DESIGNING AND CONSTRUCTING A SUSTAINABLE FUTURE

SEVERFIELD PLC INTERIM REPORT FOR THE SIX MONTHS ENDED 23 SEPTEMBER 2023

Severfield

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HIGHLIGHTS

Revenue
£215.3m
(H1 2023: £234.9m)

Underlying[1] operating profit (before JVs and associates)
£14.8m
(H1 2023: £12.1m)

Operating profit (before JVs and associates)
£11.9m
(H1 2023: £10.5m)

Underlying[1] profit before tax
£14.2m
(H1 2023: £12.1m)

Profit before tax
£11.0m
(H1 2023: £10.2m)

Underlying[1] basic earnings per share
3.5p
(H1 2023: 3.3p)

Basic earnings per share
2.7p
(H1 2023: 2.8p)

Interim dividend per share
1.4p
(H1 2023 1.3p)

Headlines

- Revenue of £215.3m (H1 2023: £234.9m)
- Underlying[1] profit before tax up 17% to £14.2m (H1 2023: £12.1m)
- €24m acquisition of Voortman, an innovative, market-leading Dutch steel fabrication company, accelerating our European growth strategy and strengthening our market position in Europe
- Period-end net funds (on a pre-IFRS 16 basis[2]) of £0.4m (25 March 2023: £2.7m), includes Voortman acquisition loan of £18m, and reflects improvement in working capital
- High-quality, diversified UK and Europe order book of £482m at 1 November 2023 (1 September 2023: £479m), includes new industrial, commercial office, data centre, transport and nuclear orders
- Value continues to build in JSSL – share of profit of £0.6m (H1 2023: £0.6m), additional land now secured to facilitate future expansion
- India order book of £165m at 1 November 2023 (1 September 2023: £170m)
- Interim dividend increased by 8% to 1.4p per share (H1 2023: 1.3p per share)

Outlook

- UK and Europe:
  - market conditions remain challenging but our diversified client base and broad sector exposure provide resilience
  - continue to see some large project opportunities in the UK and continental Europe
  - Voortman is integrating well into the Group's operations and helping us strengthen our market position in Europe
- India: well-positioned to take advantage of significant growth opportunities, very encouraging economic outlook and strong underlying demand for structural steel – land for expansion now secured
- We continue to expect to deliver further progress and a full-year performance which is in line with our previous expectations
- Our businesses remain well-positioned in markets with excellent longer-term growth opportunities

[1] Stated before non-underlying items of £3.1m (H1 2023: £2.0m) including the amortisation of acquired intangible assets of £2.8m (H1 2023: £1.7m) and acquisition-related expenses of £0.3m (H1 2023: £0.3m). 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 (see note 7).

[2] 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 (see note 13).

[3] Except as otherwise stated '2022' and '2023' refer to the 52-week periods ended 26 March 2022 and 25 March 2023. '2024' and '2025' refer to the 53-week period ending 30 March 2024 and the 52-week period ending 29 March 2025. The Group's accounts are made up to an appropriate weekend date around 31 March each year.

INTERIM STATEMENT

INTRODUCTION

The Group has performed well in the period, despite the continuation of the challenging market conditions which were highlighted in the Group's AGM trading update on 6 September 2023. In the first half of 2024, we have delivered further profit growth, reported good cash generation and strengthened our balance sheet, and have secured a significant amount of high-quality new work and variations to existing contracts in the UK, EU and India.

The current market conditions remain a challenge for the business, with some ongoing delays in the conversion of our existing pipeline of opportunities, as clients wait for economic stability, and some lower tendering activity and competitive pricing, particularly in the distribution sector. Despite this, we continue to see some large project opportunities in the UK and continental Europe and we have a prominent position in market sectors with strong growth potential and are well-positioned to win projects in support of a low-carbon economy. These include battery plants, energy efficient buildings, manufacturing facilities for renewable energy, together with work in the transport, nuclear and power and energy sectors given our capability to deliver major infrastructure projects.

The half year results include the acquisition of Voortman Steel Construction ('VSCH'), an innovative, market-leading Dutch steel fabrication company, which is providing us with greater access to growing European market sectors and is strengthening our market position in Europe. VSCH is integrating well into the Group's operations and has contributed revenue of £28m and an underlying profit before tax of £1.5m for the six months since its acquisition.

The Group's diversified activities, our strong, high-quality order books and market-leading positions have provided us with the resilience to deliver improved financial results during periods of challenging economic conditions.
The combination of our significant market sector, geographical and client diversification, the strength of our operations and management teams, our expert capabilities in engineering and construction and our strong financial position, underpin the performance and stability of the Group.

In India, 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, we have now secured a plot of land in Gujarat, in the west of the country, to expand the geographical footprint of the business and to facilitate the expansion required to support the expected future market growth.

The board considers the dividend to be a very important component of shareholder returns. Based on our strong balance sheet and cash position and longer-term prospects, the board has decided, once again, to increase the interim dividend by 8 per cent to 1.4p per share.

STRATEGY

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 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.

The Group delivers steel superstructures through its **Core Construction Operations**, separated operationally into a **Commercial and Industrial** division (bringing 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), which now includes VSCH, and a **Nuclear and Infrastructure** division (encompassing the Group's market-leading positions in the nuclear, power and energy, transport (road and rail) and process industries sectors). The Group's **Modular Solutions** division consists of the growing modular product ranges of Severfield (Products and Processing) ('SPP') and of Construction Metal Forming ('CMF'), our cold rolled steel joint venture business.

FINANCIAL REVIEW

H1 2024 (£m)	Revenue	UOP*	UPBT*
Core Construction Operations	208.0	14.7	14.7
Modular Solutions	10.7	0.1	0.2
India	–	–	0.6
Central items/ eliminations	(3.4)	–	(1.3)
Group	**215.3**	**14.8**	**14.2**

H1 2023 (£m)	Revenue	UOP*	UPBT*
Core Construction Operations	227.8	12.7	12.7
Modular Solutions	11.5	(0.6)	(0.1)
India	–	–	0.6
Central items/ eliminations	(4.4)	–	(1.0)
Group	**234.9**	**12.1**	**12.1**

* The references to underlying operating profit (before JVs and associates) and underlying profit before tax are defined in the 'notes to financials' and reconciled to the statutory measures in note 19.

Revenue of £215.3m (H1 2023: £234.9m) represents a decrease of £19.6m (8 per cent) compared to the prior period. This reflects a decrease in revenue from our Core Construction Operations, mainly representing lower production activity of c.£47m offset by the revenue contribution from VSCH of £27.8m.

Underlying operating profit (before JVs and associates) of £14.8m (H1 2023: £12.1m) represents an increase of £2.7m (22 per cent) over the prior period. This reflects an increase in profit from our Core Construction Operations of £2.0m, which includes the profit contribution from VSCH of £1.5m and continued contract execution improvements which have helped offset the impact on profit of lower revenue in the period. The higher profits also include improved profitability of £0.7m from SPP, within Modular Solutions, reflecting the first time that SPP has reported a profit. Statutory operating profit (before JVs and associates), which includes the Group's non-underlying items, was £11.9m (H1 2023: £10.5m), an increase of 13 per cent over the prior period.

