DESIGNING AND CONSTRUCTING A SUSTAINABLE FUTURE

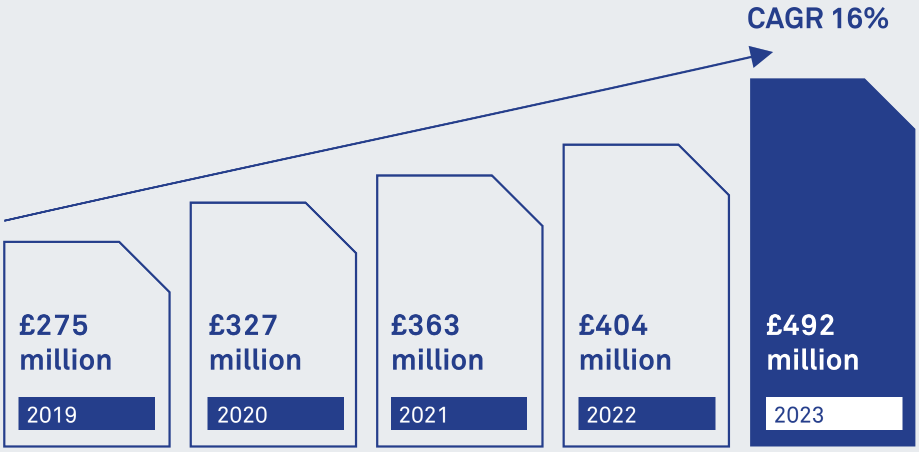
SEVERFIELD PLC ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 25 MARCH 2023

Severfield

SUSTAINABLE GROWTH IN NUMBERS

REVENUE

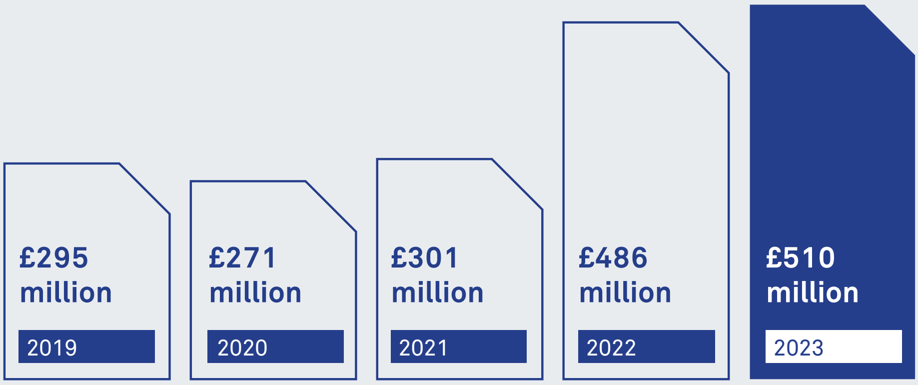
Over the last 5 years our revenue has grown by an average of 16 per cent, reflecting organic growth and strategic acquisitions to diversify our market sectors.



Read more about **our operating performance** on pages 44 to 51

UK AND EUROPE ORDER BOOK

Our high-quality order book continues to be well-diversified and contains a good mix of projects across the Group's key market sectors



Read more about **our order book** on pages 12 and 13

WELCOME TO OUR ANNUAL REPORT 2023

Severfield is the largest specialist structural steelwork group in the UK, with a growing presence in India and Europe and a reputation for performance and innovation.

KEVIN WHITEMAN
Non-executive chairman

“2023 has been another successful year for Severfield. Our results and current market position are attributable to the hard work of our employees, the resilience of our business model and the consistent execution of our well-established strategy, allowing us to continue to make strong progress in our chosen markets.”

ALAN DUNSMORE
Chief Executive Officer

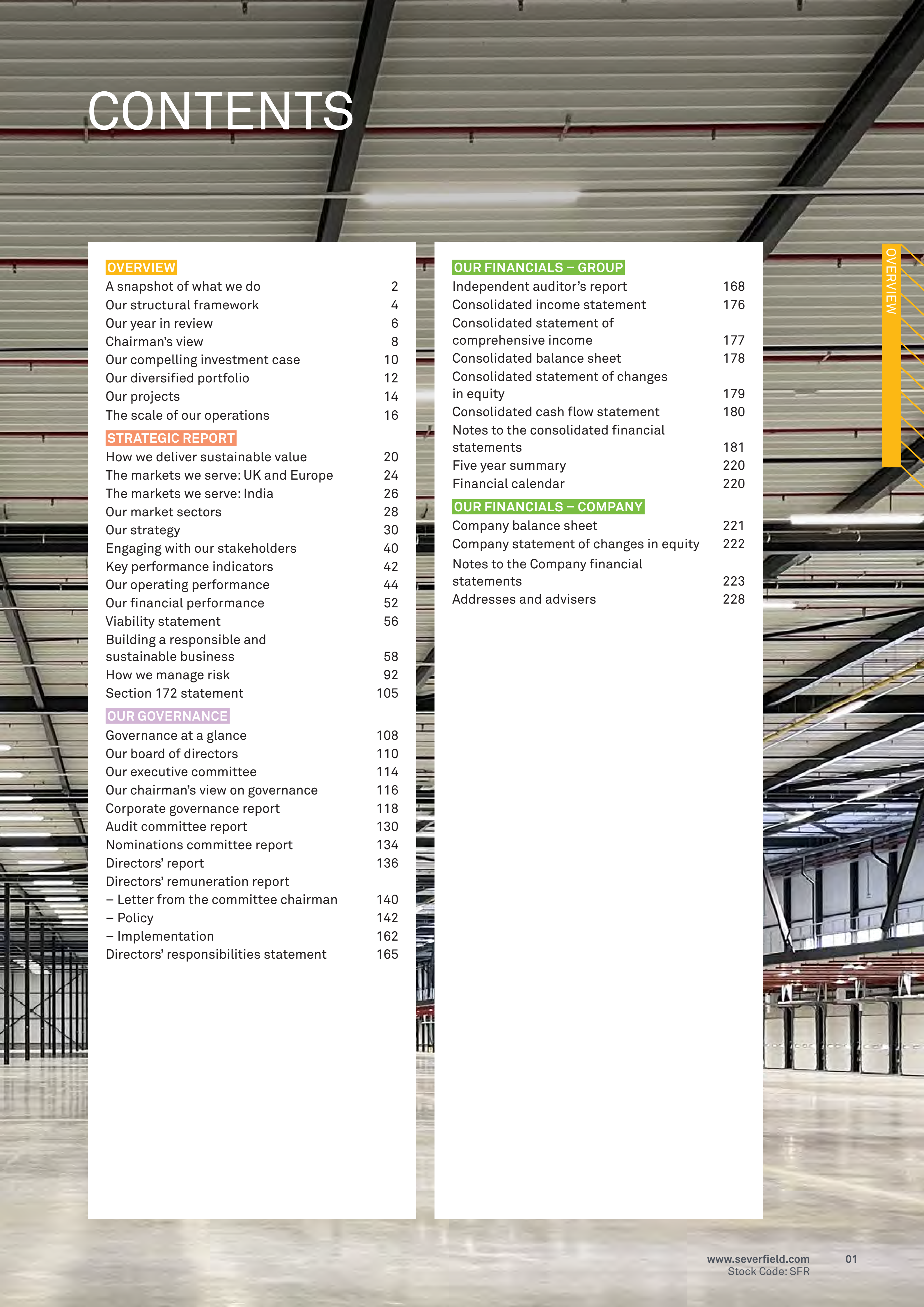
“Our strong performance reflects the high-quality of our operations and the effectiveness of our overall strategy. Our well-diversified order book and strong balance sheet, coupled with continuing operational improvements, leaves us well positioned to deliver increased revenues and make the right long-term decisions for the business.”

Severfield

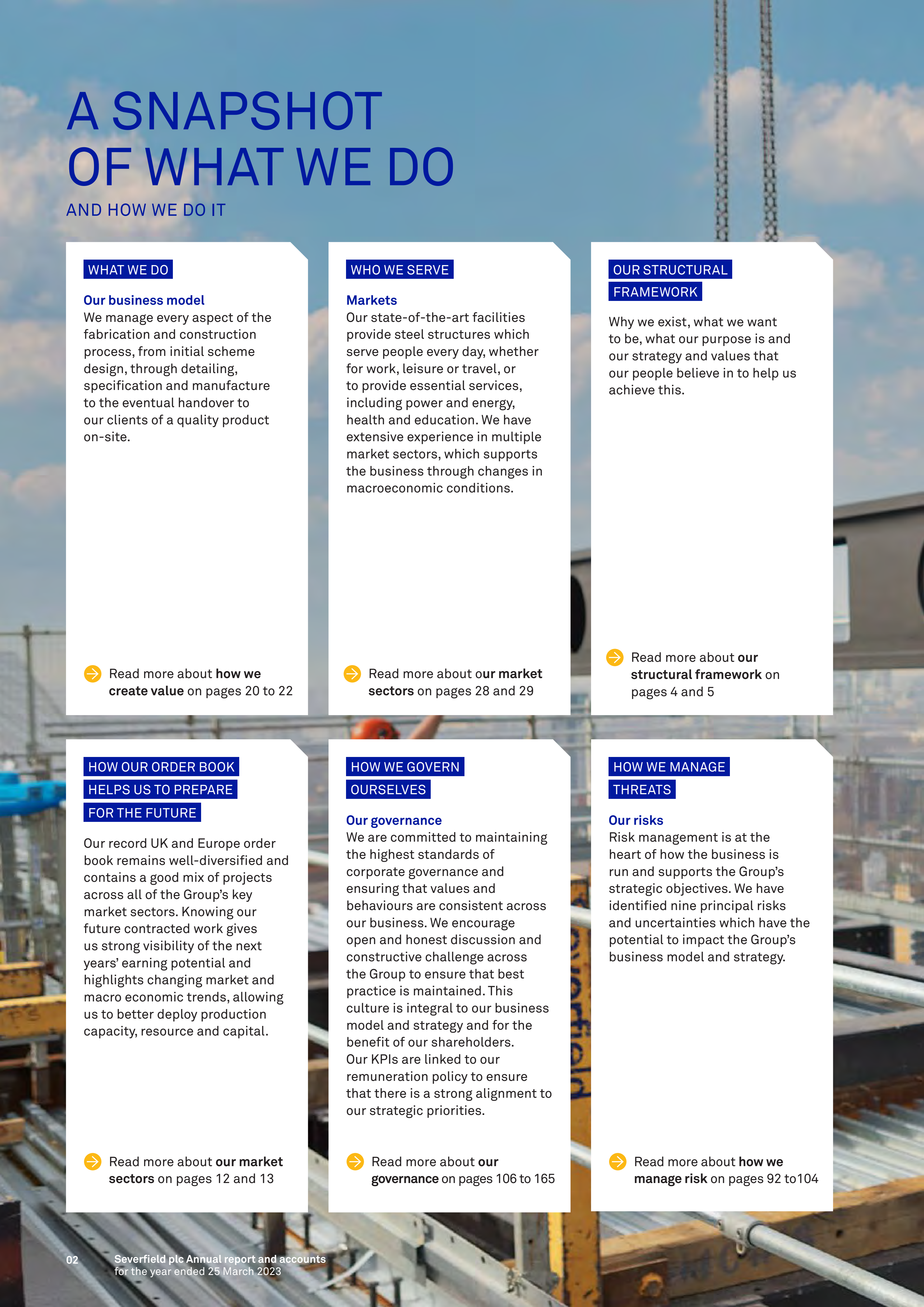
Find us online @
www.severfield.com

You can find out more about the Group on our website **www.severfield.com,** which includes an investor information section containing a wide range of information of interest to institutional and private investors, including:

- Latest news and press releases
- Financial reports and investor presentations
- Company share price



CONTENTS



A SNAPSHOT OF WHAT WE DO

AND HOW WE DO IT

WHAT WE DO

Our business model
We manage every aspect of the fabrication and construction process, from initial scheme design, through detailing, specification and manufacture to the eventual handover to our clients of a quality product on-site.

Read more about **how we create value** on pages 20 to 22

WHO WE SERVE

Markets
Our state-of-the-art facilities provide steel structures which serve people every day, whether for work, leisure or travel, or to provide essential services, including power and energy, health and education. We have extensive experience in multiple market sectors, which supports the business through changes in macroeconomic conditions.

Read more about o**ur market sectors** on pages 28 and 29

OUR STRUCTURAL FRAMEWORK

Why we exist, what we want to be, what our purpose is and our strategy and values that our people believe in to help us achieve this.

Read more about **our structural framework** on pages 4 and 5

HOW OUR ORDER BOOK HELPS US TO PREPARE FOR THE FUTURE

Our record UK and Europe order book remains well-diversified and contains a good mix of projects across all of the Group's key market sectors. Knowing our future contracted work gives us strong visibility of the next years' earning potential and highlights changing market and macro economic trends, allowing us to better deploy production capacity, resource and capital.

Read more about **our market sectors** on pages 12 and 13

HOW WE GOVERN OURSELVES

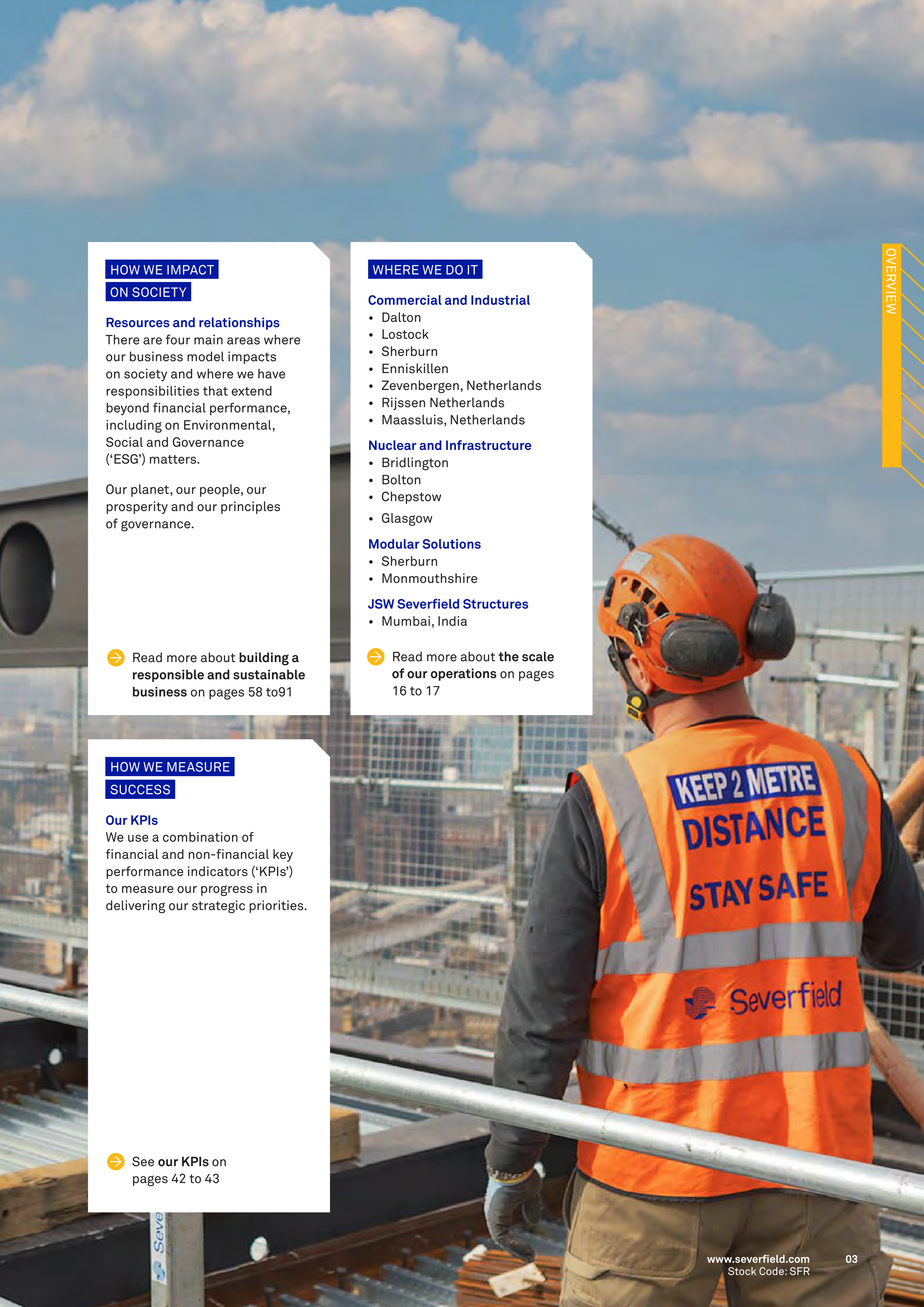
Our governance
We are committed to maintaining the highest standards of corporate governance and ensuring that values and behaviours are consistent across our business. We encourage open and honest discussion and constructive challenge across the Group to ensure that best practice is maintained. This culture is integral to our business model and strategy and for the benefit of our shareholders. Our KPIs are linked to our remuneration policy to ensure that there is a strong alignment to our strategic priorities.

Read more about **our governance** on pages 106 to 165

HOW WE MANAGE THREATS

Our risks
Risk management is at the heart of how the business is run and supports the Group's strategic objectives. We have identified nine principal risks and uncertainties which have the potential to impact the Group's business model and strategy.

Read more about **how we manage risk** on pages 92 to104



HOW WE IMPACT ON SOCIETY

Resources and relationships

There are four main areas where our business model impacts on society and where we have responsibilities that extend beyond financial performance, including on Environmental, Social and Governance ('ESG') matters.

Our planet, our people, our prosperity and our principles of governance.

Read more about **building a responsible and sustainable business** on pages 58 to91

WHERE WE DO IT

Commercial and Industrial

- Dalton
- Lostock
- Sherburn
- Enniskillen
- Zevenbergen, Netherlands
- Rijssen Netherlands
- Maassluis, Netherlands

Nuclear and Infrastructure

- Bridlington
- Bolton
- Chepstow
- Glasgow

Modular Solutions

- Sherburn
- Monmouthshire

JSW Severfield Structures

- Mumbai, India

Read more about **the scale of our operations** on pages 16 to 17

HOW WE MEASURE SUCCESS

Our KPIs

We use a combination of financial and non-financial key performance indicators ('KPIs') to measure our progress in delivering our strategic priorities.

See **our KPIs** on pages 42 to 43

OUR STRUCTURAL FRAMEWORK

Our strong foundations

How our strong foundations continue to deliver sustainable growth:

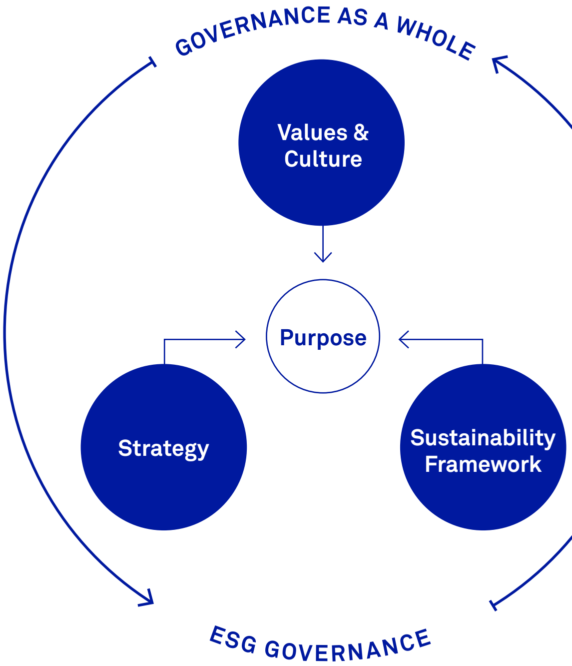
Over the last year, we have once again demonstrated the Group's resilience, confirming our position as the UK's largest specialist structural steelwork group.

During the year we have made significant progress in embedding our new divisional structure, providing better service to our clients and allowing us to take a more coordinated approach to project delivery, health and safety, and ESG on all of our projects.

ALAN DUNSMORE
Chief Executive Officer

> "We are founded on our strong core values and committed to achieving our purpose."

Our governance

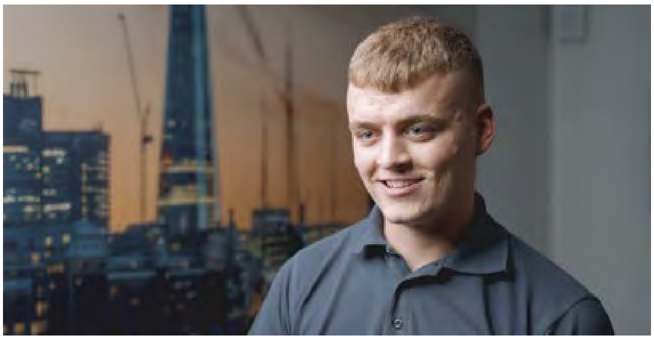


Our cultural characteristics

- We respect and nurture our talented people
- Delivering quality outcomes to our clients and partners
- We encourage openness and transparency
- Collaborative approach towards working with customers and suppliers
- We bring value to our communities and environment

Our operational improvement programme and Project Horizon, our new digitisation programme, have continued to drive efficiencies and will ensure we stay at the forefront of technology and innovation as market leaders in the industry.

The strength and quality of our high-quality UK and Europe order book and breadth of our experience across a wide and diverse range of market sectors leave us well positioned to continue to build on this success.



Values

Safety

There's a reason it's known as 'safety first'. We make no apologies for the fact that profit and loss, deadlines and headlines all come second to making sure everyone goes home safely every day.

Integrity

We operate in a complex and challenging industry, one that often requires innovative thinking and a flexible approach to deliver successful outcomes. The one thing we'll never compromise on is our integrity, which ensures we're able to maintain the exceptionally high standards we set for ourselves.

Customer focus

Our clients are paramount in all that we do. We are here to understand their requirements and meet their aspirations. Together we will deliver projects of which we can all be proud.

Commitment

We may move with the times, but our long and rich history means that we have a few old-fashioned beliefs. One of those beliefs is that you stand by your word. When Severfield say we'll deliver, whatever challenges lie ahead, you can depend on us to deliver, and to the highest possible standards.

Purpose

Our purpose is to develop better ways to build, for a world of changing demands. As the world of work and industry evolves, the buildings we use and the things we demand from them change constantly. Our response is to stay habitually innovative. We are instinctively driven towards better ways of building. Our engineers are known for their remarkable ingenuity, consistently pushing boundaries to create better buildings.

Strategy

Our strategy revolves around five main elements to enable us to deliver sustainable long-term value creation. This is aided by our business improvement programme.

- Growth
- Clients
- India
- Operational excellence
- People

Sustainability framework

Our aim is to deliver more sustainable solutions for our people, our customers and the wider community and environment in which we live. Our four sustainability pillars: 'Planet', 'People', 'Prosperity' and 'Principles of Governance' help us to achieve this.

- People
- Planet
- Prosperity
- Principles of Governance

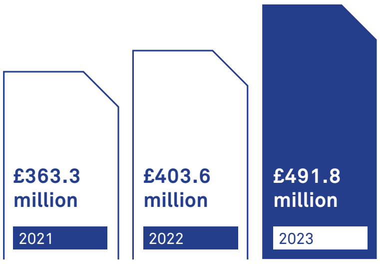
Read more about our **sustainability framework** on pages 59 to 60

OUR YEAR IN REVIEW

FINANCIAL HIGHLIGHTS

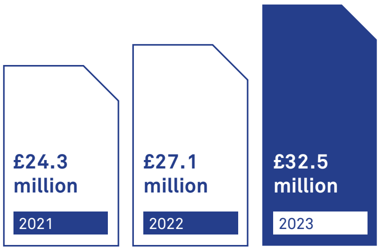
Revenue

£491.8m



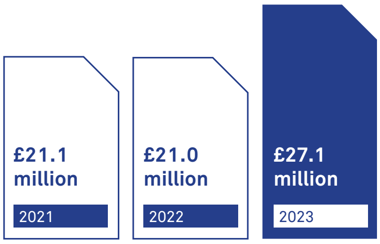
Underlying profit before tax

£32.5m



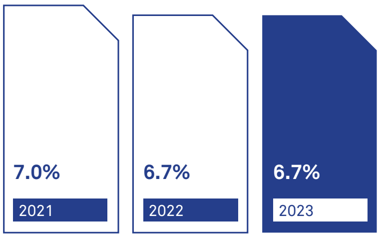
Profit before tax

£27.1m



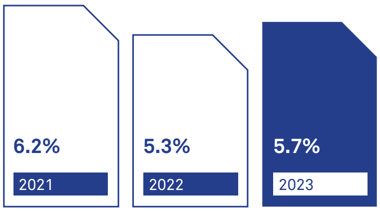
Underlying operating margin

6.7%



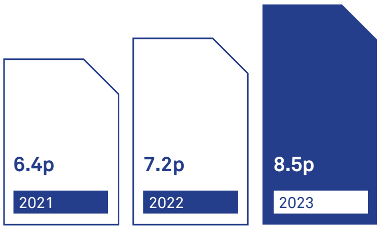
Operating margin

5.7%



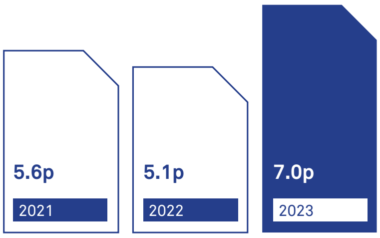
Underlying basic earnings per share

8.5p



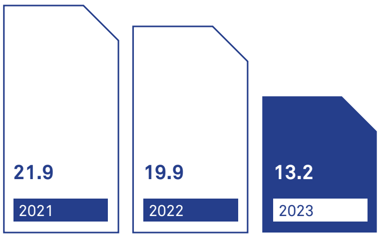
Basic earnings per share

7.0p



Greenhouse gas intensity[1]

13.2t CO_2e/£m



Underlying results are stated before non underlying items of £5.4m (2022: £6.1m), including the amortisation of acquired intangible assets of £3.3m (2022: £5.2m), unwind of discount on contingent consideration of £0.6m (2022: £0.7m), fair value change in contingent consideration of £0.3m credit (2022:£nil) and net acquisition-related expenses of £1.8m (2022: £0.7m). See note 31 for APM definitions.

[1] Scope 1 and scope 2 emissions, using a market-based approach

OPERATIONAL HIGHLIGHTS

High-quality order books, good earnings visibility through 2024 and inflationary pressures being well managed.

- Revenue up 22 per cent to £491.8m (2022: £403.6m)
- Underlying[1] profit before tax up 20 per cent to £32.5m (2022: £27.1m), ahead of expectations due to strong operational delivery
- Underlying[1] basic earnings per share up 18 per cent at 8.5p (2022: 7.2p)
- Total dividend increased by 10 per cent to 3.4p per share (2022: 3.1p per share), includes proposed final dividend of 2.1p per share (2022: 1.9p per share)
- Year-end net funds (on a pre-IFRS-16 basis[1]) of £2.7m (2022: net debt of £18.4m), reflects improvement in working capital
- High-quality, diversified UK and Europe order book of £510m at 1 June 2023 (1 November 2022: £486m), includes new industrial and distribution, film studio, commercial offices and nuclear orders
- Share of profit from JSSL of £1.3m (2022: £0.8m), reflects record EBITDA of £11m and output of 108,000 tonnes
- India order book of £139m at 1 June 2023 (1 November 2022: £143m)
- Post period-end €24m acquisition of Voortman Steel Construction Holding B.V. ('VSCH'), an innovative, market-leading Dutch steel fabrication company, to accelerate our growth strategy and strengthen our market position in Europe

ESG

- Surpassed our interim target to reduce scope 1 and 2 emissions by 25% from our 2018 baseline by 2025
- Listed in the Financial Times Europe Climate Leader's 2023 report for the third year running
- Awarded a 'B' rating in the CDP index and a supply chain score of 'A-' as well as maintaining our 'very good' BES 6001 responsible sourcing accreditation
- Maintained our carbon neutral accreditation from the Carbon Trust for scope 1, 2 and operational scope 3 emissions for our manufacturing, office and construction operations
- On track to submit Science-Based Target Initiative ('SBTi') targets in 2024
- Member of the United Nations 'Race to Net Zero' Campaign which requires the establishment of a Net Zero target in line with a 1.5-degree world
- Earned Gold membership of 'The 5% Club', demonstrating our commitment to 'earn and learn' apprenticeships
- Adopted the National TOMs – Themes, Outcomes and Measures – methodology framework to focus our future commitments on all areas of social value

[1] See note 31 for APM definitions

CHAIRMAN'S VIEW

KEVIN WHITEMAN
Non-executive chairman

> "2023 has been an exceptional year for the Group, achieving strong results and delivering against all areas of our strategy. These achievements are down to the resilience, dedication and creativity of our teams, and the support of our clients, supply chain and stakeholders"

Our chairman's view

2023 was another year of strong progress for the Group despite market headwinds. We have grown the business, launched our new digitisation programme, Project Horizon, and have increased our presence in Europe in April 2023 through the acquisition of VSCH. These achievements are down to the resilience, dedication and creativity of our teams, and the support of our clients, supply chain and stakeholders.

Revenue increased by 22 per cent to £491.8m (2022: £403.6m) and underlying[1] profit before tax by 20 per cent to £32.5m (2022: £27.1m), ahead of our previous expectations and reflecting a strong operating performance both in the UK and India. This profit performance has been supported by good cash generation and our strong balance sheet has enabled us to make the right long-term decisions for the business. Year-end net funds (on a pre-IFRS 16 basis) were £2.7m, an increase of over £20m on the previous year.

Our total dividend for the year has increased by 10 per cent to 3.4p per share (2022: 3.1p), reflecting our results, balance sheet and our confidence in the Group's future prospects.

Board changes

We continue to evolve the board to ensure that it has the right balance of knowledge, experience and outside-in perspective. In October 2022, we welcomed Mark Pegler as a non-executive director, who brings with him many years of business and leadership experience in manufacturing and international businesses and is a strong addition to the board. His appointment forms part of the board succession process and it is intended that Mark will become the audit committee chairman following the retirement of Tony Osbaldiston in July 2023.

Markets and strategy

Our business model and strategy remain unchanged. Despite some challenging market conditions, our clients have continued to regularly place orders and we have secured a significant value of new work over the past 12 months. This has resulted in order books at 1 June 2023 of £510m for the UK and Europe, and of £139m for India, leaving us well-positioned with a strong secured workload for the 2024 financial year and beyond.

In the UK and Europe, we have a prominent position in market sectors with strong growth potential and are well-positioned to help accelerate the journey to Net Zero. Our Nuclear and Infrastructure division is well-placed to meet the demand for ongoing state-backed investment, including a growing focus on infrastructure which can mitigate climate change, such as nuclear power. In our Commercial and Industrial division, we continue to see some significant opportunities, both in the UK and continental Europe, supported by the acquisition of VSCH. This includes projects in support of a low-carbon economy such as battery plants, energy efficient buildings and manufacturing facilities for renewable energy.

Creating value in JSSL remains a key strategic objective of the board. In India, an improving pipeline of potential orders reflects a continuing strong demand for structural steel. This, together with JSSL's strong order book, leaves the business very well-positioned to take advantage of a strongly growing economy which will drive the success and long-term value of the business.

Health and safety

The health, safety and wellbeing of our employees is of utmost importance, and both our IFR and AFR continue to outperform the industry averages.

Although we have seen another reduction in our AFR to 0.14 from 0.16, our injury frequency rate ('IFR') increased to 1.61 from 1.49. The slight increase in IFR follows several years of significant improvement but we are not complacent and in 2023, we have updated our behavioural safety programme and launched our Safer@ Severfield initiative, which will further ingrain our culture of employee engagement, commitment and our life saving rules.

Sustainability

Although the macroeconomic environment is somewhat uncertain, there is one enduring long-term certainty and that is the need to act against climate change. We have some great initiatives underway to reduce our carbon emissions and to help our clients and supply chain reduce theirs, including our involvement with SteelZero. We have maintained our accreditation as carbon neutral for our manufacturing and construction operations by Achilles, an important building block in our journey towards Net Zero by 2050.

In 2023, we were awarded a 'B' rating in the CDP index and a supply chain score of 'A-' as well as maintaining our 'very good' BES 6001 responsible sourcing accreditation, highlighting our continued engagement with our supply chain to promote sustainability. We are delighted that our ESG progress has also been recognised by the Group's inclusion, for the third year running, in the Financial Times listing of Europe's climate leaders which showcases corporate progress in fighting climate change.

The Group took steps during the year to help our employees manage the rise in the cost-of-living. These included agreeing a one-off cost-of-living payment and providing enhanced employee benefit packages. In addition, our annual pay awards have taken into account ongoing inflationary pressures, and we have implemented higher pay increases for our more junior and lower paid colleagues.

Summary and outlook

The Group has substantial, high-quality order books which provide us with good earnings visibility in the future. Whilst we remain mindful of the macro-economic backdrop, ours is a strong, diverse and resilient business, well placed to overcome the challenges of the coming year and to take advantage of the many opportunities that we are seeing.

We remain focused on our successful strategy, have a solid platform from which to continue Severfield's continued long-term development and I look forward to the year ahead with optimism.

Kevin Whiteman
Non-executive chairman

14 June 2023

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1 See note 31 for APM definitions

→ Read more about **our strategy** on pages 30 to 39

→ Read more about **our operating performance** on pages 44 to 51

→ Read more about **our financial performance** on pages 52 to 55

→ Read more about **building a responsible and sustainable business** on pages 58 to 91

→ Read more about **our board of directors** on pages 110 to 113

OUR COMPELLING INVESTMENT CASE

We are continuing to drive sustainable growth to create long-term value for all stakeholders.

01

EXCITING GROWTH PROSPECTS

- Our business covers 10 core sectors which serve a diversified range of markets, including those with strong growth potential in the UK and Europe.
- This is reinforced by the recent acquisition of Voortman Steel Construction Holdings B.V. ('VSCH'), strengthening our market position in Europe, giving us a manufacturing presence and access to new high-growth sectors.
- We continue to strive to diversify, looking for new market areas where the business has not operated in the past and taking advantage of our existing capacity and expertise.
- Significant opportunity to build value in India, capitalising on the country's strong economic growth and conversion from concrete to steel as the primary building material.
- We are in a prominent market position in the 'green' high-growth markets of the future, as the UK and world aim to deliver on Net Zero commitments.

02

RESILIENT BUSINESS THROUGH ECONOMIC CYCLES

- We have significant sector, geographical and client diversity, insulating us from downturns in macroeconomic cycles.
- Our business is a key provider of core infrastructure, such as transport, energy, defence, health and education – all areas that require continual investment in a prosperous economy.
- We have good earnings visibility from our high-quality order books and a strong pipeline of opportunities in the UK and Europe across all of our chosen sectors.

03

BUILT ON A PLATFORM OF OPERATIONAL EXCELLENCE

- We have an ongoing programme to drive operational improvements and efficiencies across the Group. This allows us to deliver high-quality projects for our customers whilst optimising costs.
- During the year we launched Project Horizon, our new digitisation project. This is a long-term initiative to support our strategy through developing and enhancing our systems and processes and keeping us at the forefront of technology and innovation as the market leader in the industry.
- We have invested over £60m in capital expenditure over the last ten years, keeping our productions facilities and operations at the cutting edge. This will continue as we further automate our production processes through the use of robotics and other innovative methods.

04

DELIVERING STRONG RETURNS, CASH GENERATION AND PROGRESSIVE DIVIDENDS

- ROCE is an important metric for us and our five year average ROCE is greater than 15%.
- Our operations generate strong cash flows and we target the conversion of more than 85% of our annual profit into cash.
- We have a progressive dividend policy and look to increase our core dividend in line with profit growth and we have historically returned surplus capital to shareholders through special dividends.

05

ALL UNDERPINNED BY A STRONG FOCUS ON SUSTAINABILITY

- We have established an internal roadmap to Net Zero on scope 1 and 2 emissions by 2040 and scope 3 emissions by 2050.
- Our market-leading approach to ESG has been recognised in our listing in the Financial Times Europe Climate Leader's 2023 report for the third time.
- Member of the United Nations 'Race to Net Zero' Campaign which requires the establishment of a Net Zero target in line with a 1.5-degree world.
- We are a SteelZero signatory – making the commitment to procure 100 per cent low carbon steel by 2050.
- Our manufacturing and construction operations are accredited as carbon neutral.

OUR DIVERSIFIED PORTFOLIO

As the UK's market-leading structural steel company, we serve people every day, whether for work, leisure or travel, or to provide essential services, including power and energy, health and education.

We have extensive experience in multiple market sectors, which supports the business through changes in spending patterns and fluctuations in macroeconomic conditions. In other words, we have a balanced portfolio with market sector, geographical and client diversification.

CORE CONSTRUCTION SECTORS

Commercial and industrial

Nuclear and infrastructure

Commercial offices

Industrial and distribution

Data centres

Nuclear

Power and energy

Retail

Health and education

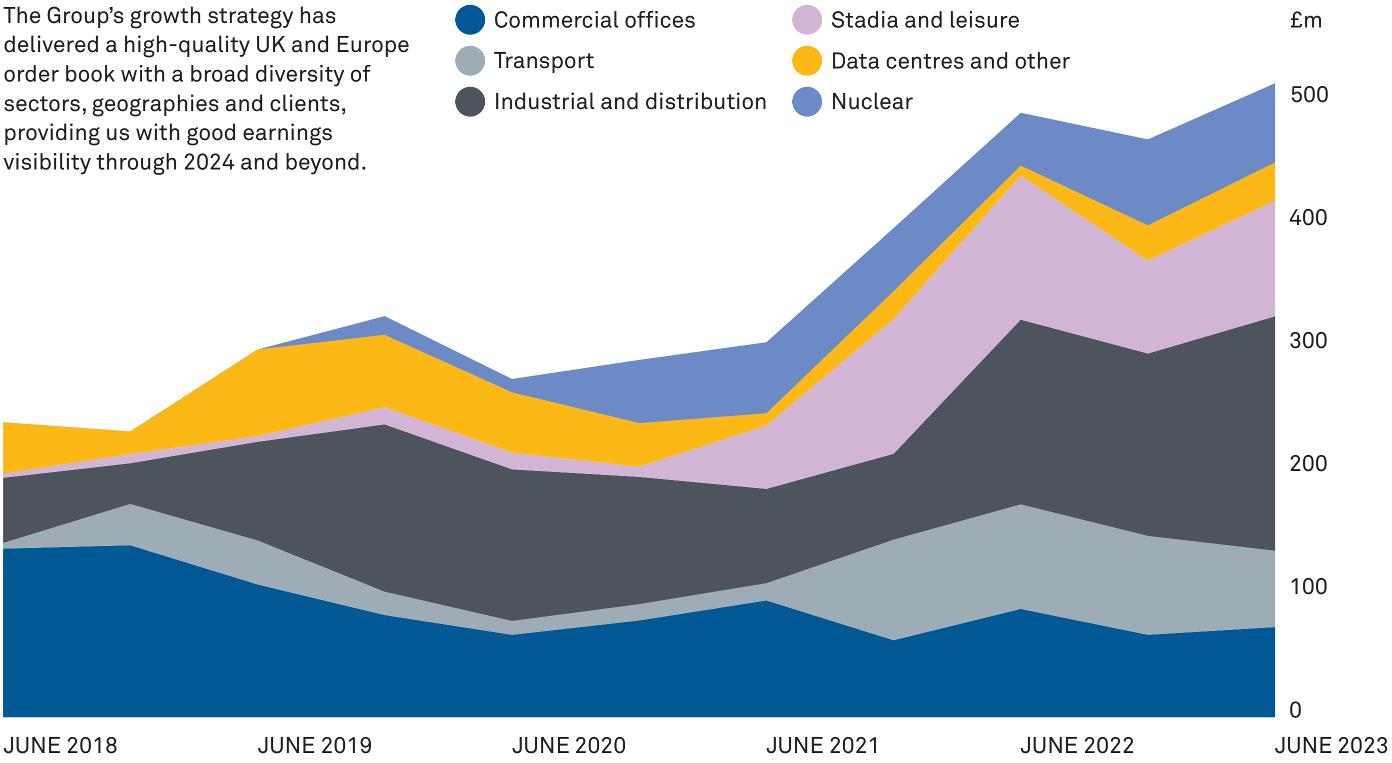
Stadia and leisure

Transport infrastructure

Process industries

ORDER BOOK BALANCE

The Group's growth strategy has delivered a high-quality UK and Europe order book with a broad diversity of sectors, geographies and clients, providing us with good earnings visibility through 2024 and beyond.



DIVERSIFIED UK AND EUROPE ORDER BOOK

Division/Sector	June 2023 **£510m**	Nov 2022 **£464m**	Future trend for Severfield
Commercial and industrial:			
Industrial and distribution	37%	32%	▶
Stadia and leisure	19%	14%	▶
Commercial offices	14%	16%	▲
Data centres and other	3%	3%	▲
Health and education	–	16%	▲
Retail	–	–	▲
TOTAL	**73%**	**66%**	
Nuclear and infrastructure:			
Transport infrastructure	12%	17%	▶
Nuclear	12%	15%	▲
Power and energy	2%	1%	▲
Process industries	–	–	▲
TOTAL	**26%**	**33%**	
Modular solutions	**1%**	**1%**	
UK	**90%**	**95%**	
Europe and Ireland	**10%**	**5%**	

OUR PROJECTS

Projects

1 V&A Museum, Dundee
Health and education

2 Everton FC, Liverpool
Stadia and Leisure

3 Envision Nissan Battery Plant, Sunderland
Industrial and distribution

4 R8 Kings Cross, London
Transport

5 Excel Arena, London
Stadia and leisure

6 Titanic, Belfast
Stadia and leisure

7 Google Headquarters, King's Cross
Commercial offices

8 30 Grosvenor Square, London
Commercial offices

9 Argyle Street, Glasgow
Commercial offices

10 The Shard
Commercial offices

11 Co-op Live, Manchester
Stadia and leisure

12 Allerdene Bridge, Gateshead
Transport

13 Large warehouse, Bristol
Industrial and distribution

14 Iport, Doncaster
Industrial and distribution

15 Symmetry Park, Rugby
Industrial and distribution

16 Panattoni Interchange Park, Rotherham
Industrial and distribution

17 Wilton Park, Dublin
Commercial offices

18 Pinewood studios, London
Stadia and Leisure

19 P4 Datacentre, Peterborough
Data centres and other

20 Sky Studios, Hertfordshire
Stadia and leisure

21 Nuclear decommissioning, Sellafield
Nuclear

22 AWE - Project Mensa, Aldermaston
Nuclear

23 Lonza, Switzerland
Industrial and distribution

24 Large data centre, Finland
Data centres and other

25 Large data centre, Belgium
Data centres and other

26 Large warehouse, Germany
Industrial and distribution

27 JSW HSM 3, Bellary
Industrial and distribution

28 Phoenix H10, Hyderabad
Commercial offices

29 Colt Data Centre, Mumbai
Data centres and other

30 Ctrl S Data Centre, Chennai
Data centres and other

Our offices and sites

A Dalton
B Sherburn
C Enniskillen
D Bridlington
E Bolton
F Rijssen
G Maassluis
H Monmouthshire and Chepstow
I Bellary, India
J York
K Glasgow
L Zevenbergen

Commercial & Industrial
Our sites at the following locations fabricate products for our Commercial & Industrial division serving the following main market sectors: industrial and distribution, commercial offices, stadia and leisure, data centres, retail and health and education.

Dalton, Lostock, Sherburn, Enniskillen, Zevenbergen, Netherlands

Voortman Steel Construction Holding BV ('VSCH') (acquired April 2023)
Rijssen, Maassluis
Located in the Netherlands, with cutting edge manufacturing sites in Rijssen and Maassluis, VSCH specialises in steel construction, industrial construction, design and build solutions, and energy construction.

Nuclear & Infrastructure
Our offices and fabrication facilities in Bridlington, Bolton and Chepstow serve the nuclear, power and energy, transport (road and rail) and process industries sectors.

Bridlington, Bolton, Chepstow, Glasgow

Modular Solutions
Sherburn
Located in Sherburn, near Scarborough, is the production facility for Severfield (Products & Processing), producing a market-leading suite of modular products including 'Severstor' units and 'Rotoflo' technology.

Monmouthshire
Based in South Wales, our specialist cold rolled steel joint venture, Construction Metal Forming Limited, provides a state-of-the-art manufacturing facility for the manufacture of metal decking, purlins and certain modular products.

JSW Severfield Structures
Mumbai, India
JSW Severfield Structures Limited, a 50:50 joint venture with JSW Steel (India's largest steel producer) which is situated in the district of Bellary Karnataka, India, is involved in the design, fabrication and construction of structural steelwork to principally service the growing Indian market.

York - Head office plc team

THE SCALE OF OUR OPERATIONS

Across our construction operations we provide unrivalled capacity, capability and technical expertise to the industry.

CORE CONSTRUCTION SECTORS

Commercial & Industrial

Our Commercial & Industrial division designs, fabricates and constructs structural steelwork for a variety of different sectors including commercial offices, stadia & leisure, industrial & distribution, data centres, retail and health and education.

The division has manufacturing sites in three locations: Dalton, Lostock and Enniskillen. Each has full-service capabilities and modern manufacturing processes enabling us to provide a high-quality product to a variety of different sectors. Each of our sites has its own strong reputation in the market and between them cover a wider geographical area, including Europe.

Voortman Steel Construction Holding BV ('VSCH') (acquired April 2023) (Netherlands)
Acquired in April 2023, VSCH is headquartered in Rijssen, the Netherlands, and is a leading high-end steel construction company, with business activities in Europe. VSCH specialises in steel, industrial and energy construction, as well as design and build solutions. Over recent years, VSCH has transformed itself from a bulk steel constructor to a provider of high-end tailor-made steel solutions, produced in its cutting-edge manufacturing facilities.

Dalton
675 employees

Sherburn
55 employees

Lostock
275 employees

Enniskillen, Northern Ireland
325 employees

Zevenbergen, Netherlands
10 employees

Rijssen, Netherlands
130 employees

Maassluis, Netherlands
30 employees

Nuclear & Infrastructure

Across three locations, our Nuclear & Infrastructure division has extensive experience in the specialist, highly regulated nuclear, transport (road and rail), process industries and power and energy sectors. Providing award winning design teams, utilising state-of-the-art design software and Tekla detailing facilities to offer customers value engineering.

This gives a mix of proven success along with modern, innovative design and fabrication ideas to be able to provide a quality, specialised service to a growing market.

Bridlington
95 employees

Bolton
95 employees

Chepstow
10 employees

Glasgow
25 employees

In April 2023 we further strengthened this, by acquiring Voortman Steel Construction Holdings B.V. (VSCH) in the Netherlands, giving us greater access to a growing European market. Our joint venture operation in India is fundamental in helping the Group achieve our strategic growth objectives.

Modular Solutions

The Modular Solutions division consists of the growing modular product ranges of Severfield (Products & Processing) ('SPP') and of Construction Metal Forming ('CMF'), our cold rolled steel joint venture business.

Severfield (Products & Processing) offers a market-leading suite of products, including an expanding range of modular products to cater to diverse needs, including 'Severstor' units (robust, steel-framed modules that house critical systems equipment such as electrical switchgear) and 'Rotoflo' technology (a well-established high-efficient and controlled discharge system representing a major advance in materials handling technology).

From its facility in Sherburn, it also provides a one-stop shop for steel products and processing service using our extensive range of equipment and allows us to address smaller scale projects.

Construction Metal Forming, the Group's 50:50 joint venture in Monmouthshire, South Wales, is a specialist designer, manufacturer, innovator and installer of profiled MetFloor® metal decking. The modern manufacturing facility in South Wales houses three dedicated roll forming production lines, for the manufacture of MetFloor® metal decking. Recent investment by CMF has further expanded the company's product range to include cold formed products, the design and manufacture of steel purlins and certain modular products.

Sherburn
135 employees

Monmouthshire
90 employees

JSW Severfield Structures Limited (India)

The company, a 50:50 joint venture with JSW Steel (India's largest steel producer) which is situated in the district of Bellary, Karnataka, India, is involved in the design, fabrication and construction of structural steelwork to principally service the Indian market.

Its state-of-the-art facility consists of six standard (saw and drill) fabrication lines, two plate (INDISEC®) lines, smaller welded beam lines, bit shops and five bays which provide bespoke off-line heavy fabrication, tubular products, specialised multi-coat painting and further bogey line fabrication. Off-line facilities are available to manufacture hand railing, stairs and other ancillary products.

The facility has been designed to optimise product range, quality and productivity, and incorporates cutting-edge technology and processing equipment. The recent expansion of the Bellary facility has increased capacity from c.60,000 tonnes to c.100,000 tonnes.

STRATEGIC REPORT

STRATEGIC REPORT

HOW WE DELIVER SUSTAINABLE VALUE

Severfield is the UK's market-leading structural steel company, respected for delivering world-class engineering and design excellence. We have unrivalled experience and capability in the design, fabrication and construction of steel structures. The breadth of technical expertise in our workforce ensures that we can serve our diverse range of market sectors, positioning us well for future growth.

OUR INPUTS

Resources

The Group can offer great choice, value and flexibility thanks to our network of factories and the technical expertise of our people. Severfield is the largest structural steel business in the UK and one of the largest in Europe, with an expanding presence in India, providing unrivalled capacity and capability, allowing us to share our expertise across a wide range of market sectors to deliver cost-effective and innovative steel structure solutions.

The Group is equipped with the latest state-of-the-art manufacturing and painting processes and has a highly skilled workforce of around 1,800 staff, including an in-house construction team. We have the design and engineering skills to serve a diverse range of market sectors. The dedication, expertise and experience of our workforce ensure that we offer more skills and variety than any other UK steel contractor.

Partners

The Group spends a high percentage of its operating costs on goods and subcontractor services. Careful management of the supply chain is essential to drive efficiency, and suppliers are monitored to ensure that maximum benefits are delivered to clients through contracting processes. Our framework of robust risk management and control ensures that challenges are mitigated, allowing us to deliver all projects to the highest possible standard. We engage with clients and the supply chain wherever we operate, and long-term relationships are forged with partners who meet our commitment to quality, sustainability and excellent client service.

Commitment to health and safety

The wellbeing and safety of our employees, clients, suppliers and subcontractors are paramount and directly impact on the commercial viability of our business. The directors, through the implementation of our safety, health and environmental philosophy, encourage each employee and subcontractor to strive constantly to adopt the best safety, health and environmental practices.

Innovation

Innovative thinking is integral to our approach, giving us flexibility in how we deliver projects for our clients. This means that our business can easily adapt to the trends across all the sectors that we serve. Our business model is based on a virtuous cycle of growth, investment and innovation.

Focus on sustainability

As a market leader in structural steel, we recognise that operating in a sustainable manner is crucial to both the current and future success of the Group. The Group is committed to behaving responsibly and conducting business with openness, honesty, and integrity – motivating and enabling our people and our supply chain to deliver high quality, innovative buildings in a sustainable and efficient way. This enables us to continually invest in our business in order to preserve our ability to generate value in the short, medium and long term.

OUR VALUE PROPOSITION

Our customers

Clients serviced by the Group cover a broad range of disciplines. We are committed to delivering outstanding customer service at every stage of the project to our broad range of clients. We draw upon our industry experience to allow us to tailor our products and services. An essential part of project delivery is understanding our clients' requirements and aspirations. This builds secure, sustainable, and mutually valuable relationships, creating lasting client satisfaction.

Why they work with us

Severfield has a strong history of delivering iconic and unique structures. Our competitive advantage derives from our client focus, operational excellence, benefits of scale, integrated approach from design to construction, innovation and our strong focus on driving growth.

We aim to leverage our skills and experience in these areas to allow us to better understand our customers' own needs and work with them to provide world-class steel solutions. We approach every project with the same level of professionalism, commitment, care, safety and customer service.

We manage every aspect of the fabrication and construction process, from initial design, through detailing, specification and manufacture, to the eventual handover of a quality product on-site.

By engaging with our clients in the design stage, we can add value throughout the project life cycle. Our in-house design and construction teams work closely together to create the most efficient and safest solutions that match our clients' needs.

OUR SERVICES

01. Design

The design process offers our clients innovative concepts and solutions. We are able to offer 'value engineering' through the close guidance of our consulting engineers at the concept of the project and with the assistance of the latest state-of-the-art computer software for 2D and 3D building information modelling ('BIM'), analysis and design.

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

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

02. Fabricate

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

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

Our equipment is fed with numerical control data which optimises output and minimises waste and errors.

The FABSEC® production line at Dalton is a fully self-contained production facility. The process provides the structural steelwork sector with a full range of highly efficient plated sections, optimal section profiles and shop-applied intumescent coatings.

03. Construct

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

The Group also has a large and highly experienced contract management team. Each contract manager is the single point of contact with each client and is supported by all resources within the Group. Our contract managers engage with our clients and the supply chain to ensure optimum communication and performance in all aspects of the project, including site construction and administration. The Group's operational improvement programme, the objective of which is to improve risk assessment and operational and contract management processes, is central to the generation of value.

SUPPORTED BY A VIRTUOUS CYCLE OF:

Growth → **Investments** → **Innovation** → **Growth**

Our activities generate the following types of long-term value:

For our shareholders
All of the Group's consolidated revenue and profits are generated from the design, fabrication and construction of structural steelwork and its related activities.

Our state-of-the-art manufacturing facilities have been established to generate profit and surplus cash flow. Steel purchases are only made for secured contracts in order to maximise working capital positions.

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

Close management of our contracts and cost base is critical to our success, particularly in winning new contracts, reinvesting in our business and seeking further opportunities for growth.

The Group has a progressive dividend policy. We invest in capital projects and market-leading technology to drive sustainable growth. Alongside our targeted strategies for growth and operational excellence, our business model illustrates the Group's clear plan to develop and increase our market share and maximise shareholder returns.

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

Alongside our industry-leading customer service is our continued focus on product range development, to ensure our products meet the ever-changing needs of our customers.

For our employees
We are committed to matters of health and safety, sustainability, ethics and staff engagement. We ensure our employees are trained so they are skilled and qualified for their occupation and therefore can contribute to performance.

We offer our engaged and talented employees stable and secure employment in a growing business and with opportunities to develop and progress.

For our society
We are committed to minimising our impact on the environment and local communities, as well as maintaining sustainable practices in all our disciplines.

Our sustainability framework is embedded into our purpose and corporate strategy to help us achieve our vision. Carbon reduction is an important strategic objective for the Group and we are committed to protect and enhance the environment, and to limit the environmental impact of our operations on the planet so it can support the needs of the current and future generations.

A commitment to our own Group charity, the Severfield Foundation, which supports local charities to help us give back to society.

8.5p
Underlying basic earnings per share
(2022: 7.2p)

3.4p
Total dividend per share
(2022: 3.1p)

£491.8m
Revenue in 2023
(2022: £403.6m)

£99.5m
Paid in employee benefits in 2023
(2022: £86.0m)

33%
Reduction in carbon emissions since 2018 baseline

PROJECT HORIZON

Our new digitisation project

Keeping Severfield at the cutting edge of technology – delivering better products and services for our customers, more value for our shareholders and future environmental benefits.

01.
Aims to maximise the automation of estimating, design, production and contract delivery processes.

02.
Involves a series of projects/initiatives designed to further standardise and automate systems and processes.

03.
A long-term project to ensure we remain at the forefront of technology and innovation as market leaders in the industry.

04.
Sits alongside our ongoing operational improvement programme.

ABOUT THIS PROJECT

During the year, the Group launched Project Horizon, our new digitisation project. This is a long-term business initiative that will support our strategy and help shape our future as we develop and enhance our systems and processes, to ensure we remain at the forefront of technology and innovation as market leader in the industry.

The objective is to maximise the automation of our estimating, design, production and contract delivery processes to improve customer service and deliver efficiency and capacity benefits in the future.

The overall project is made up of around 100 individual projects and initiatives designed to modernise and further standardise processes and systems across the Group. We currently have 14 dedicated colleagues working on the project under the direction of Richard Davies, our Group IT Director. The project list is dynamic and will evolve as new opportunities and technologies present themselves through the programme.

The project is initially self funding through annual savings, with further benefits expected to be realised as more of the individual projects and initiatives are implemented.

During the period, as part of Project Horizon, we have made good progress with our innovative approach to drawing and design, including the automation of repetitive tasks and the optimisation of engineering software (including the use of engineering apps), which is now being used on an increasing number of construction projects across the Group. Other ongoing initiatives include the digitalisation of construction resource tracking and the automation of the quality assurance certification process.

Link to strategy:

THE MARKETS WE SERVE

THE UK AND EUROPE

Well-placed to win work in the diverse range of market sectors and geographies in which we operate. Our purpose is to develop better ways to build, for a world of changing demands and as the UK's largest specialist structural steelwork group, our balanced business model with market sector, geographical and client diversity provides the platform to further grow our market share in our chosen sectors.

FAVOURABLE MARKET TRENDS ▶

Market output for structural steelwork in the UK:

894,000

Tonnes[1]
(2022: 803,000 tonnes)

Group production:

115,000

Tonnes
(2022:105,000 tonnes)

Group potential capacity[2]:

150,000

Tonnes
(2022: 130,000 tonnes)

UK and Europe order book at 1 June 2023

£510m

(£464m at 1 November 2022)

[1] As measured by the British Constructional Steelwork Association ('BCSA').

[2] Including 20,000 tonnes for VSCH acquired in April 2023

Favourable market trends

Steel continues to be overwhelmingly the structural framing material of choice. The total UK consumption of constructional steel in calendar year 2022 was 894,000 tonnes, an increase of 11 per cent on 2021, and back in line with historic pre-pandemic levels. The UK market overall is expected to remain broadly at this level over the coming years. Growth in the power and energy sector, to meet increasing demands as we move towards a greener future, is offset by a reduction in demand for industrial buildings, driven mainly by distribution warehouses.

As the world's population grows, there is an increased need to invest in new and greater infrastructure to support the population and economic growth. This combined with the UK Government's commitment to reach Net Zero by 2050 will drive demand for new green energy infrastructure, including nuclear energy, battery plants, wind farms and the construction of better public transport infrastructure. The long-term trends in the UK and European construction market remain positive with strong underlying market drivers, providing the Group with significant opportunities for growth.

Sustainable steel for the future

All construction materials have some environmental impact and when assessing sustainability, it is important to measure all of steel's impacts, including the atmosphere, the environment, means of disposal, and durability.

Decarbonisation of the steel industry is an important part of reaching the Government's target to achieve Net Zero greenhouse gas emissions in the UK by 2050.

Steel manufacturing continues to improve its energy use and levels of greenhouse gas emissions and steel products exhibit a decisive life cycle advantage versus many other construction materials (including concrete) since they can continually be recycled. Steel structures can last for many years, making them cost-effective as well as sustainable and since steel is often fabricated off-site, it can reduce on-site labour, cycle time and construction waste. In addition, it is also recognised that steel is an important part of a low-carbon economy, being needed to make wind turbines, electric vehicles, energy efficient products and infrastructure.

Performance in 2023

The Group's potential production capability is approximately 150,000 tonnes, this includes 20,000 tonnes relating to the newly acquired Voortman Steel Construction Holding. The Group's output was approximately 115,000 tonnes (excluding VSCH) in the year.

In 2023, Group revenue of £491.8m represented a 22 per cent increase, reinforcing our market-leading position and the continued delivery of our strategic objectives. This strong performance has been achieved despite the continued challenging macroeconomic conditions and uncertainty and supply chain disruptions caused by the conflict in Ukraine.

OUTLOOK

In 2023, we increased our market share in the stadia and leisure sector, as a result of large projects such as Everton F.C., Co-op Live and Excel arena, and maintained our strong market positions in other sectors such as industrial, transport and other, which includes data centres.

We continue to be encouraged by the current level of tendering and pipeline activity across the Group, seeing some significant opportunities both in the UK and in continental Europe, supported by the acquisition of VSCH. These include data centres, stadia and leisure projects, commercial offices, film studios and projects in support of a low-carbon economy such as battery plants, energy efficient buildings and manufacturing facilities for renewable energy.

In the UK and EU, we are seeing a new wave of opportunities for battery gigafactories to support domestic zero carbon vehicle production, with a number of facilities currently being planned or considered. Furthermore, the UK's emergence as a major hub for film, television, advertising and gaming production is also leading to an increase in demand for film and TV studios, and demand for data centres in the UK and EU is expected to continue, fuelled by cloud computing, smart phones and artificial intelligence, together with the continued post-pandemic trend for remote working. The Group's manufacturing scale, speed of construction and on-time delivery capabilities, leaves us well-positioned to win work from such projects, all of which are likely to be designed in steel.

As part of the Autumn Statement in November 2022, the UK Government reconfirmed its commitment to deliver major infrastructure projects, highlighting investment in infrastructure and sustainability, as central to boosting growth and productivity. Despite the expected delays to some aspects of the Road Investment Strategy and HS2, which the Government confirmed in March 2023, the Autumn Statement reaffirmed its commitment to deliver Sizewell C, HS2 to Manchester and core Northern Powerhouse rail links as set out in the £650 billion National Infrastructure Strategy (NIS) from 2020.

