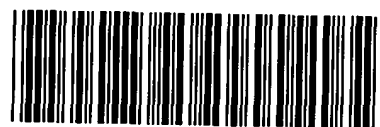


Severfield plc Annual report and accounts for the year ended 31 March 2015
• Stock code: SFR • www.severfield.com

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COMPANIES HOUSE

Welcome to our 2015 annual report

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

Five reasons to invest

1

Market leading UK position — well positioned to benefit from the recovery in the wider UK construction market.

2

Strong balance sheet provides operational and financial flexibility.

3

Unrivalled experience and capability in design, fabrication and construction of steel structures.

4

Operational improvement programme — generating steady margin improvement.

5

Established foothold in the developing Indian market — building value through the joint venture business.

Investor website

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

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

Front cover image:

Project: South Bank Tower

Sector: Commercial offices

Location: London

Tonnage: 1,700

Client: CIT

Main contractor: Mace

Completion: Summer 2015

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Highlights and milestones

Underlying* profit before tax

£8.3m

2014: £4.0m

Underlying* operating profit
(before JVs and associates)

£9.0m

2014: £7.6m

Operating profit
(before JVs and associates)

£0.5m

2014: (Loss of £0.1m)

Underlying* operating margin
(before JVs and associates)

4.5%

2014: 3.3%

Profit after tax

£0.1m

2014: (Loss of £2.6m)

Revenue

£201.5m

2014: £231.3m

Underlying* basic earnings
per share

2.31p

2014: 0.88p

Improvement in UK underlying* operating margin to 4.5% (2014: 3.3%), in line with expectations

Improved tendering disciplines and operational processes, reflected in increased margin

Over 110 projects undertaken during the year in key market sectors:

Core construction: office developments, stadia, warehouses and distribution centres; and

Core infrastructure: transport

Share of losses from Indian joint venture of £0.2m (2014: £3.0m) reflecting higher production levels and operational improvements

Non-underlying charge of £6.0m for the cost of Leadenhall remedial works programme

Strong cash performance, with year-end net funds of £6.4m (2014: £0.3m)

UK order book of £194m at 1 June 2015 (1 November 2014: £185m), reflecting improving market position

India order book of £38m at 1 June 2015 (1 November 2014: £38m)

Successful completion of new £25m revolving credit facility until July 2019

Reintroduction of proposed final dividend of 0.5p per share

* Underlying results are stated before non-underlying items of £8.5m (2014: £8.1m):

contract remedial costs – £6.0m (2014: £nil)

amortisation of acquired intangible assets – £2.6m (2014: £2.7m)

valuation of derivative financial instruments – £0.1m favourable (2014: £nil)

restructuring and redundancy costs – £nil (2014: £2.6m)

retirement of acquired intangible asset – £nil (2014: £2.4m)

impairment of investment in associates – £nil (2014: £0.4m)

the associated tax impact of the above

03

Strategic report

Overview

Chairman's introduction
Severfield snapshot

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06

Chairman's introduction

2014/15 saw the Group make good progress against our strategic priorities. We more than doubled underlying pre-tax profits, continued to strengthen our executive team and have established the foundations to achieve further growth in 2015/16.

John Dodds
Chairman

“The Group is set for another year of good progress.”

I am pleased to report a strong set of results for 2014/15. The Group reported an underlying operating profit for the year of £9.0m which represents a further increase in the UK operating margin from 3.3 per cent in the previous year to 4.5 per cent, positioning us well to achieve our previously stated target of 5 to 6 per cent by 2015/16. The margin uplift reflects improved contract tendering disciplines, together with the continued benefits of our ongoing operational improvement programme which was initiated in 2013 following the rights issue. Furthermore, the UK order book of £194m has strengthened during the year, providing us with the platform required to return to revenue growth in 2015/16.

Underlying profit before tax was £8.3m, an increase of £4.3m from the previous year. This reflects both the increase in operating profit and the improved performance of the Indian joint venture, with the Group's share of losses significantly reducing to £0.2m from £3.0m. The joint venture result reflects the benefits of the changes made to the senior management team and the business development and operational improvement programmes, all of which were initiated in response to the disappointing performance in the previous year.

The 2014/15 result includes a non-underlying charge of £6.0m relating to a programme of bolt replacement works at the Leadenhall building, a contract that was completed in 2013. This programme is being undertaken in conjunction with British Land, Laing O'Rourke and Arup and is likely to continue until the end of the calendar year. This charge represents certain costs incurred at

year-end together with management's best estimate of the remaining cost to the Group before taking account of possible future recoveries.

Read the **operating review** on page 28

Cash generated from operations was £11.4m (operating cash conversion was 107 per cent), which has resulted in year-end net funds of £6.4m.

In October, the Group refinanced its borrowing facilities with National Australia Bank and HSBC, with HSBC replacing previous lender Royal Bank of Scotland. The new facilities, which expire in July 2019, are for £25m with an accordion facility of up to £20m available at the Group's request. This new facility provides a solid foundation for the Group as it continues to develop its wider strategy.

Read the **financial review** on page 32

Dividends

As a result of the improved underlying results and its commitment to a progressive dividend policy, the board has recommended a final dividend of 0.5p per share. This dividend will be payable on 11 September 2015 to shareholders on the register on 14 August 2015.

Underlying profit before tax

£8.3m

2014: £4.0m

Order book

£194mNovember 2014:
£185mAccident frequency rate
(AFR)**0.21**

2014: 0.57 (UK only)

Strategy

The Group's strategy is to continue building a solid platform for growth. We have made good progress against our strategic priorities during the year, particularly in the areas of operational excellence and India. Another significant step during the year was the recruitment of the legacy Mabey Bridge infrastructure team, providing us with additional resources and expertise to support stronger future growth within the bridge and infrastructure markets.

Read more about
Group strategy on page 20

Board

During the year, Kevin Whiteman, Tony Osbaldiston and Alun Griffiths all joined the board as non-executive directors. Their considerable operational expertise and the knowledge and experience gained in global organisations have proved real assets to our board discussions as we continue our strategic and operational progression.

We have continued to strengthen our executive team with the appointment of Gary Wintersgill as managing director of Severfield (UK) Limited and Martin Kelly as Group strategic business development director.

Read our **corporate governance report** on page 58

Employees and safety

Over 1,200 employees have contributed to the strong performance of the Group during the current year. On behalf of the board, I would like to thank them for their hard work and continued support. During the year, we launched a save as you earn share scheme to enable all of our employees to participate in the long-term success of the Group.

The health and safety of our people remains a priority of the board. All of the Group's employees should benefit from an incident-free environment. The Group's AFR for the year, which includes our Indian joint venture, was 0.21. This AFR score of 0.21 includes an AFR of 0.33 for our UK operations which was a significant improvement from the prior year of 0.57, reflecting certain new initiatives launched in the current year following the appointment of a new Group SHE director in April 2014. A number of new initiatives are also planned for 2015/16.

Read more about **corporate social responsibility** on page 36

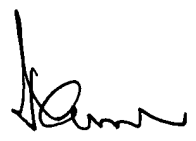
Outlook

The improved results for 2014/15 demonstrate the strength of the Group's business model and the progress that we have made in implementing key elements of our strategy.

Looking forward, our improved order book and a growing pipeline of contract opportunities leaves us well positioned to return to revenue growth in 2015/16 which, together with the continuing improvements in operational performance both in the UK and India, mean that we believe the Group is set for another year of good progress.

John Dodds

Non-executive chairman
17 June 2015



Severfield snapshot

What we want to be

Our vision

Our vision is to be recognised as world-class leaders in structural steel, known for our ability to deliver any project, to the highest possible standards.

What we set out to achieve

Our mission

As ambitious, innovative leaders in a demanding and ever developing industry, we will use our collective strengths and resources to build the capacity required to deliver the structures of the future.

What defines us

Our values

Safety

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

Customer focus

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

Integrity

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

Commitment

We stand by our word, when the Group says we'll deliver, whatever challenges lie ahead, you can depend on us to deliver, and to the highest possible standard.

How we will achieve our vision

Our strategy

Find out more about our **strategy** on page 20

There are five elements to our strategy:

The core of our strategy revolves around continuing to build a solid platform for continued growth.

Growth

Operational
excellence

Clients

People

India

How we impact on society

Resources and relationships

Find out more about our **corporate social responsibility** on page 36

There are four main areas where our business model impacts on society and where we have responsibilities that extend beyond financial performance:

- Safety, health and environment
- Sustainability
- People
- Communities

What we do

Business model

Find out more about our
business model on page 12

Our business model delivers value to our shareholders, customers and employees and is the key enabler of our strategy. Our proven strengths are our unrivalled capacity and performance, the technical expertise of our people, engineering excellence and customer service.

DESIGN FABRICATE CONSTRUCT

The Group's businesses perform every part of the fabrication and construction process from initial scheme design to the eventual handover to our clients of a quality product on-site.

Where we do it

Our businesses

Find out more about our
Group at a glance on page 10

The combined resources of our Group of companies provide us with the largest capacity and capability of any steel company in the UK, which allows us to offer great choice, value and flexibility through our national network of factories in North Yorkshire, Lancashire and Northern Ireland.

Our joint venture in India, which presents great opportunities for overseas steel fabrication, is of significant importance in achieving the Group's strategic growth ambitions.

Who we serve

Market sectors

Find out more about our
market sectors on page 18

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 spending patterns and fluctuations in macroeconomic conditions.

How we measure success

KPIs

Find out more about
our **KPIs** on page 42

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

- Underlying operating profit/ margin £9.0m/4.5%
- Underlying basic earnings per share 2.31p
- Operating cash conversion 107%
- Return on capital employed (ROCE) 6.1%
- UK order book £194m
- Accident frequency rate (AFR) 0.21
- Revenue growth (new KPI for 2015/16)

How we manage our risks

Risks

Find out more about
managing risk on page 44

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 performance is dependent on macroeconomic conditions as well as changes in government policies and in the commercial environment. Accordingly, we have identified six principal risks and uncertainties which have the potential to impact the Group's business model and strategy:

- Commercial and market environment
- People
- Interruption to fabrication facilities
- Indian joint venture
- Health and safety
- Information technology

How we govern ourselves

Governance

Find out more about
our **governance** on page 58

We are committed to maintaining the highest standards of corporate governance and ensuring that values and behaviours are consistent across our businesses. 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 for profitability, AFR and cash flow generation are linked to our performance share plan and annual incentive arrangements to ensure that the remuneration of our directors is aligned with our strategic priorities.

Safety underpins everything we do

Delivering quality service

A new third tier is being added to the existing south stand at the Etihad stadium including plant room, corporate functions, roof and suspension system. Once completed the existing roof will be dismantled from the inside of the stadium ready for the start of the 2015/16 football season.

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Project: South Stand redevelopment,
Manchester City FC.

Sector: Stadia and leisure

Location: Etihad Stadium, Manchester

Tonnage: 3,600

Client: Manchester City Football Club

Main contractor: Laing O'Rourke

Completion: August 2015

Group at a glance

The combined resources of our Group of companies have the design skills, engineering skills and experience to handle complex projects over a diverse range of market sectors. We can facilitate the production of a wide range of steelwork packages, from projects requiring added value engineering content to basic structural work.

Severfield (UK) Limited

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

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

Severfield (Design & Build) Limited

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

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

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

Severfield (NI) Limited

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

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

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

JSW Severfield Structures Limited

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

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

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

Our business model

What we do

Severfield plc is the UK's market-leading structural steel group, serving the construction and infrastructure markets, operating across four sites providing unrivalled capacity and capability. We also have an operation in India, which forms part of our international growth plans. The Group's businesses 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.

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

Resources

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

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

We have the design, experience and engineering skills to serve a diverse range of market sectors, from airports, railway stations and bridges to data centres and commercial offices.

Our customers

Clients serviced by the Group cover a broad range of disciplines from contractors and developers, to engineers and architects. Contractors include Brookfield, BAM, Laing O'Rourke, Sir Robert M'Alpine, MACE, Morgan Sindall, Skanska, Carillion, Vinci, Winvic, McLaren, VolkerFitzpatrick and Balfour Beatty, and developers include Stanhope, Hammerson, British Land, Land Securities, Westfield and Grosvenor. We have also developed structures for clients such as ASDA, Sainsbury's, Aldi, Jaguar Land Rover, ProLogis and Gazeley and project owners such as Network Rail, the Highways Agency, BAA and Sellafield.

Partners

A key ingredient for the long-term success of any business is the ability to forge strong and lasting relationships with supply chain partners, which provides clients with high value and consistent reliability. The Group spends a high percentage of its 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 and the Group.

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

Value generation

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

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

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

Our competitive advantage

The Group's competitive advantages derive from its scale, client focus, flexibility, experience, cost base, productivity, supply chain strengths and integrated approach from design to construction. We have unrivalled capabilities and our facilities are the best in the UK and possibly in Europe.

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

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

Where we fit in the value chain

Design

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

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

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

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

Fabricate

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

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

Construct

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

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

Our business model

Health and safety

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

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

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

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

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

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

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

Hazard, risks and control measures

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

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

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

DESIGN

FABRICATE

CONSTRUCT

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

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

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

Sustainability

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

The following values support our environmental policy and establish the areas that are essential to achieving the policy.

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

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

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

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

Quality and accreditations

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

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

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

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

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

Innovation

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

Innovation also plays an important role in building long-term relationships and creating additional value for our customers. The Group's continued expertise in creating innovative solutions at a project level enables our clients to realise their architectural visions.

Read about our **strategy** on page 20

Read about our **marketplace** on page 16

Read about our **Group at a glance** on page 10

Marketplace

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

2014 share of
addressable market

c. 15%

delivering 75,000
tonnes

2014 share of total
UK market

c. 8%

Find out more about
strategy on page 20

Find out more about
KPIs on page 42

Find out more about
risk management on page 44

Marketplace

The total value of structural steel output in the UK, estimated by the British Constructional Steel Association (BCSA), was approximately £1.7bn in 2014. This represents UK structural steel production for calendar year 2014 of 889,000 tonnes. The value of this market, which is considered addressable by the Group, is approximately £1.1bn, which represents production levels of 500,000 tonnes.

The Group's potential production capability is approximately 150,000 tonnes, which represents 15 per cent of the current estimated capacity of the UK market of 1,000,000 tonnes. Its current share of the UK market is approximately 75,000 tonnes, resulting in an addressable market share for 2014 of c. 15 per cent and a total UK market share for 2014 of c. 8 per cent.

The reduction in the Group's market share during the year reflects improved tendering disciplines and the willingness and ability to decline work where the pricing is not considered economic or where there is insufficient allowance for risk.

The market sectors targeted by the Group and its estimated market share are shown below.

Market sectors

Sector	Market tonnage in 2014		Group market share (estimated)
	(000s)	(%)	
Industrial and distribution	311	35%	10–20%
Infrastructure (including bridges)	136	15%	5–10%
Health and education	125	14%	< 5%
Commercial offices	87	10%	20–30%
Power and energy	51	6%	5–10%
Stadia and leisure	37	4%	30–40%
Retail	21	2%	10–20%
Other	31	4%	10–20%
Exports	90	10%	< 5%
TOTAL	889	100%	

Source: BCSA.

Outlook

Market conditions have improved during the year but continued to remain challenging as margins remain under pressure from rising input prices. In addition, some market tension remains as main contractors continue to work through certain legacy contracts. Whilst the market remains tight in some respects, there are now clearer signs of improvement which, if it continues, will further assist our margin recovery and drive revenue growth in due course.

Future growth driven by the recovery in the core UK market is expected to come from private sector growth in the industrial, commercial and leisure sectors as well as major infrastructure projects. In particular, we believe the long-term drivers for infrastructure remain sound, necessitating ongoing investment.

Forecasts for the next four years prepared by the BCSA show an expected increase in UK structural steel demand, particularly in the Group's key markets of industrial, commercial and leisure.

UK order book

The Group has a well-diversified order book of £194m (June 2015) which represents approximately nine months of forward production capacity. The order book has increased during the year, reflecting the improving market position, and the contract mix within the order book includes the benefits of improved tendering disciplines and our more selective approach to winning work.

Despite the improvement in the market during the year, prices have remained competitive and we continue to focus on ensuring that there is a fair balance of risk and reward within the contracts. Our improving operational processes are helping us to manage these market pressures more effectively and to deliver improving margins in line with our strategy. The current order book, which is expected to convert into an improved outturn in 2016, is set out below.

Sector	June 2015 £194m	November 2014 £185m	Future trend
Commercial offices	32%	41%	➤
Transport (including bridges)	26%	24%	↶
Industrial and distribution	19%	14%	↶
Stadia and leisure	7%	5%	➤
Power and energy	5%	3%	↶
Data centres and other	4%	8%	↶
Retail	4%	3%	↶
Health and education	3%	2%	➤
	100%	100%	

Pipeline/prospects

The Group continues to monitor the future pipeline of work which is likely to convert to orders in the near term.

This provides forward visibility of future orders and helps to facilitate production planning. The Group's pipeline of contract opportunities is encouraging and includes prestigious developments in the commercial offices, stadia and leisure, data centres, industrial (warehousing) and transport sectors.

Market sectors

The Group's key market sectors are discussed in detail on pages 18 and 19.

Current estimated
UK capacity

1,000,000

tonnes

Total UK production of
constructional steelwork

889,000

tonnes

Group potential capacity

150,000

tonnes

Market sectors

With our extensive experience in multiple sectors, the Group's state-of-the-art facilities provide our clients with unrivalled services and value in the execution of their projects. Our structures serve people every day, whether for work, play or travel, or to provide essential infrastructure, including power and energy.

Core construction sectors

1. Commercial offices

Through our work in the commercial office sector, we have made a significant impact on the cityscapes of London and other major commercial hubs around the world. We ensure our structural steel methods, products and processes keep up with the needs and challenges of this rapidly evolving sector. Our success is underpinned by specialist products such as FABSEC® and Firebeam®, together with other initiatives. Recent successes include Aldgate Tower, Nova, Victoria, New Street Square, W5, Regents Place, South Bank Tower and Fetter Lane.

2. Industrial and distribution

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. Our clients cover a wide range of sectors from automotive to retail, with major contracts including projects for Sports Direct, Ocado, ASDA, Sainsbury's, Aldi and Jaguar Land Rover.

3. Stadia and leisure

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 sports hubs, including the world-renowned Olympic Stadium, Arsenal Football Club's Emirates Stadium and Wimbledon Centre Court. We have also provided timely and cost-effective solutions for key leisure destinations, ranging from exhibition and conference centres to state-of-the-art concert arenas.

Other recent projects include the redevelopment of Anfield stadium (Liverpool Football Club) and the south stand redevelopment at Manchester City Football Club.

4. Retail

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

Key:

Core construction sectors

Core infrastructure sectors

Core infrastructure sectors**5. Data centres and other**

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. Recent successes include London Data Centre, Slough, Microsoft Amsterdam and Telehouse.

1. Transport

Transportation is a key market sector for the Group. 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.

Our successes include multiple contracts with Heathrow Airport, London Bridge Station Canopies, Manchester Victoria Station, Pulpit Rock Viaduct and the M8 rail bridges.

2. Power and energy

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

3. Health and education

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

Our strategy

Our vision is to be recognised as world-class leaders in structural steel, known for our ability to deliver any project to the highest possible standards. We will deliver this vision through the Group's strategy, the core of which revolves around continuing to build a solid platform for growth, and is supported by a focus on five key elements.

In 2015, the progress that we have made in delivering our strategy, together with how this strategy has been further developed, is set out below:

Strategic element	Priorities	
<p>Growth</p> <p>In the short to medium term, our aim is to capitalise on growth opportunities both in the UK and in overseas markets.</p>	<p>Increase UK market share – growing market share in areas where the business already operates.</p> <p>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.</p> <p>Building from existing European opportunities – driving more opportunities from European contractors with whom we have strong relationships in the UK.</p>	
<p>Operational excellence</p> <p>Our emphasis is on delivering high quality products and reducing costs by driving excellence through our core business processes.</p>	<p>Drive operational improvements and efficiencies – the objective of our comprehensive operational improvement programme is to improve the Group's risk assessment, operational and contract management processes.</p> <p>Invest in market-leading technology – we will make this investment in the short and medium term in order to support the Group's ongoing requirements and for growth.</p>	

Read about our **KPIs** on
page 42

Read about our **marketplace** on
page 16

Read about our **business model** on
page 12

Read our **operating review** on
page 28

Achievements in 2015

Objectives for 2016

We have focused on larger projects within our target markets, playing to our strengths of capability and capacity (including Anfield Stadium, Principal Place, Angel Court, Ordsall Chord and Telehouse).

We have undertaken significant research work to gain greater knowledge of current markets and target markets outside of our traditional areas.

This has led us to expand our bridge capability through the recruitment of the legacy Mabey Bridge infrastructure team, providing us with additional resources and expertise to capitalise on the growth potential within the bridge and infrastructure markets.

Grow Group revenues (and the order book) in FY16, taking advantage of the improving market position.

Increase market share in areas where the Group already has specialist expertise.

Infrastructure and bridge markets – coupled with developing the legacy Mabey Bridge operations, we have a targeted approach with key UK infrastructure project owners to exploit identified growth opportunities.

Continue to review growth opportunities in the UK, Europe (which was deferred in FY15 by the European downturn) and the rest of the world.

The improvement in operating margin during the year highlights the benefits of our short-term focus on margin recovery rather than top line growth. The increased margin reflects the ongoing improvements in risk management and operational processes, together with a more selective approach when tendering for work.

The operational improvements were also evidenced in the Group's positive operating cash flow for FY15 which has enabled the directors to recommend a final dividend.

Our aim remains to restore underlying operating margins to 5 to 6 per cent by the end of 2016 reflecting the continued improvement in contract execution coupled with better commercial and project management procedures and the underlying margins on individual contracts secured in the order book. This, in accordance with the Group's business model, will continue to generate surplus cash flows and support dividends.

Capital expenditure of £6.6m represents a significant increase in the Group's investment programme. This enabled the upgrade of some of the Group's core fabrication equipment and also an increase in the Group's fleet of mobile plant and equipment used on its construction sites. This has generated operational efficiencies during the year, which are reflected in the improved operating margin, and will continue to benefit the Group in following years.

We have disposed of our non-core investment property to release cash for investment in new technologies.

We will continue to upgrade and replace existing equipment where appropriate, with new state-of-the-art technology to help drive production efficiencies, and to expand the capital equipment base where there is a strong return on investment case.

Our strategy

Strategic element	Priorities	
<p>Clients</p> <p>By understanding, anticipating and responding to client needs we aim to build secure, sustainable and mutually valuable relationships and create lasting client satisfaction.</p>	<p>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.</p>	
<p>People</p> <p>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.</p>	<p>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 working environment.</p>	
<p>India</p> <p>We continue to believe that the Indian market presents great opportunities for steel fabrication.</p>	<p>Sustainability of India – our aim is to ensure that the business develops a sustainable position whilst the market continues its conversion to steel.</p>	

Achievements in 2015

Objectives for 2016

Following the rebranding exercise during the year, the Group is now operating under the single Severfield brand. We believe that this provides improved clarity for our customers, supporting an increased level of business and market development activity in both existing and adjacent markets.

We have continued to develop our relationships with key clients during the year, the benefit of which is evidenced in the improved order book position.

