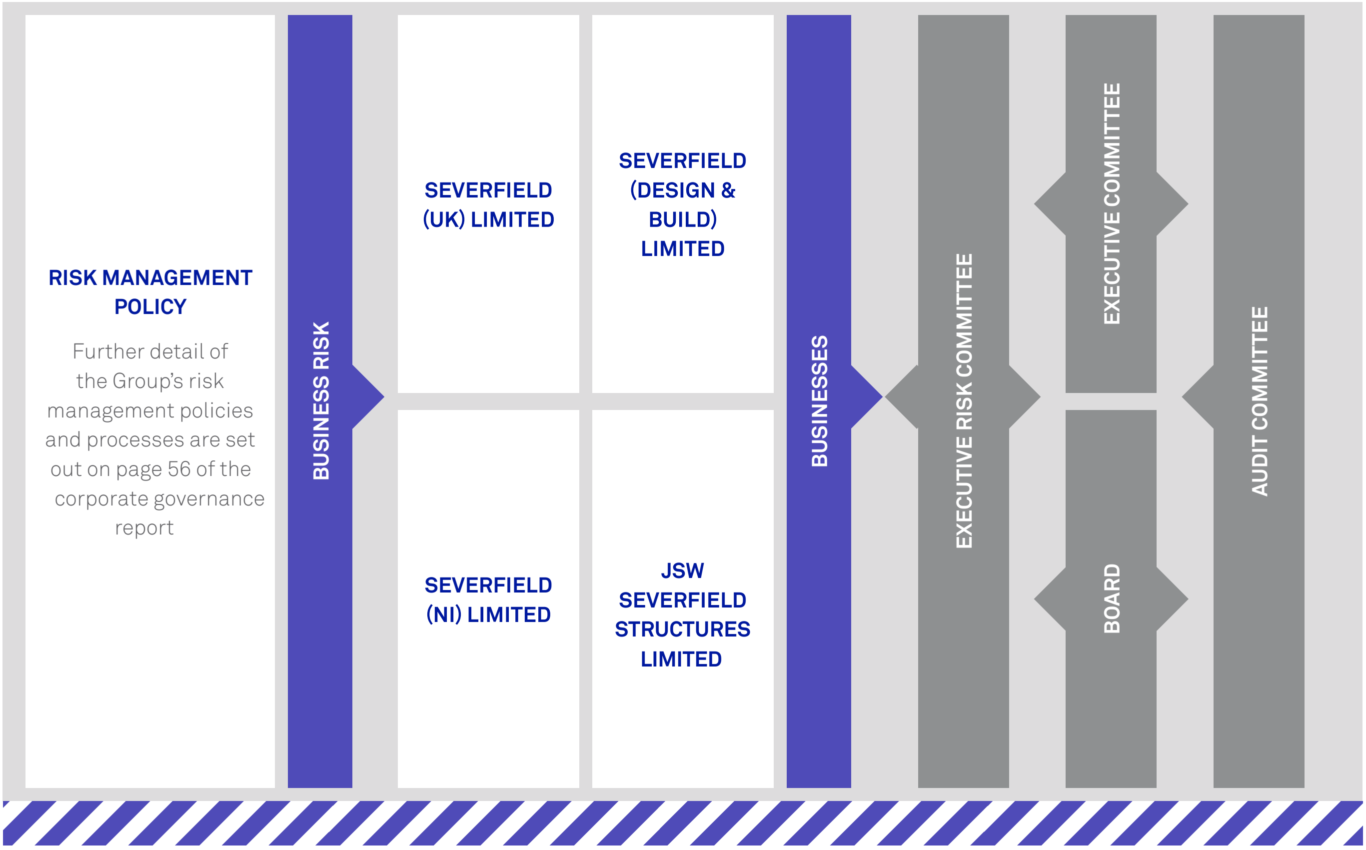
We strive to ensure that risk management is embedded into day-to-day business processes and operations such that it is effective at all levels of the organisation; this ensures that potential risks are identified at an early stage and mitigations are put in place to manage such risks. Through the risk management process and communication, there is a robust, periodic risk review involving Group management and all businesses.

The board formally reviews risks and mitigations for the Group and each of the businesses on a biannual basis. The review focuses on identifying potential risks that could significantly impact the business and considers in detail the various impacts of the risks and the mitigations in place.

The board has identified the following principal risks and uncertainties which have the potential to impact the Group's profitability and ability to achieve its strategic objectives.

Find out more about **strategy** on pages 18 and 19

Find out more about **risks** on pages 56 and 57



RISK / EXPLANATION	TREND	DESCRIPTION / IMPACT	MITIGATION
Commercial and market environment The UK construction market, although showing some signs of recovery, remains impacted by the continued and residual effects of the global economic downturn, placing significant pressure on all parts of the supply chain, from end customers through to material suppliers and subcontractors. Through our different businesses we seek to win profitable work through successful tender processes. This success depends on our ability to identify, price and execute appropriate contracts to maintain a profitable order book.	Decreased risk	**Challenging trading conditions and lack of growth** Uncertain demand 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. *A significant fall in construction activity could impact revenues, profits and the ability to recover overheads resulting in the need for further restructuring. Cash generation could also be impacted resulting in breaches of banking facilities.*	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. Ongoing assessment of financial solvency and strength of counterparties throughout the life of contracts. Continuing use of credit insurance to minimise impact of customer failure.
	Decreased risk	**Inadequate contract pricing and cost management** Failure to accurately estimate and evaluate the contract risks, costs to complete, contract duration and the impact of price increases could result in a contract being mispriced. *Failure to achieve targeted profitability of contracts resulting in a reduction in Group margins.*	Business planning identifies the markets and clients that the Group will target. Estimating processes are in place with approvals by appropriate levels of management. Tender settlement processes are in place to give senior management regular visibility of major tenders. Established system of monthly reviews to measure and report contract progress and estimated out-turns, including contract variations. Use of delegated authorities to ensure appropriate contract tendering and acceptance.
	Decreased risk	**Failure to mitigate onerous contract terms** Failure to appropriately assess the contractual terms or the acceptance of a contract with unfavourable terms could result in poor contract delivery, poor understanding of contract risks and legal disputes. *Loss of profitability on contracts as costs incurred may not be recovered and potential reputational damage.*	Contract acceptance procedures are in place including legal and commercial review of terms by the new Group legal director. Work performed under standard terms and conditions as appropriate. Plans for specific types of work are agreed in advance by individual businesses allowing management to decline work where the contract terms or pricing are not considered economic. Use of delegated authorities to ensure appropriate contract tendering and acceptance.
	Risk unchanged	**Reliance on key suppliers** Failure of a key supplier would result in disruption to the Group's operations and the increased cost of finding a suitable replacement. *Loss of profitability through increased costs and potential reputational damage as a result of project delays.*	Strong relationships maintained with key suppliers including a programme of regular meetings and reviews. The Group has no single sourcing agreements in place. Contingency plans developed to address supplier and subcontractor failure. Contracts only entered into with suppliers and subcontractors after review at the appropriate level of delegated authority.

How the business manages risk continued

RISK / EXPLANATION	TREND	DESCRIPTION / IMPACT	MITIGATION
People The Group has established a market leading position over many years due in large part to the experience and skills of its key people.	Increased risk	**Recruitment and retention of talented people** As the market starts to recover, it can become increasingly difficult to recruit capable people and retain key employees, especially those targeted by competitors. *Loss of key people could adversely impact the Group's existing market position and reputation. Insufficient growth and development of its people and skillsets could restrict its growth ambitions both in the UK and overseas.*	An improved talent review process is planned for 2014/15. Progression and succession planning schemes will be rolled out at each business to ensure immediate and future replacements are identified and developed. 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 training, development or external recruitment.
Interruption to fabrication facilities The Group's production facilities are at the core of its business and the Group relies on their smooth continued operation.	Risk unchanged	**Inadequate business continuity planning** Every business faces the potential risk of its operations being impacted by disruption due to loss of supply, industrial disputes, failure with technology, unplanned outages and physical damage as a result of fire or other such event. *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. Detailed maintenance programmes are in place at each of the Group's facilities. 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.

RISK / EXPLANATION	TREND	DESCRIPTION / IMPACT	MITIGATION
Indian joint venture The Group has invested in a joint venture in India, where the growth prospects are believed to be substantial.	Increased risk	**Performance of the joint venture** The growth, management and performance of the business is a key element of the Group's overall performance. Effective management of the joint venture is therefore important to the Group's continuing success. *Failure to identify, understand and evaluate the risks of operating in India could lead to financial loss, reputational damage and a drain on cash resources to fund the operations.*	Robust joint venture agreement. Two members of the Group's board of directors are members of the joint venture board. Strong governance in place at the joint venture. Regular formal and informal meetings held with both joint venture management and joint venture partners. Joint venture was refinanced in late 2013 and the management structure was strengthened during the year. Contract risk assessment, engagement and execution process now embedded.
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.	Risk unchanged	**Serious health and safety incident** Construction activities can result in injury or death to employees, leading to the potential for legal proceedings, regulatory intervention, project delays and, where at fault, potential loss of reputation. *Loss of profitability and ultimately exclusion from future business.*	Established safety systems, site visits, monitoring and reporting, and detailed health and safety policies and procedures, are in place across the Group. Thorough and regular employee training programmes under the leadership of the new Group SHE director. 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. Regular reporting of, and investigation and root cause analysis of, accidents and near misses. Achievement of challenging health and safety performance targets is a key element of management remuneration.
Information technology (IT) The Group's complex and interdependent IT systems support the effective and efficient running of the business. Ensuring our systems are reliable strengthen the day-to-day operations of the Group.	Risk unchanged	**IT failure or disruption** With insufficient IT disaster recovery planning, cyber-attack or property damage could lead to IT disruption with resultant loss of data, loss of system functionality and business interruption. *Prolonged or major failure of IT systems could pose significant risk to the ability of the Group to operate and trade, thereby impacting its financial performance.*	IT is the responsibility of a central function which manages the majority of the systems across the Group. Other IT systems are managed locally by experienced IT personnel. Significant investments in IT systems are subject to board approval. Data protection and information security policies are in place across the Group, including anti-virus software, off-site and on-site backups, storage area networks, software maintenance agreements and virtualisation of the IT environment. Cyber-crimes and associated IT risks are assessed on a continual basis.


BROADGATE
CITY OF LONDON

Our governance

Project: 5 Broadgate
Location: London
Tonnage: 13,000
Client: British Land
Construction manager: Mace
Completion: 2014

Board of directors

John Dodds

Non-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 officer. 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.

Ian Lawson

Chief executive officer

Ian Lawson joined the Company on 1 November 2013 as chief executive officer and was previously a main board director of Kier Group plc, where he enjoyed a 13-year career.

He was appointed to the board of Kier Group plc as executive director in 2005 with responsibility initially for its services division and later he also assumed responsibility for the property division. Prior to this, he was a director of Kier Regional, the group's regional construction business. Before joining Kier Regional, Ian was managing director of Kier Investments which he joined in 2000 following a successful career at Bickerton Group plc where he was managing director.

Ian, who is a fellow of both The Royal Institution of Chartered Surveyors (FRICS) and the Chartered Institute of Building (FCIOB), has a wide range of skills and experience from working within the construction industry for more than 35 years.

Derek Randall

Executive director and managing director at JSW Severfield Structures Limited

Derek Randall was appointed as executive director in May 2008 and as managing director in December 2013 of JSW Severfield Structures Limited (JSSL), our joint venture in India.

He is a master of business administration (Warwick Business School), a doctor of business administration (Nottingham Business School) and is the visiting professor of international management and development at Birmingham City University's business school.

Before joining the Group, most of Derek's career was with Corus Group (now Tata Steel) where his last position was as commercial director of the long products division.

Derek has held a number of international board positions with Corus and served on the executive council of the Steel Construction Institute.

Alan Dunsmore

Group finance director

Alan Dunsmore joined the Company in March 2010 from Smiths Group plc. He 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.

Alun Griffiths

Non-executive director

Alun Griffiths was appointed to the board as a non-executive director on 1 May 2014.

Having held a number of business management and corporate positions, Alun is currently group human resources director and board member at WS Atkins plc, Europe's largest engineering and design consultancy and is a fellow of the Chartered Institute of Personnel and Development.

Alun brings a wealth of experience that will be of significant benefit to the Group as we continue our strategic and operational progression.

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 managing director in October 2007.

In March 2013, Ian was appointed as Group operations director and subsequently, in June 2013, as chief operating officer.

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.

Chris Holt

Non-executive director

Chris Holt was appointed 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 officer, 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.

Tony Osbaldiston

Non-executive director

Following the year-end, Tony Osbaldiston was appointed as a non-executive director with effect from 19 July 2014.

He is a chartered accountant having qualified with PwC. He was previously finance director of Max Factor UK, Volvo Cars UK, Raymarine plc and FirstGroup plc, where he was also deputy group chief executive officer and chief executive officer of FirstGroup America.

He has been a non-executive director and chairman of the audit committee of BSS Group plc, and chairman of the remuneration committee of Synstar International plc. He is currently chairman of Encon, the insulation and building products distributor, and also non-executive director and chairman of the audit and risk committee of the Serious Fraud Office.

He will take over as chairman of the audit committee following the retirement of Toby Hayward.

Kevin Whiteman

Non-executive director

Following the year-end, Kevin Whiteman was appointed as a non-executive director with effect from 19 July 2014.

He is a chartered engineer and currently non-executive chairman of Kelda Group and Yorkshire Water, to which he was appointed in 2010 after eight years as chief executive officer of both companies. In 2013 he was appointed chairman of the privately owned NG Bailey. Prior to his current role at Kelda Group, he held positions including chief executive officer of the National Rivers Authority, regional director of the Environment Agency, as well as a number of senior positions within British Coal. He was previously chairman for Wales and West Gas Networks (UK) Limited, and has been a trustee for WaterAid UK.

He will take over as the senior independent non-executive director following the retirement of Keith Elliott as previously announced, effective from 19 July 2014.

Keith Elliott

Non-executive director

Following the year-end, Keith resigned as a non-executive director with effect from 18 July 2014. He served as a non-executive director for 15 years, including as senior independent non-executive director and chairman of the remuneration committee.

Toby Hayward

Non-executive director

Following the year-end, Toby resigned as a non-executive director with effect from 18 July 2014. He served as a non-executive director for six years, including three years as non-executive chairman and three years as chairman of the audit committee.

Executive committee

1

Ian Lawson

Chief executive officer

For details see board of directors on page 46.

Derek Randall

Executive director and managing director at JSW Severfield Structures Limited

For details see board of directors on page 46.

2

Ian Cochrane

Chief operating officer

For details see board of directors on page 46.

3

Alan Dunsmore

Group finance director

For details see board of directors on page 46.

4

Jim Martindale

Managing director at Severfield (Design & Build) Limited

Jim Martindale joined Severfield (Design & Build) Limited, formerly Atlas Ward Structures, in 1994 as a design engineer, which saw him heavily involved with the commercial department. He became engineering manager in 2002, design director in 2007 and deputy managing director in 2010, a role that he performed until his appointment as managing director in January 2014.

Jim has been involved in the successful delivery of many major projects throughout the UK during his 20-year career with Atlas Ward (which was acquired in 2005). He is also an associate member of the Institution of Structural Engineers.

5

Brian Keys

Managing director at Severfield (NI) Limited

Brian Keys joined Severfield (NI) Limited, formerly Fisher Engineering, 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 at Severfield (NI) Limited.

6

Steven Day

Deputy managing director at Severfield (UK) Limited

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

7

Mark Sanderson

Group legal director and Company secretary

Mark Sanderson was appointed as the Group's legal director and Company secretary in September 2013.

His previous role was as group legal director for utility specialist, Enterprise plc, until its acquisition by Ferrovial in April 2013. He also worked in private practice as a projects partner, most recently at Walker Morris from 2006 to 2009, and prior to that Pinsent Masons, where he fulfilled this role for over a decade.

8

Sian Evans

Group HR director

Sian Evans joined the Group in January 2013 in the role of HR director.

Sian's career in human resources started at William Morrison Supermarkets in 1990 and covers a wide range of industry sectors including HR roles at Ciba Specialty Chemicals, Redcats UK and Callcredit Information Group where Sian was group HR director from 2008 to 2011.

She is a fellow of the Chartered Institute of Personnel and Development.

9

Lee Mills

Group SHE director

Lee Mills was appointed as the Group's safety, health and environment director in April 2014.

Having previously worked in nuclear, offshore and petrochemical safety, Lee joined Alfred McAlpine in 1999 as head of its policy and compliance unit. Between this and taking up his most recent role at Stewart Milne prior to joining the Group, Lee held responsible positions within several major construction companies.

At Stewart Milne he was health, safety, environmental and quality director, which also involved providing consultancy services to the National House Building Council.

Chairman's review

John Dodds Non-executive chairman

The Group is committed to applying the highest standards of corporate governance.

Dear shareholder

I am pleased to introduce the Group's corporate governance report on behalf of our board of directors ('the board'). We are committed to maintaining high standards of corporate governance to enhance performance and for the protection of our shareholders. At Severfield, good governance involves establishing appropriate policies, procedures and guidelines to ensure that the Group's businesses are managed effectively resulting in the delivery of long-term shareholder value.

The corporate governance report which follows is intended to give shareholders an understanding of the Group's corporate governance arrangements and how they operated during the year ended 31 March 2014, including how the Group managed its affairs in compliance with the principles and provisions of the 2012 UK Corporate Governance Code ('the Code').

I am pleased to report that, with one exception which is explained in the corporate governance report (an enforced period of seven months where I acted as executive chairman), we have complied in full with the Code.

Leadership and effectiveness

Ian Lawson was appointed as chief executive officer during the year following a rigorous selection process which involved Korn/Ferry International, an external executive search agency. During the period from 1 April 2013 to 31 October 2013 I continued to act as executive chairman pending Ian's appointment on 1 November 2013. As explained in the 2013 annual report this was a temporary arrangement, designed to facilitate clear leadership until a chief executive officer was appointed. The board deemed such measures necessary for the successful stewardship of the Group during that period and that these extraordinary measures were justified in order to provide the Group with clear leadership in challenging circumstances. Following the successful transition of executive responsibilities to Ian, I have reverted to my previous role of non-executive chairman. This has resulted in a

"I am committed to ensuring that we have a strong board with the correct balance of skills and mix of experience."

return to the more traditional structure of a non-executive chairman and chief executive officer to better align with the requirements of the Code.

In addition to the appointment of a new chief executive officer, two of the key areas of focus for the directors during the year have been further developing the Group's strategy and strengthening the management team to ensure that the Group is ideally positioned for the return of growth to the UK construction market. In particular, the executive committee has been strengthened with the appointment of Ian Cochrane as chief operating officer in June 2013, Mark Sanderson as Group legal director and Company secretary in September 2013, and following the year-end, Lee Mills as Group SHE director.

Following the year-end, Toby Hayward and Keith Elliott resigned as non-executive directors with effect from 18 July 2014. Alun Griffiths joined the board as a non-executive director with effect from 1 May 2014 and Kevin Whiteman and Tony Osbaldiston will join the board on 19 July 2014 with Kevin assuming the responsibilities of senior independent non-executive director, Alun becoming the chairman of the remuneration committee and Tony becoming the chairman of the audit committee. In combination, they bring to the board a wealth of experience and their appointments provide a firm foundation for continued oversight and scrutiny of the Group's activities.

Keith served as a director for 15 years, including as chairman of the remuneration committee and senior independent non-executive director and Toby served as a director for six years including periods as chairman and as chairman of the audit committee. We thank them for their valued contribution to the Group.