The Group is well-placed to meet this demand for ongoing state-backed investment, including a growing focus on infrastructure which can mitigate the impacts of climate change and deliver energy security. These requirements dictate a significant transition in national energy infrastructure including renewable electricity generation and storage, nuclear power (including small modular reactors ('SMRs')) and several other new energy supply initiatives. We have already secured some significant road and rail bridge awards, new nuclear and rail electrification work and we continue to make good progress with several other similar opportunities in the pipeline. In general, we remain well-positioned to win work in the transport, nuclear and power and energy sectors sector given our in-house expertise and unmatched scale and capability to deliver major infrastructure projects, together with the high entry barriers for competitors.

We also see good opportunities in the modular sector, including steel sub-assemblies and systems for factory-built houses, temporary buildings, and temporary accommodation. These opportunities are being driven by the market growth in the supply of modular homes and modular buildings for education and healthcare.

In April 2023 we completed the acquisition of VSCH, which provides us with a manufacturing base in Europe to complement our existing European business and will help accelerate our European growth strategy. The continued successful implementation of our overall strategy means that the Group has significant market sector, geographical and client diversification.

ORDER BOOK

The high-quality UK and Europe order book at 1 June stands at £510m (1 November 2022: £464m), including £25m for VSCH, of which £375m is planned for delivery over the next 12 months. The order book remains well-diversified and contains a good mix of projects across the Group's key market sectors. This provides us with good earnings visibility for the 2024 financial year and beyond.

In terms of geographical spread of the order book of £510m, 90 per cent represents projects in the UK, with the remaining 10 per cent representing projects for delivery in Europe and the Republic of Ireland (1 November 2022: 95 per cent in the UK, 5 per cent in Europe and the Republic of Ireland).

THE MARKETS WE SERVE

INDIA

Creating value in India remains a key strategic objective of the board

A strong India order book of (at 1 June 2023):

£139m

(2022: £143m 1 November 2022)

Group after-tax share of profit of:

£1.3m

(2022: £0.8m)

EBITDA:

£11.0m

(2022: £6.8m)

Positive long-term growth predictions

The Group's joint venture in India, JSW Severfield Structures Limited ('JSSL') is an important part of its overall strategy. The Group holds a 50 per cent shareholding in JSSL alongside its partner JSW Steel Limited ('JSW'), India's largest steel producer. JSSL also has an interest of 67 per cent in an expanding metal decking business, JSWSMD Limited.

2023 performance

In 2023, the Indian joint venture (JSSL) continued to grow. This is evident in the Group's higher after-tax share of profit of £1.3m (2022: £0.8m) and a record EBITDA of £11m. The improved performance reflects an increase in revenue of 37 per cent to £137.7m (2022: £100.3m) and an improved operating margin of 6.3 per cent (2022: 5.2 per cent). Financing expenses of £5.1m (2022: £3.3m) are higher than the previous year, reflecting an increase in borrowings, partly driven by the impact of inflation on working capital, and in the cost of letters of credit which are linked to higher steel prices. These higher financing costs result in JSSL's operating profit of £8.7m (2022: £5.2m), which has increased by 67 per cent year-on-year, reducing to a profit before tax of £3.6m (2022: £1.9m).

Total output for 2023 was 108,000 tonnes, including sub-contracted work, an output equivalent to that of the Group's operations in the UK and Europe and a record for the business. Despite the increased activity, JSSL's health and safety record remained excellent with no lost time incidents ('LTI') recorded in the year. JSSL's factory operations have not recorded an LTI since 2014 and only one LTI has been recorded by its construction activities over the same nine-year period. The safety performance of the business has been recognised in previous years, resulting in many certificates and awards from clients and health and safety organisations in India.

Market developments

JSSL remains in a strong position to take advantage of an accelerating switch from concrete to steel. The use of fabricated steel in construction in India is c.10 per cent of the market, compared with more than 70 per cent in the UK and 50–60 per cent in the USA and Japan. In addition, over the coming years factory-made structural steel is expected to take market share from site-fabricated steel.

The construction sector in India is forecast to grow due to increased demand from real estate, infrastructure projects, retail, commercial and the hospitality sectors. Market forecasts are for structural steel in construction to increase more than threefold from 2020 to 2028. This outlook is helped by large infrastructure projects, similar to the UK. In 2019, the Indian government launched the National Infrastructure Pipeline ('NIP') with a view to invest $1.5 trillion in infrastructure by 2025. This underpins the wider outlook of the construction industry in India. The Indian population is also growing, and as the economy is expected to grow this should help create structural tailwinds.

There have also been a variety of reforms to accelerate the rate of construction. The Real Estate (Regulation and Development) Act, which came into force in 2017, aimed to increase transparency, accounting and efficiency. There have been a variety of other changes in legislation and policy, including RERA, GST, the National Disaster Management Act and Ease of Doing Business initiative. By 2030, the Indian real estate industry is expected to touch US$1 trillion, becoming the third largest globally.

Following JSSL's continued successful recovery from the effects of COVID-19, which is reflected its record EBITDA for 2023 of £11m, we have revalidated our Indian business plan. This process has reaffirmed the growth opportunities that we previously identified, including those in new and existing markets, and the significant value creation potential of JSSL. In conjunction with JSW, our joint venture partner, our plans to secure a plot of land in India to facilitate the future expansion of the business are well advanced. This land purchase will allow the business to expand its geographical footprint whilst providing it with the platform to expand quickly and add the necessary volume to support the expected future market growth.

Despite some recent market pressures, JSSL's clients have continued to place orders, resulting in a strong order book of £139m (1 November 2022: £143m). In terms of mix, 55 per cent of the order book represents higher margin commercial work, with the remaining 45 per cent representing industrial projects(1 November 2022: commercial work of 36 per cent, industrial work of 64 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 commercial, data centre, healthcare, industrial and infrastructure projects. This, together with its strong order book, leaves the business very well-positioned to take advantage of an improving economy.

JSSL

JSSL is well positioned for future market expansion. Since its inception over ten years ago it has built up a reputation as the number one design and build structural steel company in India, providing a full design, fabrication and site construction service. This fully integrated and expert offering gives clients, developers, architects, consultants and contractors confidence that complicated and changing project requirements can be delivered on time and within budget.

Through its performance and know-how, JSSL has established excellent strategic relationships with major construction players, positioning it well for the future.

JSSL has also established a network of strategic suppliers and subcontractors which it continually audits for health, safety, quality and assurance purposes, to support the further supply of certain fabricated steel products, all of which contribute to overall revenues.

Current and future operations

JSSL's operations are based on a 65-acre site in Bellary, Karnataka. The plant has been designed to optimise JSSL's product range, quality and productivity, as befitting the demands of the construction industry in India. Incorporating state-of-the-art technology and processing equipment, the plant is managed and operated by a growing workforce containing highly qualified, experienced people. Bespoke plated products and INDISEC® are manufactured on-site, offering clients a range of benefits.

The Indian JV, JSW Severfield Structures ('JSSL'), was founded in 2008. The facility is situated in the district of Bellary, Karnataka, on a 65-acre site and has an annual capacity of 100,000 tonnes serving a wide range of sectors across the growing Indian market. The state-of-the-art fabrication facility is built on the same principles as Dalton, taking the learnings from that site. Derek Randall, who is the MD at JSSL is highly regarded.

Depending on mix, the capacity of the Bellary facility is c.100,000 tonnes per annum. The key characteristics of the plant are as follows:

- The original configuration was two fabrication lines. Four narrower fabrication lines have been added in new factory space, following completion of the expansion in 2020. These service JSSL's target commercial and industrial sectors of multi-mix commercial, healthcare, data centres, retail and the industrial and manufacturing sectors.
- A further INDISEC® plated beam line was added in 2020 to the existing two plated beam lines, together with a bit shop and additional painting facilities.

In response to the strong long-term growth projections for India, in conjunction with our joint venture partner, we are well advanced in plans to secure a plot of land. As Bellary is now approaching its maximum capacity, this land purchase will allow the business to expand its geographical footprint whilst providing it with the platform to build quickly to facilitate the future expansion of the business.

Outlook

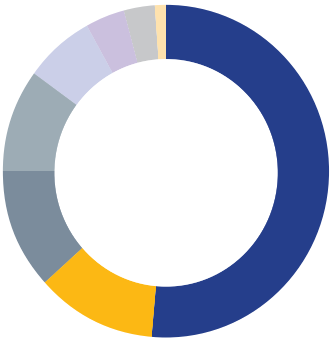
JSSL is benefiting from a bright market outlook as the switch from concrete to steel in construction in India accelerates, generating strong demand. The medium and longer-term growth predictions for India remain very positive. With JSSL's holistic design and build capability, its operational capability and capacity and its established network of suppliers and contractors, it is well set to take further advantage of both economic and sector growth.

Overall, we remain positive about the long-term development of the Indian market and of our ability to build further value in JSSL.

OUR MARKET SECTORS

We have the design skills, engineering skills and experience to handle complex projects over a diverse range of market sectors, whether for work, industry, leisure, transport or to provide essential infrastructure.

OUR CORE CONSTRUCTION SECTORS



The market sectors targeted by the Group, and their estimated size in tonnes during the 2022 calendar year (as defined by the BCSA).

Our sectors	Tonnes	Percentage
● All industrial (including distribution)	461	51%
● Power and energy	106	12%
● Commercial offices	103	12%
● Transport (including bridges)	93	10%
● Health and education	66	7%
● Other	37	4%
● Leisure	23	3%
● Retail	5	1%
	894	**100%**

NUCLEAR AND INFRASTRUCTURE

Power and energy

5–10%

▲ **Group market share**

Power stations, sustainable energy facilities and waste processing plants form an important part of our business. Our professionalism, extensive sector experience and ability to meet specific engineering requirements enable us to continue serving these vital sectors in the UK and other parts of the world. The acquisition of Harry Peers, subsequently renamed as Severfield Nuclear & Infrastructure, also provides greater access to this market sector.

Successes

Essex and Milton Keynes waste treatment plants, Peterborough, Cardiff and Covanta (Dublin) Waste to Energy plants, Port of Liverpool Biomass Terminal, Ferrybridge Power Station, Sellafield long-term Programme and Project Partners ('PPP') framework, Hinkley Point, AWE

Transport (incl. bridges)

10–20%

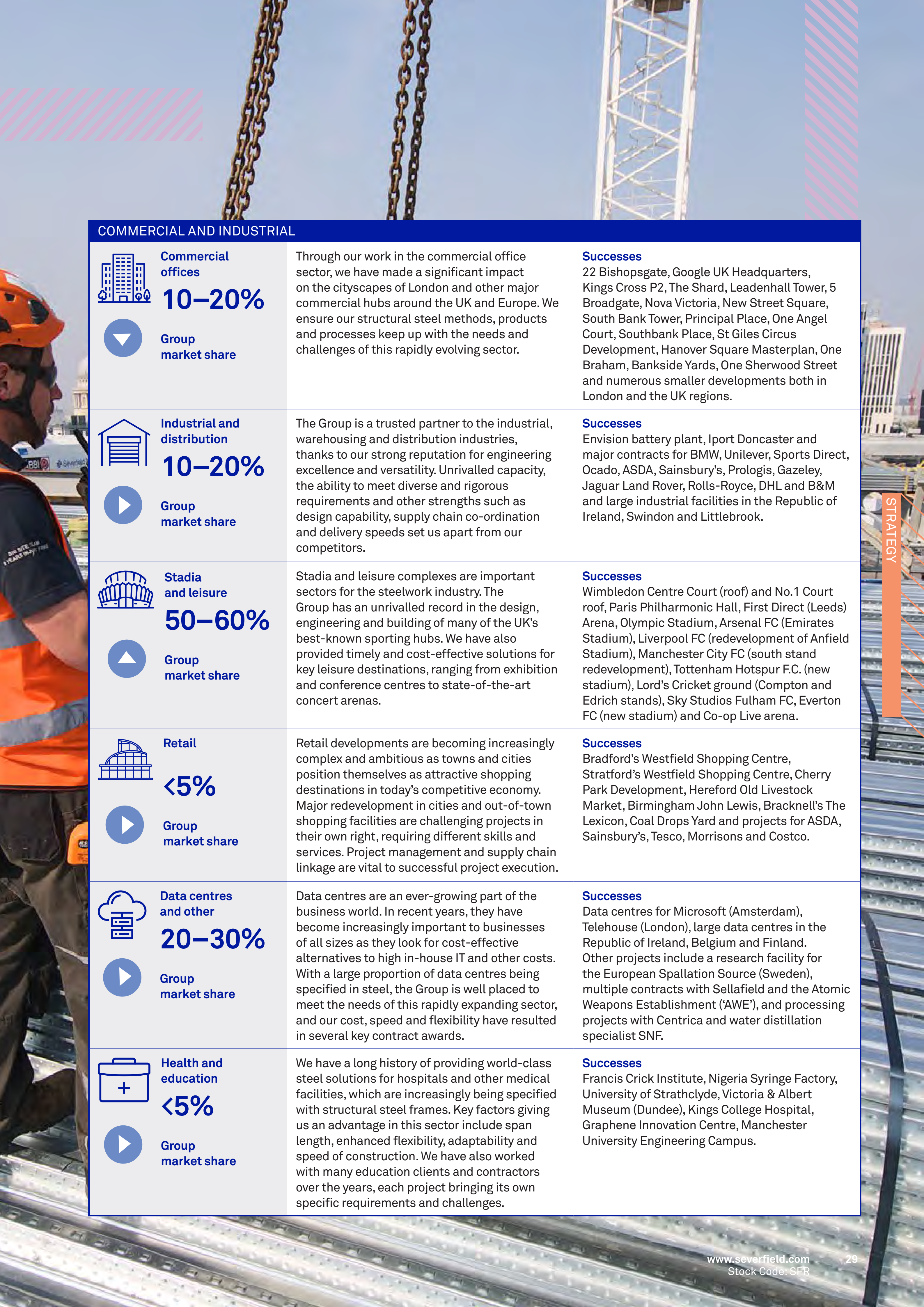
▶ **Group market share**

Our expertise includes international airports, road and rail facilities and bridges. Many of the structures we create become famed landmarks in their own right. Services range from design, planning and high-volume steel supply, to fabrication and construction. As a key element of the UK's infrastructure, bridge-building requires skill, precision and quality on a large scale. Our growing bridge business has a strong reputation and extensive experience in the successful delivery of all types of bridgework, including major transport routes.

Successes

Multiple contracts with Heathrow Airport, Manchester Airport, London Bridge, Manchester Victoria and Birmingham New Street stations, Ordsall Chord (link bridge between Manchester's Victoria and Piccadilly stations), Ely Southern Bypass, M8 footbridge, Barking Riverside bridge, M42 Bridge, A1 Birtley to Coalhouse, Highways England and Network rail HS2 bridge packages

Key: Global market future trends ▲ Upward trend ▼ Downward trend ▶ No change



COMMERCIAL AND INDUSTRIAL

Commercial offices **10–20%** ▼ **Group market share**	Through our work in the commercial office sector, we have made a significant impact on the cityscapes of London and other major commercial hubs around the UK and Europe. We ensure our structural steel methods, products and processes keep up with the needs and challenges of this rapidly evolving sector.	**Successes** 22 Bishopsgate, Google UK Headquarters, Kings Cross P2, The Shard, Leadenhall Tower, 5 Broadgate, Nova Victoria, New Street Square, South Bank Tower, Principal Place, One Angel Court, Southbank Place, St Giles Circus Development, Hanover Square Masterplan, One Braham, Bankside Yards, One Sherwood Street and numerous smaller developments both in London and the UK regions.
Industrial and distribution **10–20%** ▶ **Group market share**	The Group is a trusted partner to the industrial, warehousing and distribution industries, thanks to our strong reputation for engineering excellence and versatility. Unrivalled capacity, the ability to meet diverse and rigorous requirements and other strengths such as design capability, supply chain co-ordination and delivery speeds set us apart from our competitors.	**Successes** Envision battery plant, Iport Doncaster and major contracts for BMW, Unilever, Sports Direct, Ocado, ASDA, Sainsbury's, Prologis, Gazeley, Jaguar Land Rover, Rolls-Royce, DHL and B&M and large industrial facilities in the Republic of Ireland, Swindon and Littlebrook.
Stadia and leisure **50–60%** ▲ **Group market share**	Stadia and leisure complexes are important sectors for the steelwork industry. The Group has an unrivalled record in the design, engineering and building of many of the UK's best-known sporting hubs. We have also provided timely and cost-effective solutions for key leisure destinations, ranging from exhibition and conference centres to state-of-the-art concert arenas.	**Successes** Wimbledon Centre Court (roof) and No.1 Court roof, Paris Philharmonic Hall, First Direct (Leeds) Arena, Olympic Stadium, Arsenal FC (Emirates Stadium), Liverpool FC (redevelopment of Anfield Stadium), Manchester City FC (south stand redevelopment), Tottenham Hotspur F.C. (new stadium), Lord's Cricket ground (Compton and Edrich stands), Sky Studios Fulham FC, Everton FC (new stadium) and Co-op Live arena.
Retail **<5%** ▶ **Group market share**	Retail developments are becoming increasingly complex and ambitious as towns and cities position themselves as attractive shopping destinations in today's competitive economy. Major redevelopment in cities and out-of-town shopping facilities are challenging projects in their own right, requiring different skills and services. Project management and supply chain linkage are vital to successful project execution.	**Successes** Bradford's Westfield Shopping Centre, Stratford's Westfield Shopping Centre, Cherry Park Development, Hereford Old Livestock Market, Birmingham John Lewis, Bracknell's The Lexicon, Coal Drops Yard and projects for ASDA, Sainsbury's, Tesco, Morrisons and Costco.
Data centres and other **20–30%** ▶ **Group market share**	Data centres are an ever-growing part of the business world. In recent years, they have become increasingly important to businesses of all sizes as they look for cost-effective alternatives to high in-house IT and other costs. With a large proportion of data centres being specified in steel, the Group is well placed to meet the needs of this rapidly expanding sector, and our cost, speed and flexibility have resulted in several key contract awards.	**Successes** Data centres for Microsoft (Amsterdam), Telehouse (London), large data centres in the Republic of Ireland, Belgium and Finland. Other projects include a research facility for the European Spallation Source (Sweden), multiple contracts with Sellafield and the Atomic Weapons Establishment ('AWE'), and processing projects with Centrica and water distillation specialist SNF.
Health and education **<5%** ▶ **Group market share**	We have a long history of providing world-class steel solutions for hospitals and other medical facilities, which are increasingly being specified with structural steel frames. Key factors giving us an advantage in this sector include span length, enhanced flexibility, adaptability and speed of construction. We have also worked with many education clients and contractors over the years, each project bringing its own specific requirements and challenges.	**Successes** Francis Crick Institute, Nigeria Syringe Factory, University of Strathclyde, Victoria & Albert Museum (Dundee), Kings College Hospital, Graphene Innovation Centre, Manchester University Engineering Campus.

OUR STRATEGY

Our purpose is to develop better ways to build, for a world of changing demands. We will achieve this through the Group's strategy which is focused on its core strengths of engineering and construction in the UK, Republic of Ireland and continental Europe.

Our well-established strategy is unchanged, focused on growth, both organic and through selective acquisitions, operational improvements and building further value in JSSL. This is supported by an emphasis on five key strategic pillars and assisted by our operational improvement programme and Project Horizon, our new digitisation programme.

The objective of Project Horizon is to maximise the automation of our estimating, design, production and contract delivery processes to improve customer service and increase efficiency, and our operational improvement programme represents the consolidation of all the Group's other ongoing improvement projects, established to help us deliver the Group's overall strategy.

These include improvements in business processes, manufacturing efficiencies (including those supported by capital investment), quality control, cost reduction programmes and new product development, all set within the framework of strong risk management and control. These initiatives have served the Group well during the pandemic, the recent inflationary market conditions and other periods of market turbulence.

OUR STRATEGY FOCUS

- Growth, both organic and through acquisitions
- Operational improvements
- Building further value in JSSL to achieve our purpose to develop better ways to build, for a world of changing demands.

ACHIEVING PURPOSE

Growth + Clients + India + Operational Excellence + People

GROWTH THROUGH ACQUISITIVE ACTIVITIES

DAM Structures

- Acquired in 2021.
- Rebranded to become Severfield Infrastructure, part of the Nuclear and Infrastructure Division.
- Production facilities in Bridlington and offices in Chepstow. Now combined with the Bridge team based out of Lostock.

Core activities

- Predominantly serving the transport sector through propping, railway and piling products.
- Combined in 2022, Infrastructure now includes the Bridge team, providing bridge packages to serve a range of infrastructure projects.

Opportunities

- UK Government £650bn National Infrastructure Strategy, including HS2 to Manchester, Northern Powerhouse rail links and Road investment strategy provide long term significant investment in the market sector.

Harry Peers

- Acquired in 2019.
- Rebranded to become 'Severfield Nuclear' part of the Nuclear and Infrastructure Division.
- Production facilities in Bolton.

Core activities

- Predominantly serving the nuclear, power generation and process industries sectors.
- Extensive experience in the highly regulated, specialist sectors.

Opportunities

- UK Government £650bn National Infrastructure strategy, including Nuclear investment, including Sizewell C in Suffolk.
- Key delivery partner to deliver structural steelwork at Sellafield.
- Increased spend on national infrastructure to mitigate climate change and deliver green energy.

STRATEGIC PILLAR	LINK TO KPIS	LINK TO PRINCIPAL RISK
Growth Our aim is to capitalise on growth opportunities, both in the UK and in Europe, and to maximise our market share. → Read more on page 32	**1** **2** **3** 4 **5** **6** 7	**A** **B** **C** **D** E **F** G **H** I
Clients By understanding, anticipating and responding to client needs we aim to build secure, sustainable and mutually valuable relationships and create lasting client satisfaction. → Read more on page 33	**1** **2** **3** 4 **5** **6** 7	**A** **B** C **D** E **F** **G** **H** I
India Our aim is to build value in JSSL and we remain very positive about the long-term development of the Indian market. → Read more on page 34	1 **2** 3 4 **5** 6 7	A B C D E F G H I
Operational excellence Our emphasis is on delivering high-quality projects and reducing costs by driving excellence through our core business processes. → Read more on page 35	**1** **2** **3** 4 **5** **6** 7	**A** **B** C **D** E **F** G **H** I
People Our people are at the heart of our business and are vital to the success of our vision and the achievement of our strategic goals. → Read more on page 36	**1** **2** **3** **4** **5** **6** **7**	**A** B **C** D E F G **H** **I**

Key performance indicator reference number

1	Underlying operating profit and margin (before JVs and associates)
2	Underlying basic earnings per share (‘EPS’)
3	Revenue growth
4	Operating cash conversion
5	Return on capital employed (‘ROCE’)
6	Order book
7	Injury frequency rate (‘IFR’)

In 2023, we continued to make good operational and strategic progress, helping to generate sustainable long-term value for our stakeholders.

Key to principal risks

A	Health and safety
B	Supply chain
C	People
D	Commercial and market environment
E	Mispricing a contract (at tender)
F	Cyber security
G	Failure to mitigate onerous contract terms
H	Sustainable and responsible business
I	Industrial relations

OUR STRATEGY

GROWTH

Our aim is to capitalise on growth opportunities, both in the UK and Europe, and to maximise our market share.

Strategic priorities

Increase UK market share
Growing profitable market share in areas where the business already operates.

Enter new UK market sectors
Looking for new market areas where the business has not operated in the past, taking advantage of our existing capacity and capabilities.

Growth in Europe
Continue the momentum of recent contract successes in Europe, building strong, lasting relationships with European clients, to drive growth through our European business and our core business in the UK.

Achievements in 2023

Increased Group revenue by 22 per cent, despite some challenging market conditions during the year. This is more than double the revenue of £239m in 2016 when we started our strategic journey, reflecting the benefit of our significant market sector, geographical and client diversification.

Achieved an underlying[1] profit before tax of £32.5m (2022: £27.1m), the first time since 2009 that the Group's profits have exceeded £30m. This result has been achieved despite inflationary headwinds, demonstrating the resilience of the Group's operations.

The high-quality UK and Europe order book at 1 June 2023 stands at £510m (1 November 2022: £464m). This reflects a balanced order book, containing a healthy mix of projects across our chosen sectors and leaves the Group well-positioned with a strong future workload.

Enhanced the Group's presence in Europe through the acquisition of VSCH which provides immediate access to new and growing market sectors to help accelerate our European growth strategy.

Continued to invest in organic modular growth, further developing our 'Severstor' and 'Rotoflo' product ranges in SPP and developing CMF's cold formed product ranges to serve an external client base, supported by the recent expansion of CMF's production operations in Wales.

Continued to embed the new divisional structure for our UK and Europe operations providing us with a better platform to fulfil our strategic growth aspirations.

Objectives for 2024

Continue to grow Group revenue, maintain our strong balance sheet and the quality of the order book to deliver sustainable growth.

In our core construction operations, increase our market share in existing market sectors where the Group already has specialist expertise (at good margins and with acceptable levels of risk). This includes some significant growth opportunities in the non-cyclical sectors of nuclear (new and decommissioning), bridges and rail electrification.

Continue to target projects in support of a low-carbon economy including battery plants, manufacturing facilities for renewables, new nuclear, rail electrification, HS2 and other energy efficient buildings, helping to drive the UK's economic recovery.

Grow the Severfield brand and develop our client base in Europe, supported by the growth opportunities (access to the high-growth electricity and distribution sector and capabilities in turnkey solutions) afforded by the VSCH acquisition.

In our modular solutions division, we are targeting a profitable result in 2024, mainly driven by higher margin growth opportunities for Severstor. We will also continue to develop the product offering and client base at CMF, taking advantage of the expanded capacity.

Leverage the new divisional structure to identify further selective acquisition opportunities, to further enhance the services we can offer.

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[1] See note 31 for APM definitions

CLIENTS

By understanding, anticipating and responding to client needs we aim to build secure, sustainable and mutually valuable relationships and create lasting client satisfaction.

Strategic priorities

Quality of service
Our industry experience allows us to better understand our customers' own strategic objectives and enables us to design, fabricate and construct structural steelwork solutions to support these objectives.

Innovative engineered solutions
The world of work and industry are constantly evolving, in response our teams strive to be habitually innovative. Our engineers are known for their remarkable ingenuity, consistently pushing boundaries to create better buildings.

Achievements in 2023

Delivered over 100 projects during the year in the UK, Ireland and continental Europe in diverse market sectors, including industrial and distribution (including battery plants), stadia and leisure (including film studios), commercial offices, transport infrastructure and nuclear.

Further strengthened our relationships with key clients to ensure that when inflationary pressures stretched existing budgets, our operational delivery capabilities allowed us to help them deliver changes to these programmes more quickly and efficiently.

Our preferred and predominant two-stage and negotiated procurement routes has helped significantly by allowing early collaboration with the client and supply chain and providing increased price and programme certainty.

We have recently been selected as one of two 'key delivery partners' to deliver structural steelwork at Sellafield as part of the long-term Programme and Project Partners framework. This long term engagement and visibility benefits both Severfield and our clients.

During the year we collaborated with certain clients on ESG matters, including sustainable procurement, low embodied carbon steel, material passporting, offsetting and social value considerations. Early engagement with clients remains vital in reducing the embodied carbon in the structures we build, an important part of our journey towards Net Zero.

Objectives for 2024

Continue to deliver a quality, safe and efficient service to our clients.

Focus on opportunities to improve client satisfaction and retention and develop strategically important relationships with existing and new clients in our target markets in support of our growth plans.

Develop and deepen relationships with VSCH's varied European client base and leverage VSCH's capabilities to offer a wider range of services to Severfield's existing clients.

Continue our focus on engineering efficiency through Project Horizon, including looking at new and innovative ways of working, our approach to drawing and design, and the optimisation of engineering software.

Strive to secure work, where possible, through partnerships, framework arrangements or repeat business. This ensures quality assured delivery partners for customers, collaborative innovation and ability to drive social value creation, carbon reduction and continuous improvements in projects.

Build relationships with a wider client base as we continue to extend our new modular product ranges including our 'Severstor' and 'Rotoflo' product offerings in SPP and through the increased cold rolled steel products offered by CMF.

OUR STRATEGY

INDIA

Our aim is to build value in JSSL and we remain very positive about the long-term development of the Indian market.

Strategic priorities

Building value in India
Our aim is to build further value in the business whilst the market continues its conversion from concrete to steel and to take advantage of an economy which is expected to grow significantly in the medium term.

Achievements in 2023

JSSL reported a high-quality order book of £139m at 1 June 2023 (1 November 2022: £143m), reflecting the strong underlying demand for structural steel in India.

JSSL is continuing to ramp up its Bellary facility towards its maximum capacity and has recorded output for FY23 of 108,000 tonnes, including sub-contracted work. This is reflected in an improved profitable performance and a record EBITDA, driven by revenue growth and higher margins.

Continued to develop strong existing relationships with several key developers and clients for large commercial projects and developed formal strategic alliances with certain key clients, mainly for commercial, data centre and healthcare projects.

In response to the strong long-term growth projections for India and the expected conversion of the market from concrete to steel, in tandem with our joint venture partner, our plans to secure a plot of land, to facilitate expansion of the business in the future, are well advanced.

Objectives for 2024

Capitalise on the strong underlying demand in India for structural steel by continuing to grow the order book and optimise the mix of higher margin commercial work, to benefit operating margins.

Identify further opportunities for organic growth including in adjacent sectors, with potential new clients and through widening the range of services that JSSL currently offers.

Leverage the increased Bellary factory capacity and maximise operational efficiencies as JSSL continues to increase its production volumes to support market growth.

Continue to invest in the management team, technical and operational staff to further drive efficiency improvements.

Complete the purchase of land to allow the business to expand its geographical footprint in India whilst providing it with the platform to build quickly and incrementally add the necessary volume to support the expected future market growth.

OPERATIONAL EXCELLENCE

Our emphasis is on delivering high-quality projects and reducing costs by driving excellence through our core business processes.

Strategic priorities

Drive operational improvements and efficiencies
The objective is to improve our level of automation (through Project Horizon) and to further enhance the Group's risk assessment, operational and contract management processes (through our ongoing operation improvement programme).

Invest in market-leading technology
We will make this investment in the short and medium term to support the Group's ongoing requirements and growth.

Achievements in 2023

During the year we have continued our drive to reduce costs and upgrade our fabrication capacity and efficiency. This has helped us offset many of the cost pressures that were experienced by the Group in 2023.

We launched Project Horizon, our digitisation programme, to modernise and further standardise processes and systems across the group. The objective is to maximise the automation of our estimating, design, productions and contract delivery process to improve customer service and increase efficiency. Further details on page 23.

We made good progress with our innovative approach to drawing and design, including the automation of repetitive tasks and the optimisation of engineering software. We have also developed engineering apps and rolled out a number of digital quality assurance initiatives, together with ongoing roll out of mobile devices to capture information at the point of use and to provide live information to both operatives and management.

We continued the expansion and automation of our fabrication capability and the ongoing improvements to real-time factory information at our main centre in Dalton. This included 'right first time' initiatives to improve overall quality including the targeted reduction of factory and site NCRs (rework items) and drawing office errors.

Objectives for 2024

Continue with our operational improvement initiatives to maintain the Group's focus on business improvement and efficiencies, further optimising processes within our factories and production lines.

Roll out further Project Horizon initiatives and workflows – we have c.100 projects either ongoing on planned over the next 2 years to either generate cost savings or create additional capacity in our workforce to help us delivery on our growth aspirations. These include looking at new and innovative ways of working and the optimisation of our software systems to reduce manual tasks.

Further investment in capital expenditure across the Group to make our businesses more competitive and operationally efficient. We will continue to invest in excess of depreciation.

Maintain our current momentum with reducing our scope 1 and 2 greenhouse gas ('GHG') emissions. This includes the switch to 'green' electricity at all our production facilities and other ESOS related improvements, the monitoring of our new waste reduction targets, increase the use of hydrogenated vegetable oil ('HVO') fuels and the transition to electric and hydrogen construction plant where possible.

OUR STRATEGY

PEOPLE

Our people are at the heart of our business and are vital to the success of our vision and the achievement of our strategic goals.

Strategic priorities

Develop our people
Our aim is to attract and recruit the right person at every level and to keep them engaged so that we can deliver our goals and customer commitments whilst maintaining a safe, healthy and respectful working environment.

Achievements in 2023

Our injury frequency rate ('IFR') and accident frequency rate ('AFR') both continued to significantly outperform industry averages.

Our focus on increasing diversity across our leadership roles saw the appointment of Maeve Gallagher (Production Director), Nicole Baker (Divisional Commercial Director) and Michaela Lindridge (Head of ESG). Jennifer Magowan was also promoted to Divisional Finance Director.

Our colleague 'MyVoice' forum has gone from strength-to-strength providing regular insight into the feelings of our workforce. This year it has enabled us to make improvements to health and wellbeing provisions, facilities and leadership communication.

Our MyPerformance review process continued to be utilised across the Group with a pilot taking place with manufacturing colleagues and we continued to improve our learning and development offering.

We achieved the prestigious 'Gold Member' status of 'The 5% Club' recognising our commitment to providing opportunities to earn whilst learning. Twenty seven apprentices joined the Group in 2023, taking our total number of colleagues undertaking apprenticeships programmes or qualifications to 62 (a threefold increase on 2021).

We reviewed rates of pay across our manufacturing locations to create clearer pay progression and ensured that all our colleagues are paid at or above the real living wage.

Objectives for 2024

Relaunching our new behavioural safety training programme (Safer@Severfield) and continuing to focus on delivering a wide range of internally and externally facilitated training courses. This will be supported by the implementation of MyLearning, our online platform.

Promote easy access to health care through company funded private provision for all colleagues as well as the ongoing promotion of our enhanced Employees Assistance Programme ('EAP') and app (My Healthy Advantage).

Through ensuring all Leaders and Managers undertake Dignity and Respect training we will continue to promote diversity and inclusion through employment practices, that are free from discrimination and in accordance with human rights principles.

Continue to focus on early careers with the recruitment of a further 30+ apprentices.

Continue to support employee-led local community initiatives and developing strong community partnerships through the pilot of a paid volunteering programme.

Launch additional talent development programmes to retain and enhance the skills of our identified future leaders and specialists.

Maintain our focus on reducing our IFR rate to ensure we are continuing to drive the appropriate safety behaviours.


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OUR STRATEGY

WE ARE WELL-POSITIONED FOR RESPONSIBLE GROWTH

ESG has been at the forefront of our strategic decision making and as a result the Group is in a prominent market position in the high-growth markets of the future, helping to accelerate the journey to Net Zero.

Low carbon transport

Nuclear and Infrastructure

About the opportunity

- Significant Government investment in public transport, including HS2, Northern Powerhouse rail links, Transpennine upgrades and rail electrification
- Severfield are well placed in the infrastructure sector to support the delivery of significant projects and our bridge team have a strong reputation and extensive experience in all types of bridgework, including major transport routes.

New Nuclear

Nuclear and Infrastructure

About the opportunity

- The Government has launched ‘Great British Nuclear’ to address constraints in the nuclear market and support new nuclear builds.
- Severfield’s Nuclear and Infrastructure division has extensive experience in the sector and is a key delivery partner for existing nuclear projects at Sellafield.

Battery Plants

Commercial and Industrial

About the opportunity

- In the UK and EU, we are seeing a new wave of opportunities for battery gigafactories to support domestic zero carbon vehicle production, with a number of facilities currently being planned or considered.
- Recognising the significance of having the vital supply chain in the UK, the Government has allocated up to £1bn of funding.
- Severfield has a strong position in the sector and is currently building the Envision battery plant for Nissan in Sunderland.

Renewable Energy

Commercial and Industrial

About the opportunity

- Decarbonising the power sector whilst meeting a significant increase in electricity demand, has the potential to generate significant investment from both the private and public sectors.
- The UK currently has the largest operational offshore wind farm in Europe, with similar sized projects planned or underway.
- Severfield has extensive sector experience and our ability to meet specific engineering requirements enable us to continue serving this vital sectors.

Low carbon buildings

Commercial and Industrial

Modular Solutions

About the opportunity

- Increase in demand for low carbon buildings, including offices and modular buildings
- Severfield have invested in R&D to optimise production processes and reduce the subsequent carbon footprint
- Our Commercial and Industrial division is well placed to deliver low carbon buildings, having worked on a number of projects already.
- Our Modular Solutions division specialises in modular products.

ENGAGING WITH OUR STAKEHOLDERS

We maintain regular dialogue with our key stakeholders so that we can take account of their views and act with regard to their interests. Our approach to engagement extends across all of our stakeholders, from those who influence what we do and benefit from the value we create, to those who just influence what we do.

Our culture

We believe that a healthy corporate culture is vital to the creation and protection of long-term value and the success of our business model is driven by our culture, which is founded on our core values: safety, customer focus, integrity and commitment.

Our culture is characterised by a respect for our talented people, a desire to deliver the best possible outcomes for our colleagues, clients and partners, the encouragement of openness and transparency, a collaborative approach towards working with our customers and our supply chain, and a regard for the value we can bring to local communities and the environment. All new employees receive a formal induction and are made aware of our core values and culture.

We believe that through our recruitment, performance management and reward processes, we support and encourage behaviours consistent with the Group's purpose, values, strategy and culture. These principles are driven by the board and embedded in the culture and operations of all Group companies.

Information on our performance against our safety, health, environmental and people objectives can be found in our 2023 'building a responsible and sustainable business' report.

Shareholders

Why we engage

We have c. six million shareholders, including institutional and personal investors, providing the Group with funds for investment in long-term growth. The board are committed to building and maintaining good positive relationships with all shareholders and ensuring regular, open dialogue with them throughout the year.

How we engage

- Our executive directors communicate regularly with institutional investors and analysts and all shareholders are invited to the Group's annual general meeting.
- Our non-executive directors are also available to meet with shareholders.
- The Group's website provides an important resource for communications to all stakeholders, with a specific section dedicated to investors.
- The Group provides regular updates on financial performance and significant events using a regulatory information service and responds to queries received from shareholders.

Their key material issues

- Share price growth and a continuing progressive dividend policy.
- Robust financial and risk management.
- Strong corporate governance.
- Regular communication of the Group's performance and strategy, including climate-related strategic objectives.

Customers

Why we engage

Our proven ability to work collaboratively and innovatively with clients is fundamental to our success and is critical to securing new work and achieving our strategic goals.

How we engage

- We focus on early contract engagement with clients, anticipating the issues they face, providing problem-solving solutions and delivering the best results to balance time, cost and quality objectives, whilst ensuring that risk and reward are appropriately shared.
- Our aim is to secure work where possible through partnerships, framework arrangements or repeat business. We nurture long-term relationships with our clients and partners, which can be achieved by taking the time to understand their priorities and then delivering on their project goals.
- On completion, clients are asked for feedback on their experience in face-to-face interviews using detailed questionnaires. The results are shared and analysed, in order to drive further improvements.
- Customer feedback and key customer strategic initiatives are regularly reported to the board. The board also takes the lead in suggesting specific customer collaborations.

Their key material issues

- Outstanding customer service, benefiting from our employees' technical knowledge and expertise.
- Working closely from the start to develop innovative and cost-efficient methods.
- Collaborative approach to lower carbon emissions and improving sustainability across all projects.
- The Group's continued good financial health and our strong balance sheet.

Detailed below are the ways in which the Group as a whole engages with our stakeholders and more information can be found in the governance report which describes how the board engages with its direct stakeholders: the Group's shareholders, employees, clients, suppliers and funders.

Colleagues

Why we engage

Our people are our biggest asset and to protect this we are committed to effectively managing all aspects of health and safety and creating a safe and inclusive working environment where everyone can be themselves and be their best.

How we engage

- Our MyVoice forum is a key component of our listening strategy. Three times a year colleague representatives from across the group meet with our CEO, workforce engagement director and HRD to provide us with a view of colleague sentiment and key topics of interest. Additional meetings take place when the business has key topics to discuss with the forum.
- We keep our colleagues informed of our financial performance through emails and articles on our intranet and through annual colleague roadshows.
- On average we share around 10 articles per month on our Connect platform with colleagues having the opportunity to comment, like or raise questions. Articles range from project wins, to benefits updates, to wellbeing guidance and advice to surveys around specific topics. Our executive committee review engagement levels with the platform on a monthly basis.
- Management teams run briefing sessions locally throughout the year on business goals, market conditions and company performance and we have commenced a roll out of bi monthly update emails from business unit directors to their respective teams.
- We offer share plans to colleagues (including the opportunity to save for three years under our SAYE scheme) to encourage them to engage with business performance and progress.

Their key material issues

- The cost-of-living crisis
- To work in a safe, suitable and respectful environment.
- Investment in personal and professional development.
- Consistent and fair treatment across all aspects of our people practices.
- Access to healthcare support for both physical and mental health concerns.

Suppliers

Why we engage

Our relationships with our supply chain partners are of strategic importance and key to the Group's success.

We develop long-term relationships with our supply chain and work with them to ensure we successfully deliver our projects efficiently and to a high standard.

How we engage

- Most of our suppliers are signed up to Group-wide agreements. We have a structured timetable of senior contact with suppliers of strategic importance and hold regular meetings with suppliers, covering a broad range of topics, including identifying and managing any incidents of modern slavery.
- We have a comprehensive Group-wide supplier accreditation process which involves reviewing and scoring supplier performance on criteria such as quality and safety and providing them with constructive feedback.
- Subcontractors who achieve preferred status benefit from long-term relationships and repeat work.
- Our policy is to treat our suppliers and contractors fairly and with respect, which includes paying our supply chain promptly. Our three main businesses are all signatories of the Prompt Payment Code ('PPC').
- The board receives feedback on the performance of key suppliers and on our prompt payment practices and specific supplier initiatives.

Their key material issues

- Repeat opportunities to work with the Group.
- To be treated fairly and with respect.
- Prompt payment.
- Sound health and safety performance.

Local communities

Why we engage

Engagement with the wide range of communities in which the Group operates is recognised as an important part of the delivery of our projects and is referenced, where appropriate, in reports to the board throughout the year.

How we engage

- Our directors have taken up opportunities to learn more about engagement with community stakeholders on specific projects through our programme of site visits.
- Through social and charitable committees within each business and through the Severfield Foundation we get involved with and raise money for local events, such as school or college talks or careers fairs, or supporting local charities. More details of the work of the Severfield Foundation can be found on page 86.
- The board receives regular ESG and climate-related reports and updates from the SHE director. Further detail of the governance of climate-related matters can be found in our Task force on Climate-related Financial Disclosures report ('TCFD') on page 61.

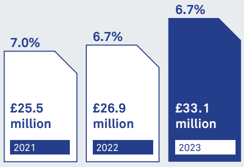
Their key material issues

- Improvements to and investment in the local environment and quality of life of those that live and work in the surrounding areas of the projects we work on or our factories.
- Sustainable buildings and infrastructure which considers whole life impact.
- Continuing commitment from the board to reduce carbon emissions to achieve the Group's sustainability target of Net Zero by 2040 for scope 1 and 2 emissions and 2050 for scope 3 emissions.

KEY PERFORMANCE INDICATORS

FINANCIAL

1. UNDERLYING OPERATING PROFIT AND MARGIN[1]



Stakeholder linkage

Strategic pillar

Why this is important

This is the principal measure used to assess the success of the Group's strategy. We are focused on driving growth in operating profit in order to drive higher and sustainable returns for our investors.

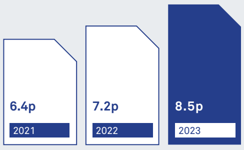
How we calculate

Underlying operating profit is defined as operating profit before non-underlying items and the results of JVs and associates. Underlying operating margin is calculated as underlying operating profit expressed as a percentage of revenue.

Progress during the year

Underlying operating profit has increased by £6.2m (23.0 per cent) over the prior year, reflecting strong operational delivery. The consistent margin, at 6.7 per cent, reflects the dilutive effect of the increase in steel prices.

2. UNDERLYING BASIC EARNINGS PER SHARE (EPS)



Stakeholder linkage

Strategic pillar

Why this is important

EPS is one of the key metrics in measuring shareholder value and a performance condition of the Group's performance share plan ('PSP'). The measure reflects all aspects of the income statement, including the performance of India and the management of the Group's tax rate.

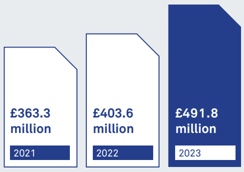
How we calculate

EPS is calculated as underlying profit after tax divided by the weighted average number of shares in issue during the period.

Progress during the year

EPS has increase by 18 per cent, reflecting the increase in underlying profit.

3. REVENUE GROWTH[2] (ON A LIKE-FOR-LIKE BASIS)



Stakeholder linkage

Strategic pillar

Why this is important

This is a key measure for the business to track our overall success in specific contract activity, our progress in increasing our market share and our ability to maintain appropriate pricing levels.

How we calculate

This represents the year-on-year percentage change in revenue from Group operations as reported in the accounts.

Progress during the year

Revenue has increased by £88.2m (21.8 per cent) compared to last year, reflecting an increase in production activity and order flow.

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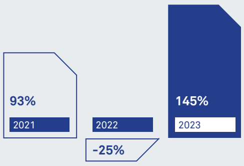
[2] This now includes all acquisitions (Prior year excluded DAM but has been restated for comparability)

4. OPERATING CASH CONVERSION



Stakeholder linkage

Strategic pillar

Why this is important

Cash is critical for providing the financial resources to develop the Group's business and to provide adequate working capital to operate smoothly. This measures how successful we are in converting profit to cash through management of working capital and capital expenditure.

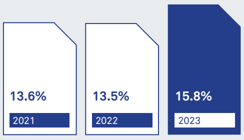
How we calculate

Operating cash conversion is defined as cash generated from operations after net capital expenditure (before interest and tax) expressed as a percentage of underlying operating profit (before JVs and associates).

Progress during the year

Operating cash conversion was +145 per cent, which is well ahead of our target conversion rate of +85 per cent. This reflects the unwind of the unusually high working capital position in the prior year and customer advances.

5. RETURN ON CAPITAL EMPLOYED



Why this is important

ROCE measures the return generated on the capital we have invested in the business and reflects our ability to add shareholder value over the long term. We have an asset-intensive business model and ROCE reflects how productively we deploy those capital resources.

Stakeholder linkage

Strategic pillar

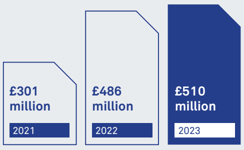
How we calculate

ROCE is calculated as underlying operating profit divided by the average of opening and closing capital employed. Capital employed is defined as shareholders' equity excluding retirement benefit obligations (net of tax), acquired intangible assets and net funds.

Progress during the year

ROCE has increased by 2.3 percentage points to 15.8 per cent, reflecting increased profitability. This is above our benchmark of 10 per cent.

6. ORDER BOOK



Why this is important

The order book is a key part of our focus on building long-term recurring revenue. It is an important measure of our success in winning new work. Whilst the revenue within the order book is reported externally, the margin inherent within the order book is monitored internally to provide visibility of future earnings.

Stakeholder linkage

Strategic pillar

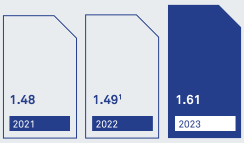
How we calculate

Our UK and Europe order book shows the total value of future revenue secured by contractual agreements.

Progress during the year

Our high-quality UK and Europe order book stands at £510m at the end of June 2023, representing a £24m increase from June 2022. The strong order book gives us good earnings visibility and leaves us well positioned to deliver our strategic objectives.

7. INJURY FREQUENCY RATE ('IFR')



Why this is important

IFR is an industry-standard measure of the safe operation of our business and is one of a number of health and safety measures the Group uses to monitor its activities. In recent years, we have shifted our focus to the Group's injury frequency rate. IFR focuses on a variety of incidents, ranging from minor to potentially more serious.

Stakeholder linkage

Strategic pillar

How we calculate

IFR is the number of reportable injuries per 100,000 hours worked.

Progress during the year

Following significant improvements in previous years, our IFR has increased to 1.61 from 1.49. Although our safety statistics continue to be industry-leading, we remain committed to continually improving and focusing on leading indicators in our pursuit of 'no harm'.

[1] The 2022 IFR has been adjusted to include DAM structures.

Stakeholder linkage:	Strategic pillar:
Clients	Growth
Employees	Clients
Shareholders	Operational Excellence
Communities	India
Suppliers	People

1 See note 31 for APM definitions and reconciliation to IFRS measures

OUR OPERATIONAL PERFORMANCE

ALAN DUNSMORE
Chief Executive Officer

> "2023 was a very successful year, achieving strong revenue and profit growth and moving into next year with a high-quality order book, highlighting the successful evolution and execution of our strategy."

Introduction

2023 was a very successful year, with the Group achieving record revenue, delivering underlying profits of more than £32m and securing a significant value of new, high-quality work. This strong performance reflects the high quality of our operations and highlights the successful evolution of our strategy and the benefits of our significant market sector, geographical and client diversification. This has resulted in a well-balanced Group which has provided us with the resilience to maintain and improve our market positions and expert capabilities and has enabled us to keep growing the business despite the ongoing market headwinds. The Group's strong overall performance is reflected in our high-quality order books of £510m in the UK and Europe and £139m in India.

In 2023, we increased our revenue by 22 per cent to £491.8m (2022: £403.6m) and our underlying profit before tax by 20 per cent to £32.5m (2022: £27.1m). This performance has converted into cash, with operating cash conversion of 145 per cent (2022: (25) per cent), resulting in net funds (on a pre-IFRS-16 basis) at the year-end of £2.7m (2022: net debt of £18.4m). Statutory profit before tax, which includes non-underlying items, was £27.1m (2022: £21.0m), an increase of 29 per cent over the prior year.

In 2023, the Indian joint venture ('JSSL') recorded output of more than 100,000 tonnes, including sub-contracted work, an output equivalent to that of the Group's operations in the UK and Europe and a record for the business.

This increased activity is evident in the Group's higher after-tax share of profit of £1.3m (2022: £0.8m), which reflects an increase in revenue and a record EBITDA of £11m. We remain very positive about the long-term trajectory of the market and of the value creation potential of JSSL. Together with our joint venture partner, our plans to secure a plot of land in India to facilitate the future expansion of the business remain well advanced.

Based on the Group's continued progress, our strong balance sheet and confidence in the future prospects of the business, the board is recommending an increase in the final dividend to 2.1p per share, resulting in a total dividend for the year of 3.4p per share (2022: 3.1p per share), an increase of 10 per cent on the prior year.

Strategic update

The Group's well-established strategy is unchanged, focused on growth and diversification, both organic and through selective acquisitions, operational improvements and building further value in JSSL, all of which, in combination, will deliver strong EPS growth. Our clear focus on balance sheet strength and cash generation enables us to continue making the right decisions for the long-term, to maximise our competitive advantage and to best position us in our chosen markets for continued sustainable, long-term growth.

Acquisitions

In April 2023, after the year-end, we completed the acquisition of Voortman Steel Construction Holding B.V. ('VSCH'), an innovative steel construction group based in the Netherlands, for a net consideration of €24m. This provides us with a manufacturing base in Europe to complement our existing European business and will help accelerate our European growth strategy. The acquisition is expected to be earnings enhancing in 2024.

In addition to VSCH's core steel fabrication markets in the Netherlands, we are seeing opportunities for growth through its access to the high growth Dutch electricity distribution sector and capabilities in design and build (turnkey) solutions for simpler structures, a business which is currently in its infancy, serving SMEs and smaller projects. The acquisition also provides us with growth opportunities through access to new European clients, particularly in the industrial, commercial and residential sectors, a platform to broaden our service offering and an ability to grow in different sectors and geographies, enhancing our position as one of Europe's strongest structural steel services groups.

VSCH is renowned in the Netherlands for its in-house knowledge, innovation and expertise. The business is well invested with modern and highly efficient production facilities, co-located with Voortman Steel Machinery Holding B.V. ('VSMH'), a manufacturer of steel fabrication machinery. The acquisition will allow for areas of future collaboration with VSMH including the development of robotic production technology, proprietary fabrication software and bespoke equipment.

Clients

We continue to invest to meet the needs of our clients, building our capabilities and driving efficiency across new and existing facilities, to ensure our growth ambitions are fully supported. We remain focused on providing value added results for our clients whilst balancing time, cost and quality objectives, with an emphasis on building strong and long-standing client partnerships.

Our unique capability to deliver complex design and engineering solutions, our capacity and speed of fabrication and our management of the integrated construction process is vital for our clients and a key differentiator for the Group. This is fundamental to our success and has been critical to securing new work and growing our revenues over recent years. This year we have delivered challenging programmes for clients, reduced costs through both our pre-tender value engineering and also post-award engineering solutions and developed innovative building solutions for temporary works and pre-assembled sections to work in live operating environments. In addition, when market pressures stretched existing budgets or delayed certain construction programmes, our operational delivery capabilities allowed us to help clients deliver changes to these programmes quickly and efficiently, to provide them with problem-solving solutions and to ensure that programme milestones were achieved.

Business and operational improvement

In 2023, the Group launched Project Horizon, our new digitisation project. The objective is to maximise the automation of our estimating, design, production and contract delivery processes to improve client service and deliver efficiency and capacity benefits. Workflows comprise over 100 short, medium and long-term individual projects and initiatives designed to modernise and further standardise processes and systems across the Group. We currently have 14 dedicated colleagues working on the project, which will initially be self-funded through annual savings, with further benefits expected to be realised as more of the identified projects and initiatives are implemented. The project is a long-term initiative that we believe will shape our future as we enhance our systems and leverage digital solutions, to ensure we remain at the forefront of technology and innovation as market leaders in the industry.

As part of Project Horizon, we continued to make good progress with our innovative approach to drawing and design, including the automation of repetitive tasks and the optimisation of engineering software (including the use of engineering apps), which is now being used on an increasing number of construction projects across the Group. Other ongoing initiatives include the digitisation of construction resource tracking and the automation of the quality assurance certification process.

From an operational improvement perspective, initiatives worked on during the year included the continued expansion and automation of our fabrication capability and the ongoing improvements to real-time factory information at our main production facility in Dalton. This included improvements in our paint shops, 'right first time' initiatives to improve overall quality including the targeted reduction of factory and site NCRs (rework items) and drawing office errors, together with ongoing roll out of mobile devices to capture information at the point of use and to provide live information to both operatives and management.

OUR OPERATIONAL PERFORMANCE

UK and Europe review

The future success of the Group is determined, amongst other things, by the quality of the secured workload and our discipline to maintain risk-based contract selectivity irrespective of economic conditions. The UK and Europe order book at 1 June includes a significant amount of new, high-quality work and stands at £510m (1 November 2022: £464m), including £25m for VSCH, of which £375m is planned for delivery over the next 12 months. This provides us with good earnings visibility for 2024 and beyond. The order book remains well-diversified and contains a good mix of projects across the Group's key market sectors. In terms of geographical spread, 90 per cent of the order book represents projects in the UK, with the remaining 10 per cent representing projects for delivery in Europe and the Republic of Ireland (1 November 2022: 95 per cent in the UK, 5 per cent in Europe and the Republic of Ireland).

As well as our secured workload, we are encouraged by the current level of tendering and pipeline activity across the Group. We are seeing some significant opportunities in the UK and in continental Europe as, despite some current softer market conditions in the distribution sector and delays in client decision-making, many of our chosen markets continue to have a favourable outlook – the Group has a prominent position in market sectors with strong growth potential and is well-positioned to help accelerate the journey to Net Zero. Many of these potential projects play to the Group's core competencies – large complex projects that require high quality, rapid throughput, on-time performance and full co-ordination between stakeholders.

As previously announced, with effect from 1 April 2022, to align our existing businesses more closely with the ten market sectors that we serve and our growing client base, the previous structure of six mainly location-based business units has been streamlined into three new divisions. Under this new divisional structure, we have separated our **core construction operations** (delivering steel superstructures) into a **Commercial and Industrial division** and a Nuclear and Infrastructure division, and created a new **Modular Solutions** division. The Modular Solutions division consists of the growing modular product ranges of Severfield (Products & Processing) ('SPP') and of Construction Metal Forming ('CMF'), our cold rolled steel joint venture business.

Commercial and Industrial

The Commercial and Industrial ('C&I') division brings together the Group's strong capabilities in the industrial and distribution, commercial offices, stadia and leisure, data centres, retail, and health and education market sectors. During the year, we continued to work on the new stadium for Everton F.C., the Co-op Live Arena in Manchester, Pinewood Studios in Shepperton and the Google Headquarters at King's Cross, which is now largely complete. We also started work on the Envision Battery Plant in Sunderland, creating an electric vehicle hub supporting next generation EV production, to help accelerate the transition to Net Zero carbon mobility. Other significant revenue contributing projects include several large distribution facilities in the UK, the ExCel Arena in London and a number of mid-sized office developments, both in the UK and Republic of Ireland (including Wilton Park in Dublin and new developments at King's Cross and Canada Water in London).

The C&I order book at 1 June of £372m (1 November 2022: £308m) includes a significant amount of new work which we have secured over recent months. This includes Sunset Studios in Hertfordshire, a large data centre in London, two large commercial office developments in London, together with various industrial and distribution facilities in the UK. Most of our work is derived through either negotiated, framework or two-stage bidding procurement processes, in line with the risk profile of the work being undertaken.

Despite some ongoing softness in the distribution sector and delays in client decision-making, we continue to be encouraged by the current level of tendering and pipeline activity across the Group, seeing some significant opportunities both in the UK and in continental Europe, supported by the acquisition of VSCH. These include data centres, stadia and leisure projects, commercial offices, film studios and projects in support of a low-carbon economy such as battery plants, energy efficient buildings and manufacturing facilities for renewable energy.

In the UK and EU, we are seeing a new wave of opportunities for battery gigafactories to support domestic zero carbon vehicle production, with a number of facilities currently being planned or considered. Furthermore, the UK's emergence as a major hub for film, television, advertising and gaming production is also leading to an increase in demand for film and TV studios. Demand for data centres in the UK and EU is also expected to continue, fuelled by cloud computing, smartphones and artificial intelligence, together with the continued post-pandemic trend for remote working. The Group's manufacturing scale, speed of construction and on-time delivery capabilities, leaves us well-positioned to win work from such projects, all of which are likely to be designed in steel.

Nuclear and Infrastructure

The Nuclear and Infrastructure ('N&I') division encompasses the Group's market-leading positions in the nuclear (new build, decommissioning and defence), power and energy, transport (road and rail) and process industries sectors. During the year, we continued to work on several HS2 bridge packages for the Balfour Beatty and EKFB (Effage Kier) consortia, together with road and rail bridges including the A1 Birtley to Coalhouse and A46 Binley bridges and the M42 junction 6 and M25 junction 28 road improvement schemes. From a nuclear perspective, ongoing contracts include work at Hinkley Point and some large projects at Sellafield and in Berkshire for AWE.

The N&I order book at 1 June was £133m (1 November 2022: £151m) of which 47 per cent represents transport infrastructure (1 November 2022: 52 per cent) and 47 per cent represents nuclear projects (1 November 2022: 46 per cent). Notable recent awards include some new bridge projects reflecting investment in infrastructure by Highways England and Network Rail, and a large secondary steelwork package for General Electric at Hinkley Point. This involves a unique flat pack delivery system for the steelwork (access platforms and mechanical handling steel for the two turbines at Hinkley), greatly reducing site storage space while providing greater cost and programme certainty. Our nuclear business has also recently been selected as one of two 'key delivery partners' to deliver structural steelwork with an estimated value of c.£250m at Sellafield as part of the long-term Programme and Project Partners ('PPP') framework.

As part of the Autumn Statement in November 2022, the UK Government reconfirmed its commitment to deliver major infrastructure projects, highlighting investment in infrastructure and sustainability, as central to boosting growth and productivity. Despite the expected delays to some aspects of the Road Investment Strategy and HS2, which the government confirmed in March 2023, the Autumn Statement reaffirmed its commitment to deliver Sizewell C, HS2 to Manchester and core Northern Powerhouse rail links as set out in the £650 billion National Infrastructure Strategy ('NIS') from 2020.

The Group is well-placed to meet this demand for ongoing state-backed investment, including a growing focus on infrastructure which can mitigate the impacts of climate change and deliver energy security. These requirements dictate a significant transition in national energy infrastructure including renewable electricity generation and storage, nuclear power (including small modular reactors ('SMRs')) and several other new energy supply initiatives. We have already secured some significant road and rail bridge awards, new nuclear and rail electrification work and we continue to make good progress with several other similar opportunities in the pipeline. In general, we remain well-positioned to win work in the transport, nuclear and power and energy sectors sector given our in-house expertise and unmatched scale and capability to deliver major infrastructure projects, together with the high entry barriers for competitors.

OUR OPERATIONAL PERFORMANCE

Modular Solutions

The Modular Solutions ('SMS') division consists of the growing modular product ranges of 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. The division has been 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. The SMS division consists of three main business areas:

- Severstor – specialist equipment housings for critical electrical equipment and switchgear,
- Supply chain (steel components for modular homes and buildings) – raw material fabrication and modular systems including steel cassettes and framing, and
- Rotoflo – a high performance silo discharge system for the bulk handling of materials such as paints and other dispersible solids.