Client retention is vital to our organic growth plans and we will continue to ensure that the customer is at the centre of everything we do.

We will seek to engage at an early stage with our clients and ultimate project owners to enhance our understanding of their requirements and to provide value-added solutions throughout the project life cycle.

During the year, the following key appointments were made:

- Gary Wintersgill, managing director (Severfield UK);
- Martin Kelly, Group strategic business development director;
- Lee Mills, Group SHE director;
- Three new non-executive directors;
- Group communications manager;
- 20 apprentices/trainees

We conducted our first Group-wide employee engagement survey. This has enabled us to identify areas in need of improvement and create a benchmark against which we can measure progress.

We launched a save as you earn share scheme to provide our employees with an improved choice in the way that they participate.

We have strengthened our dedicated health and safety team during the year which has assisted in reducing the Group's AFR.

We will continue to prioritise investment in our people to ensure a healthy pipeline of talent to achieve our strategic goals.

We will conduct a Group-wide review of emerging talent to ensure consistency and visibility of talent, succession planning and career opportunity.

We plan to extend our performance share plan to our wider operating company director population. This will support buy-in to the long-term success of the business and assist in management retention.

We are committed to a target of zero injuries and we will continue to apply the highest standards in health and safety across all operations in order to further improve the Group AFR. Further initiatives around behavioural safety are also being planned.

Find out more about
people on page 40

We have significantly reduced joint venture losses during the year. This reflects improved levels of production output in the factory together with the benefits of the overhead reduction programme and the operational improvement plan being implemented by the new management team.

We have reviewed our strategy for India in light of the improved performance in 2015, resulting in a new strategic priority, 'building value in India'. Our aim is to ensure that the business continues to grow and to generate value for our shareholders.

We will continue to embed the operational improvements implemented in 2015, consolidate the management team and build relationships with key clients.

We aim to strike the right balance between commercial and industrial projects to ensure that production remains at satisfactory levels whilst we continue to improve the operating margin.

To further strengthen the India operations, we also consider geographically proximate export opportunities to support the existing order book and pipeline.

Find out more about
India on page 24

JSW Severfield Structures

The Group's joint venture and operations in India remain important in achieving our strategy of generating value for our shareholders.

Overview

Performance from the Indian joint venture was much improved during the year resulting in a Group share of losses of £0.2m compared to £3.0m the previous year. The improved result reflects the benefits of the many changes made in response to the very disappointing performance in 2013/14, including the appointment of Derek Randall as managing director. In addition to Derek's appointment, the senior management team was also strengthened with changes made to many key positions.

The overhead reduction programme has been successful with almost a 40 per cent reduction in costs at a time when output was increased by 85 per cent from 26,000 tonnes to just over 48,000 tonnes. This, together with a host of other efficiency and market development initiatives, means that the business is in a much better position than it was 12 months ago.

The Indian business itself delivered an operating margin of 9.0 per cent which has improved confidence that it is a sustainable business which can support itself and deliver significant value to the Group in the medium and long term.

The quality of product and a differentiated and fully integrated in-house service of design, fabrication and site construction is now being valued by clients. Together with a best-in-class health and safety record which is being recognised and rewarded by clients, the company's reputation is growing positively within the construction industry in India. Significantly, more architects, consultants, end clients and main contractors are appreciating the value of structural steel solutions delivered within a holistic technical and service model.

Current and future projects

The order book stands at £38m (1 June 2015).

The demonstration of value through design, quality, speed, consistency and overall professional capability has led to the successful award of many prestigious projects from local and inward investors including:

- A prestigious office for Intel, Bangalore
- A mixed use development for Proplarity, Noida
- A complex office extension project for K. Raheja
- A data centre programme for Reliance Industries Ltd to support its 4G expansion programme
- A commercial building for Altair in Colombo, with Shapoorji Pallonji
- A manufacturing development for Godrej in Gujarat
- Industrial projects for JSW Steel Ltd, Doosan etc

The future

Although India is still primarily a concrete construction market, we are seeing continued progress in its conversion from concrete to steel and prospects are expected to improve over the next 6–12 months given the Government's plans for infrastructure growth and more access for foreign direct investment. 2015/16 is likely to see the mix of work in the business between commercial and lower margin industrial projects improve against a

Annual capacity

60,000

tonnes

Site area

65

acres

Order book

38

£million

relatively weak backdrop. We expect the stable level of performance achieved in the current year to continue in 2015/16.

The Group and our joint venture partner JSW Steel remain positive that the business will continue to improve its performance and that it will grow through continued market penetration and overall market growth. We believe that the joint venture is increasingly well placed to deliver solid long-term growth for the Group.

Current operations

The facility is based in Bellary, Karnataka.

Depending on mix, the capacity is approximately 60,000 tonnes per annum. The facility consists of:

- A bit shop, two fabrication lines and a bay to provide bespoke off-line heavy fabrication, tubular products, specialised multi-coat painting and further bogey line fabrication if required.
- An INDISEC® line to produce sections from plate and to make cellular beams for steel design optimisation and improved floor to ceiling space.
- A smaller welded beam line.
- Off-line facilities to manufacture hand-railing, stairs and other ancillary products.
- A second joint venture, JSW Structural Metal Decking Limited (between JSW Severfield Structures and SMD Asia), which has a metal decking floor line, also in Bellary.

State-of-the-art facility

- The facility has been designed to optimise product range, quality and productivity, as befitting the demands of the construction industry in India.
- Incorporating state-of-the-art technology and processing equipment, the facility is managed and operated by highly qualified, experienced and dedicated people.
- Bespoke plated products and INDISEC® are manufactured on-site at Bellary, Karnataka offering clients a range of benefits.

The facility currently utilises around 35,000 square metres of covered area, and 52,000 square metres of logistics and storage area. The site is on 65 acres, allowing for future expansion.

Delivering quality service

The project is part of Network Rail's £6bn upgrade programme. Fifteen platforms are being demolished progressively and rebuilt whilst keeping a significant number of lines open around the works. Due to the tight programme and site constraints, we have developed and manufactured a cassette canopy system off-site that includes steel framed cassette structure, roof and cladding.

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Strategic report

Our performance

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Project: London Bridge Station
Canopies

Sector: Transport

Location: London

Tonnage: 4,030

Client: Network Rail

Main contractor: Costain

Completion: 2017

Operating review

We have made good progress in implementing and developing the new strategy introduced last year, particularly in respect of operating and margin improvements in the UK and creating a sustainable business in India.

Ian Lawson
Chief executive officer

“This year has seen good progress on all key fronts.”

Read our **strategy** on page 20

Read our **KPIs** on page 42

Read our **financial review** on page 32

Group overview

This year has seen good progress on all key fronts. The UK operational improvement programme has contributed to an increase in the underlying operating margin from 3.3 per cent to 4.5 per cent, the performance of the Indian joint venture has improved greatly with the Group's share of losses reducing to £0.2m (2014: £3.0m) and cash flow has been good with net funds at year-end increasing to £6.4m (2014: £0.3m), even after an increase in capital investment to £6.6m.

Our health and safety performance has also improved, with the accident frequency rate (AFR) for our UK operations reducing from 0.57 to 0.33 (the Group AFR which includes our Indian joint venture was 0.21).

Our comprehensive review of the Group's brand and market position undertaken in early 2014 has also helped deliver operational improvement. The rebrand has delivered increased brand penetration in our core market sectors, and has had a demonstrable impact on our ability to secure key projects and expand our capability. This has all helped to deliver solid progress with the implementation of the new Group strategy.

During the year, a small number of bolts failed on the Leadenhall building, the construction of which was completed in 2013. A programme of remedial works involving the replacement of all bolts at risk of failure is being undertaken in conjunction with British Land, Laing O'Rourke and Arup and is likely to continue until the end of the 2015 calendar year. Whilst these works

progress, discussions continue to agree where the liability for the costs of the programme should rest. The Group incurred costs of £1.0m relating to the remedial works programme during the financial year and estimates that its total costs will be in the region of £6.0m. A non-underlying charge has been recognised for these costs as at 31 March 2015.

Based on the overall progress made by the Group over the past year, I am pleased that the board has agreed to recommend the reintroduction of a final dividend of 0.5p per share.

UK review

As previously stated, our objective moving from 2014 into 2015 has been to prioritise continued improvement in operating margins, rather than revenue growth. UK revenue of £201.5m was lower than the prior year level of £231.3m, consistent with this strategy. The revenue reduction reflected a more disciplined approach to pricing and bidding for work, along with a temporary softening of demand in the middle of the year. Despite this reduction in revenue, underlying operating profit (before the share of results of JVs and associates) increased to £9.0m (2014: £7.6m) reflecting an increase in margin from 3.3 per cent to 4.5 per cent.

The UK business has had a more stable year structurally following the reorganisations in the prior year. We appointed Gary Wintersgill as the new managing director for the main business, Severfield (UK), in November, which allowed Ian Cochrane to step back into his chief operating officer role on a full-time basis. Further changes were made to

strengthen management at all levels within the UK and these changes, coupled with the more stable organisation structure, allowed focus to be maintained on the operational improvement programme. This was initiated following the rights issue in 2013 to improve risk assessment and operational and contract management processes across the business. There has been real evidence of progress in all three of these areas during the year and this generates benefits on every new cycle of contracts which the Group undertakes. There continues to be scope for further improvement, particularly in some operational processes. This will help drive margins up to and beyond the previously stated target of 5 to 6 per cent and towards a medium-term target of 8 to 10 per cent. Another important step during the year

was the recruitment of a significant number of staff from the infrastructure division of Mabey Bridge, following the announcement of its closure. The Group has existing expertise in the UK bridge building market and this move expands our capability significantly both for bridges and other infrastructure projects, and will support stronger growth in these areas in the coming years.

Order book and market conditions

The UK order book at 1 June 2015 of £194m has strengthened over the year and this provides the platform required to return to revenue growth in 2015/16. The current order book contains over 70 live contracts which are particularly

focused in the Group's key market sectors of commercial offices, retail, stadia and leisure, industrial and distribution and transport. New contracts won during the year, which remain in the order book, include London commercial office developments at Principal Place and Angel Court, the Anfield stadium redevelopment for Liverpool Football Club and the Ordsall Chord link bridge between Manchester's Victoria and Piccadilly stations.

The market conditions have shown some improvement over the last few months with the pipeline of opportunities growing particularly in the infrastructure and commercial office building sectors. We are also seeing some clients increasingly recognise the importance and value of

Case study: New Fetter Lane, London

Sector: Commercial offices
Tonnage: 1,500
Client: Great Portland Estates
Main contractor: Mace

Project overview:

12–14 New Fetter Lane is a 15-storey innovative office building development in the City of London. The building features a tall single-storey ground floor level which includes the main building entrance, retail accommodation and service bay, with 12 floors of office accommodation above. The top of the building, above the final floor of offices, is articulated with a double-stacked plant room which contains two levels of plant, taking the total building height to 60 metres above Fetter Lane.

The Group is providing the connection design, fabrication and construction of just over 1,500 tonnes of structural steel for the project.

Operating review

efficient and consistent supply levels and production capabilities and this is leading to a more structured and rounded approach to procurement rather than it being solely price led. However, pricing in some areas is still competitive but our more disciplined approach means that we are bringing a clearer sense of value, risk and reward to our pricing decisions.

Projects

We have continued to deliver projects to our clients' expectations. During the year we worked on over 110 projects covering many of the Group's key market sectors. These included:

- Westfield Shopping Centre, Bradford
- Nova, Victoria
- Carrington Power Station
- Manchester City Football Club (the expansion of the Etihad Stadium)
- London Bridge Station Canopies
- New London Embassy
- Telehouse Data Centre
- Manchester Victoria Station
- South Bank Tower, London
- Fetter Lane, London
- Sports Direct, Shirebrook
- Microsoft, Amsterdam
- Western Approach Viaduct (WAV Bridge)

India

The Indian joint venture has delivered a much improved performance during the year, with the Group's share of losses reducing to £0.2m from £3.0m in the prior year. The business delivered an operating margin of 9.0 per cent (2014: -18.0 per cent). However, it is the financing costs of the business's current debt structure which turned an operating profit into a net loss of which the Group reports its 50 per cent share. This improved operating performance reflects the benefits of all the changes made in response to the prior year's very disappointing performance, including a significant reduction in overheads and an operational improvement programme. These changes also helped secure a higher volume of work for the factory, which made a

major contribution to the success of the business, with 48,000 tonnes of fabricated steel being produced compared with 26,000 tonnes last year. There is now improved confidence amongst the JV partners that JSSL is a sustainable business which can support itself and deliver significant value to the Group in the medium to long term.

The wider market in India is displaying two distinct characteristics at the moment. On the one hand, the initial exuberance following the election of the new Modi government last year has diminished and in many ways the construction market is relatively soft at the moment. This is expected to improve over the next 6–12 months as the government's structural reforms start to take effect. On the other hand, we are seeing continued progress in the conversion of the construction market from concrete to steel. The result is that we are seeing a growing number of enquiries for commercial projects which would previously have been delivered in concrete, when compared to industrial projects (which have traditionally been done in steel but at low margins). The year ahead is likely to see the mix of work in the business between commercial and industrial improve. This should mean another year of stable performance against the soft current market backdrop, whilst the longer-term outlook will continue to improve from the shift in mix towards more commercial work.

Business investment

This year saw a step up in our level of capital investment to £6.6m, following several years at a more restrained level of £2–3m. This investment was focused on replacing and upgrading some of the Group's older fabrication equipment along with increasing its owned fleet of mobile elevated work platforms for construction site work. Other capital investment in the UK included a new canteen and office facility at our Dalton plant in North Yorkshire.

This investment in equipment will enable us to deliver even greater efficiency across the business and we see further opportunity to increase efficiency with our ongoing investment programme which we have set at £4–5m per year. The Group's scale and resources will enable us to invest more readily than our competitors in new and emerging fabrication technology and continue building on our existing competitive advantage.

A further £1.7m of capital was invested in the Indian joint venture in the first half of the year, which was required to finance previous losses generated by the business. With the business now operating at close to a break-even level, the requirement for future support should be reduced although the balance of debt to equity in the capital structure of the business will be kept under constant review as repayments start on the existing term loan in 2015/16.

Safety

The Group's AFR for the year, which includes our Indian joint venture, was 0.21. The current year result of 0.21 includes an AFR of 0.33 for our UK operations which was a significant improvement on the prior year of 0.57. This reflects a continuation of the improving trend seen towards the end of the prior period along with some new initiatives launched in the current year following the appointment of a new Group SHE director in April 2014. These initiatives included a focus on near miss reporting, both in the factory and on-site, improved health and safety communications, investment in technology and training and site SHE visits by directors to drive visible leadership and reaffirm our commitment to a zero accident culture. The safety of all our employees is of paramount importance and continues to receive priority attention from both the executive committee and the board.

Strategy, branding and communication

The change in the Group's name to Severfield plc and the associated simplification of the naming structure of the Group's main operating companies has been well received in the marketplace. It is also supporting a more proactive communication programme to both raise the profile of the Group's capabilities and our role in building many of the iconic structures around the UK. This is being mirrored with improved internal communications and, for the first time ever, an employee engagement survey was undertaken in the year. Improving employee engagement is vital to ensuring that the Group is an attractive place to work for both existing and potential new employees as we seek to develop and grow. During the year we launched a SAYE share scheme. This achieved a 28 per cent take-up rate which was pleasing when compared with more normal levels for these types of schemes of around 20 per cent.

We have made good progress in starting to implement and develop further the new strategy introduced last year, as set out on pages 20 to 23 and elsewhere in this review, particularly in respect of operating and margin improvements in the UK and creating a sustainable business in India. We appointed a Group strategic business development director to ensure that we could continue developing the wider business strategy without distracting operational management from the continued improvement of the core UK business.

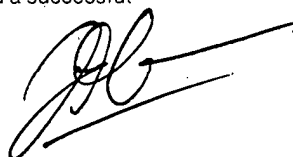
Summary and outlook

The Group has made real progress in the UK and India in the year both operationally and financially. The quality of the current order book and sustained increase in the pipeline in the UK gives us the confidence to believe we can deliver improved revenues. We have the skills and capacity to deliver the expected demand as spend in the UK infrastructure markets and the power and energy sectors grows, alongside delivering improved margins.

As the JV in India stabilises with improved market conditions, as government and international funding becomes more readily available for infrastructure and commercial projects, along with the continued move from concrete to steel, we believe we are well placed to take advantage of this growing market. The JV has the potential to generate real shareholder value from a sustainable business over the next few years.

Finally, I would like to thank all of our people for their hard work and commitment over the past 12 months and look forward to their ongoing support as we continue to build a successful business.

Ian Lawson
Chief executive officer
17 June 2015



“

I would like to thank all of our people for their hard work and commitment over the past 12 months and look forward to their ongoing support as we continue to build a successful business.”

Financial review

Revenue for the year of £201.5m compared with £231.3m in the prior year. The reduction directly reflects the focus for the year being on operating margin recovery rather than revenue growth.

Alan Dunsmore
Group finance director

“The board recommends the reintroduction of a final dividend of 0.5p per share.”

Trading performance

Revenue for the year of £201.5m compared with £231.3m in the prior year. The reduction directly reflects the focus for the year being on operating margin recovery rather than revenue growth. Improved tendering disciplines contributed to the move away from winning work at uneconomic rates or with insufficient allowance for risk. The benefits of this approach, alongside improved operational processes, are evident in the underlying operating profit (before results of JVs and associates) of £9.0m, an increase of £1.4m over the prior year level of £7.6m, reflecting an increased operating margin of 4.5 per cent (2014: 3.3 per cent). Margins are progressing on track to achieve our previously stated 5 to 6 per cent target for the 2015/16 financial year. The share of results of JVs and associates was a loss of £0.2m (2014: £3.0m) and net finance costs were £0.4m (2014: £0.6m). Underlying profit before tax, which is management's primary measure of Group profit, was £8.3m (2014: £4.0m). The statutory profit after tax, reflecting both underlying and non-underlying items was £0.1m (2014: £2.6m loss).

Share of losses of JVs and associates

The Group's share of losses from its Indian joint venture was £0.2m (2014: £3.0m). This significant reduction reflects the measures put in place to strengthen management and reduce overheads, alongside higher volume throughput in the factory.

Non-underlying items

Non-underlying items for the year of £8.5m (2014: £8.1m) consist of the following:

- Contract remedial costs – £6.0m (2014: £nil)
- Amortisation of acquired intangible assets – £2.6m (2014: £2.7m)
- Valuation of derivative financial instruments – £0.1m favourable (2014: £nil)

The contract remedial costs relate to a programme of bolt replacement works at the Leadenhall building, a contract that was completed in 2013. They are treated as non-underlying costs in accordance with the Group's stated policy. This programme is being undertaken in conjunction with British Land, Laing O'Rourke and Arup and is likely to continue until the end of the calendar year. The liability of the Group and the other parties for the programme costs has not yet been determined and, therefore, the charge represents certain costs incurred at year-end, together with management's best estimate of the remaining cost to the Group. This is based on the current requirements of the programme and before taking account of possible future recoveries, as these cannot be recognised under IFRS.

	2015	2014
Revenue	£201.5m	£231.3m
Underlying operating profit (before results of JVs and associates)	£9.0m	£7.6m
Underlying operating margin	4.5%	3.3%
Underlying profit before tax	£8.3m	£4.0m
Underlying basic earnings per share	2.31p	0.88p
Net funds	£6.4m	£0.3m
Operating profit /(loss) (before results of JVs and associates)	£0.5m	(£0.1m)
Profit/(loss) after tax	£0.1m	(£2.6m)

Finance costs

Net finance costs in the year were £0.4m (2014: £0.6m). The reduction reflects the Group's move into a net funds position for most of the year, coupled with reduced bank facility costs following the refinancing which was completed in October 2014.

Taxation

The underlying tax charge of £1.4m represents an effective tax rate of 17.0 per cent on the applicable profit (which excludes results from JVs and associates). This compares with an effective tax rate of 20.2 per cent in the prior year. The reduction over prior year mainly reflects the UK statutory corporation tax rate which reduced from 23 per cent to 21 per cent on 1 April 2014.

The total tax credit for the year of £0.3m (2014: £1.4m) reflects the underlying tax charge, offset by deferred tax benefits arising from the amortisation of intangible assets in the year, together with the current tax credit on the contract remedial costs associated with the Leadenhall building.

Earnings per share

Underlying basic earnings per share was 2.31p (2014: 0.88p). This calculation is based on the underlying profit after tax of £6.9m and 297,503,587 shares, being the weighted average number of shares in issue during the year.

Basic earnings per share, based on the statutory profit after tax, is 0.05p (2014: -0.89p). There was no difference between basic and diluted earnings per share in the year (2014: no difference).

Dividend

The board recommends the reintroduction of a final dividend of 0.5p per share payable on 11 September 2015 to shareholders on the register at the close of business on 14 August 2015. This dividend is not reflected on the balance sheet at 31 March 2015 as it remains subject to shareholder approval.

During the year, the board considered what the dividend policy of the Group should be. The Group intends to follow a progressive dividend policy. Funding flexibility will be maintained to ensure there are sufficient cash resources to fund the Group's requirements. Additional dividends will be paid when the Group's cash generation exceeds the requirements of the business, and where its underlying financial position remains strong.

* The basis for stating results on an underlying basis is set out on page 101.

Financial review

Balance sheet

Shareholders' funds at 31 March 2015 were £140.6m (2014: £143.4m). The reduction is primarily due to the non-underlying Leadenhall remedial costs coupled with an increase in the IAS 19 deficit on the Group's defined benefit pension scheme.

Goodwill on the balance sheet is valued at £54.7m (2014: £54.7m) and is subject to an annual impairment review under IFRS. No impairment existed either at 31 March 2015 or at 31 March 2014.

Other intangible assets on the balance sheet are valued at £7.1m (2014: £9.8m). This represents the net book value of the intangible assets identified on the acquisition of Fisher Engineering in 2007, along with certain software assets. Amortisation of £2.7m was charged in the year.

The Group has property, plant and equipment of £76.6m (2014: £74.1m). Capital expenditure in the year was £6.6m (2014: £2.2m). This included new equipment for our fabrication lines in Dalton and Northern Ireland, additional equipment for use on our construction sites, and a new canteen and employee welfare facility at our Dalton factory. Depreciation in the year was £3.6m.

The Group's ongoing replenishment levels of capital expenditure are expected to be £4–5m per annum.

During the year the Group sold its investment property in Leeds for £3.9m. This was acquired several years ago, had no relevance to the Group's core steel fabrication activities and the sale price was within £0.1m of the property's book value.

The Group invested a further £1.7m of equity in its Indian joint venture in the first half of the year, primarily to fund the historical losses of the business. With the joint venture now operating at close to break-even levels, the need for further equity injections to finance trading losses should be much reduced.

The Group has a defined benefit pension scheme which, although closed to new members, had an IAS 19 deficit of £16.5m (2014: £12.5m). The increase in the deficit is mainly as a result of the reduction in the assumption for corporate bond yields which is used to set the discount rate, partly offset by strong performance of the scheme's assets. Notwithstanding this, the 2014 triennial valuation of the scheme was completed during the year and resulted in the Group's deficit contributions being maintained at £1m per annum.