The share of profit from the Indian joint venture in the period was £0.6m (H1 2023: £0.6m), following an improvement in operating margin offset by lower activity levels in H1, reflecting the timing and mix of work in JSSL's order book.

The Group's underlying profit before tax was £14.2m (H1 2023: £12.1m), an increase of 17 per cent compared to the previous period. The statutory profit before tax was £11.0m (H1 2023: £10.2m), an increase of 8 per cent over the prior period.

Non-underlying items for the period of £3.1m (H1 2023: £2.0m) consisted of the amortisation of acquired intangible assets of £2.8m (H1 2023: £1.7m) and acquisition-related expenses of £0.3m (H1 2023: £0.3m). 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, DAM Structures and VSCH. These assets are being amortised over a period of 12 months to five years. Acquisition-related expenses include the unwinding of the discount on the contingent consideration for DAM Structures which is payable over a five-year period.

INTERIM STATEMENT

An underlying tax charge of £3.4m is shown for the period (H1 2023: £2.1m). This tax charge is recognised based upon the best estimate of the average effective tax rate on profit before tax for the full financial year and equates to the statutory rate in the UK and the Netherlands of 25 per cent (H1 2023: statutory rate in the UK of 19 per cent). The total tax charge of £2.7m (H1 2023: £1.7m) also includes a non-underlying tax credit of £0.7m (H1 2023: £0.4m).

Underlying basic earnings per share is 3.5p (H1 2023: 3.3p). This calculation is based on the underlying profit after tax of £10.8m (H1 2023: £10.0m) and 309,538,321 shares (H1 2023: 309,532,076 shares) being the weighted average number of shares in issue during the period. Basic earnings per share, which is based on the statutory profit after tax, is 2.7p (H1 2023: 2.8p). Diluted earnings per share, which includes the effect of the Group's performance share plan, is 2.6p (H1 2023: 2.7p).

Net funds (pre-IFRS 16 basis) at 23 September 2023 were £0.4m (25 March 2023: £2.7m). This included cash balances of £25.7m (25 March 2023: £11.3m) and outstanding term loans of £25.5m (25 March 2023: £8.9m) which include the acquisition loan for VSCH of £18.0m (25 March 2023: £nil). Operating cash flow for the period before working capital movements was £19.0m (H1 2023: £15.9m). Net working capital has decreased by £15.6m during the period mainly reflecting an improvement in underlying working capital of £5.6m and new advance payments in H1 (£10.0m). Excluding total advance payments of £20.0m, which were secured on a large project, period-end net working capital represented approximately five per cent of revenue, within our normal range of four to six per cent (net working capital including advance payments was two per cent of revenue). We continue to expect an outflow from working capital in H2 as the remaining advance payments unwind.

During the period, contingent consideration of £1.2m was paid in relation to the acquisition of DAM Structures, taking the total contingent consideration paid to date to £2.7m. The maximum contingent consideration for DAM Structures is £8.0m, payable if certain work-winning targets in the railway and steel piling sectors are achieved over a five-year period, ending in April 2026.

Capital expenditure of £5.4m (H1 2023: £2.1m) represents the continuation of the Group's capital investment programme. This predominantly consisted of new and upgraded equipment for our fabrication lines, an extension of the Dalton factory and general infrastructure improvements. Depreciation in the period was £4.4m (H1 2023: £3.6m), of which £1.2m (H1 2023: £0.9m) relates to right-of-use assets under IFRS 16.

The Group's net defined benefit pension liability at 23 September 2023 was £11.2m (scheme liabilities of £31.9m offset by scheme assets of £20.8m), a decrease of £1.7m from the year-end position of £12.9m. The deficit has reduced as a result of a higher discount rate, reflecting an increase in bond yields and employer deficit contributions over the period. This has been offset by lower than assumed returns on the scheme's assets and higher than expected inflation.

The Group has a £60m revolving credit facility ('RCF') with HSBC Bank and Virgin Money, which matures in December 2026. This provides the Group with long-term financing to help support its growth strategy. The RCF is subject to three financial covenants, namely interest cover, net debt to EBITDA and debt service (cash flow) cover. As part of the Harry Peers, DAM Structures and VSCH acquisitions, amortising term loans of £14m, £12m and £19m respectively were established as amendments to the RCF.
At 23 September 2023, of these original loans of £45m, £25.5m remained outstanding.

OPERATIONAL REVIEW

UK and Europe

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. The Group is pleased with the continuing high quality of the UK and Europe order book which stands at £482m at 1 November (1 September: £479m, 1 June: £510m), of which £319m is 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. In terms of geographical spread, 87 per cent of the order book represents projects in the UK, with the remaining 13 per cent representing projects for delivery in continental Europe and the Republic of Ireland (1 June: 90 per cent in the UK, 10 per cent in continental Europe and the Republic of Ireland).

Since the announcement of the 2023 results in June, we have secured a significant amount of high-quality new work and variations to existing contracts (c.£200m), and our large order book continues to provide us with good earnings visibility for the remainder of the 2024 financial year and beyond. We are also continuing to see some large project opportunities in the UK and in continental Europe, supported by the recent acquisition of VSCH, which is integrating well into the Group's operations. Notwithstanding this, the continued backdrop of more persistent high inflation and high interest rates is resulting in some ongoing delays in the conversion of our existing pipeline of opportunities, together with some lower tendering activity and competitive pricing, particularly in the distribution sector. In addition, the decision by Sunset Studios (in Commercial and Industrial) to pause construction on its planned new film production base in Hertfordshire, resulted in this contract (c.£50m) being removed from the order book in July.

Looking further ahead, many of our chosen markets continue to have a favourable outlook with excellent longer-term growth opportunities – the Group has a prominent position in market sectors with strong growth potential and is well-positioned to win projects in support of a low-carbon economy and to improve energy security. These include opportunities in both Commercial and Industrial and Nuclear and Infrastructure, such as battery plants, energy efficient buildings, manufacturing facilities for renewable energy, together with work in the transport, nuclear, oil and gas, and power and energy sectors given our capability to deliver major infrastructure projects.

Project Horizon

Last year, the Group launched Project Horizon, our 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. To date, we have completed nine projects and 20 of the 54 projects that we have classified as short to medium term are currently on-going. Our dedicated project team is currently self-funded through annual savings, with further benefits expected to be realised as more of the identified projects and initiatives are implemented. The overall 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.

INTERIM STATEMENT

As part of Project Horizon, we continue to make good progress with drawing and design automation which includes automated connection design and planning tools. Other projects include an automated quality assurance reporting system which improves traceability and client reporting, new systems for purchase order approvals, construction stores and construction resource tracking, including built-in fatigue management, together with ongoing work on artificial intelligence to improve administrative processing times.

Core Construction Operations

£m	H1 2024	H1 2023	Change
Revenue	208.0	227.8	–9%
Underlying operating profit (before JVs and associates)	14.7	12.7	+16%
Profit before tax	14.7	12.7	+16%
Revenue			
Commercial and Industrial	166.5	183.4	–9%
Nuclear and Infrastructure	41.5	44.4	–7%

Revenue of £208.0m (H1 2023: £227.8m) represents a decrease of £19.8m (9 per cent) compared to the prior period. This reflects lower activity levels of £47.6m offset by new revenue from VSCH of £27.8m. Underlying operating profit of £14.7m was up 16 per cent on the prior period (H1 2023: £12.7m), which represents an increase in underlying profitability of £0.5m and the profit contribution from VSCH of £1.5m. The increase in underlying profitability reflects continued contract execution improvements which have helped offset the impact on profit of lower revenue in the period.