In 2023, we have maintained our focus on growing our Severstor product ranges, which attract higher margins. We continue to make significant progress in growing our revenues and client base. We have secured repeat orders from several blue-chip clients in the power, rail and oil and gas sectors as well as continuing to develop our growing pipeline of opportunities, including in growth areas such as renewable energy and data storage.

For supply chain, we see opportunities to supply the modular sector with steel sub-assemblies and systems for temporary accommodation and other buildings, and factory-built houses. These opportunities are being driven by the market growth in the supply of modular buildings for education and healthcare and for modular homes. To this end, to complement our hot-rolled capability, we have continued to develop CMF's cold-rolled product range which now includes load bearing frame and deck profiles, purlins and side rail systems, supported by the business's new manufacturing facility in South Wales which is now operational. As the modular market matures, clients are seeking greater scale, reliability and quality in the supply chain, all of which Severfield can offer, to ensure that its market share is maintained and increased in line with market growth.

For our higher margin Rotoflo products, we have an established foothold in the UK water treatment sector and have continued to develop the overseas footprint of the business, aided by our sales manager in India. We have quickly established a presence in the Indian paint manufacturing sector, where we see some potentially interesting opportunities. Future growth markets also include chemical processing, food processing and waste-water treatment in the UK, US, India and Australia.

The Group worked on over 100 projects with our clients during the year including:

Commercial offices	Google King's Cross, London R8 Kings Cross 30 Grosvenor Square, London 30 South Colonnade, London Wilton Park, Dublin
Industrial and distribution	Large industrial facility, Republic of Ireland Large distribution centres Bardon, Belvedere, Doncaster, Stockton, Peddimore Omega park, Corby Envision Nissan Battery Plant, Sunderland
Nuclear	Atomic Weapons Establishment (various) Sellafield SRP - Nuclear decommissioning (Key delivery partner) Hinkley Point - New Nuclear build
Transport infrastructure	A1 Birtley to Coal House bridge package HS2 bridge package M42 J6 Bridges
Data centres and other projects	Data centre, Republic of Ireland Sky Studios, Elstree Oslo datacentres
Stadia and leisure	ExCel Arena, Phase 3, London Everton FC, Liverpool Co-op Live Arena, Manchester Pinewood Studios, London

General market conditions

Inflationary pressures and supply issues for both us and our clients have continued to present challenges throughout the year. Rising steel prices, supply constraints on certain materials and increased energy and labour costs have continued to drive upward pressure on total build costs, which in turn has placed increased strain on the supply chain. Towards the end of the financial year there were signs that some of these headwinds were starting to ease, with inflation falling in certain areas.

We are continuing to manage these pressures well and the Group's scale, financial and operational strengths and disciplined processes have helped to ensure that we have not experienced any significant disruption or material impact to profitability. For existing projects, any additional costs have generally been offset by a combination of operating efficiencies, higher selling prices, forward purchasing and contractual protection as steel remains largely a pass-through cost for the Group. For steel, we also benefit from relationships with supply chain partners in the UK and continental Europe, reducing the risk of interruptions to the Group's steel supply.

India review

£m	**2023**	2022
Revenue	**137.7**	100.3
EBITDA	**11.0**	6.8
Operating profit	**8.7**	5.2
Operating margin	**6.3%**	5.2%
Finance expense	**(5.1)**	(3.3)
Profit before tax	**3.6**	1.9
Tax	**(1.0)**	(0.4)
Profit after tax	**2.6**	1.5
Group share of profit after tax (50%)	**1.3**	0.8

In 2023, JSSL recorded a record output of more than 100,000 tonnes, including sub-contracted work, which is an output equivalent to that of the Group's operations in the UK and Europe. This increased activity is evident in the Group's higher after-tax share of profit of £1.3m (2022: £0.8m). The improved performance reflects an increase in revenue of 37 per cent to £137.7m (2022: £100.3m) and an improved operating margin of 6.3 per cent (2022: 5.2 per cent). Financing expenses of £5.1m (2022: £3.3m) are higher than the previous year, as a result of an increase in borrowings, partly driven by the impact of inflation on working capital, and in the cost of letters of credit which are linked to higher steel prices. These higher financing costs result in JSSL's operating profit of £8.7m (2022: £5.2m), which has increased by 67 per cent year-on-year, reducing to a profit before tax of £3.6m (2022: £1.9m).

Notwithstanding some current market pressures in India, JSSL has continued to win new work, resulting in a strong order book of £139m at 1 June 2023 (1 November 2022: £143m). In terms of mix, 55 per cent of the order book represents higher margin commercial work, with the remaining 45 per cent representing industrial projects (1 November 2022: commercial work of 36 per cent, industrial work of 64 per cent).

Following JSSL's continued successful recovery from the effects of COVID-19, which is reflected in its record EBITDA for 2023 of £11m, we have revalidated our Indian business plan. This process has reaffirmed the numerous growth opportunities that were identified pre-pandemic, including those in new and existing market sectors, and the significant value creation potential of JSSL. In conjunction with JSW, our joint venture partner, our plans to secure a plot of land in India to facilitate the future expansion of the business remain well advanced. This additional land will allow the business to expand its geographical footprint whilst providing it with the platform to expand quickly and add the necessary volume to support the expected future market growth.

In summary, JSSL's strong order book, improving pipeline of potential orders and identified growth opportunities, leave the business well-positioned to take advantage of a very encouraging outlook for the Indian economy and a strong underlying demand for structural steel in construction.

OUR OPERATIONAL PERFORMANCE

ESG

Safety

The health, safety and wellbeing of our staff, subcontractors, suppliers, clients and the public remains the Group's top priority. In 2023, following significant improvements in safety performance in previous years, whilst our accident frequency rate ('AFR') reduced to 0.14 from 0.16, we saw our injury frequency rate ('IFR') increase to 1.61 from 1.49. Although the overall IFR has increased, the result for 2023 reflects improved IFR performance in many areas of the business, including in our manufacturing operations and for our recently acquired infrastructure business (DAM Structures) which, disappointingly, has been offset by higher IFRs in some areas of our construction operations. Whilst our safety statistics continue to be industry-leading, we remain committed to continually improving and focusing on leading indicators in our pursuit of 'no harm'. We have updated our behavioural safety programme, which is based on awareness, training, coaching and visible leadership, and have launched our Safer@Severfield initiative, which will further ingrain our culture of employee engagement, commitment and our life saving rules.

Sustainability

ESG remains at the forefront of our strategic decision making. As a result of decisions made in recent years, the Group remains in a prominent market position in the high-growth markets of the future and is well-positioned to assist in accelerating the journey to Net Zero in its core sectors. We align our ESG approach with the UN Sustainable Development Goals ('SDGs'), through a variety of central and local initiatives.

In 2023, we maintained our carbon neutral accreditation from the Carbon Trust for scope 1, 2 and operational scope 3 emissions for our manufacturing, office and construction operations. As part of our sustainability strategy towards Net Zero, the Group monitors greenhouse gas ('GHG') emissions in line with the Streamlined Energy and Carbon reporting ('SECR'). An interim target on this transition to Net Zero, is our commitment to reducing our scope 1 and 2 GHG emissions by 25 per cent by 2025 against a 2018 baseline, aligned with the Paris Agreement to limit global warming to below 1.5 degrees Celsius. By the end of the financial year, we had achieved this target ahead of schedule with the successful transition to sustainability initiatives, including the use of hydrogenated vegetable oil ('HVO') at our factory and construction sites and switching to renewable energy contracts ('REGO').

In 2024, we will be submitting near and long-term carbon emissions targets for approval by the Science-Based Target Initiative ('SBTi'). These targets are aligned with the objectives of the Paris Agreement and a commitment to reach Net Zero emissions by 2050 across scope 1, 2 and 3. We will disclose progress against these targets on an annual basis through our annual report and our Carbon Disclosure Project ('CDP') reporting.

In 2023, for the third year running, the Group was included in the Financial Times ('FT') listing of Europe's climate leaders which showcases corporate progress in fighting climate change. For 2023, this list includes the c.500 European companies that have achieved the greatest reduction in their GHG intensity. In the FT listing, for businesses with a rating from the CDP, only those with a score of at least 'B-' were considered. In 2023, we were awarded a 'B' rating in the CDP index and a supply chain score of 'A-' as well as maintaining our 'very good' BES 6001 responsible sourcing accreditation, highlighting our continued engagement with our supply chain to promote sustainability.

As a SteelZero signatory, we previously made the commitment to procure 100 per cent low carbon steel by 2050, demonstrating the importance of transitioning to low embodied carbon steel production in the construction sector. In 2023, we joined the SteelZero policy taskforce collaborating with the Climate Group and other members on the most effective approach to capturing and reporting data for the Steel Zero framework. In 2024, we plan to start disclosing our progress against low carbon steel procurement to the Climate Group.

Recognising the importance of social value, we have adopted the National TOMs – Themes, Outcomes and Measures – methodology framework to focus our future commitments on all areas of social value both internally and in partnership with our clients. This has included monitoring and measuring our social value contribution as a Group including areas such as apprentices, local spend and volunteering.

Social

The Group actively engages with its colleagues to hear their perspectives, including through our Group-wide 'MyVoice' forums, which provide valuable, ongoing insights and feedback for the board. In 2023, these forums, which form a significant part of our listening and engagement strategy, have facilitated improvements to health and wellbeing provisions, facilities and leadership communication.

2023 was a particularly challenging time with the cost-of-living crisis and the Group has provided support to its colleagues, including one-off cost-of-living payments and enhanced employee benefit packages. In addition, our annual pay awards have taken into account ongoing inflationary pressures, and we have implemented higher pay increases for our more junior and lower paid colleagues. All of our colleagues are paid at or above the real living wage.

During the year, the Group further bolstered its commitment to young people, recruiting a record number of UK apprentices, across a range of disciplines and becoming a gold member of 'The 5% Club', demonstrating our commitment to 'earning and learning'. This will help improve the innovative thinking and fresh ideas required to sustain the industry and the Group into the future.

In 2023, the board also reviewed the performance and potential of an expanded population of colleagues from Executive Committee downwards enabling us to make better informed decisions on talent development and succession planning. This has facilitated the roll out of new development programmes, including through partnering with external bodies to deliver events such as a Team Leader Development Programme and Senior Leadership Development Centres.

Board changes

In October 2022, the Group announced the appointment of Mark Pegler as a non-executive director, to serve on the remuneration, nomination and audit committees. This appointment forms part of the board succession process and it is intended that Mark will become audit committee chairman following the retirement of Tony Osbaldiston in July 2023. Mark spent over a decade as Chief Financial Officer at Hill & Smith PLC, overseeing the significant international growth of the business, both organically and through acquisition. This knowledge will be highly beneficial to the Group as it continues to build on the considerable positive momentum within the business.

Summary and outlook

In 2023, the Group has delivered a strong financial performance whilst managing inflationary pressures well. We have significantly increased revenues and profits in the UK and India, our order books are substantial and of high quality, and our balance sheet and cash position remain healthy. The Group's businesses are well-positioned in markets with excellent opportunities, underpinned by our new, simplified divisional structure and the acquisition of VSCH. All this provides us with an excellent platform to fulfil our strategic growth aspirations.

Whilst there are signs of inflation easing, we remain mindful of the macro-economic backdrop. However, given the Group's performance to date and the strength of our order books, we are confident of delivering further progress and a result for 2024 which is in line with our expectations.

Alan Dunsmore
Chief Executive Officer
14 June 2023

OUR FINANCIAL PERFORMANCE

ADAM SEMPLE
Chief Financial Officer

> Our high-quality order book and strong balance sheet underpin our ambitions to deliver sustainable growth."

Trading performance

Revenue for the year of £491.8m represents an increase of £88.2m (22 per cent) compared with the previous year, predominantly reflecting an increase in order flow and production activity, together with an increase in steel prices.

Underlying operating profit (before JVs and associates) of £33.1m (2022: £26.9m), represents an increase of £6.2m (23 per cent) over the prior year. The increase in profit reflects the increase in production activity and highlights our ability to offset inflationary cost increases through a combination of operating efficiencies, higher selling prices and contractual protection as steel remains largely a pass-through cost for the Group. The 2023 operating margin of 6.7 per cent remains below our previously stated strategic margin range of 8 to 10 per cent, reflecting the dilutive impact of the increases in steel prices over recent years which we continue to successfully pass through to clients at zero margin (the revised margin range is 6 to 8 per cent with current high steel prices). This dilutive effect on margins would reverse if steel costs reduced to pre-2020 levels in the future.

The statutory operating profit, which includes the results of JVs and associates and the Group's non-underlying items, was £30.2m (2022: £22.8m).

Underlying profit before tax, which is management's primary measure of Group profitability, was £32.5m (2022: £27.1m), an increase of 20 per cent over the prior year. The statutory profit before tax, which includes the Group's non-underlying items, was £27.1m (2022: £21.0m), an increase of 29 per cent over the prior year.

Share of results of JVs and associates

The share of results from JSSL was a profit of £1.3m (2022: £0.8m), reflecting revenue growth and margin improvement. Within Modular Solutions, our specialist cold rolled steel business, CMF, contributed a share of profit of £0.6m (2022: £0.5m). The CMF business has expanded its production operations

in Wales and has continued to develop its product range to drive organic revenue growth.

Acquisition of VSCH

On 3 April 2023, after the year-end date, the Group completed the acquisition of VSCH for a net cash consideration of €24m (£21.2m), on a cash free, debt free basis assuming a normalised level of working capital on completion. The total cash consideration was €29.5m (£26.1m) including VSCH's cash and cash equivalents of €5.5m (£4.9m), which was funded by a combination of Group cash reserves of £2.2m and a new term loan of £19.0m, repayable over a five-year period.

Non-underlying items

Non-underlying items have been separately identified by virtue of their magnitude or nature to enable a full understanding of the Group's financial performance and to make year-on-year comparisons. They are excluded by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group and are normally excluded by investors, analysts and brokers when making investment and other decisions.

Non-underlying items for the year of £5.4m (2022: £6.1m) includes the amortisation of acquired intangible assets of £3.3m (2022: £5.2m) and net acquisition-related expenses of £2.0m (2022: £0.7m). 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 12 months to five years. Acquisition-related expenses include acquisition and similar transaction costs associated with the VSCH acquisition and movements in the valuation of the contingent consideration for the DAM Structures acquisition which is payable over a five-year period.

Taxation

The Group's underlying taxable profits of £30.6m (2022: £25.8m) resulted in an underlying tax charge of £6.2m (2022: £4.8m), which represents an effective tax rate of 20.4 per cent (2022: 18.6 per cent). The total tax charge of £5.5m (2022: £5.4m) also includes a non-underlying tax credit of £0.7m (2022: charge of £0.6m). This comprises a tax credit on non-underlying items of £0.6m (2022: £1.0m) and tax adjustments relating to prior years of £0.1m (2022: £0.2m). In the prior year, a non-underlying tax charge of £1.5m was recognised, relating to the increase in future tax rates from 19 per cent to 25 per cent which, in line with the Group's policy, was included in non-underlying items.

Earnings per share

Underlying basic earnings per share increased by 18 per cent to 8.5p (2022: 7.2p) based on the underlying profit after tax of £26.2m (2022: £22.3m) and the weighted average number of shares in issue of 309.5m (2022: 308.8m). Basic earnings per share, which is based on the statutory profit after tax, was 7.0p (2022: 5.1p), reflecting the increased underlying profit after tax offset by a slight decrease in non-underlying costs. Diluted earnings per share, which includes the effect of the Group's performance share plan, was 6.9p (2022: 5.0p).

Dividend and capital structure

The Group has a progressive dividend policy. Funding flexibility is maintained to ensure there are sufficient cash resources to fund the Group's requirements. In this context, the board has established the following clear priorities for the use of cash:

- To support the Group's ongoing operational requirements, and to fund profitable organic growth opportunities where these meet the Group's investment criteria,
- To support steady growth in the core dividend as the Group's profits increase,
- To finance strategic opportunities that meet the Group's investment criteria, and
- To return excess cash to shareholders in the most appropriate way, whilst maintaining a good underlying cash position.

The board considers the dividend to be an important component of shareholder returns and we have either increased or maintained dividends every year since they were reintroduced in 2015, reflecting the strong cash generative nature of the Group. Accordingly, based on the outlook for the year ahead and our strong financial position, the board is recommending a final dividend of 2.1p per share (2022: 1.9p), payable on 13 October to shareholders on the register at the close of business on

OUR FINANCIAL PERFORMANCE

8 September. This together with the interim dividend of 1.3p per share (2022: 1.2p), will result in a total dividend of 3.4p per share (2022: 3.1p). Looking ahead, as in previous years, the board expects the interim dividend to be approximately one third of the prior year's full dividend.

Goodwill and intangible assets

Goodwill was £82.2m at 25 March 2023 (2022: £82.2m). In accordance with IFRS, an annual impairment review has been performed. No impairment was required either during the year ended 25 March 2023 or the year ended 26 March 2022. Other intangible assets of £7.1m (2022: £10.3m), largely represents the net book value of the intangible assets (customer relationships, order books and brand name) identified on the acquisitions of Harry Peers and DAM Structures.

Property, plant and equipment

The Group had property, plant and equipment of £92.1m (2022: £91.4m) at 25 March 2023. Capital expenditure of £6.3m (2022: £7.4m) represents the continuation of the Group's capital investment programme. This predominantly consisted of new and upgraded equipment for our fabrication lines, the purchase of construction site equipment and general improvements to the Group's offices and facilities. Depreciation in the year was £7.2m (2022: £6.9m), of which £1.8m (2022: £1.7m) relates to right-of-use assets under IFRS 16.

Joint ventures

The carrying value of our investment in joint ventures and associates was £31.8m (2022: £30.1m), which consists of investments in India of £19.5m (2022: £18.4m) and in CMF of £12.3m (2022: £11.7m).

Pensions

The Group's defined benefit pension liability at 25 March 2023 was £12.9m (scheme liabilities of £33.9m offset by scheme assets of £21.0m), a decrease of £1.5m from the 2022 position of £14.4m. The deficit has reduced due to a higher discount rate, reflecting the significant increase in bond yields, and employer deficit contributions over the year. This has been offset to a lesser extent by lower-than-expected returns on the scheme's assets and the recent short-term increase in inflation, which has increased the scheme liabilities. All other pension arrangements in the Group are of a defined contribution nature.

Return on capital employed

The Group adopts ROCE as a KPI to help ensure that its strategy and associated investment decisions recognise the underlying cost of capital of the business. The Group's ROCE is defined in the APMs section (see note 31 to the financial statements). For 2023, ROCE was 15.8 per cent (2022: 13.5 per cent), which exceeds the Group's minimum threshold of 10 per cent through the economic cycle.

Cash flow

£m	**2023**	2022
Operating cash flow (before working capital movements)	**40.1**	32.6
Cash generated from / (used in) operations	**53.8**	(1.9)
Operating cash conversion	**145%**	(25%)
Cash balances	**11.3**	(4.0)
Net funds / (debt) (pre-IFRS-16 basis)[1]	**2.7**	(18.4)
Net funds / (debt)	**(10.7)**	(30.1)

[1] 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. A reconciliation of the Group's underlying results to its statutory results is provided in the APMs section (see note 31 to the financial statements).

The Group's business model has been established to generate surplus cash flows and we have always placed a high priority on cash generation and the active management of working capital. The Group ended the year with net funds (on a pre-IFRS 16 basis) of £2.7m (2022: net debt £18.4m). Net funds at 25 March 2023 included cash balances of £11.3m (2022: overdraft of £4.0m) offset by the outstanding term loans of £8.9m for acquisitions (2022: £14.9m).

Operating cash flow before working capital movements was £40.1m (2022: £32.6m). Net working capital has decreased by £13.8m during the year mainly reflecting the start of the unwind of the unusually high working capital position (10 per cent of revenue) at the beginning of the year (£3.8m) and new advance payments in H2 (£10.0m). The high 2022 working capital position reflected the impact of steel and other input price rises in the prior year, and higher contract-specific steel purchases at the previous year-end.

Year-end working capital represented approximately 5 per cent of revenue (2022: 10 per cent), back within our well-established target range of 4 to 6 per cent. Operating cash conversion (defined in note 25 of the financial statements) for 2023 was 145 percent (2022: minus 25 per cent), significantly above our KPI target of 85 per cent.

Payment Practices Reporting

The Group's relationships with its supply chain partners are of major strategic importance and the prompt payment of its suppliers remains a key component of this. Strong supply chain relationships can provide a competitive advantage and support superior operational delivery. However, the business operates in a sector where supply chains and contractual terms are complex, and prompt payment is often materially impacted by resolution of disputes and alignment to agreed contractual terms. For the formal Payment Practices Reporting period of 1 October 2022 to 25 March 2023, all the Group's businesses that are signatories of the Prompt Payment Code, reported that between 86 and 92 per cent of invoices were paid within 60 days.

Bank facilities committed until 2026

In March 2023, the Group increased its existing £50m revolving credit facility ('RCF'), which matures in December 2026, to £60m. The increased facility provides the Group with enhanced liquidity, following the acquisition of VSCH, and additional long-term financing to help support its growth strategy. The RCF remains subject to three financial covenants, namely interest cover, net debt to EBITDA and debt service (cash flow) cover. The Group operated well within these covenant limits throughout the year ended 25 March 2023.

In April 2023, as part of the VSCH acquisition, a new term loan of £19m, repayable over a five-year period, was established as an amendment to the existing facility agreement. This is also subject to refinancing in December 2026.

Going concern

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

The following factors were considered as relevant:

- The current market conditions and the impact of these (including the potential future impact of the current inflationary market conditions and similar other significant downside risks linked to our principal risks) on the Group's profits and cash flows,
- The UK and Europe order book and the pipeline of potential future orders, and
- The Group's cash position and its bank finance facilities, which are committed until December 2026, including both the level of those facilities and the three financial covenants (see above) attached to them.

The directors have reviewed the Group's forecasts and projections for 2024 and for at least 12 months from the date of approval of the financial statements, including sensitivity analysis to assess the Group's resilience to potential adverse outcomes including a highly pessimistic 'severe but plausible' scenario. This 'severe but plausible' scenario is based on the combined impact of securing only 25 per cent of budgeted uncontracted orders for the next 12 months, one-off contract losses, a deterioration of market conditions and other downside factors. Given the strong previous performance of the Group, this scenario is only being modelled to stress test our strong financial position and demonstrates the existence of considerable headroom in the Group's covenants and borrowing facilities in this 'severe but plausible' scenario.

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

Adam Semple
Chief Financial Officer
14 June 2023

VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code (the 'Code'), the directors have assessed the viability of the Group over an appropriate time period, taking into account the current position, future prospects and a robust assessment of the potential impact of the principal risks and uncertainties on our business model. Based on this assessment, the directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 28 March 2026.

Assessment period

The directors have determined that a three-year period, ending on 28 March 2026, is an appropriate period over which to make the assessment and provide their viability statement. The three-year period aligns with that used for the Group's annual strategic planning process and gives good visibility of contracted future work and our pipeline. The majority of the Group's workload falls within three years as the most significant construction contracts follow an execution period which is normally less than this time frame, which in turn enables more accurate forecasting. In making their assessment, the directors took account of the Group's strategy, strong financial position, forward order book of £510m, encouraging pipeline of opportunities, recent and planned investments and the availability and covenants associated with our main committed bank facilities which mature in December 2026.

Risk assessment

The directors have assessed the Group's viability in conjunction with their evaluation of going concern. For the going concern assessment, which covers a period of at least 12 months from the date of signing the financial statements, we have modelled a 'base case' scenario, which uses the Group's budgeted position, and a highly pessimistic 'severe but plausible' scenario, being the combined impact on the 'base case' of securing only 25 per cent of budgeted uncontracted orders for the next 12 months, one-off contract losses, a deterioration of market conditions and other downside factors. Given the continued strong performance of the Group in FY23, in the face of some challenging market conditions, this downside scenario is only being modelled to 'stress test' our strong financial position and demonstrate the considerable headroom that the Group has in its covenants and borrowing facilities.

The directors have also assessed the potential financial and operational impact throughout the viability assessment period of other downside scenarios resulting from the crystallisation of one or more of the principal risks described in the annual report (see pages 92 to 104) that are relevant to the industry sector in which the Group operates. The assessed risks, for which the impacts were applied, include supply chain risks (and the reliance on key suppliers), changes in the commercial and market environment, mispricing a contract (at tender), the failure to mitigate onerous contract terms, business disruption caused by a cyber-attack, a prolonged period of industrial action, or climate change, and the impact of a serious health and safety incident. The impact of these were modelled through a reduction in revenue and operating margin of 25 per cent, a deterioration in working capital (the extension of customer payment terms by one month/retraction of supplier payments terms by one month), a period of business interruption (two months with no factory production or site activity) and a significant one-off event resulting in a cost to the Group of £20m.

Our assessment also included modelling the financial impact of a 'severe but plausible' scenario (consistent with the going concern assessment), where the impact of certain risks and uncertainties were applied in combination. The range of scenarios tested was considered in detail by the directors, taking into account the probability of occurrence and the effectiveness of any likely mitigation actions, including adjustments to our strategic plan and the reduction of any non-essential or committed capital expenditure, operating expenditure, bonuses and dividend payments.

Based on the results of this analysis, there are no individual or combination of plausible scenarios that are considered to have a material impact on the Group's viability. The directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

A MESSAGE FROM THE CEO

ALAN DUNSMORE
Chief Executive Officer

> "We are proud to announce we have achieved our interim target to reduce scope 1 and 2 emissions by 25% from our 2018 baseline and we are now in the process of having our near-term and long-term targets verified as part of the SBTi, ensuring we maintain our focus on reducing our carbon emissions."

As the UK's market leader in the design, fabrication and construction of structural steel we recognise that we play a vital role in creating spaces and infrastructure that help communities to thrive and must do so in a way that limits our impact on the environment, through reducing carbon emissions and the use of finite resources.

This year we have seen the launch of the Government's new Department for Energy Security and Net Zero and an increasing recognition that decarbonisation of the steel industry will play an important role in helping to reach the Government's target to achieve Net Zero greenhouse gas emissions in the UK by 2050.

We have surpassed our interim target to reduce our scope 1 and 2 GHG emissions by 25 per cent by 2025 (against a 2018 baseline) during 2023.

As a next step, we will be submitting near-term and long-term carbon emissions targets for approval in 2024, aligning our commitments to the Science-Based Target Initiative ('SBTi'). We will disclose progress against these targets on an annual basis through our annual report and our Carbon Disclosure Project ('CDP') reporting, ensuring that we maintain the momentum we have achieved since setting our original targets.

As a SteelZero signatory, we made the commitment to procure 100 per cent low carbon steel by 2050, demonstrating the importance of transitioning to low embodied carbon steel production in the construction sector. In 2023, we also joined the SteelZero policy taskforce, collaborating with the Climate Group and other members on the most effective approach to capturing and reporting data for the SteelZero framework. For the third year running, the Group was included in the Financial Times ('FT') listing of Europe's climate leaders which showcases corporate progress in fighting climate change.

In 2023, we appointed Michaela Lindridge as Head of ESG. This is a new senior role that has been created to oversee our ESG strategy, including our climate change commitments, our approach to biodiversity and nature and our social value responsibilities. Michaela will help support our internal departments, suppliers, and clients as we continue to progress our ESG agenda.

As a business, ESG continues to be at the forefront of our strategic decision making and as a result of decisions made in recent years, the Group remains well-positioned to assist in accelerating the journey to Net Zero through meeting our own sustainability targets and supporting our clients to build the green infrastructure of tomorrow.

Alan Dunsmore
Chief Executive Officer
14 June 2023

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

OUR APPROACH TO SUSTAINABILITY

Prosperity
Deliver sustainable profitable growth whilst satisfying our ethical, legal and contractual obligations.

People
Support our teams to be diverse, engaged, motivated and competent.

Engage positively with projects and the local communities in which we work.

Principles of Governance
Show leadership in delivering a sustainability programme which considers whole life impact, taking us beyond compliance and ensuring continuous improvements.

Planet
Continue to improve the environmental impact of our process and projects. Support sustainable construction through circularity, strive for net-zero and enable efficient business practices.

Our Group's purpose is to develop better ways to build, for a world of changing demands. To achieve this, we are committed to motivating and enabling our people and our supply chain to deliver high quality, innovative buildings in a sustainable and efficient way. During the year we have continued to progress our sustainability agenda and embed ESG principles into our corporate strategy.

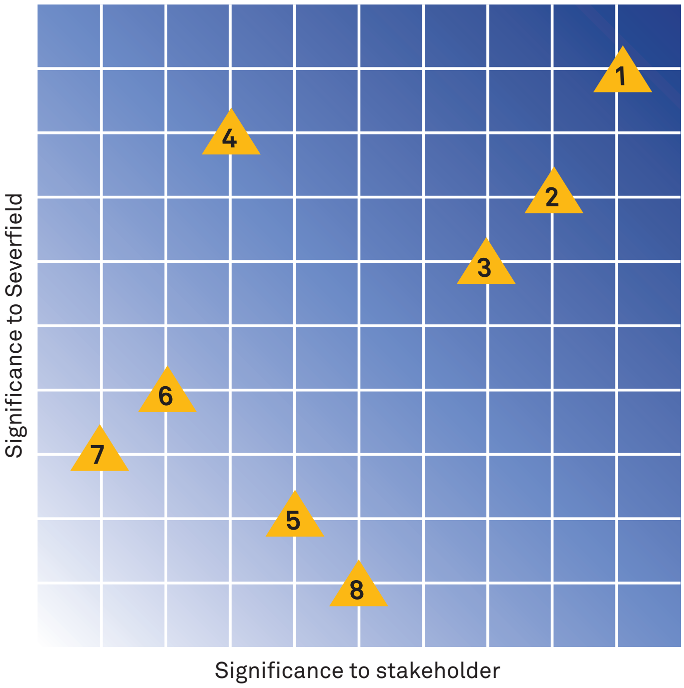
Our sustainability framework outlines why we prioritise different elements of our work encapsulated by our four sustainability pillars 'Planet', 'People', 'Prosperity' and 'Principles of governance', each informed by our people, customers, suppliers and stakeholders.

We illustrate our achievements over the last year against each pillar of the sustainability framework in the table on pages 74 and 75. Progress against each of the pillars is fundamental to achieving our long-term strategic objective to deliver sustainable growth.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

OUR APPROACH TO SUSTAINABILITY

We undertake regular materiality assessments, informed by our ongoing dialogue with internal and external stakeholders. We continue to identify eight key areas of importance which remain unchanged from our initial assessment.



Materiality index

1. Health and safety
2. Climate change and carbon emissions
3. Supply chain management
4. Sustainable construction
5. Diversity and inclusion
6. Training and development
7. Employee engagement
8. Waste management

In line with the Global Reporting Initiative ('GRI') Standards, our sustainability framework and reporting are structured around our most material sustainability issues. Alongside our existing risk assessment process and stakeholder engagement activity, we regularly undertake a materiality assessment in order to identify environmental, social and governance-related issues that may have a significant impact on the Group's business performance or substantively influence the decisions of our stakeholders. Using the materiality matrix in this process enables the consistent assessment and prioritisation of risks identified across the business.

Our responsible and sustainable business priorities are aligned to those of our stakeholders (see page 40 and 41) and driven by our CEO, Alan Dunsmore, who has overall responsibility for climate change related matters at board level, and also chairs the Group's sustainability committee (see page 64 for further details).

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

We are committed to the recommendations of the TCFD, to provide our stakeholders with transparent and useful information on the Group's climate-related risks and opportunities and to help communicate our strategy, sustainability framework, targets and our progress against these.

The board recognises the systematic risk posed by climate change and the need for urgent mitigating action and are committed to addressing climate-related risks and reducing the Group's environmental impact and carbon emissions. To help achieve this, we are committed to the disclosure recommendations of the TCFD, providing our stakeholders with transparent information on material climate-related risks and opportunities that are relevant to our business.

The information set out on pages 58 to 91 of our annual report and accounts aims to provide key climate-related information that is aligned with the 11 recommendations, covering four thematic areas, as set out by the TCFD. We believe we are compliant with the TCFD recommendations, including the relevant material elements of the 'Guidance for all sectors', with the exception of two areas, namely the financial quantification of scenario analysis and metrics and targets.

In 2023, our detailed climate scenarios, which are selected from the risks identified in the Group's climate risk register as described on pages 68 and 69, were modelled with the help of our external consultants. We are currently working through the outputs from the scenario analysis and expect to provide the more detailed quantitative disclosures, and move towards being fully compliant with the TCFD recommendations, in our 2024 annual report. Further detail is set out on pages 62 and 63.

Consistent with last year, we have qualitatively assessed the impact of climate risk on the Group's balance sheet, including the impact on the measurement of financial instruments, the Group's owned land and buildings, goodwill and the Group's going concern and long-term viability, and have concluded that there is no material impact on the financial statements for the year ended 25 March 2023.

Some elements of our TCFD reporting are addressed elsewhere in our annual report and accounts. The table below outlines where this information can be found.

Thematic area	TCFD recommendation	Section name	Page ref	Next steps
Governance	Board oversight	Corporate governance report Board at a glance	118 to 129 108 to 109	Continue to review and assess governance around climate-related risks and opportunities
	Management role	Building a responsible and sustainable business	65 to 91	
Strategy	Risks and opportunities	How we manage risk	92 to 104	We will use the outputs of the 2023 scenario analysis to enhance our Net Zero strategy and to continue to evolve our understanding of how climate-related risks and opportunities could impact on our business and strategy.
	Impact on organisation	Building a responsible and sustainable business	65 to 91	
	Resilience of strategy			
Risk management	Risk identification and assessment process	How we manage risk	92 to 104	Continue to enhance and improve our risk management approach for climate-related and wider sustainability risks and opportunities.
	Risk management process			
	Integration into overall risk management			
Metrics and targets	Climate-related metrics	Building a responsible and sustainable business	65 to 91	Whilst a number of core metrics and targets are reviewed internally, our next step is to further develop our approach to monitoring progress. This will ensure metrics and targets are the most relevant to allow investors and wider stakeholders in assessing our ESG progress.
	Scope 1, 2 and 3 GHG emissions			
	Climate-related targets			

VSCH will be incorporated into our sustainability framework in 2024, following its acquisition in April 2023.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

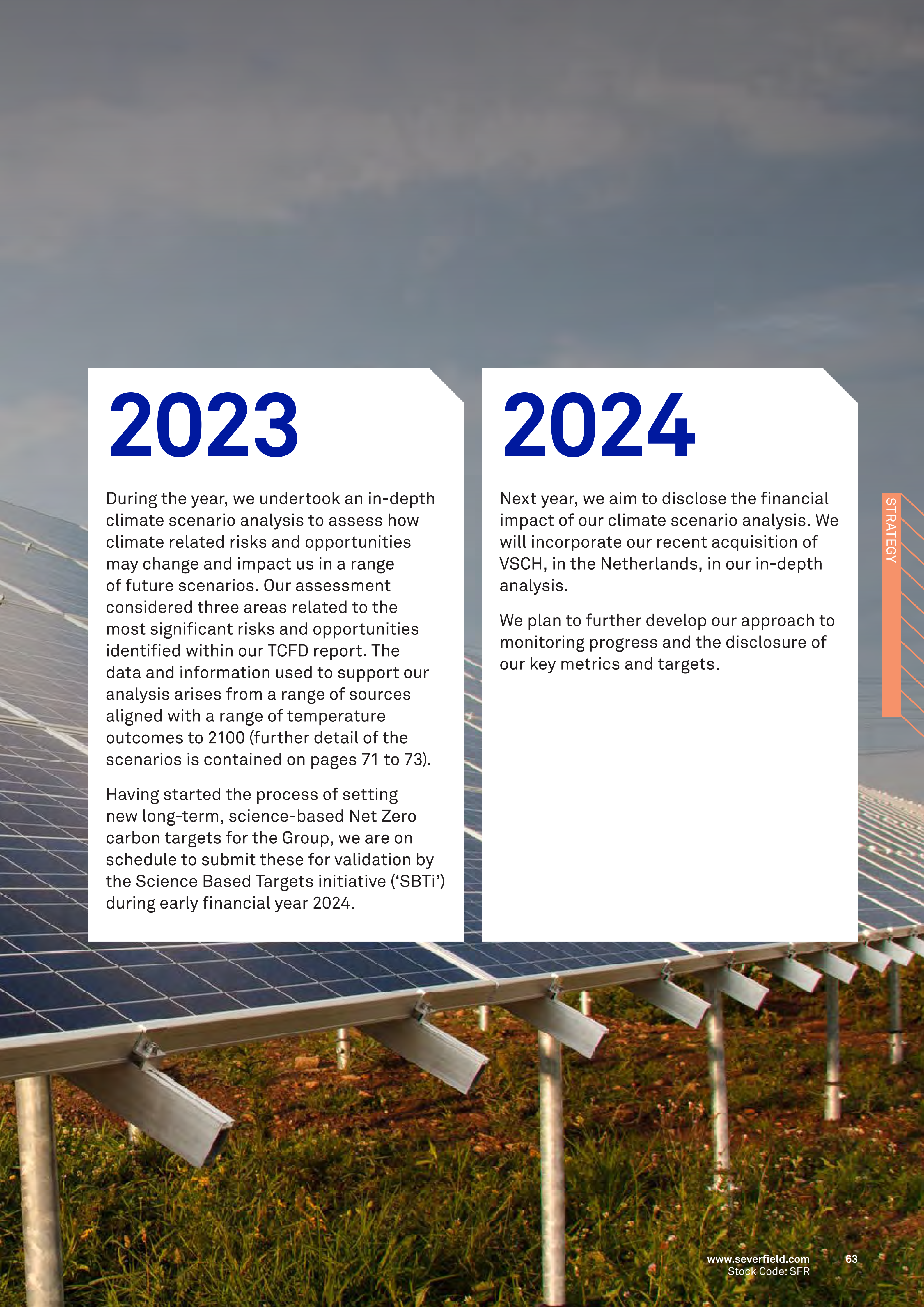
OUR TCFD ROADMAP TO FULL DISCLOSURE

2021

We established our sustainability working group to oversee strategy implementation and review progress against our strategic objectives. Our 2021 annual report included numerous sustainability disclosures, many of which were in line with TCFD recommendations and were reported earlier than the FCA's Listing Rules reporting requirements.

2022

We undertook a gap analysis of our current climate-related disclosures and planned activities against the TCFD framework and our 2022 annual report confirmed that our disclosures are compliant with the TCFD's recommendations with one exception (detailed climate scenario analysis). This was an action carried forward to the next financial year.



2023

During the year, we undertook an in-depth climate scenario analysis to assess how climate related risks and opportunities may change and impact us in a range of future scenarios. Our assessment considered three areas related to the most significant risks and opportunities identified within our TCFD report. The data and information used to support our analysis arises from a range of sources aligned with a range of temperature outcomes to 2100 (further detail of the scenarios is contained on pages 71 to 73).

Having started the process of setting new long-term, science-based Net Zero carbon targets for the Group, we are on schedule to submit these for validation by the Science Based Targets initiative ('SBTi') during early financial year 2024.

2024

Next year, we aim to disclose the financial impact of our climate scenario analysis. We will incorporate our recent acquisition of VSCH, in the Netherlands, in our in-depth analysis.

We plan to further develop our approach to monitoring progress and the disclosure of our key metrics and targets.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

GOVERNANCE

Board oversight on climate-related risks and opportunities

Our CEO, Alan Dunsmore, is actively engaged and takes responsibility for the Group's strategic direction and progress on climate-related issues. He assumes overall board-level responsibility for climate-related matters and he also chairs Severfield's sustainable and risk committees, thereby ensuring continuity throughout the business, particularly from a governance perspective.

As summarised on the board skills matrix on page 109, the board possess significant climate-related experience, and has a sound basis from which to consider the risks and opportunities facing the business as a result of climate change. We use our board skills matrix for succession planning purposes to ensure there are no skills gaps.

All board reporting at Severfield is underscored by a focus on climate change, sustainability and ESG. The board is consistently updated on climate-related matters on a monthly basis and is briefed on any other changes throughout the year. Where relevant, we also arrange in-depth briefings from industry subject experts so as to draw attention to material ESG matters throughout the year.

The work of the sustainability committee, which mainly consists of selected members of the executive committee, has responsibility to consider the impact of climate change on the business on behalf of the board. The committee (via the executive directors) regularly updates the board on the Group's sustainability strategy and progress against our targets. A monthly sustainability board report is prepared by the Group SHE director, which includes a dashboard on greenhouse gas emissions to ensure ongoing monitoring.

Below are some of the examples of strategic decisions, where we demonstrate how the board gives full and close consideration to ESG factors and sustainability when assessing the impact of the decisions it makes.

- The Group has taken steps to ensure we offer recycled steel as an option for our clients during the tender process, reinforcing the sustainability benefits of steel. This is also linked to the identified risk of steel having a high embedded carbon.
- The Group has further invested in carbon offsets to ensure we remain certified as carbon neutral. This linked to the identified risks of failing to meet emissions targets or failing to comply with legislation or expectations.
- The board has approved and confirmed the Group's Net Zero roadmap and revised the Group Sustainability Policy.
- Investing in climate-related research and development to identify new engineering techniques remains part of our strategy, reinforced by the launch of Project Horizon and our operational improvement programme.
- The Group has embedded sustainability considerations into its capital expenditure approval process.
- In 2023, we joined the SteelZero policy taskforce collaborating with the Climate Group and other members on the most effective approach to capturing and reporting data for the SteelZero framework. In 2024, we plan to start disclosing our progress against low carbon steel procurement to the Climate Group.
- Consideration of investments in UK-based carbon offsetting projects.

MANAGEMENT’S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

BOARD OF DIRECTORS
Responsible for the group sustainability strategy

EXECUTIVE COMMITTEE AND RISK COMMITTEE
Reports to the board on the progress and success of the sustainability committee

SUSTAINABILITY COMMITTEE
Oversees strategy implementation and reviews progress against our strategic objectives and reports to the executive committee and the board

SUSTAINABILITY RISK REVIEW COMMITTEE
Exercises oversight over climate-related risks and the Group’s approach to mitigating our impact on the environment

SUPPORTED BY SENIOR MANAGEMENT
Including Group Head of ESG and Group Head of Procurement

WIDER EMPLOYEE GROUPS
Implement the Group’s strategy and report on performance within their sites

The Group board, through the executive committee and risk committee (both chaired by the CEO) has delegated oversight of the management of climate-related risks and opportunities to the sustainability committee and sustainability risk review committee. The board has overall responsibility for the Group’s risk management and systems of internal control and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, this includes specific consideration of climate-related risks.

The Group’s sustainability committee members include the following: Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Group legal director and company secretary, Group SHE director, Group HR director, Group head of ESG and Group head of procurement. This ensures that key management is represented across all business disciplines and that, crucially, they share an aligned approach to climate-related matters. Effectively, this ensures that the Group’s overall sustainability strategy is delivered successfully.

Our Group legal director and Company secretary, Mark Sanderson, is a member of the executive committee and also chairs the sustainability risk review meetings. He is responsible for helping to ensure that an appropriate strategy is in place to understand, identify, monitor and control risks from climate change in line with the Group’s risk appetite parameters.

Beyond the committees themselves, business unit management teams are responsible for managing climate-related risks and opportunities on a day-to-day basis – they, too, are driven to deliver on the Group’s Net Zero roadmap and sustainability strategy.

The sustainability committee meets every two months and engages with a wide range of senior managers and colleagues from across the Group to oversee the day-to-day implementation of our sustainability strategy and report on the progress of the Group to the executive committee, who ultimately report to the board.

The Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer are all members of the sustainability committee and therefore provide the board with regular written and verbal updates on climate-related matters.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

STRATEGY

Climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

As part of our business processes, we identify climate-related risks and opportunities, assessing their likelihood and quantifying their potential financial and non-financial impacts and time horizon. Those risks with a higher impact are prioritised for action by the board.

We consider climate-related issues within the time horizons used in our risk management process (see table). Risks and opportunities feed into our financial planning to the extent we expect them to impact our 3 year strategic plan. Beyond that, we consider medium to long-term risks and opportunities when formulating the Group's overall strategy.

In line with our risk management process and assessment of the Group's principal risks, only high and medium risks are considered sufficiently significant for disclosure in the annual report. The scoring of each risk is determined based on the scoring of the risk within the Group's risk register. This scoring considers the potential impact and likelihood associated with the crystallisation of each risk (the assessment of impact takes into account both financial and reputational issues).

Short-term	< 5 years	Aligns to how we assess the Group's principal risks and viability statement.
Medium-term	5 – 10 years	Aligns to longer-term projects with risks driven by government policy, infrastructure needs and market conditions.
Long-term	> 10 years	Factors that could impact the Group's ability to achieve its strategic goals.

Climate-related transition and physical risks have been assessed as an overall low risk to the Group. However, the risk of being able to demonstrate that we are a 'sustainable and responsible business' to meet stakeholder expectations is identified as a medium risk in isolation and is therefore included in our principal risks (see page 96 for further details).

Our approach to ESG risk

The Group's process of identifying and assessing climate-related risks and opportunities is embedded in the Group's existing risk management process and is fully aligned with our three lines of defence model (see pages 94 to 95 for more details).

We monitor and identify climate and other sustainability-related risks in our sustainability risk register by assessing their likelihood and quantifying their potential financial, non-financial impacts and the time horizons over which they may occur. These are reviewed quarterly to ensure that material risks are identified, escalated appropriately and managed effectively.

Both transitional and physical risks can be impacted as a result of climate change and associated trends. The sustainability risk committee considers transition risks that may stem from the Group's transition to a Net Zero steel industry, such as through regulatory, legislative or technological changes, and thereafter mitigates them accordingly. Alternately, physical risks arise from an increased frequency of severe weather events, such as flooding or cyclones, for example.

The table on pages 68 and 69 summarise key climate-related risks (transition and physical), as well as opportunities that have been identified during our sustainability risk review process; these risks are considered as having the greatest impact on the business in the short, medium, and long-term.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

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The tables below summarise the key climate-related risks (transition and physical) and opportunities identified as part of our sustainability risk review process that are considered to have the greatest impact on the business in the short, medium and long term.

CLIMATE RELATED RISKS

Climate risk	Classification	Risk description	Potential impacts to the business	Time horizon
Transition	Policy and legal	Failure to comply with climate-related legislation by not meeting targets or reporting requirements.	• Loss of position as market leader and reputational damage. • Loss of opportunities within our market sectors. • Possible fines and penalties imposed.	Short-term (<5 years)
	Reputation	Failure to comply with climate-related stakeholder expectations leading to loss of position as market leader and lost opportunities.	• Loss of position as market leader and reputational damage. • Loss of opportunities within our market sectors. • Negative share price impact.	Short-term (<5 years)
	Policy and legal	Failure to meet operational emissions reduction targets or increased costs due to offset costs.	• Possible fines and penalties imposed, including carbon taxes. • Carbon offsetting costs could increase if the Group needs to purchase additional offsets where we fail to reduce our GHG emissions. • Offsetting prices will increase as demand for these initiatives will increase.	Medium-term (5-10 years)
	Market	Steel becomes unsustainable due to high carbon content, or an over demand for low carbon steel making it unaffordable and projects being cancelled.	• Shortage of material availability resulting in project delays or cancellations. • Significant fluctuations in steel prices linked to procured carbon. • Pressure from customers to reduce emissions of materials as well as emissions associated with distribution and construction activities • More stringent regulation for construction materials and products. • Increased R&D, design, IT and training costs associated with developing new technology to create innovative projects.	Medium-term (5-10 years)
Physical	Acute	Operational disruption/ reduced capacity due to extreme weather event, e.g. flooding or wind damage.	• Project delays incurred due to unsafe working conditions on site and disruption to deliveries of materials to our factories. • Damage to construction sites and equipment. • Design and procurement challenges to deliver a project to withstand extreme weather effects. • Increasing difficulty in obtaining insurance in locations of extreme weather conditions.	Long-term (>10 years)
	Chronic	Operational disruption/ reduced capacity due to increased frequency of extreme weather, e.g. drought.	• Project delays incurred due to unsafe working conditions on site and disruption to deliveries of materials to our factories. • Damage to construction sites and equipment. • Design and procurement challenges to deliver a project to withstand extreme weather effects. • Increasing difficulty in obtaining insurance in locations of extreme weather conditions.	Long-term (>10 years)

Assessment of likelihood	Assessment of financial impact	Current/future mitigation
Unlikely	Low	• Strong controls and governance on climate-related reporting to the board. • Regular training and education on climate change matters to stay ahead of any legislative changes. • Engage external specialists, where appropriate, to provide advice on current sustainability risk management processes and upcoming or potential changes to climate-related legislation.
Possible	Moderate	• Regular engagement with all stakeholders, promoting open and transparent communication. • Strong controls and governance on climate-related reporting to the board. • This risk has been modelled as part of our scenario analysis – see pages 71 to 73 for further detail.
Unlikely	Low	• Our Group's Net Zero roadmap and sustainability framework continue be embedded in our businesses processes and procedures to ensure our ambition is achieved. • Regular monitoring and reporting of GHG to the board. • Regular monitoring of offsetting prices and close monitoring of new development for permanent carbon removals.
Unlikely	Significant	• We continue to maintain our strong relationships with our supply chain providers. • We have discussed with our key suppliers their own strategies to become Net Zero and undertaken research into low carbon alternatives. • Contributing to the SteelZero network demonstrates our commitment to procure 100 per cent Net Zero steel by 2050, with specific interim targets set for 2030. • Provision of training for low-carbon design and new technologies. • Engaging in discussions on climate-related matters early on in the project life cycle so we can ensure our customers' expectations are fully understood and achieved. • Performing regular material price sensitivity assessments and considering contingency plans for procurement. • This risk has been modelled as part of our scenario analysis – see pages 71 to 73 for further detail
Possible	Low	• Monitoring of weather forecasts to ensure employee safety and early steps taken to mitigate potential disruption to deliveries. • Detailed risk reviews of project sites in areas of extreme weather or located close to waterways. It is commonplace to agree allowances in our construction programmes to accommodate potential adverse weather conditions, for example the impact of wind on being able to lift significant steel structures. • Review of insurance policies and arrangements. • This risk has been modelled as part of our scenario analysis – see pages 71 to 73 for further detail.
Unlikely	Negligible	• Monitoring of weather forecasts to ensure employee safety and early steps taken to mitigate potential disruption to deliveries. • Detailed risk reviews of project sites in areas of extreme weather or located close to waterways. • Review of insurance policies and arrangements. • This risk has been modelled as part of our scenario analysis – see pages 71 to 73 for further detail

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

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CLIMATE RELATED OPPORTUNITIES

Opportunity	Classification	Description	Strategy to realise opportunity	Time horizon
Green revenue streams	Market	Identify new and increase existing revenue streams from green infrastructure and low carbon projects. The Group is well-placed to meet the demand for infrastructure which can mitigate the impacts of climate change and deliver energy security. These requirements dictate a significant transition in national energy infrastructure including renewable electricity generation and storage, nuclear power (new build and decommissioning) and several other new energy supply initiatives. We also expect to see further projects aimed at carbon reduction in transport, such as the electrification of the UK rail network. Other projects in support of a low-carbon economy include battery plants (to facilitate the switch to electric cars), energy efficient buildings and manufacturing facilities for renewable energy.	We will continue to collaborate with customers and contractors to realise innovative ways of construction and maintain our position as market leader for structural steel. Building and maintaining relationships, enhanced collaboration and dialogue with new and existing potential customers will allow us to continue to be a first-choice contractor for new and innovative projects. See page 39 for further details.	Long-term (>10 years)
Renewable energy	Energy source	Continuing the transition from using gas oil and natural gas to renewable low-carbon energy sources could give rise to operational and supply chain efficiencies and cost reductions.	We have made good progress to date, increasing the procurement of renewable electricity. In 2023, 94 per cent of our total purchased and consumed energy was from green tariffs. We have one remaining facility to switch to green electricity in 2024 and research the availability of other renewable energy sources for heating and power as part of our ESOS improvement works.	Short-term (<5 years)
Research and development	Products and services	With the increasing focus on climate-related matters as the UK, and the world, accelerates its efforts to decarbonise in line with the Paris Agreement, we expect to see a change in the requirements of our customers to build projects that reduce their carbon emissions. Research and development into products and processes will help us to provide innovative solutions that meet the complex and changing needs of our customers.	One of our strategic objectives is to continue to invest in climate-related research and development to identify new engineering techniques, innovative technologies and source steel with low embodied carbon and to re-use steel to assist our customers to minimise the lifecycle carbon emissions of their projects. The implementation of Project Horizon in the year is a step forward in the requirement to achieving this.	Short-term (<5 years)

Climate scenario analysis ('CSA')

During the year, we conducted a CSA in line with TCFD guidance. The CSA focussed on how climate-related risks and opportunities, identified through our risk assessment process described on pages 64 and 65, may change in a range of future scenarios and considers the resultant financial impacts arising as a result of mitigations required. We expect to provide more detailed quantitative disclosures on the financial impact in our 2024 annual report.

Our assessment prioritised risks considered to have the greatest impact on the business in the short, medium and long-term (as defined in the table on page 66). We anticipate that our analysis will expand over time as our understanding of the impacts of climate-related risks evolve and as external data on the potential impacts of climate change develops.

The areas assessed relate to the following primary risk drivers:

- The frequency and severity of extreme physical weather events and their impact on assets, projects and supply chains,
- Stakeholder expectations and the delivery of low carbon projects, and
- The steel market within the low carbon transition and Severfield's procurement strategy.

The parameters, assumptions and data used to support our CSA are taken from various accredited sources that are summarised below. The CSA models incorporate a range of different temperature outcomes to 2100, including a scenario of less than 2°C.

Severfield PLC climate scenario	**Low emissions**	**Medium emissions**	**High emissions**
1. Physical risk assessment			
Relative Concentration Pathway (RCP)[1]	RCP2.6	RCP4.5	RCP8.5
Estimated 2100 warming projection	1.8°C	2.4°C	4.3°C
2. Stakeholder expectations and the delivery of low carbon projects			
Carbon offset market scenario (Bloomberg NEF)[2]	Regulated (carbon offset market is regulated which limits supply)	Hybrid (combination of regulated and voluntary scenarios)	Voluntary (no regulation over carbon market)
3. The Steel market within the low carbon transition			
Mission Possible Partnership ('MPP') scenario[3]	Carbon cost (1.5°C aligned)[4]	Technology moratorium[5]	Baseline[6]
Carbon pricing	$0/tCO_2$ in 2023 rising linearly to $200/tCO_2$ in 2050	None	None
Technology constraints	None	Only near-zero emissions technologies permitted from 2030 onward	None

[1] RCP uses economic, social and physical assumptions within a set of scenarios to model possible future climate evolution. They are published by the MET Office and adopted by the Intergovernmental Panel on Climate Change ('IPCC'). The RCPs can be represented by the levels of temperature change that can be used in conjunction with flood projection models.

[2] Bloomberg NEF is a strategic research provider covering global commodity markets and the technologies driving the transition to a low-carbon economy.

[3] The Mission Possible Partnership ('MPP') is an alliance of climate leaders focussed on decarbonising specific industries, including steel. They have sector transition strategies that set out illustrative scenarios to achieve Net Zero by 2050.

[4] The Carbon Cost scenario illustrates how the steel sector might decarbonise if coordinated action to support low-CO_2 steelmaking takes hold this decade. This scenario assumes that, at each major investment decision, the steel asset switches to whichever technology offers the lowest total cost of ownership ('TCO').

[5] The Technology Moratorium scenario takes an alternative approach by confining investments to near-zero-emissions technologies from 2030 onwards to reach Net Zero. As with the Carbon Cost scenario, the steel asset switches to whichever technology offers the lowest TCO at each major investment decision.

[6] Baseline scenario: to highlight the consequences of inaction, a reference case is modelled in which a steel asset switches to the technology with the lowest TCO at each major investment decision, without a Net Zero constraint.

The assessment considers 4 time points 2025, 2030, 2040, 2050 which encompass the short, medium and long-term time horizons set out on page 66.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

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Impact of physical climate risk on assets, projects and supply chains

Driver for assumptions	Risk profile and financial impact	Strategic resilience and planned mitigations
Long-term flood risk modelling (within an RCP 8.5 scenario – see previous page) was undertaken to identify our UK operations with the highest flood risks. A sample of assets was further assessed to consider the most extreme risks arising from flood, sea level rise, cyclone, heatwave, wildfire, and water stress (in an RCP8.5 / SSP5[1] scenario – see previous page). The modelling uses General Circulation Models based on the latest international modelling efforts (CMIP6), high-resolution historical observations from satellites and a range of other techniques to provide the greatest degree of accuracy.	Climate risk relating to the assets sampled, and the associated financial risk of our assets does not significantly change to 2050 based on our current modelling approach. We have assessed potential financial impacts arising as a result of operational delays caused by localised flooding to access roads, based on historic flood impact events. These have been mitigated by site improvements to prevent flooding at both Dalton and Enniskillen. In addition, such is the economic importance of the sites, climate risks are likely to be further mitigated by future infrastructure investment.	Our current and near-term insurance policies and arrangements mitigate against the risk of asset damage. Regular discussion with insurers enables us to identify near-term localised risk and to implement measures to minimise risk impacts. Historic flood events and localised flood mitigation works are monitored to assess the changing risk profile for our operations and to understand risk tolerance for potential financial impacts. Project risk mitigations are discussed in the risks and opportunities table on pages 68 and 69. We will continue to monitor physical climate impacts within our wider risk management approach.

[1] Shared Socioeconomic Pathways' ('SSPs') look at five (population, economic growth, education, urbanisation and the rate of technological development) different ways in which the world might evolve in the absence of climate policy and how different levels of climate change mitigation could be achieved when the mitigation targets of RCPs are combined with the SSPs.

Stakeholder expectations and the delivery of low carbon projects

Driver for assumptions	Risk profile and financial impact	Strategic resilience and planned mitigations
The steel sector is on a trajectory to decarbonise, but stakeholder expectations and demand may outpace the availability of low carbon steel. Whilst our long-term transition plan focuses on a range of measures to achieve decarbonisation (see our Net Zero plan on pages 76 and 77), in the shorter-term, we have assumed carbon offsets will be needed to meet stakeholder expectations. The analysis considers our scope 3 procured emissions, customer demand fluctuations, and market expectations on carbon offset prices in a range of scenarios.	The price of carbon offsets could significantly increase in a scenario where the carbon offset supply is limited to removal offsets that store or sequester carbon, rather than avoiding emissions that would otherwise occur. Due to high demand, supply pressures are likely to boost market prices. The impact on Severfield depends significantly on levels of customer demand, decarbonisation of the sector as a whole, and our procurement strategy, and will be explored further in future periods as we seek to reduce dependence on the use of offsets and drive clear progress toward decarbonisation.	Our ongoing conversations with customers and our supply chain provide meaningful insight into customer-side demands for low carbon projects, and supply side trajectories toward increased availability of low carbon steel. Our involvement with SteelZero and wider industry and government collaborations provide increased awareness of the challenges of the steel sector as a whole and how these could be overcome. This deeper understanding will feed into our Net Zero plans. We are investing in R&D to optimise production processes and are exploring methods to maximise circularity of our materials and the re-use of steel, enhancing our role in reducing the carbon content of delivered projects. We are also focusing on our own operational emissions within our Net Zero roadmap.

The steel market within the low carbon transition

Driver for assumptions	Risk profile and financial impact	Strategic resilience and planned mitigations
The current (raw material) steel-making process is energy-intensive and largely relies on the combustion of fossil fuels, creating significant CO_2 emissions (Blast Furnace). Electric Arc Furnaces, however, typically use recycled or scrap steel and melt it through the use of an 'electric arc'. The use of green electricity in this process would therefore make zero-carbon steel. Additional technologies will be required to achieve full decarbonisation of the sector, including processes which replace natural gas with green hydrogen, incorporate an element of carbon capture, and replace pulverised coal with high-carbon biomass sources. The Mission Possible Partnership ('MPP') has conducted extensive scenario analysis to assess possible trajectories for the steel sector to reach Net Zero by 2050, and this information has been used to identify and assess the implications for our own procurement strategy and associated financial impacts.	In a scenario where the cost of steel is highly impacted by the price of carbon, the cost of producing traditional carbon intensive steel is likely to significantly increase to 2050. If our procurement strategy remains constant, there could be increase in procurement spend over time toward 2050. It is likely that novel and nascent technologies will disrupt incumbent technologies, as the cost of zero carbon electricity and hydrogen declines over the coming decade. Assuming that we adopt a procurement strategy that evolves with the best available technologies, the financial impact will be the most significant within the 'carbon cost' scenario but is unlikely to result in a significant increase in deliverable project prices. Within the existing economic landscape, the impact of fluctuations in energy prices and the conflict in Ukraine have put pressure on steel prices globally. In addition, market demand for nascent technology may drive market fluctuations in steel prices. These factors combined place significant uncertainty over the projected scenarios modelled in a 'low carbon' transition.	In addition to our previous comments, which reflect our ongoing collaborative efforts and R&D investment into achieving Net Zero, we are signatories to SteelZero which means that we are committed to procuring, specifying, or stocking 100 per cent Net Zero steel by 2050 (see pages 76 and 77 for details on SteelZero). We regularly assess how our strategic partners are working toward meeting these aims and are in the process of developing an engagement plan, to enhance oversight of our progress toward achieving Net Zero throughout the value chain. Our near-term market price modelling assesses how the market price of steel may fluctuate, as a result of a range of events, and our pricing and contracting strategies ensures that we are protected against fluctuations in the price of steel, as evidenced by our resilience in the face of recent economic and political events.