The Group is now adopting return on capital employed (ROCE) as an additional key performance indicator (KPI) to help ensure that its strategy and associated investment decisions recognise the underlying cost of capital of the business. The Group's ROCE will be calculated as underlying operating profit divided by the average of opening and closing capital employed. Capital employed is shareholders' equity excluding retirement benefit obligations (net of tax), acquired intangible assets and net funds. For the 2014/15 financial year, ROCE on this basis was 6.1 per cent and the Group's target is for ROCE to exceed 10 per cent over the whole economic cycle.

Cash flow

The Group finished the year with net funds of £6.4m (2014: £0.3m). Operating cash flows for the year before working capital movements were £6.6m. Net working capital, excluding the impact of Leadenhall remedial costs, increased by £1.2m during the year and represented 8.4 per cent of revenue at the year-end. This is a little higher than the 5 to 7 per cent range within which working capital has stabilised over the past 18 months but the difference can be attributed to the slower than expected final settlement of two older contracts.

Net investment during the year was £3.0m, with £5.7m in capital expenditure and £1.7m of additional equity investment in India. Offsetting this was the proceeds of £3.9m from the sale of the Group's investment property in June 2014.

The Group entered into a new banking facility in October 2014 with Yorkshire Bank (part of National Australia Bank) and HSBC. The new facilities are for £25m, with an accordion facility of a further £20m available at the Group's request, and are available until July 2019. There are two key financial covenants, with net debt: EBITDA of <2.5x, and interest cover of >4x. Other terms and conditions represent a return to normality in comparison with the terms required by the banks at the time of the rights issue in 2013. This new facility provides a solid foundation for the Group, with supportive partners, as it continues to improve its core profitability and implement its wider strategy.

Treasury

Group treasury activities are managed and controlled centrally. Risks to assets and potential liabilities to customers, employees and the public continue to be insured. The Group maintains its low risk financial management policy by insuring all significant trade debtors.

The treasury function seeks to reduce the Group's exposure to any interest rate, foreign exchange and other financial risks, to ensure that adequate, secure and cost-effective funding arrangements are maintained to finance current and planned future activities and to invest cash assets safely and profitably.

The Group continues to have some exposure to exchange rate fluctuations, currently between sterling and the euro. In order to maintain the projected level of profit budgeted on contracts, foreign exchange contracts are taken out to convert into sterling at the expected date of receipt.

Going concern

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

- The UK order book, which is strengthening, and the pipeline of potential future orders.
- The Group's operational improvement plan which has delivered stronger financial performance and is expected to continue doing so in the 2015/16 financial year and beyond.

- The Group's net funds position and its new committed bank finance facilities, including both the level of those facilities and the covenants attached to them.

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



Alan Dunsmore
Group finance director
17 June 2015

Read our **operating review** on page 28

Read our **Group financials** on page 89

Read our **Company financials** on page 131

Case study: Manchester Victoria Station

Sector: Transport
Tonnage: 1,950
Client: Network Rail
Main contractor: Morgan Sindall

Project overview:

The project involves the creation of a modern station environment at Manchester-Victoria. In addition to the new-build aspects of the project, parts of the existing Victorian building are being restored and refurbished.

A key component is the replacement of the station roof, which allows for future expansion of the station. The Group is supplying and constructing around 1,900 tonnes of structural steel for the iconic new roof, with the project's scope also involving the construction of a mezzanine floor to link the station to the Phones4U Arena as well as lifts and a feature staircase.

Corporate social responsibility

Our commitment to corporate responsibility is a key element of the strategy of the Group and is central to how we run the business.

“
Safety underpins
everything we do.”

Our board takes regular account of the significance of social, environmental, ethical and health and safety matters to the Group. A comprehensive risk management and internal control process is in place.

With our focus on people, we are passionate about providing excellent training and skills development opportunities that benefit individual members of staff and preserve our high working standards. We also support employment in local areas by taking on apprentices across the Group each year, hiring our people locally wherever possible and providing opportunities for graduates across a number of functions including business support, quantity surveying, design engineering, site management and project management.

Overview of commitment to corporate social responsibility

We take our responsibilities very seriously and are committed to good practice in all our CSR activities. We work beyond compliance to consider how we can have a positive impact on communities, minimise risk in our operations and ensure the best health and safety performance standards. This commitment can be seen in our core values and mission statement which has been communicated through roadshows and toolbox talks to all our employees.

Safety, health and environment

In the current year, we introduced a number of initiatives aimed at improving the Group's accident frequency rate (AFR). These included a focus on 'near miss' reporting, both in the factory and on site and which we incentivised using monetary awards and donations to local charities. They also included improved health and safety communications, investment in technology and training and site SHE visits by directors to drive visible leadership and reaffirm our commitment to a zero accident culture.

The current year AFR of 0.21 includes an AFR of 0.33 for our UK operations which also compares favourably (c40 per cent lower) with the previous year's UK AFR of 0.57. In 2014/15 we had 12 RIDDORs compared to 22 in 2013/14, which is reflected in our improved AFR results.

We are very pleased with this improvement but are not complacent and we will continue our efforts to improve health and safety awareness across the entire Group in the coming year. We will continue to concentrate on improving our AFR performance in 2015/16 and we believe that our focus in the following five key areas will deliver the performance we desire.

Work environment

This year we have continued our focus on improving the lighting levels in the factories to make them a better place to work; this work will be ongoing in 2015/16. This has had a positive impact on efficiency, greenhouse gas emissions and on the working environment in general.

We have improved the conditions of the yards in all of our factories and have undertaken a comprehensive review of welfare facilities for Severfield (UK). We have established a new training and canteen facility at Dalton which will substantially improve the environment for training and create a more convivial atmosphere for mealtimes and breaks for all of our employees.

We issued a new personal protective equipment (PPE) brochure and policy in 2014/15 which focused on providing a better quality and standard of PPE for our employees and we aim to roll this out to our supply chain in 2015/16.

One of our safety critical areas is tool tethering and in 2014/15 we enhanced our tool tethering policy and undertook extensive trials of products available in the market to ensure that the Group was industry leading in this respect. Following this review, we entered into a new agreement with a UK-based company for all new tool tethers supplied to the Group.

During the year, we have developed and implemented our Seversafe® edge protection product, our lorry edge protection system and we now have our own bespoke fan protection systems. These systems comply with the Work at Height Regulations in terms of meeting the requirements for collective protection measures and our edge protection solution is endorsed by the Edge Protection Federation.

Commitment

The Group continues to maintain an appropriate SHE budget. We committed last year to improving SHE communication across the Group and to this end we have delivered SHE news bulletins this year and we have issued SHE posters in response to incidents and near misses.

We hold regular Group, factory and site safety leadership team (SLT) meetings and the Group meeting is attended by the CEO and COO. We use this meeting structure to derive, test and challenge our policies and to ensure we react in an appropriate manner to incidents and near misses.

For 2015/16 we are implementing a director tour matrix to include our plc directors and our chairman to demonstrate to our workforce and our clients our commitment to our safety, health and environmental performance.

We have undertaken 1,241 (2014: 1,159) man-days of training in the year. This includes more than 40 different courses; examples are: site manager safety training scheme, overhead crane supervision and use, first aid, portable magnet use, life jacket use, confined space and reversing vehicles.

Corporate social responsibility

Leadership

We use a variety of styles of leadership, from transformational with vision, dynamism and energy to create the culture we want to work within, through to transactional leadership to embed our culture using tools such as coaching, recognition and corrective action.

We demonstrate leadership by undertaking director tours, chairing committees, involving our senior management in incident investigations, being involved in and attending formal and informal training, and communications around safety, health, environment and sustainability with our workforce, clients and supply chain.

Engagement

We engage with our stakeholders on a daily basis. Key engagement behaviours are communication, involvement, visibility and support. We are continually striving to communicate better this year, (as discussed above), we have continued to actively involve the directors in safety, health, environment and sustainability committees and we use the audit process as a communication tool.

To improve engagement with our employees, clients and supply chain, we regularly attend client meetings and our Group SHE director liaises directly with the SHE teams within our client organisations and with the UK Contractors Group. With respect to our employees and supply chain, they are represented at our SLTs and committees and our visible leadership means that we frequently have workplace-based conversations with our employees and supply chain alike.

We audit our supply chain which provides assurance that our supply chain meets legal requirements and our own standards plus, where applicable, any standards stipulated by our clients.

We have amended our site audit and inspection system. We now undertake all on a web-based format which allows much better analysis of where our key issues lie. This allows us to focus our resources in the correct areas and engage with our workforce, supply chain and clients in a targeted manner.

Behaviour

We define behaviour as everything we say and do. This means that any culture change model needs to include an element of understanding of what drives these behaviours and how we generate positive, safe behaviours in the workplace.

We have trained all the SHE team as organisational coaches to ensure that when we interact with our stakeholders, we are obtaining the best outcome for them and for the Group in terms of our safety, health and environmental performance.

During the next year we will continue with our behavioural safety programme, starting with training the SHE team in cognitive behaviours and conducting a SHE culture survey.

Sustainability

Steel is arguably the most sustainable of the major structural materials. It has numerous sustainability benefits, such as low waste, flexibility, off-site manufacture, speed, resource efficiency, adaptability, demountability, long lasting appeal, safety, reusability and recyclability. These inherent characteristics result in many social, environmental and economic benefits to satisfy sustainability's 'triple bottom line'.

Steel is a fast, safe construction material. Reduced time on-site means lower costs, quicker returns and less disruption to the local community. The Group's steel is manufactured off-site in a safe factory environment and arrives on site only when needed. Steel has a high strength to weight ratio and is resource efficient. The fact we can erect with fewer deliveries means reduced emissions.

Steel's long, clear spans mean that interiors can be changed with ease. Steel frames can readily be adapted and reconfigured to give old buildings a new lease of life. The longevity of a building is fundamental to its overall sustainability.

Steel structures are inherently reusable in full or part. An increasing number of buildings are being designed with this in mind, but reuse is an option for steel structures without any special provision. Any steel which is not reused is captured and recycled for further use in construction or elsewhere.

Steel can be recycled indefinitely without loss of property or performance. This is referred to as multicycling. It means steel always has a value, which guarantees that virtually none is ever disposed of to landfill. The multicycling of steel is a self-sustaining system that predates modern appreciation of environmental issues and would continue in the unlikely event that they should ever lessen in importance.

Sustainability committee

During the year we established a sustainability committee. The committee approved the introduction of energy management systems in our Dalton facility and changing our lighting in all factories to low energy lighting which resulted in a significant reduction in energy usage and costs.

Our 2015/16 targets and objectives for the sustainability committee include:

- Carbon reduction policy and strategy
- Reduction in carbon intensity by 2020/21
- Waste reduction and diversion of waste from landfill
- Comply with Energy Savings Opportunity Scheme (ESOS)
- Quarterly GHG reporting using shared database and validation of emissions
- Improve CDP (climate change) scoring including climate change risk assessment
- Measurement of construction site fuels
- Review of ISO 14001 EMS — operational control, training and audits
- Customer and supply chain engagement
- Staff engagement and internal performance reporting
- Sustainable procurement

Environmental performance

The Group maintains its environmental management system which is certified to ISO 14001. Information on our environmental impact is collated monthly and is reported to the board. This includes impacts such as waste, factory energy, VOC emissions and fuels. We met our monthly average VOC concentration limit targets for every factory in 2014/15. With respect to waste 89 per cent is recovered or recycled.

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

Greenhouse gas emissions reporting

In accordance with the Companies Act 2006 (strategic report and directors' reports) Regulations 2013, we report our emissions as described below.

Reporting boundaries

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

All direct (scope 1) and indirect (scope 2) emissions are reported in absolute tonnes equivalent CO₂ (CO₂e). Greenhouse gases ('GHG') included are carbon dioxide, methane and nitrous oxide emissions from the combustion of fuels disclosed below, and carbon dioxide emissions from the consumption of purchased electricity.

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

Methodology

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

For the year ended 31 March 2015, the Group's global GHG emissions were as follows:

Emissions from:	Tonnes of CO ₂ e	
	2015	2014
Scope 1 – combustion of fuel and operation of facilities	5,529	6,340
Scope 2 – electricity, heat, steam and cooling purchased for own use	6,345	6,179
Total CO₂e emissions	11,874	12,519
Intensity measurement:	2015	2014
Absolute tonnes equivalent CO₂e per £m of revenue	59	54

Scope 1 and 2 emissions in 2014/15 were 5 per cent lower than in 2013/14, mainly as a result of a significant reduction in gas oil usage. Our intensity ratio per £m of revenue has increased by 9 per cent this year, however our intensity ratio per factory staff hour has decreased by 6 per cent. The reason for this differential is because over the past year we have undertaken work which involves less tonnage but more fabrication resource.

Corporate social responsibility

People

We are proud of our 1,200 strong workforce and recognise that the long-term success of our business depends on our ability to attract, retain and develop the best talent in the industry.

Change

In 2013/14, our people were called upon to embrace change and in particular Severfield (UK) completed its reorganisation, resulting in a strong, talented and aligned team. We continued to invest in our people in 2014/15, through the training and development of our existing employees and targeted external recruitment as necessary.

During 2014/15, we made the following key appointments:

- Gary Wintersgill, managing director (Severfield UK)
- Martin Kelly, Group strategic business development director
- Lee Mills, Group SHE director
- Group communications manager
- Three new non-executive directors
- 20 apprentices/trainees

We will continue to prioritise investment in our people to ensure a healthy pipeline of talent to achieve our strategic goals.

Employee engagement and well-being

We recognise that creating a happier and healthier workforce will enable us to deliver our ambition and we want to further embed this into our culture to ensure a sustainable future for our business.

We recognise that employee wellness (physical and psychological health of the individual) and employee engagement (the commitment, satisfaction, advocacy and pride of the employee) are at the heart of our business.

During the year, we conducted our first Group-wide employee engagement survey. This provided our employees with a platform to share their views on the issues that impact most on their working lives. This has enabled us to identify areas in need of improvement and create a benchmark against which we can measure progress.

To better understand the factors informing our people's views, we held a series of Staff Engagement Action Team workshops (SEATs) across the Group.

We will focus on these areas within each business unit and re-survey our employees against this benchmark in 2015/16.

In 2014/15, we reviewed our occupational health provision and moved to a new provider. During 2015/16 we will monitor the performance of our occupational health provider and highlight priority areas for promoting the benefits of health to our employees.

Leadership and management capability

During 2014/15, we invested in building our leadership teams and individual leadership capability, ensuring that our leaders understand our strategy, the associated business challenges and their roles in leading and engaging their teams. We will continue to focus on our leadership development programme with our executive directors, directors and associates.

We believe that strong leadership capability is vital at all levels within any organisation, and are committed to building the skills and capabilities of our workforce and future leaders. In 2014/15 training expenditure of c£0.3m was focused on health and safety and core technical disciplines. In 2015/16, we have budgeted for expenditure to increase to £0.5m with additional investment to enable a modular people management programme for team leaders and the implementation of an emerging leaders programme.

We will also derive additional value from our strategic partnerships with a number of universities, colleges and schools including Salford and Nottingham Trent Universities. We will explore opportunities for action learning, joint projects and secondments and at the same time publicise the benefits of a career within our industry sector.

Talent and succession

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

In 2015/16 we will conduct a Group-wide review of emerging talent to ensure consistency and visibility of talent, succession planning and career opportunity. Our agility in deploying talent and experience to maximise opportunities through sharing knowledge across the Group is a key differentiator and one which we will continue to develop.

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

We have 62 apprentices within the Group, having taken on at least ten apprentices each year since our dedicated apprenticeship programme launched in 2010. Among the opportunities available, we have provided placements for fabricators, maintenance engineers, steel erectors and business support assistants. We are also committed to providing opportunities for undergraduates via work placements and internships and graduates across a number of functions including business support, quantity surveying, design engineering, site management and project management.

Diversity

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

At 31 March 2015, the Group workforce consisted of 1,257 employees of whom 83 (7 per cent) were female. The Group's executive committee (see page 54) and board of directors (see page 52) did not have any female representation. We do not currently monitor ethnicity.

In 2015/16, we will implement equal opportunities monitoring across the Group at all stages of the employee life cycle in accordance with local legislation. We will also continue to work with schools and colleges to increase the diversity of our future workforce by encouraging under-represented groups to study STEM subjects.

Communications

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

In 2014/15, significant improvements were made to internal communications, particularly on the shop floor where new noticeboards were installed and regular project updates took place. During 2015/16, particular focus will be given to interdepartmental communication to address developmental areas highlighted by the employee engagement survey.

High performance culture

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

Reward

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

Over 65 per cent of our employees are shareholders in the Company via our share incentive plan and in March 2015 we launched a save as you earn (SAYE) share scheme to provide our employees with an improved choice in the way that they participate.

Our people are also eligible to participate in a Group defined contribution pension scheme into which we make a contribution. Employees also have the option to make their own contributions through salary sacrifice. We have also been able to facilitate a number of flexible benefits that enable our people to access programmes and savings that would not be available to them on an individual basis without additional cost to the Group. These include cycle to work and childcare voucher schemes.

Communities

Wherever we operate, we strive to leave a positive legacy. During the year, our employees have continued to support both the communities in which we operate and our core charitable programmes.

During 2014/15 the Group companies have undergone a variety of activities including visiting local schools to discuss careers, providing advice for interview techniques and contributing time and funds to support different charitable organisations.

To inspire secondary school children to consider careers in construction we participated in the UKCG's Open Doors event and over 100 children and young people attended the events at our Dalton and Lostock facilities in March 2015. Following this, close relationships with local education establishments have been further strengthened.

As in previous years, we also engaged closely with local schools and colleges for Scarborough Engineering Week.

The Group companies consistently work to spread thought leadership to employees, customers, suppliers and potential employees via various initiatives including seminars, industry specific exhibitions, site visits and events. In 2014/15 a presentation and factory tour for students from Imperial College, London was held at our Dalton site. We also sponsored the Young Designers Competition at the International Association for Bridge and Structural Engineering (IABSE) Future of Design Conference to encourage emerging new talent within the sector.

In 2014/15 Group employees have donated both time and effort to raise funds for many different charitable organisations, including the British Heart Foundation, the Yorkshire Air Ambulance, St Catherine's Hospice (Scarborough), Bolton Hospice and the Northern Ireland Chest, Heart and Stroke Baby Hearts Appeal.

We are extremely proud of the continued good work undertaken by our employees to support and engage with their local communities and charitable organisations.

Key performance indicators

Our goal to deliver long-term shareholder value drives our strategic priorities. We measure our performance through a balanced set of key performance indicators that are both financial and non-financial.

KPI	Our performance	Why this is important
Underlying operating profit and margin	£9.0m (at 4.5%) Operating profit has increased by 18%, reflecting an increase in the margin from 3.3% to 4.5%.	This is the principal measure used to assess the success of the Group's UK strategy. We are focused on driving growth in operating profit in order to drive higher and sustainable returns for our investors.
Underlying basic earnings per share (EPS)	2.31p EPS growth was 163%.	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.
Operating cash conversion	107%* Cash conversion exceeds the Group's targets (*after adjusting for the sale of the Group's investment property).	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.
Return on capital employed (ROCE)	6.1% ROCE has improved from 3.3%.	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.
Order book	£194m The order book has increased by 5% since November 2014.	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.
Accident frequency rate (AFR)	0.21 The UK AFR has reduced from 0.57 to 0.33.	This 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.
Revenue growth	New for FY16 This KPI will be assessed for the first time during the year ending 31 March 2016.	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.

Our KPIs for profitability and AFR are linked to our performance share plan and annual incentive arrangements to ensure that the remuneration of our directors is aligned with our strategic priorities.

They reflect our strategic priorities of growing and investing in the business and driving ongoing efficiencies that will lead to sustainable shareholder returns, supported by safe and responsible working practices.

How we calculate

Underlying operating profit is defined as operating profit before other items and before the results of JVs and associates (principally the Indian joint venture).

Underlying operating margin is calculated as underlying operating profit expressed as a percentage of revenue.

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

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

ROCE is calculated as underlying operating profit plus share of post-tax results from JVs and associates 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 funds.

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

AFR is equivalent to one reportable lost-time incident resulting in more than three working days' absence per 100,000 hours worked, which equates to approximately one working lifetime.

This represents the year-on-year percentage change in revenue from Group operations as reported in the accounts. The effects of acquisitions and disposals will be removed from this measure.

What we target

Our aim is to restore underlying operating margins to 5 to 6 per cent in FY16 and to generate steady margin improvement in FY17 and beyond.

In the medium term, as efficiencies and pricing offset inflation over time, we expect operating profit to grow at a faster rate than revenue.

Our aim is to maximise sustainable EPS growth.

We target a conversion rate of 85 per cent as a base level of achievement, subject to future capital investment made to position the Group for further growth.

We aim to deliver ROCE which is in excess of 10 per cent over the whole economic cycle.

We aim to build a growing order book in line with our strategy.

We are committed to a target of zero injuries in the medium term.

To grow revenue year-on-year in line with our strategic objectives.

Principal risks and uncertainties

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. The board believes that ongoing consideration of and regular updates to the risk management framework enable the effective balancing of risk and reward.

The Group's ongoing operations and growth plans are subject to a number of different risks and uncertainties. Although we cannot eliminate such risks and uncertainties completely, we have established risk and internal control systems and procedures to mitigate their impact and the likelihood of them occurring. Further details of the Group's risk management processes are set out on pages 62 and 63 of the corporate governance report.

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

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

The board

The board has overall responsibility for the Group's risk management and internal controls, sets the strategic objectives, defines the risk appetite and monitors the risk exposure.

The audit committee

This committee oversees the effectiveness of the Group's internal control function and risk management systems.

The nomination 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 executive risk committee and executive committee

The executive committees are responsible for the identification, reporting and ongoing management of risks and for the stewardship of the risk management approach.

The businesses

Local management are responsible for the identification, reporting and ongoing management of risks in their respective businesses.

Other assurance



Independent assurance is provided by the independent auditor, internal auditor, and various external advisers. External consultants and advisers support management and the board through ad hoc consulting activities, as required.

