



Severfield

Severfield plc Interim report for the
six months ended 30 September 2021

**DEVELOPING BETTER WAYS
TO BUILD FOR A WORLD OF
CHANGING DEMANDS**



Directors and advisers

Alan Dunsmore

Chief executive officer

Adam Semple

Group finance director

Ian Cochrane

Chief operating officer

Derek Randall

Executive director and managing director at JSW Severfield Structures

Kevin Whiteman

Non-executive chairman

Alun Griffiths

Senior independent director (chairman of the remuneration committee)

Tony Osbaldiston

Non-executive director (chairman of the audit committee)

Louise Hardy

Non-executive director

Rosie Toogood

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

KPMG LLP

Chartered Accountants
1 Sovereign Square
Leeds, LS1 4DA

Solicitors

Ashurst LLP

Broadwalk House
5 Appold Street
London, EC2A 2HA

Stockbrokers

Jefferies International Limited

Vintners Place
68 Upper Thames Street
London, EC4V 3BJ

Registrars

Computershare Investor Services PLC

PO Box 82
The Pavilions
Bridgwater Road
Bristol, BS99 7NP

Public relations

Camarco

107 Cheapside
London, EC2V 6DN

Bankers

HSBC Bank plc

Maingate
Kingsway North
Team Valley Trading Estate
Gateshead, NE11 0BE

Yorkshire Bank

(part of Virgin Money UK plc)
94 Albion Street
Leeds, LS1 6AG

Highlights

Revenue

£195.9m

(2020: £186.0m)

Underlying¹ operating profit (before JVs and associates)

£10.2m

(2020: £9.5m)

Operating profit (before JVs and associates)

£8.2m

(2020: £8.1m)

Underlying¹ profit before tax

£10.3m

(2020: £8.4m)

Profit before tax

£7.9m

(2020: £6.6m)

Underlying¹ basic earnings per share

2.7p

(2020: 2.2p)

Basic earnings per share

1.7p

(2020: 1.7p)

Interim dividend per share

1.2p

(2020: 1.1p)

Headlines

- Revenue up 5% to £195.9m (H1 2020: £186.0m)
- Underlying¹ profit before tax up 23% to £10.3m (H1 2020: £8.4m)
- Period-end net debt (excluding IFRS 16 lease liabilities²) of £6.7m (31 March 2021: net funds of £4.4m), including acquisition loans of £17.8m (31 March 2021: £20.7m), reflects unwinding of unusually low March 2021 working capital position
- Record UK and Europe order book of £393m at 1 November 2021 (1 June 2021: £301m), includes new industrial and distribution and bridge orders and the new stadium for Everton F.C.
- Share of profit from JSSL of £0.3m (H1 2020: loss of £0.7m), return to profitability reflects an Indian market, which is now showing clear signs of recovery from the second wave of COVID-19
- India order book of £140m at 1 November 2021 (1 June 2021: £140m)
- Interim dividend increased by 9% to 1.2p per share (H1 2020: 1.1p per share)

ESG

- Certified by the Carbon Trust as carbon neutral for manufacturing and construction operations
- Net Zero carbon target established for 2040, Group signed up to the UN 'Race to Zero' campaign

Outlook

- UK and Europe – tendering and pipeline activity remain very encouraging – including opportunities in the industrial and distribution, transport infrastructure, nuclear and data centre sectors
- India – strong and growing underlying demand for structural steel – JSSL is very well-positioned to take advantage of an improving economy
- Expectations are unchanged despite ongoing supply chain and inflationary pressures for us and our clients
- Record UK and Europe order book gives us good profit visibility through FY23

¹ Stated before non-underlying items of £2.4m (H1 2020: £1.8m) consisting of the amortisation of acquired intangible assets of £2.0m (H1 2020: £1.4m) and acquisition-related expenses of £0.4m (H1 2020: £0.4m). Non-underlying items have been separately identified as a result of their magnitude, incidence or unpredictable nature. Their separate identification results in a calculation of an underlying profit measure in the same way as it is presented and reviewed by management (see note 7 to the interim financial statements)

² The Group excludes IFRS 16 lease liabilities from its measure of net funds / debt as they are excluded from the definition of net debt as set out in the Group's borrowing facilities (see note 13 to the interim financial statements)

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Introduction

The Group has continued to perform well in the first half, building on the positive momentum coming into the financial year, following our successful response to the challenges of COVID-19. This, together with the benefits of further operational and strategic progress, is reflected in our record UK and Europe order book of £393m, increased revenues, improved profitability, and a significantly improved performance from JSSL, our Indian joint venture.

The Group's first-half profit performance is slightly ahead of the previously anticipated profit weighting for H1 / H2 of approximately one third / two thirds. Notwithstanding this, profits for the 2022 financial year are still expected to have a second-half bias reflecting the phasing of ongoing contract works in our record UK and Europe order book. This order book provides us with good visibility over the next 18 months and gives us confidence of a strong future performance by the Group. Furthermore, we continue to be very encouraged by the current level of tendering and pipeline activity across the Group. We remain well-positioned to take advantage of some significant opportunities, including in the industrial and distribution, transport infrastructure, nuclear and data centre sectors, providing us with greater resilience and the ability to drive future profitable growth.