Metrics and targets

We measure a wide range of metrics relating to energy and carbon, which can be found on pages 79 to 81. We also annually report our detailed carbon ambitions and targets within CDP Climate disclosure which can be found on Severfield's website. We have undertaken a gap analysis to support full and transparent reporting to support our climate-resilience journey, taking into account cross-industry metrics as identified by TCFD, and industry specific metrics as outlined by SASB and supported by the ISSB through IFRS S2. This is an area of focus for the next reporting period.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

Our sustainability framework also supports the United Nations Sustainable Development Goals ('UN SDGs'). The table below illustrates our key achievements in the year against our four sustainability pillars and our progress against the metrics and targets we use to measure our performance in each area, as well as identifying the seven UN SDGs where the Group can have the biggest impact:

PLANET

Continue to improve the environmental impact of our processes and projects. Support sustainable construction through circularity, strive for Net Zero and enable efficient business practices.

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Read more on pages 76 to 81

Activities/KPIs	2023 performance
GHG intensity	33% reduction in our scope 1 and 2 GHG emissions from 2018 (our base year) using a market-based approach. Exceeding our short-term target to reduce emissions by 25% by 2025
CDP global evaluation rating	Achieved CDP B rating, which is above the industry average (C). Achieved CDP supplier engagement leader with the rating of A-
Other industry accreditations achieved	Maintained our BES 6001 rating of "very good" Listed on the Financial Times – Europe's Climate Leaders index for the third year in a row
Green electricity usage	94% of our total purchased and consumed energy was from green electricity tariffs
Waste reduction target	*New in 2023:* Established an absolute reduction of waste tonnage (excluding steel) of 20% by 2030 against 2021/22 baseline
Biodiversity target	In 2024 we will refine our approach to biodiversity and set Group and divisional targets

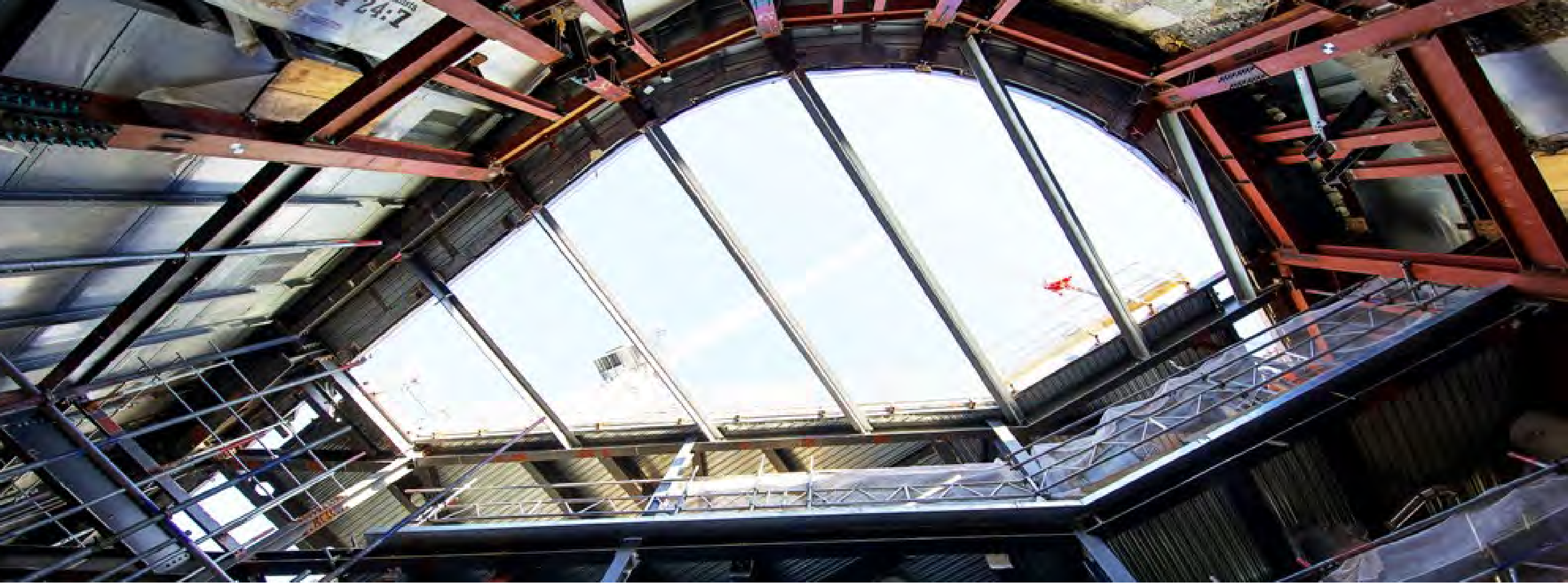
PEOPLE

Support our teams to be diverse, engaged, motivated, and competent. Engage positively with projects and the local communities in which we work.

8 DECENT WORK AND ECONOMIC GROWTH

Read more on pages 82 to 87

Activities/KPIs	2023 performance
Gender Pay Equality	1.02 male/female normalised hourly rate ratio.
Diversity & Inclusion	9% of our workforce are female (same as FY22). Of our three grade levels below board female representation is 20%, 27% and 20% respectively. Female representation across our manufacturing departments is 2%, 8% within project delivery departments and 39% in core services.
Accident frequency rate	13% improvement in 2023 to 0.14 (2022: 0.16).
Incident frequency rate	An increase of 8% in 2023 to 1.61 (2022: 1.49).
Director safety visits undertaken	We have achieved 85 visits in 2023, unchanged from 2022.
% of colleagues paid above living wage	100% of colleagues paid at or above the Real Living Wage.
Social value target	In 2024 we will establish a social value reporting system and set Group and divisional targets for social value delivery.



PROSPERITY

Deliver sustainable, profitable growth whilst satisfying our ethical, legal and contractual obligations.

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Read more on pages 88 and 89

Activities/KPIs	2023 performance
Economic value generated and distributed	£491.8m (2022: £403.6m)
Economic value distributed	£467.5m (2022: £382.7m)
Net investment ((capex – depreciation) / dividends)	Stable net investment at 10% (2022: 24%). Lower than 2022 due to several significant items being leased in the year.
Supply chain due diligence	100% (2022: 100%) of suppliers subject to annual supply chain contractor due diligence reviews.
New appointments	414 new employees in the year (including 27 apprentices and graduates).
Corporation taxes paid	£3.5m (2022: £3.8m), marginally lower than 2022 due to a refund for overpaid amounts in a previous period.
Prompt payment reporting	88% (2022: 93%) of invoices paid within agreed payment terms in latest PPC reporting period for our signatory companies.

PRINCIPLES OF GOVERNANCE

Show leadership in delivering a sustainability programme which considers whole life impact, taking us beyond compliance and ensuring continuous improvements.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Read more on pages 90 and 91

Activities/KPIs	2023 performance
Board diversity	20% (2022: 22%) of the Group's board are women.
Board tenure	7.4 years (2022: 7.1 years) average tenure of our board of directors.
Executive committee diversity	18% (2022: 18%) of the Group's executive committee are women.
Coverage of certified environmental management systems	Group-wide 100% accreditation to ISO 14001:2015 (environmental management) (2022: 100%) and ISO 45001:2018 (occupational health and safety) (2022:100 per cent).
Ethics training rate	91% of colleagues receiving regular ethics training (2022: 91%).

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PLANET

Why is it important

Steel is the world's most widely used material and has a significant part to play in a low carbon future. There are decisive lifecycle advantages to using steel in manufacturing, as it can continually be recycled. Steel structures can also last for many years, making them cost-effective, as well as sustainable, and since steel is often fabricated off-site, it can reduce on-site labour, cycle time and construction waste. From a sustainability perspective, we believe that steel offers a durable, cost effective and sustainable choice for construction, and our operational improvement initiatives continue to focus on our environmental impact through innovative design, Lean manufacturing techniques and cost and waste reduction programmes.

Carbon and energy reduction, improving fuel efficiency and reducing waste are an important strategic objective for the Group. This year, we were able to establish new group waste reduction target, as well as new objective to refine our approach to biodiversity for the coming year. The sustainability framework objectives set out on page 59 demonstrate the Group's commitment to protect and enhance the environment, and to limit the environmental impact of our operations on the planet and natural environment, so it can support the needs of the present and future generations.

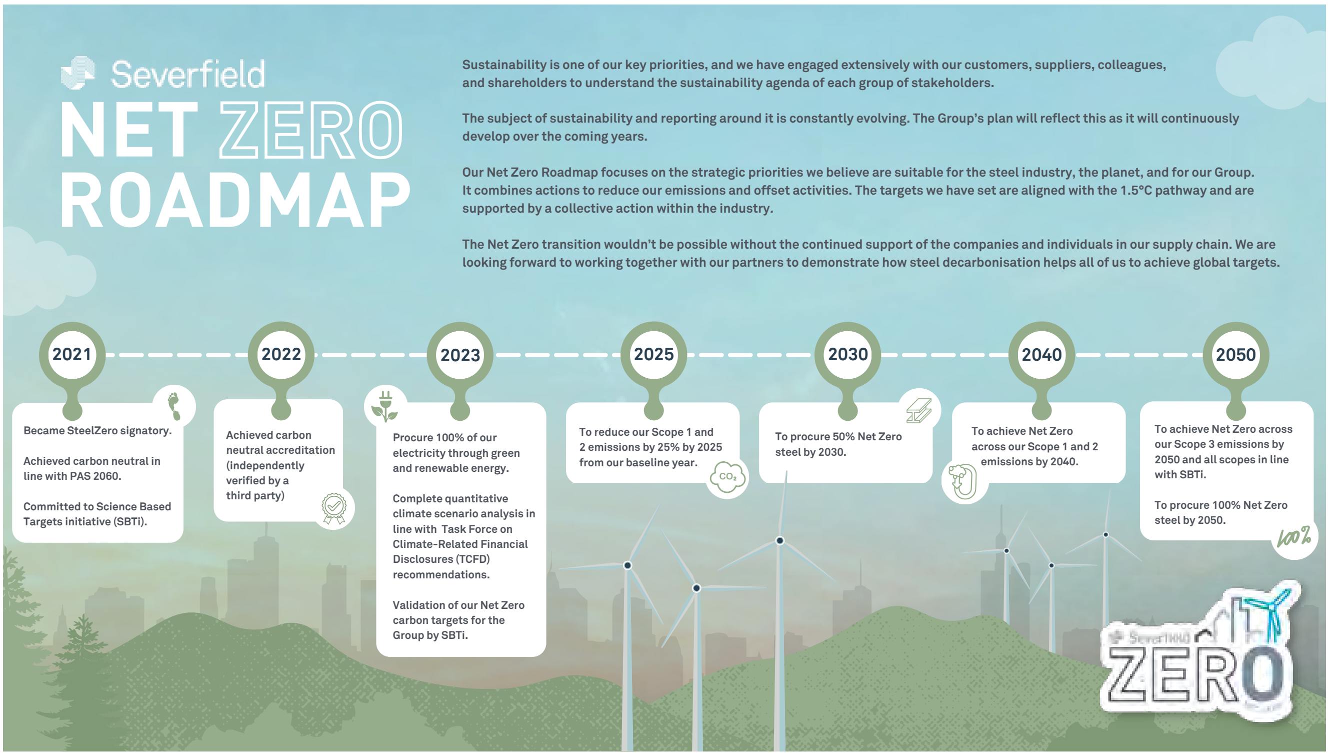
Management approach

Underpinned by the Group's ISO14001 certified environmental management system and BES 6001 Responsible Sourcing certification (rating 'very good'), the Group is fully committed to minimising its impact on climate change and mitigating the business risks that climate change presents. We have developed plans to manage the risk and embedded our climate-related risks and opportunities into our strategy and business model. We have set out our approach to Net Zero below.

Our Net Zero roadmap

We continue to be committed to our long-term target to achieve Net Zero emissions (in line with the SBTi definition) from our operations by 2040 and all emissions by 2050. Our roadmap identifies key milestones along the way – these targets are based on the Paris Agreement, which seeks to limit global warming to below 1.5 degrees Celsius, compared to pre-industrial levels, and will be reviewed in line with our submission of SBTi target for verification in 2024.

The main elements of our roadmap to achieve our targets are set out below. We acknowledge that sustainability matters and reporting are constantly evolving and consequently the Group's plan will also continuously develop over the forthcoming years. Our current roadmap is made up of a combination of actions to reduce our emissions and offsetting activities and is one of the key steps we will take in supporting the low carbon transition in the sector.



Sustainability is one of our key priorities, and we have engaged extensively with our customers, suppliers, colleagues, and shareholders to understand the sustainability agenda of each group of stakeholders.

The subject of sustainability and reporting around it is constantly evolving. The Group's plan will reflect this as it will continuously develop over the coming years.

Our Net Zero Roadmap focuses on the strategic priorities we believe are suitable for the steel industry, the planet, and for our Group. It combines actions to reduce our emissions and offset activities. The targets we have set are aligned with the 1.5°C pathway and are supported by a collective action within the industry.

The Net Zero transition wouldn't be possible without the continued support of the companies and individuals in our supply chain. We are looking forward to working together with our partners to demonstrate how steel decarbonisation helps all of us to achieve global targets.

2021

Became SteelZero signatory.

Achieved carbon neutral in line with PAS 2060.

Committed to Science Based Targets initiative (SBTi).

2022

Achieved carbon neutral accreditation (independently verified by a third party)

2023

Procure 100% of our electricity through green and renewable energy.

Complete quantitative climate scenario analysis in line with Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

Validation of our Net Zero carbon targets for the Group by SBTi.

2025

To reduce our Scope 1 and 2 emissions by 25% by 2025 from our baseline year.

2030

To procure 50% Net Zero steel by 2030.

2040

To achieve Net Zero across our Scope 1 and 2 emissions by 2040.

2050

To achieve Net Zero across our Scope 3 emissions by 2050 and all scopes in line with SBTi.

To procure 100% Net Zero steel by 2050.

Our Net Zero roadmap is accompanied by a Group transition plan that identifies the main initiatives and technologies to be explored or implemented in order to achieve our 2040 ambition. The plan includes:

Switching to green energy

- To switch to green electricity contracts on all wholly owned facilities.
- To switch to green gas contracts at all applicable locations.

Energy saving opportunities scheme ('ESOS') Phase 3 recommendations

- Continue to implement recommended projects around compressed air, lighting, and machinery as part of ESOS audit results.
- Conduct a review of Group-wide heating systems, considering both fuel type and efficiency, and future technologies.

Plant and equipment

- Continue to implement our successful roll out of HVO across all applicable plant at all facilities and construction sites.
- As part of all future investment decisions, priorities will be given to alternative power sources, including hybrid and hydrogen, and any other new technologies where practical.

Training

- Deliver a business-wide training program on our Net Zero strategy, including focus on behavioural change.
- Design specialist training on carbon reduction initiatives and embodied carbon to all departments that are key to reducing both embodied and operational carbon across the Group.

Carbon in procured steel and the projects we deliver

As part of our own Net Zero journey, we are undertaking a range of activities to support the reduction in the carbon content of the projects that we deliver. Our key focus areas are as follows:

- Investing in R&D to develop more efficient designs with lower steel content
- Exploring methods to maximise circularity of our materials and the re-use of steel
- Working with steel suppliers aligned with our climate ambition
- Collaborate with governments and industry wide partners to drive the decarbonisation of the sector

We know that the decarbonisation process will not happen overnight and will require changes to infrastructure and capital expenditure to support the transition. We recognise that within the hard to abate industries, such as steel, a significant proportion of our emissions are generated within our supply chain as a result of the steel that we procure. We are dependent on the steel sector decarbonising to fully address the carbon in our value chain, and a core part of our work around TCFD climate-related scenario analysis focused on the risks within our value chain, and our commentary around action within this area is set out below.

Optimisation of production processes

During 2023, we continued to invest in operational improvements to enhance production processes and optimise the use of steel. This includes research into using higher grades of steel so that the overall embodied carbon within our structures is reduced. This is part of our strategy and is reflective of our drive to remain at the forefront of the steel industry.

Working with Steel suppliers aligned with our climate ambition

The Net Zero transition requires the continued support of our supply chain. As part of SteelZero, a global initiative to speed up the transition to a Net Zero steel industry, we have committed to procuring, specifying, or stocking 100 per cent Net Zero steel by 2050. This means that we will procure:

- Steel produced by corporate owners that have made public their long-term emissions reduction pathway, and their medium-term, quantitative science based GHG emissions targets
- Steel certified as "ResponsibleSteel™" Certified Steel or equivalent
- Low Embodied Carbon Steel, with a defined specific emissions intensity which takes into account the proportion of end-of-life scrap

We have mapped our supply chain partners with public Science Based Targets commitments, many of which are aligned with commitments to SteelZero. Working with our supply chain partners closely as part of our sustainable procurement strategy, in 2024 we will continue to engage with our supply chain through a formal plan to understand the progress on their own transition plans, as well as governments and industry wide partners to ensure that we are supporting the decarbonisation of the sector as a whole.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PLANET

Reducing carbon emissions through innovative transport solutions for a large commercial warehouse

One project in particular exhibits our commitment to reducing carbon emissions, where we faced large amounts of steel to transport to site – approximately 6,600 floor beams and associated decking sections. Severfield set out to reduce carbon emissions, costs, and general congestion on UK roads by reducing the number of truckloads by around 50 per cent.

The task proved to be complex, as highway regulations and truck-bed weight capability stipulate exact quantity and load-bearing capacity. Appreciating these logistical demands, we worked with our transport partners and innovatively introduced the use of an extended trailer and a single, reusable steel beam to each transport unit. Doing so meant that length discrepancies were mitigated by the full-length steel beam, the weight could be doubled, and all highway regulations were satisfied.

As a result, each truckload held c.25 tonnes of steel as opposed to c.12 tonnes, which resulted in just 230 deliveries as opposed to the original planned 460. This achieved an approximate 36 tonne reduction in overall CO_2e associated with the deliveries. We have calculated this would be the equivalent saving of over 214,000 km driven in an average diesel car.

Sustainability initiatives such as these help Severfield and our customers closer towards out target of achieving Net Zero across scope 1 & 2 by 2040, and scope 3 by 2050.

Reporting our GHG emissions

As required by Streamlined Energy and Carbon Reporting ('SECR'), we report on our CO_2 emissions in accordance with the internationally recognised Greenhouse Gas Protocol (GHG) and our metrics include scope 1 and scope 2 emissions.

For the year ended 31 March 2023, the Group's global GHG emissions, using a location-based approach, and energy usage, were as follows:

	Tonnes of CO_2e	
GHG emissions from:	**2023**	2022
Scope 1 – combustion of fuel and operation of facilities	**6,391**	7,359
Scope 2 – electricity, heat, steam and cooling purchased for own use	**3,106**	3,374
Total CO_2e emissions (location-based)	**9,497**	10,733

Intensity measurement (location-based):	**2023**	2022
Absolute tonnes equivalent CO_2e per £m of revenue	**19.3**	26.6

For the year ended 31 March 2023, the Group's global GHG emissions, using a market-based approach, and energy usage were as follows:

	Tonnes of CO_2e	
GHG emissions from:	**2023**	2022
Scope 1 – combustion of fuel and operation of facilities	**6,391**	7,359
Scope 2 – electricity, heat, steam and cooling purchased for own use	**116**	671
Total CO_2e emissions (market-based)	**6,507**	8,030

Intensity measurement (market-based):	**2023**	2022
Absolute tonnes equivalent CO_2e per £m of revenue	**13.2**	19.9

Scope 1 emissions are direct GHG emissions that occur from sources under our ownership or operational control. This includes fuel consumed in our factories for fabrication, in our offices for heating and in company vehicles. There are no material exclusions from scope 1.

Scope 2 emissions are indirect GHG emissions from purchased energy. This includes electricity used for all our offices and factories across the Group. There are no exclusions from scope 2.

Carbon offset credits are excluded from our GHG emissions reporting. There have been no changes in reported emissions or changes in methodology.

All scope 1 and scope 2 GHG emissions data is independently verified by Achilles, in accordance with the international standard ISO 14064-1.

Using a market-based approach, which includes the positive impact of switching to green energy and use of alternative fuels on site, our scope 1 and 2 GHG emissions have reduced by 33 per cent against a 2018 baseline. This means we have surpassed our interim target to reduce our scope 1 and 2 GHG emissions by 25 per cent by 2025 (against a 2018 baseline).

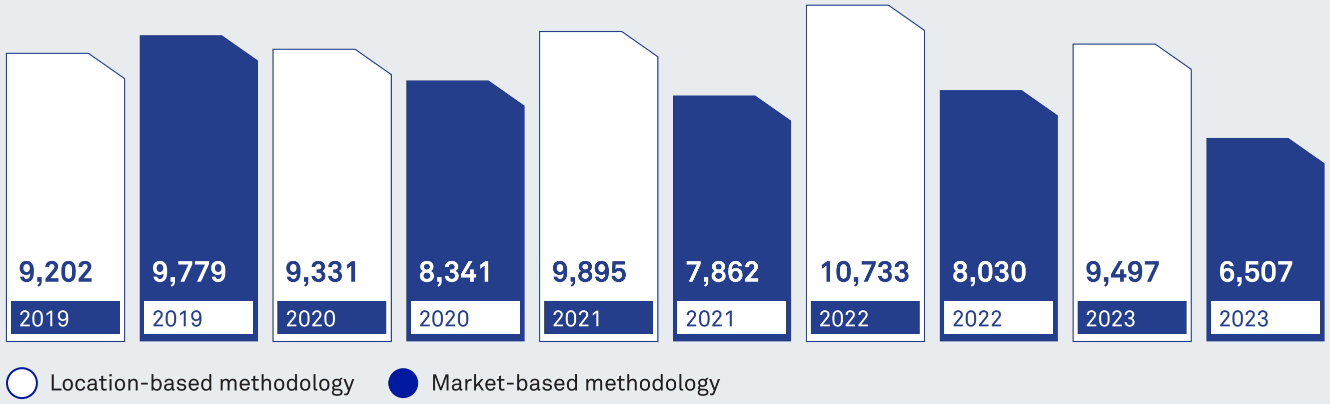
Our scope 1 and 2 emissions reductions have been achieved through a combination of the following:

- continued to implement lean ways of working in our offices, factories and on construction sites,
- continued the transition to using hydrotreated vegetable oil ('HVO') across our facilities and construction sites,
- expanded the procurement of renewable electricity for our facilities and completed further research into the feasibility of installing renewable energy generation at our facilities,
- further developed our Group processes to consider energy efficiency and environmental criteria in design, procurement, investment and contracting decisions, including the introduction of an internal carbon calculator, and
- worked with a number of our key suppliers, engaging on our mutual sustainability strategies and delivering decision-enhancing, transparent carbon reporting on a range of our projects.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PLANET

ABSOLUTE EMISSIONS SCOPE 1 AND 2



Energy usage from:	**2023**	2022
Scope 1	**29,044**	30,410
Scope 2	**16,049**	16,397
Total MWh	**45,093**	46,807

The information in the table above represents absolute energy usage only, irrespective of whether this is from low carbon sources. To see how successful we have been in reducing our GHG emissions from energy, see page 81.

Scope 3 emissions

	Tonnes of CO_2e	
GHG emissions from:	**2023**	2022
Waste	**264**	279
Business travel	**738**	484
Colleague commuting	**3,723**	1,188
Transport and distribution	**8,466**	4,589
Total verified scope 3 CO_2e emissions	**13,191**	6,540

Our scope 3 GHG data is independently verified by Achilles, in accordance with the international standard ISO 14064-1.

Our scope 3 GHG data is independently verified by Achilles, in accordance with the international standard ISO 14064-1.

Scope 3 emissions account for all of the other emissions an organisation produces when fossil fuels are burnt within its value chain and are a significant proportion of our total GHG emissions. In the context of the 2050 Net Zero target, this is the most challenging category to address, therefore we have undertaken further mapping and analysis of our data to include more detail around our scope 3 emissions.

Our verified scope 3 GHG emissions have increased largely due to an increase in transport and distribution related emissions. This reflects the geographical spread of the construction sites we have worked on throughout the year in relative distance to our factories. We consider last year's values to be exceptionally low, as our current values (when adjusted for growth) are more aligned with 2021 emissions (2021: 11,137 tonnes of CO_2e).

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The higher scope 3 GHG emissions also reflect an increasing trend post-pandemic, both nationally and internationally. Our colleagues have increased travel to face-to-face meetings, and returned to our offices, in turn increasing both business travel (including to India and Europe) and colleague commuting within the period. Waste emissions have reduced slightly due to our increased focus to divert waste from landfill. The reduction of scope 3 GHG emissions remains a focus for the Group.

Additional scope 3 categories

As part of our GHG emission reporting and facilitated by the value chain mapping exercise in the previous year, we report on 8 of the 15 categories of scope 3 emissions relevant to our business. As part of SBTi targets submission, further detailed inventory will expand our scope 3 categories going forward. This will provide further understanding and overview of our value chain and provide us with the ability to have additional scope 3 categories verified in the future.

	Tonnes of CO_2e	
GHG emissions from:	**2023**	2022
Purchased good and services	**213,586**	374,660
Fuel and energy related	**2,589**	2,848
End of life treatment	**93**	166
Investments	**1,665**	1,215
Total unverified scope 3 CO_2e emissions	**217,933**	378,889

Consistent with most businesses in the construction sector, the majority of our GHG emissions are indirect (scope 3), accounting for 97 per cent of total emissions, on a market-based approach. Within scope 3 emissions, purchased goods and services represent 92 per cent of emissions, largely due to the embodied carbon in steel. These often fluctuate due to the timing, with the 2022 amount reflecting high steel purchases in the previous year, much of which was for project delivery in 2023. We are committed to addressing our scope 3 emissions, in particular those from purchased goods and services, in order to achieve our strategic objective of Net Zero across all emissions by 2050.

The Group has always held emission reduction targets and recognised the impact of its operation on the environment. We committed to the process to set science-based emissions reduction targets across our entire value chain in 2021, and we are on schedule to submit them for validation by the SBTi early in 2024.

Progress against our targets

The Group has made good progress again during the year in managing its energy, fuel consumption and emissions and we have been recognised as leaders in our sector for our work to date in reducing carbon emissions. For the third year running, we have been included in the Financial Times' listing of Europe's climate leaders, published in April 2023.

This list includes c. 500 companies that have achieved the greatest reduction in their scope 1 and 2 GHG emissions intensity over a five-year period between 2016 and 2021.

During the year we surpassed our interim target to reduce scope 1 and 2 emissions by 25 per cent by 2025, having currently reduced them by 33 per cent against the 2018 baseline. This has in part been achieved through the successful switch to green electricity tariffs and the use of HVO at our sites. In 2023 we have continued to increase our green electricity usage, with the aim to have 100 per cent green electricity across the Group.

In 2023, we achieved a 'B' rating in the CDP index, which is above the construction industry average for construction 'C'. This annual rating is based on CDP's evaluation of the Group's strategy, goals and actual emission reductions as well as transparency and verification of our reported data and assesses the completeness of the Group's measurement and management of our carbon footprint, our risk management process and our sustainability strategy. We have also achieved a CDP supply chain score of 'A-', which is well above the construction industry average of C, being amongst 38 per cent of companies that reached Leadership level in our activity group.

Since 2021, the Group has been accredited as an operationally carbon neutral organisation to the Achilles 'carbon zero' standard in accordance with ISO 14064-1. We use carbon offsetting to eliminate the combined scope 1, scope 2 and operational scope 3 GHG emissions generated from our manufacturing facilities and construction sites. In line with the SBTi methodology, carbon offsetting can only be used against the last 10% of residual emissions so we will rely on them less over time. However, at present, they are an important step in our sustainability journey towards Net Zero.

As part of our continued commitment to excellence, we maintained accreditation to the Gold Membership Standard of the Steel Construction Sustainability Charter. Through our Gold Membership with the Supply Chain Sustainability School, we complete learning pathways and attend targeted sustainability training in collaboration with our stakeholders.

2024 areas of focus:

- Obtain our SBTi verified target in line with climate science.
- Review our approach to biodiversity in line with the expected requirements as part of the Taskforce on Nature-related Financial Disclosures (TNFD).
- Re-launch revised supply chain engagement programme in line with our sustainable procurement strategy.
- Implement waste reduction engagement campaign as part of our newly set target.
- Continue to refine our approach to address the GHG impact in our supply chain and other scope 3 emissions.
- Incorporate the recently acquired VSCH into our GHG reporting and assess our future targets accordingly.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PEOPLE

Why is it important?

Our people are our biggest asset and we are committed to effectively managing all aspects of health and safety and creating a safe, inclusive, and diverse working environment where everyone can thrive.

We have around 1,800 employees across our manufacturing facilities, construction sites and offices. Our mix of designers, project managers, quantity surveyors, estimators, engineers, fabricators, steel erectors and support function experts work together with a clear, shared purpose, to develop better ways to build, for a world of changing demands.

Management approach

As life for many of our colleagues has largely returned to normal following the pandemic, our focus has been on embedding new ways of working, increasing our communication and listening and finding ways we can continue to improve our colleagues experience of working at Severfield.

We have focussed our activities in the following main areas:

- Maintaining our commitment to our core value – 'safety first'. To provide industry leading Safety, Health and Environmental ('SHE') performance.
- Creating an environment where Severfield colleagues feel listened to and are fairly recognised and rewarded for their contribution to the Group
- Reviewing our performance, development and recruitment processes.

Safety first – striving for a zero-harm workplace

Our focus has been, and always will be, safety and wellbeing first with no exceptions, an approach supported and guided by the board, management and all employees. Operating within the heavy manufacturing and construction sector means many of our activities carry an element of high risk to our colleagues and wider stakeholders and we recognise our duty of care to safeguard not only their physical health but also their mental health and wellbeing.

Our executive committee continues to review safety performance monthly, primarily focusing on the Group's injury frequency rate ('IFR'). In depth reviews are also carried out on all RIDDORs (accidents that have resulted in a specified injury or has led to a colleague's absence from work for more than seven consecutive days – three days in Northern Ireland) and high potential near miss incidents ('HiPo'), with input from the Group SHE director, chief operating officer and the managing director of each division. Findings from investigations and 'lessons learned' are shared Group-wide using measures such as 'stand downs' or 'tool-box talks' to promote a collaborative approach to preventing accidents and incidents.

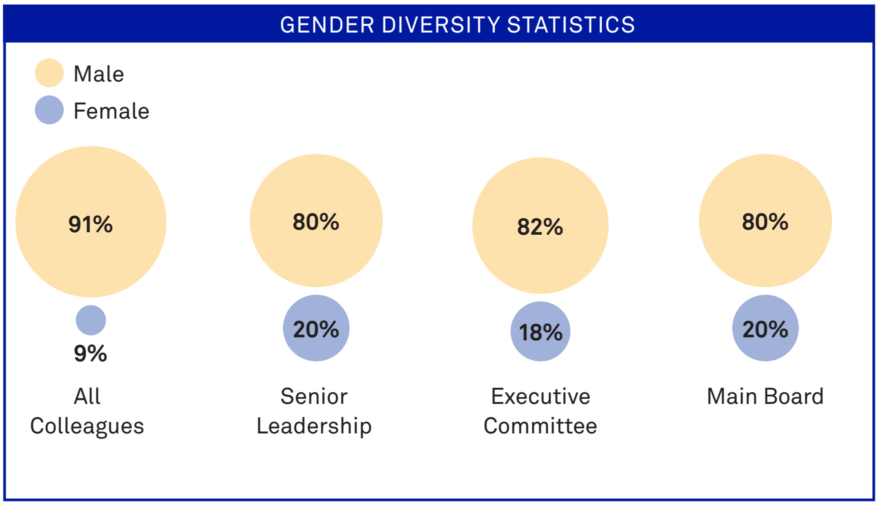
Creating a culture of inclusivity and diversity

We are committed to building a supportive, diverse, and inclusive working environment where all colleagues feel they belong.

Ensuring we have multiple avenues to enable meaningful dialogue with our people is key to achieving this aim. Our intranet 'Connect' enables us to update colleagues on the strategy, performance and progress of the organisation, general company news and health and wellbeing issues. Colleagues have the ability to comment on articles, take part in surveys and share their views. Monthly colleague engagement with the platform is at 99 per cent .Toolbox talks, manager briefings, emails, and Skyline (our company magazine) all play their part in keep our colleagues informed and connected.

Through working closely with Louise Hardy (the Group's designated non-executive director responsible for workforce engagement) our MyVoice Forum has enabled many colleagues concerns to be raised and tackled. Improvements to mental health provision, enhanced facilities for our manufacturing colleagues and better health benefits for our workforce are just a few of the topics that have been raised and improved throughout the year. Minutes of each meeting are shared with the executive committee and board and detailed communication is shared with all colleagues through our intranet.

We are committed to building diversity, equality and inclusion into everything we do and continue to implement the right conditions for all colleagues to achieve their full potential and bring their whole, authentic self to work. We acknowledge we have a long way to go. With only 9 per cent of our workforce being female greater focus is being placed on our hiring practices and candidate attraction.



All colleagues have had the opportunity to share with us their own diversity data and information on ethnicity, disability, sexual orientation, religion or belief and gender has been collated giving us a better understanding of under represented groups in our workforce. This data will become an integral part of the decision-making process around talent, performance, and reward. Using the data we held on gender in our pay review processes we have been able to narrow the gap between the average male and female salaries by 22 per cent over the past 2 years. Using gender data in our annual talent review process and comparing this to the previous year we were able to highlight certain areas for improvement including around the development of more junior females. A female mentoring programme is being piloted to help improve the career prospects of these women in our business.

As of 25 March 2023, the board had two female directors (20 per cent). Female representation on our executive committee is two (18 per cent). The company have a 'career level structure' (underpinned by AON's Joblink methodology) with the executive committee (excluding executive directors) being the most senior level. For the two levels below this our female representation is 27 per cent and 20 per cent, respectively. Our median gender pay gap for the Group stands at 18 per which is a small increase on previous years due to pay increases for certain areas to address the recruitment and retention challenges we faced. We pay close attention to hourly rate differentials between males and females at each of our career levels and are pleased to have achieved a normalised hourly rate ratio of 1.02.

Gender Diversity Statistics

	Male #	Female #
Main Board	8	2
Executive Committee	9	2
Senior Leadership	40	10
All Colleagues	1,535	160

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

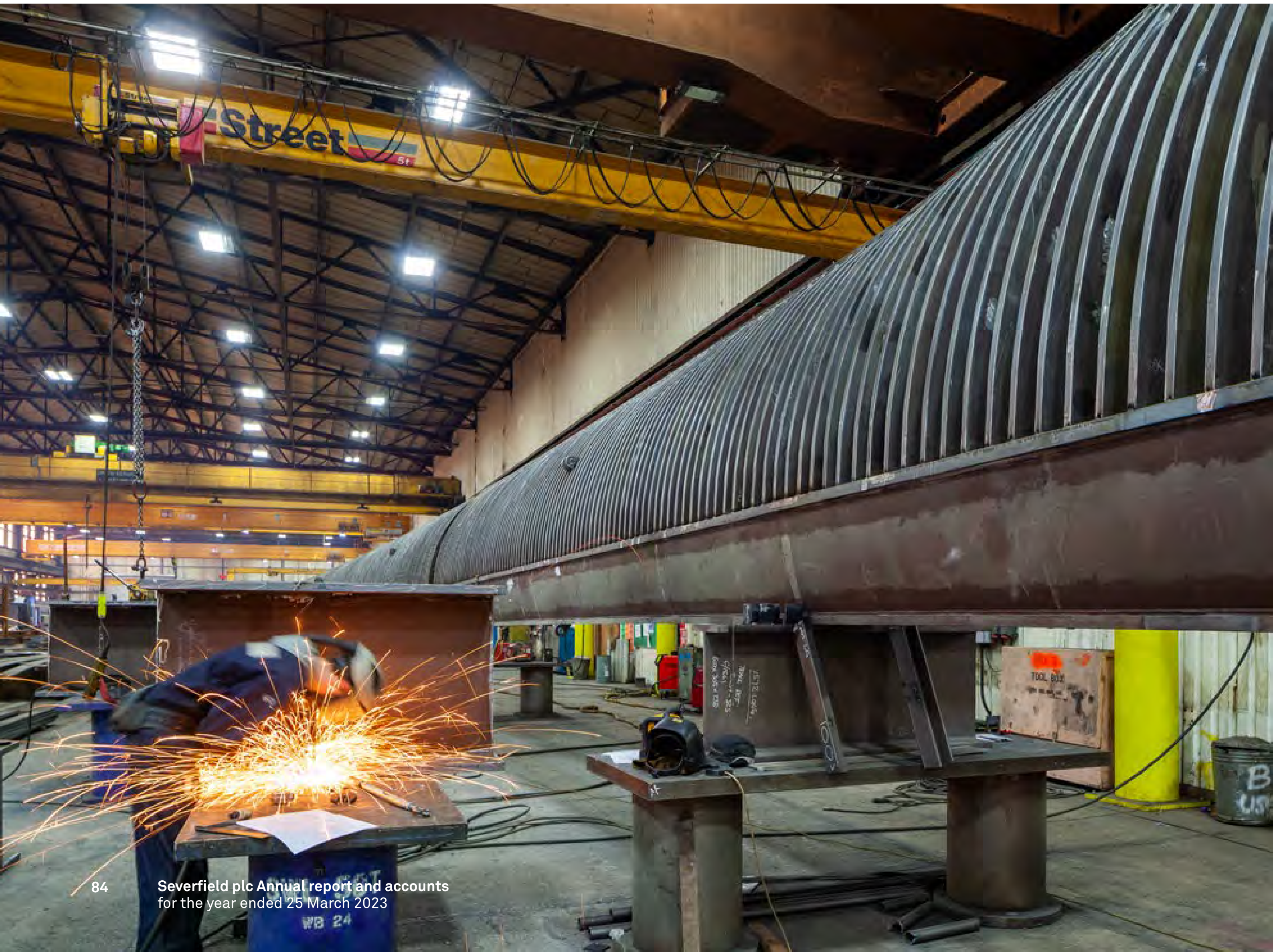
PEOPLE

We have continued to offer all colleagues the opportunity to share in the future success of the business through investing in an annual SAYE scheme, with 21 per cent of the workforce participating in this year's scheme. Consistency and alignment have been topics raised by our MyVoice forum throughout the year and we have started to address these. Our pension offering to all colleagues (including executive directors) is now 7 per cent employee contribution matched by a 7 per cent employer contribution. Due to the cost-of-living crisis we have however retained the option for staff to opt out of this offer and take a lower matched option of 5 per cent for affordability reasons.

Performance, development & recruitment

The future of the business depends on our ability to attract, recruit, develop and retain individuals with the right mix of expertise, technical skills, and personal qualities. A thorough review of the performance and potential of 655 colleagues enabled the board to have a complete and clear picture of talent across the Group and to ensure strategies are in place to further develop and retain the leaders and specialists we need for our future. This number is up from 189 in 2022 demonstrating our commitment to the robust identification and development and career progression of future talent across our business.

This work enabled us to review our succession plans for the executive committee and business unit management boards. We believe that being able to promote from within is critical so that we can retain specialist skills and experience, especially given the capabilities and expertise that we provide to our clients. Fourteen senior colleagues attended a two-day development centre to enable them to better understand their strengths and development areas. The centres are run by Pearn Kandola and form a key part of our talent development strategy. In addition, 20 per cent of the females who participated in the process are currently taking part in an externally run mentoring programme.



We have increased the investment in our learning academy team and are looking forward to the implementation of a learning management system in the coming months to improve efficiency and provide easy access to learning to all our colleagues. Our focus is on developing programmes for all levels of our management and leadership hierarchy and as part of this 95 team leaders, supervisors and production managers from across the Group took part in a team leader development programme. The four modules covered a range of topics including: the role of a team leader, communication skills, being assertive, dealing with issues and problem solving. Technical and mandatory training continues to be delivered through externally facilitated courses and events, together with a wide range of training courses that are provided internally by our learning academy team.

Our online performance review process, MyPerformance, is continuing to be rolled out across the different levels in our business and enables managers and colleagues to have open, honest conversations about their current performance, future goals, personal development, and career aspirations.

Recruitment, as for most industries, has continued to be challenging this year and we have continued to develop our relationships with local training providers and access government funded support and schemes where applicable providing opportunities to the long term unemployed and those currently struggling to get into work.

Our progress against our targets

Safety first

In 2023, following significant improvements in safety performance in previous years, whilst our accident frequency rate ('AFR') reduced to 0.14 from 0.16, we saw our injury frequency rate ('IFR') increase to 1.61 from 1.49. Although the overall IFR has increased, the result for 2023 reflects improved IFR performance in many areas of the business, including in our manufacturing operations and for our recently acquired Infrastructure business (DAM Structures) which, disappointingly, has been offset by higher IFRs in some areas of our construction operations.

Whilst our safety statistics continue to be industry-leading, we remain committed to continually improving and focusing on leading indicators in our pursuit of 'no harm'. We have updated our behavioural safety programme, which is based on awareness, training, coaching and visible leadership, and have launched our Safer@Severfield initiative, which will further ingrain our culture of employee engagement, commitment and our life saving rules.

Our SHE software management platform remains a valuable database and tool to support and assist our decision-making process to continually monitor and improve our SHE performance into the next financial year.

Our Group management systems remain accredited to ISO45001:2018 (Occupational Health and Safety) and ISO14001:2015 (Environmental Management). During the year, both systems underwent audits, where we maintained our achievement of zero non-conformities, further assurance that we continue to embed robust policies and procedures across the Group. The policies and procedures developed in a way that supports our fair and just culture with no harm to people, premises or planet in line with our Group SHE Strategy.

In addition to the management system certifications, we continue to hold a number of high-level industry accreditations including Constructionline Gold, RISQS (Railway Industry Supplier Qualification Scheme) and Achilles Building Confidence. In the year we have also improved our CHAS accreditation from Advanced to Elite. All of which further confirms our Group's health and safety processes, procedures and commitment meet excellent standards.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PEOPLE

Engaging with our people

We recognise the importance of input and feedback from all our people in helping us deliver on our strategic goals, and our MyVoice forum (now in its second year) is key to this.

The forum provides a formal way for colleagues and management to connect, gain feedback and exchange information and views on any business-related topic. The forum operates in the spirit of co-operation and trust. Its aims are to build a brighter future for all at Severfield ensuring voices are heard. Louise Hardy (our designated non-executive director responsible for workforce engagement), Alan Dunsmore (Group CEO) and our Group HR director regularly meet with the forum representatives. These meetings have provided valuable, ongoing insights and feedback for the board.

The forum was of particular benefit to the executive committee in sharing information and gaining feedback on the change to a Divisional Structure, sessions were held with the MyVoice representatives to give them the tools to support the business in the roll out of this change and also to open up feedback channels about the change.

Mental health and wellbeing has continued to be a topic raised by the forum and this has resulted in more individuals coming forward to be trained as mental health first aiders and driven us to improve communication around the benefits of our Employee Assistance Programme (which has seen a significant increase in usage during the year).

The regular feedback from the MyVoice forum gives us insights into how our workforce feel and view our approach to a wide array of topics, in turn it gives us the opportunity to share business updates and address concerns over the impact of external factors with our colleagues in an open forum (such as energy costs and the ongoing situation in Ukraine). We look forward to further strengthening the relationship and working closely with our colleague representatives over the coming year.

Nurturing our unique culture

As part of our ongoing drive to improve internal equity across our Group and create an environment where everyone feels valued and fairly rewarded for the contribution they make, 'pay and benefits' has been an area of focus for us during the year. 2023 was a particularly challenging time with the cost-of-living crisis and the Group has provided support to its colleagues, including one-off cost-of-living payments and enhanced employee benefit packages (enhanced employer pension contributions and the introduction of a private healthcare plan). In addition, our annual pay awards have taken into account ongoing inflationary pressures, and we have implemented higher pay increases for our more junior and lower paid colleagues. All of our colleagues are paid at or above the real living wage.

Delivering on social value

Many of our activities within 'our people' pillar, such as development of future skills, increasing local employability and learning and development, directly contribute to us generating social value within the business. We have spent the last year refining our approach to social value and adopted the National 'Themes, Outcomes and Measures' (TOMs) Framework to measure our social value contribution. Since 2017, the TOMs Framework has been used as the principal tool for reporting Social Value to a consistent standard and based on the Social Value Act's themes of social, economic and environmental wellbeing.

In line with our sustainability framework, the TOMs Framework is aligned to the UN 17 Sustainable Development goals, which we believe helps us measure and quantify our social value impact. As part of our future commitments on all areas of social value both internally and in partnership with our clients, we will establish social value reporting system within the business and set Group and Divisional targets around social value delivery.

Future Skills

Our focus on early careers, to address future skills shortages, has continued to be strong with 4 graduates and 27 apprentices joining us on one of our 'development on a different scale' programmes. We plan to recruit circa 40 apprentices in 2023 across fabrication, maintenance, painting, welding and the drawing office. This commitment to providing opportunities for earning whilst learning secured us the prestigious Gold Member status of 'The 5% Club' which recognises the UK's leading employers of apprentices, graduates and degree placement students. Across the Group we currently employ 62 colleagues who are either on a formal apprenticeship or undertaking qualifications through the apprenticeship route.

The Severfield Foundation

Through the Severfield Foundation ('the Foundation'), incorporated back in 2016, we support local charities and organisations, with strong connections to our colleagues, through charitable contributions and by encouraging our people to donate their time to local communities and charitable initiatives.

Our employees coordinate the Foundation's activities, contributing to and taking part in events. With their help, our vision is to develop the Foundation into a leading trust, which will help and support disadvantaged people and local communities for many years.

Our four-year partnership with national charity partner, Alzheimer's Society, raised over £92,000 and alongside that, we have supported several other local charitable bodies including Yorkshire Air Ambulance, Bolton Hospice, Saint Catherine's, Young Lives vs. Cancer and Air Ambulance Northern Ireland.

In previous years, we have had a national partner charity which received 50 per cent of all annual funds raised. The remaining 50 per cent was divided between our local charities. Moving forward, the Severfield Foundation has now decided to move away from the national partner charity model in favour of a more localised approach, donating 100 per cent of funds raised to charities selected by individual charity committees, these include:

PLC – Martin House Children's Hospice
Dalton – Yorkshire Air Ambulance
Lostock – Bolton Hospice
Bolton – Blood Bikes Manchester
Enniskillen – Supporting a number of different local charities
Sherburn – St Catherine's Hospice
Carnaby – The Hinge Centre

2024 areas of focus:

- Continue to implement the SHE strategy with a focus on people, communication & engagement and systems & processes
- As a part of our health and safety strategy, we will be introducing a new behavioural safety initiative – Safer@ Severfield will be ingrained in all we do, reminding everyone that the safest way is the only way and by doing this we will all be safer.
- Continue to deliver the wide range of internally and externally provided training courses.
- Provide access to a full range of learning and development opportunities through the launch of the MyLearning platform.
- Ensure inclusivity and diversity remains at the forefront of our approaches through utilising the data we now hold on gender, ethnicity, disability, sexual orientation and religion or belief to inform decisions and track progress.
- Ensure all managers and leaders undertake 'dignity and respect' training through our partner EA Inclusion ensuring we create an environment where everyone can feel they belong.
- Continue to support employee-led local community initiatives and developing strong community partnerships for causes close to their hearts.
- Establish social value reporting system and set Group and divisional targets for social value delivery.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PROSPERITY

Why is it important?

Striving for continuous improvement across our four sustainability pillars is essential to support the long-term success and sustainability of the Group. Delivering value, in an ethical and transparent manner, helps to build strong relationships with customers, suppliers and shareholders, increasing our prospects of accessing new business opportunities.

Management approach

As outlined in the 'principles of governance' section below, our interactions with stakeholders are governed by several key corporate policies and procedures, including modern slavery, human rights, anti-bribery, competition law and whistleblowing. Our policies require us to conduct our business in an open and honest way, and, as a result, we aim to have a positive impact on our local communities in which we operate.

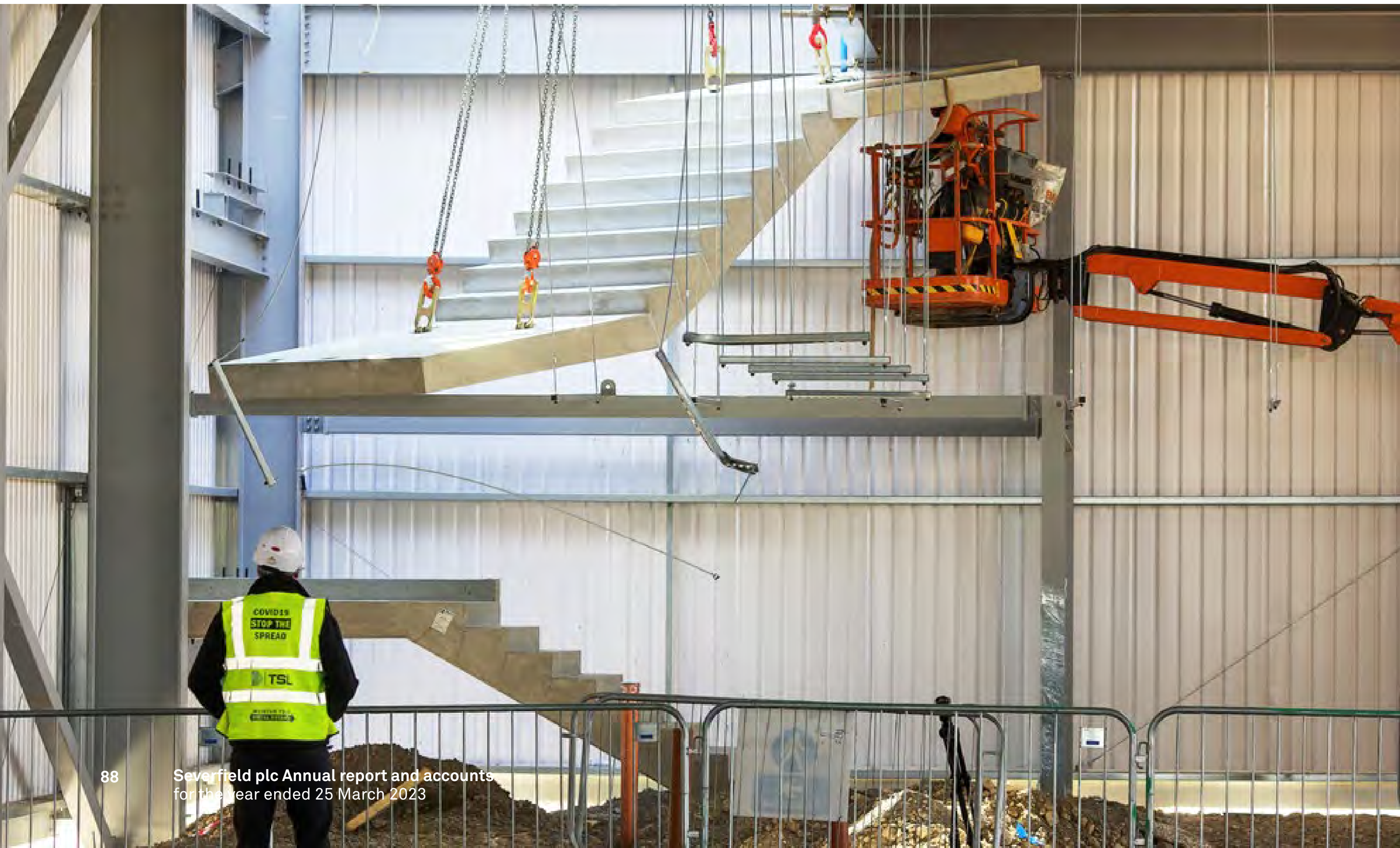
Much of the value the Group creates is redistributed throughout the local communities, through payments to local suppliers, to our local workforce (wages and benefits), to the Group's providers of our financing facilities and other capital providers (interest payments, loan repayments and dividends) and as donations to local charities and community groups supported by our colleagues.

We acknowledge that improving our sustainability performance is only possible if we collaborate with businesses that share our commitment. Our supply chain predominantly consists of subcontractors working on our sites, and materials suppliers. We have a comprehensive Group-wide supplier accreditation process, managed through our central procurement team, which continually assesses our supply chain on areas including quality, safety, responsible manufacturing and ethical resourcing to ensure compliance with the Group's policies.

Through our central engineering team and Project Horizon (our new digitisation project), we are constantly striving to develop innovative products and services that deliver positive environmental or social outcomes through the value chain and will contribute to the Group's sustainable growth. In order to achieve this aim, the recruitment, development and retention of highly skilled employees who are proficient in new and emerging digital technologies is key and aligns to our second sustainability focus area of 'people'.

Our progress against our targets

During the year, the Group generated economic value of £491.8m (2022: £403.6m), an increase of 22 per cent from the prior year and distributed £467.5m (2022: £382.7m), resulting economic value retained of £27.1m (2022: £21.0m).



In 2023, the Group continued its work to embed its sustainability framework into our purpose and corporate strategy and further evolve our sustainability reporting to provide our stakeholders with transparent and useful information on the Group's climate-related risks and opportunities, in line with the TCFD recommendations. External advisers were appointed to support management with this task and to help model the climate change scenarios, which are disclosed on pages 71 to 73.

We continued our engagement with our key suppliers and customers to help drive the steel industry's transition to low embodied carbon steel production. We are involved in the supply chain project with Balfour Beatty, demonstrating how we are engaged in their ambition to 'Green the Chain' since the supply chain is responsible for c.80 per cent of the construction sectors emissions.

The Group's high-quality order book of £510 at 1 June 2023 (2022: £464m at 1 November 2022) contains c. 50 per cent of value from projects that are contributing to positive environmental outcomes, including battery plants and projects developing the UK's rail infrastructure, especially, but not limited to, those for HS2 and the electrification of the rail network.

Similarly, the current level of tendering and pipeline activity across the Group is very encouraging and also includes a good proportion of projects which will contribute to a global green, more sustainable economy, including additional rail infrastructure projects and fabrication of wind turbine blades.

During the year, 100 per cent (2022: 100 per cent) of the Group's suppliers were subject to our annual supply chain contractor due diligence reviews to ensure our supply chain maintains the highest operational and ethical standards. Our commitment to bring our supply chain along on our sustainability journey is underpinned by our 'very good' BES 6001 accreditation and 'A minus' CDP supplier engagement rating.

Recognising the importance of dividends to our shareholders and to our investment case, we paid ordinary dividends of £9.9m (2022: £9.2m), a 7.6 per cent increase on the prior year.

2024 areas of focus:

- Continue to engage with key suppliers on the availability of low-carbon steel
- Continue to develop and incorporate new product development processes through Project Horizon and investment in research and development.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PRINCIPLES OF GOVERNANCE

Why is it important?

Integrity is one of our core company values and this means that we conduct our business lawfully and ethically. We strive to uphold the highest standards of ethics and act with integrity in accordance with our values.

Good governance is key to ensuring the Group's long-term sustainability. The board has overall responsibility for the Group's sustainability strategy and determining its risk appetite. The level of risk it is considered appropriate to accept in achieving the Group's strategic objectives is reviewed and validated by the board. The appropriateness of the mitigating actions is determined in accordance with the board-approved risk appetite for the relevant area. This process includes the identification and management of climate-related and other sustainability-related risks.

Our sustainability committee

Following the launch of our sustainability policy in 2020, we established a sustainability executive working group to focus on the evolution of our sustainability strategy and to set the Group's sustainability targets and metrics in accordance with the UN SDGs (see page 74). This gives us a well-defined management structure to help us achieve our sustainability objectives with oversight of all strategic sustainability risks and opportunities affecting the Group.

Scenario analysis progress

During the year, we conducted a climate scenario analysis in line with TCFD guidance (see page 71). We expect to provide more detailed quantitative disclosures in our 2024 annual report.

Management approach

Business ethics and compliance with the Group's policies and procedures, which establish the rules of conduct within Severfield, are all extremely important. We ensure compliance by ensuring all our colleagues are fully trained on the content of our key corporate policies, including modern slavery, human rights, anti-bribery, competition law and whistleblowing (see below for further details). These policies are reviewed and updated every year.

These policies require all colleagues not only to operate in compliance with applicable laws and regulations, but also in accordance with internal controls and reporting requirements. They are regularly reviewed and updated and frequent training via our e-learning platform, Cognito, is provided to all relevant colleagues. The Group's suite of policies is available on our website.

As set out in our Group assurance map and compliance framework, the board also relies on our financial controls, compliance with the Group's authorisation policy and general management oversight and review of financial and other reporting. All our businesses operate local processes to ensure policies are effectively implemented.

Our progress against our targets

We have a comprehensive Group-wide supplier accreditation process which involves reviewing and scoring supplier performance on criteria such as quality and safety and providing them with constructive feedback. During the year, we maintained our 'A' rating in the CDP's annual supplier engagement rating. This is designed to evaluate and drive action on corporate supply chain engagement on climate issues. The scope of the review includes governance, targets, value chain emissions and supplier engagement strategies.

In 2023, the Group, again, had no incidents of bribery or corruption confirmed during the year (either relating to 2023 or previous years) and there were no incidents of discrimination reported during the year (either through HR or whistleblowing disclosures). In addition, the Group received no fines or sanctions imposed for legal or regulatory breaches (including health, safety and, environmental) or relating to non-compliance with laws and regulations during the year.

During the year, over 90 per cent of our colleagues, including all office and senior factory and site personnel, completed regular ethics training (using Cognito) based on the Group's following policies:

- whistleblowing policy,
- anti-bribery policy,
- competition law compliance policy,
- health and safety policy,
- equal opportunities and diversity policy,
- share dealing code,
- information security policy,
- social media policy,
- sustainability policy,
- modern slavery statement.

Modern slavery

The board annually reviews and approves the Group's modern slavery statement. The 2023 statement is available on our website and explains the actions taken to ensure that we provide the appropriate level of training to members of our workforce, raise awareness of modern slavery among all members of staff, and do not undertake activities or engage suppliers or subcontractors who undertake activities that may be in breach of the Modern Slavery Act 2015. This year we continued to focus on our supply chain, refreshed and added to our training of relevant staff in awareness of modern slavery and encouraged key suppliers to undertake training through the Supply Chain Sustainability School.

Human rights

We remain committed to protecting and respecting the human rights of our colleagues and those who work throughout our supply chain. As a company operating within the UK, the key human rights issue we face is equality, which we address with training and promoting inclusivity. This year we have also taken steps to collect diversity related people data to help us to continue to improve in this area.

Anti-bribery and corruption

Bribery and corruption are criminal offences in the countries in which the Group operates. We have a responsibility to our stakeholders to conduct our business in an honest and ethical manner. Our Group policy prohibits all forms of bribery, both in giving and receiving, wherever it operates. This includes our colleagues and any agent, contractor, consultant or business partner acting on our behalf or under our control.

Whistleblowing

We encourage effective and honest communication, and we respond immediately to any malpractice brought to our attention. Our whistleblowing policy enables anyone to raise genuine concerns about malpractice in the knowledge that their concerns will be taken seriously and that they will be protected from possible reprisals by colleagues and management. We also publish details for Protect, an independent charity, allowing colleagues to raise concerns or seek advice from someone outside of the Group. Any whistleblowing report is immediately reported to the Group's legal director, Group HR director or Group SHE director, as appropriate, and is investigated quickly with appropriate feedback provided to the whistle blower.

Tax transparency

The Group is committed to compliance with all applicable tax laws and regulations across all the countries in which we operate. We focus on ensuring that, across the wide remit of taxes, the Group has comprehensive governance and risk management processes in place to allow us to meet our obligations.

We maintain a good, open and honest working relationship with HMRC, seeking to clarify any areas of potential uncertainty in relation to new or existing tax legislation at an early stage, and we have regular meetings with them to update on the Group's performance and structure. We do not engage in any aggressive tax planning of tax avoidance schemes.

To comply with the Corporate Criminal Offences ('CCO') rules, we have rigorous procedures in place for preventing the facilitation of tax evasion and ensure that all relevant colleagues are trained in the key aspects of the relevant legislation, including the recent IR35 rules. This year we completed a CCO workshop, facilitated by external experts, to keep our colleagues and procedures up to date.

HOW WE MANAGE RISKS

Strong and effective risk management is at the heart of how the directors run the business and supports the achievement of the Group's strategic objectives.

Our key focus areas in 2023

- Health & safety – reviewing our strategy for maintaining everyone's focus on preventing and mitigating safety related incidents.
- Cyber security – ensuring we continuously evaluated and tested our cyber resilience against known and emerging threats.
- Sustainability risk – mitigating the impact of uncertainty around stakeholder expectations as to how we conduct a sustainable and responsible business.