RISK MANAGEMENT POLICY


Further details of the Group's risk management policies and processes are set out on page 62 of the corporate governance report


OTHER ASSURANCE

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

Risk/explanation	Risk change	Description/impact	Mitigation
<p>Commercial and market environment</p> <p>The UK construction market shows continued signs of improvement, however some market tension remains as main contractors continue to work through legacy contracts. There is also still some sensitivity in predicting the longer-term outlook. This continues to place pressure on certain elements of the supply chain, from end customers through to material suppliers and subcontractors.</p> <p>Through our different businesses we seek to win profitable work through successful tender processes. This success depends on our ability to identify, price and execute appropriate contracts to maintain a profitable order book.</p> <p>Link to KPIs:</p> <ul style="list-style-type: none"> • Order book • Underlying basic EPS • Underlying operating profit / margin • Operating cash conversion • ROCE 		<p>Challenging trading conditions and lack of growth</p> <p>Changes in government and client spending or other external factors could lead to programme/contract delays or cancellations, or changes in market growth.</p> <p>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.</p> <p><i>A significant fall in construction activity could impact revenues, profits and the ability to recover overheads. Cash generation could also be impacted resulting in breaches of banking facilities or failure to deliver on strategic objectives.</i></p>	<p>Continued strengthening of senior management to improve processes and discipline around contract risk assessment, engagement and execution.</p> <p>Recruitment of a Group strategic business development director to focus on markets and opportunities that fit the Group's risk appetite.</p> <p>Close engagement with both customers and suppliers and monitoring of payment cycles.</p> <p>Ongoing assessment of financial solvency and strength of counterparties throughout the life of contracts.</p> <p>Continuing use of credit insurance to minimise impact of customer failure.</p> <p>Strong balance sheet, including refinanced banking facilities, supports the business through fluctuations in the economic conditions for the sector.</p>
		<p>Inadequate contract pricing, cost management and variation management</p> <p>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.</p> <p>As contracts progress, there are likely to be changes to the work packages being undertaken which could result in the Group not being appropriately reimbursed for the cost of these variations as a result of poor commercial controls, disagreements or disputes.</p> <p><i>Failure to achieve targeted profitability of contracts resulting in a reduction in Group margins and missed growth targets. The Group may need to resort to legal action to resolve disputes, which can be costly and may damage client relationships.</i></p>	<p>Business planning identifies the markets and clients that the Group will target.</p> <p>Estimating processes are in place with approvals by appropriate levels of management.</p> <p>Tender settlement processes are in place to give senior management regular visibility of major tenders.</p> <p>Work performed under standard terms (to mitigate onerous contract terms) where possible.</p> <p>Established system of monthly reviews to measure and report contract progress and estimated out-turns, including contract variations.</p> <p>Use of delegated authorities to ensure appropriate contract tendering and acceptance.</p>


Principal risks and uncertainties

Risk/explanation	Risk change	Description/impact	Mitigation
	New	<p>Inadequate supply chain management</p> <p>We are heavily reliant on our supply chain partners for successful operational delivery of contracts to meet client expectations. We will be commercially, as well as reputationally, responsible for performance shortcomings by suppliers and subcontractors whether in terms of quality, safety, technical or ethical standards.</p> <p><i>Insolvency or poor performance of a key supplier or subcontractor could expose the Group to liability for defective workmanship, materials or design. This may affect contract profitability, cash flow, reputation and the Group's ability to win repeat business.</i></p>	<p>Strong relationships maintained with key suppliers including a programme of regular meetings and reviews.</p> <p>Contingency plans developed to address supplier and subcontractor failure.</p> <p>Contracts only entered into with suppliers and subcontractors after review at the appropriate level of delegated authority.</p> <p>Monthly review process to facilitate early warning of issues and subsequent mitigation strategies.</p> <p>Initiatives have been implemented to select supply chain partners that match our commitment to quality.</p>
<p>People</p> <p>The Group has established a market-leading position over many years due in large part to the experience and skills of its key people. The Group prides itself on its industry-leading practices and works in some high profile and technically challenging environments.</p> <p>Link to KPIs:</p> <ul style="list-style-type: none"> • Order book • Underlying basic EPS • Underlying operating profit / margin • ROCE 		<p>Recruitment and retention of talented people</p> <p>In the current improving economic environment, it can become increasingly difficult to recruit capable people and retain key employees, especially those targeted by competitors.</p> <p><i>Loss of key people could adversely impact the Group's existing market position and reputation. Insufficient growth and development of its people and skillsets could restrict its growth ambitions both in the UK and overseas.</i></p>	<p>Remuneration policy is regularly reviewed to ensure that it is competitive and strikes the appropriate balance between short and long term rewards and incentives.</p> <p>Skills gaps are continually identified and actions put in place to bridge these by training, development or external recruitment.</p> <p>In 2015/16 we will conduct a Group-wide review of emerging talent to ensure consistency and visibility of talent, succession planning and career opportunity.</p> <p>Performance management tools and processes were redefined in the current year.</p> <p>Leadership and management training plans are now in place.</p> <p>Further investment made in graduate, trainee and apprenticeship schemes to safeguard an inflow of new talent.</p>

Risk/explanation	Risk change	Description/impact	Mitigation
<p>Interruption to fabrication facilities</p> <p>The Group's state-of-the-art production facilities are at the core of its business and the Group relies on their smooth continued operation, both in terms of the facilities themselves and the highly skilled employees who operate them.</p> <p>Link to KPIs:</p> <ul style="list-style-type: none"> • Order book • Underlying basic EPS • Underlying operating profit / margin • Operating cash flow • ROCE 		<p>Inadequate business continuity planning</p> <p>Every business faces the potential risk of its operations being impacted by disruption due to loss of supply, industrial disputes, failure with technology, unplanned outages and physical damage as a result of fire or other such event.</p> <p><i>Interruption could impact the Group's performance on existing contracts, its ability to bid for future contracts and its reputation, thereby impacting its financial performance.</i></p>	<p>The Group has four main production facilities so interruption at one facility could to some extent be absorbed by increasing capacity at a sister facility.</p> <p>Detailed maintenance programmes are in place at each of the Group's facilities.</p> <p>A wide network of subcontract fabricators is used on a recurring basis, both for short-term peak capacity requirements and for more specialised fabrication. This network could also be used to mitigate disruption to the Group's own fabrication facilities.</p> <p>Appropriate levels of business interruption insurance cover are maintained and reviewed regularly with the assistance of independent advisers and brokers.</p>
	<p>New</p>	<p>Industrial action</p> <p>The Group (and the industry in general) has a significant number of employees 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.</p> <p><i>Interruption could impact the Group's performance on existing contracts, its ability to bid for future contracts and its reputation, thereby impacting its financial performance.</i></p>	<p>Employee and union engagement takes place on a regular basis.</p> <p>The Group has four main production facilities so interruption at one facility could to some extent be absorbed by increasing capacity at a sister facility.</p> <p>Processes are in place to mitigate disruptions as a result of industrial action.</p>

Principal risks and uncertainties

Risk/explanation	Risk change	Description/impact	Mitigation
Indian joint venture The Group has invested in a joint venture in India, where the growth prospects are believed to be substantial. Link to KPIs: <ul style="list-style-type: none"> Underlying basic EPS ROCE 	➔	Performance of the joint venture The growth, management and performance of the business is a key element of the Group's overall performance. Effective management of the joint venture is therefore important to the Group's continuing success. Crucial to the long-term success of the joint venture is the development of the market for steel (rather than concrete) construction. <i>Failure to identify, understand and evaluate the risks of operating in India could lead to financial loss, reputational damage and a drain on cash resources to fund the operations.</i>	Robust joint venture agreement. Two members of the Group's board of directors are members of the joint venture board. Strong governance in place at the joint venture. Regular formal and informal meetings held with both joint venture management and joint venture partners. Contract risk assessment, engagement and execution process now embedded. Overhead reduction and operational improvement plans being implemented by new management team.
Health and safety The construction industry sets very high standards of health and safety which the Group aims to exceed to maintain the health and well-being of its employees. Link to KPIs: <ul style="list-style-type: none"> Order book Underlying basic EPS Underlying operating profit / margin Operating cash flow ROCE Accident frequency rate (AFR) 	➔	Serious health and safety incident Construction activities can result in injury or death to employees, leading to the potential for legal proceedings, regulatory intervention, project delays and, where at fault, potential loss of reputation. <i>Loss of profitability and ultimately exclusion from future business.</i>	Established safety systems, site visits, monitoring and reporting, and detailed health and safety policies and procedures, are in place across the Group. Thorough and regular employee training programmes, including new behavioural safety training initiatives, under the leadership of the new Group SHE director. Director-led safety leadership teams established to bring innovative solutions and to engage with all stakeholders to deliver continuous improvement in standards across the business and wider industry. Priority board review of ongoing performance. Regular reporting of and investigation and root cause analysis of accidents and near misses. Achievement of challenging health and safety performance targets is a key element of management remuneration.

Risk/explanation	Risk change	Description/impact	Mitigation
Information technology (IT) The Group's complex and interdependent IT systems support the effective and efficient running of the business. Ensuring our systems are reliable strengthens the day-to-day operations of the Group. Link to KPIs: <ul style="list-style-type: none"> • Underlying basic EPS • Underlying operating profit / margin • Operating cash flow • ROCE 		IT failure or disruption With insufficient IT disaster recovery planning, cyber-attack or property damage could lead to IT disruption with resultant loss of data, loss of system functionality and business interruption. The Group's core IT systems must be managed effectively, to avoid interruptions, keep pace with new technologies and respond to threats to data and security. <i>Prolonged or major failure of IT systems could pose significant risk to the ability of the Group to operate and trade, thereby impacting its financial performance. If the Group fails to invest in its IT systems, it will ultimately be unable to meet the future needs of the business and fulfil its strategy.</i>	IT is the responsibility of a central function which manages the systems across the Group. Significant investments in IT systems are subject to board approval. Group IT committee now in place ensuring focused strategic development and resolution of issues impacting the Group's technology environment. Data protection and information security policies are in place across the Group including anti-virus software, off-site and on-site backups, storage area networks, software maintenance agreements and virtualisation of the IT environment. Cyber-crimes and associated IT risks are assessed on a continual basis. ISO 27001 certification project is ongoing to further improve the Group's technology environment.

The 2014 annual report disclosed 'failure to mitigate onerous contract terms' within the existing risk category 'commercial and market environment' (see table above). This item is now considered lower risk (and is classified as such in the Group risk register) as a result of improvements made to the Group's legal and commercial review processes and the implementation of a more standard approach to client engagement.

Read about our **KPIs** on page 42

Delivering quality service

The project involves the construction of a new state-of-the-art waste to energy facility in Fengate to manage the city's residual waste. Work undertaken by the Group includes the design, fabrication and construction of galvanised lattice columns, roof trusses and metal decking.

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Our governance

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Project: Peterborough Waste to Energy

Sector: Power and energy

Location: Fengate, Peterborough

Tonnage: 780

Client: Viridor

Main contractor: Interserve

Completion: July 2015

Board of directors

John Dodds

Non-executive chairman

John joined the Group as a non-executive director in October 2010, becoming chairman in September 2011.

He retired in March 2010 from Kier Group plc, the construction and property services group, after serving for seven years as group chief executive. He worked for Kier, both in the UK and overseas, for nearly 40 years and held a main board position through the employee buy-out process in 1992 and the subsequent flotation of the group on the London Stock Exchange in 1996.

John is non-executive chairman of Lagan Construction Holdings Limited and Sweett Group plc and a non-executive director of Newbury Racecourse plc.

Ian Lawson

Chief executive officer

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

He was appointed to the board of Kier Group plc as executive director in 2005 with responsibility initially for its services division and later he also assumed responsibility for the property division. Before joining Kier in 2000, Ian had a successful career at Bickerton Group plc where he was managing director.

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

Ian Cochrane

Chief operating officer

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.

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

Ian has a comprehensive understanding of all aspects of the business and has been involved in many major projects in the UK and Ireland, representing a range of market sectors.

Alan Dunsmore

Group finance director

Alan joined the Group in March 2010 from Smiths Group plc. He joined Smiths Group medical division in 1995, holding various positions throughout the business and from 2004 was director of finance for Smiths Detection.

Prior to joining Smiths, he was with Coopers and Lybrand in Glasgow, where he qualified as a chartered accountant in 1992.

Derek Randall

Executive director and managing director at JSW Severfield Structures Limited

Derek was appointed as executive director for business development in May 2008. In December 2013 he was appointed 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.

Kevin Whiteman

Senior independent director

Kevin was appointed as a non-executive director on 19 July 2014 and is the senior independent director.

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.

In 2013 he became chairman of the privately owned NG Bailey. 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.

Tony Osbaldiston

Non-executive director

Tony was appointed as a non-executive director on 19 July 2014 and is chairman of the audit committee.

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

Alun Griffiths

Non-executive director

Alun was appointed to the board as a non-executive director on 1 May 2014 and is chairman of the remuneration committee.

Alun was previously Group HR director and board member at WS Atkins plc, where he enjoyed a 28-year career, having held a number of business management and corporate positions. He is a fellow of the Chartered Institute of Personnel and Development.

Alun is also a non-executive director of the Port of London Authority, the McLean Partnership Limited, Ramboll Group and ISG plc.

Chris Holt

Non-executive director

Chris joined the Group as a non-executive director in November 2011.

He retired in September 2010 from MJ Gleeson Group plc after serving two years as chief executive officer, prior to which he held the position of group finance director.

Chris's experience also includes 17 years with Foster Wheeler Limited as finance director and deputy chairman of the UK subsidiary company and 12 years with Bechtel Corporation.

Chris is a graduate of Leeds University, a qualified accountant and has an MBA from Golden Gate University, San Francisco.

Ian Lawson

Chief executive officer

For details see board of directors on page 52.

Ian Cochrane

Chief operating officer

For details see board of directors on page 52.

Alan Dunsmore

Group finance director

For details see board of directors on page 52.

Derek Randall

Executive director and managing director at JSW Severfield Structures

For details see board of directors on page 52.

Gary Wintersgill

Managing director, Severfield (UK)

Gary joined the Group in November 2014, from Kier Group plc, where he was managing director of Kier northern operations.

As a fellow of the Institution of Civil Engineers (ICE), Gary has over 20 years of broad experience within the construction industry. He acts as a supervising civil engineer for the ICE and is also deputy chairman of the Construction Council for Manchester, whose focus is on recruitment of apprentices into the industry.

Jim Martindale

Managing director, Severfield (Design & Build)

Jim joined Severfield (Design & Build), formerly Atlas Ward Structures, in 1994 as a design engineer. He previously held the positions of engineering manager, design director and deputy managing director, a role that he performed until his current appointment in January 2014.

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

Brian Keys

Managing director, Severfield (NI)

Brian joined Severfield (NI), formerly Fisher Engineering, as production manager in 1986. In 2007, prior to the acquisition of Fisher Engineering by the Group, Brian became production director, a role which he performed until his appointment as managing director in March 2013.

Brian has been involved in the successful delivery of many major projects throughout Ireland and the UK during his 27-year career with the Group and Severfield (NI).

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.

Martin Kelly

Group strategic business development director

Martin, who is a chartered accountant, joined the Group in October 2014 from KPMG where he was a director. He enjoyed a 16-year career with KPMG, more recently working as a sector specialist in the firm's advisory department.

Martin also spent two years working with Arup and ten years as a quantity surveyor which, together with his work at KPMG, provides him with a comprehensive perspective of the construction industry.

The following people also regularly attend executive committee meetings:

Sian Evans

Group HR director

Sian joined the Group in January 2013.

Her career in human resources started at William Morrison Supermarkets in 1990 and covered a wide range of industry sectors including Ciba Speciality Chemicals, Redcats UK and Callcredit Information Group where she held the position of group HR director.

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

Lee Mills

Group SHE director

Lee joined the Group in April 2014 from Stewart Milne where he was SHE and quality director, which also involved providing consultancy services to the National House Building Council.

Lee has 17 years of experience in the construction sector having previously held responsible positions within several major construction companies, including Alfred McAlpine.

Chairman's letter

We are committed to maintaining high standards of corporate governance to enhance performance and for the protection of our shareholders.

John Dodds
Chairman

“

We continue to focus on ensuring that the views presented in the annual report are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.”

Dear shareholder

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

Our corporate governance report is set out on pages 58 to 65 and explains how we manage the Group and comply with the provisions of the 2012 UK Corporate Governance Code ('the Code'). Whilst currently subject to the provisions of the Code applicable to smaller companies, we seek, where appropriate, to follow those applicable to FTSE 350 companies.

Leadership and effectiveness

It is of great importance to me, as chairman, to ensure that the board has the right composition. This means having the right balance of skills and experience to contribute, and where appropriate challenge, decision making and ensuring that all directors have a good knowledge of the Group and the context in which it operates. There have been a number of changes to the board since the 2014 year-end.

During the year, Kevin Whiteman, Tony Osbaldiston and Alun Griffiths all joined the board as non-executive directors. Kevin has assumed the responsibilities of senior independent non-executive director, Tony was appointed as the chairman of the audit committee and Alun has become the chairman of the remuneration committee. In combination, they bring to the board a wealth of relevant experience.

In addition to these appointments, we have continued to strengthen our management team to drive forward the continued implementation of our strategy. In particular, the senior management team has been strengthened with the appointment of Lee Mills as Group SHE director in April 2014, Martin Kelly as Group strategic business development director in October 2014 and Gary Wintersgill as managing director of our largest business, Severfield (UK) Limited, in November 2014. The appointment of Gary has allowed Ian Cochrane to fully concentrate on his responsibilities as chief operating officer, having previously also acted as managing director of Severfield (UK) Limited.

Board evaluation

In line with corporate governance best practice, during the year an internal board evaluation was undertaken. Following this review, I am satisfied that the board and each of its committees are performing effectively and that each of the directors is making an effective contribution and retains a strong commitment to their role. A further evaluation of the board will be undertaken during the year ending 31 March 2016.

Audit tender

During the year, the board authorised the audit committee to review the provision of audit services to the Group. Following a rigorous tender process, the audit committee recommended to the board that KPMG LLP be appointed as auditor for the financial year commencing on 1 April 2015 and a resolution confirming this appointment will be proposed at the forthcoming AGM. Deloitte LLP will resign as auditor following completion of the audit for the year ended 31 March 2015.

Remuneration

The remuneration policy, subject to a binding vote for the first time in 2014, was approved by shareholders at the AGM in September. We remain committed to the principles and alignment of the policy to shareholder value, and are not proposing any significant changes for the current year. Further details of our remuneration policy are set out in the remuneration report on pages 72 to 86.

Group policies

During the year, we rolled out a comprehensive competition law policy and anti-bribery policy to all Group employees who deal with customers and suppliers. In tandem with the updated whistleblowing policy which was also rolled out during the year, this underscores the importance of ethics and values to the board, and ensures that these ethics and values continue to be firmly embedded across the Group.

Relationships with shareholders

We continue to remain committed to sharing information with our shareholders. The Group actively solicits feedback from investors and feedback from shareholder meetings is reported to the board, including the non-executive directors. The AGM is recognised as an opportunity for private shareholders to engage with the board. Further details regarding this engagement with our shareholders are set out in the board effectiveness section on page 61.

Finally, in line with the requirements of the Code, we continue to focus on ensuring that the views presented in the annual report are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy. Further details can be found in the audit committee report on page 66.

John Dodds

Non-executive chairman
17 June 2015



Read the **remuneration report**
on page 72

Read the **audit committee report**
on page 66

Corporate governance report

The corporate governance report is intended to give shareholders an understanding of the Company's corporate governance arrangements and how they have operated during the year ended 31 March 2015.

The Company has, throughout the year ended 31 March 2015, complied without exception with the provisions of the September 2012 UK Corporate Governance Code ('the Code'), which is the version of the Code which applies to its 2015 financial year. The Code is issued by the Financial Reporting Council and is available for review on the Financial Reporting Council's website (www.frc.org.uk).

LEADERSHIP

Structure of the board

The Company is controlled through the board of directors, which consists of the chairman, four other non-executive directors and four executive directors. The membership of the board is stated on pages 52 and 53.

Alun Griffiths was appointed as a non-executive director on 1 May 2014. Kevin Whiteman and Tony Osbaldiston were appointed as non-executive directors from 19 July 2014. Keith Elliott and Toby Hayward retired as non-executive directors on 18 July 2014.

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

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

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.

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

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

The chief executive officer chairs an executive committee consisting of the members indicated on pages 54 and 55. This committee assists the main board by focusing on strategic and operational performance matters relating to the business and meets formally on a monthly basis. He also, together with the Group finance director and chief operating officer, holds quarterly meetings with each of the three business unit boards to review all operational issues and meets with an executive risk committee comprising himself, the Group finance director, chief operating officer and the Group legal director on a weekly basis 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.

Keith Elliott acted as senior independent non-executive director until his retirement on 18 July 2014 and was succeeded by Kevin Whiteman from 19 July 2014. The role of the senior independent director is to provide a sounding board for the chairman and to serve as an alternative source of advice to the chairman for the other non-executive directors.

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

Independence

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

No director had any material interest in any contract of significance with the Group during the period under review. The directors have put in place procedures to ensure the board collectively, and the directors individually, comply with the disclosure requirements on conflicts of interest set out in the Companies Act 2006. The interests of the directors in the share capital of the Company and its subsidiary undertakings and their interests under the performance share plan and other share schemes are set out in the remuneration report on page 72.

Directors to stand for election

The Company's articles of association require the directors to offer themselves for re-election at least once every three years. Notwithstanding this, and in accordance with the recommendations of the Code, the Company's policy is that all of 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 52 and 53 will be standing for re-election at the 2015 AGM.

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

BOARD EFFECTIVENESS

Operation of the board

The 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 below.

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

Board meetings

The directors' attendance record at the scheduled board meetings and board committee meetings for the year ended 31 March 2015 is shown in the table below.

	Board	Audit committee	Remuneration committee	Nomination committee
Total number of meetings	11	4	5	3
Executive directors				
Ian Lawson	11/11	—	—	—
Ian Cochrane	11/11	—	—	—
Alan Dunsmore	11/11	—	—	—
Derek Randall	11/11	—	—	—
Non-executive directors				
John Dodds ¹	10/11	4/4	4/5	3/3
Chris Holt	11/11	4/4	5/5	3/3
Alun Griffiths ⁴				
(from 1 May 2014)	10/10	4/4	4/4	3/3
Tony Osbaldiston ⁴				
(from 19 July 2014)	8/8	3/3	3/3	3/3
Kevin Whiteman ²				
(from 19 July 2014)	7/8	3/3	3/3	3/3
Keith Elliott ³				
(until 18 July 2014)	1/3	0/1	2/2	—
Toby Hayward				
(until 18 July 2014)	3/3	1/1	2/2	—

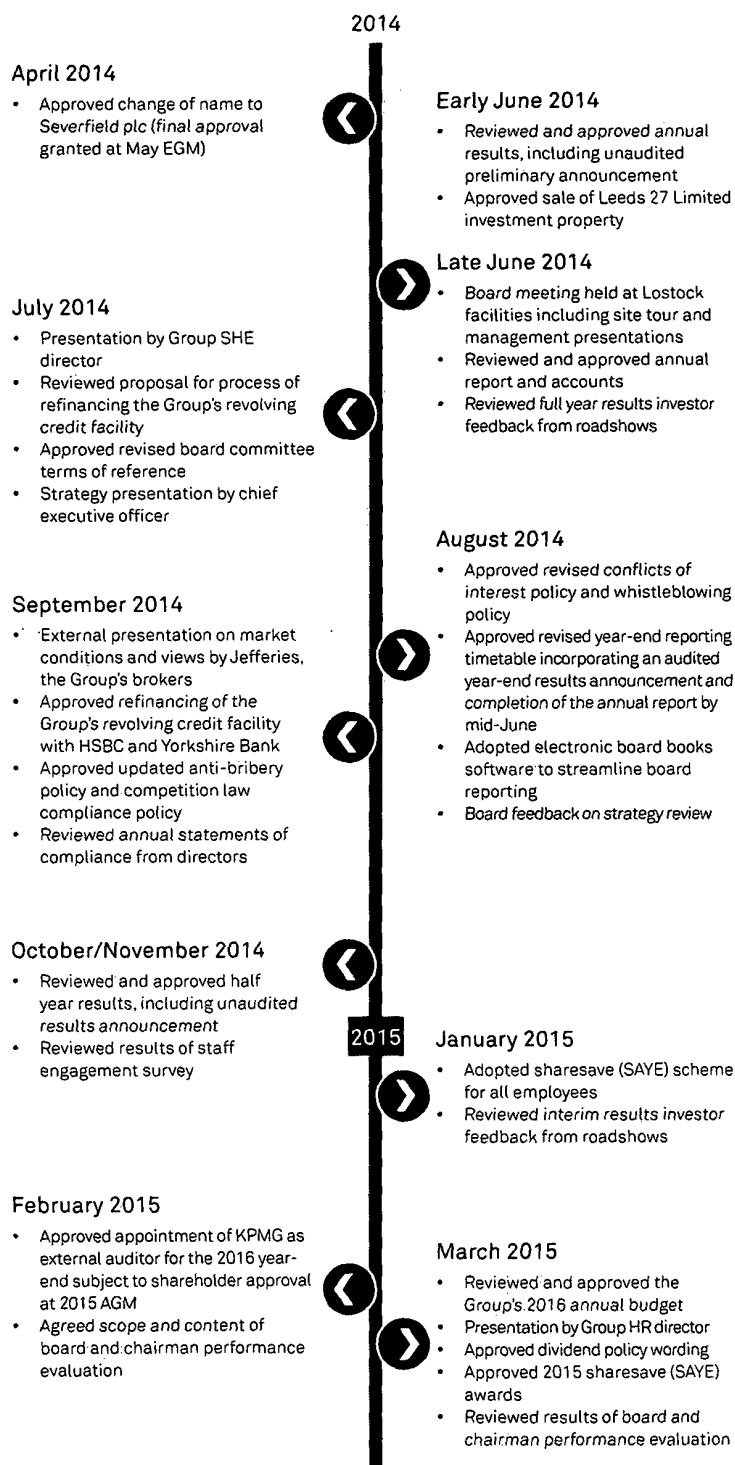
1. John Dodds was unable to attend one board meeting due to illness. The meeting was chaired by Kevin Whiteman in his absence.
2. Kevin Whiteman was unable to attend one board meeting due to a conflicting commitment which was disclosed to the Company on his appointment in July 2014.
3. Keith Elliott was unable to attend two board meetings and one audit committee meeting due to conflicting commitments that had previously been agreed with the chairman.
4. Alun Griffiths and Tony Osbaldiston attended all required meetings during their tenure as non-executive directors.