Audit tender

We intend to conduct a tender of the external audit contract during the course of the coming year, with the successful firm being appointed for the year ending 31 March 2016. We consider this good governance given the length of Deloitte's existing audit tenure and taking into account recent EU guidance that requires listed companies to rotate their auditors at least every ten years. This is not a mandatory requirement under the Code given the Group's current status outside the FTSE 350. However, for the reasons highlighted above, we consider a tender process to be appropriate.

Remuneration

During the year the changes indicated in last year's remuneration report to the Group's performance share plan and the introduction of the deferred share bonus plan were implemented.

Diversity

We recognise the importance of diversity in board effectiveness and remain committed to ensuring that appointments are ultimately made on merit and against the agreed selection criteria. Further details of our diversity considerations are set out in the board committees section on page 56.

Relationships with shareholders

We remain committed to sharing information with our shareholders. The Group actively solicits feedback from investors and feedback from shareholder meetings is reported to the board, including the non-executive directors. Further details regarding this engagement with our shareholders are set out in the board effectiveness section on page 54.

As ever, I very much look forward to meeting shareholders at the annual general meeting ('AGM') on 2 September 2014 and as always, along with all of your directors, remain available to answer or respond to your questions, concerns and suggestions at any time.

Overall I think your board is effective and working well and, whilst there remains work to do, we have effective governance throughout the Group.

John Dodds
Non-executive chairman
11 July 2014

Find out more about **strategy** on pages 18 and 19

Find out more about **risk management** on pages 40 and 43

Corporate governance report

Statement of compliance

The September 2012 edition of the UK Corporate Governance Code ('the Code'), a copy of which is available from the Financial Reporting Council's website (www.frc.org.uk), applied to the Company throughout the year ended 31 March 2014.

The board has carried out a detailed review of the provisions of the Code, having regard to the need to comply not just with the principles but also with the spirit of the Code and also keeping in mind guidance issued by the FRC, such as the FRC guidance to audit committees. A summary of how the Company has applied the main principles of the Code is set out below.

Save as referred to below, the board has complied with the provisions of the Code throughout the year ended 31 March 2014 and up to the date of this report.

The board did not comply in full with provision A.2.1 of the Code which requires the board to operate with a separate chairman and chief executive officer. From 1 April 2013 until 31 October 2013, John Dodds, who previously operated as non-executive chairman until 23 January 2013, was acting in the role of executive chairman. As explained in the previous year, this was a temporary arrangement designed to facilitate clear leadership until the appointment of a new chief executive officer. Ian Lawson was appointed as chief executive officer on 1 November 2013, restoring compliance with this provision.

LEADERSHIP

Structure of the board

The Company is controlled through the board of directors which comprises four executive and four non-executive directors, all of whom are considered as independent. From 19 July 2014, the board will comprise four executive and five independent non-executive directors. The membership of the board is stated on page 46.

Ian Cochrane and Ian Lawson were appointed as executive directors on 5 June 2013 and 1 November 2013, respectively.

As described above, John Dodds reverted to his previous role as non-executive chairman from 1 November 2013, having served as executive chairman from 23 January 2013 to 31 October 2013.

Peter Emerson retired as an executive director on 5 June 2013.

Alun Griffiths was appointed as a non-executive director on 1 May 2014. Kevin Whiteman and Tony Osbaldiston have been appointed as non-executive directors from 19 July 2014. Keith Elliott and Toby Hayward will retire as non-executive directors with effect from 18 July 2014.

Ian Lawson has board level responsibility for corporate and social responsibility and employment matters; Ian Cochrane has board level responsibility for health and safety matters.

Role of the chairman, chief executive officer and senior independent director

Since 1 November 2013 the board has had a separate chairman and chief executive officer in line with the Code. The posts of chairman and chief executive officer are separate and their roles and responsibilities are clearly established, set out in writing and agreed by the board.

The chairman, John Dodds, is mainly responsible for managing the business of the board, evaluating its performance and setting the agenda for board meetings to ensure that adequate time is allocated to the discussion of all agenda items, facilitating the effective contribution of all directors. The chairman acts as an ambassador for the Company and provides effective communication between the board and its shareholders.

As the senior executive of the Company, Ian Lawson is responsible to the chairman and the board for directing and prioritising the profitable operation and development of the Group. The chief executive officer is responsible for the day-to-day management of the operational activities of the Group, assessing and implementing strategy and implementing the board's decisions.

The chief executive officer chairs an executive committee consisting of the members indicated on pages 48 and 49. 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. He also, together with the Group finance director and chief operating officer, holds quarterly meetings with each of the three divisional boards to review all operational issues and meets with an executive risk committee comprising himself, the Group finance director, chief operating officer and the Group legal director on a weekly basis on any key issues affecting the business.

In addition, he chairs a safety leadership team ('SLT') consisting of members across the organisation, which meets formally on a monthly basis.

Keith Elliott has acted as senior independent non-executive director and will continue to do so until the appointment of Kevin Whiteman on 19 July 2014. The role of the senior independent director is to provide a sounding board for the chairman and to serve as an alternative source of advice to the chairman for the other non-executive directors.

The senior independent director is available to shareholders if they request a meeting or have concerns, which contact through the normal channels has failed to resolve, or where such contact is inappropriate. He also leads the performance review of the chairman, taking into account the views of the executive directors.

Independence

All of the non-executive directors are considered by the board to be independent in character and judgement and no cross-directorships exist between any of the directors.

No director has any material interest in any contract of significance with the Group during the period under review. The directors have put in place procedures to ensure the board collectively, and the directors individually, comply with the disclosure requirements on conflicts of interest set out in the Companies Act 2006. The interests of the directors in the share capital of the Company and its subsidiary undertakings and their interests under the performance share plan and other share schemes are set out in the remuneration report on page 77.

Keith Elliott has continued in his role as senior independent non-executive director to date and until the appointment of Kevin Whiteman on 19 July 2014, notwithstanding that he had served as a director for 15 years. He has also continued with his chairmanship of the remuneration committee and will continue to do so until his retirement on 18 July 2014.

The board recognises that whilst Keith and Toby were technically non-independent due in Keith's case to his length of tenure and in Toby's case his having previously served as chairman, their concurrent tenure, representing the average period for which they served on the board contemporaneously with the executive directors, was significantly reduced following the resignation of Tom Haughey and the retirement of Peter Emerson in 2013. Furthermore, the board believes that they have continued to act independently and recognises their high levels of commitment and effective contribution to the board's decision making process.

Directors to stand for election

The Company's articles of association require the directors to offer themselves for re-election at least once every three years. Notwithstanding this, and in accordance with the recommendations of the Code, the Company has decided that all of the directors will now retire at each AGM and may offer themselves for re-election by shareholders. Accordingly, all of the existing directors whose biographies are set out on pages 46 and 47 will be standing for re-election at the 2014 AGM.

The board is satisfied that the performance of all of the remaining non-executive directors continues to be effective and that they continue to show commitment to their respective roles. 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 AGM.

BOARD EFFECTIVENESS

Operation of the board

The role of the board is to set the strategic direction of the Group, to review all significant aspects of the Group's activities, to oversee the executive management and to review the overall system of internal control and risk management. 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, significant capital expenditure programmes and the annual and half year results.

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's committees described below.

The chairman, together with the Company secretary, ensures that the directors receive clear information on all relevant matters in a timely manner. Board papers are circulated sufficiently in advance of meetings for them to be thoroughly digested to ensure clarity of informed debate. The board papers contain the chief executive officer's written report, the Group finance director's and chief operating officer's written reports, high level papers on each business area, key metrics and specific papers relating to agenda items. The board papers are accompanied by a management information pack containing detailed financial and other supporting information. The board receives occasional ad hoc papers on matters of particular relevance or importance. The board also receives presentations from various business units.

Board meetings

The directors' attendance record at the scheduled board meetings and board committee meetings for the year ended 31 March 2014 is shown in the table below. For board and board committee meetings, attendance is expressed as the number of meetings that each director attended out of the number that they were eligible to attend. In addition to those scheduled meetings, ad hoc meetings were also arranged to deal with matters between scheduled meetings as appropriate.

Corporate governance report continued

Non-attendance by directors at meetings was due to either conflicting commitments previously agreed or illness. Board meetings are held at various locations in London, the Group's head office in Dalton, North Yorkshire and at the offices of the Group's other operating subsidiaries to provide non-executive directors the opportunity to increase their knowledge and understanding of the Group's operations.

Director	Main board	Audit committee	Remuneration committee	Nomination committee
John Dodds	9/9	2/2	n/a	1/1
Keith Elliott	8/9	3/3	4/4	4/4
Toby Hayward	9/9	3/3	4/4	4/4
Chris Holt	9/9	2/3	4/4	4/4
Ian Lawson	4/4	n/a	n/a	n/a
Ian Cochrane	7/7	n/a	n/a	n/a
Alan Dunsmore	9/9	n/a	n/a	n/a
Derek Randall	7/9	n/a	n/a	n/a

Note: Ian Lawson, Ian Cochrane and John Dodds attended all required meetings during their tenure as executive directors.

Board evaluation

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.

The Code attaches importance to boards having processes for individual and collective performance evaluation. The performance of individual directors is evaluated annually in conjunction with the remuneration review.

The chairman meets with the non-executive directors at least annually to review their performance and the senior independent director leads an evaluation process of the performance of the chairman taking into account the views of the executives. A formal evaluation of board effectiveness was conducted during the year. Details of significant changes to the composition of the board are set out on page 52.

Professional development

Appropriate training and briefing is provided to all directors on appointment to the board, taking into account their individual qualifications and experience. This is supplemented with visits to the Group's operations and meetings with senior divisional management to develop the directors' understanding of the business.

Training and updating in relation to the business of the Group and the legal and regulatory responsibilities of directors was provided throughout the year by a variety of means to board members including presentations by executives, visits to business operations and circulation of briefing materials. Individual directors are also expected to take responsibility for identifying their training needs and to ensure they are adequately informed about the Group and their responsibilities as a director.

Non-executive directors are continually updated on the Group's business, its markets, social responsibility matters, changes to the legal and governance environment and other changes impacting the Group. During the year, the directors received updates on various best practice, regulatory and legislative developments, including changes to the UK Corporate Governance Code and directors' remuneration reporting requirements.

All directors have access to the advice and services of the Group legal director and Company secretary who ensures that board processes are followed and good corporate governance standards are maintained. Any director who considers it necessary or appropriate may take independent, professional advice in furtherance of their duties at the Company's expense. No directors sought such advice in the year.

The board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

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.

The executive directors undertake a programme of regular communication with institutional shareholders and with analysts covering the Group's activities, its performance and strategy. John Dodds, Ian Lawson and Alan Dunsmore attended several meetings with institutional shareholders, private investors and analysts during the year, at the time of the announcements of the Group's annual and half year results, during visits to the Group's head office in North Yorkshire and on an ad hoc basis as required. In addition, a capital markets event took place on 25 April attended by approximately 30 analysts and investors. Feedback from those meetings is reported to the board, including the non-executive directors.

Direct discussions took place during the year between shareholders' representatives and Keith Elliott with particular reference to the directors' remuneration report.

The board has sought to use the AGM to communicate with private investors and encourages their participation. The notice of the AGM, detailing all proposed resolutions, is posted to shareholders at least 20 workings days before the meeting.

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 board on a monthly basis.

Audit committee

The audit committee comprises the non-executive directors. At 31 March 2014, the committee members were Toby Hayward, John Dodds, Chris Holt and Keith Elliott. Toby Hayward has served as chairman of the committee throughout the year. Effective subsequent to the year-end, Alun Griffiths and Kevin Whiteman were appointed as members of the committee and Tony Osbaldiston was appointed chairman of the committee; Keith Elliott and Toby Hayward resigned as committee members. The committee members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the committee's duties; Toby Hayward, Chris Holt and Tony Osbaldiston are chartered accountants.

On invitation, the chief executive officer, Group finance director, other executive directors, executive committee members, senior management and the internal and external auditors attend meetings to assist the committee fulfil its duties.

Meetings are held at least three times per annum and additional meetings may be requested by the auditor. The committee met on three occasions during the year with full attendance by all members except for Chris Holt who was unable to attend one meeting.

The audit committee report is set out on pages 58 to 60.

Remuneration committee

The remuneration committee comprises the non-executive directors and is chaired by Keith Elliott. Subsequent to the year-end, Alun Griffiths was appointed chairman of the committee following Keith Elliott's resignation.

This committee, which meets at least twice per year, is responsible for making recommendations to the board concerning the compensation of senior executives. It also determines, within the agreed terms of reference, the specific remuneration packages for each of the executive directors and the chairman, as well as the level and structure of remuneration for senior management. New Bridge Street (NBS) (an AON Hewitt Company) are appointed as the Group's remuneration consultants. NBS are a member of the Remuneration Consultants Group and comply with its code of conduct. NBS has no other connection with the Company.

The committee met on four occasions during the year with full attendance.

Shareholders are required to approve all new long-term incentive plans and significant changes to existing plans. Further details of these plans, as well as the activities undertaken by the committee during the year, can be found in the directors' remuneration report as set out on pages 66 to 80.

Nominations committee

The nominations committee comprises the non-executive directors and is chaired by John Dodds. Whilst John was acting as executive chairman it was chaired by Chris Holt.

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 meets as and when required.

The committee met on four occasions during the year with full attendance.

In 2013/14, the committee's work programme entailed recommending to the board the appointment of a new chief executive officer, in place of Tom Haughey who resigned in January 2013, and three new non-executive directors, two of whom will replace Toby Hayward and Keith Elliott.

In seeking suitable candidates for these vacancies, Korn/Ferry International, an external executive search agency, was engaged. Korn/Ferry has no other connection with the Company. The nominations committee considered a list of potential candidates and the balance of skills, knowledge, independence, diversity (including gender) and experience on the board to ensure that a suitable balance was maintained.

Ian Lawson was appointed as chief executive officer in November 2013. Ian's wealth of plc board experience and understanding of the construction market were factors in the board's decision.

The committee also recommended to the board the appointments as non-executive directors of Alun Griffiths on 1 May 2014 and Kevin Whiteman and Tony Osbaldiston with effect from 19 July 2014. Their other significant commitments were disclosed to the board before their appointments. The board was and continues to be satisfied that they would allocate sufficient time to the Company to discharge their responsibilities effectively.

The committee was also unanimous in appointing Ian Cochrane, formerly managing director of Severfield (NI) Limited, to the board as chief operating officer in June 2013.

Corporate governance report continued

Diversity

We recognise the importance of diversity in board effectiveness and remain committed to ensuring that appointments are ultimately made on merit and against agreed selection criteria.

We support the Davies report's aspiration to promote greater female representation on listed company boards. The Group, however, does not believe in the concept of gender quotas, our preferred approach being much more directed at merit, experience and skill.

In the sectors in which the Group operates female representation at a senior level is rare and as at 31 March 2014, the board had no female directors. As and when board appointments arise, and where practicable, we will look to follow the procedures recommended by the Davies report and by the Code to maintain a balanced board. No suitable female candidates were identified, for example, as part of the recent recruitment exercise for new non-executive directors.

The board also recognises that gender diversity below board level remains an issue, particularly in management and technical roles within the construction industry.

Succession planning

The nominations committee ensures the continued effectiveness of the board through appropriate succession planning. The board from 19 July 2014 onwards will consist of nine directors, only four of whom have been directors of the Company for more than 13 months. More work will be done in the next 12 months to formalise the process of ongoing succession planning.

ACCOUNTABILITY

Risk management

The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group. A Group assurance map is used to co-ordinate the various assurance providers within the Group.

During the year, there was significant investment in, and assessment of, the Group's risk management process resulting in improved risk management understanding, assessment and reporting.

The process was underpinned by risk identification workshops, facilitated by an independent risk management consultant, which were attended by senior management, the executive committee and the board.

Senior management from all key disciplines and businesses within the Group are involved in the process of risk assessment in order to identify and assess Group objectives, key issues and controls. Further reviews are 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.

Identified risk events, their causes and possible consequences are recorded in risk registers. Their likelihood and potential business impact and the control systems that are in place to manage them are analysed and, if required, additional actions are developed and put in place to mitigate or eliminate unwanted exposures. Individuals are allocated responsibility for evaluating and managing these risks within an agreed timetable.

The Group establishes its risk appetite through use of delegated authorities so that matters considered higher risk require the approval of senior management or the board. These include, but are not limited to, tender pricing, bid submissions, approval of contract variations and final account settlements, capital requirements, procurement, and certain legal and strategic matters.

Ongoing risk management and assurance is provided through various monitoring reviews and reporting mechanisms, including the executive risk committee (chaired by Ian Lawson) which convenes on a weekly basis and has the primary responsibility to identify, monitor and control significant risks to an acceptable level throughout the Group. The committee receives information on relevant risk matters from a variety of sources on a regular 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.

On a quarterly basis, the significant risks identified by the Group's businesses are discussed in detail with each management team. The outcome of these discussions is collated and reported to the executive committee. The risk registers of each business are updated and, together with a consolidated Group risk register compiled by the executive committee, are reported to the audit committee twice yearly, to ensure that adequate information in relation to risk management matters is available to the board and to allow board members the opportunity to challenge and review the risks identified.

The audit committee undertakes an annual review of the appropriateness of the risk management processes to ensure that they are sufficiently robust to meet the needs of the Group.

Details of the Group's principal risks, together with the controls and procedures in place to mitigate the risks, can be found on pages 40 to 43.

Annual report

The board is responsible for the preparation of the annual report and the financial statements to ensure that the annual report taken as a whole is fair, balanced and understandable.

The annual report is drafted by executive management with reviews undertaken by third-party advisers as required. Additional steps have been built into the reporting timetable to ensure that directors are given sufficient time to review, consider and comment on the annual report. Our external auditor reviews the narrative sections of the annual report to identify any material inconsistencies between their knowledge acquired during the audit and the directors' 'fair, balanced and understandable' statement and whether the annual report appropriately discloses those matters that they have communicated to the audit committee. A substantially final draft is reviewed by the audit committee prior to consideration by the board.

Internal control

The board formally acknowledges 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 against material misstatement or loss. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives.

The system of internal control, which includes financial, operational and compliance controls, is based on a process of identifying, evaluating and managing risks. This process has been in place for the full financial year and up to the date of the approval of these financial statements and is regularly reviewed by the board. The process is subject to continuous improvement and has been enhanced as the Group has implemented greater formality and standardisation, which allows for better oversight by the board. This process is in accordance with the guidance provided by the Turnbull report.

The key features of the Group's system of internal control are as follows:

Financial reporting system

The Group operates a comprehensive budgeting and forecasting system. Budgets and forecasts include income statements (including detailed contract-by-contract information), cash flow statements and balance sheets. Risks are identified and appraised throughout the annual process of preparing budgets. The annual budget and quarterly forecasts are approved by the board.

A formal quarterly review of each business's year-end forecast, business performance, risk and internal control matters is carried out by the directors of each division with the chief executive officer, Group finance director and chief operating officer in attendance.

Detailed management accounts are prepared for each business and the Group on a monthly basis which, as a matter of routine, compare actual results with budget and the latest forecast. Material variances from budget and forecast are thoroughly investigated. A detailed monthly Group management information pack is prepared which covers the performance of each business and contains detailed consolidated results and other financial information for the Group as a whole. This information pack is subsequently presented to the executive committee and the board.

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

Project management procedures

Project risk is managed throughout the life of a contract from the tender stage to completion. The Group has taken steps to implement stronger contracting processes and disciplines during the year.

Individual tenders for projects are subject to detailed review with approvals required at relevant levels and at various stages from commencement of the tender process through to contract award. Tenders above a certain value and those involving an unusually high degree of technical or commercial risk must be approved at a senior level within the Group.