JSSL has continued to recover well from the effects of the second wave of COVID-19. The factory in Bellary and all the business' construction sites are currently operational. After a difficult start to the first half, when output was disrupted, the company has reported a slightly above break-even profit position in H1, reflecting an improving Indian market picture. Despite the recent COVID-19 challenges, JSSL has continued to win new work, resulting in a strong order book of £140m. This, together

with JSSL's ever-improving pipeline of potential orders, reflects a continuing strong underlying demand for structural steel in India, leaving the business very well-positioned to take advantage of an improving economy.

Financials

Revenue of £195.9m (2020: £186.0m) represents an increase of £9.9m compared to the prior period. This predominately reflects six months of additional revenue for DAM Structures, which was acquired in February 2021.

Underlying operating profit (before JVs and associates) of £10.2m (2020: £9.5m) represents an increase of £0.7m over the prior period, which included the disruptive effects of COVID-19, particularly in the first quarter of the previous year. As anticipated, the results for the 2022 financial year are expected to be considerably weighted to the second half, with several contracts in the order book expected to deliver higher profits during this period.

The share of results of JVs and associates in the first half of the year was a profit of £0.6m (2020: loss of £0.6m). This includes a share of profit from the Indian joint venture of £0.3m (2020: loss of £0.7m), reflecting revenue growth and margin improvement as the business continues its recovery from the effects of the second wave of COVID-19. The share of results of JVs and associates also includes those of Construction Metal Forming ('CMF') Limited which has contributed a share of profit for the Group of £0.3m (2020: £0.1m), the prior period for CMF also having been impacted by COVID-19.

The Group's underlying profit before tax was £10.3m (2020: £8.4m), an increase of 23 per cent compared to the previous period. The statutory profit before tax, which includes both underlying and non-underlying items, was £7.9m (2020: £6.6m), an increase of 20 per cent.

Non-underlying items for the period of £2.4m (2020: £1.8m) consisted of the amortisation of acquired intangible assets of £2.0m (2020: £1.4m) and acquisition-related expenses of £0.4m (2020: £0.4m). The amortisation of acquired intangible assets represents the amortisation of customer relationships, order books and brand name, which were identified on the acquisitions of Harry Peers and DAM Structures. These assets are being amortised over a period of 18 months to five years.

An underlying tax charge of £1.9m is shown for the period (2020: £1.7m). This tax charge is recognised based upon the best estimate of the average effective income tax rate on profit before tax for the full financial year and equates to the UK statutory rate of 19 per cent. A non-underlying tax charge of £0.8m has been recognised, comprising a tax credit on non-underlying items of £0.5m, offset by a charge of £1.3m relating to the increase in future tax rates from 19 per cent to 25 per cent.

Underlying basic earnings per share is 2.7p (2020: 2.2p). This calculation is based on the underlying profit after tax of £8.3m (2020: £6.7m) and 308,287,952 shares (2020: 306,860,362 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 1.7p (2020: 1.7p). Diluted earnings per share, which includes the effect of the Group's performance share plan, is 1.7p (2020: 1.7p).

Net debt (pre-IFRS 16 basis) at 30 September 2021 was £6.7m (31 March 2021: net funds of £4.4m) following the payment of the 2021 final dividend (£5.5m). This represents cash of £11.1m offset by the outstanding term loans of £17.8m for the Harry Peers and DAM Structures acquisitions. Operating cash flow for the period before working capital movements was £13.3m (2020: £11.8m). Net working capital increased by £11.8m in the period reflecting the impact of recent steel and

other input price rises, together with the expected unwinding of the unusually low (two per cent of revenue) working capital position at 31 March 2021. Excluding advance payments, period-end net working capital was slightly below six per cent of revenue, which is within our well-established target range of four to six per cent.

Capital expenditure of £3.5m (2020: £1.8m) represents the continuation of the Group's capital investment programme. This predominantly consisted of site improvements at Ballinamallard and the purchase of additional land at Dalton to future-proof the site. There remain some significant capital projects planned for the second half of the year, including new and upgraded equipment for our fabrication lines, and we continue to expect 2022 capital expenditure levels to be higher than our recent run rate of £6m to £8m per annum. Depreciation in the period was £3.3m (2020: £3.0m), of which £0.8m (2020: £0.8m) relates to right-of-use assets under IFRS 16.

The Group's net defined benefit pension liability at 30 September 2021 was £20.4m, a decrease of £2.0m from the year-end position of £22.4m. The deficit has decreased largely because of higher-than-expected returns on the scheme's assets and ongoing deficit contributions.

The Group has a £25m revolving credit facility ('RCF') with HSBC Bank and Virgin Money (formerly Yorkshire Bank), which matures in October 2023. The RCF, of which £10m is available as an overdraft facility, continues to include an additional accordion facility of £20m, which allows the Group to increase the aggregate available borrowings to £45m. As part of the Harry Peers and DAM Structures acquisitions, new amortising term loans of £14m and £12m respectively, were established as amendments to the existing RCF. At 30 September 2021, of these original loans of £26m, £17.8m remained outstanding.

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Dividend

The board considers the dividend to be a very important component of shareholder returns. Accordingly, based on its current assessment of the performance of the business, the outlook for the year and our strong balance sheet and cash position, the board has decided to increase the interim dividend by 9 per cent to 1.2p per share (2020: 1.1p per share).

UK and Europe

The Group's main activities continue to be the design, fabrication and construction of structural steel for construction projects in the UK, Republic of Ireland and Europe. During the period, we continued to work on a large industrial facility, which includes a bespoke paint package, in the Republic of Ireland, several large distribution facilities in the UK and our first HS2 bridge package, Water Orton Viaducts in the Midlands. We have also continued our work on the new Google Headquarters at King's Cross, together with a number of mid-sized office developments, both in London and the UK regions (including Argyle Street in Glasgow, Sky Studios in Elstree, and Sherwood Street and 30 South Colonnade, both in London).