Board meetings are held at various locations in London, the Group's head office in Dalton, North Yorkshire and at the offices of the Group's other operating subsidiaries to provide non-executive directors the opportunity to increase their knowledge and understanding of the Group's operations. In addition to scheduled meetings, ad hoc meetings were also arranged to deal with other Group matters as appropriate.

Corporate governance report

Board calendar for the current year

During the financial year the board discussed and implemented the following key actions:



Board evaluation

The board considers that the balance of relevant experience amongst the various board members enables the board to exercise effective leadership and control of the Group. It also ensures that the decision making process cannot be dominated by any individual or small group of individuals.

The Code attaches importance to boards having processes for individual and collective performance evaluation. The performance of individual directors is evaluated annually in conjunction with the remuneration review. The chairman meets with the non-executive directors at least annually to review their performance.

During the year, the board appointed Kevin Whiteman, the new senior independent director, 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 focused on the performance of the chairman and overall cohesiveness of the board. The key points arising from the evaluation were documented and discussed with the chairman.

A further evaluation of the board will be undertaken during the year ending 31 March 2016.

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 the directors' understanding of the business. During the year, the new non-executive directors, Kevin Whiteman, Tony Osbaldiston and Alun Griffiths, undertook the following briefings:

- had individual meetings with the executive directors and the Company secretary;
- met with the business unit boards and senior management teams;
- visited the Group's fabrication facilities; and
- met with the audit partner from Deloitte LLP.

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

Non-executive directors are continually updated on the Group's business, its markets, social responsibility matters, changes to the legal and governance environment and other changes impacting the Group. During the year, the directors received updates on various best practice, regulatory and legislative developments, including imminent changes to the UK Corporate Governance Code which introduces two new board statements for the year ending 31 March 2016 (robust assessment of principal risks and longer-term viability statement) and a requirement for monitoring of risk management and internal controls.

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

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

Relations with shareholders

The Company encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing.

The executive directors undertake a programme of regular communication with institutional shareholders and with analysts covering the Group's activities, its performance and strategy. Ian Lawson and Alan Dunsmore attended several meetings with institutional shareholders, private investors and analysts during the year, at the time of the announcements of the Group's annual and half year results, during visits to the Group's head office in North Yorkshire and on an ad hoc basis as required. In addition, capital markets events took place on 25 April 2014 and 24 March 2015, both attended by between 20 and 30 analysts and investors. Feedback from those meetings was reported to the board, including the non-executive directors.

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

BOARD COMMITTEES

The board has established three standing committees, all of which operate within defined terms of reference, which are available from the Company secretary by request and will be available for inspection at the AGM.

The committees established are the audit committee, the remuneration committee and the nominations committee. Trading companies are managed by separate boards of directors. Any matters of a material nature concerning the trading companies are reported to the board on a monthly basis.

Audit committee

The audit committee comprises the non-executive directors and is chaired by Tony Osbaldiston (who took up that position on 19 July 2014). Toby Hayward served as chairman of the committee from 1 April 2014 to 18 July 2014. The committee members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the committee's duties; Tony Osbaldiston and Chris Holt are chartered accountants.

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

Meetings are held at least three times per annum and additional meetings may be requested by the auditor. The committee met on four occasions during the year.

The audit committee report is set out on pages 66 to 68.

Corporate governance report

Remuneration committee

The remuneration committee comprises the non-executive directors and is chaired by Alun Griffiths (who took up that position on 19 July 2014). Keith Elliott served as chairman of the committee from 1 April 2014 to 18 July 2014.

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

The committee met on five occasions during the year.

Shareholders are required to approve all new long-term incentive plans and significant changes to existing plans. Further details of these plans, as well as the activities undertaken by the committee during the year, can be found in the directors' remuneration report as set out on pages 72 to 86.

Nominations committee

The nominations committee comprises the non-executive directors and is chaired by John Dodds.

The principal task of the committee is to deal with key appointments to the board, and related employment matters. The committee is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board, and meets as and when required.

The committee met on three occasions during the year.

Diversity

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

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

In the sectors in which the Group operates female representation at a senior level is rare and as at 31 March 2015, the board had no female directors. As and when board appointments arise, and where practicable, we will look to follow the procedures recommended by the Davies report and by the Code to maintain a balanced board.

The Group's policy on diversity applies across all levels of the organisation, not just the board, further details of which can be found in the corporate social responsibility report on page 41. The board recognises that gender diversity below board level remains an issue, particularly in management and technical roles within the construction industry.

Succession planning

The nominations committee ensures the continued effectiveness of the board through appropriate succession planning. This worked effectively last year when three new non-executive directors were recruited to the board. As a result the board now consists of nine directors, only four of whom have been directors of the Company for more than two years. More work will be done in the next 12 months to formalise the process of ongoing succession planning.

ACCOUNTABILITY

Risk management

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

Management has continued to develop and improve the approach to risk management during the course of the year in response to changes in the business and operating environment and to further embed risk management into the Group's governance structure and operating processes. Senior management from all key disciplines and businesses within the Group continues to be involved in the process of risk assessment and monitoring in order to identify and assess Group objectives, key issues and controls. Further reviews are performed to identify and monitor those risks relevant to the Group as a whole. This process encompasses all aspects of risk, including operational, compliance, financial and strategic.

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

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

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

Subsidiary company meetings consider and report on risk on a monthly basis as part of the monthly business review process. This process is followed to ensure that, as far as possible, the controls and safeguards are being operated in line with established procedures and standards.

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

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

Details of the Group's principal risks, together with the controls and procedures in place to mitigate the risks, can be found on pages 44 to 49.

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.

Internal control

The overall responsibility for the Group's systems of internal control and for reviewing their effectiveness rests with the board. There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives.

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

Corporate governance report

The board believes that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process. To assist the board in discharging its overall responsibilities, each of the managing directors of the Group's business units is required to provide a letter of assurance in respect of the businesses for which they are responsible. Assurance is sought about the effectiveness of internal controls over:

- the maintenance of accounting records;
- the reliability of management and financial information;
- the safeguarding of assets;
- the ongoing process for identifying, evaluating and managing business risks;
- effectiveness and efficiency of operations;
- compliance with the Group finance manual and Group authorisation policy; and
- legal and ethical standards practised in the business.

This letter of assurance is approved by all of the senior management team of the relevant business unit, demonstrating a proper recognition of business control responsibilities.

In accordance with the revised Guidance for Directors on the Code, the board has reviewed the effectiveness of the Group's framework of internal controls during the year, the key features of which are as follows:

Financial reporting system

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

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

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

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

Project management procedures

Project risk is managed throughout the life of a contract from the tender stage to completion.

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

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

Authorisation procedures

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

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

Cash and working capital management

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

Health and safety

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

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

Group policies

The Group operates a comprehensive 'whistleblowing' policy which was updated during the year. Accordingly, staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee reviews adherence with this policy on an ongoing basis.

During the year, a comprehensive competition law policy and anti-bribery policy were also rolled out to all Group employees who deal with customers and suppliers to ensure that ethics and values continue to be firmly embedded across the Group.

Information included in the directors' report

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

Audit committee report

During the year, the committee has continued to devote significant time to the scrutiny of the Group's system of risk management and internal controls, together with undertaking a tender of the external audit arrangements, resulting in the appointment of KPMG as the Group's auditor, subject to shareholder approval at our AGM.

Tony Osbaldiston
Chairman of the audit committee

“
This is my first year
as chairman of the
committee.”

Role

The primary function of the committee is to assist the board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information before publication. The committee assists the board in achieving its obligations under the Code in areas of risk management and internal control, focusing particularly on areas of compliance with legal requirements, accounting standards and the Listing Rules (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 controls.
- To make recommendations to the board in relation to the appointment and removal of the external auditor and to approve its remuneration and its terms of engagement.
- To review the nature of non-audit services supplied and non-audit fees relative to the audit fee.

- To provide independent oversight over the external audit process through agreeing the suitability of the scope and approach of the external auditor's work, assessing its objectivity in undertaking its work and monitoring its independence taking into account relevant UK professional regulatory requirements and the auditor's period in office and compensation.
- To oversee the effectiveness of the internal audit process.
- To oversee the effectiveness of the external audit process particularly with regard to the quality and cost-effectiveness of the auditor's work.
- To report to the board how it has discharged its responsibilities.

Activities of the committee

- Reviewed the interim results for the period ended 30 September 2014 and the year-end results for the period ended 31 March 2015.
- Reviewed the significant management judgements reflected in the Group's results including significant contract judgements and accounting for the Leadenhall bolts issue.
- Reviewed and agreed significant accounting risks and principal business risks for the year ended 31 March 2015.
- Reviewed and agreed the external auditor's audit planning report in advance of the audit for the year ended 31 March 2015.

- Discussed the report received from the external auditor regarding the audit of the results for the year ended 31 March 2015. 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.
- Proposed the appointment of KPMG as external auditor for the financial year commencing on 1 April 2015 (subject to shareholder approval at the AGM) following a rigorous audit tender process.
- Reviewed KPMG's internal audit plan and internal audit reports covering various aspects of the Group's operations, controls and processes.
- Reviewed the Group's risk register.
- Reviewed and approved external audit fees for the year ended 31 March 2015.

The committee was provided with, and commented on, a draft copy of the annual report. 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. 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, that there is a clear and well-articulated 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.

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 framework and the risk profile that is acceptable in order to achieve the Group's strategic objectives. As a result, it is considered that the board has fulfilled its obligations under the Code.

The Group's system of internal controls, along with their design and operating effectiveness, is subject to review by the audit committee. The evidence on which this review will be based will come from three main sources:

- Deloitte, the external auditor;
- KPMG, the internal auditor; and
- the managing directors responsible for each of the Group's business units.

To assist the board in discharging its overall responsibilities, each of the managing directors is required to provide a letter of assurance in respect of the businesses for which they are responsible. Responses in the individual letters of assurance have been summarised and reported to the audit committee.

No significant deficiencies were noted in the review. In performing this review, the committee considered the processes that have been designed and implemented during the year ended 31 March 2015 and the continued formalisation of the system of internal controls. Improvements continue to be made to further enhance the Group's internal control and risk management processes and to deal with areas of improvement which are brought to the attention of management and the board.

Further details of the Group's internal control process are set out in the corporate governance report on pages 63 to 65.

Internal audit

The committee is responsible for overseeing the work of the internal auditor, KPMG, who continued during the year to provide a structured programme of independent, outsourced reviews based on an approved internal audit plan. The scope of their work focused on key financial controls and non-financial reviews covering areas of perceived higher business risk. The committee assessed the quality of internal audit reports prepared by KPMG, along with management's actions relating to findings and the closure of recommended actions.

Following the decision to appoint KPMG as the Group's external auditor, they will be unable to continue in their role as internal auditor. Until their formal appointment as external auditor at the AGM on 2 September 2015, KPMG will deliver a further three non-financial reviews but will conduct no further reviews of key financial controls. KPMG internal audit will continue to validate management action until they resign.

Financial reporting and significant financial issues

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

Audit committee report

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

Contract valuation, revenue and profit recognition: The committee reviewed the report of the Group finance director that set out the main contract judgements associated with the Group's significant contracts. The significant areas of judgement include the timing of revenue and profit recognition, the estimation of the recoverability of contract variations and claims and the estimation of future costs to complete. The external auditor performed detailed audit procedures on revenue and profit recognition and reported the findings to the committee.

Review of carrying value of goodwill and the investment in the Indian joint venture: The committee considered the carrying value of goodwill and the investment in the Indian joint venture and the assumptions underlying the impairment review. The judgements in relation to impairment largely relate to the assumptions underlying the identification of the Group's cash-generating units (CGUs) (for goodwill only) together with the calculation of the value in use of the assets being tested for impairment, primarily the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process.

Other (non-underlying) items: The committee reviewed the treatment of other items, including the costs associated with the Leadenhall bolts issue, and their separate disclosure in the consolidated financial statements. The committee has reviewed papers prepared by management showing how these costs have been identified and calculated and has discussed with the external auditor their review of the assumptions underpinning the estimates used. It has tested the quantum of the charge, the amounts accrued at year-end and the presentation in the consolidated income statement and is satisfied that these costs have been treated appropriately.

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

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

Audit tendering

During the year, the audit committee was authorised by the board to review the provision of audit services to the Group. Following a rigorous tender process, which included the establishment of a sub-committee (selection panel) comprising certain of the non-executive directors, the Group finance director and the Group financial controller, an invitation to tender was issued to the incumbent auditor, Deloitte LLP (Deloitte), and three other accounting firms. The invitation to tender included certain pre-determined criteria to ensure that the Group continued to be subject to a robust and independent external audit.

Following a series of meetings with senior management of the Group and detailed presentations by three of the firms, the committee recommended to the board that KPMG LLP (KPMG) replace Deloitte as the Group's auditor. The board accepted the proposal of the committee and, as a result, on 24 February 2015, KPMG was appointed as auditor for the financial year commencing on 1 April 2015 subject to shareholder approval at the AGM. Deloitte will resign as auditor following completion of the audit for the year ended 31 March 2015.

In accordance with best practice and guidance from the Financial Reporting Council, the audit committee will continue to review the qualification, expertise, resources and independence of the external auditor and the effectiveness of the audit process during the next financial year.

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.

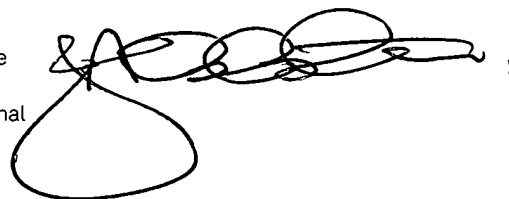
There is no inconsistency between the Financial Reporting Council's ethical standards and the Group's policy.

Other categories, such as audit-related services or work which, because of the auditor's existing knowledge of the Group's business, could be more effectively carried out by it, may, if not on the list of prohibited services, be carried out by the external auditor subject to the advance approval of the Group finance director or, if the fees for such services exceed an absolute limit or a specified proportion of the audit fee, the advance approval of the audit committee. Non-audit services provided by the auditor during the year ended 31 March 2015, which mainly represented corporation tax compliance advice only, did not require the approval of the committee.

Details of the auditor's fees, including non-audit fees, are shown in note 4 to the consolidated financial statements. The committee has reviewed the nature of the work and level of fees for these services and concluded that they have not affected Deloitte LLP's objectivity or independence.

Tony Osbaldiston

Chairman of the audit committee
17 June 2015



Directors' report

Introduction

The directors present their report together with the audited consolidated financial statements for the year ended 31 March 2015.

The Companies Act 2006 requires the directors to present a fair review of the business during the year to 31 March 2015 and of the position of the Group at the end of the financial year along with a description of the principal risks and uncertainties. The Disclosure and Transparency Rules require certain information to be included in a corporate governance statement.

The strategic report on pages 3 to 49 and the corporate governance report on pages 58 to 65, including the audit committee report, form part of this directors' report. Disclosures elsewhere in the annual report are cross-referenced where appropriate. Taken together, they fulfil the combined requirements of company law, the Disclosure and Transparency Rules and Listing Rules.

There were no significant events since the balance sheet date. An indication of likely future developments in the business of the Group and details of research and development activities are included in the strategic report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 21 to the financial statements.

Dividends

The directors did not declare an interim dividend for the six months ended 30 September 2014 (2014: no dividend was declared). The directors have recommended a final dividend of 0.5p per ordinary share to be paid on 11 September 2015 to shareholders on the register at the close of business on 14 August 2015.

Directors

The present membership of the board is set out on pages 52 and 53.

Details of directors' interests, including interests in the Company's shares, are disclosed in the directors' remuneration report on page 83.

The other significant commitments of the chairman consist of acting as non-executive chairman of Sweett Group plc (since 29 August 2014 having been non-executive director since 21 July 2014) and non-executive director of Lagan Construction Holdings Limited and Newbury Racecourse plc.

Significant shareholdings

As at 1 June 2015, 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	%
1 M&G Investments	46,543,871	15.64
2 JO Hambro Capital Management	45,453,034	15.28
3 Threadneedle Investments	24,889,519	8.37
4 Standard Life Investments	21,620,394	7.27
5 Legal & General Investment Management	18,290,158	6.15
6 River & Mercantile Asset Management	16,068,853	5.40
7 BlackRock Merrill Lynch Investment Managers	10,428,372	3.51
8 Henderson Global Investors	10,114,864	3.40

Share capital

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

Rights attaching to shares

The rights attaching to the ordinary shares are defined in the Company's articles of association. The articles of association may be changed with the agreement of shareholders. A shareholder whose name appears on the Company's register of members can choose whether his shares are evidenced by share certificates (i.e. in certificated form) or held in electronic (i.e. uncertificated) form in CREST (the electronic settlement system in the UK).

Subject to any restrictions below, shareholders may attend any general meeting of the Company and, on a show of hands, every shareholder (or his representative) who is present at a general meeting has one vote on each resolution and, on a poll, every shareholder (or his representative) who is present has one vote on each resolution for every ordinary share of which they are the registered shareholder. A resolution put to the vote of a general meeting is decided on a show of hands unless before, or on the declaration of the result of a vote on a show of hands, a poll is demanded by the chairman of the meeting, or by at least five shareholders present in person or by proxy and having the right to vote, or by any shareholders present in person or by proxy having at least 10 per cent of the total voting rights of all shareholders, or by any shareholders present in person or by proxy holding ordinary shares in which an aggregate sum has been paid up of at least one-tenth of the total sum paid up on all ordinary shares.

Shareholders can declare final dividends by passing an ordinary resolution but the amount of the dividends cannot exceed the amount recommended by the board. The board can pay interim dividends on any class of shares of the amounts and on the dates and for the periods they decide the distributable profits of the Company justify such payment.

Any dividend which has not been claimed for 12 years after it became due for payment will be forfeited and will then belong to the Company, unless the directors decide otherwise.

If the Company is wound up, the liquidator can, with the sanction of a special resolution passed by the shareholders, divide among the shareholders all or any part of the assets of the Company and he can value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator can also transfer the whole or any part of the assets to trustees upon any trusts for the benefit of the members. No shareholders can be compelled to accept any asset which would give them a liability.

Directors' report

Voting at general meetings

Any form of proxy sent by the Company to shareholders in relation to any general meeting must be delivered (subject to the provisions of the articles of association) to the Company, whether in written form or in electronic form, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote.

No shareholder is, unless the board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice.

The board may also decide (where the shares represent at least 0.25 per cent in nominal value of the issued shares of the same class) that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered.

These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.

Transfer of shares

The board may refuse to register a transfer of a share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The board may also refuse to register a transfer of a certificated share unless: (i) the instrument of transfer is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the board, accompanied by a certificate for the share to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; and (iii) is in favour of not more than four transferees.

Transfer of uncertificated shares must be carried out using CREST and the board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST. There are no other limitations on the holding of ordinary shares in the Company.

Variation of rights

If at any time the capital of the Company is divided into different classes of shares, the special rights attaching to any class may be varied or revoked either:

- with the written consent of the holders of at least 75 per cent in nominal value of the issued shares of the class; or
- with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

The Company can issue new shares and attach any rights to them. If there is no restriction by special rights attaching to existing shares, rights attaching to new shares can take priority over the rights of existing shares.

General meetings

A resolution is to be proposed at the forthcoming AGM that a general meeting of the Company, other than an AGM, can be called on not less than 14 clear days' notice.

Change of control

There are no agreements between the Group and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Group's banking arrangements which were refinanced during the year and expire in July 2019 can be terminated upon a change of control of the Group.

Appointment and replacement of directors

In accordance with the Company's articles, directors shall be no 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 adopt voluntarily the practice that all directors stand for re-election on an annual basis, in line with the recommendations of the Code.

Powers of the directors

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

Directors' indemnities

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

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

Amendment of articles of association

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

Political contributions

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

Greenhouse gas emissions

All disclosures on the Group's greenhouse gas emissions, as required to be disclosed under the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013), are contained in the corporate social responsibility report on page 39.

Employment of disabled persons

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

Employee involvement

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

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

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

The key factors considered by the directors in making the statement are set out in the financial review on pages 32 to 35.

Disclosure of information to the external auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

External auditor

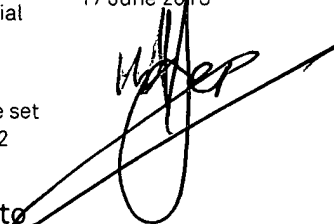
Deloitte LLP acted as the auditor for the Company for the year ended 31 March 2015. On 24 February 2015, KPMG LLP was appointed as auditor for the Company for the financial year commencing on 1 April 2015 and a resolution confirming this appointment will be proposed at the forthcoming AGM.

Annual general meeting

The notice concerning the AGM to be held at Aldwark Manor Hotel, York at noon on Wednesday 2 September 2015, 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 69 to 71 inclusive was approved by the board and signed on its behalf by:

Mark Sanderson
Company secretary
17 June 2015



Directors' remuneration report

Remuneration policy is aligned with the priorities of shareholders in incentivising management to meet demanding short-term targets and to deliver sustainable growth over the longer term, whilst ensuring that high safety standards are achieved.

Alun Griffiths
Chairman of the remuneration committee

“

A year of steady progress for the Group.”