Robust procedures exist to manage the ongoing risks associated with contracts. Regular monthly contract reviews to assess contract performance, covering both financial and operational issues, form an integral part of contract forecasting procedures.

Authorisation procedures

The Group operates an established management structure, with clearly defined levels of responsibility and a clear system of delegated authorities. These procedures are relevant across Group operations and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the board.

All significant investment decisions, including capital expenditure, are referred to the board, the executive directors or senior management, depending on the value and/or nature of the proposed investment. Capital expenditure requests are supported by detailed investment appraisals.

Cash and working capital management

Cash flow forecasts are regularly prepared to ensure that the Group has adequate funds and resources for the foreseeable future and is in compliance with banking covenants. Each business reports its cash position daily. Actual cash performance is compared to forecast on a weekly basis.

Internal audit

During the course of the year, KPMG was engaged as an outsourced internal audit and assurance provider to deliver specific expertise, experience and resource. The scope of the internal audit work focuses on critical business financial processes and other areas of perceived high business risk. KPMG's findings are reported to the executive and audit committees on a regular basis.

Health and safety

Safety, health and environmental issues and risks are continually monitored at all sites and are reviewed on a monthly basis by senior management and the board.

The Group has a well-developed health and safety management system for the internal and external control of health and safety risks which is managed by the Group SHE director. This includes the use of risk management systems for the identification, mitigation and reporting of health and safety management information.

Whistleblowing procedures

The Group operates a comprehensive 'whistleblowing' policy. 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.

Information included in the directors' report

Certain information that fulfils the requirements of the corporate governance statement can be found in the directors' report in the sections headed 'significant shareholdings', 'share capital', 'amendment of articles of association', 'appointment and replacement of directors' and 'powers of the directors' and is incorporated into this corporate governance section by reference.

Audit committee report

Toby Hayward Chairman of the audit committee

"During the year, we have scrutinised the appropriateness of the Group's system of internal controls and risk management processes, along with the internal and external audit processes."

Role

The primary function of the committee is to assist the board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information before publication. The committee assists 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 also reviews the accounting and financial reporting processes, along with reviewing the roles of and effectiveness of the external auditor. The ultimate responsibility for reviewing and approving the annual report remains with the board.

The responsibility of the 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 its remuneration and its terms of engagement.
- To review the nature of non-audit services supplied and non-audit fees relative to the audit fee.
- 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 its objectivity in undertaking its work and monitoring its independence taking into account relevant UK professional regulatory requirements and the auditor's period in office and compensation.
- To oversee the effectiveness of the internal audit process.
- To oversee the effectiveness of the external audit process particularly with regard to the quality and cost-effectiveness of the auditor's work.
- To report to the board how it has discharged its responsibilities.

Activities of the committee

- Reviewed and discussed with the external auditor the key accounting considerations and judgements reflected in the Group's interim results for the period ended 30 September 2013.
- Reviewed and agreed significant accounting risks and principal business risks for the year ended 31 March 2014.
- Reviewed and agreed the external auditor's audit planning report in advance of the audit for the year ended 31 March 2014.
- Discussed the report received from the external auditor regarding the audit of the results for the year ended 31 March 2014. This report included the key accounting considerations and judgements reflected in the Group's year-end results, comments on findings on internal control and a statement on independence and objectivity.
- Reviewed the need for an internal audit function and approved KPMG's appointment as the Group's internal auditor.

- Reviewed the internal audit plan and internal audit reports prepared by KPMG covering various aspects of the Group's operations, controls and processes.
- Reviewed the Group's risk register.
- Reviewed progress in the development of a Group finance manual including the formalisation of Group accounting policies.
- Reviewed and approved external audit fees for the year ended 31 March 2014.
- Reviewed the effectiveness of the external audit process.
- Reviewed the need for an audit tender process.

The committee has considered the annual report in the context of the new 'fair, balanced and understandable' statement and is in a position to report to the board that the 2014 annual report taken as a whole is fair, balanced and understandable on the basis that the description of the business agrees with their own understanding, the discussion of performance properly reflects the events of the year and that there is a clear and well-articulated link between all areas of disclosure.

Risk management and internal control

The committee is responsible for reviewing the design and effectiveness of the Group's system of internal control. The committee is also responsible for reviewing the adequacy and effectiveness of the Group's ongoing risk management systems and processes.

Taking into account the processes that have been designed and implemented during the year ended 31 March 2014, the board, with the advice of the committee, has reviewed the internal control systems and risk management processes. Further steps are being undertaken to embed internal control and risk management further into the operations of the Group and to deal with areas of improvement which are brought to the attention of management and the board.

Further details of the Group's internal control process are set out in the corporate governance report on pages 56 and 57.

Further details of the Group's principal risks and uncertainties are set out on pages 40 to 43.

Internal audit

In conjunction with management, the committee reviewed the need for an internal audit function. A number of options were considered including the establishment of an in-house internal audit department, outsourced arrangements and co-sourced arrangements. After considering several providers, KPMG was engaged.

Financial reporting and significant financial issues

The committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements. For example, during the year the committee reviewed the significant contract judgements made by management and the judgemental areas of the carrying values of goodwill and the Indian joint venture.

The committee also reviews reports by the external auditor on the full year and half year results which highlight any issues associated with the work undertaken on the audit.

The two significant issues considered during the year are detailed below:

- **Contract valuation, revenue and profit recognition:** The committee reviewed the report of the Group finance director that set out the main contract judgements associated with the Group's significant contracts. The significant areas of judgement include the timing of revenue and profit recognition, the estimation of the recoverability of contract variations and claims and the estimation of future costs to complete. The external auditor performed detailed audit procedures on revenue and profit recognition and reported the findings to the committee.
- **Review of carrying value of goodwill and the investment in the Indian joint venture:** The committee considered the carrying value of goodwill and the investment in the Indian joint venture and the assumptions underlying the impairment review. The judgements in relation to impairment largely relate to the assumptions underlying the identification of the Group's cash-generating units (CGUs) (for goodwill only) together with the calculation of the value in use of the business being tested for impairment, primarily the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process. The impairment reviews were identified as significant risks by the external auditor, who reported the findings to the committee.

The committee was satisfied that each of the matters set out above had been fully and adequately addressed by management, appropriately tested and reviewed by the external auditor and that the disclosures made in the annual report were appropriate.

In addition, the committee has considered a number of other judgements which have been made by management, none of which had a material impact on the Group's results. These include the recoverability of deferred tax assets and the valuation of pension scheme liabilities.

External auditor

The committee has responsibility for making a recommendation on the appointment, reappointment and removal of the external auditor. The committee also advises the board on the external auditor's remuneration for audit and non-audit work, independence and objectivity and discusses the nature, scope and results of the audit with them. Deloitte LLP was reappointed auditor of the Group at the AGM held in September 2013.

Audit committee report continued

The effectiveness of the external audit process is dependent on appropriate risk identification at the start of the audit cycle. These significant risks are identified in the external auditor's planning report to the committee and comprise contract valuation, revenue and profit recognition and the review of the carrying value of goodwill and the investment in the Indian joint venture. Throughout the year, the committee monitored these risks and the associated work undertaken by Deloitte has been evaluated.

The effectiveness of the external audit process is currently assessed by the committee based on discussions with those involved in the process. The chairman of the audit committee also meets with the external audit partner outside the formal committee process throughout the year.

In assessing the effectiveness of the external audit process during the year, the committee reviewed the following:

- The experience, qualifications and expertise of the external auditor;
- The achievement of the agreed audit plan and the communication of any changes to the plan;
- The competence with which significant accounting and audit issues were handled and how these were communicated to the committee; and
- The external auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of audit partners.

The committee is satisfied that the audit continues to be effective and provides an appropriate independent challenge to the Group's management.

Audit tendering

Deloitte LLP and its predecessor firms have been the external auditor of the Group since their appointment in 1983. The external auditor is required to rotate the audit partner responsible for the Group and subsidiary audits at least every five years and a new lead audit partner was appointed for the year ended 31 March 2014.

The committee has noted the recent changes to the UK corporate governance code including the provision for FTSE 350 companies to rotate the external audit contract at least every ten years. Despite this provision not being applicable to the Group given its current status outside of the FTSE 350, the committee recognises that the length of tenure of auditors is under increasing scrutiny. In view of this, and taking into account recent EU guidance that also requires listed companies to tender their audit at least every ten years, the committee intends to conduct a tender process during the course of the coming year. The successful firm will be appointed for the year ending 31 March 2016. There are no contractual obligations that restrict the choice of the external auditor.

Non-audit services

The committee recognises that, given its 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 year ended 31 March 2014 represented corporation tax compliance advice only. 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, other than for routine tax compliance work.

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.

In other circumstances, proposed assignments are put out to tender and decisions to award work taken on the basis of demonstrable competence and cost-effectiveness.

Details of the auditor's fees, including non-audit fees, of £307,000 paid to Deloitte LLP, are shown in note 4 to the consolidated financial statements.

Toby Hayward
Chairman of the audit committee
11 July 2014

Directors' report

Introduction

The directors present their report together with the audited consolidated financial statements for the year ended 31 March 2014.

The Companies Act 2006 requires the directors to present a fair review of the business during the year to 31 March 2014 and of the position of the Group at the end of the financial year along with a description of the principal risks and uncertainties. The Disclosure and Transparency Rules require certain information to be included in a corporate governance statement.

The strategic report on pages 2 to 43 and the corporate governance report on pages 46 to 81, including the audit committee report, form part of this directors' report. Disclosures elsewhere in the annual report are cross-referenced where appropriate. Taken together, they fulfil the combined requirements of company law, the Disclosure and Transparency Rules and Listing Rules.

Details of significant events since the balance sheet date are contained in note 32 to the financial statements. An indication of likely future developments in the business of the Group and details of research and development activities are included in the strategic report. Information about the use of financial instruments by the Company and its subsidiaries is given in note 21 to the financial statements.

Dividends

The directors did not declare an interim dividend for the six months ended 30 September 2013 (2013: £1.3m, 1.5p per share). The directors do not recommend the payment of a final dividend.

Directors

The present membership of the board is set out on pages 46 and 47.

Details of directors' interests, including interests in the Company's shares, are disclosed in the directors' remuneration report on page 77.

The other significant commitments of the chairman were unchanged during the year and consist of acting as non-executive director of Lagan Construction Holdings Limited and Newbury Racecourse plc.

Significant shareholdings

As at 1 July 2014, 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:

	Ordinary 2.5p share	%
1 M&G Investments	46,889,416	15.76
2 JO Hambro Capital Management	44,332,047	14.90
3 Standard Life Investments	25,941,128	8.72
4 Threadneedle Investments	23,382,337	7.86
5 River & Mercantile Asset Management	15,802,632	5.31
6 Legal & General Investment Management	14,119,905	4.75
7 Henderson Global Investors	10,568,906	3.55

Share capital

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

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 ten 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.

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.

Directors' report continued

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.

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 AGM that a general meeting of the Company, other than an AGM, can be called on not less than 14 clear days' notice.

Change of control

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.

Appointment and replacement of directors

In accordance with the Company's articles, directors shall be no less than two and no more than 12 in number. Subject to applicable law, a director may be appointed by an ordinary resolution of shareholders in general meeting following nomination by the board or a member (or members) entitled to vote at such a meeting, or following retirement by rotation if the director chooses to seek re-election at a general meeting. In addition, the directors may appoint a director to fill a vacancy or as an additional director, provided that the individual retires at the next AGM. A director may be removed by the Company as provided for by applicable law, in certain circumstances set out in the Company's articles of association (for example bankruptcy, or resignation), or by a special resolution of the Company. We have decided this year to adopt voluntarily the practice that all directors stand for re-election on an annual basis, in line with the recommendations of the Code.

Powers of the directors

The business of the Company is managed by the board who may exercise all the powers of the Company subject to the provisions of the Company's articles of association, the Companies Act 2006 ('the Act') and any ordinary resolution of the Company.

Directors' indemnities

The articles entitle the directors of the Company to be indemnified, to the extent permitted by the Act and any other applicable legislation, out of the assets of the Company in the event that they suffer any loss or incur any liability in connection with the execution of their duties as directors.

In addition, and in common with many other companies, the Company had during the year and continues to have in place directors' and officers' insurance in favour of its directors and other officers in respect of certain losses or liabilities to which they may be exposed due to their office.

Amendment of articles of association

Any amendments to the articles may be made in accordance with the provisions of the Act by way of special resolution.

Political contributions

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

Greenhouse gas emissions

All disclosures on the Group's greenhouse gas emissions, as required to be disclosed under the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013), are contained in the corporate social responsibility report on page 32.

Employment of disabled persons

The Company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. In the event of an employee becoming disabled every effort is made to ensure that their employment within the Company continues and that appropriate training is arranged where necessary. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees, for example, eligibility to join Company share schemes, and on the various factors affecting the performance of the Group. Communication is made using the Group's internal communications newsletter and through regular meetings with, and presentations by, senior management.

Details of employee share-based payment schemes are set out in note 22.

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 pages 28 to 31.

Disclosure of information to the external auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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 Act.

External auditor

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

Annual general meeting

The notice concerning the AGM to be held at Aldwark Manor Hotel, York at noon on Tuesday 2 September 2014, 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.

The directors' report from pages 61 to 63 inclusive was approved by the board and signed on its behalf by:

Mark Sanderson
Company secretary
11 July 2014

Directors' remuneration report

Keith Elliott Chairman of the remuneration committee

On behalf of the board I am pleased to present the directors' remuneration report for the year ended 31 March 2014, our first under the Accounts and Reports Regulations. The report is set out in two sections: the directors' remuneration policy at pages 66 to 73 and the annual report on remuneration at pages 73 to 80.

Dear shareholder

Performance and remuneration in 2013/14

2013/14 was a difficult and transitional year. Performance problems on several major projects had seen the incumbent chief executive officer step down at the end of the previous year. Our chairman took control of the business as executive chairman until November 2013 when a new chief executive officer was appointed. Mid-year a new chief operating officer was also appointed following the retirement of the previous incumbent. A successful rights issue at the start of the year rebuilt the balance sheet and the performance problems and value at risk on projects were brought under control by year-end. We have returned to underlying profitability and the expectation of future growth and stability for next year and beyond.

Executive salaries are set at the same levels as set out in last year's annual report and we were able to secure the services of our new chief executive officer, Ian Lawson and new chief operating officer, Ian Cochrane during the year on comparable salaries to their respective predecessors.

The Group-wide performance targets set under the bonus plan for the whole year were not met and amongst the current executive directors bonuses will be only paid for this year to Ian Cochrane whose performance target for UK profitability was met and to Ian Lawson whose personal objectives were met. In addition, no PSP awards vested in relation to performance for the year ended 31 March 2014. As predicted in last year's annual report no awards under that scheme have vested now for four consecutive years. A one-off discretionary bonus payment to John Dodds for the period during which he acted as executive chairman was made.

Key remuneration issues for 2013/14

Unconnected with performance problems the committee undertook during 2013/14 an overhaul of directors' remuneration policy resulting in significant changes. Our guidelines were best practice compliance, consistency (with shareholder interests), market alignment and simplification. The resultant changes included:

- Deferment: 50 per cent of annual bonus to be paid in shares deferred for three years.
- Introduction of clawback provisions for incentive based remuneration.
- Standardisation of pensions and benefits in line with market norms.
- New service agreements for all directors incorporating current best practice.

Changes in remuneration policy for 2014/15 and beyond

The committee continuously reviews directors' remuneration policy to test its fitness for purpose in the context of attraction, retention and motivation of the high quality executives who can deliver our strategies and provide returns to our shareholders.

Our remuneration policy is linked to our key objectives as set out in the strategic report. The performance targets for our incentive based remuneration are linked to profit and health and safety, reflecting the primacy of those criteria in meeting our business objectives.

Based on the changes implemented in 2013/14 we are satisfied that current policy is fit for purpose for the coming year. Looking ahead three years we foresee no major changes to the structure but will refine the operation of the policy within the approved parameters to align with performance, market conditions and shareholder returns. Any significant changes to the policy would only be made after consultation with our major shareholders and approval at the annual general meeting.

Shareholders' views

I wrote to our ten largest shareholders in July/August 2013 to seek their views on the proposed changes identified in our remuneration policy and the feedback I received was broadly supportive. The committee will continue to maintain an open and constructive dialogue with shareholders on an ongoing basis.

Handing over

This report will be my last as chairman of the remuneration committee and the Company is fortunate to have found such a suitable replacement in Alun Griffiths. I have consulted with Alun since his appointment on 1 May 2014 and I know that this policy and the contents of this report have his approval.

Keith Elliott
Chairman of the remuneration committee
11 July 2014

> "Ensuring that the current remuneration policy and incentive arrangements properly meet the requirements of the Group remains high on the committee's agenda."

Directors' remuneration report continued

What is in this report

This report sets out details of the remuneration policy for executive and non-executive directors, describes the implementation of that policy and discloses the amounts paid relating to the year ended 31 March 2014. The report complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and reports) (Amendment) Regulations 2008 as amended in 2013. The report has been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the UKLA Listing Rules. The remuneration committee has also taken into consideration guidelines published by institutional investor advisory bodies such as the ABI and the NAPF.

The directors' remuneration policy (set out on pages 66 to 73) will be put to shareholders for approval in a binding vote at the AGM. The effective date of the policy is 2 September 2014 which is the date shareholder approval is being sought for the policy for the first time under the new reporting rules. The policy remains consistent with that operated during the 2013/14 financial year and approved at the 2013 AGM under the previous reporting framework, following extensive consultation with shareholders. In practice the policy will be applied from 1 April 2014. It is intended this policy will remain in place for three years until the 2017 AGM.

The annual statement by the chairman of the remuneration committee (set out on pages 64 and 65) and the annual report on remuneration (set out on pages 73 to 80) will be subject to an advisory vote at the AGM.

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 its opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006. The relevant sections subject to audit have been highlighted in the annual report on remuneration.

OUR REMUNERATION POLICY

What we are trying to achieve

The remuneration committee has responsibility for determining remuneration for the executive directors and the chairman and for oversight of reward strategy and policy for the Group. The committee aims to recruit and retain executives and ensure they are properly motivated to perform in the interests of the Company and its shareholders whilst paying no more than is necessary and operating within an appropriate risk profile.

How executive director remuneration policy relates to the wider Group

In setting remuneration for the executive directors, the committee takes account of market practice for companies of a similar size and complexity, the responsibilities of each individual role, individual performance and an individual's experience. Salary reviews (in percentage terms) will be set in the context of those of the wider workforce.

The overall remuneration of executive directors is more heavily weighted towards Group performance than the wider workforce whose pay is less variable and long-term incentives are restricted to those most able to directly influence overall Group performance. Wider employee share ownership is encouraged through the use of an all-employee share scheme.

How we take into account views of employees and shareholders

The committee does not formally consult with employees on executive pay but is periodically updated by the Group HR director on any developments in pay and employee relations and takes employees' views into account.

The committee considers developments in institutional investors' best practice expectations and the views expressed by shareholders with whom we have regular dialogue. In particular, we consulted extensively with our major shareholders before last year's AGM on our proposed changes to the remuneration policy and they were supportive of these changes which are now reflected in this policy. If any of our major shareholders were opposed to our remuneration policy we would endeavour to meet with them, as appropriate, to understand and respond to any issues they might have.

How remuneration is structured

The following table should be read in conjunction with the recruitment policy on page 72 and the implementation of policy for 2014/15 section of the annual report on remuneration on pages 79 and 80.

Executive directors

Base salaries

Purpose and link to strategy

To provide the core reward for the role.

Sufficient to recruit and retain directors of the calibre necessary to execute the Group's strategy.

Operation

Base salaries are normally reviewed annually by the committee, with changes effective from 1 July.

