Severfield

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016
STOCK CODE: SFR
WWW.SEVERFIELD.COM

BUILDING A SOLID PLATFORM FOR GROWTH

DIRECTORS AND ADVISERS

Ian Lawson
Chief executive officer

Ian Cochrane
Chief operating officer

Alan Dunsmore
Group finance director

Derek Randall
Executive director and managing director at JSW Severfield Structures Limited

John Dodds
Non-executive chairman

Kevin Whiteman
Senior independent director

Tony Osbaldiston
Non-executive director

Alun Griffiths
Non-executive director

Chris Holt
Non-executive director

Secretary and registered office
Mark Sanderson
Severs House
Dalton Airfield Industrial Estate,
Dalton, Thirsk,
North Yorkshire, YO7 3JN

Registered number
1721262

Registered in England and Wales

Auditor
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Chartered Accountants
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Solicitors
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Stockbrokers
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Registrars
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Maingate
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Yorkshire Bank

(Part of CYBG plc)
94 Albion Street
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HIGHLIGHTS

Underlying* profit before tax

2016

£8.1m

2015: £4.8m

Revenue

2016

£118.2m

2015: £117.1m

Underlying* operating profit (before JVs and associates)

2016

£8.2m

2015: £5.0m

Underlying* operating margin (before JVs and associates)

2016

7.0%

2015: 4.3%

Operating profit (before JVs and associates)

2016

£7.6m

2015: £3.4m

Profit after tax

2016

£6.2m

2015: £2.6m

Underlying* basic earnings per share

2016

2.25p

2015: 1.32p

Basic earnings per share

2016

2.07p

2015: 0.89p

- Revenue marginally up at £118.2m (2015: £117.1m)
- Underlying* profit before tax up 69% to £8.1m (2015: £4.8m)
- Continued strong cash performance, with period-end net funds of £24.4m (31 March 2016: £18.7m)
- Continued benefit from operational improvement programme, reflected in increased profitability
- Over 90 projects undertaken during the period in key market sectors including commercial office developments, industrial and distribution facilities, stadia and transport
- Share of losses from Indian joint venture of £0.2m (2015: loss of £0.1m) reflecting stable production volumes and operating margins
- UK order book of £315m at 1 November 2016 (1 June 2016: £270m)
- India order book of £35m at 1 November 2016 (1 June 2016: £33m)
- Interim dividend increased by 40% to 0.7p per share (2015: 0.5p per share)
- Profit growth for the full year to be comfortably ahead of expectations

* Underlying results are stated before non-underlying items of £0.7m (2015: £1.6m):
  - Amortisation of acquired intangible assets – £1.3m (2015: £1.3m)
  - Movement in fair value of derivative financial instruments – gain of £0.6m (2015: loss of £0.3m)
  - The associated tax impact of the above – £0.1m (2015: £0.3m)

INTERIM STATEMENT 2016

Introduction

The first six months of the year have seen a strong improvement in operating profit and a small increase in revenue over the prior year along with continued good cash generation. The revenue increase was against a strong first half in the prior year but the current strength of the Group's order book will support improved revenue growth in the second half of 2016/17 and into the next financial year.

The Indian joint venture continues to perform steadily with a consistent order book and good levels of production through the factory. The Indian market is showing signs of improvement and there is a good level of opportunities in the pipeline to enable the business to maintain its steady development.

Financials

The Group's financial performance for the first six months of the financial year reflects continuing operating margin improvement on a year-on-year basis, resulting from the Group's operational improvement programme, and stable year-on-year performance from the Indian joint venture.

Revenue of £118.2m (2015: £117.1m) represents a modest increase from the prior year, reflecting similar levels of production over the same period. The order book has continued to grow during the first half of 2016/17, resulting in an order book at 1 November of £315m which is expected to result in increased production volumes and revenue in the second half of the financial year. Underlying operating profit before results of JVs and associates of £8.2m (2015: £5.0m) represents a margin of 7.0% (2015: 4.3%) which continues to benefit from the embedding of operational efficiencies across the Group through better contract execution and improved flow of fabrication processes in our factories.