Commercial and Industrial

Revenue has decreased by 9 per cent to £166.5m (HY 2023: £183.4m), predominantly due to the pause in construction at Sunset Studios and the ongoing softer market conditions in the distribution sector, which is impacting the number of projects coming to market and resulting in a competitive pricing environment for new work.

During the period, we continued to work on the new stadium for Everton F.C., the Envision Battery Plant in Sunderland, and the LHR 11 data centre and the Excel Arena, both in London. We also started work on the SeAH Wind monopile manufacturing facility, which forms part of the UK's fast-growing alternative energy sector, responding to the latest Government Energy Strategy. The 800-metre-long building at the Teesworks site will be the world's largest monopile facility when complete and is the first of its kind in the UK, with annual production of up to 200 monopiles, which form the foundations of offshore wind turbines.

The Commercial and Industrial order book at 1 November of £326m (1 June: £372m) includes a significant amount of new work which we have secured over recent months. This includes the full order for SeAH Wind, a manufacturing facility for BAE in Barrow, a large data centre in Dublin, a commercial office (334 Oxford Street) in London and a large development in the Netherlands, secured by VSCH. 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 the current market conditions, we continue to see some large project opportunities in the UK and the EU, supported by the recent acquisition of VSCH. These include data centres, particularly in continental Europe and Ireland, oil and gas projects, stadia and leisure projects, commercial offices in London and the regions, 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 opportunities for new battery gigafactories to support domestic zero carbon vehicle production, including the Jaguar Land Rover facility in Somerset, one of the biggest in Europe, which was recently confirmed. The UK's emergence as a major hub for film, television, advertising and gaming production has also led 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. The Group's manufacturing scale, speed of construction and on-time delivery capabilities, leaves us well-positioned to win work from such projects, the majority of which are likely to be designed in steel.

Strategic targets: we are targeting future revenue growth in line with GDP, enhanced by the acquisition of VSCH, with margins of 8–10 per cent (6–8 per cent based on recent high steel prices).

Nuclear and Infrastructure

Revenue has decreased by 7 per cent to £41.5m (HY 2023: £44.4m) reflecting some softer market conditions in the infrastructure business offset by the normal revenue timing differences inherent within our nuclear operations.

During the period, we continued to work on several HS2 bridge packages for the Balfour Beatty and EKFB (Effage Kier) consortia, road and rail bridges and some large propping packages for Silvertown Tunnel and at Old Oak Common for HS2. 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 November was £152m (1 June: £133m) of which 54 per cent represents transport infrastructure (1 June: 47 per cent) and 41 per cent represents nuclear projects (1 June: 47 per cent). Notable recent awards include some new HS2 bridge projects, secondary steelwork packages at Hinkley Point and a growing scope of work at Sellafield where we are one of two 'key delivery partners' to deliver structural steelwork with an estimated value of c.£250m as part of the long-term Programme and Project Partners ('PPP') framework.

The UK government remains committed to driving economic growth through major infrastructure projects, highlighting investment in infrastructure and sustainability, as central to boosting growth and productivity. The recent announcement to cancel the northern section of HS2 connecting Birmingham and Manchester has not impacted our order book nor our outlook for the business, and we continue to make good progress with several HS2 station opportunities in the pipeline including at Old Oak Common and Birmingham Interchange. We also welcome the UK government's reaffirmed commitment to HS2 at Euston and to deliver Northern Powerhouse rail, all of which is likely to have a significant steelwork content.

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. In addition to the RIIO-T2 spend period (2021–2026), which includes £30 billion for investment in energy networks and potential for a further £10 billion on green energy projects, the UK Government has committed significant investment through its Powering Up Britain programme. These plans, published in March 2023, set out energy transition and security strategies under which major infrastructure projects are already being brought to market in areas such as offshore wind, carbon capture, nuclear (including small modular reactors and Sizewell C) and hydrogen production. We remain well-positioned to win work from these structural opportunities given our in-house expertise and unmatched scale and capability to deliver major infrastructure projects, together with the high entry barriers for competitors.

Strategic targets: our medium-term target is to grow revenues to over £125m, representing a doubling of FY22 revenues, with margins of 8–10 per cent (6–8 per cent based on recent high steel prices).

Modular Solutions

£m	H1 2024	H1 2023	Change
Revenue	10.7	11.5	–7%
Underlying operating profit (before JVs and associates)	0.1	(0.6)	+0.7
Share of results of CMF	0.1	0.5	–0.4
Profit before tax	0.2	(0.1)	+0.3

Modular Solutions 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 organic growth aspirations. The 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.

Although revenue of £10.7m (H1 2023: £11.5m) represents a decrease of £0.8m (7 per cent) compared to the prior period, for the first time, Modular Solutions has reported an underlying operating profit for the period (H1 2023: loss of £0.6m), reflecting an improved sales mix of higher-margin Severstor and Rotoflo products. Divisional PBT of £0.2m (H1 2023: loss of £0.1m) also includes the post-tax share of profit of CMF of £0.1m (H1 2023: £0.5m). The reduction in profitability at CMF reflects some under-recovery of overheads as the business continues the ramp up of its recently expanded production operations in Wales.

In the period, we have continued to make significant progress in growing our Severstor revenues and client base, including in the power, rail and oil and gas sectors. We have also continued to develop our growing pipeline of opportunities, including in growth areas such as renewable energy and data storage.

CMF's growing cold-rolled product range now includes load bearing frame and deck profiles, purlins and side rail systems, supported by the business's new manufacturing facility. During the period, we have continued to work on several 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. As the modular market matures, clients are seeking greater scale, reliability and quality in the supply chain, all of which we can offer, to ensure that we continue to increase our share of a growing market.

For Rotoflo, we have an established foothold in the UK water treatment sector and in the Indian paint manufacturing sector, where we see some further opportunities to grow the overseas footprint of the business. Future growth markets also include chemical processing, food processing and waste-water treatment in the UK, US, India and Australia.

Strategic targets: our medium-term target is to grow combined SPP and CMF revenues to between £75m and £100m, with margins of greater than 10 per cent. In the 2023 financial year, Modular Solutions delivered revenue of c.£60m (SPP: c.£20m and CMF: c.£40m).

India

£m	H1 2024	H1 2023	Change
Revenue	47.8	70.3	–32%
EBITDA	5.0	4.9	+2%
Operating profit	3.9	3.9	–
Operating margin	8.2%	5.5%	+270 bps
Finance expense	(2.5)	(2.5)	–
Profit before tax	1.4	1.4	–
Tax	(0.2)	(0.2)	–
Profit after tax	1.2	1.2	–
Group share of profit after tax (50%)	0.6	0.6	–

In the first half of 2024, JSSL recorded an output of 32,000 tonnes, compared to 44,000 tonnes in the prior period. This reduced output is evident in JSSL's revenue of £47.8m, a reduction of 32 per cent compared to the prior period, reflecting the timing of work in JSSL's order book. Despite the lower activity levels in H1, JSSL's total output for 2024 is expected to exceed 100,000 tonnes, including sub-contracted work, for the second year running.