The UK and Europe order book at 1 November includes a significant amount of new work which we have secured over recent months and now stands at a record level of £393m (1 June 2021: £301m), of which £318m is planned for delivery over the next 12 months. This leaves the Group very well-positioned with a strong future workload for the remainder of the 2022 financial year and beyond. The growth in the order book has been driven by several significant project awards. These include the new stadium for Everton F.C., two large and various smaller distribution facilities in the UK, reflecting a sector which continues to remain buoyant, a waste-to-energy facility, new HS2 bridge packages and other bridge awards reflecting investment in infrastructure

by Highways England and Network Rail. The order book remains well balanced, showcasing the benefits of our strategic diversification over recent years, and contains a healthy mix of projects across the Group's key market sectors.

In terms of geographical spread of the order book of £393m, 95 per cent represents projects in the UK, with the remaining 5 per cent representing projects for delivery in Europe and the Republic of Ireland (1 June 2021: 84 per cent in the UK, 16 per cent in Europe and the Republic of Ireland). The more UK-centric nature of the current order book is driven by the inclusion of DAM Structures' UK order book, following its acquisition in the previous year, together with a lower proportion of work in the Republic of Ireland, as several projects, including the large industrial facility, draw to completion. Furthermore, whilst the order book is currently at record levels, only 17 per cent of this represents commercial offices, compared to the more normal previous range of 30 to 35 per cent and a peak of c.60 per cent around four years ago, highlighting the success of our strategic diversification.

We remain very encouraged by the current level of tendering and pipeline activity across the Group and are well-positioned to take advantage of some significant opportunities in the industrial and distribution (battery plants and distribution centres), transport infrastructure, nuclear and data centre sectors. We are also seeing new opportunities in the commercial office market, including in London, a trend which we expect to increase over the coming years, given that some of the challenges recently experienced by this sector are now alleviating. With the return to more normal trading conditions and with the most significant effects of COVID-19 behind us, we remain well placed to win work across a wide client base and in a diverse range of market sectors and geographies, including in Europe, supported by our European business. This diversity provides

us with greater resilience and the ability to drive future profitable growth.

As a key component of economic growth, the construction industry will be central to a sustainable recovery from the effects of COVID-19. New, low carbon infrastructure (including HS2, wind power, new nuclear, rail electrification and energy efficient buildings) will play a leading role in stimulating sustainable growth. In November 2020, the UK Government released details of its five-year plan, the National Infrastructure Strategy ('NIS') to invest in digital, transport and energy to drive economic recovery, levelling up and meeting the UK's net zero emissions target by 2050. This plan announced funding of £640 billion, an increase of £100 billion from the previous plan, for developments in roads, railways, power networks, telecommunications and other UK infrastructure projects. We have already secured some significant road bridge awards and orders for HS2 from a variety of consortia, and we continue to make good progress with several other similar opportunities, including rail electrification work. We remain well-positioned to win work in the transport sector given the Group's historical track record and our in-house bridge capability, together with the in-depth expertise of DAM Structures.

Smarter, Safer, more Sustainable

The Group's 'Smarter, Safer, more Sustainable' ('SSS') operational improvement programme has engendered a self-help culture within the organisation. This programme has served us well in maintaining efficient operations during the pandemic and in helping us to offset many of the supply chain and cost pressures currently being experienced by the Group (see below).

During the period, we have continued our drive to reduce costs and increase and upgrade our fabrication capacity and efficiency. This includes the continued roll out of our new coatings management system at Dalton covering the

reduction of paint waste and improvements to the specification, management and application of factory paint systems, together with initiatives to improve overall quality, including the targeted reduction of factory NCRs (rework items). Having rolled out a new Group-wide production management system (StruMIS) in 2019, we are currently in the process of further streamlining production flows and improving real-time factory information at our main centre in Dalton, including the use of mobile devices to capture information at the point of use to provide live information to both operatives and management. This will help drive quality, reduce bottlenecks, and improve the reliability and speed of our operations. As part of our ongoing capital investment programme, we have also continued to expand our fabrication capability at Dalton and invested in new and more efficient production machinery to improve the throughput and efficiency of these operations.

Our digital transformation initiative is targeting a connected organisation which eliminates waste and increases automation. As part of this process, we are devoting skilled resource to reviewing and responding to developing technologies and continue to make good progress with the automation of repetitive tasks. This includes our innovative approach to drawing and design, and the optimisation of engineering software under the leadership of our Group engineering director.

Supply chain

We continue to be mindful of industry-wide supply chain pressures for both us and our clients which are, in some instances, impacting material costs and availability. This includes certain steel products, in part reflecting a price of steel which, although stabilising recently, has nearly doubled over the past year. Notwithstanding this, steel remains largely a pass-through cost for the Group, albeit the recent steel price increases are having an

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impact on working capital in the short term. For steel, we benefit from relationships with several partners in the UK and continental Europe, reducing the risk of interruptions to the Group's steel supply.

During the first half, the Group has also experienced some increases in lead times and supply restrictions for a limited number of other products, together with upward pressures on costs due to tighter labour markets and more general inflationary pressures for certain products and services. Whilst not immune to this, the impact has been managed without any significant disruption to operations, and the Group is managing these pressures through contractual protection, operating efficiencies and by forward purchasing as appropriate, leveraging the Group's scale and supply chain and sub-contract management strengths.