The share of results of JVs and associates was a nominal loss in the first half of the year (2015: loss of £0.1m). This consists of a share of losses from the Indian joint venture of £0.2m (2015: loss of £0.1m), reflecting steady production levels and stable operating margins of 7.6% (2015: 7.4%), together with a share of profits of £0.1m (2015: £nil) from Composite Metal Flooring ('CMF') Limited following the Group's investment in the company in the second half of 2015/16.

The Group's underlying operating profit after share of results of JVs and associates is £8.2m (2015: £4.9m) and underlying profit before tax is £8.1m (2015: £4.8m).

Non-underlying items in the period include the amortisation of acquired intangible assets of £1.3m (2015: £1.3m) and non-cash gains of £0.6m (2015: losses of £0.3m) in relation to the movement in the fair values of derivative financial instruments. These are both classified as non-underlying as they do not form part of the profit monitored in the ongoing management of the Group.

The underlying tax rate for the first half of the year of 17.0% (2015: 17.0%) is the estimated effective tax rate for the year ending 31 March 2017.

The statutory profit before tax, which includes both underlying and non-underlying items, is £7.4m (2015: £3.2m). The statutory profit after tax is £6.2m (2015: £2.6m) and has been transferred to reserves.

Underlying basic earnings per share is 2.25p (2015: 1.32p). This calculation is based on the underlying profit after tax of £6.7m (2015: £3.9m) and 298,497,784 shares (2015: 297,503,587 shares), being the weighted average number of shares in issue during the period. Basic earnings per share, which is based on the statutory profit after tax, is 2.07p (2015: 0.89p). There are no contingent shares outstanding under share-based payment schemes and, accordingly, there is no difference between basic and diluted earnings per share.

Net funds at 30 September 2016 were £24.4m, which is an improvement of £5.7m from the year-end position of £18.7m. Net cash flow from operating activities in the period was £11.4m (2015: £10.9m), which included a working capital improvement of £1.6m (2015: improvement of £4.2m) mainly reflecting an increase in advance payments offset by a slight reversal of the favourable year-end receivables position.

Capital expenditure of £2.6m (2015: £3.1m) represents the continuation of the Group's capital investment programme. This included further production-related equipment for our fabrication lines in Dalton, additional mobile equipment for use on our construction sites and continued investment in a range of health and safety and environmental efficiency related improvements. Depreciation in the period was £1.8m (2015: £1.9m).

The Group's defined benefit pension liability at 30 September 2016 was £22.6m, an increase of £8.0m from the year-end position of £14.6m. The increase in the liability is primarily the result of a reduction in the AA bond yield following the referendum vote to leave the European Union, as this is used as the discount rate in the calculation of scheme liabilities. The triennial funding valuation of the scheme will be carried out in the next financial year, with a valuation date of 31 March 2017.

The Group has a £25m borrowing facility with Yorkshire Bank and HSBC, with an accordion facility of a further £20m available at the Group's request, which is available until July 2019. There are two key financial covenants which are tested quarterly, with net debt: EBITDA of < 2.5x, and interest cover of > 4x.

Dividend

As part of the Group's commitment to a progressive dividend policy, the board has decided to increase the interim dividend by 40% to 0.7p per share (2015: 0.5p per share). The dividend will be paid on 13 January 2017 to shareholders on the register on 16 December 2016.

UK

The Group's main activities continue to be the design, fabrication and construction of structural steel for construction projects and more than 90 projects were worked on during the period. These cover a wide range of sectors that the Group can service including commercial office developments, stadia, factories, warehouses, distribution centres, railway stations and bridges. Major projects included the retractable roof for Wimbledon No. 1 court, an assembly hall for BAE Systems at Barrow-in-Furness, the Ordsall Chord rail bridges in Manchester, Covanta waste to energy facility in Dublin, and Bracknell Shopping Centre.