Despite the reduction in revenue, JSSL has reported an unchanged operating profit of £3.9m (H1 2023: £3.9m), reflecting an improved operating margin of 8.2 per cent (H1 2023: 5.5 per cent). Financing expenses of £2.5m (H1 2023: £2.5m) are also unchanged from the previous period, as a result of a continued high level of 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 financing costs result in JSSL's operating profit reducing to a profit before tax of £1.4m (H1 2023: £1.4m).

INTERIM STATEMENT

The order book was £165m at 1 November (1 September: £170m, 1 June: £139m). In terms of mix, 64 per cent of the order book represents higher margin commercial work, with the remaining 36 per cent representing industrial projects (1 June: commercial work of 55 per cent, industrial work of 45 per cent). In the last financial year, we revalidated our Indian business plan which 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. Together with our joint venture partner, we have now secured a plot of land in Gujarat, in the west of India, to expand the geographical footprint of the business and to facilitate the expansion required to support expected future market growth.

With a record order book, improving pipeline of potential orders and numerous identified growth opportunities, JSSL is well-positioned to take advantage of a very encouraging outlook for the Indian economy and a strong underlying demand for structural steel in construction.

ESG

Safety

The Group's top priority remains the health, safety and wellbeing of all our stakeholders. Our safety statistics continue to be industry-leading whilst we remain focused on continually improving our SHE culture including through the ongoing roll out of our Safer@Severfield behavioural safety programme.

Sustainability

We have submitted near and long-term carbon emissions targets for approval by the Science-Based Target initiative ('SBTi'). These targets are in line with the objectives of the Paris Agreement and a commitment to reach Net Zero emissions by 2050 across Scopes 1, 2 and 3. Once verified, we will disclose progress against these targets on an annual basis through our annual report and our Carbon Disclosure Project ('CDP') reporting. During the period, we were shortlisted as a finalist for two sustainability awards – London Construction awards and Green Apple Environment awards – for our innovative approach to reducing deliveries of fabricated steel and hence carbon emissions on our projects.

We have continued to maintain our focus on social value, including adopting contract and business-specific defined social value objectives, supported by our social and charitable committees and the Severfield Foundation. During the period, social value was delivered by a wide range of activities including fundraising, attending school fairs and careers days to promote STEM subjects, increasing the intake of our annual apprentices and the successful delivery of a pilot volunteering scheme at one of our factories. We have also completed a Group mapping exercise, which means we now understand how much value we delivered in the 2022 calendar year in line with the National TOMs methodology framework.

We are currently undertaking a new ESG materiality assessment for the Group to help shape our sustainability strategy. The results of this exercise will highlight which issues (such as climate, biodiversity, health and safety and diversity) are important to our stakeholders and we will report on the results of this exercise in the 2024 annual report.

SUMMARY AND OUTLOOK

In the first six months of 2024, the Group has performed well. We have increased Group profits and cashflows, our order books continue to be substantial, well-diversified and of high quality, and our balance sheet remains healthy, allowing us to continue making the right long-term decisions for the business. Our businesses are well-positioned in markets with excellent longer-term growth opportunities which gives the board the confidence to increase the interim dividend by 8 per cent.

Although the wider economic backdrop continues to be challenging, given the Group's successful track record, diversified activities and strong order books, we continue to expect to deliver further progress and a full year performance which is in line with expectations.

Alan Dunsmore
Chief Executive Officer

21 November 2023

CONSOLIDATED INCOME STATEMENT

	Six months ended 23 September 2023 (unaudited)		
	Underlying £000	Non-underlying £000	Total £000
Revenue	215,256	–	215,256
Operating costs	(200,490)	(2,853)	(203,343)
Operating profit before share of results of JVs and associates	14,766	(2,853)	11,913
Share of results of JVs and associates	800	–	800
Operating profit	15,566	(2,853)	12,713
Net finance expense	(1,408)	(289)	(1,697)
Profit before tax	14,158	(3,142)	11,016
Taxation	(3,371)	713	(2,658)
Profit for the period	10,787	(2,429)	8,358
Earnings per share:			
Basic	3.48p	(0.78)p	2.70p
Diluted	3.40p	(0.77)p	2.63p

Further details of non-underlying items are disclosed in note 7 to the condensed consolidated financial statements.

	Six months ended 24 September 2022 (unaudited)			Year ended 25 March 2023 (audited)		
	Underlying £000	Non-underlying £000	Total £000	Underlying £000	Non-underlying £000	Total £000
	234,869	–	234,869	491,753	–	491,753
	(222,741)	(1,669)	(224,410)	(458,686)	(4,811)	(463,497)
	12,128	(1,669)	10,459	33,067	(4,811)	28,256
	1,039	–	1,039	1,898	–	1,898
	13,167	(1,669)	11,498	34,965	(4,811)	30,154
	(1,029)	(289)	(1,318)	(2,489)	(558)	(3,047)
	12,138	(1,958)	10,180	32,476	(5,369)	27,107
	(2,090)	416	(1,674)	(6,238)	697	(5,541)
	10,048	(1,542)	8,506	26,238	(4,672)	21,566
	3.25p	(0.50)p	2.75p	8.48p	(1.51)p	6.97p
	3.21p	(0.49)p	2.72p	8.39p	(1.49)p	6.90p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 23 September 2023 (unaudited) £000	Six months ended 24 September 2022 (unaudited) £000	Year ended 25 March 2023 (audited) £000
Items that will not be reclassified to income statement:			
Actuarial gain/(loss) on defined benefit pension scheme	**737**	4,787	(701)
Tax relating to components that will not be reclassified	**(183)**	(1,195)	175
	554	3,592	(526)
Items that are or may be reclassified to income statement:			
Cash flow hedges – reclassified to income statement	**(165)**	207	243
Exchange difference on foreign operations	**(122)**	(96)	(86)
Tax relating to components that may be reclassified	**–**	–	153
Gains/(losses) taken to equity on cash flow hedges	**78**	(1,364)	(1,147)
	(209)	(1,253)	(837)
Other comprehensive income for the period	**345**	2,339	(1,363)
Profit for the period from continuing operations	**8,358**	8,506	21,566
Total comprehensive income for the period attributable to equity shareholders of the parent	**8,703**	10,845	20,203