Our review takes into account levels of increase across the broader workforce, changes in responsibility, and a periodic remuneration review for comparable companies.

Maximum opportunity

There is no prescribed maximum.

Current salaries are disclosed in the annual report on remuneration.

Increases (as a percentage of salary) are generally limited to the range set for the wider workforce.

However, further increases may be awarded where there have been significant changes in the scope and/or responsibilities of the role or a material change in the size and scale of the Group.

Performance conditions

The committee considers individual salaries each year having due regard to the factors noted in operation of the policy.

No recovery provisions apply to salary.

Benefits

Purpose and link to strategy

Cost-effective benefits, sufficient to recruit and retain directors of the calibre necessary to execute the Group's strategy.

Operation

The Company currently provides the following employee benefits:

- Life assurance at four times salary
- Medical insurance for self with option to purchase for family
- Company car and fuel allowance

Relocation expenses would be paid as appropriate for new recruits or a change in role.

In circumstances where an executive is deployed on an international assignment, their arrangements will be managed in a way that is consistent with good practice for international organisations. Additional allowances may also be paid e.g. to cover any increase in cost of living, tax equalisation and/or additional accommodation costs.

The committee may wish to offer executive directors other employee benefits on broadly similar terms as those offered to other employees from time to time, provided within the maximum opportunity limit.

Maximum opportunity

The value of insured benefits can vary from year to year based on the costs from third party providers.

The total value of benefits (excluding relocation and international assignment allowances) will not exceed more than 15 per cent of salary in any year.

Performance conditions

No performance conditions or recovery provisions apply to benefits.

Directors' remuneration report continued

Pension

Purpose and link to strategy

Cost-effective long-term retirement benefits, sufficient to recruit and retain directors of the calibre necessary to execute the Group's strategy.

Operation

Company contribution to defined contribution scheme (own or the Company's), a cash supplement or a combination of both up to the maximum value.

Director has no obligation to match Company contributions.

Maximum opportunity	Performance conditions
20 per cent of base salary contribution/cash supplement for chief executive officer and 18 per cent of salary for others up to a maximum of £50,000 (with the exception that for executive directors commencing service before 1 November 2013 the Company pays a fixed contribution/cash supplement of £50,000 p.a.). For international assignments the Company may be required to make additional payments to comply with local statutory requirements.	No recovery provisions apply to pension benefits.

Annual bonus

Purpose and link to strategy

To focus attention on achieving short-term corporate objectives, incentivise outperformance of targets and provide a deferred element to reinforce the impact of long-term performance.

Operation

Any annual bonus award is made 50 per cent in cash and 50 per cent in shares deferred for three years under the rules of the Company's deferred share bonus plan ('DSBP') which incorporates a clawback mechanism for instances of financial misstatement, error or gross misconduct.

Dividends may accrue on deferred bonus shares.

Maximum opportunity	Performance conditions
Maximum 100 per cent of base salary per annum.	The committee will review the appropriateness of performance measures on an annual basis and consider whether there is a need to re-balance or amend the performance measures and weightings to reflect the business objectives at the time. However, the majority of the annual bonus will be subject to financial targets. Currently the business uses a combination of underlying profit before tax ('PBT') targets and accident frequency ratio ('AFR') targets. A minority of bonus will be payable for threshold levels of performance. The actual measures and weightings are set out in the annual report on remuneration on page 79.

Performance share plan ('PSP') (approved by shareholders in 2007)

Purpose and link to strategy

Incentivise and reward for long-term, sustainable performance linked to corporate strategy and provide alignment with shareholders' interests.

Operation

Annual grant of performance shares which will, in normal circumstances, vest subject to continued service and the achievement of performance conditions over a three year period.

There is a clawback mechanism for instances of financial misstatement, error or gross misconduct.

Dividends may accrue on vested awards.

Maximum opportunity	Performance conditions
Maximum annual award level is 150 per cent of salary. The current award policy is, in normal circumstances, for awards of 100 per cent of salary for the chief executive officer and 75 per cent of salary for other executive directors.	The committee will determine each year the appropriate award levels and performance conditions based on the corporate strategy at the time. However, a financial measure such as underlying earnings per share ('EPS') will be used for at least half of any award. Currently the awards are subject to an EPS growth target, the details of which are set out in the annual report on remuneration. No more than 25 per cent of an award will vest for performance at the lower threshold of EPS targets.

All-employee share plan

Purpose and link to strategy

To foster wider employee share ownership.

Operation

The Group currently operates a share incentive plan and may introduce a sharesave scheme subject to shareholder approval.

Participation in any all-employee share plans operated by the Group is in line with HMRC guidelines. Executive directors are entitled to participate on the same basis as for other eligible employees.

Maximum opportunity	Performance conditions
The Group has discretion under the all-employee share plans to issue awards up to the HMRC approved limits as set from time to time.	No recovery provisions apply to all-employee share awards.

Directors' remuneration report continued

Choice of performance conditions and metrics

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.

The performance metrics that are currently used for our annual bonus and PSP are selected to reflect the Group's key performance indicators which include safety and profitability.

Financial targets (such as profitability) are set based on a sliding scale that takes account of relevant commercial factors, internal budgeting and external forecasts as necessary. Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial outperformance of our challenging plans.

Other measures (such as safety) are incorporated into the annual bonus plan to reflect their operational importance and the key short-term priorities of the Group at that time. The targets are based on internal plans/budgets and in line with a wider commercial perspective.

The long-term incentive plan currently incorporates an EPS performance measure, which is a key financial metric which is aligned with shareholder interests. The committee has considered and taken advice on alternative performance measures, such as total shareholder return ('TSR'), to substitute for (all or part of) 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 to date we have found no better benchmark.

No performance targets are set for any share incentive plan or sharesave plan awards since these form part of all-employee arrangements that are purposefully designed to encourage employees across the Group to purchase shares in the Company.

Details of all the outstanding share awards granted to existing executive directors are set out in the annual report on remuneration.

The discretions retained by the committee in operating the annual bonus and the PSP

The committee will operate the annual bonus (including the deferred share element) and the PSP according to their respective rules and in accordance with the Listing Rules where relevant.

The committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans.

These include, but are not limited to, the following in relation to the annual bonus and PSP:

- the participants;
- the timing of grant/payment of an award;
- the size of an award (subject to the limits set out in the policy table);
- the determination of vesting/payment;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the relevant circumstances;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures and weighting, and targets for the annual bonus and to apply to future PSP awards.

In relation to both the Group's PSP and annual bonus plan, the committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the annual report on remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders. The use of any discretion in relation to the Company's share incentive plan and any sharesave plan will be as permitted under HMRC rules and the Listing Rules.

The PSP, under which the share awards are granted, was approved by shareholders in 2007. Further details on how the awards are structured and operated are set out in the plan rules which are available on request from the Company.

Details of share awards granted to existing executive directors which have not vested or lapsed are set out on page 76 of the annual report on remuneration. These remain eligible to vest based on their original award terms.

Illustration of application of the policy

A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The charts on page 71 show how much each executive director could earn under Severfield's remuneration policy (as detailed above) under different performance scenarios.

The following assumptions have been made:

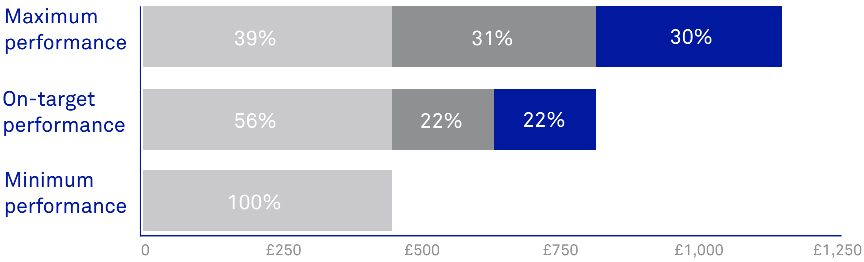
- Minimum (performance below threshold) — Fixed pay only with no vesting under the annual bonus or PSP.
- Target (performance in line with expectations) — Fixed pay plus a bonus at the mid-point of the range (i.e. 50 per cent of the maximum opportunity) and a PSP award of 100 per cent of salary for the chief executive officer and 75 per cent of salary for other executives vesting at 50 per cent of the maximum.
- Maximum (performance meets or exceeds maximum) — Fixed pay plus maximum bonus and maximum PSP award vesting.

Fixed pay comprises:

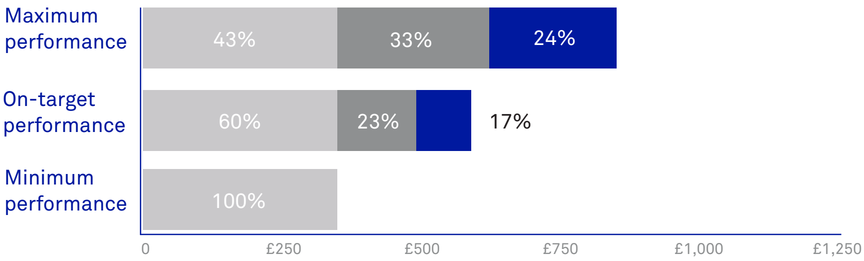
- Salaries — salary effective as at 1 July 2014;
- Benefits — amounts expected to be received by each executive director in the 2014/15 financial year;
- Pension — amount that will be received by each executive director in the 2014/15 financial year based on the policy set out in the table above.

The scenarios do not include any share price growth or dividend assumptions. All-employee share incentives have been excluded.

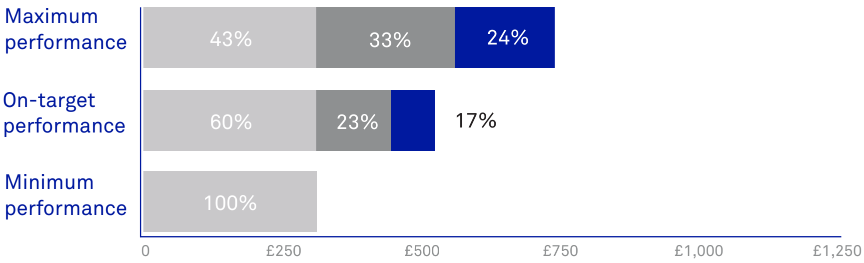
Chief executive officer



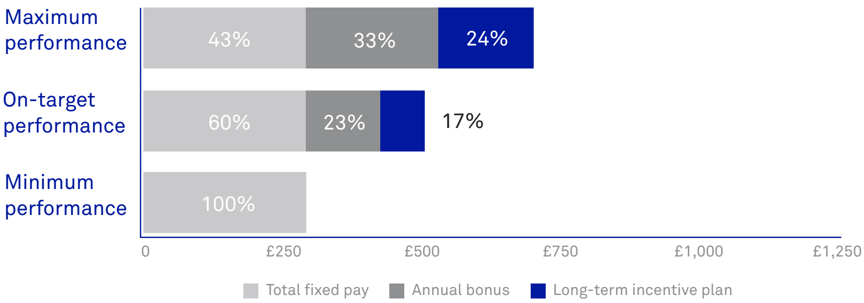
Chief operating officer



Group finance director



Executive director



Executive directors' service agreements

All executive directors signed new contracts during the year which incorporate current best practice, supersede all existing agreements and will be used consistently for future agreements.

The new service contracts of executive directors run on a rolling basis. 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.

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 at the annual general meeting.

Provision on payment for loss of office

If an executive director's employment is to be terminated, the committee's policy in respect of the contract of employment, in the absence of a breach of the service agreement by the director, is to agree a termination payment based on the value of base salary that would have accrued to the director during the contractual notice period. The policy is that, as is considered appropriate at the time, the departing director may work, or be placed on gardening leave, for all or part of his notice period, or receive a payment in lieu of notice in accordance with the service agreement. The committee will consider mitigation to reduce the termination payment to a leaving director when appropriate to do so, having regard to the circumstances.

In addition, where the director may pursue a claim against the Company in respect of his/her statutory employment rights or any other claim arising from the employment or its termination, the Company will be entitled to negotiate settlement terms (financial or otherwise) with the director that the committee considers to be reasonable in all the circumstances and in the best interests of the Company.

Directors' remuneration report continued

The payment of any annual bonus will be at the committee's discretion and will be based on the circumstances of the termination. Any bonus payment will be calculated based after assessing the relevant performance conditions and will only be in relation to the service period worked.

The rules of the PSP and DSBP set out what happens to share awards if a participant ceases to be an employee or director of the Company before the end of the vesting period. Generally, any outstanding share awards will lapse on such cessation, except in certain circumstances.

If the executive director ceases to be an employee or director of the Company as a result of death, disability, retirement, the sale of the business or company that employs the individual or any other reason at the discretion of the committee, then they will be treated as a 'good leaver' under the plan rules. Under the DSBP, the shares for a good leaver will normally vest in full on the normal vesting date (or on cessation of employment in the case of death).

Under the PSP, a good leaver's unvested awards will vest (either on the normal vesting date or the relevant date of cessation, as determined by the committee) subject to achievement of any relevant performance condition, with a pro rata reduction to reflect the proportion of the vesting period served (although the committee has the discretion to disapply time prorating if it considers it appropriate to do so).

In determining whether an executive director should be treated as a good leaver and the extent to which their award may vest, the committee will take into account the circumstances of an individual's departure.

Our recruitment remuneration policy

Base salary levels will be set in accordance with our remuneration policy, taking into account the experience and calibre of the individual and the relevant market rates at the time. Where it is appropriate to offer a lower salary initially, progressive increases (possibly above those of the wider workforce as a percentage of salary) to achieve the desired salary positioning may be given over the following few years subject to individual performance and continued development in the role.

Benefits will be provided in line with those offered to other employees, with relocation expenses/arrangements provided for if necessary.

Should it be appropriate to recruit a director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment).

Pension contributions or a cash supplement up to the maximum level indicated in the policy table will be provided, although the committee retains the discretion to structure any arrangements as necessary to comply with the relevant legislation and market practice if an overseas director is appointed.

The aggregate ongoing (i.e. after the year of appointment) incentive opportunity offered to new recruits will be no higher than that offered under the annual bonus plan and the PSP policy to the existing executive directors. In the year of appointment the annual bonus opportunity will be no higher than that offered to existing executive directors, prorated for the period of service (i.e. 100 per cent of salary on an annualised basis). The committee may award up to 150 per cent of salary under the PSP although in exceptional circumstances in order to facilitate the buy-out of existing awards the committee may go above this limit (see below).

Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual, and the point in the financial year that they joined.

The above policy applies to both an internal promotion to the board or an external hire.

In the case of an external hire, if it is necessary to buyout incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this would be provided for taking into account the form (cash or shares) and timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using the Company's existing share plans to the extent possible (including the use of the exceptional limit under the PSP), although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (adjusted as relevant to take into account the board appointment).

On the appointment of a new chairman or non-executive director, the fees will be set taking into account the experience and calibre of the individual and the expected time commitments of the role. Where specific cash or share arrangements are delivered to non-executive directors, these will not include share options or other performance-related elements.

How are the non-executive directors paid?

The chairman and non-executive directors receive an annual fee (paid in monthly instalments by payroll). The fee for the chairman is set by the remuneration committee and the fees for the non-executive directors are approved by the board, on the recommendation of the chairman and chief executive officer.

Element	Purpose and link to strategy	Operation (including maximum levels)
Fees	To attract and retain a high-calibre chairman and non-executive directors by offering market competitive fee levels.	Current fee levels are disclosed in the annual report on remuneration. The chairman is paid an all-inclusive fee for all board responsibilities. The other non-executive directors receive a basic board fee, with supplementary fees payable for additional board responsibilities. Non-executive directors will be reimbursed for any normal business related expenses and any taxable benefit implications that may result. The non-executive directors do not participate in any of the Company's incentive arrangements or Group's pension scheme. The fee levels are reviewed on a periodic basis, and may be increased, taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Fee increases may be greater than those of the wider workforce in a particular year, reflecting the periodic nature of increases and that they take into account changes in responsibility and/or time commitments. No benefits or other remuneration are provided to non-executive directors.

What are the terms of appointment of the non-executive directors?

The chairman and non-executive directors' terms of appointment are recorded in letters of appointment. The required notice from the Company is one month in all cases. The non-executive directors are not entitled to any compensation on loss of office.

Shareholding guideline

Executive directors are required to retain shares acquired under equity 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.

ANNUAL REPORT ON REMUNERATION

In this section, we report on the implementation of our policies in the year ended 31 March 2014 as well as how the policy will be implemented for 2014/15.

IMPLEMENTATION OF POLICY FOR 2013/14

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 year are shown below together with their attendance at remuneration committee meetings:

	Number of meetings attended
Keith Elliott (chairman)	4/4
Toby Hayward	4/4
Chris Holt	4/4

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 terms of reference for the remuneration committee are available from the Company secretary.

Advisers to the committee

The committee retained New Bridge Street (an Aon plc company) as an independent adviser to the remuneration committee throughout the period. New Bridge Street are a member of the Remuneration Consultants Group and are a signatory to its code of conduct. Neither New Bridge Street nor any other part of Aon plc provided other services to the Group during the year. The fees paid to New Bridge Street in respect of work carried out in the 12 months to 31 March 2014 totalled £40,000.

Directors' remuneration report continued

Directors' earnings for the 2013/14 financial year (audited)

Remuneration received by the directors

	Year ended 31 March 2014						
£000	Salary	Bonus	Fees	Benefits	Pension	LTIPs	TOTAL
Executives							
Ian Lawson (from 1/11/13)[2]	**146**	**50**	**—**	**8**	**29**	**—**	**233**
John Dodds (until 1/11/13)[1]	**204**	**85**	**—**	**—**	**—**	**—**	**289**
Ian Cochrane (from 5/6/13)	**227**	**169**	**—**	**1**	**41**	**—**	**438**
Peter Emerson (until 5/6/13)	**81**	**—**	**—**	**4**	**—**	**—**	**85**
Alan Dunsmore	**226**	**—**	**—**	**25**	**50**	**—**	**301**
Derek Randall	**226**	**—**	**—**	**8**	**50**	**—**	**284**
Non-executives							
John Dodds (from 1/11/13)[1]	**—**	**—**	**42**	**—**	**—**	**—**	**42**
Toby Hayward[4]	**—**	**—**	**60**	**—**	**—**	**—**	**60**
Keith Elliott[4]	**—**	**—**	**60**	**—**	**—**	**—**	**60**
Chris Holt[3]	**—**	**—**	**45**	**—**	**—**	**—**	**45**
Total	**1,110**	**304**	**207**	**46**	**170**	**—**	**1,837**

Taxable benefits include the provision of company cars, fuel for company cars, car allowances and private medical insurance. PSP awards reflect those vesting based on performance to 31 March 2014.

1. John Dodds operated as executive chairman until 1 November 2013 when he reverted to his previous role of non-executive chairman. The salary he received as an executive director and the fees he received as a non-executive director have been disclosed separately.
2. Ian Lawson has reached his lifetime pension limit and receives a cash alternative of 20 per cent of basic salary in lieu of pension contributions.
3. Chris Holt served as chairman of the nomination committee for part of the year for which he was paid an additional fee of £5,000.
4. Retired from the board on 18 July 2014.

	15 month period ended 31 March 2013						
£000	Salary	Bonus	Fees	Benefits	Pension	LTIPs	TOTAL
Executives							
Tom Haughey (until 23/1/13)[1]	367	—	—	29	54	—	450
John Dodds (from 23/1/13)[2]	61	—	—	1	—	—	62
Peter Emerson (until 5/6/13)	341	—	—	32	—	—	373
Alan Dunsmore	281	—	—	32	63	—	376
Derek Randall	281	—	—	34	63	—	378
Non-executives							
John Dodds (until 23/1/13)[2]	—	—	99	—	—	—	99
Toby Hayward	—	—	75	—	—	—	75
Keith Elliott	—	—	75	—	—	—	75
Chris Holt	—	—	51	—	—	—	51
Geoff Wright (until 31/12/12)	—	—	45	—	—	—	45
Total	1,331	—	345	128	180	—	1,984

Taxable benefits include the provision of company cars, fuel for company cars, car allowances and private medical insurance. PSP awards reflect those vesting based on performance to 31 March 2013.