Our future priorities for 2024

Some of our main priorities (and emerging risks) this year will be:

- Continued focus on mitigating people risk, our ability to identify, attract, develop and retain talent, in particular in our factories.
- Continued identification and mitigation of sustainability risks, including quantitative climate scenario analysis and the setting and defining of targets in line with TCFD requirements.
- Continued focus on mitigating cyber security risk.

Changes to principal risks

The following changes have been made to the Group's principal risks in 2023:

- People risk has been downgraded from high risk to medium risk reflecting a recent improvement in the issues experienced across the Group last year in recruiting and retaining sufficient skilled people.
- Supply chain risk has been downgraded from high risk to medium risk due to the easing of certain economic and geopolitical factors and the diversification of suppliers for key inputs.
- Indian joint venture risk has been removed due to JSSL's recovery and strong performance post COVID-19.
- Industrial relations has been added back into the register (it was removed in 2018) due to the current backdrop of inflationary pressures and industrial action across the UK.

Other principal risks remain largely unchanged from last year. Changes have also been made to the detailed descriptions of mitigation to reflect ongoing activity in the year.

Risk appetite

The level of risk it is considered appropriate to accept in achieving the Group's strategic objectives is reviewed and validated by the board. The appropriateness of the mitigating actions is determined in accordance with the board-approved risk appetite for the relevant area.

The organisation's approach is to minimise exposure to reputational, financial and operational risk, while accepting and recognising a risk and reward trade-off in the pursuit of its strategic and commercial objectives. It has a zero tolerance for risks relating to health and safety. However, management recognises that certain strategic, commercial and investment risks will be required to seize opportunities and deliver growth in line with the Group's strategic objectives.

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

Risk management process

The board has overall responsibility for the Group's risk management and systems of internal control and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group. This includes emerging risks such as the successful integration of our recent acquisitions.

The audit committee, on behalf of the board, formally reviews principal and emerging risks and mitigations for the Group and each of the businesses on a biannual basis. The key elements of this risk management process are:

- Senior management from all key disciplines and businesses within the Group continue to be involved in the process of risk assessment and monitoring in order to identify and assess Group objectives, key issues, emerging issues and controls. Further reviews are performed to identify and monitor those risks relevant to the Group as a whole. This process feeds into our assessment of long-term viability and encompasses all aspects of risk, including operational, compliance, financial, strategic, and sustainability issues.
- Identified risk and emerging risk events, their causes and possible consequences are recorded in risk registers. Their likelihood and potential business impact and the control systems that are in place

to manage them are analysed and, if required, additional actions are developed and put in place to mitigate or eliminate unwanted exposures. Individuals are allocated responsibility for evaluating and managing these risks within an agreed timetable.

- Ongoing risk management and assurance is provided through various monitoring reviews and reporting mechanisms, including the executive risk committee (chaired by the Chief Executive Officer) which convenes on a weekly basis and has the primary responsibility to identify, monitor and control significant risks to an acceptable level throughout the Group. The committee receives information on relevant risk matters from a variety of sources on a regular basis.
- Subsidiary company boards consider and report on risk on a monthly basis as part of the monthly business review process. In doing so they identify emerging risks. This process is followed to ensure that, as far as possible, the controls and safeguards are being operated in line with established procedures and standards.
- On a quarterly basis, the significant risks identified by the Group's businesses are discussed in detail with each management team. In addition, the Group legal director and Group IT director meet on a quarterly basis to review IT risks facing the Group and the sustainability risk review committee (comprising the Group legal director, the Group SHE director, Group financial controller and the Group sustainability manager) meet on a quarterly basis to review sustainability risks facing the Group. The outcome of these discussions is collated and reported to the executive committee.
- The risk registers of each business, together with the Group IT risk register, and the Group sustainability risk register are updated and, together with a consolidated Group risk register compiled by the executive committee, are reported to the audit committee twice yearly, to ensure that adequate information in relation to risk management matters is available to the board and to allow board members the opportunity to challenge and review the risks identified and to consider in detail the various impacts of the risks and the mitigations in place.
- A Group assurance map is used to co-ordinate the various assurance providers within the Group and a compliance framework provides the board with a ready reference tool for monitoring compliance across the Group.

Group board

Risk appetite

FIRST LINE OF DEFENCE

Management activity

Divisional boards

Internal controls:

- Project management procedures
- Health and safety
- Financial control
- Cash and working capital management

SECOND LINE OF DEFENCE

Group oversight

Group policies

- Group authorisation policy
- Group finance manual
- Contract sign-off process
- Purchase guidelines
- Quality manual
- SHE policies
- Information security management policy

Committees

- Executive committee, risk committee, safety leadership team, Group human resource committee, sustainability committee and information security management committee
- Audit committee
- Nominations committee
- Remuneration committee

THIRD LINE OF DEFENCE

Independent review

Divisional boards

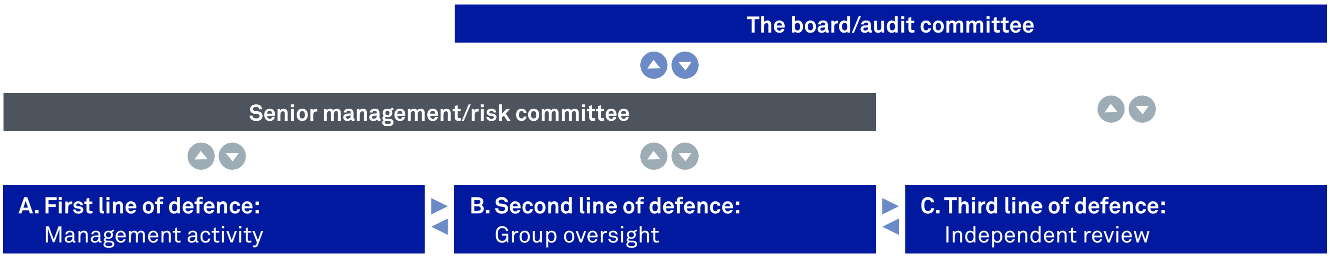
Internal controls:

- External audit
- Internal audit
- Other third-party assurance

HOW WE MANAGE RISKS

Three lines of defence

The Group manages risk by operating a ‘three lines of defence’ assurance model (management activity, Group oversight and independent review), which is mapped against the Company’s principal risks. This process is summarised in the Group assurance map.



A. First line of defence: Management activity

The first line of defence involves senior management implementing and maintaining effective internal controls and risk management procedures. These internal controls cover all areas of the Group’s operations. There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss. The system is designed to manage rather than eliminate the risk of failure to achieve the Group’s objectives. The Group’s policies and procedures are continuously under review and improved to ensure they are adequate for our current circumstances. On acquisition, as part of integration, new businesses adopt these policies and procedures on a phased basis.

The key features of the Group’s framework of internal controls are as follows:

Project management procedures

Project risk is managed throughout the life of a contract from the tender stage to completion. Individual tenders for projects are subject to detailed review with approvals required at relevant levels and at various stages from commencement of the tender process through to contract award. Tenders above a certain value and those involving an unusually high degree of technical or commercial risk must be approved at a senior level within the Group. Robust procedures exist to manage the ongoing risks associated with contracts. Regular monthly contract reviews to assess contract performance, covering both financial and operational issues, form an integral part of contract forecasting procedures.

Health and safety

Health and safety issues and risks are continually monitored at all sites and are reviewed on a monthly basis by senior management and the board. The Group has a well-developed health and safety management system for the internal and external control of health and safety risks which is managed by the Group SHE director. This includes the use of risk management systems for the identification, mitigation and reporting of health and safety management information.

Financial control

The Group maintains a strong system of accounting and financial management controls. Standard financial control procedures operate throughout the Group to ensure the integrity of the Group’s financial statements.

The Group operates a comprehensive budgeting and forecasting system. Risks are identified and appraised throughout the annual process of preparing budgets. The annual budget and quarterly forecasts are approved by the board.

A formal quarterly review of each business’s year-end forecast, business performance, risk and internal control matters is carried out by the directors of each business unit with the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer in attendance.

Cash and working capital management

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

B. Second line of defence: Group oversight

The first line of defence is supported by certain Group policies, functions and committees which, in combination, form the second line of defence.

Group policies

Internal controls across financial, operational and compliance systems are provided principally through the requirement to adhere to the Group finance manual, divisional procedures and a number of Group-wide policies (such as the Group authorisation policy, the contract sign-off process, the purchase guidelines, the anti-bribery policy, the Competition Law compliance policy, the quality manual, the health and safety policy and the environmental policy). During the year, we were audited successfully on our ISO 27001 accreditation for our information security management system and a separate committee reviews any information security issues impacting the Group. This continues to give further assurance as to the Group's resilience to cyber risk, which is a subject that is also discussed regularly at main board level.

These policies are supported by statements of compliance from all directors and letters of assurance ('LoA') from the Group's managing directors. LoAs are required twice yearly, one at 30 September and one at 31 March, supported by an internal control questionnaire ('ICQ') which is completed by each business unit and which provides a detailed basis for management to satisfy themselves that they are complying with all key control requirements. The responses in these ICQs are subject to ongoing independent review by PwC, the Group's internal auditor.

The following main committees provide oversight of management activities:

The executive committee, risk committee, safety leadership team, human resource committee, sustainability committee and the information security management committee

These committees are responsible for the identification, reporting and ongoing management of risks and for the stewardship of the Group's risk management approach.

The audit committee

The board has delegated responsibility to this committee for overseeing the effectiveness of the Group's internal control function and risk management systems.

The nominations committee

This committee ensures that the board has the appropriate balance of skills and knowledge required to assess and address risk and that appropriate succession plans are in place.

The remuneration committee

This committee ensures that the board complies with regulations and best practice regarding remuneration and that remuneration policy remains appropriate for attracting and retaining management of the right calibre.

C. Third line of defence:
Independent review

The third line of defence represents independent assurance which is provided mainly by the internal auditor, external auditor and various external consultants and advisers. External consultants and advisers support management and the board through ad hoc consulting activities, as required, including the Group's insurance brokers Lockton LLP.

Internal auditor

The audit committee annually reviews and approves the PwC internal audit programme for the year. The committee reviews progress against the plan at each of its meetings, considering the adequacy of audit resource, the results of audit findings and any changes in business circumstances which may require additional audits.

The results of internal audits are reported to the executive team and senior management and, where required, corrective actions are agreed. The results of all audits are summarised for the audit committee along with progress against agreed actions.

Annual review of effectiveness

The risk management and internal control systems have been in place for the year under review and up to the date of approval of the annual report and are regularly reviewed by the board. The board monitors executive management's action plans to implement improvements in internal controls that have been identified following the processes described above.

During the financial year, any control weaknesses identified through the operation of our risk management and internal control processes were remediated and subsequently monitored in line with normal business operations. The board confirms that it has not identified any significant failings or weaknesses in the Group's systems of risk management or internal control as a result of the information provided to the board and resulting discussions.

HOW WE MANAGE RISKS

Principal and emerging risks

The board has carried out a robust assessment of the principal and emerging risks and uncertainties which have the potential to impact the Group's profitability and ability to achieve its strategic objectives. These are set out in the table below. In reviewing our risk registers we consider our principal and emerging risks and in assessing those risks, we take into account the correlation between different risks and ensure they are weighted appropriately. This exercise informs our scenario analysis used in the viability statement. This list is not intended to be exhaustive. Additional risks and uncertainties not presently known to management or deemed to be less significant at the date of this report may also have the potential to have an adverse effect on the Group.

Principal risk	Strategic pillars	Link to KPIs	Movement	Scoring
1 Health and safety	🟡 ⚪ 🟠 ⚫	**1** **2** **3** 4 **5** **6** **7**	▶	🟡
2 Supply chain	🟡 ⚪ 🟠	**1** **2** **3** **4** **5** **6** 7	▼	🟣
3 People	🟡 ⚫	**1** **2** **3** 4 5 **6** 7	▼	🟣
4 Commercial and market environment	🟡 ⚪ 🟠	**1** **2** **3** **4** **5** **6** 7	▶	🟣
5 Mispricing a contract (at tender)	🟡 🟠	**1** **2** **3** **4** **5** 6 7	▶	🟣
6 Cyber security	🟡 ⚪ 🟠	**1** **2** 3 **4** **5** 6 7	▶	🟣
7 Failure to mitigate onerous contract terms	🟡 ⚪ 🟠	**1** **2** 3 **4** **5** 6 7	▶	🟣
8 Sustainable and responsible business	🟡 ⚪ 🟠 ⚫	**1** **2** **3** 4 5 **6** **7**	▶	🟣
9 Industrial relations	⚫	**1** **2** **3** 4 **5** 6 7	○	🟣

Scoring

The scoring of each risk as high or medium is determined based on the scoring of the risk within the Group's risk register. This scoring takes into account the potential impact and likelihood associated with the crystallisation of each risk (the assessment of impact takes into account both financial and reputational issues). Only high and medium risks are considered sufficiently significant for disclosure in the annual report.

Strategic pillar key

- 🟡 **Growth**
- ⚪ **Clients**
- 🟠 **Operational excellence**
- ⚫ **People**

Movement

- ▲ **Upward trend**
- ▼ **Downward trend**
- ▶ **No change**
- ○ **New**

Scoring

- 🟡 **High**
- 🟣 **Medium**

KPI key

1. Underlying operating profit and margin (before JVs and associates)
2. Underlying basic earnings per share ('EPS')
3. Revenue growth
4. Operating cash conversion
5. Return on capital employed ('ROCE')
6. Order book
7. Injury frequency rate ('IFR')

① HEALTH AND SAFETY

Description

The Group works on significant, complex and potentially hazardous projects, which require continuous monitoring and management of health and safety risks. Ineffective governance over and management of these risks could result in serious injury, death and damage to property or equipment.

Impact

A serious health and safety incident could lead to the potential for legal proceedings, regulatory intervention, project delays, potential loss of reputation and ultimately exclusion from future business. Continued changes in legislation can result in increased risks to both individuals and the Group.

Mitigation

- Established safety systems, site visits, safety audits, monitoring and reporting, and detailed health and safety policies and procedures are in place across the Group, all of which focus on prevention and risk reduction and elimination.
- Thorough and regular employee training programmes.
- Director-led safety leadership teams established to bring innovative solutions and to engage with all stakeholders to deliver continuous improvement in standards across the business and wider industry.
- Close monitoring of subcontractor safety performance.
- Priority board review of ongoing performance and in-depth review of both high potential and reportable incidents.
- Regular reporting of, and investigation and root cause analysis of, accidents, incidents and high potential near misses.
- Behavioural safety cultural change programme.
- Occupational health programme, including mental health.
- Achievement of challenging health and safety performance targets is a key element of management and staff remuneration.
- Detailed due diligence on new acquisitions and effective integration of SHE processes and systems.
- Our new safety initiative, 'Safer@Severfield' was launched in 2023.

Trend

▶

Link to strategy

Link to KPIs

① ② ③ ⑤
⑥ ⑦

Scoring

High

HOW WE MANAGE RISKS

② SUPPLY CHAIN

Description	Impact	Mitigation	
The Group is reliant on certain key supply chain partners for the successful operational delivery of contracts to meet client expectations. The failure of a key supplier, a breakdown in relationships with a key supplier or the failure of a key supplier to meet its contractual obligations could potentially result in some short to medium-term price increases and other short-term delay and disruption to the Group's projects and operations. There is also a risk that credit checks undertaken in the past may no longer be valid.	Interruption of supply or poor performance by a supply chain partner could impact the Group's execution of existing contracts (including the costs of finding replacement supply), its ability to bid for future contracts and its reputation, thereby adversely impacting financial performance.	• Process in place to select supply chain partners that match our expectations in terms of quality, sustainability and commitment to client service – new sources of supply are quality controlled. • Ongoing reassessment of the strategic value of supply relationships and the potential to utilise alternative arrangements, including for steel supply. • Contingency plans developed to address supplier and subcontractor issues (including the failure of a supplier or subcontractor). • Monthly review process to facilitate early warning of issues and subsequent mitigation strategies. • Strong relationships maintained with key suppliers, including a programme of regular meetings and reviews. • Implementation of best practice improvement initiatives, including automated supplier accreditation processes. • Key supplier audits are performed within projects to ensure they can deliver consistently against requirements.	**Trend** ▼ **Link to strategy** ● ● ● Link to KPIs ① ② ③ ④ ⑤ ⑥ **Scoring** Medium

3 PEOPLE

Description	Impact	Mitigation	
The ability to identify, attract, develop and retain talent is crucial to satisfy the current and future needs of the business. Skills shortages in the construction industry are likely to remain an issue for the foreseeable future and it can become increasingly difficult to recruit capable people and retain key employees, especially those targeted by competitors. This has been exacerbated in the last 12 months due to macro-economic factors such as the impact of inflation and shortages of labour.	Loss of key people could adversely impact the Group's existing market position and reputation. Insufficient growth and development of its people and skill sets could adversely affect its ability to deliver its strategic objectives. A high level of staff turnover or low employee engagement could result in a decrease of confidence in the business within the market, customer relationships being lost and an inability to focus on business improvements.	• Training and development schemes to build skills and experience, such as our successful graduate, trainee and apprenticeship programmes. • Detailed succession planning exercise completed in 2023 identifying for development future senior leaders within the business. • Attractive working environments, remuneration packages, technology tools and wellbeing initiatives to help improve employees' working lives and above average inflation pay review in 2022 and 2023. • Annual appraisal process providing two-way feedback on performance. • Internal communications continually improved. • Interviews with leavers and joiners to understand the reasons for their decision. • Three-year goals have been defined around HR operational efficiency, evolving our approach to performance, development and careers and creating an environment where Severfield employees feel listened to and are fairly recognised and rewarded for their contribution to the Group. • One-off cost-of-living payment agreed for the start of 2024. • Maintained our approach to flexible working practices and remote working.	**Trend** ▼ **Link to strategy** **Link to KPIs** 1 2 3 6 **Scoring** Medium

HOW WE MANAGE RISKS

④ COMMERCIAL AND MARKET ENVIRONMENT

Description	Impact	Mitigation	
Changes in government and client spending or other external factors could lead to programme and contract delays or cancellations, or changes in market growth. External factors include national or market trends, political or regulatory change, the impact of worldwide events such as war (including the impact of the Ukraine crisis) and the impact of pandemics. Lower than anticipated demand could result in increased competition, tighter margins and the transfer of commercial, technical and financial risk down the supply chain, through more demanding contract terms and longer payment cycles.	A significant fall in construction activity and higher costs could adversely impact revenues, profits, ability to recover overheads and cash generation.	• Regular reviews of market trends performed (as part of the Group's annual strategic planning and market review process) to ensure actual and anticipated impacts from macroeconomic risks are minimised and managed effectively. • Regular monitoring and reporting of financial performance, orders secured, prospects and the conversion rate of the pipeline of opportunities and marshalling of market opportunities is undertaken on a co-ordinated Group-wide basis. • Selection of opportunities that will provide sustainable margins and repeat business. • Strategic planning is undertaken to identify and focus on the addressable market (including new overseas and domestic opportunities). • Monitoring our pipeline of opportunities in continental Europe and in the Republic of Ireland, supported by our European business ventures. • The Group closely monitors the flows of goods and people across borders for ongoing work with the EU and specific risks and related mitigations are kept under review by the executive committee. We have taken steps to ensure we can continue to deliver on current and future contractual commitments. • Maintenance and establishment of supply chain in mainland Europe. • Close management of capital investment and focus on maximising asset utilisation to ensure alignment of our capacity and volume demand from clients. • Close engagement with both customers and suppliers and monitoring of payment cycles. • Ongoing assessment of financial solvency and strength of counterparties throughout the life of contracts. • Continuing use of credit insurance to minimise impact of customer failure. • Strong cash position supports the business through fluctuations in the economic conditions of the sector. • Acquisition of Harry Peers, DAM Structures and VSCH in recent years has broadened our reach and cross-selling opportunities, resulting in improved market resilience.	**Trend** ▶ **Link to strategy** **Link to KPIs** ① ② ③ ④ ⑤ ⑥ **Scoring** Medium

⑤ MISPRICING A CONTRACT (AT TENDER)

Description	Impact	Mitigation	
Failure to accurately estimate and evaluate the contract risks, costs to complete, contract duration and the impact of price increases could result in a contract being mispriced. Execution failure on a high-profile contract could result in reputational damage,	If a contract is incorrectly priced, particularly on complex contracts, this could lead to loss of profitability, adverse business performance and missed performance targets. This could also damage relationships with clients and the supply chain.	• Improved contract selectivity (those that are right for the business and which match our risk appetite) has de-risked the order book and reduced the probability of poor contract execution. • Estimating processes are in place with approvals by appropriate levels of management. • Tender settlement processes are in place to give senior management regular visibility of major tenders. • Use of the tender review process to mitigate the impact of rising supply chain costs. • Work performed under minimum standard terms (to mitigate onerous contract terms) where possible. • Use of Group authorisation policy to ensure appropriate contract tendering and acceptance. • Adoption of Group-wide project risk management framework ('PRMF') brings greater consistency and embeds good practice in identifying and managing contract risk. • Professional indemnity cover is in place to provide further safeguards. • Use of price indexation clauses in certain contracts	**Trend** ▶ **Link to strategy** **Link to KPIs** ① ② ③ ④ ⑤ **Scoring** Medium

HOW WE MANAGE RISKS

6 CYBER SECURITY

Description	Impact	Mitigation
Cyber-attack could lead to IT disruption with resultant loss of data, loss of system functionality and business interruption. The Group's core IT systems must be managed effectively, to keep pace with new technologies and respond to threats to data and security.	Prolonged or major failure of IT systems could result in business interruption, financial losses, loss of confidential data, negative reputational impact and breaches of regulations.	• IT is the responsibility of a central function which manages the majority of the systems across the Group. Other IT systems are managed locally by experienced IT personnel. • Significant investments in IT systems which are subject to board approval, including anti-virus software, off-site and on-site backups, storage area networks, software maintenance agreements and virtualisation of the IT environment. • Specific software has been acquired to combat the risk of ransomware attacks. • Group IT committee ensures focused strategic development and resolution of issues impacting the Group's technology environment. • Robust business continuity plans are in place and disaster recovery and penetration testing are undertaken on a systematic basis. • Data protection and information security policies are in place across the Group. • Cyber-crimes and associated IT risks are assessed on a continual basis and additional technological safeguards introduced. Cyber threats and how they manifest themselves are communicated regularly to all employees (including practical guidance on how to respond to perceived risks). • ISO 27001 accreditation achieved for the Group's information security environment and regular employee engagement undertaken to reinforce key messages. • Insurance covers certain losses and is reviewed annually to establish further opportunities for affordable risk transfer to reduce the financial impact of this risk.

Trend

▶

Link to strategy

Link to KPIs

① ② ④ ⑤

Scoring

Medium

⑦ FAILURE TO MITIGATE ONEROUS CONTRACT TERMS

Description	Impact	Mitigation
The Group's revenue is derived from construction contracts and related assets. Given the highly competitive environment in which we operate, contract terms need to reflect the risks arising from the nature or the work to be performed. Failure to appropriately assess those contractual terms or the acceptance of a contract with unfavourable terms could, unless properly mitigated, result in poor contract delivery, poor understanding of contract risks and legal disputes.	Loss of profitability on contracts as costs incurred may not be recovered, and potential reputational damage for the Group.	• The Group has identified minimum standard terms which mitigate contract risk. • Robust tendering process with detailed legal and commercial review and approval of proposed contractual terms at a senior level (including the risk committee) are required before contract acceptance so that onerous terms are challenged, removed or mitigated as appropriate. • Regular contract audits are performed to ensure contract acceptance and approval procedures have been adhered to. • We continue to work with the British Constructional Steelwork Association to raise awareness of onerous terms across the industry. • Through regular project reviews we capture early those occasions where onerous terms could have an adverse impact and are able to implement appropriate mitigating action at the earliest stage.

Trend

▶

Link to strategy

● ● ●

Link to KPIs

① ② ④ ⑤

Scoring

Medium

⑧ SUSTAINABLE AND RESPONSIBLE BUSINESS

Description	Impact	Mitigation
Risk of not being able to meet stakeholder expectations in the light of uncertainty as to the direction in which stakeholder expectations will develop.	Loss of position as market leader and wider losses of future opportunities in the short term.	• We have demonstrated a commitment to reduce our carbon footprint by becoming carbon neutral and established other stakeholder influenced sustainability related targets such as Net Zero by 2050. • We are rated B by CDP in the management band. • We have appointed a head of ESG who monitors current legislation and expectations and develops Group strategy to facilitate and implement plans for compliance. • We are raising internal awareness of the steps we are taking and developing closer working relationships with clients and suppliers. • We monitor shareholder comments on the annual report and accounts and in one-to-one meetings.

Trend

▶

Link to strategy

● ● ● ●

Link to KPIs

① ② ③ ⑥ ⑦

Scoring

Medium

HOW WE MANAGE RISKS

9 INDUSTRIAL RELATIONS

Description	Impact	Mitigation	
The Group (and the industry in general) has a significant number of members who are members of trade unions. Industrial action taken by employees could impact on the ability of the Group to maintain effective levels of production.	Interruption to production by industrial action could impact both the Group's performance on existing contracts, its ability to bid for future contracts and its reputation, thereby adversely impacting its financial performance.	• Employee and union engagement takes place on a regular basis. • The Group has seven (including the recently acquired VSCH facilities in Rijssen) main production facilities so interruption at one facility could to some extent be absorbed by increasing capacity at a sister facility. • Processes are in place to mitigate disruptions as a result of industrial action.	**Trend** ○ **Link to strategy** **Link to KPIs** ① ② ③ ⑤ **Scoring** Medium

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires each director to act in the way they consider, in good faith, would most likely promote the success of the Group for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the Group's reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group.

The board has complied with these requirements. Details of the board's decisions in 2023 to promote long-term success, and how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout this strategic report and in the governance report.

A key board decision is ensuring that we continue to have the right strategy in place for sustainable growth. Details of our strategy, how it is resourced and the value generated for stakeholders are set out in the strategic report. The board monitors the Group's culture to ensure that high standards of business conduct are maintained.

Open, constructive dialogue with our employees and other key stakeholders is critical to inform the board's decisions. Whilst the board has overall responsibility for managing relationships with all our stakeholders, some stakeholder groups are most practicably engaged with directly by Group companies. The board supervises this engagement with their stakeholders, principally through quarterly management meetings between the boards of each Group company and the executive directors.

The board has identified its and the Group's key stakeholders as our shareholders, employees and funders. With facilitation through Group departmental activity our Group companies manage relationships with their employees, clients, supply chain partners and local communities. Details of how we have engaged as a Group with our stakeholders can be found on pages 40 and 41 of the strategic report. The board's direct engagement with stakeholders is described on pages 126 and 127 in the governance report, the board's key decisions and the stakeholder groups considered during the decision-making process, and the board's monitoring of the Group's culture is described on pages 126 to 127.

The board monitors the Group's performance in relation to safety and the reduction of greenhouse gas emissions and waste on a monthly basis.

Approval of strategic report

The strategic report is approved by the board and signed on its behalf by:

Mark Sanderson
Company secretary

14 June 2023

OUR GOVERNANCE

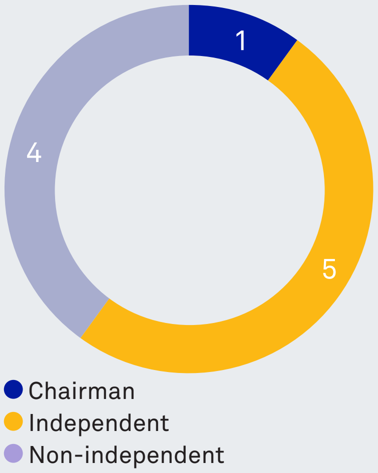
OUR GOVERNANCE

GOVERNANCE AT A GLANCE

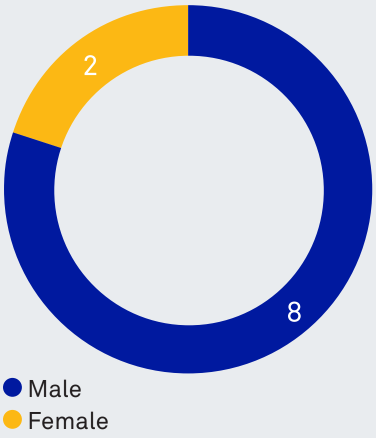
Our board

The board comprises ten directors with a diverse and complementary range of industry experience, technical knowledge, perspectives and personal strengths.

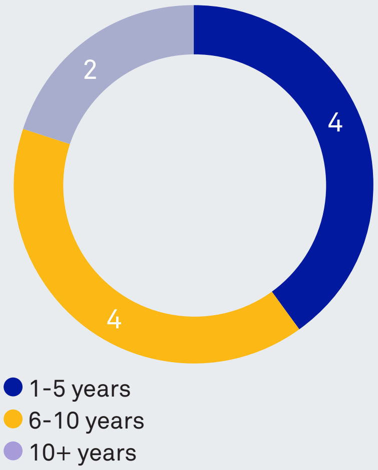
Independence



Gender diversity



Length of tenure



BOARD AND COMMITTEE ATTENDANCE

	Board	Audit committee	Remuneration committee	Nominations committee
Total number of meetings	10	3	4	4
Executive directors				
Alan Dunsmore	10			
Ian Cochrane	10			
Derek Randall	10			
Adam Semple	10			
Non-executive directors				
Kevin Whiteman[1]	10	0	4	4
Tony Osbaldiston	10	3	4	4
Alun Griffiths	10	3	4	4
Louise Hardy[2]	10	0	4	4
Rosie Toogood[3]	10	2	4	4
Mark Pegler[4]	4	2	3	1

[1] As chairman, Kevin Whiteman is not a member of the audit committee but has attended meetings as a guest.

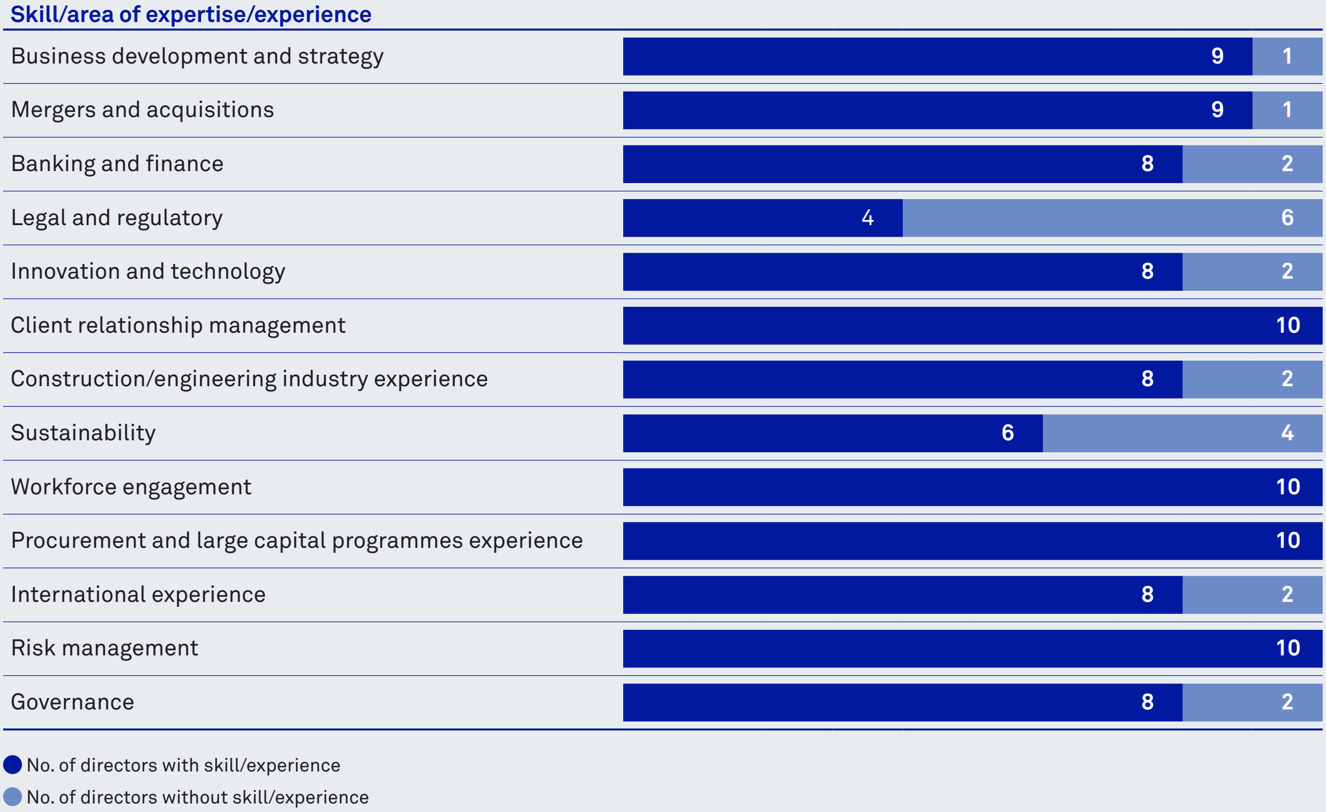
[2] Louise Hardy was unable to attend one audit committee meeting due to an unavoidable clash with another board commitment and two others due to personal reasons.

[3] Rosie Toogood was unable to attend one virtually held audit committee meeting due to an IT outage.

[4] Mark Pegler was appointed to the board on 5 October 2022 and has attended all board and committee meetings held since that date.

SKILL AND DIVERSITY MATRIX

We truly value diversity and a culture of inclusion at all levels within the Group.



Skill/area of expertise/experience		
Business development and strategy	9	1
Mergers and acquisitions	9	1
Banking and finance	8	2
Legal and regulatory	4	6
Innovation and technology	8	2
Client relationship management	10	
Construction/engineering industry experience	8	2
Sustainability	6	4
Workforce engagement	10	
Procurement and large capital programmes experience	10	
International experience	8	2
Risk management	10	
Governance	8	2

● No. of directors with skill/experience
● No. of directors without skill/experience

Major board activities in the year

- Appointed Mark Pegler as a non-executive director in October 2022.
- Board visit to India in February 2023.
- Completed an externally facilitated board evaluation, performed by Gould Consulting.
- Approved the acquisition of Voortman Steel Construction and associated £19m term loan facility and extension of the existing revolving credit facility from £50m to £60m.
- Approved four major new tenders over £50m.

OUR BOARD OF DIRECTORS

Executives and non-executives

The quality of our workforce, senior leadership team and board leaves us well placed to deliver on our strategic expectations and for long-term growth.

Alan Dunsmore
Chief Executive Officer

- Independent: No
- Appointed: 2010

Alan was appointed Chief Executive officer in February 2018. Prior to this he held the position of Group finance director from March 2010 to March 2017 and acting chief executive officer from April 2017 to January 2018. He joined the Group from Smiths Group plc. He joined Smiths Group's medical division in 1995, holding various positions throughout the business and from 2004 was director of finance for Smiths Detection. Prior to joining Smiths, he was with Coopers and Lybrand in Glasgow, where he qualified as a chartered accountant in 1992.

Adam Semple
Chief Financial Officer

- Independent: No
- Appointed: 2018

Adam joined the Group in 2013 from Firth Rixson Group, prior to which he was with PwC in both Leeds and London, where he qualified as a chartered accountant in 2002. He was appointed as Chief Financial Officer in February 2018, having held the role on an acting basis since April 2017. He was previously the Group's financial controller.

Ian Cochrane
Chief Operating Officer

- Independent: No
- Appointed: 2013

Ian joined the Group in 2007, following the acquisition of Fisher Engineering. Ian worked at Fisher Engineering for 26 years, starting in the drawing office and progressing to managing director in October 2007. He previously held the position of Group operations director. Ian has a comprehensive understanding of all aspects of the business and has been involved in many major projects in the UK and Ireland, representing a range of market sectors.

Derek Randall

Executive director and managing director at JSW Severfield Structures

- Independent: No
- Appointed: 2011

Derek previously held the position of executive director for business development until his appointment in December 2013 as managing director of JSW Severfield Structures Limited (JSSL), our joint venture in India. Before joining the Group, most of Derek's career was with Corus Group (now Tata Steel) where his last position was as commercial director of the long products division. Derek has held a number of international board positions with Corus and served on the executive council of the Steel Construction Institute.

N R

Kevin Whiteman

Chairman

- Independent: Yes
- Appointed: 2014 to the board and 2020 as chair

A chartered engineer, Kevin was chief executive of Kelda Group and Yorkshire Water for a period of eight years. Kevin was non-executive chairman of both companies from 2010 to March 2015. He was chairman of the privately owned NG Bailey from 2013 to 2023 and a non-executive director of Cadent Gas Limited and chair of their remuneration committee from 2018 to 2021. Kevin was previously chief executive officer for the National Rivers Authority, regional director of the Environment Agency, and has held a number of senior positions within British Coal. He was also chairman for Wales and West Gas Networks (UK) Limited and has been a trustee for WaterAid UK.

A N R

Alun Griffiths

Senior independent director

- Independent: Yes
- Appointed: 2014

Alun was a main board member at leading engineering consultancy WS Atkins plc from 2007 to 2014 and held a number of business leadership and corporate roles, most recently as Group HR director. Whilst at Atkins, he worked extensively in the UK and internationally in Europe, the Middle East, India, Asia and the USA on a range of management consultancy assignments and on major projects.

Alun has significant experience in HR and organisation development, business development and project delivery. He chairs the transaction committee at the Ramboll Group (providing oversight for major bids and M&A), has been an independent board member of the Remuneration Consultants Group since 2022 and was vice chair of the Port of London Authority from 2014 to 2022.

His HR experience, together with his wider business experience and understanding of the views of investors, is well suited to his role here at Severfield.

Alun will step down as chair of the Remuneration committee in September 2023 and will be succeeded by Louise Hardy.

Committee membership:

N	Nominations
A	Audit
R	Remuneration
●	Committee chair

OUR BOARD OF DIRECTORS

Executives and non-executives

The quality of our workforce, senior leadership team and board leaves us well placed to deliver on our strategic expectations and for long-term growth.

Ⓐ Ⓝ Ⓡ

Louise Hardy

Non-executive director and workforce engagement director

- Independent: Yes
- Appointed: 2019

As an executive director, Louise was the European project excellence director at AECOM, responsible for project management across a portfolio of 10,000 projects and between 2006 and 2013, was a director at Laing O'Rourke, the largest privately-owned construction company in the UK. At Laing O'Rourke she worked within the CLM as the delivery partner to the Olympic delivery authority for the London 2012 Olympics.

Louise is a Fellow of the Institution of Civil Engineers, the Chartered Management Institute and the Women's Engineering Society. Louise won the European Women in Construction and Engineering, lifetime achievement in construction award 2019.

Louise is a non-executive director at Travis Perkins plc, Balfour Beatty plc and Crest Nicholson Holdings plc.

Louise will become chair of the remuneration committee when Alun Griffiths steps down from the role in September 2023.

Ⓐ Ⓝ Ⓡ

Tony Osbaldiston

Non-executive director

- Independent: Yes
- Appointed: 2014

A chartered accountant having qualified with PwC, Tony was previously finance director of Max Factor UK, Volvo Cars UK, Raymarine plc and FirstGroup plc. He was also deputy group chief executive officer and chief executive officer of FirstGroup America. Tony has been non-executive director and chairman of the audit committee of BSS Group plc, chairman of the remuneration committee of Synstor International plc and non-executive director and chairman of the audit and risk committee of the Serious Fraud Office. He is currently chairman of Encon, the insulation and building products distributor.

Tony will be retiring from the board at the end of July 2023.

Ⓐ Ⓝ Ⓡ

Mark Pegler

Non-executive director

- Independent: Yes
- Appointed: October 2022

Mark is an experienced FTSE 250 board director, having spent over a decade as Chief Financial Officer at Hill & Smith PLC, overseeing significant growth through international expansion and acquisitions.

Mark is a Non-Executive Director and Chair of the Audit Committee at ELE Advanced Technologies Ltd, a specialist in the production of complex and high integrity super alloy components for the aerospace, industrial gas turbine and commercial diesel engine markets. He is also Non-Executive Chair of IWS Group, a privately owned group of market-leading product brands, manufacturers and service companies, providing essential services and products to the logistics, material handling and other industrial sectors primarily across the UK and Europe.

He is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and will become chairman of the Audit Committee on the retirement of Tony Osbaldiston at the end of July 2023.

Ⓐ Ⓝ Ⓡ

Rosie Toogood

Non-executive director

- Independent: Yes
- Appointed: 2021

Rosie is currently the chief executive officer of Legal & General Homes Modular Limited and brings a wealth of manufacturing and engineering experience within the modular homes, aerospace and nuclear sectors to the board.

She previously had a successful 25-year career at Rolls-Royce, progressing from a finance executive into procurement and technology positions followed by a general management role where she was executive vice president for the compressors division.

She originally qualified as a chartered accountant with Ernst & Young and was a non-executive director at Derwent Housing Association from 1999 to 2008.

Committee membership:

Ⓝ Nominations
Ⓐ Audit
Ⓡ Remuneration
● Committee chair

OUR EXECUTIVE COMMITTEE

Rob Evans

Divisional managing director, Severfield (Commercial & Industrial)

Rob is the divisional managing director for the Group's commercial and industrial division encompassing Severfield (UK), Severfield (Design & Build), Severfield (NI) and Severfield Europe B.V.

Prior to this, Rob became managing director of Severfield (UK) in February 2020, during which he was responsible for all aspects of the contracting business for both Severfield (UK) and Severfield Europe B.V.. Rob joined the Group over 24 years ago and during that time has performed various commercial and quantity surveying roles within the Group, including at Severfield (Design & Build) and Severfield (NI).

Rob has been involved with many iconic projects, including Tottenham Hotspur FC stadium, Liverpool FC stadium, 22 Bishopsgate and several projects at Wimbledon.

Mike Mannion

Group manufacturing director

Mike is now the Group manufacturing director, overseeing operations in Dalton, Lostock, Northern Ireland, Bolton, and Bridlington.

Prior to this, Mike joined Severfield in 2019 as operations director (manufacturing) for Severfield (UK) and was responsible for our manufacturing operations at both our Dalton and Lostock sites.

Previously managing director of Weir Valves & Controls, Mike has over 25 years of business management experience and an extensive knowledge of manufacturing and supply chains, obtained within sector-relevant, international settings.

Jim Martindale

Divisional managing director, Severfield (Nuclear & Infrastructure) and Modular Solutions

Jim is the divisional managing director for the Group's nuclear and infrastructure division and of the modular solutions division.

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

Jim has been involved in the successful delivery of many major projects throughout the UK during his career with Atlas Ward and Severfield. He is also an associate member of the Institution of Structural Engineers.

Mark Sanderson
Group legal director and Company secretary

Mark joined the Group in September 2013.

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

Mark has over 20 years of experience in the construction and engineering sector and is also a non-executive director and trustee at Fitzroy Support, a learning disabilities charity.

Phillipa Recchia
Group SHE director

Phillipa joined Severfield in July 2016 from housing and regeneration specialist Keepmoat and she has previously worked as corporate head of health and safety at global industries services company KAEFER Group.

Phillipa has over 20 years' experience within the construction industry and a strong background in behavioural safety.

Alan Dunsmore
Chief Executive Officer

For details, see board of directors on page 110.

Ian Cochrane
Chief Operating Officer

For details, see board of directors on page 110.

Samantha Brook
Group HR director

Sam joined Severfield in March 2020, having been group people director at Drax Group and group head of HR at Croda International (both listed companies). She is a Chartered Fellow of the Chartered Institute of Personnel and Development ('CIPD'), is passionate about helping people realise their full potential and is ideally suited to lead our people strategy, talent development and workforce engagement initiatives.

Richard Davies
Group IT director

Richard joined Severfield (Design & Build), formerly Atlas Ward Structures, in 1997 as an apprentice plater welder, which provided valuable experience and insight into key production activities. He moved into IT support in 1999 and went on to perform various roles within IT, until his appointment as Group IT director in January 2016.

Within this role, Richard is responsible for all aspects of IT across the Severfield group.

With more than 20 years of experience in the construction sector, Richard has been involved in the successful delivery of many innovative IT projects.

Derek Randall
Executive director and managing director at JSW Severfield Structures

For details, see board of directors on page 111.

Adam Semple
Chief Financial Officer

For details, see board of directors on page 110.

OUR CHAIRMAN'S VIEW ON GOVERNANCE

KEVIN WHITEMAN
NON-EXECUTIVE CHAIRMAN

> "This year we have ensured that strong and robust corporate governance continues to be at the heart of everything we do. We have updated our remuneration policy in consultation with our major shareholders, taken steps to ensure strong audit and remuneration committee chair succession and fully aligned executive pension contributions with the wider workforce."

Dear shareholder

I am pleased to introduce the Group's corporate governance report (on pages 118 to 129) on behalf of our board of directors ('the board'). The Group is committed to business integrity, high ethical values and professionalism in all of its activities and this report explains how we manage the Group and comply with the provisions of the UK Corporate Governance Code ('the Code').

Leadership and board composition

We continue to evolve the board to ensure that it has the right balance of knowledge, experience and outside in perspective. In October 2022, we welcomed Mark Pegler as a non executive director, who brings with him over many years of business and leadership experience in manufacturing and international businesses and is a strong addition to the board. His appointment forms part of the board succession process and it is intended that Mark will become audit committee chairman following the retirement of Tony Osbaldiston in July 2023.

Board evaluation

During the year, we undertook our first externally facilitated board evaluation, performed by Gould Consulting. This included an evaluation of my own performance as well as that of the other directors and the board's committees. Overall, the evaluation was positive. The key points arising from the evaluation have been documented and at the time of writing this report are being discussed with the board members with a view to developing a board improvement plan, further details of which we aim to disclose next year.

Audit, risk and internal control

The board has confirmed that this annual report is fair, balanced and understandable. The audit committee, supported by management, has adopted a process to enable the board to take this view. You can find an explanation of the process we have used to make this determination in the audit committee report on page 130.

The board delegates certain of its responsibilities to the board committees to enable it to carry out its functions effectively. A diagram of the board governance structure is set out on page 118.

In July 2023 Tony Osbaldiston will retire as audit committee chair and we thank him for all his hard work and excellent stewardship over the last nine years. Mark Pegler will succeed him in this role.

Remuneration

Our executive director remuneration arrangements are intended to support the achievement of the Group's objectives and strategy. With the support of the remuneration committee's oversight, we continue to believe that the current remuneration packages help to appropriately incentivise management to sustain long-term value for shareholders.

This year we have made a number of changes to our remuneration policy as part of the normal three yearly cycle, consulted with our major shareholders and taken on board their views in the policy which is tabled in this annual report for approval at the 2023 AGM. Our new remuneration policy a summary of how we intend to operate that policy in 2024, and a review of the remuneration committee's activities, together with bonus and PSP performance in 2023, can be found in the remuneration report on pages 140 to 164.

In September 2023 Alun Griffiths will step down as remuneration committee chair. We thank him for his hard work and excellent stewardship over the last nine years. Louise Hardy will succeed him in this role.

Talent and diversity

The board is mindful of diversity and we are committed to building a supportive, diverse, and inclusive working environment where all colleagues feel they belong. The board is represented by a range of industry experience and personal strengths and consists of two female and eight (soon to be seven) male directors. Further details of their skills and experience can be found on pages 110 to113.

The board is committed to ensuring it and our wide employee base remains diverse and the Group has an equal opportunities and diversity policy to support this. As an equal opportunities employer, we are committed to encouraging diversity and eliminating discrimination in both our role as an employer and as a provider of services and to achieving and maintaining a workforce that broadly reflects the communities in which we operate.

During the year, we continued to monitor the gender pay gap and our gender balance across all tiers of management. We are confident that our gender pay gap does not stem from paying men and women differently for the same or equivalent work. We are mindful though, that the sector in which we operate is male dominated and we are now monitoring diversity in our recruitment and to seek to attract a more diverse workforce over time.

Relations with shareholders

The board and I recognise the responsibility we have to a range of stakeholders, including customers, employees, subcontractors and suppliers and the environment and communities in which we operate.

We have an open and effective dialogue with shareholders, with regular meetings being held with institutional shareholders, including a Capital Markets Day which was held at Lord's in March 2023. The AGM will be held on 6 September 2023 and I encourage all shareholders to submit any questions in advance and to vote via proxy for the resolutions.

Kevin Whiteman

Non-executive chairman

14 June 2023

UK Corporate Governance Code

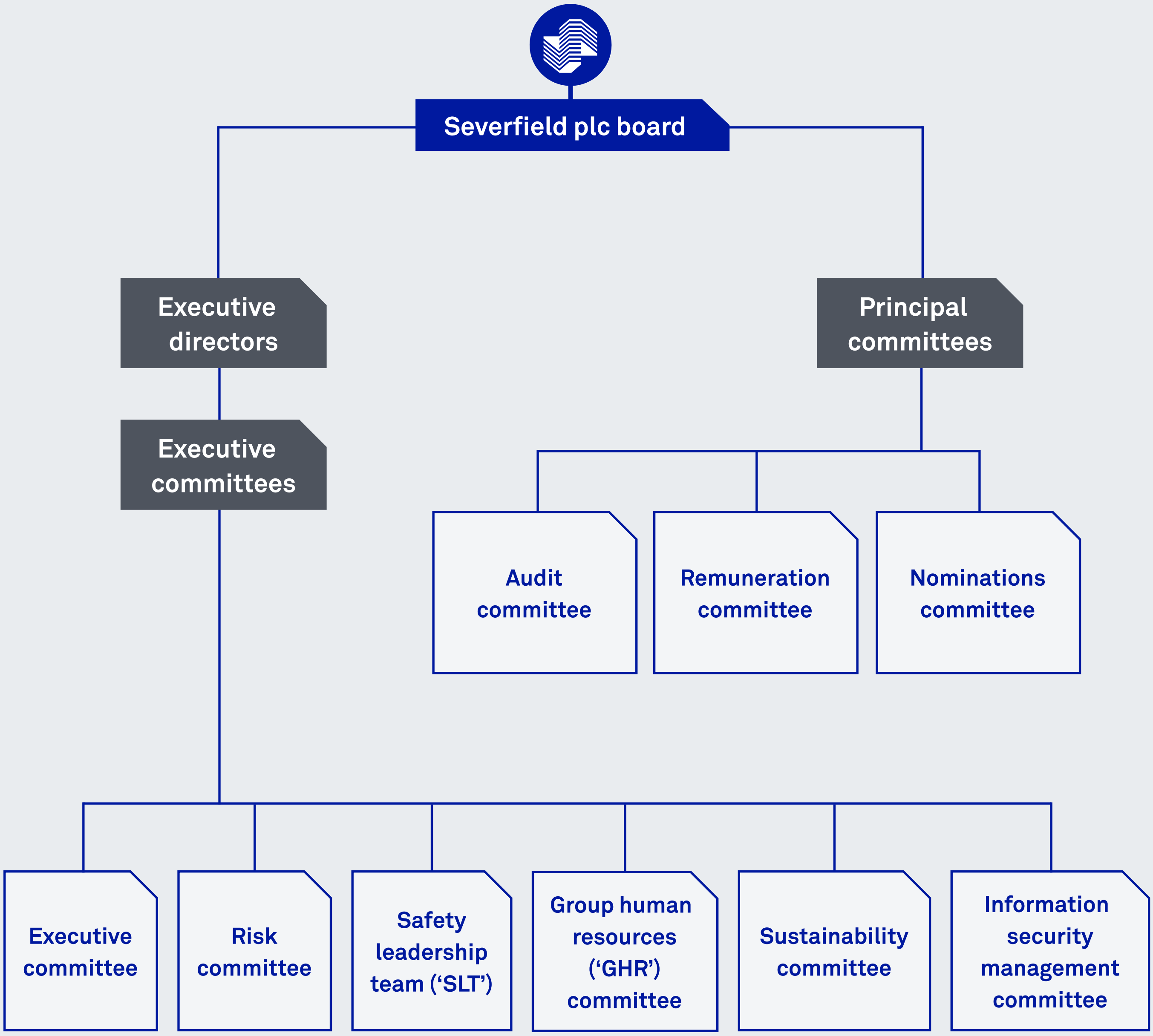
Throughout the accounting period, the Company has fully complied with the requirements of the 2018 Code, except for provision 38, requiring alignment of pension contributions between directors and the wider workforce. Our transition to being compliant with this provision has been mapped out in previous years' reports. As of 1st April 2023 we are now fully compliant with the 2018 Code.

CORPORATE GOVERNANCE REPORT

Board leadership and company purpose
The Group is controlled through the board of directors of Severfield plc. We believe that, consistent with Principle A of the Code, the board is effective and entrepreneurial. We have described in the strategic report how opportunities and risks to the future success of the business have been considered and addressed, together with the sustainability of the Group's business model. In this section we describe how our governance contributes to the delivery of our strategy and how the board monitors and drives culture and purpose.

Structure of the board
The membership of the board is stated on pages 110 to 113. The board currently consists of the chairman, five other non-executive directors and four executive directors. However, Tony Osbaldiston will be retiring at the end of July and will be replaced by Mark Pegler as chair of the audit committee and Alun Griffiths will be replaced by Louise Hardy as chair of the remuneration committee in September 2023. No appointment has yet been made to take over Alun's role as SID from the AGM onwards.

Alan Dunsmore has board-level responsibility for sustainability matters and employment matters and Ian Cochrane has board-level responsibility for health and safety matters.



Independence

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

At no time during the year ended 25 March 2023 did any director hold a material interest, directly or indirectly, in any contract of significance with the Company or any subsidiary undertaking other than the executive directors in relation to their service agreements. The directors have put in place procedures to ensure the board collectively, and the directors individually, comply with the disclosure requirements on conflicts of interest set out in the Companies Act 2006. The interests of the directors in the share capital of the Company and its subsidiary undertakings and their interests under the performance share plan and other share schemes are set out in the remuneration report commencing on page 140. Save as disclosed in the directors' remuneration report, none of the directors, or any person connected with them, has any interest in the share or loan capital of the Company or any of its subsidiaries.

Directors to stand for election

The Company's articles of association require the directors to offer themselves for re-election at least once every three years. Notwithstanding this, and in accordance with the recommendations of the Code, the Group's policy is that all the directors retire at each AGM and may offer themselves for re-election by shareholders. Accordingly, all of the existing directors whose biographies are set out on pages 110 to 113 (other than Tony Osbaldiston, who is retiring) will be standing for re-election at the 2023 AGM.

The board is satisfied that the performance of all of the non-executive directors continues to be effective and that they continue to show commitment to their respective roles. Non-executive directors are not appointed for a fixed term. The terms and conditions of appointment of non-executive directors are available for inspection on request.

Role of the chairman, Chief Executive Officer and senior independent director

The board has agreed a clear division of responsibility between the chairman and Chief Executive Officer and their roles and responsibilities are clearly established and set out in writing.

Severfield board

The board is responsible for providing effective leadership to the Group to create and deliver long-term shareholder value. This includes setting the strategic direction of the Group, reviewing all significant aspects of the Group's activities, overseeing the executive management and reviewing the overall system of internal control and risk management. The board has a formal schedule of matters reserved for it. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks, including environmental and health and safety issues. It reviews the Group's strategic direction, codes of conduct, annual budgets, progress towards achievement of those budgets, significant capital expenditure programmes and the annual and half year results.

The board also considers employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. Other specific responsibilities are delegated to the board's committees described as follows.

MEMBER(S)/COMMITTEE	RESPONSIBILITIES
Non-executive chairman **Kevin Whiteman**	The chairman, Kevin Whiteman, is mainly responsible for managing the business of the board, evaluating its performance and setting the agenda for board meetings to ensure that adequate time is allocated to the discussion of all agenda items, facilitating the effective contribution of all directors. The chairman acts as an ambassador for the Company and provides effective communication between the board and its shareholders. The chairman, together with the Company secretary, ensures that the directors receive clear information on all relevant matters in a timely manner. Board papers are circulated sufficiently in advance of meetings for them to be thoroughly digested to ensure clarity of informed debate. The board papers contain the Chief Executive Officer's, the Chief Financial Officer's and Chief Operating Officer's written reports, high-level papers on each business area, key metrics and specific papers relating to agenda items. The board papers are accompanied by a management information pack containing detailed financial and other supporting information. The board receives occasional ad hoc papers on matters of particular relevance or importance. The board also receives presentations from various business units and senior managers, including members of the executive committee.

CORPORATE GOVERNANCE REPORT

MEMBER(S)/COMMITTEE	RESPONSIBILITIES
Chief Executive Officer **Alan Dunsmore**	As the senior executive of the Company, Alan Dunsmore is responsible to the chairman and the board for directing and prioritising the profitable operation and development of the Group. The Chief Executive Officer is responsible for the day-to-day management of the operational activities of the Group, assessing and implementing strategy and implementing the board's decisions. The Chief Executive Officer chairs an executive committee consisting of the members indicated on pages 114 and 115. This committee assists the main board by focusing on strategic and operational performance matters relating to the business and meets formally on a monthly basis. He also, together with the Chief Financial Officer and Chief Operating Officer, holds quarterly meetings with each of the business unit boards to review all operational issues and meets with an executive risk committee comprising himself, the Chief Financial Officer, Chief Operating Officer and the Group legal director on a weekly basis to discuss any key issues affecting the business. In addition, he chairs a safety leadership team ('SLT') and a Group human resources ('GHR') meeting once a month, both of which consist of certain other members of the executive management team and business unit managing directors. His is also chair of the sustainability committee which meets every two months to oversee implementation of our sustainability strategy and review progress against our strategic objectives.
Senior independent director **Alun Griffiths**	Alun Griffiths is the senior independent non-executive director whose role is to provide a sounding board for the chairman and to serve as an alternative source of advice to the chairman for the other non-executive directors. The senior independent director is available to shareholders if they request a meeting or have concerns, which contact through the normal channels has failed to resolve, or where such contact is inappropriate. He also leads the performance review of the chairman and the board, taking into account the views of the executive directors.
Board committees	The board has established three standing committees, all of which operate within defined terms of reference, which are available from the Company secretary by request and published on the website. The committees established are the audit committee, the remuneration committee, and the nominations committee. Trading companies are managed by separate boards of directors. Any matters of a material nature concerning the trading companies are reported to the board on a monthly basis. Details of the work of the audit, nominations and remuneration committees are set out on pages 130 to 164.

Board meetings

The directors' attendance record at the scheduled board meetings and board committee meetings for the year ended 25 March 2023 is shown in the table below.

	Board	Audit committee	Remuneration committee	Nominations committee
Total number of meetings	10	3	4	4
Executive directors				
Alan Dunsmore	10			
Ian Cochrane	10			
Derek Randall	10			
Adam Semple	10			
Non-executive directors				
Kevin Whiteman[1]	10		4	4
Tony Osbaldiston	10	3	4	4
Alun Griffiths	10	3	4	4
Louise Hardy[2]	10	0	4	
Rosie Toogood[3]	10	2	4	4
Mark Pegler[4]	4	2	3	1

[1] As chairman, Kevin Whiteman is not a member of the audit committee but has attended meetings as a guest.

[2] Louise Hardy was unable to attend one audit committee meeting due to an unavoidable clash with another board commitment and two others due to personal reasons.

[3] Rosie Toogood was unable to attend one virtual audit committee meeting due to an IT outage.

[4] Mark Pegler was appointed to the board on 5 October 2022 and has attended all board and committee meetings held since that date.

Meetings were held at the Group's offices in Dalton and York, North Yorkshire, but also at various locations in London, and at the offices of the Group's other operating subsidiaries to provide non-executive directors the opportunity to increase their knowledge and understanding of the Group's operations. During the year, some of these meetings were held remotely by video conference, in the interests of sustainability and efficiency.

Board strategy review

In addition to regular scheduled board and board committee meetings, the board undertakes an annual strategy away day each year in December. The agenda for the strategy away day is agreed in advance, including specific strategic issues which have been raised at previous board meetings or requested by the board.

Board visit to India

This year, in February, the whole Board undertook a four-day visit to India. During a busy week the Board spent time with JSSL managers in Mumbai, Bellary and Hyderabad getting to know more about the dynamics of the business as well as touring the production facility and visiting construction sites. Time was also spent with some key JSSL clients and with our joint venture partner JSW. These activities helped inform strategy discussions to take advantage of the clear growth opportunities in India.