CONSOLIDATED BALANCE SHEET

	At 23 September 2023 (unaudited) £000	At 24 September 2022 (unaudited) £000	At 25 March 2023 (audited) £000
ASSETS			
Non-current assets			
Goodwill	**98,510**	82,188	82,188
Other intangible assets	**8,100**	8,713	7,095
Property, plant and equipment	**99,421**	90,297	92,067
Right-of-use assets	**18,040**	10,724	13,018
Interests in JVs and associates	**32,580**	31,175	31,784
Contract assets, trade and other receivables	**2,805**	5,656	2,245
	259,456	228,753	228,397
Current assets			
Inventories	**12,823**	17,589	13,231
Contract assets, trade and other receivables	**77,997**	118,274	109,721
Current tax asset	**1,235**	1,045	2,278
Derivative financial instruments	**254**	–	25
Cash and cash equivalents	**25,664**	–	11,338
	117,973	136,908	136,593
Total assets	**377,429**	365,661	364,990
LIABILITIES			
Current liabilities			
Overdraft	**–**	(2,769)	–
Trade and other payables	**(94,413)**	(109,080)	(102,699)
Financial liabilities – borrowings	**(8,625)**	(7,375)	(4,150)
Financial liabilities – leases	**(2,572)**	(1,576)	(2,172)
Derivative financial instruments	**–**	(281)	–
	(105,610)	(121,081)	(109,021)
Non-current liabilities			
Trade and other payables	**(1,483)**	(2,315)	(2,377)
Retirement benefit obligations	**(11,155)**	(8,499)	(12,871)
Financial liabilities – borrowings	**(16,900)**	(6,000)	(4,800)
Financial liabilities – leases	**(16,076)**	(9,587)	(11,224)
Deferred tax liabilities	**(7,948)**	(7,921)	(6,979)
	(53,562)	(34,322)	(38,251)
Total liabilities	**(159,172)**	(155,403)	(147,272)
NET ASSETS	**218,257**	210,258	217,718
EQUITY			
Share capital	**7,739**	7,738	7,739
Share premium	**88,522**	88,518	88,522
Other reserves	**3,530**	4,542	5,959
Retained earnings	**118,466**	109,460	115,498
TOTAL EQUITY	**218,257**	210,258	217,718

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 26 March 2023	**7,739**	**88,522**	**5,959**	**115,498**	**217,718**
Total comprehensive income for the period	**–**	**–**	**(209)**	**8,912**	**8,703**
Equity settled share-based payments	**–**	**–**	**433**	**478**	**911**
Purchase of shares	**–**	**–**	**(2,653)**	**–**	**(2,653)**
Dividend provided for or paid*	**–**	**–**	**–**	**(6,422)**	**(6,422)**
At 23 September 2023 (unaudited)	**7,739**	**88,522**	**3,530**	**118,466**	**218,257**

* The 2023 final dividend of £6.4m was paid to shareholders on 11 October 2023.

	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 period	–	–	(1,253)	12,098	10,845
Ordinary shares issued*	–	7	–	–	7
Equity settled share-based payments	–	–	1,310	–	1,310
Dividend provided for or paid	–	–	–	(5,864)	(5,864)
At 24 September 2022 (unaudited)	7,738	88,518	4,542	109,460	210,258

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

	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	–	–	2,465	955	3,420
Dividend provided for or paid	–	–	–	(9,877)	(9,877)
At 25 March 2023 (audited)	7,739	88,522	5,959	115,498	217,718

* The issue of shares represents shares allotted for the 2018, 2020 and 2021 Sharesave schemes.

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 23 September 2023 (unaudited) £000	Six months ended 24 September 2022 (unaudited) £000	Year ended 25 March 2023 (audited) £000
Net cash flow from operating activities	**31,390**	13,292	50,292
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	**94**	468	317
Purchases of land and buildings	**(240)**	–	(635)
Purchases of other property, plant and equipment	**(5,127)**	(1,999)	(5,668)
Purchases of intangible assets	**–**	(68)	(168)
Payment of deferred and contingent consideration	**(1,183)**	(7,000)	(8,534)
Investment in subsidiary entity, net of cash acquired	**(22,554)**	–	–
Net cash used in investing activities	**(29,010)**	(8,599)	(14,688)
Cash flows from financing activities			
Interest paid	**(1,106)**	(975)	(2,495)
Dividends paid	**–**	–	(9,877)
Proceeds from shares issued	**–**	7	12
Proceeds from borrowings	**19,000**	–	–
Repayment of borrowings	**(2,425)**	(1,475)	(5,900)
Repayment of lease liabilities	**(870)**	(1,045)	(2,032)
Purchase of shares (net of SAYE cash received)	**(2,653)**	–	–
Net cash generated from/(used in) financing activities	**11,946**	(3,488)	(20,292)
Net increase in cash and cash equivalents	**14,326**	1,205	15,312
Cash and cash equivalents at beginning of period	**11,338**	(3,974)	(3,974)
Cash and cash equivalents at end of period	**25,664**	(2,769)	11,338

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1) General information

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

The condensed consolidated interim financial information does not constitute the statutory financial statements of the Group within the meaning of section 435 of the Companies Act 2006. The statutory financial statements for the year ended 25 March 2023 were approved by the board of directors on 14 June 2023 and have been delivered to the registrar of companies. The report of the auditors on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial information for the six months ended 23 September 2023 has been reviewed, not audited, and was approved for issue by the board of directors on 20 November 2023.

2) Basis of preparation

The condensed consolidated interim financial statements for the six months ended 23 September 2023 has been prepared in accordance with the UK-adopted international accounting standard 34 'Interim Financial Reporting' as adopted for use in the UK and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. The condensed consolidated interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the statutory financial statements for year ended 25 March 2023, which were prepared in accordance with UK-adopted international accounting standards (IFRS) and the requirements of the companies Act 2006. The condensed consolidated financial statements have also been prepared in accordance with UK-adopted financial reporting standards.

Going concern

Net funds (pre-IFRS 16 basis) at 23 September 2023 were £0.4m, representing cash of £25.7m and the outstanding term loans of £25.5m, net of debt arrangement costs of £0.2m. The Group has a £60m revolving credit facility ('RCF') with HSBC and Virgin Money that matures in December 2026. The RCF, of which £15m is available as an overdraft facility, includes an additional facility of £45m, which allows the Group to increase the aggregate available borrowings to £60m. Throughout the period, the Group has maintained significant amounts of headroom in its financing facilities and associated covenants.

The directors have reviewed the Group's forecasts and projections for the remainder of the 2024 financial year and up to 12 months from the date of approval of the interim financial statements, including sensitivity analysis to assess the Group's resilience to potential adverse outcomes including a highly pessimistic 'worst case' scenario. This 'worst case' is based on the combined impact of securing only 25 per cent of forecast uncontracted orders for the next 12 months, one-off contract losses, a deterioration of market conditions and other downside factors. Given the Group's diversified operations, successful track record and previous strong performance during periods of challenging market conditions, this scenario was only modelled to stress test our strong financial position and demonstrates the existence of considerable headroom in the Group's covenants and borrowing facilities.

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

3) Accounting policies

Except as described below, the accounting policies applied in preparing the condensed consolidated interim financial statements are consistent with those used in preparing the statutory financial statements for the year ended 25 March 2023.

Taxes on profits in interim periods are accrued using the tax rate is expected to be applicable to total earning for the full year based on enacted rates at the interim date.

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

There are no new accounting standards that are effective for the first time for the six months ended 23 September 2023 which have a material impact on the Group.

4) Risks and uncertainties

The principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining six months of the year ending 30 March 2024, other than as disclosed below, have not changed from those disclosed on pages 92 to 104 of the strategic report included in the annual report for the year ended 25 March 2023. The annual report is available on the Company's website www.severfield.com. These risks and uncertainties include, but are not limited to:

- Health and safety
- Supply chain
- People
- Commercial and market environment
- Mispricing a contract (at tender)
- Cyber security
- Failure to mitigate onerous contract terms
- Sustainable and responsible business
- Industrial relations

The preparation of the condensed consolidated interim 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. Assumptions and estimates are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised. The Group's critical accounting judgements and estimates have not changed significantly from those disclosed on pages 189 and 190 of the annual report for the year ended 25 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4) Risks and uncertainties continued

Revenue and profit recognition

Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract. 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 £17,000,000 to a loss of £4,000,000. 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.