Dear shareholder Performance and remuneration in 2014/15

The Group has continued to make steady progress towards its medium-term objectives of margin improvement, stabilising India and strengthening its order book.

Whilst market conditions remain challenging in some areas, our positioning as the market leader in structural steel and our underlying management, technical and delivery capabilities give the board confidence in the future prospects of the Group.

Remuneration policy is aligned with the priorities of shareholders in incentivising management to meet demanding short-term targets and to deliver sustainable growth over the longer term, whilst ensuring that high safety standards are achieved. Fifty per cent of any bonus is paid in shares, deferred for three years, and specific provisions are included for clawback in the event of material misstatement, error or gross misconduct.

Remuneration policy

Shareholders approved the remuneration policy of the Group in 2014 with a vote in favour of 99.8 per cent. The policy report, which remains unchanged, is included for information purposes albeit with minor updates to reflect the adoption of the sharesave scheme approved at last year's AGM.

Annual remuneration report

The annual remuneration report describes the implementation of this policy, in particular in relation to reward for performance in 2014/15.

I am pleased to report that both the base financial and safety targets set by the board were met, resulting in a bonus payout of 65 per cent of the maximum (82 per cent in respect of India). In determining the achievement of bonus targets for 2014/15, the committee considered what impact, if any, the non-underlying remedial costs in relation to the Leadenhall building should have on payout. After careful consideration and after taking external advice, the committee determined that the bonus should be paid against the achievement of underlying profit before tax targets in accordance with the Group's stated policy. When forming this judgement, the committee considered that these non-underlying costs relate to a historic project and where the recognition of the original profit and loss associated with this project did not result in any annual bonus payable at the time. If the Group is able to recover any of these costs in the future, any such inflows will not be treated as underlying PBT.

The targets for the 2012 PSP award, (earnings per share of between 6.51p and 11.71p) were not achieved and these awards have lapsed.

Targets for 2015/16

The financial and safety performance targets for the 2015/16 bonus reflect the strong forward momentum of the Group over the past year. The committee considered the balance of financial and non-financial measures, as well as the appropriateness of each measure, and considers that these remain appropriate for the year ahead.

The share plan targets are intended to incentivise management to maintain this momentum and will require the Group to deliver EPS in the range of 4.30p to 6.45p in 2017/18. This equates to a PBT range of £16.0m to £24.0m. This represents an increase in the lower vesting threshold of £4.0m p.a. (33 per cent) and holds the threshold at which maximum vesting takes place at £24.0m, thus narrowing the vesting range to one the board feels is more realistic, whilst remaining appropriately stretching.

Salaries for the directors will be reviewed in October of this year with increases set in the context of pay reviews for the Group generally. No increases are planned for the chairman or non-executive directors.

Conclusion

The committee is committed to improving further the levels of disclosure and transparency by explaining in more detail how it has reached decisions regarding the achievement of performance targets. Linking pay to performance is critical and as such, the committee has endeavoured to set future bonus and share plan targets at a level which incentivises and rewards management but only for performance at a level which also ensures appropriate returns for shareholders. The committee will continue to engage with shareholders to ensure that the policy of the Group remains appropriate.

Alun Griffiths

Chairman of the remuneration committee
17 June 2015



Directors' remuneration report

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 2014 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 the NAPF.

The report is in two sections:

- a summary of the directors' remuneration policy (pages 74 to 79). This section contains details of the remuneration policy approved at the 2014 AGM and is for information only; and
- the directors' annual remuneration report (pages 79 to 86). This section sets out the details of how our remuneration policy was implemented for the year ended 31 March 2015 and how we intend to apply it for the year ending 31 March 2016, and it is subject to an advisory vote at this year's AGM.

Summary of directors' remuneration policy

The remuneration policy was approved at last year's AGM. Provided for information only are the details of the policy that were referenced in the committee's activities over the past reporting year which includes the remuneration policy table, the recruitment remuneration arrangements, executive director service contracts and terms and conditions for non-executive directors. Minor updates have been made to the table to reflect the adoption of the sharesave scheme approved at last year's AGM.

The full policy report, as approved by shareholders, can be found on page 66 in the 2014 annual report.

Find out more information on our website
<http://www.severfield.com>

It is intended this policy will remain in place until the 2017 AGM.

Remuneration policy

Executive directors

Base salaries

Purpose and link to strategy

To provide the core reward for the role.

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

Operation

Base salaries are normally reviewed annually by the committee.

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

Maximum opportunity

There is no prescribed maximum.

Current salaries are disclosed in the annual report on remuneration.

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

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

Performance conditions

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

No recovery provisions apply to salary.

Benefits

Purpose and link to strategy

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

Operation

The Group currently provides the following employee benefits:

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

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

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

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

Maximum opportunity

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

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

Performance conditions

No performance conditions or recovery provisions apply to benefits.

Pension

Purpose and link to strategy

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

Operation

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

Director has no obligation to match Group contributions.

Maximum opportunity

Twenty per cent of base salary contribution/cash supplement for chief executive officer and 18 per cent of salary for others up to a maximum of £50,000 (with the exception that for executive directors commencing service before 1 November 2013 where the Group pays a fixed contribution/cash supplement of £50,000 p.a.).

For international assignments the Group may be required to make additional payments to comply with local statutory requirements.

Performance conditions

No recovery provisions apply to pension benefits.

Directors' remuneration report

Annual bonus

Purpose and link to strategy

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

Operation

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

Dividends may accrue on deferred bonus shares.

Maximum opportunity

Maximum 100 per cent of base salary per annum.

Performance conditions

The committee will review the appropriateness of performance measures on an annual basis and consider whether there is a need to rebalance or amend the performance measures and weightings to reflect the business objectives at the time. However, the majority of the annual bonus will be subject to financial targets.

Currently the business uses a combination of underlying profit before tax ('PBT') targets and accident frequency rate ('AFR') targets.

A minority of bonus will be payable for threshold levels of performance.

The actual measures and weightings are set out in the annual report on remuneration on page 85.

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

Purpose and link to strategy

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

Operation

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

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

Dividends may accrue on vested awards.

Maximum opportunity

Maximum annual award level is 150 per cent of salary.

The current award policy is, in normal circumstances, for awards of 100 per cent of salary for the chief executive officer and 75 per cent of salary for other executive directors.

Performance conditions

The committee will determine each year the appropriate award levels and performance conditions based on the corporate strategy at the time. However, a financial measure such as underlying earnings per share ('EPS') will be used for at least half of any award.

Currently the awards are subject to an EPS growth target, the details of which are set out in the annual remuneration report.

No more than 25 per cent of an award will vest for performance at the lower threshold of EPS targets.

All-employee share plan

Purpose and link to strategy

To foster wider employee share ownership.

Operation

The Group currently operates a share incentive plan and introduced a sharesave scheme in February 2015.

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

Maximum opportunity

The Group has discretion under the all-employee share plans to issue awards up to the HMRC approved limits as set from time to time.

Performance conditions

No recovery provisions apply to all-employee share awards.

Notes to the policy table

Choice of performance conditions and metrics

Our role as the remuneration committee includes the establishment of performance goals through long-term incentive plans which are challenging but achievable through superior performance, thereby incentivising and rewarding success.

The long-term incentive plan currently incorporates an EPS performance measure, which is a key financial metric that is aligned with shareholder interests. The committee has considered and taken advice on alternative performance measures, such as total shareholder return ('TSR'), to substitute for (all or part of) the use of the EPS range used in the past. Lack of a suitable peer group of similar listed companies made this approach impracticable and to date we have found no better benchmark.

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

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

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

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

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

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

Any use of the above discretions would, where relevant, be explained in the annual report on remuneration and may, as appropriate, be the subject of consultation with the Group's major shareholders.

Executive directors' service agreements

All executive directors' service agreements run on a rolling basis. Notice periods of 12 months are required to be given by all parties. Payment to be made in lieu of notice on termination is equal to 12 months' salary or to any proportion of unexpired notice period.

Full details of the contracts of each director including the date, unexpired term and any payment obligations on early termination are available from the Company secretary at the annual general meeting.

Directors' remuneration report

Provision on payment for loss of office

If an executive director's employment is to be terminated, the committee's policy in respect of the contract of employment, in the absence of a breach of the service agreement by the director, is to agree a termination payment based on the value of base salary that would have accrued to the director during the contractual notice period. The committee will consider mitigation to reduce the termination payment to a leaving director when appropriate to do so, having regard to the circumstances.

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

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

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

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

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

Our recruitment remuneration policy

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

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

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

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

The aggregate ongoing (i.e. after the year of appointment) incentive opportunity offered to new recruits will be no higher than that offered under the annual bonus plan and the PSP policy to the existing executive directors. In the year of appointment the annual bonus opportunity will be no higher than that offered to existing executive directors, prorated for the period of service (i.e. 100 per cent of salary on an annualised basis). The committee may award up to 150 per cent of salary under the PSP although

in exceptional circumstances in order to facilitate the buy-out of existing awards the committee may go above this limit (see below).

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

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

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

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

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

How are the non-executive directors paid?

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

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

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

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

Shareholding guideline

Executive directors are required to retain shares acquired under equity incentive schemes until such time they have built up a holding equivalent in market value (at the date of vesting) to the executive's base salary. Thereafter, the executive directors will be under a continuing obligation to maintain at least such a holding. The requirement underscores the committee's policy to align executive director remuneration and shareholder interests.

ANNUAL REMUNERATION REPORT

In this section, we report on the implementation of our policies in the year ended 31 March 2015 as well as how the policy will be implemented for 2015/16. 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 2014/15

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 from 19 July 2014)	4/4
John Dodds	4/5*
Chris Holt	5/5
Kevin Whiteman (from 19 July 2014)	3/3
Tony Osbaldiston (from 19 July 2014)	3/3
Keith Elliott (chairman until 18 July 2014)	2/2
Toby Hayward (until 18 July 2014)	2/2

* John Dodds was unable to attend one meeting due to illness.

The Group considers all members of the committee to be independent. Executive directors may attend remuneration committee meetings at the invitation of the committee chairman, but do not take part in any discussion about their own remuneration.

The terms of reference for the remuneration committee are available on the Company's website.

Advisers to the committee

The committee retained New Bridge Street (an Aon plc company) as an independent adviser to the remuneration committee throughout the year. New Bridge Street is a member of the Remuneration Consultants Group and is a signatory to its code of conduct. Neither New Bridge Street nor any other part of Aon plc provided other services to the Group during the year. The fees paid to New Bridge Street for work carried out during the year 31 March 2015 totalled £46,000 (2014: £40,000).

Directors' remuneration report

Directors' earnings for the 2014/15 financial year (audited)

Remuneration received by the directors

	Year ended 31 March 2015						
£000	Salary	Bonus	Fees	Benefits	Pension	LTIPs	Total
Executives							
Ian Lawson	356	231	—	23	71	—	681
Ian Cochrane	280	182	—	16	50	—	528
Alan Dunsmore	230	149	—	22	50	—	451
Derek Randall	230	189	—	—	50	—	469
Non-executives							
John Dodds	—	—	100	—	—	—	100
Tony Osbaldiston (from 19/7/14)	—	—	32	—	—	—	32
Kevin Whiteman (from 19/7/14)	—	—	32	—	—	—	32
Alun Griffiths (from 1/5/14)	—	—	41	—	—	—	41
Chris Holt	—	—	40	—	—	—	40
Toby Hayward (to 19/7/14)	—	—	18	—	—	—	18
Keith Elliott (to 19/7/14)	—	—	18	—	—	—	18
	1,096	751	281	61	221	—	2,410

Taxable benefits primarily include the provision of company cars, fuel for company cars, car allowances and private medical insurance. LTIPs reflect those PSP awards vesting based on performance to 31 March 2015.

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

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

1. John Dodds operated as executive chairman until 1 November 2013 when he reverted to his previous role of non-executive chairman. The salary he received as an executive director and the fees he received as a non-executive director have been disclosed separately.
2. Chris Holt served as chairman of the nomination committee for part of the year for which he was paid an additional fee of £5,000.

Past directors/loss of office payments (audited)

There have been no payments made to past directors or any payment for loss of office.

How pay linked to performance in 2014/15

Bonus

The executive directors received the bonuses set out in the table below, of which 50 per cent has been paid in shares deferred for three years.

Under the rules of the Group's deferred share bonus plan the participants will have beneficial ownership of the shares, the share certificates are retained by the Company secretary for a period of three years and, unless otherwise determined by the remuneration committee, are subject to forfeiture provisions in the event of termination of employment prior to the expiry of this period.

Ian Lawson	£231,000
Ian Cochrane	£182,000
Alan Dunsmore	£149,000
Derek Randall	£189,000

As reported last year, the bonus plan applicable to the executive directors for 2014/15 had two separate performance conditions:

- Eighty per cent was payable on achieving budgeted Group PBT (with exception of Derek Randall who, whilst he remains in India, has the profit performance-based component of his bonus split 50/50 between Group PBT and PBT for India). The financial element begins to pay out at 95 per cent of budgeted Group PBT, rising to 50 per cent of this element being payable for achieving budget and full pay out for achieving 120 per cent of budget.
- Twenty per cent was payable based on achieving a target Group AFR (with the exception of Derek Randall who, whilst he remains in India, has the AFR-based component of his bonus based on AFR (India)).

Our policy is to disclose annual PBT and AFR targets retrospectively following the end of the performance period, unless, in the view of the remuneration committee, this would compromise the commercial position of the Group.

The targets for 2014/15 and the payout against these targets are set out below:

Measure	% of maximum bonus opportunity	Performance required			Actual	% of bonus paid	Payout as % of salary
		Threshold	On-target	Maximum			
Group PBT*	80%	£7.7m	£8.1m	£9.7m	£8.3m	56%	45%
Group AFR	20%	0.35	0.35	0.35	0.21	100%	20%

* For Group PBT, 'threshold' represents 95% of budget, 'on-target' represents 100% of budget and 'maximum' represents 120% of budget.

The total bonus payout of 65 per cent of salary above applies to all executive directors with the exception of Derek Randall who, based on the year-end results for India achieved 78 per cent of bonus paid for PBT and 100 per cent of bonus paid for AFR (resulting in a total bonus payout of 82 per cent of salary).

In determining the achievement of bonus targets for 2014/15, the committee considered what impact, if any, the non-underlying remedial costs in relation to the Leadenhall building should have on payout. After careful consideration and after taking external advice, the committee determined that bonus should be paid against the achievement of underlying profit before tax targets in accordance with the Group's stated policy. When forming this judgement, the committee considered that these non-underlying costs relate to a historic project and where the recognition of the original profit and loss associated with this project did not result in any annual bonus payable at the time. If the Group is able to recover any of these costs in the future, any such inflows will not be treated as underlying PBT.

PSP

No PSP awards vested in 2014/15. The 2012 PSP award was subject to an EPS performance condition measured over the three financial years ended 31 March 2015. The minimum EPS figure required for vesting of 25 per cent of the award was 6.51p (as adjusted after the rights issue in March 2013) which equates to a PBT of c.£24m. This target was not achieved and the awards have lapsed.

Directors' remuneration report

PSP awards granted to directors in 2014/15 (audited)

Share awards were made in the year under the PSP scheme for the three-year period expiring on 31 March 2017. Details of the awards made to the executive directors are summarised below.

	Type	Number of shares	% of salary	Face value (£) ¹	Performance condition ²	Performance period	% vesting at threshold
Ian Lawson	Nil-cost option	632,054	100%	350,000	EPS	3 financial years ending 31 March 2017	25%
Ian Cochrane	Nil-cost option	372,460	75%	206,250			
Alan Dunsmore	Nil-cost option	306,298	75%	169,613			
Derek Randall	Nil-cost option	306,298	75%	169,613			

1. Face value calculated based on the pre-grant date share price of 55.38p on 4 June 2014.

2. Performance conditions are based on EPS targets of 3.23p (minimum performance – 25% vests) to 6.45p (maximum performance – 100% vests) with linear interpolation in between. This represents a PBT range of £12m–£24m.

The PSP and the annual bonus plan contain recovery and withholding (i.e. clawback) provisions which can be applied within a year of a PSP award vesting (i.e. within four years of grant) or within a year of a bonus being paid. Clawback can be applied where it becomes apparent that a PSP award or bonus was larger than ought to have been the case due to the Company having materially misstated its financial results or made an error in assessing any performance condition or bonus. Clawback can also be applied in the case of subsequently discovered misconduct of a relevant individual. The amount of the relevant clawback would be the net of tax amount (or the full amount to the extent that the individual can recover any tax paid) that had effectively been overpaid in the case of misstatement or error or would be at the committee's discretion in the case of misconduct. Clawback can be imposed by a reduction in the amount of any unvested PSP award, a reduction in the amount of any future bonus or by a requirement to pay back the amount in question (with a right to deduct from salary).

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 (June)	Performance condition	Awards held at 1 April 2014 ¹	Awards granted in year	Awards lapsed in year	Awards vested in year	Awards held at 31 March 2015
Ian Lawson	2013	2016	EPS	549,020	—	—	—	549,020
	2014	2017	EPS	—	632,054	—	—	632,054
Total				549,020	632,054	—	—	1,181,074
Ian Cochrane	2011	2014	EPS	120,002	—	(120,002)	—	—
	2012	2015	EPS	153,181	—	—	—	153,181
	2013	2016	EPS	429,688	—	—	—	429,688
	2014	2017	EPS	—	372,460	—	—	372,460
Total				702,871	372,460	(120,002)	—	955,329
Alan Dunsmore	2011	2014	EPS	213,250	—	(213,250)	—	—
	2012	2015	EPS	272,209	—	—	—	272,209
	2013	2016	EPS	353,359	—	—	—	353,359
	2014	2017	EPS	—	306,298	—	—	306,298
Total				838,818	306,298	(213,250)	—	931,866
Derek Randall	2011	2014	EPS	213,250	—	(213,250)	—	—
	2012	2015	EPS	272,209	—	—	—	272,209
	2013	2016	EPS	353,359	—	—	—	353,359
	2014	2017	EPS	—	306,298	—	—	306,298
Total				838,818	306,298	(213,250)	—	931,866

1. 2012 awards were adjusted in August 2013 to take into account the dilutive impact of the rights issue.

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

	Threshold (25% vests)	Maximum (100% vests)
2012 award	6.51p	11.71p
2013 award ¹	2.15p	4.87p
2014 award ²	3.23p	6.45p

1. Represents a PBT range of £8m–£18m.

2. Represents a PBT range of £12m–£24m.

Directors' current shareholdings (audited):

The following table provides details on the directors' beneficial interests in the Company's share capital as at 31 March 2015:

	Owned shares ¹	Share incentive plan (SIP) ²	Sharesave scheme	DSBP ³	PSP ⁴	Total ⁵
Executives						
Ian Lawson	82,431	2,229	33,003	23,538	1,181,074	1,322,275
Ian Cochrane	2,708,979	9,591	33,003	79,593	955,329	3,786,495
Alan Dunsmore	50,000	9,591	33,003	—	931,866	1,024,460
Derek Randall	50,000	4,667	—	—	931,866	986,533
Non-executives						
John Dodds	319,833	—	—	—	—	319,833
Tony Osbaldiston (from 19/7/14)	—	—	—	—	—	—
Kevin Whiteman (from 19/7/14)	—	—	—	—	—	—
Alun Griffiths (from 1/5/14)	—	—	—	—	—	—
Chris Holt	53,097	—	—	—	—	53,097

1. Includes shares owned by connected persons.

2. SIP shares are unvested and held in trust.

3. The principal terms of the deferred share bonus plan are described on page 76.

4. PSP shares are in the form of conditional awards which will only vest on the achievement of certain performance conditions.

5. As at 31 March 2015, only Ian Cochrane satisfies the Company's shareholding guideline (see page 79). The other executive directors will be required to retain a proportion of any net of tax shares which may vest from equity-based plans until the guideline is achieved.

Position against dilution limits

Severfield plc complies with the 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. The Group's position against its dilution limit as at 31 March 2015 was well under the maximum 10 per cent limit at 3.6 per cent.

Performance graph

The following graph shows the Group's performance, measured by total shareholder return, compared with the performance of the FTSE SmallCap Index. It is based on the change in the value of a £100 investment made on 31 March 2009 over the six-year period ended 31 March 2015.

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

Total shareholder return

Source: Datastream (Thomson Reuters)

Directors' remuneration report

Chief executive officer remuneration change

The table below shows the total remuneration figure for the chief executive officer role over the same six-year period. Total remuneration includes bonus and the value of PSP awards which vested based on performance in those years (at the share price at which they vested).

	2009 Haughey	2010 Haughey	2011 Haughey	2013 Haughey ¹	2013 Dodds ^{2,3}	2014 Dodds ²	2014 Lawson ⁴	2015 Lawson
Total remuneration (£000)	1,265	640	701	450	62	289	233	681
Annual bonus (%)	94.8%	50.1%	60.5%	—	N/A	N/A	34.0%	34.0%
LTIP vesting (%)	100.0%	100.0%	—	—	N/A	N/A	—	—

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

2. 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 was not entitled to any PSP award. These figures do not include his fees as non-executive chairman.

3. Financial year 2013 represented the 15 month period to 31 March 2013.

4. Appointed on 1 November 2014.

How the change in chief executive officer 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 between the years ended 31 March 2015 and 31 March 2014 for the chief executive officer compared to the percentage change of each of those components of pay for a group of employees. The committee has selected salaried employees in mainland UK as this geography provides the most appropriate comparator.

	2015 £000	2014 £000	% change
Chief executive officer			
Salary	356	350	1.7%
Benefits	23	8	187.5%
Bonus	231	135	71.1%
Average employees			
Salary	13,735	13,301	3.3%
Benefits	1,060	1,206	-12.1%
Bonus	1,005	665	51.1%

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:

	2015 £000	2014 £000	% change
Staff costs	53,975	50,551	6.8%
Revenue	201,535	231,312	-12.9%
Underlying operating profit	8,974	7,621	17.8%
Dividends	—	—	0.0%

Shareholder voting

The results below show the response to the 2014 AGM shareholder voting for the directors' 2014 remuneration report (excluding the remuneration policy):

	Total number of votes ¹	% of votes cast
For	234,477,651	98.3%
Against	4,010,504	1.7%
Total votes cast (for and against)	238,488,155	100%
Withheld votes	1,259,500	N/A
Total votes (including withheld votes)	239,747,655	N/A

The results below show the response to the 2014 AGM shareholder voting for the directors' 2014 remuneration policy:

	Total number of votes ¹	% of votes cast
For	237,577,309	99.8%
Against	459,386	0.2%
Total votes cast (for and against)	238,036,695	100%
Withheld votes	1,710,960	N/A
Total votes (including withheld votes)	239,747,655	N/A

1. A vote abstention is not a vote in law and is not counted in the calculation of the proportion of votes cast 'for' and 'against' a resolution.

Implementation of policy for 2015/16

The executive directors' current salaries

The salaries of the executive directors will be reviewed in October 2015. Increases will be set in the context of overall salary increases for the wider workforce. The previous salary increase was on 1 July 2014.

The executive directors' salaries at the start of the 2015/16 financial year are as follows:

	£
Ian Lawson	357,900
Ian Cochrane	281,200
Alan Dunsmore	231,250
Derek Randall	231,250

Benefits and pension

All executive directors will be entitled to a car allowance of £15,000 (chief executive officer: £18,000), a fuel allowance, life insurance cover and medical insurance. A pension contribution of £50,000 will be offered to each executive director, with the exception of Ian Lawson who will be offered 20 per cent of basic salary.