1. Tom 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 officer on 23 January 2013. These payments represent amounts to which the Group was contractually obliged.
2. John Dodds operated as non-executive chairman 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.

Past directors/loss of office payments (audited)

There have been no payments made to past directors (including Peter Emerson) or any payment for loss of office.

How pay linked to performance in 2013/2014

Bonus

The past year has been one of transition for the Group as the balance sheet was rebuilt, the executive team strengthened and the business restructured. This is reflected in the decisions reached by the committee with respect to the bonuses paid to the executive directors.

No bonus was awarded to Derek Randall or Alan Dunsmore. Ian Lawson and Ian Cochrane received a bonus of £50,000 and £169,068 respectively, of which 50 per cent has been paid in shares deferred for three years. John Dodds was paid a bonus of £85,000 in relation to his interim executive position.

As reported last year the bonus plan applicable to the executive directors at the time (Alan Dunsmore and Derek Randall) had two separate performance conditions. Eighty per cent was payable based on achieving Group-wide budget PBT with the entry point being 95 per cent of Group-wide budget PBT, rising to 50 per cent of this element being payable for achieving budget and full payout for achieving 120 per cent of budget. Actual Group-wide PBT of £4m was not sufficient to meet the budget set at the beginning of the year so this element of the bonus was not earned. Twenty per cent was payable based on achieving a target AFR. The actual AFR at the year-end was higher than the target so this element was not earned either.

The budget PBT and the AFR target and actual result are considered to be commercially sensitive as they could be used by non-listed peers to gain a competitive advantage and therefore have not been disclosed. If commercial concerns are alleviated in the future, the committee will disclose the targets and actual performance.

Given that Ian Lawson was only in post for the final five months of the financial year, it was not felt appropriate to measure the financial element of the bonus against a budget PBT set at the beginning of the year. Therefore, the financial element of Ian Lawson's bonus (80 per cent of the maximum)was set against a combination of personal and business objectives which related to completing the restructuring of the business for growth and establishment of a new management team. The element subject to the AFR target was not met and therefore is not payable. The committee took a broad assessment of performance against the personal and business objectives and determined that a prorated bonus of £50,000 (or 42.9 per cent of the maximum for this element of the bonus) was payable, of which 50 per cent would be paid in shares deferred for three years.

In the case of Ian Cochrane, his role and responsibilities as Group chief operating officer from appointment on 5 June 2013, were defined as excluding India. Therefore, the committee set his PBT performance target based on the PBT budget for the Group excluding India. As actual UK PBT exceeded the target by over 17 per cent the remuneration committee determined that he should be paid 93.5 per cent of this element of his bonus pro rata for the period that he served in that capacity (i.e. 300 out of 365 days in the financial year). The element subject to the AFR target was not met and therefore would not be payable. The calculation of his bonus was accordingly that £169,068 was payable of which 50 per cent of the bonus would be paid in shares deferred for three years.

In the case of John Dodds and as reported last year his agreement included for a performance related bonus of £50,000 payable on transition to a permanent chief executive officer, which occurred on 1 November 2013. Given that he performed the executive duties for longer than anticipated (i.e. a period of over nine months) and to reflect his exceptional performance during that time he was paid a cash bonus of £85,000. When making this determination the committee considered his leadership and performance during a difficult time for the Company, in particular in driving the Company through a successful rights issue and rebuilding the balance sheet.

PSP

No PSP awards vested in 2013/14. The 2011 PSP award was subject to an EPS performance condition measured over the three financial years ended 31 March 2014. The minimum EPS figure required for vesting of 25 per cent of the award was 6.51p (as adjusted after the rights issue in March 2013) which equates to a PBT of c.£24m. This target was not achieved and the awards have lapsed.

Directors' remuneration report continued

PSP awards granted to directors in 2013/14 (audited)

Share awards were made in the year under the PSP scheme for the three year period expiring on 31 March 2016. Details of the awards made to the executive directors are summarised below.

	Type	No. of shares	Face value[1] (Percentage of salary)		Performance condition[2]	Performance period	% receivable for minimum performance
Ian Lawson	Nil-cost option	549,020	£350,000	(100%)	EPS	3 financial years ending 31 March 2016	25%
Ian Cochrane	Nil-cost option	429,688	£206,250	(75%)			
Alan Dunsmore	Nil-cost option	353,359	£169,613	(75%)			
Derek Randall	Nil-cost option	353,359	£169,613	(75%)			

1. Face value calculated based on the pre-grant date share price of 48p on 5 June 2013 for all except Ian Lawson which was based on the pre-grant date share price of 63.75p on 31 October 2013.
2. Performance conditions for all these awards are aligned, with an EPS range from 2.15p (minimum performance — 25 per cent of award vests) to 4.87p (maximum performance — 100 per cent of award vests) with linear interpolation in between. This equates to a likely PBT range of *c.*£8m to £17m.

Outstanding share awards at the year-end (audited)

Details of share awards under the PSP to anyone who was an executive director during 2013/14 and which were outstanding at the year-end are shown in the following tables:

Outstanding share awards

	Year of award	Vesting date[1] (June)	Performance condition*	No. of shares at 31 March 2013[2]	Shares granted in year	Shares lapsed in year	Shares vested in year	**No. of shares at 31 March 2014**
Ian Lawson	2013	2016	EPS	—	549,020	—	—	**549,020**
Ian Cochrane	2010	2013	EPS	70,686	—	70,686		**—**
Ian Cochrane	2011	2014	EPS	120,058	—	—	—	**120,058**
Ian Cochrane	2012	2015	EPS	153,181	—	—	—	**153,181**
Ian Cochrane	2013	2016	EPS	—	429,688	—	—	**429,688**
Ian Cochrane total				**343,925**	**429,688**	**70,686**	**—**	**702,927**
Alan Dunsmore	2010	2013	EPS	125,613	—	125,613	—	**—**
Alan Dunsmore	2011	2014	EPS	213,350	—	—	—	**213,350**
Alan Dunsmore	2012	2015	EPS	272,209	—	—	—	**272,209**
Alan Dunsmore	2013	2016	EPS	—	353,359	—	—	**353,359**
Alan Dunsmore total				**611,172**	**353,359**	**125,613**	**—**	**838,918**
Derek Randall	2010	2013	EPS	70,686	—	70,686	—	**—**
Derek Randall	2011	2014	EPS	213,350	—	—	—	**213,350**
Derek Randall	2012	2015	EPS	272,209	—	—	—	**272,209**
Derek Randall	2013	2016	EPS	—	353,359	—	—	**353,359**
Derek Randall total				**556,245**	**353,359**	**70,686**	**—**	**838,918**
Peter Emerson	2010	2013	EPS	151,471	—	151,471	—	**—**
Peter Emerson	2011	2014	EPS	298,427	—	—	—	**298,427**
Peter Emerson	2012	2015	EPS	328,248	—	—	—	**328,248**
Peter Emerson total[3]				**778,146**	**—**	**151,471**	**—**	**626,675**

* Performance conditions are all based on a range of EPS targets as follows:

	Threshold (25% vests)	Maximum (100% vests)
2011	6.51p	13.01p
2012	6.51p	11.71p
2013	2.15p	4.87p

1. 2010 awards lapsed in June 2013 and 2011 awards lapsed in June 2014.
2. 2011 and 2012 awards were adjusted in August 2013 to take account of the dilutive impact of the rights issue.
3. Peter Emerson retired on 5 June 2013 and was treated as a good leaver under the PSP rules whereby his awards will be allowed to vest subject to performance being tested at the end of the performance period and prorated to reflect his period of employment.

The directors' current shareholdings (audited):

The following table provides details on the directors' beneficial interests in the Company's share capital as at 31 March 2014:

	Number[1]	SIP[2]	PSP[3]	Total[4]
John Dodds	228,833	—	—	228,833
Ian Lawson (from 1/11/13)	82,431	—	549,020	631,451
Ian Cochrane (from 5/6/13)	2,708,979	7,154	702,927	3,419,060
Alan Dunsmore	50,000	7,154	838,918	896,072
Derek Randall	50,000	4,667	838,918	893,585
Keith Elliott	383,088	—	—	383,088
Toby Hayward	100,000	—	—	100,000
Chris Holt	35,240	—	—	35,240

1. Includes shares owned by connected persons.
2. SIP shares are unvested and held in trust.
3. PSP shares are in the form of conditional awards which will only vest if at all on the achievement of the performance conditions prescribed at date of grant.
4. As at 31 March 2014, in respect of the Company's shareholding guideline referred to on page 73 Ian Cochrane satisfies the guideline. The other executive directors will be required to retain a proportion of any net of tax shares which may vest from equity based plans until the guideline is achieved.

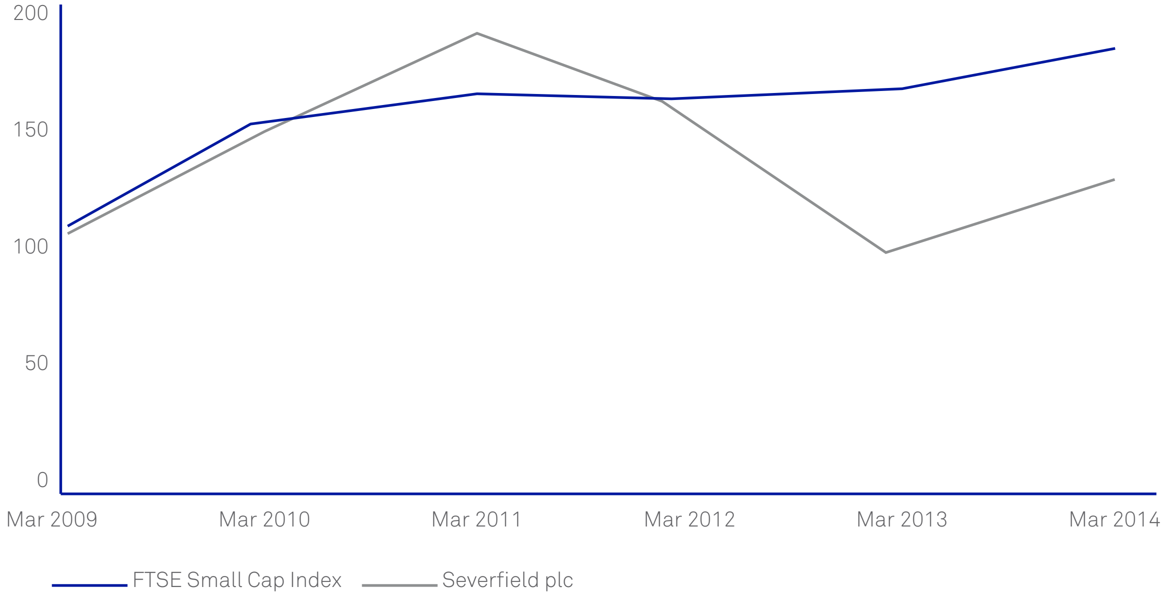
Position against dilution limits

Severfield plc complies with the ABI Principles of executive remuneration. These principles require that commitments under all of the Company's share ownership schemes (including the SIP and the PSP) must not exceed ten per cent of the issued share capital in any rolling ten year period. The Company's position against its dilution limit as at 31 March 2014 was well under the maximum ten per cent limit at 2.17 per cent.

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 2009 over the five-year period ended 31 March 2014.

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



Directors' remuneration report continued

Chief executive officer remuneration change

The table below shows the total remuneration figure for the chief executive officer role over the same five year period. Performance pay includes bonus and the value of PSP awards vesting in relation to performance that ended that year (at the share price at which they vested). The figures for 2013 and 2014 reflect the fact that from 23 January 2013 to 31 October 2013 John Dodds acted as executive chairman and that financial year 2013 was a 15 month period.

	2009 Tom Haughey	2010 Tom Haughey	2011 Tom Haughey	2013‡ Tom Haughey	2013 John Dodds*	2014 John Dodds*	2014 Ian Lawson†
Total remuneration (£000)	1,265	640	701	450	62	289	233
Annual bonus (%)	94.8%	50.1%	60.5%	0.0%	N/A	N/A	34.0%
LTIP vesting (%)	100.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A

* John Dodds was appointed executive chairman in an interim capacity following Tom Haughey's resignation as chief executive officer on 23 January 2013 and prior to the appointment of Ian Lawson as chief executive officer on 1 November 2013. During this time he was awarded a discretionary bonus (no maximum was set) but not entitled to any PSP award. These figures do not include his fees as non-executive chairman.

† Appointed on 1 November 2013.

‡ Tom Haughey also received compensation for loss of office in accordance with his contract of £423,000.

How the change in chief executive officer pay for the years compare to that for the Company's employees

The table below shows the percentage change in salary, benefits and annual bonus earned between the year ended 31 March 2014 and the 15 month period ended 31 March 2013 for the chief executive officer compared to the percentage change of each of those components of pay for a group of employees. The committee has selected salaried employees in mainland UK as this geography provides the most appropriate comparator.

Chief executive officer	2014 £000	2013 £000	% change
Salary	350	428	-18.2%
Benefits	8	30	-73.3%
Bonus	135	—	N/A
Average employees			
Salary	13,301	15,691	-15.2%
Benefits	1,206	1,707	-29.3%
Bonus	665	107	519.6%

Relative importance of spend on pay

The following table shows the actual spend on pay for all employees relative to revenue and underlying operating profit before the results of JVs and associates:

	2014 £000	2013* £000	% change
Staff costs	50,551	66,967	-24.5%
Revenue	231,312	318,256	-27.3%
Underlying operating profit/(loss)	7,621	(19,218)	139.6%
Distribution to shareholders	—	4,462	-100.0%

* The comparative period represents the 15 month period ended 31 March 2013.

Shareholder voting

The results below show the response to the 2013 AGM shareholder voting for the directors' 2013 remuneration report:

	Total number of votes[1]	% of votes cast
For	238,538,261	99.9%
Against	234,977	0.1%
Total votes cast (for and against)	**238,773,238**	**100%**
Withheld votes	1,699,902	N/A
Total votes (including withheld votes)	**240,473,140**	**N/A**

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.

IMPLEMENTATION OF POLICY FOR 2014/15

The executive directors' current salaries

Following a review in April 2014 the committee determined that salary increases of 2.25 per cent would be made to executive directors, effective 1 July 2014. These increases are aligned with the overall salary increase budget for the wider workforce.

The executive directors' salaries for the 2014/15 financial year are as follows:

£	1 July 2014 salary	1 July 2013 salary[1]	Change
Ian Lawson	**357,900**	350,000	+2.25%
Ian Cochrane	**281,200**	275,000	+2.25%
Alan Dunsmore	**231,250**	226,150	+2.25%
Derek Randall	**231,250**	226,150	+2.25%

1. Or on appointment.

Benefits and pension

All executive directors will be entitled to a car allowance of £15,000 (chief executive officer: £18,000), a fuel allowance, life insurance cover and medical insurance.

A pension contribution of £50,000 will be offered to each executive director, with the exception of Ian Lawson who will be offered 20 per cent of basic salary.

Rewards for performance in 2014/2015

Bonus

The annual bonus for 2014/2015 will operate on the same basis as for 2013/2014 (although all directors will be subject to Group-wide targets)* and will be consistent with the policy detailed in the remuneration policy section of this report in terms of the maximum bonus opportunity, deferral and clawback provisions. The measures have been selected to reflect a range of financial and operational goals that support the key strategic objectives of the Group.

The performance measures and weightings will be as follows:

Profit performance-based component — 80 per cent

The sliding scale range for bonus targets in 2014/15 is as follows:

Maximum bonus based on actual PBT versus budget

PBT % of budget	% of award
95 or below	—
100	50
120 or better	100

The committee believes that the budget PBT figures are commercially sensitive metrics and therefore are not disclosed at this time. Actual target figures will be disclosed on a retrospective basis when these sensitivities have been removed.

* Whilst Derek Randall remains in India the profit performance-based component of his bonus will be split 50/50 between PBT (UK) and PBT (India).

Other performance-based component — 20 per cent

AFR (accident frequency ratio) will again be used throughout the Group.†

AFR is an industry recognised and measurable target. The pre-set targets have not been disclosed due to commercial sensitivities. Actual target figures will be disclosed on a retrospective basis when these sensitivities have been removed.

† Whilst Derek Randall remains in India the AFR component of his bonus will be based on AFR (India).

Directors' remuneration report continued

PSP

It is the committee's intention to grant PSP awards of 100 per cent of salary for the chief executive officer and 75 per cent of salary for other executive directors.

This year we will set a performance condition for a three year period commencing on 1 April 2014 and ending on 31 March 2017. 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 equivalent to PBT of £12m. If this level is achieved 25 per cent of the shares granted will vest. At the higher end the target EPS is set at EPS equivalent to PBT of £24m. 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.

These targets will require management to deliver strong, sustainable performance over the period.

How will the non-executive directors be paid in the 2014/15 financial year?

The fees for the chairman and non-executive directors will be as follows:

£	2015	2014
Chairman[1]	**85,000**	85,000
Basic fee for other non-executive directors	**40,000**	40,000
Fees for SID role[2]	**5,000**	15,000
Chairman of the audit, nomination and remuneration committees[3]	**5,000**	5,000

1. The figure for chairman reflects the basic agreed fee for the chairman and does not account for the actual payments made to John Dodds during 2013/14 due to his continued performance of the role of executive chairman from 1 April 2013 to 31 October 2013.
2. The lower figure represents the fee agreed with Kevin Whiteman for performance of the role from 19 July 2014 onwards. Keith Elliott's fee is payable until his retirement on 18 July 2014.
3. In 2014 Toby Hayward received a discretionary additional payment of £15,000 per annum as chairman of the audit committee.

Approval

This report was approved by the board of directors and signed on behalf of the board.

Keith Elliott
Chairman of remuneration committee
11 July 2014

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.

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

Each of the directors listed on pages 46 and 47 confirms that, to the best of their 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 directors' report on pages 61 to 63 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

Ian Lawson
Chief executive officer
11 July 2014

Alan Dunsmore
Group finance director

Our financials

Project: London Bridge Station
Location: London
Tonnage: 4,000
Client: Network Rail
Main contractor: Costain
Completion: 2018

Independent auditor’s report

to the members of Severfield plc

Opinion on financial statements of Severfield plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 31 March 2014 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Group financial statements comprise the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement and the related notes 1 to 32. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The parent company financial statements comprise the parent company balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors’ statement contained within the strategic report on page 31 that the Group is a going concern.

We confirm that:

- we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group’s ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Contract valuation, revenue and profit recognition in relation to the final outcome of material construction contracts The judgements made in relation to the stage of completion of contracts including: • the recoverability of unagreed variations and claims; • the estimates of future costs to complete; and • the outcome of other uncertain future events can have a material impact on the financial statements.	We have focused our audit procedures on material contracts based on the following principal criteria: a) the balance sheet carrying value; b) the contribution to profit in the year; c) the stage of completion; d) the value at risk identified by management; and e) our assessment of the degree of judgement involved in the contract accounting. We have: • reviewed the design and implementation of management’s internal controls over contract accounting; and • performed the following substantive audit procedures: agreed revenue recognised on contracts to evidence of third party certifications and cash receipts; challenged management on any revenues recognised which exceed the certified revenue, particularly in relation to unagreed variations and claims, and on their estimates of future costs to complete. This included the inspection of variation instructions, enquiries of quantity surveyors and contract managers, liaison with internal and external legal advisers, review of the detailed forecast cost to complete schedules, including agreeing estimates of future costs and critical assumptions to supporting evidence, such as agreed third party quotes for site work and materials price lists; performed a retrospective review of previous judgements on contracts to understand the historical forecasting accuracy; and performed a review of subsequent events on contracts that may have a material impact on the financial statements up to the date of signing this auditor’s report.