CORPORATE GOVERNANCE REPORT

Board meetings for the current year
During the financial year, the board discussed and implemented the following key actions:

April 2022

- Meeting Severfield (NI)'s management team and undertaking factory tour at Ballinamallard
- Reviewed the statement of compliance in accordance with the Modern Slavery Act
- Reviewed and approved the Group's pre-close trading statement issued on 20 April 2022
- Reviewed and approved proposed AGM arrangements for 2023
- Reviewed proposals for capital expenditure for 2023

June 2022
2 meetings

- Received feedback from the chairman of the nomination committee on the board evaluation undertaken by the senior independent director
- Presentation on the commercial and industrial division from the divisional managing director Rob Evans
- Reviewed and approved annual report and accounts and results announcement for the year ended 26 March 2022
- Reviewed and approved proposed payment of a final dividend for the year ended 26 March 2022
- Assessed going concern and longer-term viability of the Group and reviewed the effectiveness of internal controls
- Approved the launch of a new savings plan under the rules of the Severfield Sharesave Scheme and the relevant share options that would be granted as a result
- Reviewed and approved proposed auditor fees for the year ended 25 March 2023
- Reviewed and approved the final budget for the year
- Reviewed and approved a large tender over £50m
- Reviewed and approved proposed increase in the limit under the Group authorisation policy for approval by the Board of UK tenders due to steel price inflation
- Reviewed and approved AGM notice

July 2022

- Reviewed first quarterly forecast for the year ended 25 March 2023
- Reviewed feedback on year-end results for the year ended 26 March 2022
- Received an update on the Atlas Ward pension scheme valuation

September 2022

- Reviewed and approved the Group's AGM trading statement issued on 8 September 2022
- Reviewed and approved an update to the Company's conflicts of interest policy, received annual statements of compliance from directors and approved related parties list and conflicts of interest disclosed
- Reviewed a paper summarising investor representatives' comments ahead of the AGM
- Reviewed and approved proposed appointment of Mark Pegler as a non-executive director and approved the relevant RNS announcing the appointment
- Reviewed and approved proposed board and board committee calendar of meetings for financial year ending 30 March 2024
- Received an update on cyber risk from the Group's IT director, Richard Davies
- Reviewed and approved a large tender over £50m
- Reviewed a paper on the Group's energy costs

October 2022

- Site visit and factory tour at Carnaby, home of Severfield Infrastructure Limited, and a presentation on the nuclear & infrastructure division from divisional managing director Jim Martindale

November 2022
2 meetings

- Site visit and factory tour at Dalton and management briefings from the Group manufacturing director Mike Mannion and from the Group HR director Sam Brook
- Reviewed and approved half year results for the year ended 25 March 2023
- Approved interim dividend for the year ended 25 March 2023
- Reviewed second quarterly forecast for the year ended 25 March 2023
- Approval for proceeding with due diligence on the Voortman acquisition
- Reviewed and approved a large tender over £50m

December 2022

- Off-site strategy day
- Reviewed and approved a large tender over £50m

January 2023

- Approval for completing the Voortman acquisition
- Reviewed investor feedback on interim results for the year ended 25 March 2023
- Received an update on a recent cyber disaster recovery test exercise undertaken by management with insurers
- Reviewed and approved proposed increase in the limit under the Group authorisation policy for approval of JSSL tenders by the Board due to steel price inflation
- Reviewed and approved a proposal to undertake an externally facilitated board effectiveness review

February 2023

- Board visit to India

March 2023

- Visited the Everton new stadium development project and received briefings from the project team and met with our client Laing O'Rourke's project director
- Approved the budget for the year end 30 March 2024
- Reviewed and approved the Group's pre-close trading statement issued on 27th March 2023
- Reviewed the register of directors' interests in shares
- Reviewed proposed pay review of the wider workforce

CORPORATE GOVERNANCE REPORT

Key matters considered by the board

Board and committee activities are organised throughout the year to address the matters reserved for the board. An overview of the board's principal decisions during the year, including how the board has taken into account the factors set out in section 172 of the Companies Act 2006 ('the Act'), is set out below. From the board's engagement with its stakeholders, see pages 126 and 127, there were no specific issues raised during the year that influenced these decisions.

Principal decision	Action taken	Outcome	Key stakeholder groups considered
Pay review	As part of our ongoing drive to improve internal equity across our Group and create an environment where everyone feels valued and fairly rewarded for the contribution they make, 'pay and benefits' has been an area of focus for us during the year.	One-off cost-of-living payments and enhanced employee benefit packages. In addition, we have implemented higher pay increases for our more junior and lower paid colleagues. All of our colleagues are paid at or above the real living wage.	Our workforce, their families and their communities.
Refinancing	Reviewed the levels of our existing senior lending facilities and whether to seek an increase and considered the timing of when to renew.	Extended our revolving credit facility from £50m to £60m in March 2023.	The increased facility provides the Group with enhanced liquidity, following the acquisition of VSCH, and additional long-term financing to help support its growth strategy. The decision considers all stakeholders that benefit from execution of the strategy and the Group's viability.
Strategy review	Comprehensively reviewed progress against strategy. Monitored market trends, including the macroeconomic environment, supported by comparative data and customer insight. Considered the impact of the strategic plan on the retention and development of employees. Reviewed the Group's long-term financial outlook and assessed and prioritised growth opportunities. Reviewed the Group's four-year strategic plan and divisional strategic plans and priorities to ensure they remained fit for purpose.	Approved the three-year strategic plan.	In approving the strategy and business plans and purpose, the views of all our stakeholders were considered. Our success depends on good relations with members of our workforce, customers and supply chain. Before publishing the Group's purpose, the views of our workforce will be considered via the My Voice forums.
Setting the annual Group budget and subsequent forecast modelling for going concern purposes	Reviewed Group budgets for FY24 and high-level profit and cash forecasts for the next 15 months. Reviewed general market conditions and key trends that support the Group's strategy.	Approved the viability statement and going concern assumption.	In reviewing the budget and subsequent forecasts, the board considered the impact on all stakeholders.

Principal decision	Action taken	Outcome	Key stakeholder groups considered
Determining the Group's approach to risk	Reviewed and made changes to the Group's principal risks and emerging risks that could impact the Group's strategic objectives. Considered the impact of risks arising from uncertainties in the market and the wider economy, including inflation.	Maintained as 'high' risk our assessment of the risk of a serious health and safety incident but reduced to 'medium risk' the impact of macro-economic factors such as inflation and shortages of labour on our ability to maintain and recruit the people resources needed to deliver a high order book and our assessment of supply chain risk.	The board considered the impact on all stakeholders, in particular those identified in the principal risks section on pages 92 to 102.
Recommending a final dividend	Considered whether to declare a final dividend for the year ended 26 March 2022 in the light of the Group's overall financial position and its other financial commitments.	Recognising the importance of the dividend to our investment case and our shareholders, we recommended the payment of a final 2022 dividend of 1.9p per share (an increase of 6 per cent) having taken into account the Group's overall financial position and its other financial commitments.	The board considered the impact on its shareholders of its progressive dividend policy and balanced this with the needs of other stakeholders.
The Group's approach to sustainability and climate	The board reviewed management's proposed approach to sustainability matters including climate risk.	The board approved management's proposed approach to the setting of targets and goals on key climate-related and other sustainability matters.	The board, mindful of its duty to promote the success of the Company whilst considering the broader interest of external stakeholders, took a proactive approach to considering how to minimise the impact of its operations on the environment.
Voortman acquisition	The board reviewed management's proposals to acquire the Voortman Steel Construction group of companies	The board approved management's proposals to make its first European acquisition	The board, mindful of its duty to promote the success of the Company and deliver a strategy of European growth and diversification and the broader interest of external stakeholders, took the decision to make the relevant investment.
Pension scheme valuation	The board reviewed management's proposed approach to funding the deficit in the Atlas Ward pension scheme	The board approved management's proposed funding strategy	The board took into account the needs of current and deferred members of the pension scheme and the wider interests of other stakeholders in taking a balanced approach to reducing the deficit whilst maintaining sufficient cash and working capital resources to support the Group's overall business strategy.

CORPORATE GOVERNANCE REPORT

Engagement with stakeholders

The board considers the needs and priorities of each of the Group's stakeholders during its discussions and as part of its decision-making process. This, together with considering the long-term consequences of decisions and maintaining our reputation, is integral to the way the board operates.

Our stakeholder map identifies our key stakeholder relationships and the impact that the business has on each of those groups and our engagement with those groups. The table below summarises the board's understanding of the key interests of our stakeholders:

Clients/customers	Workforce	Supply chain	Communities	Shareholders	Funders
Excellent customer service, with delivery of projects on time and to budget. Early contract engagement, providing problem-solving solutions and balancing time, cost and quality objectives. A commitment to good ESG practices.	A safe and sustainable environment to work in, investment in personal development and career progression, and a fair, open and honest culture.	Fair treatment and respect, with prompt payment for work undertaken in a safe and sustainable working environment, with opportunities for repeat business.	Operating ethically and sustainably, causing minimal impact from our activities. Creating social value through employment opportunities, helping people back to work and investing in the local community by using local suppliers and services.	Robust operational and financial risk management, strong returns on investment decisions, effective communication of strategy and a progressive dividend policy.	Strong cash management, robust working capital management and risk management and good communication through regular financial updates.

With regard to our clients, supply chain and communities, these groups are recognised by the board as integral to our business model and, as such, are considered regularly by the board. In practice, however, our clients, supply chain and communities vary with each Group company and therefore the Group companies manage day-to-day engagement with these important stakeholder groups. Our Group SHE director and our Group head of procurement assist in managing relationships with those subcontractors and suppliers who are common to more than one Group company. Further details of our engagement with communities can be found on page 41.

The board engages directly with the Group's shareholders, suppliers, workforce and funders, and has undertaken the following activities in 2023:

Shareholders

Providing sustainable returns to our shareholders is a key factor in the board's decision-making. The chairman and the non-executive directors are available to meet with shareholders to listen to their views.

The board recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood. The Group encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing.

The executive directors undertake a programme of regular communication with institutional shareholders and with analysts covering the Group's activities, its performance and strategy, and issues regular trading updates to the market.

Alan Dunsmore and Adam Semple attended several meetings with institutional shareholders, private investors and analysts during the year, at the time of the announcements of the Group's annual and half-year results. Feedback from those meetings was reported to the board, including the non-executive directors, and was factored into the board's strategy review and its decision to declare a final dividend and to appoint a joint broker.

In addition, a Capital Markets Day was held in March 2023 at Lord's where we were able to make more detailed presentations on the dynamics of our new divisional structure and Project Horizon. The board generally uses the AGM to communicate with private investors and encourages their participation. The notice of the AGM, detailing all proposed resolutions, is communicated to shareholders at least 20 working days before the meeting.

We consulted directly with our major shareholders on our proposed remuneration policy changes as set out in more detail in the directors' remuneration report.

Suppliers
The board reviewed and approved the continuation of our prompt payment policy and throughout the year we continued to pay the majority of our suppliers on time.

Workforce
Recognising the importance of input and feedback from all colleagues in helping us deliver on our strategic goals, we made good progress with our group-wide My Voice forum during the year, facilitated by Louise Hardy, the Group's designated non-executive director responsible for workforce engagement. The forum provides a formal way for colleagues and management to connect, gain feedback and exchange information and views on any business-related topic. Louise, the Group CEO Alan Dunsmore and the Group HRD Samantha Brook, attend all My Voice forum meetings. Louise provides verbal updates to the board following each forum meeting and written updates on what was heard and discussed at the forums and the actions the executive committee have taken to address these points are provided to the board by the Group HR director on a quarterly basis.

In addition, during the year, members of the board visited various sites across the Group and met with groups of employees, discussing with them their experiences and views.

In 2023 we continued to develop our intranet, 'Severfield Connect'. This has enabled us to communicate with colleagues who are away from work, to share updates and information with them and to engage in dialogue through the comments feature. Colleagues across the Group have raised issues and questions with management, and these have been discussed openly with our executive directors and have informed our approach in many areas. Throughout the year, our executive directors have kept our employees informed of our financial performance through newsletters, email notifications and briefing sessions, and made colleagues aware of any external factors and significant events that might have an impact on our business.

Funders
The Chief Financial Officer meets with the Group's banks and performance bond issuers to discuss the full-year and half-year results, to update them on the Group's performance and discuss any issues that they wish to raise. These meetings are important in ensuring that the Group has sufficient facilities available. The Chief Financial Officer advised the board that no issues or concerns had arisen during the course of these meetings that the board needed to consider in its discussions and decision-making.

The good working relationship established with our banks enabled us to obtain funding for the acquisition of VSCH and to increase our revolving credit facility from £50m to £60m in March 2023.

Board's monitoring of culture
The Group's purpose and culture are closely aligned with our core values which are focused on driving the right behaviours for the Group to succeed. Our culture provides an environment in which our workforce can operate safely, act instinctively with integrity, develop strong and long-term relationships with clients and suppliers, and are treated fairly and with respect. This way we can innovate, evolve and successfully deliver our strategic objectives. We do not experience the typical indications of poor culture such as high staff turnover and absenteeism or a poor attitude to training.

Our executive directors promote our core values throughout the Group. The board as a whole is responsible for ensuring that our culture is maintained.

It does this by meeting with employees and senior managers, undertaking regular site visits and reading regular reports and presentations from Group companies on how they are operating their businesses and taking into account internal audit reports on matters which are heavily influenced by culture and behaviour. The non-executive directors also draw on their own experiences in other organisations in order to challenge and verify that the Group's values and behaviours remain effective. Our chairman, Kevin Whiteman, continues to hold one-to-one meetings with key managers in order to understand culture better and we have continued to have regular board briefings on a wide range of topics from managers of the business at different tiers of the organisation.

We have continued to develop our intranet 'Severfield Connect' in 2023 to enable us to communicate better and develop a more integrated working culture and to track engagement.

CORPORATE GOVERNANCE REPORT

The table below sets out how the board monitors our culture to ensure that behaviours remain aligned with our core values.

WHAT WE MONITOR AND MEASURE	BOARD ACTION IN 2023
Core value – customer focus	
The executive directors keep the board updated on key projects and customer relationships. The board reviews material issues arising on contracts which may impact a Group company or the Group as a whole.	Reviewed Group company board summaries which included information on key clients and suppliers and the performance of contracts. Reviewed market information and tender feedback information, together with business development plans, which focus on key client relationships and new clients with whom we wish to have future business. Approved Group company strategic plans which include information on key clients and client feedback. Approved high value tenders.
Core value – safety first	
The executive reports include information on health and safety performance, including accident frequency rate, incident frequency rate, near misses and high potential incidents and absence days due to sickness/injury. The board regularly reviews information on the safety strategy, updates on personal injury claims, training records and performance, interaction with the HSE, occupational health initiatives and key developments in the market which could impact on safety performance.	Regular monitoring of health and safety performance is a priority for the board and is the first agenda item for all board meetings. Board members attended site and factory safety visits during the year, encouraging employees to suggest improvements and share best practice and reported back to the board on the key messages taken away from these visits. Introduced our new safety initiative 'Safer@Severfield' which aims to further ingrain our culture of employee engagement, commitment and our life saving rules.
Core value – integrity	
The executive directors keep the board updated on the Group's ethical dealings with clients, suppliers and the workforce. We report on e-learning covering a range of ethical matters including supplier payment terms, gender pay and any issues of concern raised by employees whether by way of formal whistleblowing or otherwise. We have policies in place, including the Group's authorisation policy, ethics policy, competition law policy, anti-bribery policy and expenses policy and these are regularly reviewed.	Reviewed output from Cognito (our e-learning tool). Reviewed payment practices reporting submissions and prompt payment code disclosures. Reviewed and approved our modern slavery statement (see page 129). Reviewed statements of compliance from all directors and letters of assurance ('LoA') from the Group's managing directors. Asking colleagues, customers and suppliers on factory and site visits for feedback on our performance.
Core value – commitment	
The executive directors keep the board updated on how the Group is meeting its contractual and commercial commitments to our customers, our suppliers and our workforce.	Challenging the executive directors on any relationship issues arising with any of our customers, suppliers or workforce. Asking colleagues, customers and suppliers on factory and site visits for feedback on our performance.

Board evaluation process

The board considers that the balance of relevant experience amongst the various board members enables the board to exercise effective leadership and control of the Group. It also ensures that the decision-making process cannot be dominated by any individual or small group of individuals.

The Code attaches importance to boards having processes for individual and collective performance evaluation. The performance of individual directors is evaluated annually in conjunction with the remuneration review. The chairman meets with the non-executive directors at least annually to review their performance.

During the year, the board conducted its first externally facilitated board review by appointing Gould Consulting to undertake a formal evaluation of board effectiveness. This process was undertaken using a questionnaire which was completed by all members of the board and the company secretary and focused on the performance of the chairman and overall cohesiveness of the board. Gould Consulting then undertook detailed interviews with each board member and the company secretary and observed a board meeting. The review concluded the Board is operating effectively, but recommended some practical changes to further enhance engagement and contribution. These are being developed into a board improvement plan.

Professional development

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

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

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

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

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

Audit, risk and internal control

Financial and business reporting

The financial statements contain an explanation of the directors' responsibilities in preparing the annual report and the financial statements (page 165) and a statement by the auditor concerning their responsibilities (pages 168 to 175). The directors also report that the business is a going concern (page 56) and detail how the Group generates and preserves value over the longer term (the business model) and the Group's strategy for delivering its objectives in the strategic report (pages 20 to 105). The directors have also made a statement about the long-term viability of the Group, as required under the Code (page 56).

Modern slavery

The board annually reviews and approves the Group's modern slavery statement. The 2023 statement is available on our website at www.severfield.com and explains the actions taken to ensure that we provide the appropriate level of training to members of our workforce, raise awareness of modern slavery among all members of staff, and do not undertake activities or engage suppliers or subcontractors who undertake activities that may be in breach of the Modern Slavery Act 2015. This year we continued to focus on our supply chain, refreshed and added to our training of relevant staff in awareness of modern slavery and encouraged key suppliers to undertake training through the Supply Chain Sustainability School.

Annual report

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

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

Remuneration

The directors' remuneration report is on pages 140 to 164. It sets out the activities of the committee, the levels and components of remuneration and refers to the development of the remuneration policy.

AUDIT COMMITTEE REPORT

The audit committee reviews and reports to the Board on the Group's financial reporting, internal control and risk management systems and the independence and effectiveness of the Auditors.

TONY OSBALDISTON
CHAIR OF THE AUDIT COMMITTEE

Number of meetings

3

Members

Tony Osbaldiston (chair)
Alun Griffiths
Louise Hardy
Rosie Toogood
Mark Pegler (from his appointment in October 2022)

2023 key achievements

- Oversaw the continued development of the Group's systems of risk management and internal control.
- Reviewed and recommended to the main board the report and accounts for the 2023 interim accounts and the year ended 25 March 2023.
- Reviewing management's response to the FRC's request for information in November 2022 under the FRC Corporate Reporting Review Operating Procedures

Membership

All committee members during the year were independent non-executive directors in accordance with the Code.

The members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the committee's duties. Tony Osbaldiston, Mark Pegler and Rosie Toogood are all chartered accountants.

By invitation, there were a number of other regular attendees, including internal and external auditors. Kevin Whiteman, Alan Dunsmore, Adam Semple, Mark Sanderson and Gemma Mortimer (until December 2022 and then Matt Gamble), our Group financial controller, also attended each meeting by invitation.

Meetings are held at least three times per annum and additional meetings may be requested by the external auditor.

There were three meetings in the year.

Role and key responsibilities

The primary function of the committee is to assist the board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information before publication. The committee assists the board in achieving its obligations under the Code in areas of risk management and internal control, focusing particularly on areas of compliance with legal requirements, accounting standards and the Listing Rules (Listing Authority Rules for companies listed on the London Stock Exchange), and ensuring that an effective system of internal financial and non-financial controls is maintained.

The committee also reviews the accounting and financial reporting processes, along with reviewing the roles of and effectiveness of the external auditor. The ultimate responsibility for reviewing and approving the annual report remains with the board.

The responsibility of the committee principally falls into the following areas:

- To monitor the integrity of the financial statements and formal announcements and to review significant financial reporting judgements.
- To review the Group's internal financial and non-financial controls and risk management.
- To make recommendations to the board in relation to the appointment and removal of the external auditor and to approve its remuneration and its terms of engagement.
- To review the nature of non-audit services supplied and non-audit fees relative to the audit fee.
- To provide independent oversight over the external audit process through agreeing the suitability of the scope and approach of the external auditor's work, assessing its objectivity in undertaking its work and monitoring its independence, taking into account relevant UK professional regulatory requirements and the auditor's period in office and compensation.
- To oversee the effectiveness of the internal audit process.
- To oversee the effectiveness of the external audit process, particularly with regard to the quality and cost-effectiveness of the auditor's work.
- To report to the board how it has discharged its responsibilities.

Activities of the committee

The committee addressed the following key agenda items in relation to the 2023 financial year:

- Reviewed the interim results for the period ended 24 September 2022 and the year-end results for the year ended 25 March 2023.
- Reviewed the significant management judgements reflected in the Group's results, including significant contract judgements.
- Discussed the report received from the external auditor regarding the audit of the results for the year ended 25 March 2023. This report included the key accounting considerations and judgements reflected in the Group's year-end results, comments on findings on internal control and a statement on independence and objectivity.
- Reviewed and agreed significant accounting risks and principal business risks for the year ended 25 March 2023.
- Reviewed the Group's risk register.
- Considered and reviewed JSSL's internal audit reports.
- Reviewed and agreed the external auditor's audit planning report in advance of the audit for the year ended 25 March 2023.
- Reviewed the measures taken by management to monitor and review the effectiveness of the Group's internal control and risk management processes, to enable the board to make its annual review of effectiveness.
- Reviewed the long-term viability and going concern statements and the process undertaken by executive management to enable the board to make these statements.
- Considered the effectiveness of the external auditor, KPMG LLP ('KPMG'), their independence and reappointment for the year ending 30 March 2024.
- Reviewed PricewaterhouseCooper LLP's ('PwC') internal audit reports covering various aspects of the Group's operations, controls and processes and approved the internal audit plan.
- Reviewing management's response to the FRC's request for information in November 2022 under the FRC Corporate Reporting Review Operating Procedures.

Fair, balanced and understandable

The committee was provided with, and commented on, a draft copy of the annual report for the year ended 25 March 2023. At the request of the board, the committee also considered whether the annual report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance, business model and strategy. To enable the board to make this declaration, the committee received a paper from management detailing the approach taken in preparing the annual report. The committee is satisfied that, taken as a whole, the annual report and accounts is fair, balanced and understandable.

In carrying out the above processes, key considerations included ensuring that there was consistency between the financial statements and the narrative provided in the front half of the annual report (and that the use of alternative performance measures was appropriate and clearly articulated); that there is a clear and well-communicated link between all areas of disclosure; and that the strategic report focused on the balance between the reporting of weaknesses, difficulties and challenges, as well as successes, in an open and honest manner. In addition, the external auditor reviewed the consistency between the narrative reporting in the annual report and the financial statements.

Risk management and internal control

The board as a whole, including the audit committee members, considers the nature and extent of the Group's risk management and internal control framework and the risk profile that is acceptable in order to achieve the Group's strategic objectives.

AUDIT COMMITTEE REPORT

Details of the Group risk management and internal control processes and its principal and emerging risks are set out in the risk management section of the strategic report on pages 92 to 104. As a result, it is considered that the board has fulfilled its obligations under the Code to carry out a robust assessment of the Company's emerging and principal risks.

Whistleblowing

The Group operates a comprehensive whistleblowing policy. Accordingly, staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The committee reviews adherence with this policy on an ongoing basis.

Viability statement

The committee has undertaken a detailed assessment of the viability statement and recommended to the board that the directors could have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. The viability statement can be found on page 56 of the strategic report.

Financial reporting and significant accounting judgments

The committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements.

Consistent with last year, 'Contract valuation, revenue and profit recognition', is classified as the only significant accounting risk.

Contract valuation, revenue and profit recognition

The committee reviewed and challenged the report of the Chief Financial Officer that set out the main contract judgements associated with the Group's significant contracts. The significant areas of judgement include the timing of revenue and profit recognition, the estimation of the recoverability of contract variations and claims, the estimation of future costs to complete and the estimation of claims received by the Group.

The external auditor performed detailed audit procedures on this accounting risk and reported their findings to the committee. The committee was satisfied that this matter had been fully and adequately addressed by management, appropriately tested and reviewed by the external auditor and that the disclosures made in the annual report were appropriate.

In addition, the committee considered a number of other judgements which have been made by management, none of which had a material impact on the Group's 2023 results. These include the valuation of contingent consideration for DAM Structures, going concern and viability, the valuation of pension scheme liabilities and ESG and climate change disclosures.

Financial Reporting Council

The FRC performed a review of the Group's 2022 annual report and accounts, the results of which were communicated in a letter in November 2022. They raised queries and recommendations to enhance future disclosures, which have been considered by the Committee, and communicated to the FRC in line with their requirements. This allowed

the FRC to close their enquiries in a satisfactory and timely manner.

Accordingly, the company has enhanced certain disclosures made in the financial statements in response to the points raised. The FRC review provides no assurance that the annual report and accounts are correct in all material aspects; the FRC's role is not to verify the information provided but to consider compliance with the reporting requirement. The letter was issued by the FRC on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on this letter by the company or any third party, including but not limited to investors and shareholder.

Internal audit

The Group's internal audit function is currently outsourced to PwC. The committee is responsible for reviewing the role and effectiveness of the internal audit function by monitoring the results of its work and the responses of management to its recommendations. The scope of PwC's work focused on key financial controls and non-financial reviews covering areas of perceived higher business risk. Results and management actions arising from reviews undertaken by PwC in the current year were also discussed in detail at each of the committee's meetings.

External auditor independence and effectiveness

KPMG has acted as the Group's external auditor for a period of eight years. The committee considers the reappointment of the external auditor, including the rotation of the senior statutory auditor, annually. This also includes an assessment of the external auditor's independence and an assessment of the performance in the previous year, taking into account detailed feedback from directors and senior management across the Group.

The committee also assesses the effectiveness, independence and objectivity of the external auditor by, amongst other things:

- considering all key external auditor plans and reports;
- having regular engagement with the external auditor during committee meetings and ad hoc meetings (when required), including meetings without any member of management being present;
- the chairman of the committee having discussions with Craig Parkin, the senior statutory auditor, ahead of each committee meeting; and
- considering the external audit scope, the materiality threshold and the level of audit and non-audit fees.

Following this assessment of the external audit process, the committee agreed that the audit process, independence and quality of the external audit were satisfactory. The committee will continue to assess the performance of the external auditor to ensure that they are satisfied with the quality of services provided.

Reappointment of external auditor

The statutory audit services order ('the Order') requires rotation of audit firms every ten years unless there is a tender, in which case the audit firm can remain as auditor for up to 20 years.

As previously reported, KPMG were selected as the Group's auditor for the year ended 31 March 2016, following a competitive tender process, and were appointed at the AGM on 2 September 2015. The external auditor is required to rotate the senior statutory auditor every five years. The senior statutory auditor responsible for the Group audit for 2023 is Craig Parkin, whose appointment in this role commenced with this audit.

The committee has recommended to the board that a resolution proposing the appointment of KPMG as external auditor be put to the shareholders at the forthcoming AGM.

Non-audit services

The Group's policy on the engagement of the external auditor for non-audit related services is designed to ensure that the provision of such services does not impair the external auditor's independence or objectivity. Under no circumstances will any assignment be given to the external auditor when the result would be that:

- as part of the statutory audit, it is required to report directly on its own non-audit work;
- it makes management decisions on behalf of the Group; or
- it acts as advocate for the Group.

This policy is compliant with the Code and with the FRC's revised Guidance on Audit Committees. It includes restrictions on the scope of permissible non-audit work and a cap on fees for permissible non-audit work (which may not exceed 70 per cent of the average audit fees paid in the last three consecutive years). The policy requires a competitive tender for all work with a fee over £30,000.

For work that is permitted under the policy, authority is delegated to the Chief Financial Officer to approve up to a limit of £50,000 for each assignment and there is a cumulative annual total of less than 50 per cent of that year's audit fee. Prior approval is required by the committee for any non-audit assignments over £50,000 or where the 50 per cent audit fee threshold is exceeded. No non-audit services provided by KPMG during the year ended 25 March 2023 required the approval of the committee.

Details of the auditor's fees, including non-audit fees (which comply with the Group's policy on the provision of non-audit services), are shown in note 4 to the consolidated financial statements. There were no non-audit fees for 2023 or 2022.

Tony Osbaldiston
Chair of the audit committee

14 June 2023

NOMINATIONS COMMITTEE REPORT

The committee ensures the continued effectiveness of the Board through appropriate succession planning and supports the development of a diverse pipeline.

KEVIN WHITEMAN
CHAIR OF THE NOMINATIONS COMMITTEE

Number of meetings

4

Members

Kevin Whiteman (chair)
Tony Osbaldiston
Alun Griffiths
Louise Hardy
Rosie Toogood
Mark Pegler (since his appointment in October 2022)

2023 key achievements

- Recommending the appointment of Mark Pegler as a new non-executive director and chair of the audit committee to succeed Tony Osbaldiston on his retirement.
- Recommending the appointment of Louise Hardy as remuneration committee chair to succeed Alun Griffiths.
- Instructing and then considering the results of an externally facilitated board evaluation.
- Reviewing the Group's succession plans for board and executive committee appointments.

2024 areas of focus

- Using the board skills and diversity matrix, developing a plan for the identification of suitable candidates to recruit or appoint a new non-executive chairman.

Role

The primary function of the committee is to deal with key appointments to the board, and related employment matters. The responsibility and the objectives of the committee principally fall into the following areas:

- To review the structure, size and composition of the board.
- To make recommendations to the board for any changes considered necessary.
- To approve the description of the role and capabilities required for a particular appointment.
- To ensure, having due regard for the benefits of diversity on the board, including gender, and the skills matrix of the board, that suitable candidates are identified and are recommended for appointment to the board.

The committee's terms of reference were last updated in April 2021 and are available on the Group's website (www.severfield.com) and on request from the Company secretary.

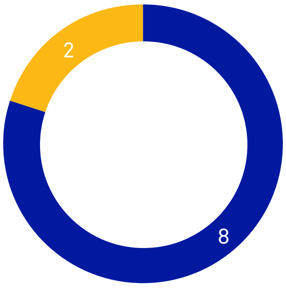
Board effectiveness

In October 2022, Mark Pegler was appointed as a new non-executive director following a recruitment process involving Korn Ferry. The board now consists of ten directors and we consider each of our non-executive directors on the board to be independent. Korn Ferry has supported the board in previous selection processes for new board members but has no other connection with the Company.

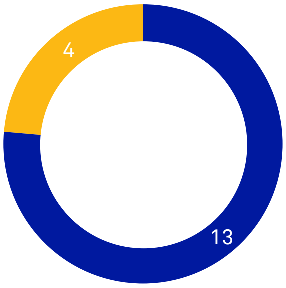
Diversity

We truly value diversity and a culture of inclusion at all levels within the Group. Our equal opportunities and diversity policy sets out the key actions that will be taken to ensure we have a more diverse workforce throughout the Group. We consider diversity to include diversity of background, race, disability, gender, sexual orientation, beliefs and age and encompasses culture, personality and work-style.

Board gender diversity

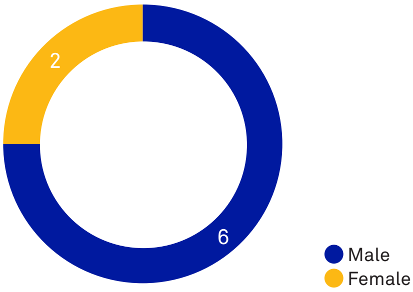


Senior management* gender diversity



* Senior management comprises the board and the executive committee.

Executive committee direct reports gender diversity



Disclosure under Listing Rules 9.8.6R(9) and 14.3.33R(1)

Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	80	4	9	82
Women	20	–	2	18
Not specified/prefer not to say	–	–	–	–

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	10	100	4	11	100
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

We support the principle of seeking to increase the number of women and people from minority ethnic backgrounds on FTSE boards, and to improve representation in leadership positions. We are committed to continuing to broaden the diversity of our own board in terms of both gender and ethnicity, consistent with appointing candidates based on talent and capability. As part of our recruitment process we have instructed search consultants for some time to provide balanced shortlists.

The board has two female directors (20 per cent). Female representation on our executive committee is two (18 per cent) but at the career level below the executive committee, female representation is higher at 25 per cent with many senior finance and HR roles being held by women.

As can be seen from the data in the tables none of the four senior board positions are held by a woman and none of the directors is from a minority ethnic background.

The four senior board positions have not recently been changed and so there has been no opportunity to address this target. Of the three most recent Board appointments two have been women but none have been from an ethnic background since none of the suitable candidates who applied for those roles were from those backgrounds. One male non-executive director is due to retire before the AGM at which point 22 per cent of the Board and 40 per cent of the non-executive directors will be women.

Succession planning

The committee ensures the continued effectiveness of the board through appropriate succession planning and ensures that the Company has in place a succession planning programme designed to identify and develop future senior leaders and to achieve diversity.

Each year the committee meets specifically to review succession plans for the board and for senior management and takes into account the issues arising out of the evaluation of the board's effectiveness and its commitment to diversity.

Evaluation

The committee appointed Gould Consulting to perform a board effectiveness evaluation. In their review, they concluded the board is operating effectively and, in the main, above our FTSE peers, but recommended some practical changes to further enhance engagement and contribution. These have been documented and at the time of writing this report are being developed into a board improvement plan, further details of which we aim to disclose next year.

Kevin Whiteman
Chair of the nominations committee

14 June 2023

DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements for the year ended 25 March 2023.

MARK SANDERSON
GROUP LEGAL DIRECTOR AND COMPANY SECRETARY

> "The directors present their report together with the audited consolidated financial statements for the year ended 25 March 2023."

Overview

As permitted by legislation, some of the matters normally included in this report have instead been included in the strategic report on pages 20 to 105, as the board considers them to be of strategic importance. Specifically, these relate to the Company's business model and strategy, future business developments, research and development activities and risk (including financial risk) management.

The corporate governance report on pages 118 to 129 is incorporated in this report by reference.

After the balance sheet date, but prior to approval of the annual report, Severfield completed the acquisition of Voortman Steel Construction Holdings B.V. ('VSCH'). See note 28 for further details.

Directors

The present membership of the board is set out on pages 110 to 113.

The chairman has no other significant commitments.

The service agreements of the executive directors and the letters of appointment of the non-executive directors are available for inspection at the Company's registered office. Brief details are also included in the directors' remuneration report on page 152.

Appointment and replacement of directors

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

Powers of the directors

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

Directors' indemnities

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

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

Share capital

The Company has a single class of share capital which is divided into ordinary shares of 2.5p each. No other securities have been issued by the Company. At 25 March 2023, there were 309,538,321 ordinary shares in issue and fully paid. Further details relating to share capital, including movements during the year, are set out in note 23 to the financial statements. During the period, shares in the Company were issued to satisfy awards under the Company's share incentive schemes. Further details regarding employee share-based payment schemes are set out in note 22. No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees.

Voting rights and restrictions on transfer of shares

All of the issued and outstanding ordinary shares of the Company have equal voting rights, with one vote per share. There are no special control rights attaching to them save that the control rights of any ordinary shares held in the EBT can be directed by the Company to satisfy the vesting of outstanding awards under its various employee share plans. In relation to the EBT and any unallocated Company shares held in it, the power to vote or not vote is at the absolute discretion of the trustee.

Significant shareholdings

As at 1 June 2023, the Group had been notified of the following voting rights to the Company's shares in accordance with the Disclosure Rules and Transparency Rules of the UK Listing Authority:

Name	Ordinary 2.5p share	%
M&G Investment Management Ltd	28,969,891	9.36
Chelverton Asset Management	24,513,305	7.92
JO Hambro Capital Management	24,030,296	7.76
Unicorn Asset Management	22,000,000	7.11
Threadneedle Asset Management Ltd	16,910,396	5.46
Invesco (including Perpetual & Trimark)	16,373,939	5.29

The Company is not aware of any agreements or control rights between existing shareholders that may result in restrictions on the transfer of securities or on voting rights. The rights, including full details relating to voting of shareholders and any restrictions on transfer relating to the Company's ordinary shares, are set out in the articles and in the explanatory notes that accompany the Notice of the 2023 AGM.

Powers for the Company to buy back its shares and to issue its shares

At the Company's annual general meeting ('AGM') held on 8 September 2022, shareholders authorised the Company to make market purchases of ordinary shares representing up to 10 per cent of its issued share capital at that time and to allot shares within certain limits approved by shareholders. These authorities will expire at the 2023 AGM (see below) and a renewal will be sought. The Company did not purchase any of its ordinary shares during the year.

The Directors were granted authority at the previous annual general meeting on 8 September 2022, to allot shares in the Company: (i) up to one-third of the Company's issued share capital; and (ii) up to two-thirds of the Company's issued share capital in connection with a rights issue. These authorities apply until the end of the 2023 AGM (or, if earlier, until the close of business on 30 September 2023).

During the period, the directors did not use their power to issue shares under the authorities but did issue shares to satisfy options and awards under the Company's share incentive schemes.

The directors were also granted authority at the previous annual general meeting on 8 September 2022, under two separate resolutions, to disapply pre-emption rights. These resolutions, which followed the Pre-emption Group's Statement of Principles (March 2015) on disapplying pre-emption rights applicable at that time, sought the authority to disapply pre-emption rights over 10 per cent of the Company's issued

DIRECTORS' REPORT

ordinary share capital. These authorities apply until the end of the 2023 AGM (or, if earlier, until the close of business on 30 September 2023). During the period, the directors did not use these powers.

Dividends

The directors declared an interim dividend for the six months ended 24 September 2022 of 1.3p per ordinary share (2022:1.2p per ordinary share).

Change of control

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

The Group's banking arrangements expire in December 2026 and can be terminated upon a change of control of the Group.

The Company's share plans contain provisions that take effect in such an event but do not entitle participants to a greater interest in the shares of the Company than created by the initial grant or award under the relevant plan.

Amendment of articles of association

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

Political contributions

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

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the approval of the financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

The key factors considered by the directors in making the statement are set out in the financial review on page 55.

Anti-corruption and bribery matters

The Group updated its anti-bribery policy during the year and prohibits all forms of bribery, both in giving and receiving, wherever it operates. This includes its own employees and any agent or business partner acting on its behalf. No concerns have arisen in relation to such matters during the year and the Group does not regard corruption or bribery as a principal risk. Part of our policy is to undertake due diligence on the risks associated with operating in any high-risk locations.

Employment policies

The company gives full and fair consideration to applications for employment by disabled persons where the candidates aptitude and abilities adequately meet the requirements of the role. It is the Company's policy to provide continuing development of, and to arrange appropriate training wherever practicable where an existing employee becomes disabled. The company also provides equal opportunities for the training, career development and promotion of disabled persons.

Additional disclosures

Additional information that is relevant to this report, and which is incorporated by reference into this report, including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4R, can be located as follows:

- Employees, employee involvement and engagement – pages 126 and 127
- Respect for human rights – page 91
- Social matters – page 51
- Equal opportunities (including for the disabled) – page 138
- Environmental matters – pages 58 to 91
- Greenhouse gas emissions – pages 79 to 81
- Long-term incentive plans – page 157 of the directors' remuneration report
- Statement of directors' interests – page 158 of the directors' remuneration report
- Financial instruments – note 21 to the Group financial statements
- Credit, market, foreign currency and liquidity risks – note 21 to the Group financial statements
- Related party disclosures – note 30 to the Group financial statements
- TCFD recommendations – pages 159 to 161

Disclosure of information to the external auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

External auditor

KPMG LLP acted as the auditor for the Company for the year ended 25 March 2023. KPMG LLP has expressed its willingness to continue in office as external auditor and a resolution to appoint it will be proposed at the forthcoming AGM.

Annual general meeting

The notice concerning the AGM on Wednesday 6 September 2023, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for exercising voting rights, is contained in a circular to be sent to shareholders with this report.

The directors' report from pages 136 to 138 inclusive was approved by the board and signed on its behalf by:

Mark Sanderson
Company secretary

14 June 2023

DIRECTORS' REMUNERATION REPORT

This year we undertook a thorough review of our remuneration policy and incentive framework for executive directors and the senior management team to ensure that they support the Group's long term strategic objectives and purpose and are competitively positioned. This included consultation on proposed changes with the top 10 shareholders and proxy voting agencies. We also completed the alignment of executive pension contributions with the wider workforce.

ALUN GRIFFITHS
CHAIR OF THE REMUNERATION COMMITTEE

Number of meetings

4

Members

Alun Griffiths (Chair)
Kevin Whiteman
Tony Osbaldiston
Louise Hardy
Rosie Toogood
Mark Pegler (from his appointment in October 2022)

2023 key achievements

- Reviewing the remuneration policy and incentive framework.
- Full alignment of executive pension contributions with the wider workforce.
- Assessed performance against the bonus targets and the PSP targets for the year ended 25 March 2023.
- Oversaw further remuneration package improvements for the wider workforce.

Dear shareholder

As chairman of the remuneration committee, I am pleased to present our directors' remuneration report (the 'report') for the year ended 25 March 2023.

The report is split into the following two sections:

- Part 1, the remuneration policy report, which is being submitted to a shareholder vote at the forthcoming AGM on 6 September 2023 as part of our regular three-year cycle, and which sets out the remuneration policy for the executive and non-executive directors; and
- Part 2, the annual report on remuneration, which discloses how the remuneration policy was implemented for the year ended 25 March 2023 and how it will be implemented for the year ending 30 March 2024. The annual report on remuneration will be subject to an advisory shareholder vote at the forthcoming AGM.

I will be retiring from the board shortly and will be succeeded as committee chair by Louise Hardy who is a well-established member of the board and remuneration committee and is currently our workforce engagement director.

Remuneration policy review

This year the committee undertook a thorough review of our remuneration policy and incentive framework for executive directors and the senior management team to ensure they support the Group's long term strategic objectives and purpose and are competitively positioned. The committee consulted with its 10 major shareholders (representing approximately 61 per cent of the Company's issued share capital) and three proxy voting agencies. After careful consideration and confirming support from major shareholders, the committee proposes two key changes to the remuneration policy.

1. Replace the current PSP with a restricted share plan

The committee believes that restricted shares alongside an annual bonus arrangement will better support our high-performance culture and is the right approach for Severfield. In particular:

- Restricted shares provide a more meaningful approach to incentivising the delivery of long-term sustainable performance and protecting shareholder value throughout the industry cycle and enabling participants to build up their shareholding – therefore further promoting effective stewardship of the business.
- As a business, we will need to flex our financial and non-financial priorities in order to continue to deliver long term sustainable returns in an uncertain macro and geo-political environment. This incentive structure provides the committee with an agile means of incentivising against key financial and non-financial priorities (through the annual bonus), which ultimately support the long-term success of the business.
- It is a simpler and more transparent incentive structure.

2. Increase the maximum annual bonus opportunity from 100 per cent to 125 per cent of salary

A maximum bonus opportunity of 100 per cent of salary has been in place for over nine years. Under the direction of the leadership team, the Group continues to successfully deliver against its sustainable growth strategy, enhancing its UK and European order book with a broad diversity of sectors, geographies and clients. This includes moving into the nuclear and infrastructure market following the acquisitions of Harry Peers in 2019 and DAM Structures in 2021, making the strategically significant acquisition in Europe of Voortman Steel Construction in 2023, building a modular offering, and continued development of its operations in India. Over the last five years, the Group has delivered 16 per cent CAGR in revenue and 15 per cent CAGR in order book . Furthermore, the Group is well positioned to continue to build on this success. This has undoubtedly resulted in an increase in the Group's size and complexity over recent years.

With this in mind, and to ensure that the remuneration arrangements remain competitive against both FTSE SmallCap companies of a similar size and complexity and industry peers, the maximum bonus opportunity under the new policy has been increased to 125 per cent of salary for all executive directors. We will also be including an ESG metric alongside our health and safety bonus target.

DIRECTORS' REMUNERATION REPORT

Overview of changes to the incentive framework

	Current policy	Proposed approach under new policy
ANNUAL BONUS		
Maximum opportunity	100 per cent of salary.	Increased maximum opportunity to 125 per cent of salary.
Deferral	50 per cent of amount earned is deferred into shares for three years.	Maintain the current level of deferral in absolute terms. Meaning that, when considered alongside the increase in maximum opportunity to 125 per cent of salary, 40 per cent of any bonus earned is deferred into shares for three years. I.e. if the maximum bonus is earned, 50 per cent of salary is deferred (40 per cent of 125 per cent of salary). **Rationale**: The committee considers that this approach is appropriately aligned with market practice (circa 40 per cent of FTSE SmallCap companies that operate bonus deferral require at least one third but less than one half of any bonus to be deferred). Additionally, until the shareholding guideline of 200 per cent of salary has been met, executive directors are required to retain all shares from deferred bonus awards and long term incentive awards that vest (net of tax).
LONG TERM INCENTIVE		
Form of award	PSP awards	Restricted share awards
Maximum opportunity	Awards in recent years have been granted at 100 per cent of salary for the Chief Executive Officer and Chief Operating Officer and 75 per cent of salary for the Chief Financial Officer and Managing director of JSSL. Overall maximum opportunity of 150 per cent of salary.	Awards granted to executive directors in 2024 will be equal to 50 per cent of salary. **Rationale**: The committee is mindful of market practice and shareholder expectations as regards setting restricted share award levels at 50 per cent of the maximum PSP opportunity. However, the committee considers that the maximum PSP opportunity granted to the Chief Financial Officer and Managing director of JSSL in recent years is below the lower end of market practice compared to FTSE SmallCap companies of a similar size and complexity and industry peers. Therefore, in 2023, all executive directors will be granted restricted share awards equal to 50 per cent of salary which represents a 50 per cent discount to the face value of PSP awards recently granted to the Chief Executive Officer and Operating Officer, and provides alignment across the executive director cohort. Overall maximum opportunity of 75 per cent of salary. **Rationale**: Represents a 50 per cent discount to the overall maximum PSP opportunity under the current policy. Ensures that there is flexibility during the three year policy period to provide competitive remuneration packages taking into account the size and complexity of the Group and potential changes to business needs. Should the committee propose an increase in the award level (i.e. above 50 per cent of salary) during the life of the policy, we will engage with shareholders as appropriate.
Timeframe	Three year performance period, two year holding period.	Three year vesting period, two year holding period.
Performance	Awards granted in recent years have been subject to EPS performance.	Awards will be subject to underpins based on the financial stability of the business, sustainability of the Group's underlying performance, risk management, safety performance and ESG performance.

Impact of changes on total compensation

The committee has been mindful of the impact of the proposed changes on the value of the executive directors' remuneration packages. Following the proposed changes, the executive directors' total target compensation opportunities are broadly positioned between the lower quartile and median compared to FTSE SmallCap companies of a similar size and complexity and industry peers.

The committee is also mindful that salary positioning for the Chief Executive Officer and Chief Financial Officer is positioned towards the lower end of market practice compared to FTSE SmallCap companies of a similar size and complexity and industry peers and the committee will keep this under review during the life of the policy.

Remuneration for the wider workforce

Incentives and benefits provision for the wider workforce were reviewed in 2022 and 2023 with the aim of achieving a more consistent offering. Key changes were as follows:

- The number of employees participating in the annual bonus has increased by circa 63 per cent. Participants now include directors, senior managers and selected employees in specialist critical roles.
- Employees who do not participate in the annual bonus receive a discretionary £750 payment in the December payroll.

- The number of employees who receive Private Medical Insurance has increased by circa 69 per cent.
- The employer pension opportunity available to the wider workforce has recently been increased to 7 per cent of salary, which is now aligned to executive directors.
- All employees are currently paid at or above the Real Living Wage.

A number of these points were raised and discussed at the 'MyVoice' forum.

Performance and reward 2023

The Group has delivered on strategic and operational priorities during the year resulting in strong financial performance and a robust forward order book. The Group continues to strengthen its presence in new markets and is well positioned to optimise longer term growth opportunities. This is testament to the quality and commitment of our executive leadership team.

Annual bonus outcome

Executive directors were granted an annual bonus opportunity equal to 100 per cent of salary. 80 per cent of the award was based on underlying PBT[2] performance and 20 per cent based on safety performance.

The Group achieved underlying PBT of £32.5m which was above the maximum bonus target and this element will pay out in full. Notwithstanding our very strong safety performance relative to the sector in which we operate, with rates well below the industry average, the stretching IFR targets set for FY23 for the Group were not met and this element of bonus will not pay out. The UK based executives therefore earned a bonus of 80 per cent of salary, 50 per cent of which is deferred into shares for three years.

Derek Randall, as MD of JSSL, is assessed on Group underlying PBT and JSSL PBT (split 50:50) and JSSL AFR in relation to safety performance. JSSL PBT was on target and JSSL AFR was above the maximum bonus target. Therefore, Derek Randall earned a bonus equal to 81 per cent of salary, 50 per cent of which is deferred into shares for three years.

→ See page 155 for details

PSP vesting

Awards were granted on 18 December 2020 equal to 100 per cent of salary for the Chief Executive Officer and the Chief Operating Officer and 75 per cent of salary for other executive directors. The grant of the awards was deferred by circa six months due to the uncertainty caused by the COVID-19 pandemic. The awards were subject to EPS targets for the year ended 25 March 2023, which at the time were considered appropriate in the uncertain economic climate that prevailed. The Group achieved EPS of 8.48p which was above the maximum target of 8.36p. The awards will therefore vest in full in December 2023. Vested shares will be subject to a two year holding period. See page 155 for details.

The Committee considers the vesting outcome of the annual bonus and PSP awards to be appropriate, recognising that the Group has continued to perform strongly, both financially and strategically, in a challenging economic environment over the last three years. Furthermore, in respect of the PSP awards, the Committee is satisfied that no adjustment for potential windfall gains is required taking into account the share price at grant and current share price. No discretion has therefore been applied by the committee to adjust the formulaic vesting outcome of the annual bonus or PSP awards.

Implementation of policy for 2024

Base salaries and fees

Salaries for the executive directors were reviewed in June 2023 and have been increased by 5 per cent. The overall salary increases for the wider workforce ranged from 5-7 per cent of salary.

The chairman and non-executive director fees are currently under review.

Annual bonus

The maximum annual bonus opportunity will be 125 per cent of salary for all executive directors. Given the Group's focus on sustainability, an ESG performance metric has been introduced alongside the underlying PBT and safety performance metrics. 80 per cent of the annual bonus is subject to PBT performance, 15 per cent is subject to safety performance and 5 per cent is subject to ESG performance.

Restricted share awards

It is the committee's intention to grant restricted share awards at 50 per cent of salary to all executive directors, subject to shareholder approval of this change in policy. Awards will vest after three years subject to the satisfaction of performance underpins. Vested awards will be subject to a two year holding period. Details of the performance underpins are set out on page 147.

Conclusion

The committee greatly appreciates the feedback and level of support received from shareholders regarding the remuneration policy review. We strongly believe that the proposed changes are in the best interests of the business and its shareholders.

We remain committed to a responsible approach to executive pay. We believe that the policy operated as intended in respect of the financial year ended 25 March 2023 and consider that the remuneration received by the executive directors was appropriate taking into account Group and personal performance, and the experience of shareholders and employees.

I look forward to answering any questions shareholders might have, and your continued support.

Alun Griffiths
Chairman of the remuneration committee
14 June 2023[1]

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[1] This report complies with the provisions of the Companies Act 2006, the Large and Medium-sized Companies and Groups Regulations 2008 as amended in 2013, the UK Corporate Governance Code 2018 and the UKLA Listing Rules and the Disclosure and Transparency Rules. The remuneration committee has also taken into consideration guidelines published by institutional investor advisory bodies such as the Investment Association and ISS.

[2] A reconciliation of APMs is provided in note 31.

DIRECTORS' REMUNERATION REPORT

Part 1 – Remuneration policy

This section of the report sets out the proposed directors' remuneration policy ('policy'). This policy will be put forward to shareholders for their approval at the AGM on 6 September 2023 and, if approved, will be effective from this date. It is intended that the policy will remain in place until the 2026 AGM.

The Annual Report on Remuneration details how the existing directors' remuneration policy has been implemented over FY23 and how the policy will be implemented in FY24.

Decision making process

The committee has undertaken a comprehensive review of the remuneration policy to ensure that it continues to incentivise executive directors and senior management to achieve the Group's strategic objectives and deliver long-term sustainable returns to shareholders. In determining the changes to the remuneration policy the committee followed a robust process which included discussions on the content of the remuneration policy and remuneration structure at three committee meetings. The committee considered input from management and our independent advisers and consulted with major shareholders. Management did not take part in any decision making discussions as regards changes to the remuneration policy in order to avoid any conflicts of interest. The key changes to the remuneration policy are set out on page 141.

How the committee addressed the factors in Provision 40 of the UK Corporate Governance Code

The committee ensures that the remuneration structure for executive directors is aligned with our key remuneration principles, which incorporate the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture set out in the 2018 UK Corporate Governance Code.

Clarity and simplicity	We operate a simple and transparent remuneration framework, made up of three key elements: fixed pay (including base salary, benefits and pension); annual bonus; and the Restricted Share Plan. The structure is simple to understand both for participants and shareholders.
Alignment to strategy and culture	The remuneration structure supports the Group's business strategy through a balanced mix of short and long-term performance related pay. The remuneration principles encourage behaviours expected of executive directors in terms of setting the standards and promoting a healthy culture across the Group.
Risk is appropriately managed	Annual bonus opportunities and targets are positioned to reward strong performance, but not to encourage inappropriate business risk taking. Executive directors are subject to within-employment and post-employment shareholding guidelines to further support sustainable decision making. Malus and clawback provisions apply to annual bonus and restricted share awards and the committee has the means to apply discretion and judgement to vesting outcomes.
Proportionality	A significant proportion of executive remuneration is linked to performance through the incentive framework, with a clear line of sight between performance against the selected performance conditions and the delivery of long-term shareholder value. Performance conditions and the underlying targets for the annual bonus are reviewed by the committee each year to ensure that they are directly aligned with the Group's strategic priorities. Through the all-employee share plans we encourage and enable long-term share ownership for all employees, supporting the long-term nature of our business and its returns.
Predictability	The 'illustration of the application of the policy' chart on page 149 indicates the potential values that may be earned through the remuneration structure.

Policy table for executive directors

BASE SALARIES

Purpose and link to strategy

To provide the core reward for the role recognising knowledge, skills and experience, in addition to the size and scope of the role.

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

Operation

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

Base salaries are pensionable.

The salary review takes into account the levels of increase across the broader workforce, changes in responsibility, Group and personal performance and a periodic remuneration review of comparable companies.

Maximum opportunity

There is no prescribed maximum base salary or salary increase.

Salary increases (in percentage of salary terms) will ordinarily be considered in relation to those applied to the broader workforce. The committee retains discretion to award higher increases in certain circumstances including, but not limited to: significant changes in the scope and/or responsibilities of the role; a material change in the size and scale of the Group; an executive director's development or performance in role (e.g. to align a new appointment's salary with the market over time); and/or to take account of relevant market movements.

Performance conditions

None, although the committee considers individual salaries each year having regard to the factors noted in the 'operation' section.

BENEFITS

Purpose and link to strategy

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

Operation

Benefits include, but are not limited to: life assurance at four times salary; medical insurance for self with option to purchase for family; and company car and fuel allowance.

Relocation expenses may be offered if considered appropriate and reasonable by the committee.

In circumstances where an executive director is deployed on an international assignment, their arrangements will be managed in a way that is consistent with good practice for international organisations. Additional allowances may also be paid, e.g. to cover any increase in cost of living, tax equalisation and/or additional accommodation costs. Any reasonable business-related expenses can be reimbursed (including the tax thereon if determined to be a taxable benefit).

The committee may offer executive directors other employee benefits on broadly similar terms as those offered to other employees from time to time. This includes participation in any all-employee share plans operated by the Group, in line with the prevailing tax legislation and HMRC guidelines (where relevant).

Maximum opportunity

The value of insured benefits can vary from year to year based on the costs from third party providers. The committee reviews the cost of the benefits provision on a regular basis to ensure that it remains appropriate. The total value of benefits (excluding relocation and international assignment allowances) will normally not exceed more than 15 per cent of salary in any year. The maximum level of participation for all-employee share plans, if relevant, is subject to the limits imposed by HMRC from time to time (or a lower cap set by the Group).

Performance conditions

No performance conditions apply to benefits.

DIRECTORS' REMUNERATION REPORT

PENSION

Purpose and link to strategy

To provide an appropriate level of retirement benefit.

Operation

Group contribution to defined contribution scheme (own or the Group's), a cash supplement or a combination of both.

Maximum opportunity

The maximum pension contribution or cash supplement (or combination of both) for executive directors is aligned with the contribution available to the wider workforce (currently 7 per cent of salary).

Performance conditions

No performance conditions apply to pension.

ANNUAL BONUS

Purpose and link to strategy

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

Operation

Annual awards based on performance conditions (typically measured over a financial year) set by the committee usually at the beginning of each financial year.

Up to 60 per cent of any amount earned is paid in cash with the remainder deferred into shares for three years.

Dividends may accrue on deferred bonus shares. Any dividend equivalents would normally be delivered in shares.

Malus and clawback provisions apply (see table on page 147).

Maximum opportunity

Maximum opportunity of up to 125 per cent of base salary in respect of a financial year.

Performance conditions

At least 50 per cent of the annual bonus will be based on financial performance conditions.

The committee will review the appropriateness of performance conditions on an annual basis taking into account the business objectives and strategy at the time.

For financial performance conditions, vesting will normally apply on a scale between 0 per cent and 100 per cent with up to 50 per cent vesting for on-target performance.

For non-financial performance conditions, vesting will normally apply on a scale between 0 per cent and 100 per cent based on the committee's assessment of the extent to which the relevant condition has been met.

The committee has discretion to adjust the bonus outcome if it is not deemed to reflect the underlying performance of the Group, the performance of the individual or the experience of shareholders or employees during the performance period.

RESTRICTED SHARE PLAN (‘RSP’)

Purpose and link to strategy

Reward for long-term sustainable performance and provide alignment with shareholders’ interests.

Operation

Annual awards will be granted in the form of nil-cost share options or conditional share awards.

Awards are subject to continued service and the achievement of performance underpins normally measured over a three-year period. The awards will vest following the assessment of the performance underpins.

Vested awards will be subject to a two-year post-vesting holding period.

Dividends may accrue on awards. Any dividend equivalents would normally be delivered in shares.

Malus and clawback provisions apply (see table on page 147).

Maximum opportunity

Maximum opportunity of up to 75 per cent of base salary in respect of a financial year.

For the year ending 30 March 2024, the maximum opportunity will be equal to 50 per cent of base salary for each executive director.

Performance underpins

Performance underpins are determined by the committee on an annual basis.

If one or more of the performance underpins are not achieved, the committee will assess an appropriate reduction to the vesting outcome.

In addition, the committee has discretion to reduce the vesting outcome if it is not deemed to reflect the underlying performance of the Group, the performance of the individual or the experience of shareholders or employees during the vesting period.

SHAREHOLDING GUIDELINES

Purpose and link to strategy

To strengthen the alignment between the interests of the executive directors and those of shareholders.

Operation

Within-employment

Executive directors are expected to build up and retain a shareholding equal to 200 per cent of salary. Executive directors are required to retain shares acquired under equity incentive schemes, net of tax, until such time as they have built up the expected holding.

Post-employment

Executive directors who step down from the Board are normally expected to retain a shareholding in ‘guideline shares’ equal to 200per cent of salary (or their actual shareholding at the point of stepping down if lower) for two years following stepping down from the Board.

‘Guideline shares’ do not include shares that the executive director has purchased, shares that have been acquired under all-employee share plans or shares that have been acquired pursuant to the vesting of performance share plan awards or deferred bonus awards granted prior to 1 April 2020.

The committee retains discretion to waive this guideline if it is not considered appropriate in the specific circumstances.

Notes on policy table

Malus and clawback

Malus and clawback provisions apply to annual bonus, deferred bonus awards and restricted share awards over the following time periods:

	Malus	Clawback
Annual bonus	To such time as payment is made.	Up to three years following payment.
Deferred bonus awards	To such time as the award vests.	No clawback provisions apply (as malus provisions apply for three years from the grant of the award).
Restricted share awards	To such time as the award vests.	Up to three years following vesting.

DIRECTORS' REMUNERATION REPORT

Malus and clawback may apply in the following circumstances:

- Material misstatement of financial results.
- The bonus outcome or the number of shares granted or vesting under deferred bonus awards or restricted share awards was based on error, inaccurate or misleading information.
- Substantial failure of risk control.
- Serious misconduct by the participant.
- Corporate failure.
- The Group suffers a material downturn in its financial or operational performance which is at least partly due to a material failure in the management of the Group to which the individual made a material contribution.
- The Group suffers reputational damage which is at least partly due to a material failure in the management of the Group to which the individual made a material contribution.
- Other exceptional circumstances as determined by the committee.

Choice of performance conditions

The performance conditions for the annual bonus reflect the Group's annual financial and strategic priorities. The annual bonus currently incorporates an underlying PBT, ESG and health and safety performance condition. Targets are set taking into account the Group's internal financial forecasts and ESG and health and safety performance expectations at the start of the financial year. This reflects our commitment to maintaining a safe working environment for our people, our commitment to achieving our emission reduction targets and our wider commitments to society.

The committee will review the performance underpins for restricted share awards on an annual basis to ensure that they continue to safeguard the financial stability of the business and provide sufficient focus on strategic priorities, ESG performance and regulatory compliance. Performance underpins will ordinarily be qualitative, and the committee will use its judgement to assess "in the round" whether the level of vesting is appropriate having regard to the underpins and underlying financial and operational performance. The performance underpins applying to the 2023 restricted share awards are set out on page 147.