Rewards for performance in 2015/16

Bonus

The annual bonus for 2015/16 will operate on the same basis as for 2014/15 and will be consistent with the policy detailed in the remuneration policy section of this report in terms of the maximum bonus opportunity, deferral and clawback provisions. The measures have been selected to reflect a range of financial and operational goals that support the key strategic objectives of the Group.

The performance measures and weightings will be as follows:

Profit performance-based component — 80 per cent

The sliding scale range for bonus targets in 2015/16 is as follows:

Maximum bonus based on actual PBT versus budget

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

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

Other performance-based component — 20 per cent

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

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

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

Directors' remuneration report

PSP

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

This year we will set a performance condition for a three-year period commencing on 1 April 2015 and ending on 31 March 2018. These targets reflect the continuing expected recovery of profitability, recognising that market conditions remain challenging in many areas. At the lower threshold, below which no awards will vest, we have set a target EPS equivalent to PBT of £16.0m. If this level is achieved 25 per cent of the shares granted will vest. At the higher end the target EPS is set at EPS equivalent to PBT of £24.0m. If this is achieved, 100 per cent of the shares granted will vest. Vesting at EPS levels between the lower and upper thresholds will be calculated by linear interpolation.

This represents an increase of £4m (33 per cent) in the lower threshold whilst maintaining the threshold at which maximum vesting takes place at £24m. This reflects, in the view of the committee, a more realistic performance range whilst maintaining the targets at an appropriately stretching level. They will require management to deliver strong, sustainable performance over the period.

How will the non-executive directors be paid in the 2015/16 financial year?

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

£	2015	2014
Chairman	95,000	95,000
Basic fee for other non-executive directors	40,000	40,000
Additional fee for SID role	5,000	5,000
Additional fee for chairman of audit, nominations and remuneration committees	5,000	5,000

Approval

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

Alun Griffiths

Chairman of the remuneration committee
17 June 2015



Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the consolidated financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the directors listed on pages 52 and 53 confirms that, to the best of their knowledge:

- the consolidated and parent company financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report on pages 3 to 49 and the directors' report on pages 69 to 71 include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board



Ian Lawson
Chief executive officer
17 June 2015

Alan Dunsmore
Group finance director
17 June 2015



Delivering quality service

This mixed use (office, residential, retail) development of around 900,000 square feet consists of five buildings, for which the Group is providing the connection design, fabrication and construction of just over 7,000 tonnes of structural steel. Other services provided include metal decking, 'Seversafe' edge protection, stairs and open mesh flooring.

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Our financials — Group

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Project: Nova, Victoria

Sector: Commercial offices

Location: Victoria, London

Tonnage: 7,100

Client: Land Securities

Main contractor: MACE

Completion: September 2015

Independent auditor's report

to the members of Severfield plc

Opinion on financial statements of Severfield plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Group financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 31. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The parent company financial statements comprise the parent company balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the strategic report on page 35 that the Group is a going concern. We confirm that:

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

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

Our assessment of material misstatement

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

Risk	How the scope of our audit responded to the risk
<p>Contract valuation, revenue and profit recognition in relation to the final outcome of material construction contracts (as described on page 106 in the annual report)</p> <p>The following judgements can have a material impact on the financial statements:</p> <ul style="list-style-type: none"> • the stage of completion of contracts; • the recoverability of unagreed variations and claims; • the estimates of future costs to complete; and • the outcome of other uncertain future events. 	<p>We have focused our audit procedures on material contracts based on the following principal criteria:</p> <ul style="list-style-type: none"> a) the balance sheet carrying value; b) the contribution to profit in the year; c) the stage of completion; d) the value at risk identified by management; and e) our assessment of the degree of judgement involved in the contract accounting. <p>We have:</p> <ul style="list-style-type: none"> • reviewed the design and implementation of management's internal controls over contract accounting; and • performed the following substantive audit procedures: <ul style="list-style-type: none"> • agreed revenue recognised on contracts to evidence of third party certifications and cash receipts; • challenged management on any revenues recognised which exceed the certified revenue, particularly in relation to unagreed variations and claims. This included the inspection of variation instructions, enquiries of quantity surveyors and contract managers and liaison with internal and external legal advisors; • challenged management on its estimates of future costs to complete. This included review of the detailed forecast cost to complete schedules, including agreeing estimates of future costs and critical assumptions to supporting evidence, such as agreed third party quotes for site work and materials price lists; • performed a retrospective review of previous judgements on contracts to assess the historical forecasting accuracy; and • performed a review of subsequent events on contracts that may have a material impact on the financial statements up to the date of signing this auditor's report.

Independent auditor's report

to the members of Severfield plc

Risk	How the scope of our audit responded to the risk
<p>Impairment of goodwill and other non-current assets</p> <p>The consolidated balance sheet includes:</p> <ul style="list-style-type: none"> • goodwill and intangible assets of £61.8m; and • the investment in the Indian joint venture of £4.8m <p>Management has made its annual assessment of the impairment risk in relation to these carrying values, which includes a number of important judgements on uncertain future events (as described on page 106 in the annual report). The most subjective judgements relate to the forecast financial performance of the cash-generating units ('CGU'), including the growth rates, operating margins and the discount rates for future cash flows.</p>	<p>We have:</p> <ul style="list-style-type: none"> • assessed and challenged management's assumptions (as described in notes 11 and 15 to the financial statements) included in its impairment model for goodwill and intangible assets, and the joint venture. These include the trading and cash flow projections, the growth and perpetuity rates and the discount factors applied; • compared these to external medium-term growth rate projections for the UK and India, the historical trading and cash flow performance of the business units, and the discount rates of relevant comparator companies; and • taken into account the Group's historical budgeting accuracy, including comparing the operating profit margin assumed in the order book with historic performance.
<p>Leadenhall costs</p> <p>The Group is undertaking a remedial works programme to replace a number of bolts at the Leadenhall building.</p> <p>The following key judgements have been made by the directors (as described on page 106 in the annual report) in preparing the financial statements at 31 March 2015:</p> <ul style="list-style-type: none"> • quantification and accrual of their best estimate of the costs to the Group of the bolt replacement programme, including the disclosure of contingent liabilities and reimbursements; and • the classification of these costs as non-underlying in the income statement. 	<p>We have:</p> <ul style="list-style-type: none"> • made enquiries of the directors, management and their legal advisors in relation to the Group's contractual obligations, including contingent liabilities and reimbursements; • reviewed management's analysis of costs to complete, including challenging the main assumptions and considering reasonably possible sensitivities; • agreed a sample of actual costs incurred in the period to 31 March 2015 to supporting documentation; • compared actual costs incurred with the work plan and the estimated costs to complete, and considered the impact of any deviations, up until the date of this audit report; and • considered compliance with: <ul style="list-style-type: none"> — IAS 1 'Presentation of Financial Statements' for classification of the costs as non-underlying; and — IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' for management's best estimate of the costs to the Group and the disclosure of contingent liabilities and reimbursements.

The description of risks above should be read in conjunction with the significant issues considered by the audit committee as described on page 68 in the annual report.

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

Our application of materiality

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

In recent years the Group has reported both profits and losses, and has made adjustments to highlight non-underlying items included in its statutory results. In the absence of a stable profit base, we have used Group revenue to determine materiality of £1m by applying 0.5 per cent (2014: £1m and 0.5 per cent) to turnover for the year. We also sense-checked this materiality threshold by reference to the scale of underlying profits and losses in recent years and the directors' expectations of future profits.

We agreed with the audit committee that we would report to the committee all audit differences in excess of £20,000 (2014: £20,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

Full scope audits are completed on all the businesses located in the UK, except for the associate which is scoped out of our Group audit procedures on the grounds of materiality. These locations account for 100 per cent of Group revenue, 97 per cent of Group net assets and 100 per cent of Group profit before tax.

The audits of the UK subsidiaries were executed to a component materiality which is less than Group materiality. The joint venture is audited by Deloitte Mumbai to a component materiality.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records	<p>Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> we have not received all the information and explanations we require for our audit; or adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or the parent company financial statements are not in agreement with the accounting records and returns. <p>We have nothing to report in respect of these matters.</p>
Directors' remuneration	<p>Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.</p> <p>We have nothing to report arising from these matters.</p>
Corporate governance statement	<p>Under the Listing Rules we are also required to review the part of the corporate governance statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.</p>

Independent auditor's report

to the members of Severfield plc

Matters on which we are required to report by exception

Our duty to read other information in the annual report	<p>Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:</p> <ul style="list-style-type: none"> • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. <p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.</p>
Respective responsibilities of directors and auditor	<p>As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.</p> <p>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.</p>
Scope of the audit of the financial statements	<p>An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.</p>



Paul Feechan
 (Senior statutory auditor)
 for and on behalf of Deloitte LLP
 Chartered accountants and
 statutory auditor
 Newcastle, United Kingdom
 17 June 2015

Consolidated income statement

Year ended 31 March 2015

	Note	Before other items 2015 £000	Other items 2015 £000	Total 2015 £000	Before other items 2014 £000	Other items 2014 £000	Total 2014 £000
Continuing operations							
Revenue	3	201,535	—	201,535	231,312	—	231,312
Operating costs	4	(192,561)	(8,502)	(201,063)	(223,691)	(7,729)	(231,420)
Operating profit/(loss) before share of results of JVs and associates		8,974	(8,502)	472	7,621	(7,729)	(108)
Share of results of JVs and associates	15	(213)	—	(213)	(3,038)	(353)	(3,391)
Operating profit/(loss)		8,761	(8,502)	259	4,583	(8,082)	(3,499)
Net finance expense	7	(450)	—	(450)	(558)	—	(558)
Profit/(loss) before tax		8,311	(8,502)	(191)	4,025	(8,082)	(4,057)
Taxation	8	(1,449)	1,784	335	(1,427)	2,844	1,417
Profit/(loss) for the year attributable to the equity holders of the parent		6,862	(6,718)	144	2,598	(5,238)	(2,640)
Earnings per share:							
Basic	10	2.31p	(2.26p)	0.05p	0.88p	(1.77p)	(0.89p)
Diluted	10	2.31p	(2.26p)	0.05p	0.88p	(1.77p)	(0.89p)

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

Consolidated statement of comprehensive income

Year ended 31 March 2015

	Note	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Actuarial loss on defined benefit pension scheme*	30	(4,471)	(1,261)
Tax relating to components of other comprehensive income*	20	1,033	(101)
Other comprehensive income for the year		(3,438)	(1,362)
<i>Profit/(loss) for the year from continuing operations</i>		144	(2,640)
Total comprehensive income for the year attributable to equity holders of the parent		(3,294)	(4,002)


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

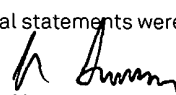
Consolidated balance sheet

At 31 March 2015

	Note	At 31 March 2015 £000	At 31 March 2014 £000
Assets			
Non-current assets			
Goodwill	11	54,712	54,712
Other intangible assets	12	7,088	9,845
Property, plant and equipment	13	76,606	74,128
Investment property	13	—	3,870
Interests in JVs and associates	15	4,802	3,315
Deferred tax asset	20	1,870	1,780
		145,078	147,650
Current assets			
Inventories	16	4,767	5,842
Trade and other receivables	18	64,530	60,801
Derivative financial instruments	21	118	—
Cash and cash equivalents	21	6,884	5,525
		76,299	72,168
Total assets		221,377	219,818
Liabilities			
Current liabilities			
Trade and other payables	19	(58,406)	(51,322)
Financial liabilities — borrowings	21	—	(5,000)
Financial liabilities — finance leases	21	(205)	(181)
Current tax liabilities		(1,123)	(1,422)
		(59,734)	(57,925)
Non-current liabilities			
Retirement benefit obligations	30	(16,477)	(12,533)
Financial liabilities — finance leases	21	(589)	(25)
Deferred tax liabilities	20	(3,993)	(5,937)
		(21,059)	(18,495)
Total liabilities		(80,793)	(76,420)
Net assets		140,584	143,398
Equity			
Share capital	23	7,437	7,437
Share premium		85,702	85,702
Other reserves	24	1,250	770
Retained earnings		46,195	49,489
Total equity		140,584	143,398

The consolidated financial statements were approved by the board of directors on 17 June 2015 and signed on its behalf by:


Ian Lawson
 Chief executive officer


Alan Dunsmore
 Group finance director

Consolidated statement of changes in equity

Year ended 31 March 2015

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2014		7,437	85,702	770	49,489	143,398
Profit for the year (attributable to equity holders of the parent)		—	—	—	144	144
Equity settled share-based payments	22	—	—	480	—	480
Actuarial loss on defined benefit pension scheme	30	—	—	—	(4,471)	(4,471)
Tax relating to components of other comprehensive income	20	—	—	—	1,033	1,033
At 31 March 2015		7,437	85,702	1,250	46,195	140,584
	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2013		2,231	46,152	527	53,491	102,401
Loss for the year (attributable to equity holders of the parent)		—	—	—	(2,640)	(2,640)
Proceeds from shares issued		5,206	39,550	—	—	44,756
Equity settled share-based payments	24	—	—	243	—	243
Actuarial loss on defined benefit pension scheme	30	—	—	—	(1,261)	(1,261)
Tax relating to components of other comprehensive income	20	—	—	—	(101)	(101)
At 31 March 2014		7,437	85,702	770	49,489	143,398

The increase in share capital and share premium in the prior year reflect the 7:3 rights issue of 208,252,511 new ordinary shares at 23p per share which was approved by shareholders on 18 March 2013. The rights issue completed on 5 April 2013, with the Group receiving net proceeds of £44,756,000 consisting of gross proceeds of £47,898,000 offset by transaction costs of £3,142,000.

Consolidated cash flow statement

Year ended 31 March 2015

	Note	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Net cash flow from operating activities	25	10,446	2,522
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		4,434	746
Purchases of property, plant and equipment		(5,727)	(2,218)
Investment in JVs and associates		(1,700)	(3,538)
Net cash used in investing activities		(2,993)	(5,010)
Cash flows from financing activities			
Interest paid		(782)	(759)
Repayment of obligations under finance leases		(312)	(194)
New borrowings		—	5,000
Repayment of borrowings		(5,000)	(41,461)
Proceeds from shares issued		—	44,756
Net cash (used in)/generated from financing activities		(6,094)	7,342
Net increase in cash and cash equivalents		1,359	4,854
Cash and cash equivalents at beginning of year		5,525	671
Cash and cash equivalents at end of year		6,884	5,525

Notes to the consolidated financial statements

Year ended 31 March 2015

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 138. The registered number of the Company is 1721262. The nature of the Group's operations and its principal activities are set out on pages 10 to 19. These financial statements are presented in sterling which is the currency of the primary economic environment in which the Group operates.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below. During the year the Group classified the expenses in the income statement by their nature in order to improve their presentation; in prior years these were classified by their function.

During the year certain new standards and a number of amendments to IFRS became effective. These are as follows:

- IFRS 10 'Consolidated financial statements'
- IFRS 11 'Joint arrangements'
- IFRS 12 'Disclosure of interests in other entities'
- IAS 27 (revised) 'Consolidated and separate financial statements'
- IAS 32 (amended) 'Financial instruments: presentation'
- IAS 36 (amended) 'Recoverable amount disclosures for non-financial assets'
- IAS 39 (amended) 'Financial instruments: recognition and measurement'

The Group has considered the above new standards and amendments and has concluded that they are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements.

The Group's interest in its jointly controlled entity, JSW Severfield Structures, was previously accounted for using the equity method of accounting. Following the adoption of IFRS 11, the jointly controlled entity has been assessed to be a joint venture and hence the equity method remains appropriate.

A number of other new and amended IFRS were issued during the year which do not become effective until after 31 March 2015. These include:

- IAS 1 (amended) 'Presentation of financial statements'
- IAS 16 (amended) 'Property, plant and equipment'
- IAS 19 (amended) 'Employee benefits'
- IAS 27 (amended) 'Separate financial statements'
- IAS 28 (amended) 'Investments in associates and joint ventures'
- IAS 38 (amended) 'Intangible assets'
- IFRS 9 'Financial instruments'
- IFRS 10 (amended) 'Consolidated financial statements'
- IFRS 11 (amended) 'Joint arrangements: accounting for acquisitions of interests in joint operations'
- IFRS 12 (amended) 'Disclosure of interest in other entities'
- IFRS 14 'Regulatory deferral accounts'
- IFRS 15 'Revenue from contracts with customers'

None of these new and amended standards have been adopted early by the Group and none of the new and amended standards are likely to have a significant impact on the Group's future results. The directors have made initial assessments of the impact of IFRS 15 and do not expect any material quantitative impact to the Group. The Group will perform a detailed review of its significant contracts to ensure that the impact and effect of the new standard is fully understood and implemented in advance of the effective date.

1. Significant accounting policies continued

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the consolidated financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the consolidated financial statements.

The key factors considered by the directors in making the statement are set out within the financial review on pages 32 to 35.

Basis of consolidation

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

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

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

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

Other items

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

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Investments in joint ventures and associates

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

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

Notes to the consolidated financial statements

1. Significant accounting policies continued

Goodwill

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

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

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

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

Revenue recognition

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

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

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

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

Construction contracts

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

The general principles for profit recognition are as follows:

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

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

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

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

1. Significant accounting policies continued

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

Property, plant and equipment acquired under finance leases are capitalised in the balance sheet at fair value and depreciated in accordance with the Group's accounting policy. The capital element of the leasing commitment is included as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the income statement, and capital, which reduces the outstanding obligation.

Retirement benefit obligations

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

The Group has a defined benefit pension scheme which is now closed. 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 are 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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. These are determined based on future changes in tax rates that have been enacted rather than simply future changes that have been proposed but not enacted. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the consolidated financial statements

1. Significant accounting policies continued

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

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, and plant and machinery are currently stated at cost in the balance sheet. Depreciation on buildings is 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/investment properties	1 per cent straight-line
Plant and machinery	10 per cent straight-line
Fixtures, fittings and office equipment	10 per cent written down value
Computer equipment	20 per cent straight-line
Motor vehicles	25 per cent written down value
Site safety equipment	20 per cent straight-line

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included within operating costs.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less provision for impairment. Depreciation is charged annually based on the Group's stated depreciation policy together with an annual impairment review. Where properties have been impaired below cost and are being held at directors' valuation, the directors have taken appropriate external guidance on the likely current value of properties.

Intangibles

The Group recognises intangible assets at cost less accumulated amortisation and impairment losses. Intangible assets acquired through acquisitions arise as a result of applying IFRS 3 which requires the separate recognition of intangible assets from goodwill.

Other acquired intangible assets include software costs.

Intangible assets are amortised on a straight-line basis over their useful economic lives as follows:

	Amortisation period
Customer relationships	10 years
Brands	25 years
Know-how	10 years
Software costs	7 years

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1. Significant accounting policies continued

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 are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are classified as loans and receivables, and therefore measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest over the relevant period.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based payment transactions

The Group issues equity settled share-based payments. These share-based payments are measured at fair value at the date of grant based on the Group's estimate of shares that will eventually vest. The fair value determined is then expensed in the consolidated income statement on a straight-line basis over the vesting period, with a corresponding increase in equity. Further details regarding the determination of the fair value of equity settled share-based transactions are set out in note 22.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and, as appropriate, are discounted to present value where the effect is material.

Derivative financial instruments

The Group enters into certain foreign exchange forward contracts to manage its exposure to currency movements. Further details of derivative financial instruments are disclosed in note 21.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss.

Notes to the consolidated financial statements

2. Critical accounting judgements and estimates

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

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

Revenue and profit recognition

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

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

Impairment of goodwill and other non-current assets

Goodwill is tested at least annually for impairment, along with the intangible assets and other assets of the Group's cash-generating units. The Groups investment in its Indian joint venture has also been reviewed for impairment.

Determining whether goodwill or other non-current assets are impaired requires an estimation of the value in use of the business being tested for impairment and of the cash-generating units to which these assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit, taking into account the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process, and a suitable discount rate in order to calculate present value. The discount rates used are based on the Groups weighted average cost of capital adjusted to reflect the specific economic environment of the relevant cash-generating unit.

The carrying amount of goodwill at the balance sheet date was £54,712,000 and of intangible assets arising from acquisitions was £6,573,000. The carrying value of the Groups investment in the Indian joint venture was £4,802,000 at the balance sheet date.

Disclosure of other (non-underlying) items

The Group has presented certain items of a one-off and material nature as non-underlying items in the income statement and notes to the consolidated financial statements. These items have been disclosed because the directors view their presentation as relevant to the understanding of the Groups underlying financial performance. Judgement is required to determine which items are disclosed as one-off. Inclusion within this category is restrictive and is applied consistently.

One-off items before tax recognised in the year ended 31 March 2015 were £8,502,000 (2014: £8,082,000).

Recognition of deferred tax assets

The carrying values of deferred tax assets on the balance sheet are dependent on the estimates of future taxable profits arising from the Groups operations. The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets where it is more likely than not that the benefit will be realised.

The carrying amount of deferred tax assets at the balance sheet date was £1,870,000 (2014: £1,780,000).

Retirement benefit obligations

The Groups defined benefit pension scheme has been valued in accordance with IAS 19 'Employee benefits'. The benefit obligation is calculated using a number of assumptions including increases in pension benefits, mortality rates and inflation and the future investment returns from the schemes assets. The present value of the benefit obligations is calculated by discounting the benefit obligation using market rates on relevant AA corporate bonds at the balance sheet date.

The schemes assets are valued at market rates at the balance sheet date. Effects of changes in the actuarial assumptions underlying the benefit obligation, discount rates and the difference between expected and actual returns on the schemes assets are classified as actuarial gains and losses.

The defined benefit obligation recognised at the balance sheet date was £16,477,000 (2014: £12,533,000).

Of the items discussed above, revenue and profit recognition (including the assessment of the remedial costs for the Leadenhall building) and retirement benefit obligations represent the key sources of estimation uncertainty.

3. Revenue and segmental analysis

Revenue

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

	2015 £000	2014 £000
Revenue from construction contracts	201,535	231,312
Total revenue	201,535	231,312
Other operating income (note 4)	403	541
Interest received (note 7)	7	7
Total income	201,945	231,860

Segmental results

Following adoption of IFRS 8, the Group has identified its operating segments as those upon which the executive committee (the chief operating decision maker) regularly assesses performance.

The Group has deemed it appropriate to aggregate its operating segments into one reported segment (construction contracts). The constituent operating segments have been aggregated as they have businesses with similar products and services, production processes, types of customer, methods of distribution, regulatory environments and economic characteristics.

Revenues by product group

All revenue is derived from construction contracts and related assets.

Geographical information

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

	2015 £000	2014 £000
Revenue by destination:		
United Kingdom	194,974	218,916
Republic of Ireland and mainland Europe	5,459	9,867
Other countries	1,102	2,529
	201,535	231,312

All revenue originated from the United Kingdom and all non-current assets of the Group are located in the United Kingdom.

Information about major customers

Included in Group revenue is £43,075,000 relating to sales to one major customer, which individually contributed to more than 10 per cent of Group revenue in the year ended 31 March 2015. In the prior year, no single customer individually contributed to more than 10 per cent of Group revenue.