Overall, it is expected that these pressures will normalise and that any disruption can be minimised by the focused sourcing of materials through the supply chain and our ongoing SSS operational improvement programme.

DAM Structures

DAM Structures is integrating well into our core operations and we are seeing significant opportunities for growth in the UK from Network Rail electrification programmes, including piling, overhead line equipment and general rail works, and temporary and permanent tunnel work for HS2. This will complement the Group's existing expertise in the transport sector. We also see ongoing opportunities for growth in DAM's propping business which provides bespoke fabricated propping systems to demolition and groundwork contractors.

In addition to the initial consideration of £12.0m which was paid in February 2021, a further deferred consideration of £7.0m is payable in cash in April 2022.

An additional performance-based contingent consideration of up to £8.0m is also in place, payable if certain work-winning targets in the railway and steel piling sectors are achieved over a five-year period, ending in April 2026.

Modular construction

Our modular (off-site) construction offering continues to include the growing product ranges of Severfield (Products & Processing) ('SPP') based in Sherburn and of CMF, our cold rolled steel joint venture business based in Wales. We continue to be the only hot rolled steel fabricator in the UK to have a cold rolled manufacturing capability.

SPP

SPP was originally established in 2019 to allow us to address smaller scale projects and provide a one-stop shop for smaller fabricators to source high-quality processed steel and ancillary products, at lower margins. We have continued to grow and invest in the business, including strengthening the factory management, engineering and commercial functions, to maintain our focus on growing our 'Severstor' modular product range and 'Rotoflo' products, both of which attract higher margins. For Severstor, we are already making significant progress in growing our client base and have secured repeat orders from several blue-chip clients. The Rotoflo team has also recently appointed a new sales manager in India as we look to develop the overseas footprint of the business. In the previous year, SPP was awarded 'Fit for Nuclear' and certain Network Rail accreditations which, together with an expanding client base and our previous record in modular construction, we believe will help us to achieve our future growth aspirations for the business.

As well as servicing its growing external client base, SPP has also continued to provide high-quality sub-contract fabrication packages for other Group companies to assist in the delivery of our record UK and Europe order book, thus ensuring a greater proportion of project work remains in-house and subject to Severfield quality standards.

CMF

CMF has continued to develop its product range, which now includes load bearing frame and deck profiles, purlins and side rail systems to service a cold formed steel market which has grown significantly in recent years through the increased use of steel in off-site and modular construction. As a result of these market developments and with the agreement of our joint venture partner, an expansion of the business is currently underway. The expansion, which involves the development of a new, separate manufacturing facility in South Wales, is required as the existing CMF facility in Pontypool is operating at close to full capacity and cannot be developed any further due to space constraints. This will allow CMF to serve an external client base and ensure that its market share is maintained and increased in line with market growth.

Significant work on this expansion commenced earlier in the financial year and the facility is expected to be operational in the next 12 months. The overall cost of construction for CMF is c.£10m, including land of £3m, which is being financed by a combination of equity of c.£5m, provided in equal amounts by the joint venture partners in the previous year, and debt of c.£5m.

India

After a difficult start to the first half, when output was disrupted, JSSL has continued its recovery from the effects of the second wave of COVID-19. This is evident in the Group's after-tax share of profit of £0.3m (2020: share of

loss of £0.7m), reflecting an Indian market which is now showing clear signs of improvement. This return to profitability reflects an increase in JSSL's revenue to £41.2m, compared to £23.1m in the previous period, and an operating margin of 5.6 per cent, compared to a break-even operating margin in the previous period. Financing expenses of £1.6m (2020: £1.6m) turn JSSL's operating profit of £2.3m (2020: £nil) into a profit before tax of £0.7m (2020: loss before tax of £1.6m).

Despite the recent COVID-19 challenges, JSSL's clients have continued to place orders, resulting in a strong order book of £140m (1 June 2021: £140m). In terms of mix, 62 per cent of the order book represents higher margin commercial work, with the remaining 38 per cent representing industrial projects, mainly for JSW (1 June 2021: commercial work of 68 per cent, industrial work of 32 per cent).

JSSL's pipeline of potential orders continues to include several commercial projects for key developers and clients with whom it has established strong relationships, including in the commercial office, data centre and healthcare sectors. This, together with JSSL's healthy order book, reflects a strong and growing underlying demand for structural steel in India, leaving the business very well-positioned as the market continues to recover well from the second wave of COVID-19.

In response to this underlying demand, which is supported by strong long-term growth projections for India and the continued conversion of the market from concrete to steel, in tandem with our joint venture partner, we are currently evaluating several locations in which to purchase land to facilitate further expansion of the business in the future. Whilst Bellary continues to ramp up towards its maximum capacity of c.100,000 tonnes, this proposed land purchase will allow the business to expand its

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geographical footprint in India whilst providing it with the platform to build quickly and incrementally add the necessary volume when future market conditions are suitable.

Safety, health and the environment ('SHE')

Our updated SHE strategy is based around three key areas: people, communication and engagement, and systems and processes. The strategy will serve to further enhance and progress our SHE culture and values as we strive to be industry-leading in our approach.