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

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

The committee will operate the annual bonus (including the deferred share element) and the RSP according to their respective rules. The committee retains certain discretions, consistent with market practice, relating to the operation and administration of these plans, including:

- The timing of the grant and/or vesting of awards.
- The quantum of awards (up to plan and policy limits).
- The determination of performance conditions, underpins and targets and resulting vesting levels.
- The determination of the treatment of individuals who leave employment and the treatment of awards in exceptional events such as a change of control of the Company.
- The ability, in exceptional circumstances, to settle share-based awards in cash (for example, where share settlement is not feasible due to regulatory restrictions).
- The ability to adjust or set different performance conditions or targets if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business or a change in prevailing market conditions) which cause the committee to determine that the performance conditions and/or targets are no longer appropriate and the amendment is required so that they achieve their original purpose and are not materially less difficult to satisfy.
- The ability to make adjustments to existing awards in the event of a variation in share capital or a demerger, delisting, special dividend or other exceptional event that may affect the Company's share price.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Group's major shareholders.

Legacy arrangements

The committee retains discretion to make any remuneration payment and/or payment for loss of office, to exercise any discretion available in relation to such payment, notwithstanding that it is not in line with this policy where the terms of the payment were agreed:

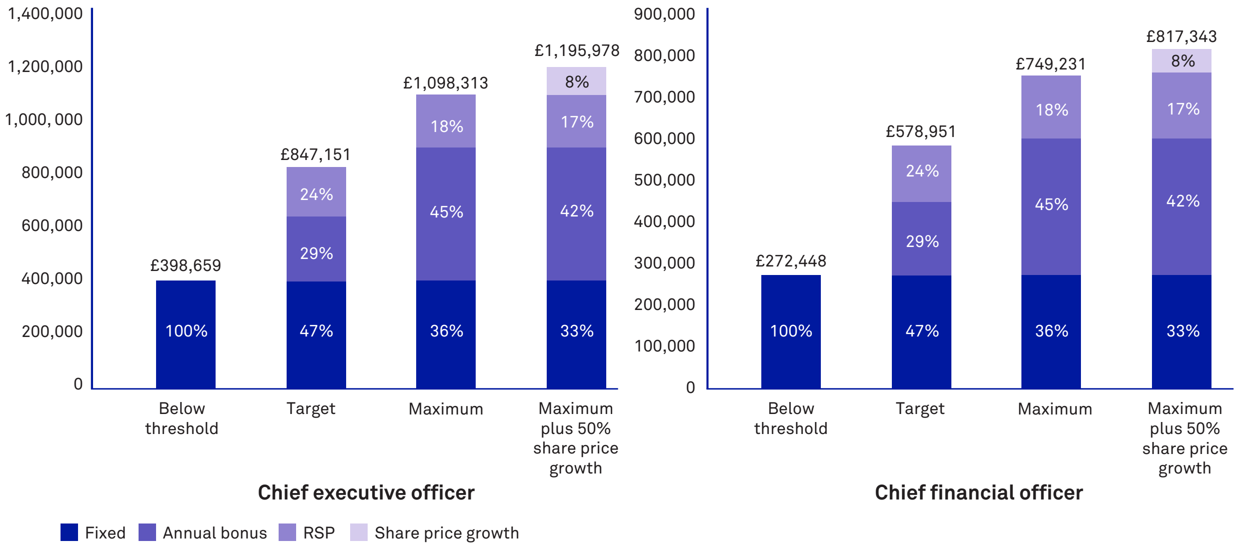
- Before 2 September 2014 (the date that the Company's first shareholder approved remuneration policy came into effect).
- Before this policy came into effect (provided that the terms of the payment were consistent with the shareholder approved remuneration policy in effect at the time the terms were agreed).
- At a time when the relevant individual was not a director of the Company and, in the opinion of the committee, the payment was not in consideration of the individual becoming a director of the Company.

For these purposes, 'payments' includes the satisfaction of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than at the time the award is granted.

The executive directors' legacy arrangements include unvested deferred bonus awards and performance share plan awards (see page 156).

Illustration of application of the policy

The remuneration package comprises core fixed pay (base salary, benefits and pension) and performance based variable pay (annual bonus and restricted share awards). The chart below illustrates the composition of the executive directors' remuneration packages under the policy for minimum, target and maximum performance.



The following assumptions have been made:

- Minimum — Fixed pay only with no vesting under the annual bonus or RSP.
- Target — Fixed pay plus a bonus outcome of 50 per cent of maximum opportunity (for 2024, 62.5 per cent of salary) and RSP vesting in full (for 2024, 50 per cent of salary).
- Maximum – Fixed pay plus a maximum bonus outcome (for 2024, 125 per cent of salary) and RSP vesting in full (for 2024, 50 per cent of salary).
- Maximum plus 50 per cent share price appreciation: illustrating the effect of a 50 per cent growth in the Company's share price on the value of the restricted share awards.

Fixed pay comprises:

- Salaries effective as at 1 July 2023.
- Benefits received by each executive director in respect of 2023.
- Pension opportunity for 2024.

The scenarios for minimum, target and maximum performance do not include any share price growth.

DIRECTORS' REMUNERATION REPORT

Executive directors' service agreements and compensation for departure from office

All executive directors' service agreements run on a rolling basis. Notice periods of 12 months are required to be given by either party. Full details of the service agreements for each director are available from the Company secretary at the AGM.

The principles on which the determination of compensation for departure from office will be approached are set out below.

Provision	Policy
Payments in lieu of notice	Service agreements include a payment in lieu of notice clause which provides that payments may be made based on the value of base salary that would have accrued over the 12 month notice period or unexpired proportion of the notice period. Payments in lieu of notice are subject to mitigation.
Annual bonus	Discretionary payment based on the circumstances of the termination and after assessing performance conditions and normally only for the service period worked. The committee has discretion to pay the whole of any bonus earned for the year of departure and/or preceding year in cash in appropriate circumstances.
Deferred bonus award	The extent to which any unvested awards will vest will be determined in accordance with the Deferred Share Bonus Plan (DSBP) rules. Unvested awards will lapse where departure is by reason of dismissal for misconduct, fraud, performance issues, taking up alternative employment at a competitor or for any other reason at the committee's discretion. Where unvested awards do not lapse on departure, they will normally vest on the normal vesting date (other than in exceptional circumstances (for example death) when vesting will be as soon as practicable following departure).
Restricted Share Plan	The extent to which any unvested award will vest will be determined in accordance with the Severfield Performance Share Plan rules. Unvested awards will normally lapse on departure. However, if the executive director departs as a good leaver (death, injury or disability, retirement, the sale of the business or company that employs the individual or for any other reason at the committee's discretion), their unvested awards will vest on the normal vesting date (other than in the case of exceptional circumstances (for example death) when vesting will be as soon as practicable following departure). To the extent that the award vests, a two year holding period would then normally apply (although no holding period will apply in exceptional circumstances). Vesting will depend on the extent to which the performance underpins have been satisfied and will normally be subject to a pro-rata reduction to reflect the proportion of the vesting period served (although the committee has discretion to disapply time pro-rating if the circumstances warrant it).
Change of control	Deferred bonus awards will normally vest in full in the event of a change of control. Restricted share awards will normally vest in the event of a change of control. The level of vesting will be determined taking into account the extent to which the performance underpins have been satisfied at the date of the relevant event and will be subject to a pro-rata reduction to reflect the proportion of the vesting period served (although the committee has discretion to disapply time pro-rating if the circumstances warrant it).
Other payments	In appropriate circumstances, payments may also be made in respect of items such as accrued holiday, outplacement and legal fees. The vesting of sharesave awards will be determined in accordance with the plan rules. The committee will have the authority to settle any legal claims made against the Company in connection with the departure.

Recruitment remuneration policy

The remuneration of a new executive director will normally include base salary, benefits, pension and participation in the annual bonus and RSP in accordance with the policy table for executive directors. The committee also has discretion to include other remuneration elements which it considers appropriate taking into account the specific circumstances of the recruitment, subject to the principles and limits set out below. The key terms and rationale for any such element would be disclosed in the Annual Report on Remuneration for the relevant year.

Element	Policy
Base salary	Base salary levels will be set taking into account the experience and calibre of the individual and the relevant market rates at the time. Where it is appropriate to offer a lower salary initially, progressive increases (possibly above those of the wider workforce as a percentage of salary) to achieve the desired salary positioning may be given over the following few years subject to individual performance and continued development in the role. Salary will be considered in the context of the total remuneration package.
Benefits	Benefits will be provided in line with those offered to other employees, with relocation expenses/ arrangements provided for if necessary. Should it be appropriate to recruit a director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment).
Pension	Pension contributions or a cash supplement (or a combination of both) up to the maximum level indicated in the policy table will be provided, although the committee retains the discretion to structure any arrangements as necessary to comply with the relevant legislation and market practice if an overseas director is appointed.
Variable remuneration	The maximum level of variable remuneration which may be awarded to new executive directors, excluding the value of any buy-out arrangements, will be in line with the limits sets out in policy table. The committee may apply different performance conditions, performance periods and/or vesting periods for initial awards made following appointment under the annual bonus and/or RSP, if it determines that the circumstances of the recruitment merit such alteration. If an executive director is appointed at a time in the year when it would be inappropriate to provide an annual bonus or restricted share award for that year, subject to the limits on variable remuneration set out in the policy table, the quantum in respect of the period employed during the year may be transferred to the subsequent year.
Buy-out arrangements	The committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive director leaving a previous employer when it considers these to be in the best interests of the Company and its shareholders. It will, where possible, ensure that these awards are consistent with awards forfeited in terms of the form of award, vesting periods and expected value. Such elements may be made under section 9.4.2 of the Listing Rules where necessary.
Other elements of remuneration	Other elements may be included in the following circumstances: • An interim appointment being made to fill an executive director role on a short-term basis. • If exceptional circumstances require that the chairman or a non-executive director takes on an executive role on a short-term basis.

In the case of an internal hire, any ongoing remuneration commitments or variable pay awarded in relation to the previous role will be allowed to continue according to its terms of grant (adjusted as relevant to take into account the Board appointment).

On the appointment of a new chairman or non-executive director, the fees will be set taking into account the experience and calibre of the individual and the expected time commitments of the role.

DIRECTORS' REMUNERATION REPORT

External appointments

The Board is supportive of executive directors accepting appropriate outside commercial non-executive director appointments provided the aggregate commitment is compatible with their duties as executive directors. The executive directors concerned may retain fees paid for these services, which will be subject to approval by the board.

Policy table for chairman and non-executive directors

FEES AND BENEFITS

Purpose and link to strategy

To attract and retain a high-calibre chairman and non-executive directors by offering market competitive fee levels.

Operation

The chairman and the non-executive directors receive a basic board fee, with supplementary fees payable for additional Board / committee responsibilities or exceptional time commitments.

The fee for the chairman is approved by the remuneration committee. The fees for the non-executive directors are approved by the board, on the recommendations of the chairman and the Chief Executive Officer.

The fee levels are normally reviewed on a periodic basis, and may be increased, taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Fee increases may be greater than those of the wider workforce in a particular year, reflecting the periodic nature of increases and that they may take into account changes in responsibility and/or time commitments.

Overall fees paid to the chairman and non-executive directors will remain within the limits set by the Company's Articles of Association.

The chairman and non-executive directors may be eligible to receive benefits linked to their duties. This includes, but is not limited to, the reimbursement of any normal business-related expenses and any taxable benefit implications that may result.

The chairman and non-executive directors do not participate in any of the Group's incentive arrangements or pension scheme.

Chairman and non-executive director letters of appointment

The chairman and non-executive directors are subject to re-appointment at each AGM. Notice periods of 1 month are required to be given by either party. The chairman and non-executive directors are not entitled to any compensation on loss of office.

	Date of letter of appointment	Letter of appointment expiry date (subject to annual re-election at each AGM)
Kevin Whiteman	16th June 2020	31st July 2024
Louise Hardy	26th July 2019	31st July 2028
Alun Griffiths	1st October 2020	5th September 2023
Tony Osbaldiston[1]	28th May 2014	31st July 2023
Mark Pegler	3rd October 2022	4th October 2031
Rosie Toogood	15th June 2021	14th June 2030

[1] Tony Osbaldiston will not be proposed for re-appointment at the 2023 AGM

Engaging with our shareholders

The committee engages directly with major shareholders where it considers there to be material changes to the remuneration policy or executive remuneration framework. As part of the remuneration policy review, a comprehensive shareholder consultation was undertaken and the committee carefully considered the feedback received from major shareholders and proxy voting agencies as part of its decision making. The committee is very appreciative of the time taken by shareholders to engage on the remuneration policy and is pleased with the level of support received.

Considerations of conditions and pay levels for workforce and workforce engagement on executive pay

In determining remuneration for executive directors, the committee takes account of general market conditions and pay levels for the workforce as a whole. This includes reviewing wage growth generally and the proportion of earnings paid as bonus to groups of staff at each level – executive directors, senior staff and all other employees (who receive a profit share bonus and are eligible to participate in a sharesave scheme).

The Group recognises a number of trade unions who are consulted regarding wage settlements on a site-by-site basis and seeks employee participation on a range of matters. This includes giving employees the opportunity through the MyVoice forum to discuss how executive remuneration is aligned with the wider Company pay policy.

Part 2 – Annual remuneration report

In this section, we report on the implementation of our policy in the year ended 25 March 2023 as well as how the policy will be implemented for 2024. The regulations require the auditor to report to the Group's shareholders on the auditable part of the directors' remuneration report and to state whether, in its opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006. The relevant sections subject to audit have been highlighted in the annual report on remuneration.

Implementation of policy for 2023

Remuneration committee

Membership, meetings and attendance

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

The members of the remuneration committee who served during the year are shown below together with their attendance at remuneration committee meetings:

	Number of meetings attended
Alun Griffiths (chairman)	4/4
Louise Hardy	4/4
Kevin Whiteman	4/4
Tony Osbaldiston	4/4
Rosie Toogood	4/4
Mark Pegler (since his appointment in October 2022)	3/3

The Group considers all members of the committee to be independent. Executive directors and the Group HR director may attend remuneration committee meetings at the invitation of the committee chairman, but do not take part in any discussion about their own remuneration. The Company secretary acts as the secretary to the remuneration committee.

The terms of reference for the remuneration committee are available on the Company's website.

Advisers to the committee

Wholly independent and objective advice on executive remuneration is received from the committee's external advisers.

Deloitte were appointed in December 2020 following a tender organised by the committee. Deloitte is one of the founding members of the Remuneration Consultants Group and is a signatory to its Code of Conduct. Fees charged by Deloitte provided to the committee for the year ended 25 March 2023 amounted to £69,650 (excluding VAT).

DIRECTORS' REMUNERATION REPORT

Directors' earnings for the 2023 financial year (audited)

Remuneration received by the directors

	Year ended 25 March 2023								
£000	Salary	Fees	Benefits[2]	Pension	Total Fixed Pay	Bonus	LTIPs[3]	Total Variable Pay	Total
Executives									
Alan Dunsmore	381	–	19	46	**446**	307	370	**677**	**1,123**
Ian Cochrane	339	–	16	41	**396**	274	330	**604**	**1,000**
Derek Randall	279	–	42	33	**354**	228	203	**431**	**785**
Adam Semple	260	–	16	31	**307**	210	190	**400**	**707**
Non-executives									
Kevin Whiteman	–	140	–	–	**140**	–	–	**–**	**140**
Alun Griffiths	–	60	–	–	**60**	–	–	**–**	**60**
Tony Osbaldiston	–	53	–	–	**53**	–	–	**–**	**53**
Louise Hardy	–	53	–	–	**53**	–	–	**–**	**53**
Rosie Toogood	–	45	–	–	**45**	–	–	**–**	**45**
Mark Pegler[1]	–	22	–	–	**22**	–	–	**–**	**22**
	1,259	**373**	**93**	**151**	**1,876**	**1,019**	**1,093**	**2,112**	**3,988**

[1] Appointed 5 October 2022.

[2] Taxable benefits include the provision of company cars, fuel for company cars, car allowances, accommodation and living allowances and private medical insurance.

[3] PSP awards granted in 2020 will in vest in full in December 2023 as the maximum EPS performance target was achieved (see page 155).

Directors' earnings for the 2022 financial year (audited)

	Year ended 26 March 2022								
£000	Salary	Fees	Benefits[2]	Pension	Total Fixed Pay	Bonus	LTIPs[3]	Total Variable Pay	Total
Executives									
Alan Dunsmore	369	–	19	70	**458**	63	–	**63**	**521**
Ian Cochrane	328	–	16	49	**393**	56	–	**56**	**449**
Derek Randall	270	–	40	46	**356**	111	–	**111**	**467**
Adam Semple	252	–	16	43	**311**	43	–	**43**	**354**
Non-executives									
Kevin Whiteman	–	140	–	–	**140**	–	–	**–**	**140**
Alun Griffiths	–	60	–	–	**60**	–	–	**–**	**60**
Tony Osbaldiston	–	53	–	–	**53**	–	–	**–**	**53**
Louise Hardy	–	53	–	–	**53**	–	–	**–**	**53**
Rosie Toogood[1]	–	36	–	–	**36**	–	–	**–**	**36**
	1,219	**342**	**91**	**208**	**1,860**	**273**	**–**	**273**	**2,133**

[1] Appointed 15 June 2021

[2] Taxable benefits include the provision of company cars, fuel for company cars, car allowances, accommodation and living allowances and private medical insurance.

[3] PSP award granted in 2019 lapsed in full.

Base salary increases received by the directors

The directors received a 4 per cent salary increase effective from 1 July 2022, which was in line with that received by our colleagues (excluding those weekly paid in our factories). Due to a number of reviews of weekly pay rates across our factory locations the average increase for this population was 11 per cent.

Past directors/loss of office payments (audited)

There have been no payments made to past directors or for loss of office during the year.

How pay linked to performance in 2023 (audited)

Bonus

Executive directors were granted an annual bonus opportunity equal to 100 per cent of salary. 80 per cent of the award was based on underlying PBT performance and 20 per cent based on safety performance.

The targets and the performance against these targets are set out below:

For all directors (excluding Derek Randall)

Measure	% of maximum bonus opportunity	Threshold	On-target	Maximum	Actual	% of bonus	Payout as % of salary
Underlying Group PBT*	80%	£27.1m	£28.5m	£31.4m	£32.5m	100%	80%
Group IFR**	20%	above1.49	1.37 or less	1.25 or less	1.61	0%	0 %
							80%

* For underlying Group PBT, 'threshold' represents 0 per cent, 'on-target' represents 50 per cent and 'maximum' represents 100 per cent of the bonus opportunity.

** For Group IFR, 'threshold' represents 0 per cent, 'on-target' represents 50 per cent and 'maximum' represents 100 per cent of the bonus opportunity.

Derek Randall (MD of JSSL)

Measure	% of maximum bonus opportunity	Threshold	On-target	Maximum	Actual	% of bonus	Payout as % of salary
Underlying Group PBT *	40%	£27.1m	£28.5m	£31.4m	£32.5m	100%	40%
JSSL (India) PBT*	40%	22.5 Cr	30.4 Cr	45.0 Cr	30.6 Cr	53%	21%
JSSL (India) AFR**	20%	N/A	N/A	At or below 0.08	0.00	100%	20%
							81%

* Derek Randall's profit based component is split 50:50 between underlying Group PBT and JSSL PBT. For underlying Group PBT and JSSL PBT, 'threshold' represents 0 per cent, 'on-target' represents 50 per cent and 'maximum' represents 100 per cent of the bonus opportunity.

** For JSSL AFR, no 'threshold' or 'on-target' targets were set. 100 per cent of the bonus opportunity is earned on achieving a score of below 0.08.

The executive directors will receive the bonuses set out in the table below, of which 50 per cent will be paid in shares deferred for three years.

Alan Dunsmore	£307,400
Ian Cochrane	£273,720
Derek Randall	£228,123
Adam Semple	£210,080

PSP awards vesting in respect of 2023

Awards were granted on 18 December 2020 equal to 100 per cent of salary for the Chief Executive Officer and the Chief Operating Officer and 75 per cent of salary for other executive directors. The grant of the awards was deferred by circa six months due to the uncertainty caused by the COVID-19 pandemic.

The awards were subject to the achievement of an EPS performance condition measured over the three financial years ended 25 March 2023. Details of the EPS performance condition and performance outcome are set out below. The awards will vest in December 2023 and vested shares will be subject to a two year holding period.

	EPS for the year ended 25 March 2023
Threshold (25 % vesting)	6.57p
Maximum (100 % vesting)	8.36p
Actual performance	8.48p
Vesting outcome	100% of maximum

DIRECTORS' REMUNERATION REPORT

Name	Number of shares granted	Number of shares vesting	Dividend equivalents[1]	Total value of award on vesting[2]	Amount of award attributable to share price appreciation since grant date
Alan Dunsmore	529,809	529,809	61,882	369,807	0%
Ian Cochrane	472,133	472,133	55,145	329,549	0%
Derek Randall	291,210	291,210	34,013	203,264	0%
Adam Semple	271,739	271,739	31,739	189,674	0%

[1] The 2020 PSP awards include dividend equivalent terms such that additional shares are awarded based on the value of dividends payable on the number of vested shares between the grant date and vesting date. The value of the dividend equivalents has been calculated based on the period between the grant date and 25 March 2023 but will be recalculated on vesting.

[2] Calculated based on the three month average share price to 25 March 2023 (62.5p).

The Committee considers the vesting outcome of the annual bonus and PSP awards to be appropriate, recognising that the Group has continued to perform strongly, both financially and strategically, in a challenging economic environment over the last three years. Furthermore, in respect of the PSP awards, the Committee is satisfied that no adjustment for potential windfall gains is required taking into account the share price at grant (69.0p) and the three month average share price to 25 March 2023 (62.5p). No discretion has therefore been applied by the Committee to adjust the formulaic vesting outcome of the annual bonus or PSP awards.

Deferred bonus awards granted in 2023 (audited)

On 28 June 2022 the committee granted awards under the Group's Deferred Share Bonus Plan to executive directors in relation to the 2022 bonus outcome. The awards will vest on 28 June 2025, subject to continued employment.

Name	Type	Number of shares	Face value of shares[1]	Vesting date
Alan Dunsmore	Nil–cost option	50,116	£31,323	28 June 2025
Ian Cochrane	Nil–cost option	44,633	£27,896	28 June 2025
Derek Randall	Nil–cost option	88,512	£55,320	28 June 2025
Adam Semple	Nil–cost option	34,254	£21,409	28 June 2025

[1] Face value calculated using the average mid-market share price for 24 and 27 June 2022 (62.5p).

PSP awards granted in 2023 (audited)

Awards were granted on 11 July 2022 equal to 100 per cent of salary for the Chief Executive Officer and the Chief Operating Officer and 75 per cent of salary for other executive directors. The targets set are intended to incentivise management to maintain forward momentum and will require the Group to deliver EPS which at the time of grant equated to an underlying PBT range of £31.5m to £38.0m for the financial year 2025. The committee considers that this represents a vesting range which is realistic, whilst remaining appropriately stretching, particularly in the context of current expectations of the external market over the next performance cycle.

Details of the awards made to the executive directors are summarised below.

Name	Type	Number of shares	% of salary	Face value (£)[1]	Performance condition[2]	Performance period	% vesting at threshold
Alan Dunsmore	Nil–cost option	634,076	100%	384,250	EPS	3 financial years ending 29 March 2025	25%
Ian Cochrane	Nil–cost option	564,604	100%	342,150			
Derek Randall	Nil–cost option	348,144	75%	210,975			
Adam Semple	Nil–cost option	325,000	75%	196,950			

[1] Face value calculated based on the pre-grant date share price of 60.6p on 8 July 2022.

[2] Performance conditions are based on EPS targets of 7.5p (minimum performance – 25 per cent vests) to 8.8p (maximum performance – 100 per cent vests) with linear interpolation in between. This represents an underlying PBT range of £31.5m-£38.0m.

The committee retains discretion to adjust the formulaic vesting outcome if it is not considered to be appropriate, taking into account wider Group performance during the performance period. This includes consideration of any 'windfall gains' at the point of vesting. In assessing whether there is any 'windfall gain' , the committee will take into account a number of factors, including share price performance over the vesting period, financial performance of the business, and any significant events which have impacted the Company's share price or market as a whole.

Outstanding share awards at the year-end (audited)

Details of share awards under the PSP to the executive directors which were outstanding at the year-end are shown in the following table:

Director	Year of award	Vesting date*	Performance condition	Awards held at 1 April 2022	Awards granted in year	Awards lapsed in year	Awards vested in year	Awards held at 25 March 2023
Alan Dunsmore	2019	2022	EPS	490,196	–	(490,196)	–	–
	2020	2023	EPS	529,809	–	–	–	529,809
	2021	2024	EPS	451,319	–	–	–	451,319
	2022	2025	EPS	–	634,076	–	–	634,076
Total				**1,471,324**	**634,076**	**(490,196)**	**–**	**1,615,204**
Ian Cochrane	2019	2022	EPS	436,835	–	(436,835)	–	–
	2020	2023	EPS	472,133	–	–	–	472,133
	2021	2024	EPS	402,188	–	–	–	402,188
	2022	2025	EPS	–	564,604	–	–	564,604
Total				**1,311,156**	**564,604**	**(436,835)**	**–**	**1,438,925**
Derek Randall	2019	2022	EPS	269,433	–	(269,433)	–	–
	2020	2023	EPS	291,210	–	–	–	291,210
	2021	2024	EPS	246,850	–	–	–	246,850
	2022	2025	EPS	–	348,144	–	–	348144
Total				**807,493**	**348,144**	**(269,433)**	**–**	**886,204**
Adam Semple	2019	2022	EPS	231,092	–	(231,092)	–	–
	2020	2023	EPS	271,739	–	–	–	271,739
	2021	2024	EPS	231,481	–	–	–	231,481
	2022	2025	EPS	–	325,000	–	–	325,000
Total				**734,312**	**325,000**	**(231,092)**	**–**	**828,220**
				4,324,285	**1,871,824**	**(1,427,556)**	**–**	**4,768,553**

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

	Threshold (25% vests)	Maximum (100% vests)
2020 award[1]	6.57p	8.36p
2021 award[2]	7.61p	9.92p
2022 award[3]	7.50p	8.80p

[1] Represents an underlying PBT range of £25.5m – £32.5m.
[2] Represents an underlying PBT range of £30.0m – £40.0m.
[3] Represents an underlying PBT range of £31.5m – £38.0m.
* Vesting date is June/July in the relevant years other than 2023 when it is December.

Statement of directors' shareholding (audited)

As at 25 March 2023, all executive directors and their connected persons had a shareholding as follows:

	Shareholding requirement[1]	Actual share ownership as a percentage of shareholding requirement as at 25 March 2023[2]
Alan Dunsmore	200%	229%
Ian Cochrane	200%	391%
Derek Randall	150%	236%
Adam Semple	150%	59%

[1] The proposed new policy is for all executive directors to have a shareholding requirement of 200 per cent of salary.

[2] Value of actual share ownership was calculated with reference to the closing mid-market share price on 24 March 2023 of 61.9p. Actual share ownership includes net of tax figures for DSBP shares granted but still within the three-year deferral period and / or unexercised.

DIRECTORS' REMUNERATION REPORT

Directors' current shareholdings (audited):

The following table provides details on the directors' beneficial interests in the Company's share capital as at 25 March 2023.

	Owned shares[1]	Share incentive plan (SIP)[2]	Sharesave scheme	DSBP[3]	PSP[4]	Total[5]
Executives						
Alan Dunsmore	1,172,751	7,434	28,743	478,186	1,615,204	**3,302,318**
Ian Cochrane	1,941,790	7,434	27,237	426,102	1,438,925	**3,841,488**
Adam Semple	103,284	–	30,070	285,563	828,220	**1,247,137**
Derek Randall	835,988	–	–	387,123	886,204	**2,109,315**
Non-executives						
Kevin Whiteman	65,619	–	–	–	–	**65,619**
Alun Griffiths	60,000	–	–	–	–	**60,000**
Tony Osbaldiston	–	–	–	–	–	**–**
Louise Hardy	–	–	–	–	–	**–**
Rosie Toogood	79,115	–	–	–	–	**79,115**
Mark Pegler	53,600	–	–	–	–	**53,600**

[1] Includes shares owned by connected persons and excludes DSBP shares which have been granted but are either still within the three-year deferral period or which consist of unexercised options.

[2] SIP shares are unvested and held in trust.

[3] The figures consist of the gross number of unexercised nil cost share options and the principal terms of the deferred share bonus plan are described on page 156.

[4] PSP shares are in the form of conditional awards which will only vest on the achievement of certain performance conditions. The total includes 2020 awards which have not yet vested.

[5] There have been no changes in the directors' interests in the shares issued or options granted by the Company between the end of the period and the date of this annual report. There have been no changes in the directors' beneficial interests in trusts holding ordinary shares of the Company.

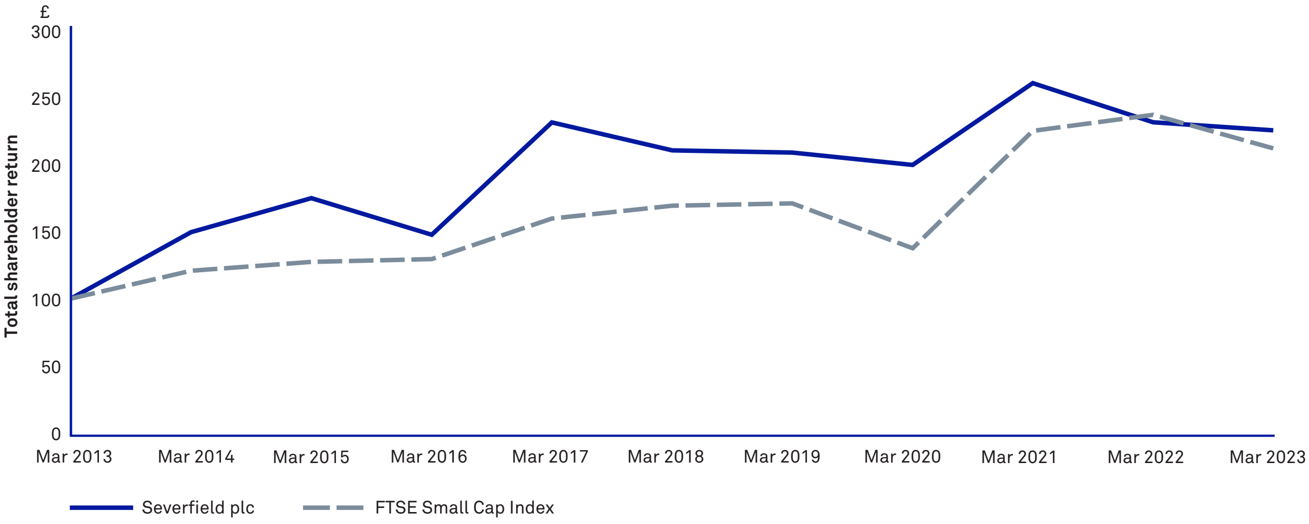
Position against dilution limits

Severfield plc complies with the Investment Association's principles of executive remuneration. These principles require that commitments under all of the Group's share ownership schemes (including the share incentive plan ('SIP'), sharesave scheme and the PSP) must not exceed 10 per cent of the issued share capital in any rolling ten-year period. Within this 10 per cent limit, the Group can only issue 5 per cent of its issued share capital to satisfy awards under executive discretionary schemes. The Group was operating within these limits as at 25 March 2023.

Performance graph

The following graph shows the Group's performance, measured by total shareholder return, compared with the performance of the FTSE Small Cap Index. It is based on the change in the value of a £100 investment made on 1 April 2013 over the ten-year period ended 25 March 2023.

This index was selected as it represents a broad equity market index and is considered to be the most appropriate comparator group of companies over a ten-year period commencing April 2013.



Chief Executive Officer remuneration change

The table below shows the total remuneration figure for the Chief Executive Officer role over the same ten-year period. Total remuneration includes bonuses and the value of PSP awards which vested based on performance in those years (at the share price at which they vested).

	2014 Dodds[1]	2014 Lawson[2]	2015 Lawson	2016 Lawson	2017 Lawson	2018 Lawson[3]
Total remuneration (£000)	289	233	681	946	1,228	738
Annual bonus (%)	N/A	34.0%	65.0%	63.0%	95.0%	–
LTIP vesting (%)	N/A	–	–	64.0%	74.0%	95.4%

	2018 Dunsmore[4]	2019 Dunsmore	2020 Dunsmore	2021 Dunsmore	2022 Dunsmore	2023 Dunsmore
Total remuneration (£000)	819	890	880	747	521	1,123
Annual bonus (%)	62.6%	20.0%	61.0%	80.0%	17.0%	80.0%
LTIP vesting (%)	95.4%	100.0%	85.0%	–	–	100.0%

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

[2] Appointed on 1 November 2013.

[3] Ian Lawson received compensation of £408,000 for loss of office in accordance with his contract.

[4] Alan Dunsmore operated as interim Chief Executive Officer from 1 April 2017 to 31 January 2018, during Ian Lawson's absence due to physical ill health. Alan's appointment to this role was made permanent from 1 February 2018. The figures in the table above represent Ian Lawson's remuneration for this period and Alan Dunsmore's remuneration for the period in which he was both interim and permanent Chief Executive Officer.

DIRECTORS' REMUNERATION REPORT

How the change in directors' pay for the year compares to that of the Group's employees

The table below shows the percentage change in salary, benefits and annual bonus earned for the directors compared to the percentage change of each of those components of pay of the employees of the Group (calculated by reference to the mean on employee pay on a full-time equivalent basis).

Comparison between 2023 and 2022	Base salary/ fees	Benefits	Annual bonus
Alan Dunsmore	3%	0%	387%
Ian Cochrane	3%	0%	389%
Derek Randall	3%	5%	105%
Adam Semple	3%	0%	388%
Kevin Whiteman	0%	–	–
Alun Griffiths	0%	–	–
Tony Osbaldiston	0%	–	–
Louise Hardy	0%	–	–
Rosie Toogood	0%	–	–
Mark Pegler[1]	n/a	–	–
All UK employees	5%	7%	107%

The significant increase in bonus in 2023 is driven by the achievement of the PBT element of the bonus scheme, leading to a pay-out of 80 per cent compared to 17 per cent in 2022. When compared to 2021 (which also paid out at 80 per cent), bonuses have increased by an average of 6 per cent, which is in line with the increase in base salaries. Employees that are not included in the senior management and director bonus scheme received a discretionary £750 festive gift in both financial years.

Comparison between 2022 and 2021	Base salary/ fees	Benefits	Annual bonus
Alan Dunsmore	1%	0%	(78%)
Ian Cochrane	1%	0%	(78%)
Derek Randall[3]	1%	(49%)	(41%)
Adam Semple	2%	0%	(78%)
Kevin Whiteman	53%	–	–
Alun Griffiths	26%	–	–
Tony Osbaldiston	18%	–	–
Louise Hardy	33%	–	–
Rosie Toogood[2]	n/a	n/a	n/a
All UK employees	4%	16%	(67%)

Comparison between 2021 and 2020	Base salary/ fees	Benefits	Annual bonus
Alan Dunsmore	2%	0%	33%
Ian Cochrane	2%	0%	33%
Derek Randall	2%	0%	15%
Adam Semple	7%	0%	38%
Kevin Whiteman[4]	103%	–	–
Alun Griffiths	6%	–	–
Tony Osbaldiston	0%	–	–
Louise Hardy	0%	–	–
All UK employees	2%	0%	6%

[1] Mark Pegler was appointed to the board with effect from 5 October 2022

[2] Rosie Toogood was appointed to the board with effect from 16 June 2021

[3] Derek Randall's 2021 benefit included £40,000 of cost-of-living allowance relating to 2020 but wholly paid in 2021

[4] Kevin Whiteman was appointed as chairman on 3 September 2020

Chief Executive Officer pay ratio disclosure

Year	Method of calculation adopted	25th percentile pay ratio (CEO: UK employees)	Median pay ratio (CEO: UK employees)	75th percentile pay ratio (CEO: UK employees)
2023	Option A[1]	35:1	26:1	19:1
2022	Option A[1]	19:1	13:1	10:1
2021	Option A[1]	25:1	18:1	14:1
2020	Option A[1]	30:1	22:1	17:1

[1] Option A methodology was selected on the basis that it is a robust approach and is preferred by shareholders and proxy voting agencies. The calculations for the representative employees were performed at the final day of the relevant financial year.

A substantial proportion of the chief executive officer's total remuneration is performance related and delivered in shares. The ratios will therefore depend significantly on the Chief Executive Officer's annual bonus and PSP outcomes and may fluctuate year-to-year.

The median ratio of 26:1 is 100 per cent higher than the median ratio of 13:1 in 2022. This increase in the Chief Executive Officer pay ratio is due to the chief executive officer receiving a higher bonus and PSP vesting outcome in 2023 (bonus: 80 per cent of maximum, PSP: 100 per cent of maximum) compared to 2022 (bonus: 17 per cent of maximum, PSP: 0 per cent of maximum).

The committee has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

Total pay and benefits used to calculate the ratios

Pay details for the Chief Executive Officer and individual whose remuneration is at the median, 25th percentile and 75th percentile amongst full-time equivalent UK-based employees are as follows:

	Chief Executive Officer	25th percentile	Median	75th percentile
Year 2023	£000	£000	£000	£000
Salary	381	30	41	55
Total pay and benefits	1,123	32	44	58
Year 2022				
Salary	369	23	38	45
Total pay and benefits	521	28	40	54
Year 2021				
Salary	364	29	37	49
Total pay and benefits	747	29	41	53
Year 2020				
Salary	356	26	38	48
Total pay and benefits	880	29	40	51

The UK employee percentile total pay and benefits has been calculated based on the amount paid or receivable for the relevant financial year for the full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and LTIPs) for all UK-based employees of the Group as at the last day of the relevant financial year. The calculations are on the same basis as required for the Chief Executive Officer's remuneration for single figure purposes. The committee selected this methodology as it was felt to produce the most statistically accurate result.

Relative importance of spend on pay

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

	2023 £000	2022 £000	% change
Staff costs	**99,479**	86,034	15.6%
Revenue	**491,753**	403,563	21.9%
Underlying* operating profit	**33,067**	26,881	23.0%
Dividends	**9,877**	9,229	7.0%

*There were no share buybacks during the year.

DIRECTORS' REMUNERATION REPORT

Shareholder voting

The results below show the response to the 2022 AGM shareholder voting for the directors' 2022 remuneration report (excluding remuneration policy):

	Total number of votes	% of votes cast
For	242,387,061	99.32
Against	1,662,503	0.68
Total votes cast (for and against)	244,049,564	100
Withheld votes	137,296	n/a
Total votes (including withheld votes)	244,186,860	n/a

The results below show the response to the 2020 AGM shareholder voting for the directors' 2020 remuneration policy:

	Total number of votes	% of votes cast
For	239,038,916	94.71%
Against	13,347,225	5.29%
Total votes cast (for and against)	252,386,141	100%
Withheld votes	1,565,800	N/A
Total votes (including withheld votes)	253,951,941	N/A

Implementation of policy for 2024

The executive directors' salaries

Salaries for the executive directors were reviewed in June 2023 and have been increased by 5 per cent. The overall salary increases for the wider workforce ranged from 5–7 per cent of salary.

The executive directors' salaries at the start of the 2024 financial year are as follows:

	£
Alan Dunsmore	£384,250
Ian Cochrane	£342,150
Adam Semple	£262,600
Derek Randall	£281,300

Benefits and pension

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

Pension opportunity for the executive directors is 7 per cent of salary with effect from 1 April 2023. This is aligned with the level available to the entire UK workforce.

Rewards for performance in 2024

Bonus

The maximum opportunity will be 125 per cent of salary for all executive directors in line with the 2023 remuneration policy.

Given the Group's focus on sustainability, an ESG performance metric has been introduced alongside the underlying PBT and safety performance metrics.

Profit performance-based component – 80 per cent

Maximum bonus based on actual underlying PBT versus budget.

The committee believes that the threshold and maximum targets (as a percentage of budget) are appropriately positioned, taking into account levels of growth forecast in the board's strategy review in December 2022 and external analyst consensus.

Underlying PBT % of budget	% of award
90 or below	–
100	50
110 or better	100

Sliding scale applies between points.

Safety performance-based component – 15 per cent

Group IFR (incident frequency rate) and JSSL AFR (accident frequency rate)†. IFR and AFR are industry-recognised and measurable targets.

The committee believes that the underlying PBT and safety targets are commercially sensitive and therefore are not disclosed at this time. Actual targets will be disclosed in next year's Directors' Remuneration Report.

† Whilst Derek Randall remains in India, the safety component of his bonus will be based on JSSL's AFR.

ESG component — 5 per cent

The ESG metric is based on performance against the Group's key 2024 ESG priorities set out in this annual report.

Restricted share awards

It is the committee's intention to grant restricted share awards at 50 per cent of salary to all executive directors in line with the 2023 remuneration policy.

Awards will vest after three years subject to the satisfaction of performance underpins. Vested awards will be subject to a two year holding period.

The proposed underpins are set out below. The committee believes that the selected underpins reflect an appropriate overall balance and safeguard the financial stability of the business whilst providing sufficient focus on our strategic priorities, ESG performance and regulatory compliance.

- **Financial stability of the business**. There is no breach of financial covenants in the Group's principal banking activities.
- **Sustainability of the Group's underlying performance**. There is not a material deterioration in the Group's underlying performance which significantly departs from any deterioration across the industrial building and construction sector.
- **Risk management**. There is no material failure in risk management resulting in significant reputational damage and/or material financial loss to the Group.
- **Health and safety performance**. There is not a material deterioration in health and safety performance and there are no material health and safety failures.
- **ESG performance**. Sufficient progress is made against the Group's ESG strategy.

Prior to the vesting of restricted share awards, the committee will also assess whether the Group's underlying financial and operational performance has been satisfactory both on an absolute basis and relative to peers. A number of reference points will be considered, including profit, dividend and shareholder return performance. The committee believes that this is the right approach, rather than setting a quantitative financial underpin, as it enables the Committee to assess the Group's financial and operational performance in the round and take into account the cyclical nature of the industry.

DIRECTORS' REMUNERATION REPORT

The non-executive directors fees for 2023 and 2024

Fees for the non-executive directors are currently under review. The results of that review will be disclosed in the next year's Directors' remuneration report. The existing fees, that were last reviewed and increased in May 2021, are as follows:

£	
Chairman	**140,000**
Basic fee for other non-executive directors	**45,000**
Additional fee for SID role	**7,500**
Additional fee for chairman of audit and remuneration committees	**7,500**
Additional fee for workforce engagement director role	**7,500**

Approval

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

Alun Griffiths

Chairman of the remuneration committee

14 June 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The directors are responsible for preparing the annual report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the directors in respect of the annual report and accounts

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Alan Dunsmore
Chief Executive Officer
14 June 2023

Adam Semple
Chief Financial Officer
14 June 2023

OUR FINANCIALS

OUR FINANCIALS – GROUP

OUR FINANCIALS – COMPANY

FINANCIALS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SEVERFIELD PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Severfield plc ("the Company") for the 52-week period ended 25 March 2023 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement, Company balance sheet, Company statement of changes in equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 25 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the shareholders on 2 September 2015. The period of total uninterrupted engagement is for the eight financial periods ended 25 March 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£1.4m (2022: £1.4m) 5.1% (2022: 4.9%) of profit before tax (2022: adjusted profit before tax)	
Coverage	97% (2022: 98%) of group profit before tax*	
Key audit matters		vs 2022
Recurring risk	Carrying value of construction contract assets, and revenue and profit recognition in relation to construction contracts	◀▶
	Parent Company's Key audit matter: Carrying value of parent Company's investments in subsidiaries and joint ventures, and recoverability of intercompany debtors	◀▶

* This is the profit and losses as a percentage of total profits and losses that made up the group profit before tax.

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2022), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Carrying value of construction contract assets, and revenue and profit recognition in relation to construction contracts Revenue: £491.8m (2022: £403.6m) Contract Asset: £48.8m (2022: £74.9m) Refer to page 130 Audit Committee Report, pages 181 to 189 (accounting policies) and note 18 (financial disclosures).	**Subjective estimate** The Group's activities are undertaken via long-term construction contracts. The carrying value of the construction contract assets, as well as the revenue and profit recognised, are based on an input measure (being costs incurred to date as a proportion of estimated total contract costs) and estimates of total contract consideration (being agreed contract consideration plus elements of variable consideration such as instances where the value of contract modifications is currently unagreed). Estimated total contract costs, and as a result revenues, can be affected by a variety of uncertainties that depend on the outcome of future events resulting in revisions throughout the contract period. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the carrying value of contract assets, revenue and profit recognised on construction contracts has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. Therefore, auditor judgement is required to assess whether the directors' estimates for total forecast costs and variable consideration falls within an acceptable range. The financial statements (note 2) disclose the nature and extent of the estimates and judgements made by the Group.	We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Our sector experience:** Identifying high risk contracts with risk indicators including: large carrying value of contract assets, low margin or loss-making contracts with significant costs to complete estimates, uncertainty over variable consideration, and large contracts with significant costs to complete; – **Tests of detail:** For the high risk contracts identified, assessing management's judgement that revenue recognised is highly probable to not be reversed by agreeing to post period-end revenue certification, customer variation agreement or cash; – **Our sector experience:** Assessing forecasted costs to complete in the sample of high risk contracts identified by understanding contract performance and costs incurred post period-end, along with discussion and challenge of management's costs to complete estimates against original budgets, current run rates and known risks; – **Tests of detail:** Assessing the accuracy of costs incurred to date through sample testing, including an assessment of whether the cost sampled was allocated to the appropriate contract; – **Historical comparisons:** Assessing the forecasting accuracy of contract revenue and costs by evaluating initial forecasted margins for a sample of contracts across the portfolio against actual margins achieved; – **Site visits:** For certain higher risk or larger value contracts, attending in person site visits, with the involvement of our own industry specialists for a sample of these, inspecting the physical progress on site for individual projects and identifying areas of complexity through observation and discussion with site personnel; – **KPMG specialists:** For certain higher risk or larger contracts, utilising KPMG Project specialists to identify the risks and opportunities associated with the contract and develop a range of possible contract out-turns and challenge the appropriateness of revenue recognised and provisions held in relation to these contracts; – **Assessing transparency:** Assessing the adequacy of the Group's disclosures on revenue recognition and the degree of estimation involved in arriving at the construction contract assets and associated revenue and profit recognition. Our results: – We found the carrying value of construction contract assets, and the level of revenue and profit recognition in relation to construction contracts, to be acceptable (2022:acceptable).

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SEVERFIELD PLC

	The risk	Our response
Carrying value of parent Company's investments in subsidiaries and joint ventures, and recoverability of inter-company debtors Investments: £152.6m (2022: £152.6m) Intercompany receivables: £105.6m (2022: £69.0m) Refer to page 223 (accounting policies) and page 225 (financial disclosures).	**Low risk, high value** The carrying amount of the parent Company's investments in subsidiaries and joint ventures, and the intra-group debtor balances represent 46% (2022: 52%) and 32% (2022: 24%) of the Company's total assets respectively. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Tests of detail:** Comparing the carrying amount of 100% of the investments balance with the relevant subsidiaries' and joint ventures' draft balance sheets to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries and joint ventures have historically been profit making. – **Tests of detail:** Assessing 100% of the total group debtors balance to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making. – **Our sector experience:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' and joint ventures' profit. Our results: – We found the Company's conclusion that there is no impairment of its investments in subsidiaries, joint ventures and intercompany debtors to be acceptable (2022: acceptable).

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £1,370,000 (2022: £1,375,000), determined with reference to a benchmark of Group's profit before tax (2022: normalised to exclude amortisation and costs as a result of acquisitions as disclosed in note 5) of which it represents 5.1% (2022: 4.9%)

Materiality for the parent Company financial statements as a whole was set at £959,000 (2022: £900,000), determined with reference to a benchmark of Company's total assets, of which it represents 0.3% (2022: 0.3%).

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

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £1,020,000 (2022: £1,031,000) for the Group and £719,000 (2022: £750,000) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £68,000 (2022: £68,750), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 15 (2022: 16) reporting components, we subjected 7 (2022: 7) to full scope audits for group purposes.

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

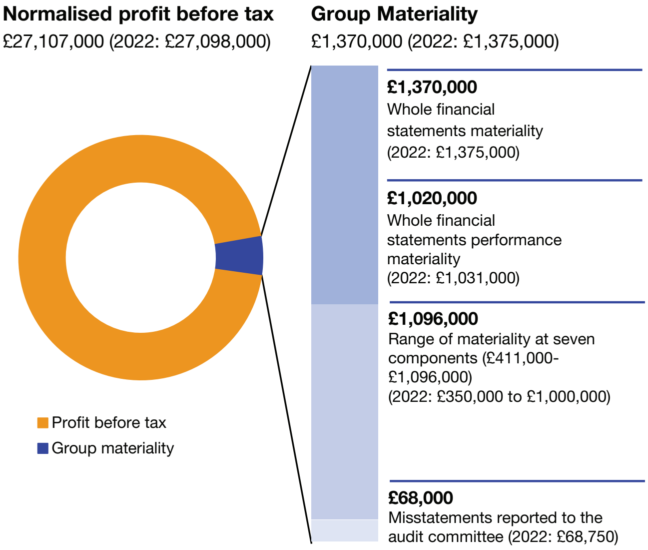
The remaining 5% (2022: 7%) of total Group revenue, 3% (2022: 2%) of Group profit before tax and 4% (2022: 4%) of total Group assets is represented by 8 (2022: 9) reporting components, none of which individually represented more than 4% (2022: 3%) of any of total Group revenue, Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

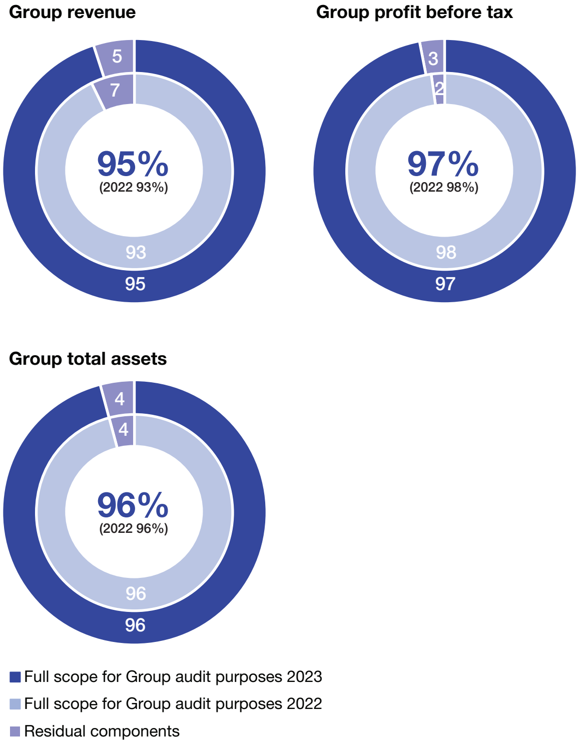
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team set the component materialities, which ranged from £411,000 to £1,096,000 (2022: £350,000 to £1,000,000) having regard to the mix of size and risk profile of the Group across the components.

The work on one of the seven components (2022: one of the seven components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

The Group team visited 1 (2022: 0) component locations in India (2022: India) to assess the audit risk and strategy. Video and telephone conference meetings were also held with the component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. The Group team also reviewed the audit file of the component auditor.





4. GOING CONCERN

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

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 55 is materially consistent with the financial statements and our audit knowledge.

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

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS –ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

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

Our risk assessment procedures included:

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

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

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

We did not identify any additional fraud risks.

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

We performed procedures including:

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

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

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

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

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

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

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

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

6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SEVERFIELD PLC

Disclosures of emerging and principal risks and longer-term viability

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

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

- the directors' confirmation within the viability statement (page 56) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified,and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 56 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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

Corporate governance disclosures

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

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

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

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review, and to report to you if a corporate governance statement has not been prepared by the Company. We have nothing to report in this respect.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

7. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in these respects.

8. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 165, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Craig Parkin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Sovereign Square
Sovereign Street
Leeds
LS1 4DA

14 June 2023

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 25 MARCH 2023

	Note	Underlying year ended 25 March 2023 £000	Non-underlying year ended 25 March 2023 £000	Total year ended 25 March 2023 £000	Underlying year ended 26 March 2022 £000	Non-underlying year ended 26 March 2022 £000	Total year ended 26 March 2022 £000
Revenue	3	491,753	–	491,753	403,563	–	403,563
Operating costs	4	(458,686)	(4,811)	(463,497)	(376,682)	(5,424)	(382,106)
Operating profit before share of results of JVs and associates		33,067	(4,811)	28,256	26,881	(5,424)	21,457
Share of results of JVs and associates	15	1,898	–	1,898	1,346	–	1,346
Operating profit		34,965	(4,811)	30,154	28,227	(5,424)	22,803
Net finance expense	7	(2,489)	(558)	(3,047)	(1,129)	(674)	(1,803)
Profit before tax		32,476	(5,369)	27,107	27,098	(6,098)	21,000
Taxation	8	(6,238)	697	(5,541)	(4,795)	(604)	(5,399)
Profit for the year attributable to the equity holders of the parent		26,238	(4,672)	21,566	22,303	(6,702)	15,601
Earnings per share:							
Basic	10	8.48p	(1.51)p	6.97p	7.22p	(2.17)p	5.05p
Diluted	10	8.39p	(1.49)p	6.90p	7.19p	(2.16)p	5.03p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 25 MARCH 2023

	Note	Year ended 25 March 2023 £000	Year ended 26 March 2022 £000
Items that will not be reclassified to profit and loss:			
Actuarial (loss)/gain on defined benefit pension scheme	29	(701)	5,938
Tax relating to components that will not be reclassified	20	175	(1,205)
		(526)	4,733
Items that may be reclassified to profit and loss:			
Losses taken to equity on cash flow hedges	24	(1,147)	(22)
Reclassification adjustments on cash flow hedges	24	243	13
Exchange difference on foreign operations	24	(86)	40
Tax relating to components that may be reclassified	20	153	21
		(837)	52
Other comprehensive income for the year		(1,363)	4,785
Profit for the year from continuing operations		21,566	15,601
Total comprehensive income for the year attributable to equity holders of the parent		20,203	20,386

CONSOLIDATED BALANCE SHEET

AT 25 MARCH 2023

	Note	As at 25 March 2023 £000	As at 26 March 2022 £000
Assets			
Non-current assets			
Goodwill	11	**82,188**	82,188
Other intangible assets	12	**7,095**	10,343
Property, plant and equipment	13	**92,067**	91,436
Right-of-use assets	14	**13,018**	11,070
Interests in JVs and associates	15	**31,784**	30,136
Contract assets, trade and other receivables	18	**2,245**	4,881
		228,397	230,054
Current assets			
Inventories	16	**13,231**	18,005
Contract assets, trade and other receivables	18	**109,721**	117,859
Derivative financial instruments	21	**25**	670
Current tax assets		**2,278**	4,171
Cash and cash equivalents	21	**11,338**	–
		136,593	140,705
Total assets		**364,990**	370,759
Liabilities			
Current liabilities			
Bank overdraft	21	**-**	(3,974)
Contract liabilities, trade and other payables	19	**(102,699)**	(111,692)
Financial liabilities – borrowings	21	**(4,150)**	(5,900)
Financial liabilities – leases	21	**(2,172)**	(1,756)
		(109,021)	(123,322)
Non-current liabilities			
Contract liabilities, trade and other payables	19	**(2,377)**	(3,081)
Retirement benefit obligations	29	**(12,871)**	(14,396)
Financial liabilities – borrowings	21	**(4,800)**	(8,950)
Financial liabilities – leases	21	**(11,224)**	(9,884)
Deferred tax liabilities	20	**(6,979)**	(7,166)
		(38,251)	(43,477)
Total liabilities		**(147,272)**	(166,799)
Net assets		**217,718**	203,960
Equity			
Share capital	23	**7,739**	7,738
Share premium		**88,522**	88,511
Other reserves	24	**5,959**	4,485
Retained earnings		**115,498**	103,226
Total equity		**217,718**	203,960

The consolidated financial statements were approved by the board of directors on 14 June 2023 and signed on its behalf by:

Alan Dunsmore
Chief Executive Officer

Adam Semple
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 25 MARCH 2023

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 27 March 2022		**7,738**	**88,511**	**4,485**	**103,226**	**203,960**
Total comprehensive income for the year		**–**	**–**	**(991)**	**21,194**	**20,203**
Ordinary shares issued*		**1**	**11**	**–**	**–**	**12**
Equity-settled share-based payments	23	**–**	**–**	**2,465**	**955**	**3,420**
Dividends paid		**–**	**–**	**–**	**(9,877)**	**(9,877)**
At 25 March 2023		**7,739**	**88,522**	**5,959**	**115,498**	**217,718**

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

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 28 March 2021		7,706	87,658	3,464	92,101	190,929
Total comprehensive income for the year		–	–	32	20,354	20,386
Ordinary shares issued*		32	853	–	–	885
Equity-settled share-based payments	23	–	–	989	–	989
Dividends paid		–	–	–	(9,229)	(9,229)
At 26 March 2022		7,738	88,511	4,485	103,226	203,960

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

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 25 MARCH 2023

	Note	Year ended 25 March 2023 £000	Year ended 26 March 2022 £000
Net cash flow from operating activities	25	**50,292**	(5,685)
Cash flows from investing activities			
Proceeds on disposal of other property, plant and equipment		**317**	376
Purchases of land and buildings		**(635)**	(2,759)
Purchases of intangible assets		**(168)**	(124)
Purchases of other property, plant and equipment		**(5,668)**	(2,507)
Investment in JVs and associates		**–**	–
Payment of deferred and contingent consideration		**(8,534)**	(526)
Net cash used in investing activities		**(14,688)**	(5,540)
Cash flows from financing activities			
Interest paid		**(2,495)**	(1,056)
Dividends paid		**(9,877)**	(9,229)
Proceeds from shares issued		**12**	885
Proceeds from borrowings		**–**	–
Repayment of borrowings		**(5,900)**	(5,900)
Repayment of lease liabilities		**(2,032)**	(2,432)
Net cash used in financing activities		**(20,292)**	(17,732)
Net increase/(decrease) in cash and cash equivalents		**15,312**	(28,957)
Cash and cash equivalents at beginning of year		**(3,974)**	24,983
Cash and cash equivalents at end of year	26	**11,338**	(3,974)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 25 MARCH 2023

1. Significant accounting policies

General information

Severfield plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is provided on page 228. The registered number of the Company is 1721262. The nature of the Group's operations and its principal activities are set out on pages 20 to 29. These financial statements are presented in sterling, which is the currency of the primary economic environment in which the Group operates.

Basis of preparation

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

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

Climate change

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

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

Financial period

The Group's annual report and accounts are made up to an appropriate Saturday around 31 March each year. For 2023, trading is shown for the 52-week period ended on 25 March 2023 (2022: 52-week period ended 26 March 2022). All references to 'the year ended 25 March 2023', throughout the annual report, relate to the 52-week period ended 25 March 2023.

The financial statements of the Group's joint venture, JSSL, are made up to the year ended 31 March 2023 (2022: year ended 31 March 2022).

Adoption of new and revised standards

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

- Annual improvements to IFRS Standards 2018–2020;
- Amendments to IAS 16 'Property Plant and Equipment: Proceeds before intended use;
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a contract
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest rate benchmark reform - Phase 2'.

Accounting standards not yet adopted by the Group

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these financial statements as their effective dates fall in periods beginning on or after 1 April 2023.

- Amendments to IFRS 3 ' Reference to the Conceptual Framework';
- IFRS 17 'Insurance Contracts' and Amendments to IFRS 17 'Insurance contracts';
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current';
- Amendments to IAS 1 'Disclosure of accounting policies';
- Amendments to IAS 1 'Non-Current Liabilities with Covenants';
- Amendments to IAS 8 'Definition of accounting estimates';
- Amendments to IFRS 16 'Lease liability in a sale and lease back'; and
- Amendments to IAS 12 ''Deferred Tax Related to Assets' and 'Liabilities Arising from a Single Transaction'.

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

1. Significant accounting policies continued

Going concern

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

The following factors were considered as relevant:

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

In the current financial year, the Group continued to trade profitably with positive operating cash flows and has a significant order book with strong earnings visibility into the next financial year and beyond. The directors have reviewed the Group's forecasts and projections for 2024 and for at least 12 months from the date of approval of the financial statements, including sensitivity analysis to assess the Group's resilience to potential adverse outcomes including a highly pessimistic 'severe but plausible' scenario. This 'severe but plausible' scenario is based on the combined impact of securing only 25 per cent of budgeted uncontracted orders for the next 12 months, one-off contract losses, a deterioration of market conditions and other downside factors. Given the strong previous performance of the Group, this scenario is only being modelled to stress test our strong financial position and demonstrates the existence of considerable headroom in the Group's covenants and borrowing facilities in this 'severe but plausible' scenario.