INTERIM STATEMENT 2016

Although revenue growth was relatively modest, it was against a strong comparator in the prior year (which itself had shown 20% year-on-year growth). However, the order book at 1 November of £315m reflects a further increase from the level of six months ago and will generate higher production and therefore revenue both in the second half of the year and into the next financial year. Significant new orders reflected in this increased order book include the new commercial tower at 22 Bishopsgate, new distribution centres including one for an online major retailer, a retail centre expansion and the Graphene Innovation Centre in Manchester. Whilst a significant value of new orders have been secured in recent months, the pipeline for potential future orders also continues to remain steady and our production levels will remain strong for the foreseeable future. In addition, large infrastructure projects such as HS2, Hinckley Point Nuclear Power Station and the new runway at Heathrow – all of which will have significant steel content – as well as the ongoing Network Rail and Highways England investment programmes, all represent opportunities for the Group in the medium term. Overall, this reflects a good level of activity in the UK market which the Group's breadth of capability and continuing service levels to clients is enabling it to benefit well from.

The main profit driver in the period has been the Group's continuing operational improvement programme. Operating margins have improved to 7.0% from 4.3% in the same period last year and there were three main drivers of this. Firstly, some changes were made to production flows through the factories which made greater use of new and more efficient equipment, and increased throughput in certain areas as well. These are part of an ongoing programme of improvements which will continue to yield further benefits in the future. Secondly, improvements we have been making to our contract management processes over the past two years focusing on contract execution, the documentation of project progress and changes and, crucially, communication with clients throughout projects. Often the benefits of these combined activities only become apparent towards the end of a contract and the results for the period reflect some encouraging progress here. Finally, the integration of our new joint venture, CMF Limited, into the supply chain for the first full six month reporting period, has had a beneficial impact on operating margins as well as the share of results from JVs and associates. The CMF operation is performing well and there are further developments in the pipeline which will expand the value offering and profit contribution from this business.

We have continued to develop our bridge infrastructure business (transport sector) in the first half of the year and our capital investment plans include a further £2m to enhance our bridge fabrication capabilities. Progress remains in line with expectations and the pipeline of opportunities is very encouraging, with some significant contract awards expected in the second half of the year.

Overall, we are pleased with the profit progress the business has made in the period and continue to see opportunities to build on this in the future. This profit and margin improvement will also help increase the Group's return on capital employed from the level of 9.7% in the last financial year to above our stated target of 10% by the end of 2016/17.

Health and safety remains central to all of the Group's activities and our extensive programme of activities and improvements continued in the period. We have continued to build on the initial success of the behavioural safety programme and are now well placed to further develop the safety cultural change programme.

A clear strategy is being developed to drive and support our Safety, Health and Environmental principles forward through the Group to reflect the current business and ensure development into the future. We continue to grow our occupational health scheme to further raise awareness of hazards in the workplace, including implementing the drugs and alcohol policy and random testing regime. Sustainability remains a key part of the Group's strategy, aiming to create visible leadership and objectives at all levels and to all stakeholders.

We have completed our traffic management upgrades which have resulted in safer movement around the factories, and our lighting upgrades have shown clear improvements which have benefited both safety and energy costs. Further staff engagement with all levels of the business continues, and adapts to ensure our safety culture becomes world class.

India

The Indian joint venture continued to perform steadily in the period and production volumes of 21,000 tonnes were similar to prior year once mix factors are taken into account. The operating margin of 7.6% is very similar to the level of 7.4% achieved last year and reflects a similar mix of higher margin commercial and lower margin industrial work. The order book also remains steady at £35m and the business continues to generate repeat business from existing clients as well as developing a pipeline of work from new clients. The business continued to repay its term loan during the period but financing costs are still at a level which turn a good operating profit into a small share of after tax loss for the Group. The continued debt repayment, however, does provide more confidence in the path towards profit and therefore the value of the Group's investment in the business.

Outlook

With the strongest order book for over six years and a steady pipeline, the outlook is very good. Revenue growth coupled with the continuing operational improvements provide confidence in the Group's ability to deliver profit growth in the current year comfortably ahead of expectations.