In the previous year, we rolled out a new platform for reporting SHE incidents and completing inspections to identify trends and root causes in safety performance to enable targeted improvements. Following the reduction in the Group's injury frequency rate ('IFR') in the previous year, we have made further improvements in 2022, and our leading safety indicators continue to trend in a positive direction.

Our annual safety awards, now in their third successful year, saw a marked increase in nominations. These were held in November and it was a pleasure to recognise all the great work our people do by celebrating the event together.

Sustainability

As part of our ambitious sustainability strategy, the Group has committed to reduce our scope 1 and 2 greenhouse gas ('GHG') emissions by 25 per cent by 2025 against a 2018 baseline. These targets are based on the 2015 International Treaty on Climate Change (the Paris Agreement), which seeks to limit global warming to below 1.5 degrees Celsius, compared to pre-industrial levels. We have also committed to reach Net Zero for our scope 1 and 2 carbon emissions by 2040.

Having reduced our scope 1 and 2 GHG emissions intensity by more than 60 per cent since 2015, the Group was recently included on the Financial Times inaugural listing of Europe's climate leaders (May 2021) that details corporate progress in fighting climate change and lists the 300 companies which achieved the greatest reduction in their GHG emissions between 2014 and 2019. One of the key metrics for ESG is reducing CO₂ emissions, with the Group producing figures that are audited by the Carbon Trust on an annual basis.

Ahead of COP26 in October, the Group signed up to the United Nations 'Race to Zero' campaign, in conjunction with the Science Based Targets Initiative, to build momentum around the shift to a decarbonised economy. This requires the Group to set a net zero target in line with a 1.5 degree world to hold off some of the worst climate impacts. We are also involved with a supply chain project with Balfour Beatty, showcasing how we are engaged in their ambition to 'Green The Chain', together with our existing SteelZero commitments, which demonstrate how important the transition to low embodied carbon steel production is to the construction sector.

In line with our sustainability strategy, in August 2021, we achieved our current year target to be accredited as carbon neutral for our manufacturing and construction operations by the Carbon Trust, in accordance with PAS 2060, the only recognised international standard for carbon neutrality. This is an important milestone in our journey towards Net Zero. Carbon neutral in this context means that we use carbon offsetting to eliminate our combined scope 1, scope 2 and operational scope 3 (business travel, transport and distribution, employee commuting, and waste) greenhouse gas emissions.

Summary and outlook

The Group has performed well during the first six months of the year, reflecting the benefit of the strategic and operational progress made over recent years. Our balance sheet remains strong, we have increased revenues and profits, including a return to profitability for JSSL, and we have continued to drive efficiencies through our SSS programme. Our strategy remains unchanged, focused on growth, both organic and through selective acquisitions, operational improvements and creating further value in JSSL.

In India, we remain enthused about the long-term development potential of the business, which is very well-positioned to take advantage of a market which continues to show clear signs of recovery from the second wave of COVID-19.

Whilst we retain an element of caution given the ongoing supply chain and inflationary pressures which are impacting both us and our clients, our expectations remain unchanged. With a record UK and Europe order book, which provides good visibility of earnings through FY23, a very encouraging pipeline of opportunities, and a well-positioned business in India, the outlook for the Group remains good.

Alan Dunsmore

Chief executive officer
23 November 2021

Consolidated income statement

Six months ended
30 September 2021 (unaudited)

	Underlying £000	Non- underlying £000	Total £000
Revenue	195,890	–	195,890
Operating costs	(185,710)	(2,025)	(187,735)
Operating profit before share of results of JVs and associates	10,180	(2,025)	8,155
Share of results of JVs and associates	581	–	581
Operating profit	10,761	(2,025)	8,736
Net finance expense	(479)	(338)	(817)
Profit before tax	10,282	(2,363)	7,919
Taxation	(1,939)	(809)	(2,748)
Profit for the period	8,343	(3,172)	5,171
Earnings per share:			
Basic	2.71p	(1.03)p	1.68p
Diluted	2.69p	(1.02)p	1.67p

Six months ended 30 September 2020 (unaudited)			Year ended 31 March 2021 (audited)		
Underlying £000	Non- underlying £000	Total £000	Underlying £000	Non- underlying £000	Total £000
186,031	–	186,031	363,254	–	363,254
(176,539)	(1,421)	(177,960)	(337,784)	(2,795)	(340,579)
9,492	(1,421)	8,071	25,470	(2,795)	22,675
(623)	–	(623)	(344)	–	(344)
8,869	(1,421)	7,448	25,126	(2,795)	22,331
(447)	(429)	(876)	(795)	(429)	(1,224)
8,422	(1,850)	6,572	24,331	(3,224)	21,107
(1,719)	352	(1,367)	(4,574)	771	(3,803)
6,703	(1,498)	5,205	19,757	(2,453)	17,304
2.18p	(0.48)p	1.70p	6.43p	(0.80)p	5.63p
2.18p	(0.48)p	1.70p	6.43p	(0.80)p	5.63p

Consolidated statement of comprehensive income

	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Actuarial gain/(loss) on defined benefit pension scheme*	1,030	(4,957)	(4,906)
(Losses)/gains taken to equity on cash flow hedges	(177)	(916)	1,699
Reclassification adjustments on cash flow hedges	14	455	251
Exchange difference on foreign operations	1	(26)	34
Tax relating to components of other comprehensive income*	(258)	942	734
Other comprehensive income for the period	610	(4,502)	(2,188)
Profit for the period from continuing operations	5,171	5,205	17,304
Total comprehensive income for the period attributable to equity shareholders of the parent	5,781	703	15,116