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

Basis of consolidation

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

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

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

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

Non-underlying items

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

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

1. Significant accounting policies continued

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

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

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

Business combinations

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

Investments in joint ventures and associates

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

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

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

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

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

Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 25 MARCH 2023

1. Significant accounting policies continued

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

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

Revenue recognition

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

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

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

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

Construction contracts

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

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

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

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

The general principles for revenue recognition are as follows:

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

1. Significant accounting policies continued

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

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

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

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

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

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

Contract assets

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

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

Contract liabilities

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

Retirement benefit obligations

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 25 MARCH 2023

1. Significant accounting policies continued

Taxation

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividends

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

Property, plant and equipment

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

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

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

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

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

Right-of-use assets and lease liabilities

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

1. Significant accounting policies continued

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

Leases in which the Group is a lessee

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

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

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

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group is reasonably certain to exercise; and
- Penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Short-term leases and leases of low-value assets

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

Intangibles

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

Other acquired intangible assets include software costs.

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

	Amortisation period
Customer relationships	4–5 years
Brands	5 years
Order book	18 months

Impairment of tangible and intangible assets excluding goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 25 MARCH 2023

1. Significant accounting policies continued

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

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

Inventories

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown in current liabilities on the balance sheet unless a right of offset exists, in accordance with IFRS 7, to allow net presentation of a financial asset and a financial liability.

Bank borrowings

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

Trade payables

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

Equity instruments

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

Share-based payment transactions

The Group issues equity-settled share-based payments. These share-based payments are measured at fair value at the date of grant based on the Group's estimate of shares that will eventually vest. The fair value determined is then expensed in the consolidated income statement on a straight-line basis over the vesting period, with a corresponding increase in equity. Further details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 22.

Provisions

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

1. Significant accounting policies continued

Derivative financial instruments and hedge accounting

The Group enters into certain foreign exchange forward contracts to manage its exposure to currency movements. Further details of derivative financial instruments are disclosed in note 21.

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

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

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

2. Critical accounting judgements and estimates

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

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

Revenue and profit recognition

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

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

Within this portfolio, there are a limited number of long-term contracts where the Group has incorporated significant judgements over revenue and profit, which have been recognised at a level that is considered highly probable not to significantly reverse. However, there are a host of factors affecting potential outcomes in respect of these entitlements which could result in a range of reasonably possible outcomes on these contracts in the following financial year, ranging from a gain of £21,000,000 to a loss of £6,000,000. Management has assessed the range of reasonably possible outcomes on these limited number of contracts based on facts and circumstances that were present and known at the balance sheet date. As with any contract applying long-term contract accounting, these contracts are also affected by a variety of uncertainties that depend on future events, and so often need to be revised as contracts progress.

At the balance sheet date, amounts due from construction contract customers, included in contract assets, trade and other receivables, was £48,840,000 (2022: £74,898,000), see note 18.

2. Critical accounting judgements and estimates continued

Critical accounting estimates

Valuation of contingent consideration

Contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss. Significant judgement is required on assessing discount rates and future cash flows of the company which drives the value of future payments required.

Retirement benefit obligations

The Group's defined benefit pension scheme has been valued in accordance with IAS 19 'Employee Benefits'. The benefit obligation is calculated using a number of assumptions, including forecast discount and mortality rates (as disclosed in note 29). The present value of the benefit obligations is calculated by discounting the benefit obligation using market rates on relevant AA corporate bonds at the balance sheet date.

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

The defined benefit obligation recognised at the balance sheet date was £12,871,000 (2022: £14,396,000).

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

3. Revenue and segmental analysis

Revenue

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

	2023 £000	2022 £000
Revenue from construction contracts	491,753	403,563
Other operating income (note 4)	1,852	4,584
Interest received (note 7)	133	76
Total income	493,738	408,223

Segmental results

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. Management has identified multiple operating segments which are reported to the CODM on a regular basis, however for the purpose of presentation under IFRS 8, the individual operating segments meet the aggregation criteria that allows them to be presented as one reportable segment ('construction contracts') for the Group.

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

The divisions presented in the strategic report were created from April 2022 to provide better client service and increased organisational clarity, both internally and externally. These still meet the aggregation criteria to be presented as one reportable segment under IFRS 8.

The disclosures requirements of IFRS 8 are therefore made on the basis of one reportable segment (construction contracts).

Revenues by product group

All revenue is derived from construction contracts and related assets.

3. Revenue and segmental analysis continued

Geographical information

Following the implementation of IFRS 15, the Group presents a disaggregation of its revenue according to the primary geographical markets in which the Group operates. This disaggregation of revenue is presented for the Group's one operating segment as noted above.

	2023 £000	2022 £000
Revenue by destination:		
United Kingdom	452,679	337,520
Republic of Ireland and continental Europe	39,074	66,043
	491,753	403,563

Contract balances

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

	2023 £000	2022 £000
Trade and other receivables (note 18)	42,838	106,783
Contract assets (note 18)	48,840	74,898
Contract liabilities (note 17)	(19,584)	(17,930)

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

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

The table below represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at 25 March 2023 and have an original expected contract duration of more than one year:

	2024 £000	2025 £000
Construction contracts	111,249	9,099

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

Information about major customers

Included in Group revenue is £135,318,000 (2022: £57,619,000) relating to two (2022: one) major customers (spread over several contracts), who individually contributed more than 10 per cent of Group revenue in the year ended 25 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 25 MARCH 2023

4. Operating costs

	2023 £000	2022 £000
Raw materials and consumables (including subcontractor costs)	**307,766**	253,734
Staff costs (note 6)	**99,479**	86,034
Other operating charges	**45,364**	33,802
Amortisation of other intangible assets (note 12)	**79**	178
Operating lease expense:		
– plant and machinery	**179**	359
– land and buildings	**190**	118
– motor vehicles	**234**	176
Depreciation (notes 13 and 14):		
– owned property, plant and equipment	**5,407**	5,163
– right-of-use assets	**1,840**	1,702
Other operating income	**(1,852)**	(4,584)
Operating costs before non-underlying items	**458,686**	376,682
Non-underlying items (note 5)	**4,811**	5,424
	463,497	382,106
Other operating charges include:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**45**	25
Fees payable to the Company's auditor for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**650**	450
– audit-related assurance services	**25**	25
– other assurance services	**–**	–

Other operating income mainly represents research and development tax credits.

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

Details of the Group's policy on the use of the auditor for non-audit services, the reason why the auditor was used, and how the auditor's independence and objectivity were safeguarded are set out in the audit committee report on pages 130 and 133. No services were performed pursuant to contingent fee arrangements.

5. Non-underlying items

	2023 £000	2022 £000
Operating costs	**4,811**	5,424
Finance expense	**558**	674
Non-underlying items before tax	**5,369**	6,098
Tax on non-underlying items (note 5)	**(697)**	604
Non-underlying items after tax	**4,672**	6,702

Non-underlying items before tax consist of:	2023 £000	2022 £000
Amortisation of acquired intangible assets – Harry Peers/DAM Structures	**3,338**	5,191
Acquisition-related expenses – VSCG	**1,816**	–
Unwinding of discount on contingent consideration – DAM Structures	**558**	674
Fair value adjustment to contingent consideration– DAM Structures	**(343)**	–
Other exceptional costs	**-**	233
Non-underlying items before tax	**5,369**	6,098

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 DAM Structures.

Acquisition-related expenses of £1,816,000, represent acquisition and transaction costs associated with the VSCG acquisition, which was finalised in April 2023, after the year end date.

The basis for stating results on an underlying basis is set out on pages 182 and 183. The board believes that non-underlying items should be separately identified on the face of the income statement to assist in understanding the underlying performance of the Group. Their separate identification results in the calculation of an underlying profit measure, which is the same as that presented and reviewed by management and are normally excluded by investors, analysts and brokers when making investment and other decisions. Accordingly, certain alternative performance measures ('APMs') have been used throughout this annual report to supplement rather than replace the measures provided under IFRS, see note 31.

6. Staff costs

Details of directors' remuneration for the year are provided in the audited part of the directors' remuneration report on page 140.

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

	2023 Number	2022 Number
Production and site	**1,402**	1,322
Sales and administration	**317**	256
	1,719	1,578

The aggregate payroll costs of these persons were as follows:

	2023 £000	2022 £000
Wages and salaries	**86,131**	73,885
Social security costs	**9,188**	7,842
Other pension costs	**4,160**	4,307
	99,479	86,034

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

7. Net finance expense

	2023 £000	2022 £000
Finance income	(133)	(76)
Finance expense	2,622	1,205
Unwinding of discount on contingent consideration	558	674
	3,047	1,803

8. Taxation

a) The taxation charge comprises:

	2023 £000	2022 £000
Current tax		
UK corporation tax charge	(5,460)	(4,178)
Foreign tax relief/other relief	51	124
Foreign tax suffered	(51)	(125)
Adjustments to prior years' provisions	60	(251)
	(5,400)	(4,430)
Deferred tax (note 20)		
Current year credit	(144)	415
Impact of change in future years' tax rates	(14)	(1,457)
Adjustments to prior years' provisions	17	73
	(141)	(969)
	(5,541)	(5,399)

b) Tax reconciliation

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

	2023 £000	2022 £000
Profit before tax	27,107	21,000
Tax on profit at standard UK corporation tax rate	(5,150)	(3,990)
Expenses not deductible for tax purposes	(1,068)	(536)
Income not taxable	234	506
Tax effect of share of results of JVs and associates	380	256
Adjustments to prior years' provisions	77	(178)
Rate differences	(14)	(1,457)
	(5,541)	(5,399)

Corporation tax was calculated at 19 per cent (2022: 19 per cent) of the estimated taxable result for the year. On 4 March 2021, the UK government announced an intention to increase the rate of corporation tax to 25 percent with effect from 1 April 2023. Hence all deferred tax balances have been calculated at 25 percent.

9. Dividends

	2023 £000	2022 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 26 March 2022 of 1.9p per share (2022: 1.8p)	5,864	5,529
Interim dividend for the year ended 25 March 2023 of 1.3p per share (2022: 1.2p)	4,013	3,700
	9,877	9,229

The directors are recommending a final dividend of 2.1p per share (2022: 1.9p). This, together with the interim dividend of 1.3p per share (2022:1.2p) will result in a total dividend of 3.4p per share (2022: 3.1p).

10. Earnings per share

Earnings per share is calculated as follows:

	2023 £000	2022 £000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent Company	**21,566**	15,601
Earnings for the purposes of underlying basic earnings per share being underlying net profit attributable to equity holders of the parent Company	**26,238**	22,303

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**309,533,696**	308,834,123
Effect of dilutive potential ordinary shares	**3,239,813**	1,335,323
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**312,773,509**	310,169,446
Basic earnings per share	**6.97p**	5.05p
Underlying basic earnings per share	**8.48p**	7.22p
Diluted earnings per share	**6.90p**	5.03p
Underlying diluted earnings per share	**8.39p**	7.19p

Reconciliation of earnings	2023 £000	2022 £000
Net profit attributable to equity holders of the parent Company	**21,566**	15,601
Non-underlying items (note 5)	**4,672**	6,702
Underlying net profit attributable to equity holders of the parent Company	**26,238**	22,303

Further details of non-underlying items are provided in note 5.

11. Goodwill

The goodwill balance was created on the following acquisitions:

	£000
On the DAM Structures acquisition in 2022	11,474
On the Harry Peers acquisition in 2019	16,002
On the Fisher Engineering acquisition in 2007	47,980
On the Atlas Ward acquisition in 2005	6,571
On the Watson Steel Structures acquisition in 2001	161
	82,188

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

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

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

11. Goodwill continued

The Group has prepared cash flows for the next financial year, which the directors believe capture the Group's most up-to-date 'realistic' forecast position, together with cash flows based on projections for the following two years. After this period, cash flows have been extrapolated using a growth rate of 1.5 per cent (2022: 1.5 per cent) which does not exceed the long-term growth rate for the relevant markets. The cash flow forecasts have been discounted using a pre-tax discount rate of 12.5 per cent (2022: 10.6 per cent).

Following the impairment reviews performed by the Group, no impairment charge was recorded in the year ended 25 March 2023.

Management has analysed a number of sensitivity scenarios when performing the impairment reviews, including a reduction in operating margin and an increased discount rate. None of those scenarios resulted in an impairment to goodwill. Management considers that no reasonably possible change in the key assumptions would cause the goodwill to fall below its carrying value at 25 March 2023.

12. Other intangible assets

	Intangible assets acquired on acquisition £000	Other intangible assets £000	Total £000
Cost			
At 28 March 2021	13,546	1,384	14,930
Additions	5,958	124	6,082
At 27 March 2022	19,504	1,508	21,012
Additions	–	168	168
At 25 March 2023	**19,504**	**1,676**	**21,180**
Amortisation			
At 28 March 2021	4,263	1,037	5,300
Charge for the year	5,191	178	5,369
At 27 March 2022	9,454	1,215	10,669
Charge for the year	3,338	78	3,416
At 25 March 2023	**12,792**	**1,293**	**14,085**
Carrying amount			
At 25 March 2023	**6,712**	**383**	**7,095**
At 26 March 2022	10,050	293	10,343

12. Other intangible assets continued

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

	Customer relationships £000	Brands £000	Order book £000	Total £000
Cost				
At 28 March 2021	9,070	813	3,663	13,546
Additions	5,853	–	105	5,958
At 27 March 2022	14,923	813	3,768	19,504
Additions	–	–	–	–
At 25 March 2023	**14,923**	**813**	**3,768**	**19,504**
Amortisation				
At 28 March 2021	2,128	222	1,913	4,263
Charge for the year	3,188	148	1,855	5,191
At 27 March 2022	5,316	370	3,768	9,454
Charge for the year	3,190	148	–	3,338
At 25 March 2023	**8,506**	**518**	**3,768**	**12,792**
Carrying amount				
At 25 March 2023	**6,417**	**295**	**–**	**6,712**
At 26 March 2022	9,607	443	–	10,050

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

13. Property, plant and equipment

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost					
At 28 March 2021	70,664	50,624	11,415	390	133,093
Additions	2,759	1,911	479	117	5,266
Disposals	–	(1,470)	(1)	(128)	(1,599)
At 27 March 2022	73,423	51,065	11,893	379	136,760
Additions	635	5,008	660	–	6,303
Disposals	–	(847)	(24)	(84)	(955)
At 25 March 2023	**74,058**	**55,226**	**12,529**	**295**	**142,108**
Accumulated depreciation					
At 28 March 2021	7,334	30,145	3,809	107	41,395
Charge for the year	678	3,250	1,118	117	5,163
Disposals	–	(1,127)	(1)	(106)	(1,234)
At 27 March 2022	8,012	32,268	4,926	118	45,324
Charge for the year	748	3,405	1,165	89	5,407
Disposals	–	(615)	(14)	(61)	(690)
At 25 March 2023	**8,760**	**35,058**	**6,077**	**146**	**50,041**
Carrying amount					
At 25 March 2023	**65,298**	**20,168**	**6,452**	**149**	**92,067**
At 26 March 2022	65,411	18,797	6,967	261	91,436

14. Right-of-use assets

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

	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Total £000
Cost				
At 28 March 2021	10,212	301	2,304	12,817
Additions	–	2,735	431	3,166
Disposals	–	(3)	(658)	(661)
At 27 March 2022	10,212	3,033	2,077	15,322
Additions	1,576	1,285	984	3,845
Disposals	(421)	(2)	(771)	(1,194)
At 25 March 2023	**11,367**	**4,316**	**2,290**	**17,973**
Accumulated depreciation				
At 28 March 2021	1,661	222	1,126	3,009
Charge for the year	970	150	582	1,702
Disposals	–	–	(459)	(459)
At 27 March 2022	2,631	372	1,249	4,252
Charge for the year	964	306	570	1,840
Disposals	(421)	(2)	(714)	(1,137)
At 25 March 2023	**3,174**	**676**	**1,105**	**4,955**
Carrying amount				
At 25 March 2023	**8,193**	**3,640**	**1,185**	**13,018**
At 26 March 2022	7,581	2,661	828	11,070

15. Interests in JVs and associates

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

	Holding %	Class of capital
Associated companies:		
Fabsec Limited — Development of fire beam	25.0	Ordinary
Joint ventures:		
JSW Severfield Structures Limited — Structural steelwork serving the Indian market	50.0	Ordinary
Construction Metal Forming Limited — Manufacturer of cold rolled metal products	50.0	Ordinary

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

The Group did not make any further investments in either CMF Limited, JSW Severfield Structures Limited, or Fabsec Limited during the year (2022: £nil).

15. Interests in JVs and associates continued

	Goodwill £000	Share of net assets/ (liabilities) £000	Total £000
At 28 March 2021	5,326	23,464	28,790
Profit retained	–	1,346	1,346
At 27 March 2022	5,326	24,810	30,136
Profit retained	**–**	**1,898**	**1,898**
Deferred tax adjustments	**–**	**(250)**	**(250)**
At 25 March 2023	**5,326**	**26,458**	**31,784**

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

Share of results	Fabsec Limited £000	JSW Severfield Structures Limited £000	CMF Limited £000	Total £000
2023	**–**	**1,315**	**583**	**1,898**
2022	–	796	550	1,346

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

	Fabsec Limited £000	JSW Severfield Structures Limited £000	CMF Limited £000	**2023 £000**	2022 £000
Current assets	1,372	110,568	10,627	**122,567**	103,316
Non-current assets	1	27,328	9,051	**36,380**	32,989
Current liabilities	(15)	(100,306)	(7,375)	**(107,696)**	(93,021)
Non-current liabilities	(2,239)	(1,107)	(3,248)	**(6,594)**	(5,228)
Net assets	(881)	36,483	9,055	**44,657**	38,056
Group's share of net (liabilities)/assets	(220)	18,242	4,528	**22,550**	19,274
Goodwill	–	–	5,326	**5,326**	5,326
Investment	–	–	2,444	**2,444**	2,444
Impact of foreign exchange on share of net assets	–	671	–	**671**	2,454
Accounting policy alignment	220	552	21	**793**	638
Carrying amount of interest in JVs and associates	–	19,465	12,319	**31,784**	30,136
Revenue	196	137,749	40,626	**178,571**	135,883
Depreciation and amortisation	(1)	(2,271)	(96)	**(2,368)**	(1,677)
Net finance expense	–	(5,121)	(387)	**(5,508)**	(3,349)
Taxation	–	(951)	(272)	**(1,223)**	(561)
Profit after tax	54	2,631	1,166	**3,851**	2,770
Group's share of profit after tax	–	1,315	583	**1,898**	1,346

There were no contingent liabilities or capital commitments (2022: none) associated with the Group's JVs and associates.

16. Inventories

	2023 £000	2022 £000
Raw materials and consumables	12,328	12,112
Work-in-progress	903	5,893
	13,231	18,005

17. Construction contracts

	2023 £000	2022 £000
Contracts-in-progress at balance sheet date:		
Amounts due from construction contract customers included in contract assets, trade and other receivables	91,678	106,783
Amounts due to construction contract customers included in trade and other payables (note 19)	(19,584)	(17,930)
	72,094	88,853
Contract costs incurred plus recognised profits less recognised losses to date	722,342	584,344
Less: progress billings received	(650,248)	(495,491)
	72,094	88,853

18. Contract assets, trade and other receivables

Current assets	2023 £000	2022 £000
Amounts due from construction contract customers (note 17):		
Trade receivables and other	40,593	27,004
Contract assets	48,840	74,898
Total	89,433	101,902
Other receivables	7,281	6,062
Prepayments and accrued income	11,027	7,580
Amounts due from JVs and associates	1,980	2,315
	109,721	117,859

Non-current assets	2023 £000	2022 £000
Trade receivables and other	2,245	4,881
	2,245	4,881

Contract assets of £48,840,000 (2022: £74,898,000) mainly reflect the Group's right to consideration for work completed but not yet invoiced at the year end. These are transferred to trade receivables when there is an unconditional right to payment. The reduction in contract assets is driven by the stage of completion of construction contracts. At 26 March 2022, there were several significant contracts in the early stages of completion and therefore not yet eligible to be billed.

The average credit period taken on revenue, calculated on a count-back basis to make appropriate allowance for monthly revenue phasing, is 85 days (2022: 69 days). No interest is charged on receivables.

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

Before accepting any new customer, the Group uses an external credit rating agency to assess the potential customer's credit quality and defines credit limits by customer. It is Group policy that adequate credit insurance is taken out on all customers to manage the exposure that may arise as the contractual work proceeds. The Group's executive risk committee reviews situations where adequate credit insurance on the Group's customers cannot be purchased in the present economic climate as required. The Group has rigorous procedures in place for monitoring and obtaining settlement of retentions in a prompt manner. Overdue retentions at 25 March 2023 were £nil (2022: £nil).

19. Contract liabilities, trade and other payables

	2023 **£000**	2022 £000
Trade creditors	**36,284**	47,326
Other taxation and social security	**4,432**	3,460
Other creditors and accruals	**37,645**	41,776
Contract liabilities (note 17)	**19,584**	17,930
Amounts owed to JVs and associates	**4,754**	1,200
	102,699	111,692

In the current year, other creditors and accruals includes the outstanding contingent and deferred purchase consideration for DAM Structures of £881,000 (2022: £8,500,000) which is payable in the next 12 months.

Contract liabilities of £19,584,000 (2022: £17,930,000) reflect advance payments from customers for construction contracts for which revenue has not been recognised as at 25 March 2023.

Non-current liabilities	**2023** **£000**	2022 £000
Other creditors and accruals	**2,377**	3,081
	2,377	3,081

Non-current other creditors and accruals in the current and prior year reflects the outstanding contingent purchase consideration for DAM Structures of £2,377,000 (2022: £3,081,000) which is payable in the next five years, subject to certain conditions beyond the Group's control.

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

The average credit period taken for trade purchases, calculated on a count-back basis to make appropriate allowance for monthly revenue phasing, is 39 days (2022: 52 days).

20. Deferred tax assets and liabilities

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

	2023 **£000**	2022 £000
Deferred tax liabilities	**(11,661)**	(11,883)
Deferred tax assets	**4,682**	4,717
	(6,979)	(7,166)

20. Deferred tax assets and liabilities continued

Deferred tax is disclosed in the balance sheet as a deferred tax liability in the current and prior years.

	Excess capital allowances £000	Acquired intangible assets £000	Retirement benefit £000	Trading losses £000	Other £000	Total £000
At 28 March 2021	(7,131)	(1,764)	4,252	220	262	(4,161)
Prior year adjustment	(79)	–	–	–	152	73
(Charge)/credit to income statement	(155)	986	(389)	226	(253)	415
(Charge)/credit to income statement due to rate change	(2,317)	(291)	941	–	210	(1,457)
On acquisition of subsidiary*	–	(1,132)	–	–	280	(852)
Charge to other comprehensive income	–	–	(1,128)	–	17	(1,111)
Charge to other comprehensive income due to rate change	–	–	(77)	–	4	(73)
At 27 March 2022	**(9,682)**	**(2,201)**	**3,599**	**446**	**672**	**(7,166)**
Prior year adjustment	1	–	–	–	16	17
(Charge)/credit to income statement	(615)	834	(557)	(105)	285	(158)
Charge to other comprehensive income	–	–	175	–	153	328
At 25 March 2023	**(10,296)**	**(1,367)**	**3,217**	**341**	**1,126**	**(6,979)**

* Relates to the finalisation of the acquisition accounting for DAM Structures in the prior year.

21. Financial instruments

Capital risk management

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

The Group monitors capital using the following indicators:

i) Gearing ratio

	2023 £000	2022 £000
Borrowing	**(8,950)**	(14,850)
Cash and cash equivalents	**11,338**	(3,974)
Unamortised debt arrangement fees	**321**	402
Net funds/(debt)	**2,709**	(18,422)
Equity	**217,718**	203,960
Net debt to equity ratio	**(1.2%)**	9.0%

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

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

21. Financial instruments continued

ii) Return on capital employed

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

	2023 £000	2022 £000
Underlying operating profit		
Underlying operating profit (before JVs and associates)	**33,067**	26,881
Share of results of JVs and associates	**1,898**	1,346
	34,965	28,227
Capital employed:		
Shareholders' equity	**217,718**	203,960
Cash and cash equivalents	**(11,338)**	3,974
Borrowings	**8,950**	14,850
Net funds (for ROCE purposes)	**(2,388)**	18,824
Acquired intangible assets	**(6,712)**	(10,050)
Retirement benefit obligations (net of deferred tax) (note 29)	**9,654**	10,797
	218,272	223,531
Average capital employed	**220,902**	209,536
Return on capital employed	**15.8%**	13.5%

Categories of financial instruments

	Carrying value	
	2023 £000	2022 £000
Financial assets		
Cash and cash equivalents	**11,338**	–
Trade receivables and other (note 18)	**42,838**	31,885
Derivative financial instruments	**25**	670
Financial liabilities		
Cash and cash equivalents	**–**	(3,974)
Trade creditors (note 19)	**(36,284)**	(47,326)
Other creditors and accruals (note 19)	**(40,022)**	(44,857)
Lease liabilities	**(13,396)**	(11,640)

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

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

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

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

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

21. Financial instruments continued

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

General risk management principles

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

Financial risks and management

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

Credit risk

The Group's primary exposure to credit risk arises from the potential for non-payment or default from construction contract customers, encompassing both trade receivables and contract assets. The degree to which the Group is exposed to this credit risk depends on the individual characteristics of the contract counterparty and the nature of the project. The Group's credit risk is also influenced by the general macroeconomic conditions. The Group does not have significant concentration of risk in respect of amounts due from construction contract customers at the reporting date due to the amount being spread across a wide range of customers. Due to the nature of the Group's operations, it is normal practice for customers to hold retentions in respect of contracts completed. Retentions held by customers at 25 March 2023 were £7,146,000 (2022: £11,236,000).

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

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

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

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

Liquidity risk

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

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

21. Financial instruments continued

On 1 December 2021, the Group completed a refinancing of its revolving credit facility ('RCF') with HSBC Bank PLC and Virgin Money (formerly Yorkshire Bank). In March 2023 the Group increased the existing facility to £60m. The extended facility provides additional liquidity following the VSCH' acquisition and to support the continued growth strategy of the Group. The RCF remains subject to three financial covenants, namely interest cover, net debt to EBITDA and debt service (cash flow) cover. The Group operated well within these covenant limits throughout the year ended 25 March 2023.

As at 25 March 2023, £60,000,000 (2022: £43,987,000) of this facility was not drawn but available. Up to £15,000,000 of this facility is available by way of an overdraft (2022: £15,000,000).

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

	Maturity analysis						
	Carrying value £000	Less than 3 months £000	3 months to 1 year £000	1–2 years £000	2–5 years £000	5+ years £000	Total £000
Liabilities – 2023							
Trade and other payables	**77,845**	**72,821**	**2,649**	**658**	**1,717**	**–**	**77,845**
Financial liabilities – leases	**13,396**	**630**	**1,899**	**2,187**	**5,025**	**8,338**	**18,079**
Borrowings	**8,950**	**1,598**	**2,982**	**2,654**	**2,498**	**–**	**9,732**
	100,191	**75,049**	**7,530**	**5,499**	**9,240**	**8,338**	**105,656**
Liabilities – 2022							
Trade and other payables	92,183	78,873	10,229	410	2,671	–	92,183
Financial liabilities – leases	11,640	511	1,492	1,897	4,233	7,761	15,894
Borrowings	14,850	1,642	4,827	4,463	5,043	–	15,975
	118,673	81,026	16,548	6,770	11,947	7,761	124,052

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

	Loans	Lease liabilities
Balance at 27 March 2022	14,850	11,640
Changes from financing cashflows		
Payments of borrowings	(5,900)	–
Payments of lease liabilities	–	(2,032)
Total changes arising from financing cash flows	(5,900)	(2,032)
Other changes		
Interest expense	465	367
Interest paid	(465)	(367)
New leases	–	3,855
Lease disposals	–	(67)
Total other changes	–	3,788
Balance at 25 March 2023	8,950	13,396

Market risk

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

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

21. Financial instruments continued

Foreign currency risk management

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

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

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

	Liabilities		Assets	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Euro	**(3,831)**	(2,033)	**10,672**	12,235
US dollar	**(18)**	(2)	**2**	4
	(3,849)	(2,035)	**10,674**	12,239

Foreign currency sensitivity analysis

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

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

	US dollar currency impact		Euro currency impact	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Profit or loss and equity	**2**	3	**118**	(1,234)

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

Forward foreign exchange contracts

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

The Group uses forward foreign currency contracts to hedge currency risk associated with expected future sales or purchases for which the Group has firm commitments. The terms of the forward foreign currency contracts are negotiated to match the terms of the commitments. During the year, the Group has applied cash flow hedge accounting to these forward foreign currency transactions. As at 25 March 2023, derivatives designated as cash flow hedges were an asset of £25,000 (2022: £670,000) and recognised total losses of £904,000 (2022: losses of £9,000) in equity and gains of £256,000 (2022: losses of £370,000) in profit and loss in the year.

At 25 March 2023, the Group had forward exchange contracts of 5.7m Euros (2022: 24.0m Euros) at an average exchange rate of €1.13/£ (2022: €1.08/£) which mature within 12 months of the year end. In addition, the Group had forward exchange contracts of nil CHF (2022: 6.4m) at an average exchange rate of N/A (2022: 1.03/£) which mature within 12 months of the year end.

21. Financial instruments continued

Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 0.5 per cent higher and all other variables were held constant, the Group's profit for the year ended 25 March 2023 and the Group's equity at that date would decrease by £173,000 (2022: £74,000). If the £60,000,000 facility is fully utilised the exposure increases by £300,000. This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

22. Share-based payments

The Group operates a share-based incentive scheme for the Company's executive directors (being both board directors and certain members of the executive committee) and selected senior management. These awards will, under normal circumstances, vest subject to continued service and the achievement of performance conditions over a three-year period. Further details are given in the directors' remuneration report on pages 140 to 164. The Group recognised a total charge of £3,420,000 (2022: £989,000) relating to its performance share plan and sharesave scheme.

Performance share plan

The vesting of awards is subject to performance conditions set by the remuneration committee. The Group recognised a total charge of £2,352,000 for the year (2022: £280,000) with a corresponding entry to reserves. The weighted average fair value of share options granted during the year was £0.51 per share. Three outstanding awards had been granted to 25 March 2023:

During the year ended 27 March 2021 the remuneration committee granted 2,983,529 ordinary shares of 2.5p each at £nil value. The vesting of these awards was dependent on the Group's underlying earnings per share performance over the three-year period from 29 March 2020 to 25 March 2023. The following vesting schedule applies:

Underlying EPS performance for year ended 25 March 2023	% of award vesting
Equal to less than 6.57p	0%
Equal to 8.36p or better	100%
Between 6.57p and 8.36p	between 25% and 100%

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

Share price on date of grant	£0.69*
Exercise price	nil
Expected volatility (using historic performance)	96%
Risk-free rate	0.2%
Dividend	3.0p
Actual life	three years

* Granted on 17 December 2020.

The Black–Scholes pricing model produced, using the above assumptions, an annual charge of £986,000 (2022: £81,000).

During the period ended 26 March 2022 the remuneration committee granted 2,709,748 ordinary shares of 2.5p each at £nil value.

22. Share-based payments continued

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

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

The assumptions used to measure the fair value of the shares granted are as follows:	
Share price on date of grant	£0.81*
Exercise price	nil
Expected volatility (using historic performance)	94%
Risk-free rate	0.3%
Dividend	3.1p
Actual life	three years

* Granted on 17 June 2021.

The Black–Scholes pricing model produced, using the above assumptions, an annual charge of £839,000 (2022: £199,000).

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

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

Underlying EPS performance for year ended 29 March 2025	% of award vesting
Equal to less than 7.50p	0%
Equal to 8.80p or better	100%
Between 7.50p and 8.80p	between 25% and 100%

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

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

* Granted on 17 June 2022.

The Black–Scholes pricing model produced, using the above assumptions, an annual charge of £527,000 (2022: £nil).

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

	2023 Number	2022 Number
Outstanding at the beginning of the year	8,110,391	7,429,677
Granted during the year	3,204,413	2,709,748
Lapsed during the year	(2,818,577)	(2,029,034)
Outstanding at the end of the year	**8,496,227**	8,110,391

22. Share-based payments continued

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

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

Under the 2020 Sharesave scheme, options were granted by the Company to participating employees to buy shares at a discount of 10 per cent from the then market price. At the end of the 2020 Sharesave scheme in 2023, these options will become exercisable for a period of six months. A charge of £387,000 (2022: £387,000) was recognised in the current period in relation to the 2020 Sharesave scheme.

Under the 2021 Sharesave scheme, options were granted by the Company to participating employees to buy shares at a discount of 20 per cent from the then market price. At the end of the 2021 Sharesave scheme in 2024, these options will become exercisable for a period of six months. A charge of £322,000 (2022: £322,000) was recognised in the current period in relation to the 2021 Sharesave scheme.

Under the 2022 Sharesave scheme, options were granted by the Company to participating employees to buy shares at a discount of 20 per cent from the then market price. At the end of the 2022 Sharesave scheme in 2025, these options will become exercisable for a period of six months. A charge of £359,000 (2022: £322,000) was recognised in the current period in relation to the 2022 Sharesave scheme.

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

Save As You Earn option plan ('Sharesave')

	2023 Number	2022 Number
Outstanding at the beginning of the year	**5,918,097**	5,742,520
Granted during the year	**3,023,688**	2,300,899
Lapsed during the year	**(1,617,970)**	(823,723)
Vested during the year	**(15,260)**	(1,301,599)
Outstanding at the end of the year	**7,308,555**	5,918,097

23. Share capital

	2023 £000	2022 £000
Issued and fully paid:		
309,538,321 ordinary shares of 2.5p each (2022: 309,523,061 ordinary shares of 2.5p each)	**7,739**	7,738

The issue of shares represents shares stated to satisfy the 2018, 2020 and 2021 sharesave schemes.

The ordinary shares carry no right to fixed income. There are no share options outstanding as at 25 March 2023 (2022: nil).

24. Other reserves

	Share-based payment reserve £000	Capital redemption reserve £000	Hedge accounting reserve £000	Currency translation reserve £000	Total £000
At 28 March 2021	2,397	139	912	16	3,464
Share-based payments	989	–	–	–	989
Gains taken to equity on cash flow hedges	–	–	(22)	–	(22)
Reclassification adjustments on cash flow hedges	–	–	13	–	13
Exchange difference on foreign operations	–	–	–	41	41
At 27 March 2022	3,386	139	903	57	4,485
Share-based payments	**2,465**	**–**	**–**	**–**	**2,465**
Losses taken to equity on cash flow hedges	**–**	**–**	**(1,147)**	**–**	**(1,147)**
Reclassification adjustments on cash flow hedges	**–**	**–**	**243**	**–**	**243**
Exchange difference on foreign operations	**–**	**–**	**–**	**(87)**	**(87)**
At 25 March 2023	**5,851**	**139**	**(1)**	**(30)**	**5,959**

The movement in the share-based payment reserve represents the share-based payment charge of £3,420,000 (2022: £989,000). This is offset by £955,000 being recycled to retained earning for the reserves built up on sharesave schemes for which the options have now lapsed.

25. Net cash flow from operating activities

	2023 £000	2022 £000
Operating profit from operations	**30,154**	22,803
Adjustments:		
Depreciation of property, plant and equipment (note 13)	**5,407**	5,163
Gain on disposal of other property, plant and equipment	**(52)**	(11)
Amortisation of intangible assets (note 12)	**3,416**	5,369
Movements in pension scheme (note 29)	**(2,226)**	(2,045)
Share of results of JVs and associates (note 15)	**(1,898)**	(1,346)
Share-based payments (note 22)	**3,420**	989
Right-of-use asset depreciation (note 14)	**1,840**	1,702
Operating cash flows before movements in working capital	**40,061**	32,624
Decrease/(increase) in inventories	**4,774**	(7,774)
Decrease/(increase) in receivables	**10,701**	(50,533)
(Decrease)/increase in payables	**(1,724)**	23,781
Cash generated from/(used in) operations	**53,812**	(1,902)
Tax paid	**(3,520)**	(3,783)
Net cash flow from operating activities	**50,292**	(5,685)

25. Net cash flow from operating activities continued

	2023 £000	2022 £000
Cash generated from operations	**53,812**	(1,902)
Proceeds on disposal of other property, plant and equipment	**317**	376
Purchases of land and buildings	**(635)**	(2,759)
Purchases of other property, plant and equipment	**(5,668)**	(2,507)
	47,826	(6,792)
Underlying operating profit (before JVs and associates)	**33,067**	26,881
Operating cash conversion	**145%**	(25%)

26. Analysis of net funds/(debt)

	2023 £000	2022 £000
Borrowings	**(8,950)**	(14,850)
Cash and cash equivalents	**11,338**	(3,974)
Unamortised debt arrangement fees	**321**	402
	2,709	(18,422)

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 31 for APM definitions.

27. 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 the 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 Company and its subsidiaries have provided unlimited multilateral guarantees to secure any bank overdrafts and loans of all other Group companies. At 25 March 2023 this amounted to £nil (2022: £nil). The Group has also given performance bonds in the normal course of trade.

28. Subsequent events

On 3 April 2023 the Group acquired 100 per cent of the share capital of Voortman Steel Construction Holding B.V. ('VSCH') and its subsidiaries, an innovative European steel construction group located in the Netherlands. The businesses were acquired for a net cash consideration of €24,000,000 (£21,200,000), payable on completion. This has been financed through a term loan of £19,000,000 and the remainder through cash reserves of £2,200,000. The acquisition provides the group with a manufacturing base in Europe, to complement our existing business, and access to new and high-growth market sectors.

£1,816,000 of costs relating to the acquisition have been included in non-underlying expenses. Further details are included in note 5. The net assets acquired of €6.6m (£5.9m), include cash of €5.5m (£4.9m). Due to the proximity of the acquisition to the approval of the annual report and accounts, a purchase price allocation has not yet been completed. For this reason, it is considered impracticable to present a split of net assets acquired, an allocation of the purchase price in excess of net assets and other related fair value disclosures. This exercise will be complete in the year ending 30 March 2024.

29. Retirement benefit obligations

Defined contribution schemes

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

The total cost charged to income of £4,160,000 (2022: £4,307,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 25 March 2023, contributions of £765,000 (2022: £519,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

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

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

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

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

	2023 **%**	2022 %
Key assumptions used:		
Discount rate	**4.6**	2.9
Inflation (RPI)	**3.1**	3.6

29. Retirement benefit obligations continued

When considering mortality assumptions, a life expectancy to 86 at age 65 has been used for the year ended 25 March 2023 (2022: 86). For the year ended 25 March 2023, the Group updated the allowance for future mortality improvements from the CMI 2020 model to the CMI 2021 model. No adjustment has been made for the impact of COVID-19 on mortality assumptions as it is too early to conclude on any evidence to support the impact.

The discount rate and RPI inflation assumptions for the 2023 disclosures in this note have been calculated using a cash flow weighted single-equivalent approach based on the iBoxx Corporate AA index yield curve and the Bank of England's inflation yield curve, respectively, in line with the prior year.

Impact on scheme liabilities of changes to key assumptions:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 6.7%
Rate of mortality	Reducing by 10%	Increase by 2.9%
Price inflation	Increase/decrease by 0.5%	Increase/decrease by 4.6%

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

	2023 £000	2022 £000
Interest cost	1,217	940
Interest income	(844)	(538)
	373	402

The charge for the year has been included in operating costs. Actuarial gains and losses have been reported in the statement of comprehensive income. The cumulative actuarial gains and losses recognised amount to a loss of £19,600,000 (2022: £18,899,000).

The actual return on scheme assets were a loss of £8,990,000 (2022: £478,000 gain).

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

	2023 £000	2022 £000
Present value of defined benefit obligations	(33,933)	(43,562)
Fair value of scheme assets	21,062	29,166
	(12,871)	(14,396)

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

	2023 £000	2022 £000	2023 %	2022 %
Equities	3,307	5,921	15.7	20.3
Bonds and gilts	5,287	6,403	25.1	22.0
Cash	1,598	4,394	7.6	15.1
Property	2,534	3,103	12.0	10.6
LDI funds	4,993	6,952	23.7	23.8
Other	3,343	2,393	15.9	8.2
	21,062	29,166	100.0	100.0

Bonds and gilts include a mixture of corporate and government bonds and fixed and index-linked gilts. Approximately 18 per cent of bonds have a sub-investment grade credit rating (BB+ or lower) and approximately 92 per cent of gilts are index-linked, with 8 per cent being fixed.

29. Retirement benefit obligations continued

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

	2023 £000	2022 £000
At start of year	**(43,562)**	(50,316)
Interest cost	**(1,217)**	(940)
Actuarial gains	**9,133**	5,998
Benefits paid	**1,713**	1,696
At end of year	**(33,933)**	(43,562)

Actuarial gains arising from changes in demographic assumptions, changes in financial assumptions and gains or losses arising from experience were gains of £19,000 (2022: gains of £43,000), gains of £10,464,000 (2022: gains of £6,112,000) and losses of £1,350,000 (2022: losses of £157,000) respectively. The large gain on 'changes in financial assumptions' is driven by an increase in the discount rate. The present value of defined benefit obligations at the year end is as follows:

	2023 £000	2022 £000
Liability in respect of deferred members	**(19,811)**	(26,163)
Liability in respect of pensioner members	**(14,122)**	(17,399)
	(33,933)	(43,562)

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

	2023 £000	2022 £000
At start of year	**29,166**	27,937
Interest income	**844**	538
Actuarial losses	**(9,834)**	(60)
Employer contributions	**2,599**	2,447
Benefits paid	**(1,713)**	(1,696)
At end of year	**21,062**	29,166

During the course of 2022 government bond yields increased markedly as central banks raised interest rates in an attempt to reduce inflationary pressures. The present value (PV) of the Scheme liabilities are explicitly linked to bond yields and as these increase the PV of the liabilities reduces, due to it increasing the discount rate. Likewise the Scheme's investment strategy also adopts a liability driven investing (LDI) strategy which invest in bonds/bond type instruments in order to hedge a proportion of the expected movement in the value of the liabilities. Correspondingly Scheme assets also fell during the period largely due to the fall in the value of the LDI portfolio.

The Group expects to contribute £224,000 (2022: £210,000) per month to its defined benefit pension scheme in the year to 30 March 2024.

History of experience of gains and losses:

	2023	2022	2021	2020	2019
Experience (losses)/gains on scheme assets (£000)	**(9,834)**	(60)	2,222	(1,093)	651
Percentage of scheme assets	**(46.7%)**	(0.2%)	8.0%	(4.3%)	2.5%
Experience gains/(losses) on scheme liabilities (£000)	**1,350**	157	419	(1,007)	16
Percentage of the present value of scheme liabilities	**4.0%**	0.4%	0.8%	(2.2%)	0.0%
Total amount recognised in the consolidated statement of comprehensive income (£000)	**(701)**	5,938	(4,906)	255	(3,702)
Percentage of the present value of scheme liabilities	**2.1%**	13.6%	(9.8%)	0.6%	(8.1%)

The weighted average period over which benefits are expected to be paid, or the duration of the liabilities, is currently 14 years (2022: 17 years). The reduction in duration is due to the increase in discount rates.

29. Retirement benefit obligations continued

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

The Scheme invests in several pooled LDI funds, through unit linked insurance policies, with Legal & General which themselves invest in a combination of gilts, gilt repos (synthetic gilts) and swap based instruments of varying duration and interest rate/inflation characteristics. The composition of the funds is designed so as to hedge a proportion of the Scheme's liabilities and specifically the sensitivity of the liabilities to both changes in interest rates and longer term inflation expectations. Such funds adopt a moderate degree of leverage (on average x.2) and as such depending on market movements the funds may call and/or distribute additional capital in order to maintain leverage within a particular range set by the pooled fund manager.

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

30. Related party transactions

In addition to the executive directors, members of the executive committee are considered as key management personnel of the Group. Information about the remuneration of all key management personnel is as follows:

	2023 £000	2022 £000
Short-term employee benefits	4,593	3,502
Contributions into the pension schemes	247	314
Share based payments	1,945	196
	6,785	4,012

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

Further detail on directors' remuneration is provided in the audited part of the directors' remuneration report on page 140.

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

During the year the Group purchased services in the ordinary course of business from Fabsec Limited ('Fabsec') at a cost of £48,000 (2022: £48,000). The amount due to Fabsec at 25 March 2023 was £117,000 (2022: £117,000).

During the year the Group has contracted with and purchased services from Construction Metal Forming Limited ('CMF') amounting to sales of £nil (2022: £83,000) and purchases of £16,808,000 (2022: £10,748,000). The amount due from and to CMF at 25 March 2023 was £4,637,000 (2022: £1,545,000) and £1,001,000 (2022: £106,000) respectively.

During the year the Group contracted with MET Structures Limited, amounting to sales of £8,337,000 (2022: £9,804,000) and purchases of £nil (2022: £1,400,000). MET Structures shares common directors with the Group. The amount due from MET Structures at 25 March 2023 was £2,109,000 (2022: £2,890,000).

During the year the Group incurred additional operating costs in relation to the day-to-day running of its Indian joint venture ('JSSL') of £271,000 (2022: £236,000). Those costs were recharged to JSSL during the year and the amount due from JSSL at 25 March 2023 was £806,000 (2022: £575,000). During the year the Group contracted with and purchased services from JSSL amounting to £nil (2022: £26,000). The amount due to JSSL at 25 March 2023 was £nil (2022: £nil).

31. Alternative performance measures

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

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

Alternative performance measure ('APM')	Definition	Rationale
Underlying operating profit (before JVs and associates)	Operating profit before non-underlying items and the results of JVs and associates.	Profit measure reflecting underlying trading performance of wholly owned subsidiaries.
Underlying profit before tax	Profit before tax before non-underlying items.	Profit measure widely used by investors and analysts.
Underlying basic earnings per share ('EPS')	Underlying profit after tax divided by the weighted average number of shares in issue during the year.	Underlying EPS reflects the Group's operational performance per ordinary share outstanding.
Net funds/(debt) (pre-IFRS 16)	Balance drawn down on the Group's revolving credit facility, with unamortised debt arrangement costs added back, less cash and cash equivalents (including bank overdrafts) before IFRS-16 lease liabilities.	Measure of the Group's cash indebtedness before IFRS-16 lease liabilities, which are excluded from the definition of net funds/(debt) in the Group's borrowing facilities. This measure supports the assessment of available liquidity and cash flow generation in the reporting period.
Operating cash conversion	Cash generated from operations after net capital expenditure (before interest and tax) expressed as a percentage of underlying operating profit (before JVs and associates) (see note 26).	Measure of how successful we are in converting profit to cash through management of working capital and capital expenditure. Widely used by investors and analysts.
Return on capital employed	Underlying operating profit divided by the average of opening and closing capital employed. Capital employed is defined as shareholders' equity excluding retirement benefit obligations (net of tax), acquired intangible assets and net funds (see note 22)	Measures the return generated on the capital we have invested in the business and reflects our ability to add shareholder value over the long term. We have an asset-intensive business model and ROCE reflects how productively we deploy those capital resources.
Economic value generated and distributed	Economic value generated reflects Group revenue. Economic value distributed is operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments.	A basic indication of how the Group has created wealth for its stakeholders and an important ESG measure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 25 MARCH 2023

31. Alternative performance measures continued

Reconciliations to IFRS measures

Underlying operating profit (before JVs and associates)	Note	2023 £000	2022 £000
Underlying operating profit (before JVs and associates)		33,067	26,881
Non-underlying operating items	5	(4,811)	(5,424)
Share of results of JVs and associates	15	1,898	1,346
Operating profit		30,154	22,803

Underlying profit before tax	Note	2023 £000	2022 £000
Underlying profit before tax		32,476	27,098
Non-underlying items	5	(5,369)	(6,098)
Profit before tax		27,107	21,000

Underlying taxable profit	2023 £000	2022 £000
Underlying profit before tax	32,476	27,098
Share of results of JVs and associates	(1,898)	(1,346)
Underlying taxable profit	30,578	25,752
Non-underlying items	(5,369)	(6,098)
Taxable profit	25,209	19,654

Underlying basic earnings per share	Note	2023 £000	2022 £000
Underlying net profit attributable to equity holders of the parent Company	10	26,238	22,303
Non-underlying items after tax	5	(4,672)	(6,702)
Net profit attributable to equity holders of the parent Company		21,566	15,601
Weighted average number of ordinary shares	10	309,533,696	308,834,123
Underlying basic earnings per share		8.48p	7.22p
Basic earnings per share		6.97p	5.05p

Net funds/(debt) (pre-IFRS 16)	Note	2023 £000	2022 £000
Borrowings		(8,950)	(14,850)
Cash and cash equivalents		11,338	(3,974)
Unamortised debt arrangement costs		321	402
Net funds/(debt) (pre-IFRS 16)	26	2,709	(18,422)
IFRS 16 lease liabilities	21	(13,396)	(11,640)
Net debt (post-IFRS 16)		(10,687)	(30,062)

31. Alternative performance measures continued

Economic value generated and distributed	Note	2023 £000	2022 £000
Revenue	3	**491,753**	403,563
Economic value generated		**491,753**	403,563
Operating costs	4	**463,497**	382,106
Non-underlying operating items	5	**(4,811)**	(5,424)
Underlying operating costs		**458,686**	376,682
Payments to providers of capital	7	**3,180**	1,879
Non-underlying finance expense	5	**(558)**	(674)
Underlying payments to providers of capital		**2,622**	1,205
Payments to government		**6,238**	4,795
Economic value distributed		**467,546**	382,682

FIVE YEAR SUMMARY

YEAR ENDED 25 MARCH 2023

	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000
Results					
Revenue	**491,753**	403,563	363,254	327,364	274,917
Underlying* operating profit (before JVs and associates)	**33,067**	26,881	25,470	26,978	23,256
Underlying* profit before tax	**32,476**	27,098	24,331	28,621	24,711
Non-underlying items before tax	**(5,369)**	(6,098)	(3,224)	(2,808)	–
Profit attributable to equity holders of Severfield plc	**21,724**	15,601	17,304	20,415	20,162
Assets employed					
Non-current assets	**228,397**	230,054	230,076	203,783	163,033
Net current assets	**27,572**	17,383	22,247	21,068	33,135
Non-current liabilities	**(38,251)**	(43,477)	(61,394)	(41,176)	(21,161)
Net assets	**217,718**	203,960	190,929	183,675	175,007
Key statistics					
Earnings per share:					
Basic – underlying*	**8.48p**	7.22p	6.43p	7.74p	6.65p
Basic	**6.97p**	5.05p	5.63p	6.68p	6.65p
Diluted – underlying*	**8.39p**	7.19p	6.43p	7.70p	6.58p
Diluted	**6.90p**	5.03p	5.63p	6.64p	6.58p
Dividends per share	**3.40p**	3.10p	2.90p	2.90p	2.80p
Dividend cover (times) – underlying* basis	**2.4**	2.4	2.2	2.7	2.5
Share price – high	**75.49p**	84.80p	79.90p	96.00p	88.20p
– low	**46.65p**	62.60p	51.20p	57.20p	64.60p

* The basis of stating results on an underlying basis is set out on pages 182 to 183.

FINANCIAL CALENDAR

Preliminary announcement of full-year results	14 June 2023
Publication of annual report	July 2023
Annual general meeting	6 September 2023
Announcement of interim results (provisional)	21 November 2023

COMPANY BALANCE SHEET

YEAR ENDED 25 MARCH 2023

	Note	Year ended 25 March 2023 £000	Year ended 26 March 2022 £000
Non-current assets			
Tangible assets	2	58,602	58,747
Intangible assets		208	174
Right-of-use asset	3	2,061	31
Investments	4	152,598	152,598
Debtors – amounts falling due after one year	5	106,898	68,977
		320,367	280,527
Current assets			
Debtors – amounts falling due within one year	5	11,312	12,333
Cash at bank		1,845	–
		13,157	12,333
Current liabilities			
Bank overdraft		–	(5,389)
Trade and other payables	6	(179,121)	(129,903)
Financial liabilities – borrowings		(4,150)	(5,900)
Financial liabilities – leases		(287)	(36)
		(183,558)	(141,228)
Non-current liabilities			
Trade and other payables	6	(2,377)	(3,081)
Financial liabilities – borrowings		(4,800)	(8,950)
Financial Liabilities – leases		(1,786)	–
		(8,963)	(12,031)
Total assets less liabilities		141,003	139,601
Capital and reserves			
Share capital		7,739	7,738
Share premium		88,522	88,511
Other reserves		5,950	3,485
Profit and loss account		38,792	39,867
Equity and total shareholders' funds		141,003	139,601

The Company reported a profit for the financial year ended 25 March 2023 of £7,847,000 (2022: profit of £10,479,000).

The financial statements were approved by the board of directors on 14 June 2023 and signed on its behalf by:

Alan Dunsmore
Chief Executive Officer

Adam Semple
Chief Financial Officer

Severfield plc
Registered in England No.1721262

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 25 MARCH 2023

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

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

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 28 March 2021	7,706	87,658	2,496	38,617	136,477
Total comprehensive income for the year	–	–	–	10,479	10,479
Ordinary shares issued*	32	853	–	–	885
Equity settled share-based payments	–	–	989	–	989
Dividends paid	–	–	–	(9,229)	(9,229)
At 26 March 2022	7,738	88,511	3,485	39,867	139,601

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 25 MARCH 2023

1. Significant accounting policies

Basis of accounting

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). In preparing these financial statements, the Company applies the recognition measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006, and as set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

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

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

Profit of the parent Company

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

Audit fees

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

Employees

Directors' remuneration and details of their share-based payments are disclosed in the audited part of the directors' remuneration report on page 140 and in notes 6 and 22 to the consolidated financial statements.

Investments

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

Amounts owed by subsidiary undertakings

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 25 MARCH 2023

2. Tangible fixed assets

	Freehold land and buildings £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost				
At 27 March 2022	65,925	467	33	66,425
Additions	204	221	–	425
At 25 March 2023	**66,129**	**688**	**33**	**66,850**
Accumulated depreciation				
At 27 March 2022	7,385	262	31	7,678
Charge for the year	547	23	–	570
At 25 March 2023	**7,932**	**285**	**31**	**8,248**
Carrying amount				
At 25 March 2023	**58,197**	**403**	**2**	**58,602**
At 26 March 2022	58,540	205	2	58,747

The Company's freehold and long leasehold land and buildings include those which are occupied and used by some of the Company's subsidiary undertakings. The rental income from these assets in the current year was £600,000 (2022: £600,000), which is set at a rate only to cover certain of the costs of maintaining the properties.

3. Right-of-use assets

	Long leasehold land and buildings £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost				
At 27 March 2022	–	–	71	71
Additions	794	1,284	19	2,097
At 25 March 2023	**794**	**1,284**	**90**	**2,168**
Accumulated depreciation				
At 27 March 2022	–	–	40	40
Charge for the year	7	42	18	67
At 25 March 2023	**7**	**42**	**58**	**107**
Carrying amount				
At 25 March 2023	**787**	**1,242**	**32**	**2,061**
At 26 March 2022	–	–	31	31

4. Investments

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, joint ventures and associated undertakings, including their country of incorporation, as at 25 March 2023 is disclosed below. All of these had a reporting period ended 25 March 2023, except where indicated.

Name of undertaking	**Incorporated in**	**Class of capital**
100% owned by Severfield plc		
Severfield (UK) Limited	England and Wales	Ordinary
Severfield (NI) Limited(i)	Northern Ireland	Ordinary
Severfield (Design & Build) Limited	England and Wales	Ordinary
Severfield (Products & Processing) Limited	England and Wales	Ordinary
Severfield Europe B.V.(ii)	Netherlands	Ordinary
Severfield (Nuclear & Infrastructure) Limited (formerly Harry Peers Steelwork Limited)	England and Wales	Ordinary
Severfield Reeve International Limited	England and Wales	Ordinary
Severfield Mauritius Limited(iii)	Mauritius	Ordinary
DAM Structures Limited	England and Wales	Ordinary
100% owned by Severfield Reeve Projects Limited		
Leeds 27 Limited**	England and Wales	Ordinary
50% owned by Severfield plc		
Construction Metal Forming Limited (formerly Composite Metal Flooring Limited)*(iv)	England and Wales	Ordinary
50% owned by Severfield Mauritius Limited		
JSW Severfield Structures Limited(v)†	India	Ordinary
25% owned by Severfield plc		
Fabsec Limited*(vi)	England and Wales	Ordinary

* Companies with a reporting period ended 31 December 2022.

** Dormant company.

‡ Unless otherwise stated, the registered office address for each of the above is Severs House, Dalton Airfield Industrial Estate, Dalton, Thirsk, North Yorkshire YO†7 3JN.

† Companies with a reporting period ended 31 March 2023.

Registered office classification key:

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

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

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

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

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

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

	2023 £000	2022 £000
Investment in subsidiaries	**119,671**	119,671
Investment in joint ventures	**32,927**	32,927
	152,598	152,598

4. Investments continued

Investment in subsidiaries

	£000
Cost	
At 28 March 2022	139,871
At 25 March 2023	**139,871**
Provision for impairment	
At 28 March 2022 and 25 March 2023	**(20,200)**
Net book value	
At 25 March 2023	**119,671**
At 26 March 2022	119,671

Investment in joint ventures

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

JSW Severfield Structures Limited is registered in India. During a prior year, the Company invested a further £4,229,000 in the joint venture to fund the expansion of the production facility in Bellary. During a prior year, the Company invested £5,506,000 in JSSL to support the full repayment of the joint venture's term debt of c.£11,000,000 in June 2017. The investment is carried in Severfield Mauritius Limited, a wholly owned subsidiary of the Company.

The Company invested £2,444,000 in CMF Limited during a prior year to fund the expansion of its production facilities.

5. Debtors – amounts falling due within one year

Current assets	**2023** **£000**	2022 £000
Other debtors	**1,488**	2,502
Amounts owed by JVs and associates	**179**	106
Corporation tax recoverable	**9,645**	9,725
	11,312	12,333

Non-current assets	**2023** **£000**	2022 £000
Amounts owed by subsidiary undertakings	**106,898**	68,977
	106,898	68,977

Amounts owed by subsidiary undertakings are non-interest bearing and repayable on demand. No impairment of the receivable was recorded at 25 March 2023 or 26 March 2022.

6. Creditors – amounts falling due within one year

Current liabilities	**2023** **£000**	2022 £000
Other creditors and accruals	**16,082**	18,544
Amounts owed to subsidiary undertakings	**156,640**	104,691
Amounts owed to JVs and associates	**129**	113
Deferred tax liability (note 7)	**6,270**	6,555
	179,121	129,903

Non-current liabilities	**2023** **£000**	2022 £000
Other creditors and accruals	**2,377**	3,081
	2,377	3,081

7. Deferred tax

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

	2023 **£000**	2022 £000
Deferred tax liabilities	**(6,779)**	(6,852)
Deferred tax assets	**509**	297
	(6,270)	(6,555)

Deferred tax – movement for the year

	Excess capital allowances £000	Other temporary differences £000	Total £000
At 28 March 2021	(5,236)	183	(5,053)
Current year credit	(1,616)	114	(1,502)
At 27 March 2022	(6,852)	297	(6,555)
Current year charge	**73**	**212**	**285**
At 25 March 2023	**(6,779)**	**509**	**(6,270)**

8. Contingent liabilities

The Company has provided an unlimited multilateral guarantee to secure any bank overdrafts and loans of all other Group companies. At 25 March 2023 these amounted to £nil (2022: £nil).

ADDRESSES AND ADVISERS

Registered office and headquarters

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

Operational businesses

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

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

Severfield (NI) Limited
Fisher House
Ballinamallard
Enniskillen
Co Fermanagh
BT94 2FY

Severfield (Products & Processing) Limited
Severs House
Dalton Airfield Industrial Estate
Dalton, Thirsk
North Yorkshire
YO7 3JN

Severfield Europe B.V.
Gildelaan 11
4761 BA Zevenbergen
The Netherlands

Severfield (Nuclear & Infrastructure) Limited
Elton Street
Bolton
Lancashire
BL2 2BS

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

JSW Severfield Structures Limited
Office No. 302, Naman Centre
3rd Floor, Plot No. C-31
Bandra Kurla Complex
Bharat Nagar, Bandra East
Mumbai 400 051
India

Construction Metal Forming Limited
Unit 3
Mamhilad Technology Park
Old Abergavenny Road
Mamhilad
Monmouthshire, NP4 0JJ

Voortman Steel Construction Holding B.V. (acquired April 2023)
Plaagslagen 16,
7463 PH Rijssen
The Netherlands

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Chartered Accountants
1 Sovereign Square
Leeds, LS1 4DA

Solicitor

Ashurst LLP
London Fruit and Wool Exchange
1 Duval Square
London
E1 6PW

Public Relations

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107 Cheapside
London
EC2V 6DN

Registrars

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Bridgwater Road
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Vintners Place
68 Upper Thames Street
London, EC4V 3BJ

Liberum Capital Limited
Ropemaker Place
Level 12
25 Ropemaker Street
London
EC2Y 9LY

Bankers

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

Virgin Money UK plc (formerly Yorkshire Bank)
94 Albion Street
Leeds, LS1 6AG

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