The Indian joint venture continues to perform steadily and improving market sentiment coupled with some reduction in debt within the business provides more confidence that the business can deliver a break-even result in the current year and move into profit thereafter.

I would like to take this opportunity to thank everyone in our business for their hard work, support and continued commitment over the past six months.

We have a strong platform from which to implement our strategy, which targets to double our underlying profit before tax over the four years following the year ended 31 March 2016, and continue to create value for our shareholders.

Ian Lawson
Chief executive officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION CONSOLIDATED INCOME STATEMENT

	Six months ended 30 September 2016 (unaudited)		
	Before other items £000	Other items* £000	Total £000
Revenue	118,153	–	118,153
Operating costs	(109,920)	(673)	(110,593)
Operating profit before share of results of JVs and associates	8,233	(673)	7,560
Share of results of JVs and associates	(37)	–	(37)
Operating profit	8,196	(673)	7,523
Finance expense	(105)	–	(105)
Profit before tax	8,091	(673)	7,418
Tax	(1,381)	135	(1,246)
Profit for the period	6,710	(538)	6,172
Earnings per share:			
Basic	2.25p	(0.18p)	2.07p
Diluted	2.25p	(0.18p)	2.07p

* Further details of other items are disclosed in note 7 to the condensed consolidated interim financial information.

	Six months ended 30 September 2015 (unaudited)			Year ended 31 March 2016 (audited)		
	Before other items £000	Other items* £000	Total £000	Before other items £000	Other items* £000	Total £000
	117,061	—	117,061	239,360	—	239,360
	(112,016)	(1,604)	(113,620)	(225,674)	(3,568)	(229,242)
	5,045	(1,604)	3,441	13,686	(3,568)	10,118
	(149)	—	(149)	(230)	—	(230)
	4,896	(1,604)	3,292	13,456	(3,568)	9,888
	(139)	—	(139)	(245)	—	(245)
	4,757	(1,604)	3,153	13,211	(3,568)	9,643
	(834)	321	(513)	(2,280)	1,237	(1,043)
	3,923	(1,283)	2,640	10,931	(2,331)	8,600
	1.32p	(0.43p)	0.89p	3.67p	(0.78p)	2.89p
	1.32p	(0.43p)	0.89p	3.65p	(0.78p)	2.87p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Actuarial (loss)/gain on defined benefit pension scheme*	**(8,289)**	1,674	1,300
Tax relating to components of other comprehensive income*	**1,575**	(335)	(353)
Other comprehensive income for the period	**(6,714)**	1,339	947
Profit for the period from continuing operations	**6,172**	2,640	8,600
Total comprehensive income for the period attributable to equity shareholders of the parent	**(542)**	3,979	9,547

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

CONSOLIDATED BALANCE SHEET

	At 30 September 2016 (unaudited) £000	At 30 September 2015 (unaudited) £000	At 31 March 2016 (audited) £000
ASSETS			
Non-current assets			
Goodwill	**54,712**	54,712	54,712
Other intangible assets	**2,989**	5,709	4,480
Property, plant and equipment	**77,788**	77,608	77,362
Interests in JVs and associates	**11,573**	4,653	11,611
Deferred tax asset	**559**	1,090	1,100
	147,621	143,772	149,265
Current assets			
Inventories	**6,979**	4,782	5,294
Trade and other receivables	**57,776**	56,975	50,742
Cash and cash equivalents	**24,677**	13,555	19,033
	89,432	75,312	75,069
Total assets	**237,053**	219,084	224,334
LIABILITIES			
Current liabilities			
Trade and other payables	**(65,286)**	(55,341)	(55,311)
Financial liabilities – finance leases	**(180)**	(180)	(180)
Derivative financial instruments	**(193)**	(176)	(830)
Current tax liabilities	**(2,509)**	(1,536)	(1,911)
	(68,168)	(57,233)	(58,232)
Non-current liabilities			
Retirement benefit obligations	**(22,596)**	(14,526)	(14,602)
Financial liabilities – finance leases	**(319)**	(499)	(409)
Deferred tax liabilities	**(507)**	(3,225)	(2,885)
	(23,422)	(18,250)	(17,896)
Total liabilities	**(91,590)**	(75,483)	(76,128)
NET ASSETS	**145,463**	143,601	148,206
EQUITY			
Share capital	**7,461**	7,437	7,437
Share premium	**85,702**	85,702	85,702
Other reserves	**3,060**	1,775	2,300
Retained earnings	**49,240**	48,687	52,767
TOTAL EQUITY	**145,463**	143,601	148,206