Risk	How the scope of our audit responded to the risk
Impairment of goodwill and other non-current assets The consolidated balance sheet includes: • goodwill and intangible assets of £63.9m; • the investment in the Indian joint venture of £3.3m; and • the fair value of a financial guarantee associated with the Indian joint venture of £2.2m. Management has made its annual assessment of the impairment risk in relation to these carrying values, which includes a number of important judgements on uncertain future events. The most subjective judgements relate to the forecast financial performance of the cash-generating units ('CGU'), including the growth rates, operating margins and the appropriate discount rates for future cash flows.	We have: • assessed management's assumptions (described in notes 11 and 15 to the financial statements) included in its impairment model for goodwill and intangible assets, and the joint venture. These include the trading and cash flow projections, the growth and perpetuity rates and the discount factors applied; • compared these to external medium term growth rate projections for the UK and India, the historical trading and cash flow performance of the business units, and the discount rates of relevant comparator companies; • taken into account the Group's historical budgeting accuracy, including comparing the operating profit margin assumed in the order book with historical performance and reviewing the prospects list and conversion assumptions with the historical performance of the business units.

The audit committee's consideration of these risks is set out on page 59.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

In recent years the Group has reported both profits and losses, and has made adjustments to highlight non-underlying items included in its statutory results. In the absence of a stable profit base, we have used Group revenue to determine materiality of £1m by applying 0.5 per cent to turnover for the year. We also sense-checked this materiality threshold by reference to the scale of underlying profits and losses in recent years and the directors' expectation of future profits.

We agreed with the audit committee that we would report to the committee all audit differences in excess of £20,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The Group and parent company audits are performed at the Group's head office at Dalton, North Yorkshire. All of the subsidiaries are based in three locations in the UK, together with a joint venture based in India and an associate based in South Yorkshire.

Full scope audits are completed on all the businesses located in the UK. The joint venture is audited by Deloitte Mumbai and is a full scope audit to a component materiality. The associate business is scoped out of our Group audit procedures on the grounds of materiality. The audits of the UK subsidiaries were executed to a component materiality which is less than Group materiality.

The Group audit team continued to follow a programme of planned visits that has been designed so that the senior statutory auditor attends the principal financial reporting locations in the UK and the Indian joint venture each year including attendance at the audit close meetings.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent auditor’s report continued

Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors’ remuneration have not been made or the part of the directors’ remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate governance statement

Under the Listing Rules we are also required to review the part of the corporate governance statement relating to the Company’s compliance with nine provisions of the UK corporate governance code. We have nothing to report arising from our review.

Our duty to read other information in the annual report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors’ statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the 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 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

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 and 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paul Feechan
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered accountants and statutory auditor
Newcastle, United Kingdom
11 July 2014

Consolidated income statement

Year ended 31 March 2014

	Note	Before other items 2014 £000	Other items 2014 £000	Total 2014 £000	Before other items 2013 £000	Other items 2013 £000	Total 2013 £000
Continuing operations							
Revenue	3	231,312	—	231,312	318,256	—	318,256
Cost of sales		(217,830)	(2,017)	(219,847)	(330,945)	(1,766)	(332,711)
Gross profit/(loss)		13,482	(2,017)	11,465	(12,689)	(1,766)	(14,455)
Other operating income		541	—	541	993	—	993
Distribution costs		(2,432)	(79)	(2,511)	(2,912)	—	(2,912)
Administrative expenses		(3,970)	(5,633)	(9,603)	(4,610)	(5,664)	(10,274)
Movements in the valuation of derivative financial instruments		—	—	—	—	104	104
Operating profit/(loss) before share of results of JVs and associates		7,621	(7,729)	(108)	(19,218)	(7,326)	(26,544)
Share of results of JVs and associates		(3,038)	(353)	(3,391)	(310)	—	(310)
Operating profit/(loss)	4	4,583	(8,082)	(3,499)	(19,528)	(7,326)	(26,854)
Finance income	7	7	—	7	10	—	10
Finance expense	7	(565)	—	(565)	(2,014)	—	(2,014)
Profit/(loss) before tax		4,025	(8,082)	(4,057)	(21,532)	(7,326)	(28,858)
Taxation	8	(1,427)	2,844	1,417	3,057	2,674	5,731
Profit/(loss) for the period attributable to the equity holders of the parent		2,598	(5,238)	(2,640)	(18,475)	(4,652)	(23,127)
Earnings per share:*							
Basic	10	0.88p	(1.77p)	(0.89p)	(10.78p)	(2.71p)	(13.49p)
Diluted	10	0.88p	(1.77p)	(0.89p)	(10.78p)	(2.71p)	(13.49p)

* Earnings per share for the period ended 31 March 2013 has been restated to take account of the impact of the discount element of the rights issue which completed in April 2013 (see note 10). The comparative period represents the 15 month period ended 31 March 2013.

Further details of other items are disclosed in note 5 to the consolidated financial statements.

Consolidated statement of comprehensive income

Year ended 31 March 2014

	Note	**Year ended 31 March 2014 £000**	Period ended 31 March 2013 £000
Actuarial loss on defined benefit pension scheme*	30	**(1,261)**	(2,824)
Tax relating to components of other comprehensive income*	20	**(101)**	458
Other comprehensive income for the period		**(1,362)**	(2,366)
Loss for the period from continuing operations		**(2,640)**	(23,127)
Total comprehensive income for the period attributable to equity holders of the parent		**(4,002)**	(25,493)

* These items will not be subsequently reclassified to the consolidated income statement.

Consolidated balance sheet

At 31 March 2014

	Note	At 31 March 2014 £000	At 31 March 2013 £000
Assets			
Non-current assets			
Goodwill	11	**54,712**	54,712
Other intangible assets	12	**9,845**	15,100
Property, plant and equipment	13	**74,128**	76,141
Investment property	13	**3,870**	3,910
Interests in JVs and associates	15	**3,315**	3,168
Deferred tax asset	20	**1,780**	1,840
		147,650	154,871
Current assets			
Inventories	16	**5,842**	8,214
Trade and other receivables	18	**60,801**	71,599
Cash and cash equivalents		**5,525**	671
		72,168	80,484
Total assets		**219,818**	235,355
Liabilities			
Current liabilities			
Trade and other payables	19	**(51,322)**	(70,894)
Financial liabilities — borrowings	21	**(5,000)**	(41,461)
Financial liabilities — finance leases	21	**(181)**	(194)
Current tax liabilities		**(1,422)**	5
		(57,925)	(112,544)
Non-current liabilities			
Retirement benefit obligations	30	**(12,533)**	(11,811)
Financial liabilities — finance leases	21	**(25)**	(206)
Deferred tax liabilities	20	**(5,937)**	(8,393)
		(18,495)	(20,410)
Total liabilities		**(76,420)**	(132,954)
Net assets		**143,398**	102,401
Equity			
Share capital	23	**7,437**	2,231
Share premium		**85,702**	46,152
Other reserves	24	**770**	527
Retained earnings		**49,489**	53,491
Total equity		**143,398**	102,401

The consolidated financial statements were approved by the board of directors on 11 July 2014 and signed on its behalf by:

Ian Lawson
Chief executive officer

Alan Dunsmore
Group finance director

Consolidated statement of changes in equity

Year ended 31 March 2014

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2013		**2,231**	**46,152**	**527**	**53,491**	**102,401**
Loss for the year (attributable to equity holders of the parent)		**—**	**—**	**—**	**(2,640)**	**(2,640)**
Proceeds from shares issued		**5,206**	**39,550**	**—**	**—**	**44,756**
Equity settled share-based payments	22	**—**	**—**	**243**	**—**	**243**
Actuarial loss on defined benefit pension scheme	30	**—**	**—**	**—**	**(1,261)**	**(1,261)**
Deferred income taxes on defined benefit pension scheme	20	**—**	**—**	**—**	**(101)**	**(101)**
At 31 March 2014		**7,437**	**85,702**	**770**	**49,489**	**143,398**

The increase in share capital and share premium reflect the 7:3 rights issue of 208,252,511 new ordinary shares at 23p per share which was approved by shareholders on 18 March 2013. 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.

	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	22	—	—	58	—	58
Actuarial loss on defined benefit pension scheme	30	—	—	—	(2,824)	(2,824)
Deferred income taxes on defined benefit pension scheme	20	—	—	—	458	458
At 31 March 2013		2,231	46,152	527	53,491	102,401

Consolidated cash flow statement

Year ended 31 March 2014

	Note	Year ended 31 March 2014 £000	Period ended 31 March 2013 £000
Net cash flow from operating activities	25	**2,522**	804
Cash flows from investing activities			
Interest received		**7**	10
Proceeds on disposal of property, plant and equipment		**746**	1,343
Purchases of property, plant and equipment		**(2,218)**	(2,311)
Purchases of intangible fixed assets		**—**	(402)
Investment in JVs and associates		**(3,538)**	(3,031)
Net cash used in investing activities		**(5,003)**	(4,391)
Cash flows from financing activities			
Interest paid		**(766)**	(1,687)
Dividends paid		**—**	(4,462)
New finance leases		**—**	275
Repayment of obligations under finance leases		**(194)**	(230)
New borrowings		**5,000**	8,098
Repayment of borrowings		**(41,461)**	—
Proceeds from shares issued		**44,756**	—
Net cash generated from financing activities		**7,335**	1,994
Net increase/(decrease) in cash and cash equivalents		**4,854**	(1,593)
Cash and cash equivalents at beginning of period		**671**	2,264
Cash and cash equivalents at end of period		**5,525**	671

Notes to the consolidated financial statements

Year ended 31 March 2014

1. Significant accounting policies

General information

Severfield plc ('the Company') is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is provided on page 130. The registered number of the Company is 1721262. The nature of the Group's operations and its principal activities are set out on pages 8 to 17. 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 year certain new standards and a number of amendments to IFRS became effective. These are IFRS 13, 'Fair value measurement', IAS 36 (amended), 'Recoverable amount disclosures for non-financial assets', amendments to IAS 19, 'Employee benefits', amendments to IAS 1, 'Presentation of financial statements' and amendments to IFRS 7, 'Financial instruments: disclosures'. The Group has considered the above new standards and amendments and has concluded that they are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements.

The Group has not applied the amended IAS 19 retrospectively since the impact on the prior accounting period is not significant but has instead disclosed the financial impact in the paragraphs below.

The changes to the standard require the Group to calculate its annual pension charge as the current service cost plus or minus the discount rate applied to the net pension liability. This replaces the previous calculation which was the current service cost, plus the unwinding of the discount rate on liabilities, less the expected return on plan assets. In effect, this requires the Group to replace its long-term rate of return on assets assumption with its discount rate.

The retrospective application would result in an increase in operating profit of £87,000 in the 15 month period ended 31 March 2013 with a corresponding adjustment to the actuarial movement on the retirement benefit liability recorded in the consolidated statement of comprehensive income. There is, therefore, no balance sheet impact.

A number of other new and amended IFRS were issued during the year which do not become effective until after 31 March 2014. These include IFRS 9, 'Financial instruments', IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements' and IFRS 12, 'Disclosures of interests in other entities'. None of the new and amended standards have been adopted early by the Group and none of the new and amended standards are likely to have a significant impact on the Group's future results.

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 28 to 31.

Basis of consolidation

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

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

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

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

1. Significant accounting policies continued

Other items

Other items have been separately identified to provide a better indication of the Group's underlying business performance. They are not considered to be 'business as usual' items and have a varying impact on different businesses and reporting periods. They have been separately identified as a result of their magnitude, incidence or unpredictable nature.

These non-underlying items are presented as a separate column within their related consolidated income statement category. Their separate identification results in the calculation of an underlying profit measure in the same way as it is presented and reviewed by management.

Items that may give rise to classification as non-underlying include, but are not limited to, restructuring items, the amortisation of acquired intangible assets, movements in the valuation of derivative financial instruments, the costs of refinancing the Group's credit facilities and certain non-recurring legal and consultancy costs. Restructuring items include income and expenses arising from Group restructuring activities including redundancy costs, onerous contract and lease provisions and asset gains and impairments.

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. Acquisition related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Investments in joint ventures and associates

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

A joint venture is an entity over which the Group is in a position to exercise joint control. The Group has adopted the equity method of accounting (as discussed below) for joint ventures and associated companies (together 'JVs and associates'), in accordance with IAS 31.

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

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

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

Goodwill

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

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

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

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

Notes to the consolidated financial statements continued

1. Significant accounting policies continued

Revenue recognition

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

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

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

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

Construction contracts

Revenue represents the gross value of work performed (including retentions) during the reporting period and is normally determined by qualified management assessment, taking into account customer certifications to date.

The general principles for profit recognition are as follows:

- Revenues on contracts are recognised on a percentage of completion basis when the contract's outcome can be estimated reliably.
- Provision is made for total losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.
- Variations are included in forecast contract revenues when it is considered probable that the customer will approve the variation and the amount of revenue arising from the variation, and the amount of revenue can be reliably measured.
- Incentive payments are included in forecast contract revenues when the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded and the amount of the incentive payment can be reliably measured.
- Claims receivable are recognised as income when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim, and the amount that it is probable will be accepted by the customer can be measured reliably.
- Rectification work which is reasonably foreseeable is provided for as a cost of the contract and taken into account when assessing its overall profitability. Claims for rectification arising after the end of a contract and which have not been provided for, are recognised as losses as they arise.

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

All costs relating to contracts are recognised as expenses in the period in which they are incurred, except where they relate to future activity on a contract, in which case they are recognised as an asset provided it is probable that they will be recovered. Where the outcome of a contract cannot be reliably estimated, contract revenue is recognised only to the extent that contract costs incurred are expected to be recovered.

Percentage of completion is determined by reference to the contract costs incurred to date (the proportion that estimated total contract costs are accounted for by contract costs incurred for work performed to date). Only those contract costs that reflect work performed are included in costs incurred to date.

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

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

1. Significant accounting policies continued

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.

Retirement benefit obligations

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

The Group has a defined benefit 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.

The finance cost of liabilities and interest income of assets are included within cost of sales 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.

Notes to the consolidated financial statements continued

1. Significant accounting policies continued

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 per cent straight-line
Plant and machinery	10 per cent straight-line
Fixtures, fittings and office equipment	10 per cent written down value
Computer equipment	20 per cent straight-line
Motor vehicles	25 per cent written down value
Site safety equipment	20 per cent straight-line

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.

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.

1. Significant accounting policies continued

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.

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 22.

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 21.

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.

Notes to the consolidated financial statements continued

2. Critical accounting judgements and estimates

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

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

Revenue and profit recognition

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

The Group has appropriate 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 and subject to appropriate review and authorisation.

Impairment of goodwill and other non-current assets

Goodwill is tested at least annually for impairment, along with the finite life intangible assets and other assets of the Group's cash-generating units. As a result of the significant loss recorded during the year, the Group's investment in its Indian joint venture has also been reviewed for impairment.

Determining whether goodwill or other non-current assets are impaired requires an estimation of the value in use of the business being tested for impairment and 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, taking into account the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process, and a suitable discount rate in order to calculate present value. The discount rates used are based on the Group's weighted average cost of capital adjusted to reflect the specific economic environment of the relevant cash-generating unit.

The carrying amount of goodwill at the balance sheet date was £54,712,000 and of intangible assets arising from acquisitions was £9,193,000. The carrying value of the Group's investment in the Indian joint venture was £3,315,000 at the balance sheet date.

Recognition of deferred tax assets

The carrying values of deferred tax assets on the balance sheet are dependent on the estimates of future taxable profits arising from the Group's operations. The realisation of deferred tax assets 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.

The carrying amount of deferred tax assets at the balance sheet date was £1,780,000.

Retirement benefit obligations

The Group's defined benefit pension scheme has been valued in accordance with IAS 19 'Employee benefits'. The benefit obligation is calculated using a number of assumptions including 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.

The defined benefit obligation recognised at the balance sheet date was £12,533,000.

3. Revenue and segmental analysis

Revenue

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

	2014 £000	2013 £000
Revenue from construction contracts	**231,312**	318,256
Total revenue	**231,312**	318,256
Other operating income	**541**	993
Interest received	**7**	10
Total income	**231,860**	319,259

Segmental results

Following adoption of IFRS 8, the Group has identified its operating segments as those upon which the executive committee (the chief operating decision maker) 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 with similar products and services, production processes, types of customer, methods of distribution, regulatory environments and economic characteristics.

Revenues by product group

All revenue is derived from construction contracts is related assets.

Geographical information

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

	2014 £000	2013 £000
Revenue by destination:		
United Kingdom	**218,916**	307,631
Republic of Ireland and mainland Europe	**9,867**	7,734
Other countries	**2,529**	2,891
	231,312	318,256

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

In the year ended 31 March 2014, no single customer individually contributed to more than ten per cent of Group revenue. Included in prior period revenue is £104,300,000 in relation to sales from two major customers (customer one; £68,800,000, customer two: £35,500,000) which individually contributed to more than ten per cent of Group revenue.

Notes to the consolidated financial statements continued

4. Operating profit/(loss)

Operating profit/(loss) for the year has been arrived at after crediting:	2014 £000	2013 £000
Rent receivable	422	691
Unrealised gains on derivative financial instruments	—	104
Gain on sale of property, plant and equipment	96	507
and after charging:		
Amortisation of intangible assets (note 12)	2,885	3,529
Retirement of acquired intangible asset (note 12)	2,370	—
Depreciation of owned assets	3,496	4,826
Depreciation on assets held under finance lease	85	105
Depreciation of investment property (note 13)	40	50
Auditor's remuneration		
— audit	165	174
— other services	142	447
Rentals under operating leases		
— hire of plant and machinery	1,744	2,837
— other operating leases	1,857	1,634
Staff costs (note 6)	50,551	66,967

The analysis of auditor's remuneration is as follows:

	2014 £000	2013 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17	17
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	148	157
Total audit fees	165	174
Audit-related assurance services	30	50
Taxation compliance services	45	45
Other taxation advisory services	67	20
Corporate finance services	—	332
Total non-audit fees	142	447

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 prior period were incurred in the preparation of working capital and other reports in support of the rights issue which completed in April 2013.

5. Other items

	2014 £000	2013 £000
Amortisation of acquired intangible assets (note 12)	**(2,748)**	(3,435)
Restructuring and redundancy costs	**(2,611)**	(767)
Retirement of acquired intangible asset (note 12)	**(2,370)**	—
Impairment of investment in associates (note 15)	**(353)**	—
Refinancing related transaction costs	**—**	(2,139)
Contract legal costs and provision movements	**—**	(1,089)
Movements in the valuation of derivative financial instruments	**—**	104
Other items before tax	**(8,082)**	(7,326)
Tax on other items	**2,844**	2,674
Other items after tax	**(5,238)**	(4,652)

Restructuring and redundancy costs have arisen on the reorganisation of the Group's largest businesses (Severfield–Rowen Structures and Watson Steel Structures) which commenced trading as a single entity, Severfield–Watson Structures, from January 2013. A comprehensive review since then resulted in changes to the senior operating management structure. In May 2013, a further reorganisation of Severfield–Watson Structures was announced, resulting in the reduction in factory capacity by approximately ten per cent and a reduction in headcount of 84 people. On 30 May 2014, Severfield–Watson Structures changed its name to Severfield (UK) Limited.