The Group has appropriate internal control procedures over the determination of each of the above variables to ensure that profit recognised as at the balance sheet date and the extent of future costs to contract completion are reasonably and consistently determined and subject to appropriate review and authorisation.

At the balance sheet date, amounts due from construction contract customers, included in contract assets, trade and other receivables was £39,545,000 (25 March 2023: £48,840,000).

5) Segmental analysis

In line with the requirements of IFRS 8, operating segments are identified on the basis of the information that is regularly reported and reviewed by the chief operating decision maker ('CODM'). The Group's CODM is deemed to be the Executive Committee, who are primarily responsible for the allocation of resources and the assessment of performance of the segments. Consistent with previous periods, management continues to identify multiple operating segments, primarily at an individual statutory entity level, which are reported and reviewed by the CODM. For the purpose of presentation under IFRS 8, the individual operating segments meet the aggregation criteria that allows them to be aggregated and presented as one reportable segment for the Group. However, in the current year, management consider it appropriate to disclose two operating segments as described below.

- Core Construction Operations – comprising the combined results of the Commercial and Industrial ('C&I') and Nuclear and Infrastructure ('N&I') divisions, including the results of the recently acquired Voortman Steel Construction Holding B.V. group of companies.
- Modular Solutions – comprising Severfield Products and Processing ('SPP') and the Group's share of profit (50 per cent) from the joint venture company, Construction Metal Forming Limited ('CMF').

The separate presentation of the modular businesses, as 'Modular Solutions', aligns with the maturity of the SPP business, which was established in 2018. In the current year it has reduced the levels of intercompany fabrication work as it grows external revenues from its core products.

The constituent operating segments that make up 'Core Construction Operations' have been aggregated because the nature of the products across the businesses, whilst serving different market sectors, are consistent in that they relate to the design, fabrication and erection 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 C&I and N&I divisions presented in the interim statement were established in 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 and are therefore presented as such.

Segment assets and liabilities are not presented as these are not reported to the CODM.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5) Segmental analysis continued

Segmental results

Period ended 23 September 2023	Core Construction Operations £000	Modular Solutions £000	JSSL £000	Central costs/ elimination £000	Total £000
Revenue	207,986	10,726	–	(3,456)	215,256
Underlying operating profit	14,716	50	–	–	14,766
Underlying operating profit margin	*7.1%*	*0.5%*	–	–	*6.9%*
Result from joint ventures					
– CMF	–	191	–	–	191
– JSSL	–	–	609	–	609
Finance costs	–	–	–	(1,408)	(1,408)
Underlying profit before tax	14,716	241	609	(1,408)	14,158
Non-underlying items (note 7)	(2,853)	–	–	(289)	(3,142)
Profit before tax	11,863	241	609	(1,697)	11,016
Other material items of income and expense:					
– Depreciation of owned property, plant and equipment	(3,162)	(77)	–	–	(3,239)
– Depreciation of right-of-use assets	(1,145)	(17)	–	–	(1,162)
– Other operating income	788	56	–	–	844

Period ended 23 September 2022*	Core Construction Operations £000	Modular Solutions £000	JSSL £000	Central costs/ elimination £000	Total £000
Revenue	227,772	11,518	–	(4,421)	234,869
Underlying operating profit	12,706	(578)	–	–	12,128
Underlying operating profit margin	*5.6%*	*(5.0)%*	–	–	*5.2%*
Result from joint ventures					
– CMF	–	453	–	–	453
– JSSL	–	–	586	–	586
Finance costs	–	–	–	(1,029)	(1,029)
Underlying profit before tax	12,706	(125)	586	(1,029)	12,138
Non-underlying items (note 7)	(1,669)	–	–	(289)	(1,958)
Profit before tax	11,037	(125)	586	(1,318)	10,180
Other material items of income and expense:					
– Depreciation of owned property, plant and equipment	(2,622)	(65)	–	–	(2,687)
– Depreciation of right-of-use assets	(891)	(23)	–	–	(914)
– Other operating income	658	25	–	–	683

* Comparative information has been represented to provide segmental disclosures in line with the period ended 23 September 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5) Segmental analysis continued

52 week ended 25 March 2023	Core Construction Operations £000	Modular Solutions £000	JSSL £000	Central costs/ elimination £000	Total £000
Revenue	476,815	22,820	–	(7,882)	491,753
Underlying operating profit	33,705	(638)	–	–	33,067
Underlying operating profit margin	*7.1%*	*(2.8)%*	–	–	*6.7%*
Result from joint ventures					
– CMF	–	583	–	–	583
– JSSL	–	–	1,315	–	1,315
Finance costs	–	–	–	(2,489)	(2,489)
Underlying profit before tax	33,705	(55)	1,315	(2,489)	32,476
Non-underlying items (note 7)	(3,338)	–	–	(2,031)	(5,369)
Profit before tax	30,710	(55)	1,315	(4,863)	27,107
Other material items of income and expense:					
– Depreciation of owned property, plant and equipment	(5,247)	(160)	–	–	(5,407)
– Depreciation of right-of-use assets	(1,816)	(24)	–	–	(1,840)
– Other operating income	1,659	193	–	–	1,852

5) Segmental analysis continued

Revenue

All revenue is derived from construction contracts and related assets. Additional disclosures are made under IFRS 15 to enable users to understand the relative size of the divisions. An analysis of the Group's revenue is as follows:

	Half year 2024 £000	Half year 2023* £000	Year ended 25 March 2023* £000
Construction contracts:			
– Commercial and Industrial	**166,468**	183,443	382,055
– Nuclear and Infrastructure	**41,518**	44,329	94,760
Core Construction Operations	**207,986**	227,772	476,815
Modular Solutions	**10,726**	11,518	22,820
Elimination of inter-segment revenue	**(3,456)**	(4,421)	(7,882)
Total Group revenue	**215,256**	234,869	491,753

* Comparative information has been represented to provide additional disclosures on revenue at a divisional level.

Geographical information

The following table presents revenue according to the primary geographical markets in which the Group operates. This disaggregation of revenue is presented for the Group's two operating segments described above.

Core Construction Operations – revenue by destination	Half year 2024 £000	Half year 2023* £000	Year ended 25 March 2023* £000
United Kingdom	**171,210**	204,014	437,741
Republic of Ireland and continental Europe	**36,776**	23,758	39,074
	207,986	227,772	476,815

Modular Solutions – revenue by destination	Half year 2024 £000	Half year 2023* £000	Year ended 25 March 2023* £000
United Kingdom	**7,270**	7,097	14,938
Republic of Ireland and continental Europe	**–**	–	–
	7,270	7,097	14,938

* Comparative information has been represented to provide additional disclosures on revenue at a divisional level.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6) Seasonality

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

7) Non-underlying items

	At 23 September 2023 £000	At 24 September 2022 £000	At 25 March 2023 £000
Operating costs	**(2,853)**	(1,669)	(4,811)
Finance expense	**(289)**	(289)	(558)
Non-underlying items before tax	**(3,142)**	(1,958)	(5,369)
Tax on non-underlying items	**713**	416	697
Non-underlying items after tax	**(2,429)**	(1,542)	(4,672)

Non-underlying items before tax consist of:	**At 23 September 2023 £000**	At 24 September 2022 £000	At 25 March 2023 £000
Amortisation of acquired intangible assets	**(2,853)**	(1,669)	(3,338)
Acquisition-related expenses	**–**	–	(1,816)
Unwinding of discount on contingent consideration	**(289)**	(289)	(558)
FV adjustment to contingent consideration	**–**	–	343
Non-underlying items before tax	**(3,142)**	(1,958)	(5,369)

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, DAM Structures and the Voortman Steel Construction Group.