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2016	**7,437**	**85,702**	**2,300**	**52,767**	**148,206**
Total comprehensive income for the period	**—**	**—**	**—**	**(542)**	**(542)**
Ordinary shares issued*	**24**	**—**	**—**	**—**	**24**
Equity settled share-based payments	**—**	**—**	**760**	**—**	**760**
Dividends paid	**—**	**—**	**—**	**(2,985)**	**(2,985)**
At 30 September 2016 (unaudited)	**7,461**	**85,702**	**3,060**	**49,240**	**145,463**

* The issue of shares represents shares allotted to satisfy the 2013 Performance Share Plan award which vested in June 2016.

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2015	7,437	85,702	1,250	46,195	140,584
Total comprehensive income for the period	—	—	—	3,979	3,979
Equity settled share-based payments	—	—	525	—	525
Dividends paid	—	—	—	(1,487)	(1,487)
At 30 September 2015 (unaudited)	7,437	85,702	1,775	48,687	143,601

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2015	7,437	85,702	1,250	46,195	140,584
Total comprehensive income for the period	—	—	—	9,547	9,547
Equity settled share-based payments	—	—	1,050	—	1,050
Dividends paid	—	—	—	(2,975)	(2,975)
At 31 March 2016 (audited)	7,437	85,702	2,300	52,767	148,206

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September 2016 (unaudited) £000	Six months ended 30 September 2015 (unaudited) £000	Year ended 31 March 2016 (audited) £000
Net cash flow from operating activities	**11,352**	10,924	23,888
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	**403**	505	668
Purchases of property, plant and equipment	**(2,559)**	(3,078)	(4,798)
Purchases of intangible fixed assets	**—**	—	(150)
Investment in JVs and associates	**(413)**	—	(4,113)
Net cash used in investing activities	**(2,569)**	(2,573)	(8,393)
Cash flows from financing activities			
Interest paid	**(64)**	(78)	(166)
Dividends paid	**(2,985)**	(1,487)	(2,975)
Repayment of obligations under finance leases	**(90)**	(115)	(205)
Net cash used in financing activities	**(3,139)**	(1,680)	(3,346)
Net increase in cash and cash equivalents	**5,644**	6,671	12,149
Cash and cash equivalents at beginning of period	**19,033**	6,884	6,884
Cash and cash equivalents at end of period	**24,677**	13,555	19,033

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Severfield plc ('the Company') is a company incorporated and domiciled in the UK. The address of its registered office is Severs House, Dalton Airfield Industrial Estate, Dalton, Thirsk, North Yorkshire, YO7 3JN.

The Company is listed on the London Stock Exchange.

The condensed consolidated interim financial information does not constitute the statutory financial statements of the Group within the meaning of section 435 of the Companies Act 2006. The statutory financial statements for the year ended 31 March 2016 were approved by the board of directors on 15 June 2016 and have been delivered to the registrar of companies. The report of the auditor on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial information for the six months ended 30 September 2016 has been reviewed, not audited, and was approved for issue by the board of directors on 21 November 2016.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the statutory financial statements for the year ended 31 March 2016 which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

In determining whether the Group's condensed consolidated interim financial information 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.

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

3. Accounting policies

Except as described below, the accounting policies applied in preparing the condensed consolidated interim financial information are consistent with those used in preparing the statutory financial statements for the year ended 31 March 2016.

Taxes on profits in interim periods are accrued using the tax rate that will be applicable to expected total annual profits.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption).

3. Accounting policies (continued)

There are no new IFRSs or IFRICs that are effective for the first time for the six months ended 30 September 2016 which have a material impact on the Group.