The retirement of the acquired intangible asset for the Fisher Engineering brand has arisen following the recent rebranding exercise undertaken by the Group.

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

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. Staff costs

Details of directors' remuneration for the period are provided in the audited part of the directors' remuneration report on page 74.

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

	2014 Number	2013 Number
Production and site	**1,105**	1,173
Sales and administration	**98**	92
	1,203	1,265

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	**43,929**	58,181
Social security costs	**4,938**	6,637
Other pension costs	**1,684**	2,149
	50,551	66,967

Employee remuneration costs under share-based payment schemes are set out in note 22.

Notes to the consolidated financial statements continued

7. Finance income and expense

	2014 £000	2013 £000
Finance income — interest receivable	7	10
Finance expense — interest and other costs in relation to bank borrowings	(565)	(2,014)
Net finance expense	(558)	(2,004)

8. Taxation

a) The taxation credit comprises:

	2014 £000	2013 £000
Current tax		
UK corporation tax	1,025	(1,429)
Adjustments to prior years' tax provisions	(7)	(135)
	1,018	(1,564)
Deferred tax		
Current period credit (note 20)	(1,319)	(3,299)
Impact of reduction in future years' tax rates	(1,066)	(886)
Adjustments to prior years' provisions	(50)	18
	(2,435)	(4,167)
Total tax credit	(1,417)	(5,731)

b) Tax reconciliation

The credit for the year can be reconciled to the loss per the income statement as follows:

	2014 £000	2013 £000
Loss before tax	(4,057)	(28,858)
Tax on ordinary activities at standard UK corporation tax rate	(933)	(7,041)
Expenses not deductible for tax purposes	374	162
Tax effect of share of results of JVs and associates	657	76
Unprovided deferred tax movement	(392)	2,075
Adjustments to prior years' provisions	(57)	(117)
Rate differences	(1,066)	(886)
Income tax credit for the year	(1,417)	(5,731)

Corporation tax was calculated at 23 per cent (2013: 24.4 per cent) of the estimated taxable loss for the year.

Rate differences arise through the enacted reduction in corporation tax rates from 23 per cent to 20 per cent effective from April 2015 reducing the level of the Group's deferred tax liabilities. This item is treated as non-underlying.

9. Dividends

	2014 £000	2013 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the period ended 31 March 2013 of nil (31 December 2011: 3.5p) per share	—	3,123
Interim dividend for the year ended 31 March 2014 of nil (31 March 2013: 1.5p) per share	—	1,339
	—	4,462
Proposed final dividend for the year ended 31 March 2014 of nil (31 March 2013: nil) per share	—	—

10. Earnings per share

Earnings per share is calculated as follows:

	2014 £000	2013* £000
Earnings for the purposes of basic earnings per share being net loss attributable to equity holders of the parent company	(2,640)	(23,127)
Earnings for the purposes of underlying basic earnings per share being underlying net profit/(loss) attributable to equity holders of the parent company	2,598	(18,475)

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	295,791,922	171,455,780
Weighted average number of ordinary shares for the purposes of diluted earnings per share	295,791,922	171,455,780
Basic earnings per share	(0.89p)	(13.49p)
Underlying basic earnings per share	0.88p	(10.78p)
Diluted earnings per share	(0.89p)	(13.49p)
Underlying diluted earnings per share	0.88p	(10.78p)

Reconciliation of earnings

	2014 £000	2013 £000
Net loss attributable to equity holders of the parent company	(2,640)	(23,127)
Other items	5,238	4,652
Underlying net profit/(loss) attributable to equity holders of the parent company	2,598	(18,475)

Further details of other items are provided in note 5.

* Earnings per share for the period ended 31 March 2013 has been restated to take account of the impact of the discount element of the rights issue which completed in April 2013.

Notes to the consolidated financial statements continued

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.

During the year, the Group determined that the cash flows of the legacy Fisher Engineering and Severfield–Watson Structures operations were now so closely related that they should be treated as a group of CGUs for the purposes of goodwill impairment testing.

The recoverable amounts of goodwill are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations on future changes in the market. 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 2017. After this period, cash flows have been extrapolated using a growth rate of 1.5 per cent (2013: 1.5 per cent) which does not exceed the long-term growth rate for the relevant markets. The cash flow forecasts have been discounted using a pre-tax discount rate of ten per cent (2013: nine per cent).

Following the impairment reviews performed by the Group, no impairment charge was recorded in the year ended 31 March 2014.

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 2014.

12. Other intangible assets

	Intangible assets acquired on acquisition £000	Other intangible assets £000	Total £000
Cost			
At 1 January 2012	39,000	481	39,481
Additions	—	402	402
At 1 April 2013	39,000	883	39,883
Additions	—	—	—
At 31 March 2014	**39,000**	**883**	**39,883**
Amortisation			
At 1 January 2012	21,254	—	21,254
Charge for the period	3,435	94	3,529
At 1 April 2013	24,689	94	24,783
Charge for the year	2,748	137	2,885
Retirements	2,370	—	2,370
At 31 March 2014	**29,807**	**231**	**30,038**
Carrying amount			
At 31 March 2014	**9,193**	**652**	**9,845**
At 31 March 2013	14,311	789	15,100

12. Other intangible assets continued

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

	Customer relationships £000	Brands £000	Order book £000	Know-how £000	Total £000
Cost					
At 1 April 2013 and 31 March 2014	**25,800**	**3,200**	**9,600**	**400**	**39,000**
Amortisation					
At 1 January 2012	10,942	542	9,600	170	21,254
Charge for the period	3,225	160	—	50	3,435
At 1 April 2013	14,167	702	9,600	220	24,689
Charge for the year	2,580	128	—	40	2,748
Retirements	—	2,370	—	—	2,370
At 31 March 2014	**16,747**	**3,200**	**9,600**	**260**	**29,807**
Net book value					
At 31 March 2014	**9,053**	**—**	**—**	**140**	**9,193**
At 31 March 2013	11,633	2,498	—	180	14,311

During the year, the intangible asset of £2,370,000 relating to the Fisher Engineering brand was retired as a result of the rebranding of the Group and the renaming of its main operating businesses.

Amortisation and retirement 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 96.

Notes to the consolidated financial statements continued

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 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 1 April 2013	6,197	66,189	30,347	1,860	1,952	106,545
Additions	—	164	1,895	75	84	2,218
Disposals	—	(169)	(776)	—	(556)	(1,501)
At 31 March 2014	**6,197**	**66,184**	**31,466**	**1,935**	**1,480**	**107,262**
Accumulated depreciation						
Depreciation						
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 1 April 2013	2,287	2,941	19,086	1,084	1,096	26,494
Charge for the year	40	503	2,680	154	244	3,621
Disposals	—	—	(459)	—	(392)	(851)
At 31 March 2014	**2,327**	**3,444**	**21,307**	**1,238**	**948**	**29,264**
Carrying amount						
At 31 March 2014	**3,870**	**62,740**	**10,159**	**697**	**532**	**77,998**
At 31 March 2013	3,910	63,248	11,261	776	856	80,051

The net book value of the Group's plant and machinery includes £589,000 (2013: £675,000) in respect of assets held under finance leases.

The investment property represents land and buildings held in Leeds. In the prior year, the Group entered into a five-year lease agreement for the property which included an initial one-year rent free period, followed by four annual rental receipts of £320,000. On 23 June 2014, the Group sold this investment property for a gross consideration of £3,830,000 (see note 32).

The property is subject to an annual depreciation charge of one per cent on a straight-line basis in accordance with Group policy. The directors consider that the carrying value of the investment property approximates to its fair value. No independent valuation by an appropriately qualified surveyor was obtained during the current or prior periods.

14. Subsidiaries

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

Severfield (UK) Limited (formerly Severfield–Watson Structures Limited)	— steel fabrication and construction
Severfield (Design & Build) Limited (formerly Atlas Ward Structures Limited)	— steel fabrication
Severfield (NI) Limited (formerly Fisher Engineering Limited)	— steel fabrication and construction

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

15. Interests in JVs and associates

The Group has an interest in an associated company and a joint venture as follows:

Associated companies:	Holding %	Class of capital
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.

During the year, Kennedy Watts Partnership Limited, a company which specialised in steelwork design and in which the Group had a holding of 25.1 per cent, went into administration. Accordingly, an impairment charge of £353,000 was recognised as a one-off item representing the Group's historical investment in the associate.

JSW Severfield Structures Limited is registered in India, and during the year the Group invested a further £3,538,000 (2013: £3,031,000) in the joint venture. As a result of the significant loss recorded during the year, the Group's investment in the Indian joint venture of £3,315,000 has been reviewed for impairment. The recoverable amount of the investment is determined from value in use calculations which are based on the following year's budget, together with financial projections for 2016 to 2018. The calculations assume a long-term growth rate of 1.5 per cent from 2019 onwards and a pre-tax discount rate of ten per cent. Following this review, no impairment charge was recorded in the year ended 31 March 2014. Management considers that no reasonably possible change in the key assumptions would result in an impairment; however, the achievement of the forecasts is dependent on the move to a sustainable profit position following the actions taken in the current year to improve the order book, to reduce overheads and to implement a new business development plan and operational improvement programme.

	Goodwill £000	Share of net assets/ (liabilities) £000	Loans to associate undertaking £000	Total £000
At 1 January 2012	251	125	71	447
Net assets acquired	—	3,031	—	3,031
Losses retained	—	(310)	—	(310)
At 1 April 2013	251	2,846	71	3,168
Net assets acquired	—	3,538	—	3,538
Losses retained	—	(3,038)	—	(3,038)
Impairment of investment in associates	(251)	(31)	(71)	(353)
At 31 March 2014	**—**	**3,315**	**—**	**3,315**

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

	Fabsec Limited £000	JSW Severfield Structures Limited £000	Total £000
Share of results	—	(3,038)	(3,038)

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

	2014 £000	2013 £000
Current assets	**22,002**	21,453
Non-current assets	**23,984**	25,032
Current liabilities	**(26,672)**	(25,937)
Non-current liabilities	**(16,848)**	(14,103)
Net assets	**2,466**	6,445
Group's share of JVs and associates net assets	**1,575**	3,369
Revenue	**27,911**	40,444
Loss after tax	**(5,871)**	(515)
Group's share of JVs and associates loss after tax for the period	**(3,038)**	(310)

There were no contingent liabilities or capital commitments (2013: none) associated with the Group's JVs and associates.

Notes to the consolidated financial statements continued

16. Inventories

	2014 £000	2013 £000
Raw materials and consumables	**3,832**	5,986
Work-in-progress	**2,010**	2,228
	5,842	8,214

17. Construction contracts

	2014 £000	2013 £000
Contracts-in-progress at balance sheet date:		
Amounts due from construction contract customers included in trade and other receivables	**55,154**	63,228
Amounts due to construction contract customers included in trade and other payables	**(386)**	(5,702)
	54,768	57,526
Contract costs incurred plus recognised profits less recognised losses to date	**412,310**	556,377
Less: progress billings received	**(357,542)**	(498,851)
	54,768	57,526

18. Trade and other receivables

	2014 £000	2013 £000
Amounts due from construction contract customers (note 17):		
— Current amounts receivable in respect of progress billings	**50,361**	58,511
— Retentions due within one year	**2,822**	2,901
— Retentions due after one year	**1,971**	1,816
Total	**55,154**	63,228
Other receivables	**2,531**	294
Prepayments and accrued income	**2,841**	6,849
Amounts due from JVs and associates	**275**	1,228
	60,801	71,599

Other receivables include the fair value of a financial guarantee of £2,200,000, representing the likely equity payments during the year ending 31 March 2015 to the Indian joint venture (JSW Severfield Structures Limited). A corresponding liability of £2,200,000 is included within other creditors (see note 19).

In the prior period, prepayments and accrued income included the transaction costs of £3,142,000 associated with the rights issue which completed in April 2013. These costs were transferred to equity in the year ended 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 70 days (2013: 84 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 executive risk 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 2014 in respect of retentions were £0.1m (31 March 2013: £nil).

19. Trade and other payables

	2014 £000	2013 £000
Trade creditors	**34,554**	47,994
Other taxation and social security	**3,136**	4,341
Other creditors and accruals	**13,246**	12,857
Payments in advance (note 17)	**386**	5,702
	51,322	70,894

During the year, the Group provided an undertaking, not exceeding £3,500,000, to secure a loan facility of the Indian joint venture (JSW Severfield Structures Limited) until 31 March 2016. Other creditors include the fair value of this financial guarantee of £2,200,000 which represents the likely equity payments to the joint venture during the year ending 31 March 2015 (see note 18).

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 59 days (2013: 66 days).

20. 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.

	2014 £000	2013 £000
Deferred tax liabilities	**(8,443)**	(11,228)
Deferred tax assets	**4,286**	4,675
	(4,157)	(6,553)

Deferred tax is disclosed in the balance sheet as follows:

	2014 £000	2013 £000
Deferred tax liabilities	**(5,937)**	(8,393)
Deferred tax asset — trading losses	**1,780**	1,840
	(4,157)	(6,553)

The net deferred tax liability is made up as follows:

	2014 £000	2013 £000
Excess capital allowances	**(6,387)**	(7,937)
Other timing differences	**(218)**	120
Trading losses	**1,780**	1,840
Acquired intangible assets	**(1,838)**	(3,292)
Retirement benefit obligations	**2,506**	2,716
	(4,157)	(6,553)

Notes to the consolidated financial statements continued

20. Deferred tax liabilities continued

	Asset amortisation and depreciation £000	Short-term timing differences and tax losses £000	Retirement benefit obligations £000	Other £000	Total £000
At 1 January 2012	(13,730)	64	2,388	101	(11,177)
Credit to income statement	1,411	1,819	61	(11)	3,280
Credit to equity	—	—	458	—	458
Effect of change in tax rate	1,090	(5)	(191)	(8)	886
At 1 April 2013	(11,229)	1,878	2,716	82	(6,553)
Reclassification	—	—	—	62	62
Credit to income statement	1,327	(174)	245	(29)	1,369
Charge to equity	—	—	(101)	—	(101)
Effect of change in tax rate	1,677	(245)	(354)	(12)	1,066
At 31 March 2014	**(8,225)**	**1,459**	**2,506**	**103**	**(4,157)**

The deferred tax assets reducing the deferred tax liability relate to 20 per cent (2013: 23 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. Deferred tax assets are recognised for tax loss carry-forwards to the extent that the utilisation of the related tax benefit through future taxable profits is probable. In determining the amounts of deferred tax assets to be recognised, management uses historical profitability information and, if relevant, forecasted operating results, based on approved budgets and forecasts, including a review of the eligible carry forward periods, tax planning opportunities and other relevant considerations.

Unrecognised deferred tax assets in respect of trading losses amounted to £1,474,000 (2013: £2,131,000). These have not been recognised as a result of the unpredictability of future profit streams against which these losses may be utilised.

The Government announced in March 2013 that it intended to reduce the rate of corporation tax from 23 per cent to 20 per cent and the Finance Act 2013, which was substantively enacted on 2 July 2013, included provisions to reduce the rate of corporation tax to 21 per cent with effect from 1 April 2014 and 20 per cent with effect from 1 April 2015. Accordingly, deferred tax balances have been revalued to the lower rate of 20 per cent in these accounts, which has resulted in a credit to the consolidated income statement of £1,066,000 and the consolidated statement of comprehensive income of £354,000.

21. 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 year-end is as follows:

	2014 £000	2013 £000
Borrowings	**(5,000)**	(41,461)
Cash and cash equivalents	**5,525**	671
Finance leases	**(206)**	(400)
Net funds/(debt)	**319**	(41,190)
Equity	**143,398**	102,401
Net debt to equity ratio	**N/A**	40.2%

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

The gearing ratio has improved significantly in the current year on completion of the rights issue in April 2013.

21. Financial instruments continued

Categories of financial instruments

	Carrying value 2014 £000	2013 £000
Financial assets		
Cash and cash equivalents	**5,525**	671
Amounts due from construction contract customers (note 17)	**55,154**	63,228
Financial liabilities		
Trade creditors (note 19)	**(34,554)**	(47,994)
Other creditors and accruals (note 19)	**(13,246)**	(12,857)
Borrowings	**(5,000)**	(41,461)
Finance leases	**(206)**	(400)

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

General risk management principles

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

Financial risks and management

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

Credit risk

The Group's primary exposure to credit risk arises from the potential for non-payment or default from construction contract 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 2014 were £4,793,000 (31 March 2013: £4,717,000).

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

Notes to the consolidated financial statements continued

21. Financial instruments continued

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 financing facilities to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Forecast and actual cash flow is continuously monitored.

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 £35,000,000 at an interest rate of between 2.5 per cent and 4.0 per cent above LIBOR subject to the ratio of Group net debt to EBITDA. This facility was refinanced in April 2013, on completion of the rights issue and expires in November 2016.

As at 31 March 2014, £5,000,000 was drawn down on this facility with £30,000,000 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 2014 amounted to £5,000,000 (2013: £41,461,000).

In accordance with IFRS 7, the following tables detail the Group's remaining contractual maturity for its financial liabilities.

		Maturity analysis				
Liabilities – 2014	**Carrying 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	**47,800**	**43,250**	**3,166**	**1,035**	**349**	**47,800**
Financial liabilities — borrowings[1]	**5,000**	**—**	**—**	**—**	**5,000**	**5,000**
Financial liabilities — finance leases	**206**	**49**	**132**	**25**	**—**	**206**
	53,006	**43,299**	**3,298**	**1,060**	**5,349**	**53,006**
Liabilities – 2013						
Trade and other payables	60,851	55,375	5,414	60	2	60,851
Financial liabilities — borrowings[1]	41,461	—	—	—	41,461	41,461
Financial liabilities — finance leases	400	48	146	181	25	400
	102,712	55,423	5,560	241	41,488	102,712

1. Details of the conditions applying to these borrowings are provided above. The Group's revolving credit facility, which is disclosed as a current liability in the balance sheet, is presented as maturing in two to five years since the facility expires in November 2016.

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 certain derivative financial instruments to manage its exposure to foreign currency risk.

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

21. Financial instruments continued

Foreign currency risk management

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

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

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

	Liabilities		Assets	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Euro	**(132)**	(73)	**4,148**	4,901
US dollar	**—**	—	**5**	948
	(132)	(73)	**4,153**	5,849

Foreign currency sensitivity analysis

The Group is only significantly exposed to the euro.

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

	Euro currency impact	
	2014 £000	2013 £000
Profit or loss and equity	**324**	434

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 2014, the Group had forward exchange contracts held for the sale of 8.8m euros (2013: 10.8m euros) and nil US dollars (2013: 1.5m US dollars) at an average exchange rate of 1.206 euros/£ (2013: 1.176 euros/£) and nil US dollars/£ (2013: 1.514 US dollars/£) to the pound and maturing within 12 months of the year-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 year ended 31 March 2014 and the Group's equity at that date would decrease by £25,000 (2013: £259,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings. If the £35,000,000 facility is fully utilised the exposure increases to £175,000.

Notes to the consolidated financial statements continued

22. 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 64 to 80.