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

Consolidated balance sheet

	At 30 September 2021 (unaudited) £000	At 30 September 2020 (unaudited) £000	At 31 March 2021 (audited) £000
ASSETS			
Non-current assets			
Goodwill	85,390	70,714	85,782
Other intangible assets	7,610	6,230	9,630
Property, plant and equipment	92,401	88,160	91,698
Right-of-use asset	9,994	9,494	9,808
Interests in JVs and associates	29,371	26,066	28,790
Contract assets, trade and other receivables	4,282	–	4,368
	229,048	200,664	230,076
Current assets			
Inventories	9,102	6,119	10,231
Contract assets, trade and other receivables	88,112	68,345	67,847
Derivative financial instruments	679	–	1,049
Current tax asset	177	1,963	3,584
Cash and cash equivalents	11,045	29,802	24,983
	109,115	106,229	107,694
Total assets	338,163	306,893	337,770
LIABILITIES			
Current liabilities			
Trade and other payables	(87,413)	(79,531)	(77,803)
Financial liabilities – borrowings	(5,900)	(3,500)	(5,900)
Financial liabilities – leases	(1,531)	(1,086)	(1,744)
Derivative financial instruments	–	(1,612)	–
	(94,844)	(85,729)	(85,447)
Non-current liabilities			
Trade and other payables	(4,009)	–	(10,639)
Retirement benefit obligations	(20,366)	(23,022)	(22,379)
Financial liabilities – borrowings	(11,900)	(7,000)	(14,850)
Financial liabilities – leases	(9,321)	(9,513)	(9,365)
Deferred tax liabilities	(5,225)	(2,795)	(4,161)
	(50,821)	(42,330)	(61,394)
Total liabilities	(145,665)	(128,059)	(146,841)
NET ASSETS	192,498	178,834	190,929
EQUITY			
Share capital	7,725	7,689	7,706
Share premium	88,167	87,292	87,658
Other reserves	4,090	281	3,464
Retained earnings	92,516	83,572	92,101
TOTAL EQUITY	192,498	178,834	190,929

Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2021	7,706	87,658	3,464	92,101	190,929
Total comprehensive income for the period	–	–	(163)	5,944	5,781
Ordinary shares issued*	19	509	–	–	528
Equity settled share-based payments	–	–	789	–	789
Dividends paid	–	–	–	(5,529)	(5,529)
At 30 September 2021 (unaudited)	7,725	88,167	4,090	92,516	192,498

* The issue of shares represents shares allotted for the 2018 and 2020 Sharesave schemes.

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2020	7,648	87,292	1,402	87,333	183,675
Total comprehensive income for the period	–	–	(487)	1,190	703
Ordinary shares issued*	41	–	–	–	41
Equity settled share-based payments	–	–	(634)	572	(62)
Dividends paid	–	–	–	(5,523)	(5,523)
At 30 September 2020 (unaudited)	7,689	87,292	281	83,572	178,834

* The issue of shares represents shares allotted to satisfy the 2017 Performance Share Plan award, which vested in June 2020.

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2020	7,648	87,292	1,402	87,333	183,675
Total comprehensive income for the year	–	–	1,984	13,132	15,116
Ordinary shares issued*	58	366	–	–	424
Equity settled share-based payments	–	–	78	531	609
Dividends paid	–	–	–	(8,895)	(8,895)
At 31 March 2021 (audited)	7,706	87,658	3,464	92,101	190,929

* The issue of shares represents shares allotted to satisfy the 2017 Performance Share Plan award, which vested in June 2020 and the 2017 Sharesave scheme.

Consolidated cash flow statement

	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Net cash flow from operating activities	(367)	12,506	25,349
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	185	90	104
Purchases of land and buildings	(2,098)	–	(247)
Purchases of other property, plant and equipment	(1,310)	(1,553)	(6,097)
Purchases of intangible assets	(125)	(276)	(276)
Investment in JVs and associates	–	–	(2,444)
Investment in subsidiary entity, net of cash acquired	(526)	–	(17,489)
Net cash used in investing activities	(3,874)	(1,739)	(26,449)
Cash flows from financing activities			
Interest paid	(537)	(477)	(699)
Dividends paid	(5,529)	(5,523)	(8,895)
Proceeds from shares issued	528	41	424
Proceeds from borrowings	–	–	12,000
Repayment of borrowings	(2,950)	(17,625)	(19,375)
Repayment of lease liabilities	(1,209)	(775)	(1,710)
Loans issued to JVs and associates	–	(944)	–
Net cash used in financing activities	(9,697)	(25,303)	(18,255)
Net decrease in cash and cash equivalents	(13,938)	(14,536)	(19,355)
Cash and cash equivalents at beginning of period	24,983	44,338	44,338
Cash and cash equivalents at end of period	11,045	29,802	24,983

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 2021 were approved by the board of directors on 16 June 2021 and have been delivered to the registrar of companies. The report of the auditors 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 2021 has been reviewed, not audited, and was approved for issue by the board of directors on 22 November 2021.

2) Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2021 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed consolidated interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the statutory financial statements for year ended 31 March 2021, which were prepared in accordance with International Financial Reporting Standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Going concern

Net debt (pre-IFRS 16 basis) at 30 September 2021 was £6.7m, representing cash of £11.1m offset by term loans of £17.8m. The Group has a £25m revolving credit facility ('RCF') with HSBC and Virgin Money that matures in October 2023. The RCF, of which £10m is available as an overdraft facility, includes an additional accordion facility of £20m, which allows the Group to increase the aggregate available borrowings to £45m. Throughout the year to date, the Group has maintained significant amounts of headroom in its financing facilities and associated covenants.