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).

Accordingly, certain alternative performance measures ('APMs') have been used throughout this report to supplement rather than replace the measure provided under IFRS, see note 19 for further details.

8) Taxation

The corporation tax expense reflects the estimated underlying effective tax rate of 25 per cent on profit before taxation for the Group for the year ending 30 March 2024.

9) Dividends

	Six months ended 23 September 2023 £000	Six months ended 24 September 2022 £000	Year ended 25 March 2023 £000
2022 final – 1.9p per share	**–**	(5,864)	(5,864)
2023 interim – 1.3p per share	**–**	–	(4,013)
2023 final – 2.1p per share	**(6,422)**	–	–
	(6,422)	(5,864)	(9,877)

The 2023 final dividend of £6,422,000 was paid to shareholders on 11 October 2023.

The directors have declared an interim dividend in respect of the six months ended 23 September 2023 of 1.4p per share (H1 2023: 1.3p per share) which will amount to an estimated dividend payment of £4,300,000 (H1 2023: £4,013,000). This dividend is not reflected in the balance sheet as it was declared and will be paid after the balance sheet date, on 2 February to shareholders on the register at the close of business on 5 January.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10) Earnings per share

Earnings per share is calculated as follows:

	Six months ended 23 September 2023 £000	Six months ended 24 September 2022 £000	Year ended 25 March 2023 £000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent company	**8,358**	8,506	21,566
Earnings for the purposes of underlying basic earnings per share being underlying net profit attributable to equity holders of the parent company	**10,787**	10,048	26,238

Number of shares	**Number**	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**309,538,321**	309,532,076	309,533,696
Effect of dilutive potential ordinary shares and under share plans	**7,670,171**	3,313,744	3,239,813
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**317,208,492**	312,845,820	312,773,509
Basic earnings per share	**2.70p**	2.75p	6.97p
Underlying basic earnings per share	**3.48p**	3.25p	8.48p
Diluted earnings per share	**2.63p**	2.72p	6.90p
Underlying diluted earnings per share	**3.40p**	3.21p	8.39p

11) Property, plant and equipment

During the period, the Group acquired land and buildings of £240,000 (H1 2023: £nil) and other property, plant and equipment of £5,127,000 (H1 2023: £1,999,000). The Group also disposed of other property, plant and equipment for £94,000 (H1 2023: £468,000) resulting in a loss on disposal of £5,000 (H1 2023: gain of £17,000).

12) Intangible assets

During the period, the Group capitalised software-related costs of £nil (H1 2023: £68,000).

13) Net funds/(debt)

	At 23 September 2023 £000	At 24 September 2022 £000	At 25 March 2023 £000
Borrowings	**(25,525)**	(13,375)	(8,950)
Cash and cash equivalents	**25,664**	(2,769)	11,338
Unamortised debt arrangement costs	**278**	364	321
Net funds/(debt) (pre-IFRS 16)	**417**	(15,780)	2,709
IFRS 16 lease liabilities	**(18,648)**	(11,163)	(13,396)
Net debt (post-IFRS 16)	**(18,231)**	(26,943)	(10,687)

The Group also presents net debt/funds on a pre-IFRS 16 basis as lease liabilities are excluded from the definition of net debt/funds as set out in the Group's borrowing facilities.

14) Fair value disclosures

Financial instruments consist of borrowings, cash, items that arise directly from its operations and derivative financial instruments. Cash and cash equivalents, trade and other receivables and trade and other payables generally have short terms to maturity. For this reason, their carrying values approximate to their fair values. Borrowings relate to amounts drawn down against the revolving credit facility and amounts outstanding under the term loan, the carrying amounts of which approximate to their fair values by virtue of being floating rate instruments.

Derivative financial instruments and contingent consideration (reported in trade and other payables) are the only instruments valued at fair value through profit or loss and are valued as such on initial recognition. These are foreign currency forward contracts measured using quoted forward exchange rates and yield curves matching the maturities of the contracts. These derivative financial instruments are categorised as level 2 financial instruments, which are financial assets and liabilities that do not have regular market pricing, but whose fair value can be determined based on other data values or market prices.

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

	At 23 September 2023 £000	At 24 September 2022 £000	At 25 March 2023 £000
Assets/(liabilities)			
Foreign exchange contracts	**254**	(281)	25

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15) Net cash flow from operating activities

	Six months ended 23 September 2023 £000	Six months ended 24 September 2022 £000	Year ended 25 March 2023 £000
Operating profit from continuing operations	**12,713**	11,498	30,154
Adjustments:			
Depreciation of property, plant and equipment	**3,239**	2,687	5,407
Right-of-use asset depreciation	**1,162**	914	1,840
Loss/(gain) on disposal of other property, plant and equipment	**5**	(17)	(52)
Amortisation of intangible assets	**2,898**	1,698	3,416
Movements in pension scheme liabilities	**(1,066)**	(1,109)	(2,226)
Share of results of JVs and associates	**(800)**	(1,039)	(1,898)
FX movements	**(86)**	–	–
Share-based payments	**911**	1,310	3,420
Operating cash flows before movements in working capital	**18,976**	15,942	40,061
Decrease in inventories	**554**	416	4,774
Decrease in receivables	**41,298**	1,666	10,701
Decrease in payables	**(26,248)**	(2,887)	(1,724)
Cash generated from operations	**34,580**	15,137	53,812
Tax paid	**(3,190)**	(1,845)	(3,520)
Net cash flow from operating activities	**31,390**	13,292	50,292

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

16) Related party transactions

There have been no changes in the nature of related party transactions as described in note 30 on page 216 of the annual report for year ended 25 March 2023 and there have been no new related party transactions which have had a material effect on the financial position or performance of the Group in the six months ended 23 September 2023, except as stated below.

During the period, the Group provided services in the ordinary course of business to its Indian joint venture, JSW Severfield Structures ('JSSL') and in the ordinary course of business contracted with and purchased services from its UK joint venture, Construction Metal Forming Limited ('CMF'). The Group's share of the retained profit in JVs and associates of £800,000 (H1 2023: £1,039,000) for the period reflects a profit from JSSL of £608,000 (H1 2023: £586,000) and a profit from CMF of £192,000 (H1 2023: £453,000).

The Group incurred additional operating costs in relation to the day-to-day running of its Indian joint venture ('JSSL') of £128,000 (H1 2023: £130,000). Those costs were recharged to JSSL during the period and the amount due from JSSL at 23 September 2023 was £943,000 (25 March 2023: £806,000). The amount due to JSSL at 23 September 2023 was £583,000 (25 March 2023: £nil).