Performance share plan

The vesting of awards is subject to performance conditions set by the remuneration committee. The Group recognised a total charge of £162,000 for the year (2013: credit of £145,000) with a corresponding entry to reserves. The weighted average fair value of share options granted during the year was £0.45 per share. Three outstanding awards had been granted to 31 March 2014:

- During the year ended 31 December 2011 the remuneration committee granted 804,416 ordinary shares of 2.5p each at nil value to the executive directors. The vesting of these awards was dependent on the Group's underlying earnings per share performance over the three year period from 1 January 2011 to 31 December 2013. As a result of the Group's change of year-end to 31 March, these awards were deferred until 31 March 2014. The following vesting schedule applies:

Underlying EPS performance‡ for year ended 31 December 2013†	% of award vesting
Equal to less than 6.5p	0%
Equal to 13.0p or better	100%
Between 6.5p and 13.0p	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	£2.45*
Exercise price	nil
Expected volatility (using historic performance)	50%
Risk-free rate	2.0%
Dividend	10.0p
Actual life	three years

* Granted on 14 April 2011.
† Now deferred to 31 March 2014.
‡ The original EPS targets have been adjusted by a factor of 1.92105. This adjustment is based on the relationship between the last day cum rights issue share price (73p) and the theoretical ex rights price (38p).

The Black–Scholes pricing model produced, using the above assumptions, an annual charge of £nil (2013: credit of £145,000).

- 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 underlying earnings per share performance over the three year period from 1 January 2012 to 31 December 2014. As a result of the Group's change of year-end to 31 March, these awards were deferred until 31 March 2015. The following vesting schedule applies:

Underlying EPS performance‡ for year ending 31 December 2014†	% of award vesting
Equal to less than 6.5p	0%
Equal to 11.7p or better	100%
Between 6.5p and 11.7p	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
Actual life	three years

* Granted on 7 March 2012.
† Now deferred to 31 March 2015.
‡ The original EPS targets have been adjusted by a factor of 1.92105. This adjustment is based on the relationship between the last day cum rights issue share price (73p) and the theoretical ex rights price (38p).

22. Share-based payments continued

The Black–Scholes pricing model produced, using the above assumptions, an annual charge of £nil (2013: £nil).

- During the year ended 31 March 2014 the remuneration committee granted 1,602,495 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 underlying earnings per share performance over the three year period from 1 April 2013 to 31 March 2016, with the following vesting schedule to apply:

Underlying EPS performance for year ending 31 March 2016	% of award vesting
Equal to less than 2.2p	0%
Equal to 4.9p or better	100%
Between 2.2p and 4.9p	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	£0.48*
Exercise price	nil
Expected volatility (using historic performance)	98%
Risk-free rate	2.7%
Dividend	1.0p
Actual life	three years

* Granted on 5 June 2013.

The Black–Scholes pricing model produced, using the above assumptions, an annual charge of £162,000.

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 £81,000 (2013: £203,000) was recognised in the current year.

23. Share capital

	2014 £000	2013 £000
Issued and fully paid:		
297,503,587 ordinary shares of 2.5p each (2013: 89,251,076 ordinary shares of 2.5p each)	**7,437**	2,231

There are no share options outstanding as at 31 March 2014 (31 March 2013: nil).

The increase in share capital reflects the 7:3 rights issue of 208,252,511 new ordinary shares at 23p per share which completed on 5 April 2013.

24. Other reserves

	Share-based payment reserve £000	Other reserves £000	Total £000
At 1 January 2012	330	139	469
Share-based payments charge	58	—	58
At 1 April 2013	388	139	527
Share-based payments charge	243	—	243
At 31 March 2014	**631**	**139**	**770**

The movement in the share-based payment reserve represents the share-based payment charge of £243,000 (2013: £58,000) (see note 22).

Notes to the consolidated financial statements continued

25. Net cash flow from operating activities

	2014 £000	2013 £000
Operating loss from continuing operations	**(3,499)**	(26,854)
Adjustments:		
Depreciation of property, plant and equipment	**3,581**	4,930
Depreciation of investment property (note 13)	**40**	50
Gain on disposal of property, plant and equipment (note 4)	**(96)**	(507)
Amortisation of intangible assets (note 12)	**2,885**	3,528
Retirement of acquired intangible asset (note 12)	**2,370**	—
Movements in pension scheme	**(539)**	(565)
Share of results of JVs and associates (note 15)	**3,391**	310
Share-based payments (note 22)	**243**	58
Movement in valuation of derivatives	**—**	(104)
Operating cash flows before movements in working capital	**8,376**	(19,154)
Decrease in inventories	**2,372**	871
Decrease in receivables	**10,798**	17,562
(Decrease)/increase in payables	**(19,433)**	4,448
Decrease in provisions	**—**	(600)
Cash generated from operations	**2,113**	3,127
Tax received/(paid)	**409**	(2,323)
Net cash flow from operating activities	**2,522**	804

26. Analysis of net funds/(debt)

	2014 £000	2013 £000
Cash and cash equivalents	**5,525**	671
Financial liabilities — borrowings	**(5,000)**	(41,461)
Financial liabilities — finance leases	**(206)**	(400)
	319	(41,190)

27. Capital commitments

	2014 £000	2013 £000
Contracted for but not provided in the financial statements	**750**	—

28. 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 2014 these amounted to £25,000,000 (2013: £40,000,000). The Group has also given performance bonds in the normal course of trade.

During the year, the Group provided an undertaking, not exceeding £3,500,000, to secure a loan facility of the Indian joint venture (JSW Severfield Structures Limited) until 31 March 2016 (see note 19).

29. Operating lease arrangements

The Group as lessee

The Group leases a number of its premises under operating leases which expire between 2014 and 2032.

The total future minimum lease rentals are as follows:

	2014 £000	2013 £000
Minimum lease rentals due:		
— Within one year	1,076	1,381
— After one year and within five years	3,779	4,754
— After five years	12,231	12,897
	17,086	19,032

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

	2014 £000	2013 £000
Minimum lease rentals due:		
— Within one year	1,172	1,572
— After one year and within five years	1,450	1,672
— After five years	105	—
	2,727	3,244

The Group as lessor

Property rental income earned on owned properties during the year was £422,000 (2013: £691,000). 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:

	2014 £000	2013 £000
— Within one year	397	409
— After one year and within five years	919	1,324
	1,316	1,733

Notes to the consolidated financial statements continued

30. Retirement benefit obligations

Defined contribution schemes

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

The total cost charged to income of £1,357,000 (2013: £1,691,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2014, contributions of £183,000 (2013: £200,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

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

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

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation 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.

	2014 %	2013 %
Key assumptions used:		
Discount rate	**4.4**	4.2
Inflation (RPI)	**3.2**	3.0
Expected rate of salary increases	**—**	—
Future pension increases	**3.1**	2.9

When considering mortality assumptions a male life expectancy to 85 at age 65 has been used for the year ended 31 March 2014 (2013: 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 4.3%
Rate of mortality	Increase by 1 year	Increase by 3.0%

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

	2014 £000	2013 £000
Interest cost	**1,290**	1,607
Expected return on scheme assets	**(815)**	(972)
	475	635

The charge for the year has been included in cost of sales. 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 £9,509,000 (2013: £8,248,000).

The actual return on scheme assets was a gain of £300,000 (2013: £1,933,000).

30. Retirement benefit obligations continued

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

	2014 £000	2013 £000
Present value of defined benefit obligations	(32,395)	(31,061)
Fair value of scheme assets	19,862	19,250
Deficit in scheme liability recognised in the balance sheet	**(12,533)**	(11,811)

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

	2014 %	2013 %
Equities	21.5	22.6
Bonds and gilts	62.3	62.0
Cash	5.5	5.3
Property	8.8	8.2
Other	1.9	1.9
	100.0	100.0

Bonds and gilts include a mixture of corporate and government bonds and fixed and index-linked gilts. Approximately nine per cent of bonds have a sub-investment grade credit rating (BB+ or lower) and approximately 64 per cent of gilts are index-linked with 36 per cent being fixed.

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

	2014 £000	2013 £000
At start of period	(31,061)	(26,800)
Interest cost	(1,290)	(1,607)
Actuarial losses	(746)	(3,785)
Benefits paid	702	1,131
At end of period	**(32,395)**	(31,061)

Actuarial losses arising from changes in demographic assumptions, changes in financial assumptions and gains or losses arising from experience were losses of £768,000 (2013: £nil), gains of £127,000 (2013: losses of £4,209,000) and losses of £105,000 (2013: gains of £424,000) respectively.

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

	2014 £000	2013 £000
At start of period	19,250	17,248
Expected return on scheme assets	815	972
Actuarial (losses)/gains	(515)	961
Employer contributions	1,014	1,200
Benefits paid	(702)	(1,131)
At end of period	**19,862**	19,250

The Group expects to contribute £83,000 per month to its defined benefit pension scheme in the year to 31 March 2015.

Notes to the consolidated financial statements continued

30. Retirement benefit obligations continued

History of experience of gains and losses:

	2014	2013	2011	2010	2009
Experience gains/(losses) on scheme assets (£000)	**(515)**	961	243	(34)	377
Percentage of scheme assets	**(2.6%)**	5.0%	1.4%	(0.2%)	2.5%
Experience (gains)/losses on scheme liabilities (£000)	**(105)**	424	(512)	1,013	(223)
Percentage of the present value of scheme liabilities	**(0.3%)**	1.4%	(1.9%)	4.1%	(1.0%)
Total amount recognised in the consolidated statement of comprehensive income (£000)	**(1,261)**	(2,824)	(1,369)	(440)	(2,091)
Percentage of the present value of scheme liabilities	**(3.9%)**	(9.1%)	(5.1%)	(1.8%)	(8.9%)

The weighted average period over which benefits are expected to be paid, or the duration of the liabilities is currently 18 years.

31. Related party transactions

The remuneration of the directors is provided in the audited part of the directors' remuneration report on page 74.

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:

	2014 £000	2013 £000
Short-term employee benefits	**852**	1,311
Contributions into pension schemes	**112**	150
	964	1,461

Short-term employee benefits include salary, bonus, social security contributions, 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 22 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 year the Group purchased services in the ordinary course of business from Kennedy Watts Partnership Limited at a cost of £324,000 (2013: £823,000). The amount outstanding at 31 March 2014 was £nil (2013: £172,000). Kennedy Watts Partnership Limited went into administration during the year.

During the year the Group purchased services in the ordinary course of business from Fabsec Limited at a cost of £105,000 (2013: £199,000). The amount outstanding at 31 March 2014 was £16,000 (2013: £32,000).

During the year the Group incurred additional operating costs in relation to the day-to-day running of the joint venture in India of £595,000 (2013: £1,357,000). Those costs were recharged to the joint venture company during the year and the amount outstanding at 31 March 2014 was £275,000 (2013: £1,228,000).

32. Post-balance sheet events

On 23 June 2014, the Group sold its sole investment property in Leeds for a gross consideration of £3,830,000. This resulted in a small loss on disposal after taking into account transaction costs.

Five year summary

	2014 £000	2013† £000	2011 £000	2010 £000	2009 £000
Results					
Revenue	**231,312**	318,256	267,778	266,692	349,417
Underlying* operating (loss)/profit	**7,621**	(19,218)	14,193	16,204	51,828
Underlying* (loss)/profit before tax	**4,025**	(21,532)	10,117	15,283	50,814
Non-underlying items	**(8,082)**	(7,326)	(3,335)	(4,176)	(6,723)
(Loss)/profit attributable to equity holders of Severfield plc	**(2,640)**	(23,127)	5,822	7,633	31,313
Assets employed					
Non-current assets	**147,650**	154,871	156,940	165,013	170,731
Net current assets/(liabilities)	**14,243**	(32,060)	(3,059)	(11,739)	(12,732)
Non-current liabilities	**(18,495)**	(20,410)	(21,583)	(22,331)	(25,524)
Net assets	**143,398**	102,401	132,298	130,943	132,475
Key statistics					
Earnings per share:					
Basic — underlying*	**0.88p**	(10.78p)	4.19p	6.51p	21.40p
Basic	**(0.89p)**	(13.49p)	3.39p	4.46p	18.40p
Diluted — underlying*	**0.88p**	(10.78p)	4.19p	6.51p	21.30p
Diluted	**(0.89p)**	(13.49p)	3.39p	4.46p	18.30p
Dividends per share	**—**	1.50p	5.00p	7.50p	15.00p
Dividend cover (times) — underlying* basis	**—**	(13.8)	1.6	1.3	2.7
Share price — high	**65.50p**	114.26p	333.50p	313.20p	243.00p
— low	**38.00p**	35.40p	150.00p	177.20p	119.50p

Key statistics for prior years have been restated to reflect the 7:3 rights issue in April 2013.

* The basis of stating results on an underlying basis is set out on page 93.
† Represents the 15 month period ended 31 March 2013.

Financial calendar

Preliminary announcement of full year results	3 June 2014
Publication of annual report	28 July 2014
Annual general meeting	2 September 2014
Announcement of interim results (provisional)	25 November 2014

Project: Cardiff Energy From Waste Plant

Location: Cardiff

Tonnage: 2,475

Client: Viridor Waste Management

Main contractor: Lagan Construction

Completion: 2014

Company balance sheet

At 31 March 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	4	**60,760**	61,376
Intangible assets		**652**	789
Investments	5	**98,959**	96,360
		160,371	158,525
Current assets			
Debtors	6	**63,021**	67,121
Cash at bank and in hand		**—**	—
		63,021	67,121
Creditors — amounts falling due within one year	7	**(115,879)**	(173,874)
Net current liabilities		**(52,858)**	(106,753)
Total assets less current liabilities		**107,513**	51,772
Capital and reserves			
Share capital	9	**7,437**	2,231
Share premium	10	**85,702**	46,152
Other reserves	11	**620**	377
Profit and loss account	12	**13,754**	3,012
Equity and total shareholders' funds		**107,513**	51,772

The financial statements were approved by the board of directors on 11 July 2014 and signed on its behalf by:

Ian Lawson
Chief executive officer

Alan Dunsmore
Group finance director

Severfield plc
Registered in England No: 1721262

Notes to the Company financial statements

Year ended 31 March 2014

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 28 to 31.

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 per cent straight-line

Intangible fixed assets

Intangible fixed assets relate to capitalised software costs.

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

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 97.

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 (2013: £17,000).

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

Notes to the Company financial statements continued

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 year amounted to £10,742,000 (2013: £2,828,000). 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 April 2013	64,304	235	64,539
Additions	120	—	120
Disposals	(168)	(170)	(338)
At 31 March 2014	**64,256**	**65**	**64,321**
Depreciation			
At 1 April 2013	3,030	133	3,163
Charge for the year	483	17	500
Disposals	—	(102)	(102)
At 31 March 2014	**3,513**	**48**	**3,561**
Net book value			
At 31 March 2014	**60,743**	**17**	**60,760**
At 31 March 2013	61,274	102	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

	2014 £000	2013 £000
Investment in subsidiaries	**86,950**	87,354
Investment in associated companies	**—**	535
Investment in joint ventures	**12,009**	8,471
	98,959	96,360

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 (UK) Limited (formerly Severfield–Watson Structures Limited)	— steel fabrication and construction
Severfield (Design & Build) Limited (formerly Atlas Ward Structures Limited)	— steel fabrication
Severfield (NI) Limited (formerly Fisher Engineering Limited)	— steel fabrication and construction

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

5. Investments continued

	£000
Cost	
At 1 April 2013	107,554
Liquidation of dormant companies	(404)
At 31 March 2014	**107,150**
Provision for impairment	
At 31 March 2013 and 2014	20,200
Net book value	
At 31 March 2014	**86,950**
At 31 March 2013	87,354

During the year, the Company liquidated four dormant companies resulting in a loss of £404,000, representing the historical investment in those companies.

Investment in associates

The Company has an interest in associated companies as follows:

		Holding %	Class of capital
Fabsec Limited	— development of fire beam	25.0	Ordinary

During the year, Kennedy Watts Partnership Limited, a company which specialised in steelwork design and in which the Company had a holding of 25.1 per cent, went into administration. Accordingly, an impairment charge of £535,000 was recognised which represents the Company's historical investment in the associate.

	£000
Cost	
At 1 April 2013 and 31 March 2014	535
Provision for impairment	
At 1 April 2013	—
Charge for the year	535
At 31 March 2014	**535**
Net book value	
At 31 March 2014	**—**
At 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 year, the Company invested indirectly £3,538,000 (2013: £3,031,000) in the joint venture. The investment is carried in Severfield–Rowen Mauritius Limited, a wholly-owned subsidiary of the Company.

	£000
Cost	
At 1 April 2013	8,471
Additions	3,538
At 31 March 2014	**12,009**

As a result of the significant loss recorded during the year, the Company's investment in the Indian joint venture of £12,009,000 has been reviewed for impairment. The recoverable amount of the investment is determined from value in use calculations which are based on the following year's budget, together with financial projections for 2016 to 2018. The calculations assume a long-term growth rate of 1.5 per cent from 2019 onwards and a pre-tax discount rate of ten per cent. Following this review, no impairment charge was recorded in the year ended 31 March 2014. Management considers that no reasonably possible change in the key assumptions would result in an impairment; however, the achievement of the forecasts is dependent on the move to a sustainable profit position following the actions taken in the current year to improve the order book, to reduce overheads and to implement a new business development plan and operational improvement programme.

Notes to the Company financial statements continued

6. Debtors

	2014 £000	2013 £000
Other debtors	**493**	3,433
Amounts owed by subsidiary undertakings	**61,699**	62,531
Deferred tax asset (note 8)	**—**	287
Corporation tax recoverable	**829**	870
	63,021	67,121

7. Creditors — amounts falling due within one year

	2014 £000	2013 £000
Bank borrowings	**8,873**	42,347
Other creditors and accruals	**2,797**	6,759
Amounts owed to subsidiary undertakings	**103,931**	124,768
Deferred tax liability (note 8)	**278**	—
	115,879	173,874

Borrowings represent the Group's revolving credit facility from the Royal Bank of Scotland and National Australia Bank jointly as disclosed in note 21 to the consolidated financial statements. The facility is available until November 2016.

8. Deferred tax

	Amount provided		Amount unprovided	
	2014 £000	2013 £000	2014 £000	2013 £000
Excess capital allowances	**385**	(182)	**—**	—
Short-term timing differences	**(107)**	(105)	**—**	—
	278	(287)	**—**	—

Deferred tax — movement for the year

	£000
At 1 April 2013	(287)
Current year charge	565
At 31 March 2014	**278**

9. Share capital

	2014 £000	2013 £000
Issued and fully paid:		
297,503,587 ordinary shares of 2.5p each (2013: 89,251,076 ordinary shares of 2.5p each)	**7,437**	2,231

There are no share options outstanding as at 31 March 2014 (2013: nil).

The increase in share capital and share premium reflect the 7:3 rights issue of 208,252,511 new ordinary shares at 23p per share which completed on 5 April 2013.

10. Share premium

	2014 £000	2013 £000
At start of year	**46,152**	46,152
Proceeds from shares issued	**39,550**	—
At end of year	**85,702**	46,152

11. Other reserves

	2014 £000	2013 £000
At start of year	377	319
Share-based payment charge	243	58
At end of year	**620**	377

The movement in the share-based payment reserve represents the share-based payment charge of £243,000 (2013: £58,000).

12. Profit and loss account

	2014 £000	2013 £000
At start of year	3,012	4,646
Dividends paid	—	(4,462)
Net profit for the year	10,742	2,828
At end of year	**13,754**	3,012

13. Movement in shareholders' funds

	2014 £000	2013 £000
At start of year	51,772	53,348
Proceeds from shares issued	44,756	—
Dividends paid	—	(4,462)
Net profit for the year	10,742	2,828
Movement in share-based payment reserve	243	58
At end of year	**107,513**	51,772

14. Capital commitments

	2014 £000	2013 £000
Contracted for but not provided in the financial statements	—	—

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 2014 these amounted to £nil (2013: £nil).

During the year, the Company provided an undertaking, not exceeding £3,500,000, to secure a loan facility of the Indian joing venture (JSW Severfield Structures Limited) until 31 March 2016.

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North Yorkshire
YO7 3JN

Operational businesses

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YO7 3JN

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Severfield (NI) Limited

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