In the previous year, the Group continued to trade safely and profitably with positive operating cash flows whilst operating under various COVID-19 restrictions. Whilst there continues to be some uncertainty associated with COVID-19, the directors expect the Group to remain similarly resilient over the forecast period whilst it continues to operate under any further potential restrictions until the end of the pandemic. The directors have reviewed the Group's forecasts and projections for the remainder of the 2022 financial year and up to 12 months from the date of approval of the interim financial statements, including sensitivity analysis to assess the Group's resilience to potential adverse outcomes, including a highly pessimistic 'worst case' scenario. This 'worst case' is based on the combined impact of securing no further orders and further significant disruption for the entirety of the going concern period. Given the strong previous performance of the Group, this scenario is only being modelled to stress test our strong financial position and demonstrate the existence of considerable headroom in the Group's covenants and borrowing facilities.

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

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 2021.

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).

There are no new IFRSs and IFRICs that are effective for the first time for the six months ended 30 September 2021 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 2022, other than as disclosed below, have not changed significantly from those disclosed on pages 80 to 86 of the strategic report included in the annual report for the year ended 31 March 2021. The annual report is available on the Company's website www.severfield.com. These risks and uncertainties include, but are not limited to:

- Health and safety
- Supply chain
- Commercial and market environment
- COVID-19
- Cyber security
- Failure to mitigate onerous contract terms
- Indian joint venture
- People

The preparation of the condensed consolidated interim financial information 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. 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 Group's critical accounting judgements and estimates have not changed significantly from those disclosed on page 167 of the annual report for the year ended 31 March 2021.

Notes to the condensed consolidated interim financial information

4) Risks and uncertainties continued

Revenue and profit recognition

Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract. There are eight contracts that management consider require significant accounting estimates and the Group had included revenue and profit in the period relating to these contracts of £63,100,000 and £7,100,000, respectively. Management has performed sensitivity analysis on these contracts and assessed that if the Group's average contract margin increased or decreased by one per cent, the impact of this across these projects would result in an increase or corresponding decrease in profit in the year of c.£630,000. At the balance sheet date, amounts due from construction contract customers, included in contract assets, trade and other receivables was £38,845,000 (2020: £22,764,000).

5) Segmental analysis

In accordance with 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 businesses have been aggregated as they have businesses with similar products and services, production processes, types of customers, 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.

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 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.

7) Non-underlying items

	At 30 September 2021 £000	At 30 September 2020 £000	At 31 March 2021 £000
Operating costs	(2,025)	(1,421)	(2,795)
Finance expense	(338)	(429)	(429)
Non-underlying items before tax	(2,363)	(1,850)	(3,224)
Tax on non-underlying items	(809)	352	771
Non-underlying items after tax	(3,172)	(1,498)	(2,453)

7) Non-underlying items continued

	At 30 September 2021 £000	At 30 September 2020 £000	At 31 March 2021 £000
Non-underlying items before tax consist of:			
Amortisation of acquired intangible assets	(2,025)	(1,421)	(2,842)
Unwinding of discount on deferred and contingent consideration	(338)	(429)	(429)
Acquisition-related expenses	–	–	(689)
Contingent consideration movements	–	–	736
Non-underlying items before tax	(2,363)	(1,850)	(3,224)

Amortisation of acquired intangible assets represents the amortisation of customer relationships, order books and brand name, which were identified on the acquisition of Harry Peers and provisionally on the acquisition of DAM Structures.

Tax on non-underlying items includes the impact of an increase in future corporation tax rates from 19 per cent to 25 per cent, that have been substantively enacted, on the Group's deferred tax liability. In the period, a charge of £809,000 has been recognised, comprising a tax credit on non-underlying items of £505,000 offset by a charge of £1,314,000 relating to the increase in future corporation tax rates.

In the prior year, the Group incurred acquisition-related expenses of £689,000 representing non-recurring legal and consultancy costs associated with the DAM Structures acquisition.

Non-underlying items have been separately identified to provide a better indication of the Group's underlying business performance. They have been separately identified as a result of their magnitude, incidence or unpredictable nature. These items are presented as a separate column within their consolidated income statement category. Their separate identification results in a calculation of an underlying profit measure in the same way as it is presented and reviewed by management.

8) Taxation

The income tax expense reflects the estimated underlying effective tax rate of 19 per cent on profit before taxation for the Group for the year ending 31 March 2022.

Notes to the condensed consolidated interim financial information

9) Dividends

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
2020 final – 1.8p per share	–	5,523	5,523
2021 interim – 1.1p per share	–	–	3,372
2021 final – 1.8p per share	5,529	–	–
	5,529	5,523	8,895

The directors have declared an interim dividend in respect of the six months ended 30 September 2021 of 1.2p per share (2020: 1.1p per share) which will amount to an estimated dividend payment of £3,710,000 (2020: £3,372,000). This dividend is not reflected in the balance sheet as it was declared and will be paid after the balance sheet date.