During the period, the Group has purchased services from CMF of £5,226,000 (H1 2023: £4,744,000). The amounts due from and to CMF at 23 September 2023 was £nil (25 March 2023: £1,001,000) and £679,000 (25 March 2023: £4,637,000) respectively.

During the period, the Group contracted with and purchased services from MET Structures, amounting to sales of £65,000 (H1 2023: £6,701,000) and purchases of £151,000 (H1 2023: £nil). The amount due from MET Structures at 23 September 2023 was £1,199,000 (25 March 2023: £2,109,000). MET Structures shared common directors with the Group during the period.

17) Contingent liabilities

Liabilities have been recorded for the directors' best estimate of uncertain contract positions, known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no liability is recorded where the directors consider, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation.

The Company and its subsidiaries have provided unlimited multilateral guarantees to secure any bank overdrafts and loans of all other Group companies. At 23 September 2023 this amounted to £nil (25 March 2023: £nil). The Group has also given performance bonds in the normal course of trade.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18) Business combinations

Summary of acquisition

On 3 April 2023, the Company acquired 100 per cent of the share capital of Voortman Steel Construction Holding B.V. (‘VSCH’).

VSCH is profitable, cash generative and provides a manufacturing base in Europe, allowing Severfield to benefit from VSCH’s strong reputation in the Netherlands and its growing pipeline of opportunities.

The Board believes that the acquisition will enhance the Group’s reputation and presence in the European market, building on its existing European business, and will help accelerate Severfield’s European growth strategy.

The acquisition provides Severfield with immediate access to new and attractive market sectors, providing the Group with further market and geographical diversification outside its core UK operations. VSCH is highly regarded by its clients and presents Severfield with a number of opportunities for further profitable growth, including access to a wider European client base and a platform to offer a wider range of services to its existing clients.

The net consideration of €25.7m (£22.6m) comprises:

	£000
Gross consideration	26,348
Net cash acquired (excluding payments in advance)	(3,794)
Net consideration	**22,554**

VSCH was acquired for an initial gross consideration of £26,348,000, including cash and cash equivalents of £3,794,000, which has been funded by a combination of Group cash reserves and a new term loan.

18) Business combinations continued

The provisional fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

	£000
Non-current assets	
Investment in joint ventures	94
Property, plant and equipment	4,611
Right of use assets	5,264
	9,969
Current assets	
Inventories	146
Contract assets, trade and other receivables	8,367
Cash and cash equivalents	3,794
	12,307
Total assets	**22,276**
Current liabilities	
Trade and other payables	(9,249)
Lease liabilities	(435)
	(9,684)
Non-current liabilities	
Lease liabilities	(4,829)
Retirement benefit obligations	(88)
Deferred tax liability	(228)
Provisions	(317)
Total liabilities	**(15,146)**
Net assets	7,130
Net cash acquired	(3,794)
Net identifiable assets acquired	**3,336**
Identified intangible assets	3,903
Deferred tax on intangibles	(1,007)
Goodwill	16,322
Net assets acquired	**22,554**

The initial accounting for the business combination is considered provisional whilst fair values are finalised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18) Business combinations continued

Provisional goodwill of £16,322,000 represents the ability and skill of employees and management, know-how and the quality of goods and services provided, which do not meet the recognition criteria to be separately recognised in accordance with IFRS 3 (Revised) 'Business combinations'. The goodwill arising from the acquisition is not deductible for income tax purposes.

The fair value of trade receivables is £7,306,000 which is equal to the gross contractual amount of trade receivables.

Analysis of amounts disclosed in the cash flow statement in connection with the acquisition:

	2023 £000
Gross initial cash consideration	26,348
Net cash acquired (including payments in advance)	(3,794)
Total cash outflow – investing activities	**22,554**

Acquisition-related costs of £1,816,000 were fully expensed in the period ended 25 March 2023 as non-underlying operating costs (see note 7).

The acquired business contributed revenues of £27,781,000 and profit before tax of £1,546,000, to the Group, since the acquisition date.

19) Alternative performance measures

Our alternative performance measures ('APM's) present useful information, which supplements the financial statements. These measures are not defined under IFRS and may not be directly comparable with APMs for other companies. The APMs represent important measures for how management monitors the Group and its underlying business performance. In addition, APMs enhance the comparability of information between reporting periods by adjusting for non-underlying items. The APMs are not intended to be a substitute for, or superior to, any IFRS measures of performance.

19) Alternative performance measures continued

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.

Reconciliations to IFRS measures

Underlying operating profit (before JVs and associates)	Six months ended 23 September 2023 (unaudited) £000	Six months ended 24 September 2022 (unaudited) £000	Year ended 25 March 2023 (audited) £000
Underlying operating profit (before JVs and associates)	**14,766**	12,128	33,067
Non-underlying operating items	**(2,853)**	(1,669)	(4,811)
Share of results of JVs and associates	**800**	1,039	1,898
Operating profit	**12,713**	11,498	30,154

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19) Alternative performance measures continued

Underlying profit before tax	Six months ended 23 September 2023 (unaudited) £000	Six months ended 24 September 2022 (unaudited) £000	Year ended 25 March 2023 (audited) £000
Underlying profit before tax	14,158	12,138	32,476
Non-underlying items	(3,142)	(1,958)	(5,369)
Profit before tax	11,016	10,180	27,107

Underlying basic earnings per share	Six months ended 23 September 2023 (unaudited) £000	Six months ended 24 September 2022 (unaudited) £000	Year ended 25 March 2023 (audited) £000
Underlying net profit attributable to equity holders of the parent Company	10,787	10,048	26,238
Non-underlying items after tax	(2,429)	(1,542)	(4,672)
Net profit attributable to equity holders of the parent Company	8,358	8,506	21,566
Weighted average number of ordinary shares	309,538,321	309,532,076	309,533,696
Underlying basic earnings per share	3.48p	3.25p	8.48p
Basic earnings per share	2.70p	2.75p	6.97p

Net debt	Six months ended 23 September 2023 (unaudited) £000	Six months ended 24 September 2022 (unaudited) £000	Year ended 25 March 2023 (audited) £000
Borrowings	(25,525)	(13,375)	(8,950)
Cash and cash equivalents	25,664	(2,769)	11,338
Unamortised debt arrangement costs	278	364	321
Net funds/(debt) (pre-IFRS 16)	417	(15,780)	2,709
IFRS 16 lease liabilities	(18,648)	(11,163)	(13,396)
Net debt (post-IFRS 16)	(18,231)	(26,943)	(10,687)

20) Cautionary statement

The condensed interim financial statements (interim report) have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

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

21) Statement of directors' responsibilities

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

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

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

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

By order of the board

Alan Dunsmore	**Adam Semple**
Chief Executive Officer	Chief Financial Officer
21 November 2023	21 November 2023

INDEPENDENT REVIEW REPORT TO SEVERFIELD PLC

Conclusion

We have been engaged by Severfield plc "the Company" to review the condensed set of financial statements in the half-yearly financial report for the six months ended 23 September 2023 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 23 September 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Company to cease to continue as a going concern, and the above conclusions are not a guarantee that the Company will continue in operation.

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with UK-adopted international financial reporting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Craig Parkin
for and on behalf of KPMG LLP
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21 November 2023

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