4. Risks and uncertainties

The principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining six months of the year ending 31 March 2017 have not changed significantly from those disclosed on pages 52 to 55 of the strategic report included in the annual report for the year ended 31 March 2016, which is available on the Company's website www.severfield.com. These risks and uncertainties include, but are not limited to:

- the commercial and market environment within which the Group operates;
- tendering and project execution;
- health and safety;
- supply chain;
- the Indian joint venture;
- information technology resilience;
- people; and
- industrial relations.

5. Segmental analysis

Following the adoption of IFRS 8, the Group has identified its operating segments with reference to the information regularly reviewed by the executive committee (the chief operating decision maker ('CODM')) to assess performance and allocate resources. On this basis the CODM has identified one operating segment (construction contracts) which in turn is the only reportable segment of the Group.

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. Given that only one operating and reporting segment exists, the remaining disclosure requirements of IFRS 8 are provided within the consolidated income statement and balance sheet.

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

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

6. Seasonality

There are no particular seasonal variations which impact the split of revenue between the first and second half of the financial year. Underlying movements in contract timing and phasing, which are an ongoing feature of the business, will continue to drive moderate fluctuations in half yearly revenues.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. Other items

	Six months ended 30 September 2016 £000	Six months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Amortisation of acquired intangible assets	**(1,310)**	(1,310)	(2,620)
Movements in fair value of derivative financial instruments	**637**	(294)	(948)
Other items before tax	**(673)**	(1,604)	(3,568)
Tax on other items	**135**	321	1,237
Other items after tax	**(538)**	(1,283)	(2,331)

Amortisation of acquired intangible assets represents the amortisation of customer relationships which were identified on the acquisition of Fisher Engineering in 2007. These relationships will be fully amortised within the next two years.

A non-cash gain on derivative financial instruments of £637,000 (2015: loss of £294,000) was recognised in relation to the movement in the fair value of foreign exchange contracts, which will reverse when the underlying contracts mature in the next 12 months. The fair value of these derivatives is primarily a function of exchange rate fluctuations between sterling and the euro.

8. Taxation

The income tax expense reflects the estimated underlying effective tax rate of 17.0% (2015: 17.0%) on profit before taxation for the Group for the year ending 31 March 2017.

9. Dividends

	Six months ended 30 September 2016 £000	Six months ended 30 September 2015 £000	Year ended 31 March 2016 £000
2015 final – 0.5p per share	**—**	(1,487)	(1,487)
2016 interim – 0.5p per share	**—**	—	(1,487)
2016 final – 1.0p per share	**(2,985)**	—	—
	(2,985)	(1,487)	(2,975)

The directors have declared an interim dividend in respect of the six months ended 30 September 2016 of 0.7p per share (2015: 0.5p per share), which will amount to an estimated dividend payment of £2,092,000 (2015: £1,487,000). This dividend is not reflected in the balance sheet as it will be paid after the balance sheet date.

10. Earnings per share

Earnings per share is calculated as follows:

	Six months ended 30 September 2016 £000	Six months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent company	**6,172**	2,640	8,600
Earnings for the purposes of underlying basic earnings per share being underlying net profit attributable to equity holders of the parent company	**6,710**	3,923	10,931
Number of shares	**Number**	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**298,497,784**	297,503,587	297,503,587
Effect of dilutive potential ordinary shares and under share plans	**—**	—	1,715,818
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**298,497,784**	297,503,587	299,219,405

	Six months ended 30 September 2016	Six months ended 30 September 2015	Year ended 31 March 2016
Basic earnings per share	**2.07p**	0.89p	2.89p
Underlying basic earnings per share	**2.25p**	1.32p	3.67p
Diluted earnings per share	**2.07p**	0.89p	2.87p
Underlying diluted earnings per share	**2.25p**	1.32p	3.65p

11. Property, plant and equipment

During the period the Group acquired property, plant and equipment of £2,559,000. The Group also disposed of certain other assets for £403,000 resulting in a profit on disposal of £71,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. Net funds

The Group's net funds are as follows:

	At 30 September 2016 £000	At 30 September 2015 £000	At 31 March 2016 £000
Cash and cash equivalents	**24,677**	13,555	19,033
Unamortised debt arrangement costs	**178**	242	210
Financial liabilities – finance leases	**(499)**	(679)	(589)
Net funds	**24,356**	13,118	18,654

13. Fair value disclosures

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 their fair values. 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.