10) Earnings per share

Earnings per share is calculated as follows:

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent company	5,171	5,205	17,304
Earnings for the purposes of underlying basic earnings per share being underlying net profit attributable to equity holders of the parent company	8,343	6,703	19,757
Number of shares	Number	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	308,287,952	306,860,362	307,337,645
Effect of dilutive potential ordinary shares and under share plans	2,109,620	–	112
Weighted average number of ordinary shares for the purposes of diluted earnings per share	310,397,572	306,860,362	307,337,757
Basic earnings per share	1.68p	1.70p	5.63p
Underlying basic earnings per share	2.71p	2.18p	6.43p
Diluted earnings per share	1.67p	1.70p	5.63p
Underlying diluted earnings per share	2.69p	2.18p	6.43p

11) Property, plant and equipment

During the period, the Group acquired land and buildings of £2,098,000 (2020: £nil) and other property, plant and equipment of £1,310,000 (2020: £1,553,000). The Group also disposed of other property, plant and equipment for £185,000 (2020: £90,000) resulting in a loss on disposal of £2,000 (2020: profit of £14,000).

12) Intangible assets

During the period, the Group capitalised software-related costs of £125,000. In the prior period, the Group acquired intangible assets of £276,000, relating to product licences.

13) Net (debt)/funds

	At 30 September 2021 £000	At 30 September 2020 £000	At 31 March 2021 £000
Borrowings	(17,800)	(10,500)	(20,750)
Cash and cash equivalents	11,045	29,802	24,983
Unamortised debt arrangement costs	103	152	128
Net (debt)/funds (pre-IFRS 16)	(6,652)	19,454	4,361
IFRS 16 lease liabilities	(10,852)	(10,599)	(11,109)
Net (debt)/funds (post-IFRS 16)	(17,504)	8,855	(6,748)

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

14) Fair value disclosures

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. Borrowings relate to amounts drawn down against the revolving credit facility and amounts outstanding under the term loan, 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, which are financial assets and liabilities that do not have regular market pricing, but whose fair value can be determined based on other data values or market prices.

Notes to the condensed consolidated interim financial information

14) Fair value disclosures continued

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 2021 £000	At 30 September 2020 £000	At 31 March 2021 £000
Assets/(liabilities)			
Foreign exchange contracts	679	(1,612)	1,049

15) Net cash flow from operating activities

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Operating profit from continuing operations	8,736	7,448	22,331
Adjustments:			
Depreciation of property, plant and equipment	2,550	2,181	4,434
Right-of-use asset depreciation	765	789	1,569
Loss/(gain) on disposal of other property, plant and equipment	2	(14)	40
Amortisation of intangible assets	2,032	1,421	2,846
Movements in pension scheme liabilities	(983)	(623)	(1,215)
Share of results of JVs and associates	(581)	623	344
Share-based payments	790	(62)	610
Movement in contingent consideration	–	–	(736)
Operating cash flows before movements in working capital	13,311	11,763	30,223
Decrease/(increase) in inventories	1,195	737	(1,140)
(Increase)/decrease in receivables	(16,864)	7,186	12,551
Increase/(decrease) in payables	3,852	(4,816)	(11,645)
Cash generated from operations	1,494	14,870	29,989
Tax paid	(1,861)	(2,364)	(4,640)
Net cash flow from operating activities	(367)	12,506	25,349

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 demand deposits and other short-term highly liquid investments with a maturity of three months or less.

16) Related party transactions

There have been no changes in the nature of related party transactions as described in note 31 on page 193 of the annual report for year ended 31 March 2021 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 2021, except as stated below.

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, Construction Metal Forming Limited ('CMF'). The Group's share of the retained profit in JVs and associates of £581,000 (2020: loss of £623,000) for the period reflects a profit from JSSL of £275,000 (2020: loss of £718,000) and a profit from CMF of £306,000 (2020: £95,000).

The Group incurred additional operating costs in relation to the day-to-day running of its Indian joint venture ('JSSL') of £133,000 (2020: £237,000). Those costs were recharged to JSSL during the period and the amount due from JSSL at 30 September 2021 was £472,000 (2020: £589,000). The amount due to JSSL at 30 September 2021 was £360,000.

During the period, the Group has contracted with and purchased services from CMF amounting to sales of £81,000 and purchases of £8,165,000. The amounts due from and to CMF at 30 September 2021 was £851,000 and £1,918,000 respectively. In July 2021, a short-term working capital loan of £750,000 was made by Severfield plc to CMF, which was outstanding at 30 September 2021.

During the period, the Group contracted with and purchased services from MET Structures, amounting to sales of £7,570,000 (2020: £750,000) and purchases of £1,450,000 (2020: £572,000). The amount due from MET Structures at 30 September 2021 was £1,169,000 (2020: £611,000) and the amount outstanding to MET Structures was £282,000 (2020: £nil). MET Structures shares common directors with the Group.

Notes to the condensed consolidated interim financial information

17) 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 legal or contractual 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 2021, this amounted to £nil (2020: £nil). The Group has also given performance bonds in the normal course of trade.

18) 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.

19) 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 for use in the UK, 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 maintenance and integrity of the Severfield plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept 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

Alan Dunsmore

Chief executive officer
23 November 2021

Adam Semple

Group finance director
23 November 2021

Independent review report to Severfield plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 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 explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (the 'DTR') of the UK's Financial Conduct Authority (the 'UK FCA').

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 enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

Directors' responsibilities

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

The latest annual financial statements of the Group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

David Morritt

for and on behalf of KPMG LLP

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

23 November 2021



Severfield

Severfield plc

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

Tel: (01845) 577896

Fax: (01845) 577411

www.severfield.com