Derivative financial instruments are the only instruments valued at fair value through profit or loss, and are valued as such on initial recognition. These are 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.

The fair values of the Group's derivative financial instruments which are marked-to-market and recorded in the balance sheet were as follows:

	At 30 September 2016 £000	At 30 September 2015 £000	At 31 March 2016 £000
Liabilities			
Foreign exchange contracts	**(193)**	(176)	(830)

14. Net cash flow from operating activities

	Six months ended 30 September 2016 £000	Six months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Operating profit from continuing operations	**7,523**	3,292	9,888
Adjustments:			
Depreciation of property, plant and equipment	**1,801**	1,878	3,693
Gain on disposal of property, plant and equipment	**(71)**	(123)	(137)
Amortisation of intangible assets	**1,492**	1,379	2,758
Movements in pension scheme liabilities	**(295)**	(277)	(573)
Share of results of JVs and associates	**37**	149	230
Share-based payments	**760**	525	1,050
Movement in fair value of derivatives	**(637)**	294	948
Operating cash flows before movements in working capital	**10,610**	7,117	17,857
Increase in inventories	**(1,685)**	(15)	(527)
(Increase)/decrease in receivables	**(7,066)**	7,524	13,725
Increase/(decrease) in payables	**10,403**	(3,279)	(6,221)
Cash generated from operations	**12,262**	11,347	24,834
Tax paid	**(910)**	(423)	(946)
Net cash flow from operating activities	**11,352**	10,924	23,888

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. Related party transactions

There have been no changes in the nature of related party transactions as described in note 30 on page 129 of the annual report for the year ended 31 March 2016 and there have been no new related party transactions which have had a material effect on the financial position or performance of the Group in the six months ended 30 September 2016.

During the period, the Group provided services in the ordinary course of business to its Indian joint venture, JSW Severfield Structures ('JSSL'), and in the ordinary course of business contracted with and purchased services from its UK joint venture, Composite Metal Flooring ('CMF'). The Group's share of the retained loss in JVs and associates of £37,000 for the period reflects a loss from JSSL of £159,000 and a profit from CMF of £122,000.

16. Contingent liabilities

Liabilities have been recorded for the directors' best estimate of uncertain contract positions, known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no liability is recorded where the directors consider, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation. The Group also has contingent liabilities in respect of other issues that may have occurred, but where no claim has been made and it is not possible to reliably estimate the potential obligation.

The Company and its subsidiaries have provided unlimited multilateral guarantees to secure any bank overdrafts and loans of all other Group companies. At 30 September 2016 these amounted to £15,000,000 (2015: £15,000,000). The Group has also given performance bonds in the normal course of trade.

17. Cautionary statement

The Interim Management Report ('IMR') has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

18. Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions that have occurred in the first six months of the financial year and any material changes in the related party transactions described in the last annual report and financial statements.

The current directors of Severfield plc are listed in the annual report for the year ended 31 March 2016. There have been no changes in directors during the six months ended 30 September 2016.

The maintenance and integrity of the Severfield plc website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board

Ian Lawson
Director
21 November 2016

Alan Dunsmore
Director
21 November 2016

INDEPENDENT REVIEW REPORT TO SEVERFIELD PLC

We have been engaged by the Company to review the condensed consolidated interim financial information in the interim report for the six months ended 30 September 2016, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 18. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed consolidated interim financial information included in this interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial information in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the interim report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Adrian Stone
for and on behalf of KPMG LLP
Chartered Accountants
One Sovereign Square, Sovereign Street
Leeds, LS1 4DA
21 November 2016

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