Notes to the consolidated financial statements

4. Operating costs

	2015 £000	2014 £000
Raw materials and consumables (including subcontractor costs)	109,717	139,456
Staff costs	53,975	48,087
Other operating charges	22,499	29,330
Amortisation of other intangible assets (note 12)	137	137
Operating lease expense:		
— plant and machinery	1,354	1,744
— other	1,650	1,857
Depreciation (note 13):		
— owned property, plant and equipment	3,442	3,496
— property, plant and equipment held under finance leases	180	85
— investment property	10	40
Other operating income	(403)	(541)
Operating costs before other items	192,561	223,691
Other items	8,502	7,729
	201,063	231,420
Other operating charges include:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17	17
Fees payable to the Company's auditor for other services:		
— the audit of the Company's subsidiaries pursuant to legislation	148	148
— audit-related assurance services	35	30
— taxation compliance services	39	45
— other taxation advisory services	52	67

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

5. Other items

	2015 £000	2014 £000
Contract remedial costs	6,000	—
Amortisation of acquired intangible assets (note 12)	2,620	2,748
Restructuring and redundancy costs	—	2,611
Retirement of acquired intangible asset (note 12)	—	2,370
Impairment of investment in associates (note 15)	—	353
Movements in the valuation of derivative financial instruments (note 21)	(118)	—
Other items before tax	8,502	8,082
Tax on other items	(1,784)	(2,844)
Other items after tax	6,718	5,238

The contract remedial costs relate to a programme of bolt replacement works at the Leadenhall building, a contract that was completed in 2013. They are treated as non-underlying costs in accordance with the Group's stated policy. This programme is being undertaken in conjunction with British Land, Laing O'Rourke and Arup and is likely to continue until the end of the calendar year. The liability of the Group and the other parties for the programme costs has not yet been determined and, therefore, the charge represents certain costs incurred at year-end, together with management's best estimate of the remaining cost to the Group. This is based on the current requirements of the programme and before taking account of potential future recoveries, as these cannot be recognised under IFRS.

Restructuring and redundancy costs in the prior year arose on the reorganisation of the Group's largest business, Severfield (UK) (formerly Severfield-Watson Structures), in May 2013. This resulted in the reduction in factory capacity by approximately 10 per cent and a reduction in headcount of 84 people.

The prior year retirement of the acquired intangible asset for the Fisher Engineering brand arose following the rebranding exercise undertaken by the Group in 2014.

During the prior year, Kennedy Watts Partnership, a company in which the Group had a holding of 25.1 per cent, went into administration. Accordingly, an impairment charge of £353,000 was recognised which represented the Group's historical investment in the associate.

6. Staff costs

Details of directors' remuneration for the year are provided in the audited part of the directors' remuneration report on page 80.

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

	2015 Number	2014 Number
Production and site	1,119	1,105
Sales and administration	93	98
	1,212	1,203

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	46,824	43,929
Social security costs	5,227	4,938
Other pension costs	1,924	1,684
	53,975	50,551

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

Notes to the consolidated financial statements

7. Net finance expense

	2015 £000	2014 £000
Finance income — interest receivable	(7)	(7)
Finance expense — interest and other costs in relation to bank borrowings	457	565
	450	558

8. Taxation

a) The taxation credit comprises:

	2015 £000	2014 £000
Current tax		
UK corporation tax	(512)	(1,025)
Adjustments to prior years' tax provisions	(154)	7
	(666)	(1,018)
Deferred tax (note 20)		
Current year credit	573	1,319
Impact of reduction in future years' tax rates	—	1,066
Adjustments to prior years' provisions	428	50
	1,001	2,435
	335	1,417

b) Tax reconciliation

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

	2015 £000	2014 £000
Loss before tax	(191)	(4,057)
Tax on loss on ordinary activities at standard UK corporation tax rate	40	933
Expenses not deductible for tax purposes	(136)	(374)
Tax effect of share of results of JVs and associates	29	(657)
Unprovided deferred tax movement	128	392
Adjustments to prior years' provisions	274	57
Rate differences	—	1,066
	335	1,417

Corporation tax was calculated at 21 per cent (2014: 23 per cent) of the estimated taxable result for the year.

9. Dividends

No dividends were either paid or declared for the year ended 31 March 2014. No interim dividend was either paid or declared for the six months ended 30 September 2014.

The directors are recommending a final dividend in respect of the financial year ended 31 March 2015 of 0.5p per share which will amount to an estimated dividend payment of £1,488,000. If approved by the shareholders at the annual general meeting on 2 September 2015, this dividend will be paid on 11 September 2015 to shareholders who are on the register of members at 14 August 2015. This dividend is not reflected in the balance sheet as at 31 March 2015 as it is subject to shareholder approval.

10. Earnings per share

Earnings per share is calculated as follows:

	2015 £000	2014 £000
Earnings for the purposes of basic earnings per share being net profit/(loss) attributable to equity holders of the parent company	144	(2,640)
Earnings for the purposes of underlying basic earnings per share being underlying net profit attributable to equity holders of the parent company	6,862	2,598
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	297,503,587	295,791,922
Weighted average number of ordinary shares for the purposes of diluted earnings per share	297,503,587	295,791,922
Basic earnings per share	0.05p	(0.89p)
Underlying basic earnings per share	2.31p	0.88p
Diluted earnings per share	0.05p	(0.89p)
Underlying diluted earnings per share	2.31p	0.88p
Reconciliation of earnings		
	2015 £000	2014 £000
Net profit/(loss) attributable to equity holders of the parent company	144	(2,640)
Other items	6,718	5,238
Underlying net profit attributable to equity holders of the parent company	6,862	2,598

Further details of other items are provided in note 5.

Notes to the consolidated financial statements

11. Goodwill

The carrying value of goodwill is allocated to cash-generating units ('CGUs') as follows:

	£000
On the Fisher Engineering acquisition in 2007	47,980
On the Atlas Ward acquisition in 2005	6,571
On the Watson Steel Structures acquisition in 2001	161
	54,712

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The Group considers that the cash flows of the legacy Fisher Engineering and Severfield (UK) operations are so closely related that they should be treated as a group of CGUs for the purposes of goodwill impairment testing.

The recoverable amounts of goodwill are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations on future changes in the market.

The Group prepares forecast cash flows based on the following year's budget, approved by the directors, together with cash flows based on budgets for the following two years which are derived from the directors' views on revenue prospects until March 2018. After this period, cash flows have been extrapolated using a growth rate of 1.5 per cent (2014: 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 10 per cent (2014: 10 per cent).

Following the impairment reviews performed by the Group, no impairment charge was recorded in the year ended 31 March 2015.

Management considers that no reasonably possible change in the key assumptions would cause the goodwill attached to the above CGUs to fall below their carrying value at 31 March 2015.

12. Other intangible assets

	Intangible assets acquired on acquisition £000	Other intangible assets £000	Total £000
Cost			
At 1 April 2013	39,000	883	39,883
Additions	—	—	—
At 1 April 2014	39,000	883	39,883
Additions	—	—	—
At 31 March 2015	39,000	883	39,883
Amortisation			
At 1 April 2013	24,689	94	24,783
Charge for the year	2,748	137	2,885
Retirements	2,370	—	2,370
At 1 April 2014	29,807	231	30,038
Charge for the year	2,620	137	2,757
At 31 March 2015	32,427	368	32,795
Carrying amount			
At 31 March 2015	6,573	515	7,088
At 31 March 2014	9,193	652	9,845

12. Other intangible assets continued

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

	Customer relationships £000	Brands £000	Order book £000	Know-how £000	Total £000
Cost					
At 1 April 2014 and 31 March 2015	25,800	3,200	9,600	400	39,000
Amortisation					
At 1 April 2013	14,167	702	9,600	220	24,689
Charge for the year	2,580	128	—	40	2,748
Retirements	—	2,370	—	—	2,370
At 1 April 2014	16,747	3,200	9,600	260	29,807
Charge for the year	2,580	—	—	40	2,620
At 31 March 2015	19,327	3,200	9,600	300	32,427
Net book value					
At 31 March 2015	6,473	—	—	100	6,573
At 31 March 2014	9,053	—	—	140	9,193

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

Amortisation and retirement of acquired intangibles is included in the consolidated income statement as part of operating costs and is classified as other items (see note 5).

Notes to the consolidated financial statements

13. Property, plant and equipment (including investment property)

	Investment property £000	Freehold and long leasehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost						
At 1 April 2013	6,197	66,189	30,347	1,860	1,952	106,545
Additions	—	164	1,895	75	84	2,218
Disposals	—	(169)	(776)	—	(556)	(1,501)
At 1 April 2014	6,197	66,184	31,466	1,935	1,480	107,262
Additions	—	62	5,211	1,292	62	6,627
Disposals	(6,197)	(215)	(887)	—	(587)	(7,886)
At 31 March 2015	—	66,031	35,790	3,227	955	106,003
Accumulated depreciation						
At 1 April 2013	2,287	2,941	19,086	1,084	1,096	26,494
Charge for the year	40	503	2,680	154	244	3,621
Disposals	—	—	(459)	—	(392)	(851)
At 1 April 2014	2,327	3,444	21,307	1,238	948	29,264
Charge for the year	10	527	2,762	185	148	3,632
Disposals	(2,337)	—	(716)	—	(446)	(3,499)
At 31 March 2015	—	3,971	23,353	1,423	650	29,397
Carrying amount						
At 31 March 2015	—	62,060	12,437	1,804	305	76,606
At 31 March 2014	3,870	62,740	10,159	697	532	77,998

The net book value of the Group's plant and machinery includes £1,174,000 (2014: £589,000) of assets held under finance leases.

On 23 June 2014, the Group sold its sole investment property in Leeds for a gross consideration of £3,830,000. This resulted in a small loss on disposal after taking into account transaction costs.

14. Subsidiaries

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

Severfield (UK) Limited	— steel fabrication and construction
Severfield (Design & Build) Limited	— steel fabrication
Severfield (NI) Limited	— steel fabrication and construction

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

15. Interests in JVs and associates

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

Associated companies:	Holding %	Class of capital
Fabsec Limited — development of fire beam	25.0	Ordinary
Joint venture:		
JSW Severfield Structures Limited — structural steelwork serving the Indian market	50.0	Ordinary

15. Interests in JVs and associates continued

On 17 November 2008 a formal agreement was signed in India with JSW Building Systems Limited (a subsidiary of JSW Steel Limited of India) to form a 50/50 joint venture, JSW Severfield Structures Limited, to create a structural steelwork business in Bellary and Mumbai, India, serving primarily the Indian market.

JSW Severfield Structures Limited is registered in India, and during the year the Group invested a further £1,700,000 (2014: £3,538,000) in the joint venture. As a result of the loss of £213,000 recorded during the year, the Group's investment in the Indian joint venture of £4,802,000 has been reviewed for impairment. The recoverable amount of the investment is determined from value in use calculations which are based on the following year's budget, together with financial projections for 2017 to 2019. The calculations assume a long-term growth rate of 1.5 per cent from 2020 onwards and a pre-tax discount rate of 10 per cent. Following this review, no impairment charge was recorded in the year ended 31 March 2015 (2014: £nil). Management considers that no reasonably possible change in the key assumptions would result in an impairment, whilst recognising that the achievement of the forecasts is dependent on the move to a sustainable profit position.

	Goodwill £000	Share of net assets/ (liabilities) £000	Loans to associate undertaking £000	Total £000
At 1 April 2013	251	2,846	71	3,168
Net assets acquired	—	3,538	—	3,538
Losses retained	—	(3,038)	—	(3,038)
Impairment of investment in associates	(251)	(31)	(71)	(353)
At 1 April 2014	—	3,315	—	3,315
Net assets acquired	—	1,700	—	1,700
Losses retained	—	(213)	—	(213)
At 31 March 2015	—	4,802	—	4,802

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

	Fabsec Limited £000	JSW Severfield Structures Limited £000	Total £000
Share of results	—	(213)	(213)

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

	2015 £000	2014 £000
Current assets	28,868	22,002
Non-current assets	26,081	23,984
Current liabilities	(32,111)	(26,672)
Non-current liabilities	(15,993)	(16,848)
Net assets	6,845	2,466
Group's share of net assets	3,688	1,575
Revenue	42,365	27,911
Profit/(loss) after tax	181	(5,871)
Group's share of loss after tax	(213)	(3,038)

There were no contingent liabilities or capital commitments (2014: none) associated with the Group's JVs and associates.

Notes to the consolidated financial statements

16. Inventories

	2015 £000	2014 £000
Raw materials and consumables	4,075	3,832
Work-in-progress	692	2,010
	4,767	5,842

17. Construction contracts

	2015 £000	2014 £000
Contracts-in-progress at balance sheet date:		
Amounts due from construction contract customers included in trade and other receivables	60,440	55,154
Amounts due to construction contract customers included in trade and other payables	(5,074)	(386)
	55,366	54,768
Contract costs incurred plus recognised profits less recognised losses to date	356,840	412,310
Less: progress billings received	(301,474)	(357,542)
	55,366	54,768

18. Trade and other receivables

	2015 £000	2014 £000
Amounts due from construction contract customers (note 17):		
— Current amounts receivable in respect of progress billings	55,130	50,361
— Retentions due within one year	3,599	2,822
— Retentions due after one year	1,711	1,971
Total	60,440	55,154
Other receivables	626	2,531
Prepayments and accrued income	3,219	2,841
Amounts due from JVs and associates	245	275
	64,530	60,801

In the prior year, other receivables included the fair value of a financial guarantee of £2,200,000, which represented the estimated equity payments during the year ended 31 March 2015 to the Indian joint venture (JSW Severfield Structures Limited). A corresponding liability of £2,200,000 was included within other creditors (see note 19).

The average credit period taken on revenue, calculated on a count-back basis to make appropriate allowance for monthly revenue phasing, is 82 days (2014: 70 days). No interest is charged on receivables.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Before accepting any new customer, the Group uses an external credit rating agency to assess the potential customer's credit quality and defines credit limits by customer. It is Group policy that adequate credit insurance is taken out on all customers to manage the exposure that may arise as the contractual work proceeds. Accordingly, no bad debt provisions are held or expenses incurred. The Group's executive risk committee reviews situations where adequate credit insurance on the Group's customers cannot be purchased in the present economic climate as required.

Due to the nature of the business involving applications for payment, contractually overdue amounts within trade and other receivables are limited to retentions. The Group has rigorous procedures in place for monitoring and obtaining settlement of retentions in a prompt manner.

Overdue retentions at 31 March 2015 were £0.2m (2014: £0.1m).

19. Trade and other payables

	2015 £000	2014 £000
Trade creditors	32,255	34,554
Other taxation and social security	3,562	3,136
Other creditors and accruals	17,515	13,246
Payments in advance (note 17)	5,074	386
	58,406	51,322

Other creditors and accruals includes contract remedial costs associated with the programme of bolt replacement works at the Leadenhall building (see note 5).

During the prior year, the Group provided an undertaking, not exceeding £3,500,000, to secure a loan facility of the Indian joint venture (JSW Severfield Structures Limited) until 31 March 2016. Other creditors in the prior year included the fair value of this financial guarantee of £2,200,000 which represented the estimated equity payments to the joint venture during the year ended 31 March 2015 (see note 18). Equity payments during the year ended 31 March 2015 were £1,700,000 (see note 15). Based on the latest cash flow projections, no further equity payments are scheduled before the expiry of the financial guarantee. Accordingly, its fair value is considered to be £nil.

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 58 days (2014: 59 days).

20. Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	2015 £000	2014 £000
Deferred tax liabilities	(7,615)	(8,443)
Deferred tax assets	5,492	4,286
	(2,123)	(4,157)

Deferred tax is disclosed in the balance sheet as follows:

	2015 £000	2014 £000
Deferred tax liabilities	(3,993)	(5,937)
Deferred tax asset — trading losses	1,870	1,780
	(2,123)	(4,157)

Notes to the consolidated financial statements

20. Deferred tax liabilities continued

	Excess capital allowances £000	Acquired intangible assets £000	Retirement benefit obligations £000	Trading losses £000	Other timing differences £000	Total £000
At 1 April 2013	(7,937)	(3,292)	2,716	1,840	120	(6,553)
Credit/(charge) to income statement	515	1,178	(108)	152	(368)	1,369
Credit to equity	–	–	252	–	–	252
Effect of change in tax rate	1,035	276	(354)	(212)	(32)	713
Reclassification	–	–	–	–	62	62
At 1 April 2014	(6,387)	(1,838)	2,506	1,780	(218)	(4,157)
Credit/(charge) to income statement	86	524	(106)	90	407	1,001
Credit to equity	–	–	894	–	139	1,033
At 31 March 2015	(6,301)	(1,314)	3,294	1,870	328	(2,123)

The deferred tax assets reducing the deferred tax liability relate to 20 per cent (2014: 20 per cent) of the Group's deficit on its defined benefit retirement scheme, trading losses carried forward and other timing differences. The tax losses on which a deferred tax asset has been recognised do not expire. Deferred tax assets are recognised for tax loss carry-forwards to the extent that the utilisation of the related tax benefit through future taxable profits is probable. In determining the amounts of deferred tax assets to be recognised, management uses historical profitability information and, if relevant, forecasted operating results, based on approved budgets and forecasts, including a review of the eligible carry-forward periods, tax planning opportunities and other relevant considerations.

Unrecognised deferred tax assets in respect of trading losses amounted to £1,302,000 (2014: £1,430,000). These have not been recognised as a result of the unpredictability of future profit streams against which these losses may be utilised.

21. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while optimising the return to stakeholders. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The board reviews the capital structure of the Group on a semi-annual basis. As part of this review, it considers the cost of capital and the risks associated with each class of capital. The Group monitors capital using the following indicators:

i) Gearing ratio

	2015 £000	2014 £000
Borrowings	—	(5,000)
Cash and cash equivalents	6,884	5,525
Unamortised debt arrangement fees	273	—
Finance leases	(794)	(206)
Net funds	6,363	319
Equity	140,584	143,398
Net debt to equity ratio	N/A	N/A

Equity includes all capital and reserves of the Group attributable to equity holders of the parent. There are no externally imposed capital requirements.

21. Financial instruments continued

ii) Return on capital employed

Underlying operating profit plus share of post-tax results from JVs and associates 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 funds.

	2015 £000	2014 £000
Underlying operating profit	8,974	7,621
Share of results of JVs and associates	(213)	(3,038)
	8,761	4,583
Capital employed:		
Shareholders' equity	140,584	143,398
Cash and cash equivalents	(6,884)	(5,525)
Borrowings	794	5,206
Net funds	(6,090)	(319)
Retirement benefit obligations (net of deferred tax) (note 30)	13,183	10,027
Acquired intangible assets (note 12)	(6,573)	(9,193)
	141,104	143,913
Average capital employed	142,509	140,944
Return on capital employed	6.1%	3.3%

Categories of financial instruments

	Carrying value	
	2015 £000	2014 £000
Financial assets		
Cash and cash equivalents	6,884	5,525
Amounts due from construction contract customers (note 17)	60,440	55,154
Derivative financial instruments	118	—
Unamortised debt arrangement fees	273	—
Financial liabilities		
Trade creditors (note 19)	(32,255)	(34,554)
Other creditors and accruals (note 19)	(17,515)	(13,246)
Borrowings	—	(5,000)
Finance leases	(794)	(206)

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).

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.

Notes to the consolidated financial statements

21. Financial instruments continued

General risk management principles

The board has overall responsibility for the establishment and oversight of the Group's risk management framework. A formal risk assessment and management framework for assessing, monitoring and managing the strategic, operational and financial risks of the Group is in place to ensure appropriate risk management of its operations. Internal control and risk management systems are embedded in the operations of the divisions.

Financial risks and management

The Group has exposure to a variety of financial risks through the conduct of its operations. Risk management is governed by the Group's operational policies, which are subject to periodic review by the board of directors.

Credit risk

The Group's primary exposure to credit risk arises from the potential for non-payment or default from construction contract debtors. The degree to which the Group is exposed to this credit risk depends on the individual characteristics of the contract counterparty and the nature of the project. The Group's credit risk is also influenced by the general macroeconomic conditions. The Group does not have significant concentration of risk in respect of amounts due from construction contract customers at the reporting date with them being spread across a wide range of customers. Due to the nature of the Group's operations, it is normal practice for customers to hold retentions in respect of contracts completed. Retentions held by customers at 31 March 2015 were £5,310,000 (2014: £4,793,000).

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.

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.

On 31 October 2014, the Group entered into a new £25,000,000 revolving credit facility ('RCF') with HSBC Bank plc and Yorkshire Bank (a member of the National Australia Bank group) which matures in July 2019 and cancelled the existing RCF facility with Royal Bank of Scotland plc and Yorkshire Bank which was due to expire in November 2016.

The new facility includes an accordion facility of £20,000,000, which allows the Group to increase the aggregate available borrowings to £45,000,000, at the Group's request. This new facility is subject to certain covenants including the cover of interest costs and the ratio of net debt to EBITDA.

As at 31 March 2015, £25,000,000 of this facility was not drawn but available. Up to £10,000,000 of this facility is available by way of an overdraft.

21. Financial instruments continued

In accordance with IFRS 7, the following tables detail the Group's remaining contractual maturity for its financial liabilities.

	Carrying value £000	Less than 3 months £000	Maturity analysis			Total £000
			3 months to 1 year £000	1–2 years £000	2–5 years £000	
Liabilities – 2015						
Trade and other payables	49,770	43,408	5,799	272	291	49,770
Financial liabilities — finance leases	794	70	135	180	409	794
	50,564	43,478	5,934	452	700	50,564
Liabilities – 2014						
Trade and other payables	47,800	43,250	3,166	1,035	349	47,800
Financial liabilities — borrowings	5,000	—	—	—	5,000	5,000
Financial liabilities — finance leases	206	49	132	25	—	206
	53,006	43,299	3,298	1,060	5,349	53,006

Market risk

The Group's activities expose it primarily to the financial risks of changes in credit risks described above, in foreign currency exchange rates and interest rates. The Group has entered into certain derivative financial instruments to manage its exposure to foreign currency risk.

Market risk exposures are monitored and are supplemented by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

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	
	2015 £000	2014 £000	2015 £000	2014 £000
Euro	(149)	(132)	942	4,148
US dollar	—	—	605	5
	(149)	(132)	1,547	4,153

Foreign currency sensitivity analysis

The Group is only significantly exposed to the euro and US dollar.

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	
	2015 £000	2014 £000	2015 £000	2014 £000
Profit or loss and equity	(61)	—	501	324

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.

Notes to the consolidated financial statements

21. Financial instruments continued

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover future euro and US dollar currency receipts on relevant contracts.

At 31 March 2015, the Group had forward exchange contracts held for the sale of 7.7m euros (2014: 8.8m euros) and nil US dollars (2014: nil US dollars) at an average exchange rate of 1.326 euros/£ (2014: 1.206 euros/£) and nil US dollars/£ (2014: nil US dollars/£) to the pound and maturing within 12 months of the year-end.

Interest rate risk management

The Group is exposed to interest rate risk as described under the borrowings paragraph earlier in this note. The Group does not currently hedge any of its interest rate exposure.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the gross amount of liability outstanding at balance sheet date was outstanding for the whole period. A 0.5 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5 per cent higher and all other variables were held constant, the Group's profit for the year ended 31 March 2015 and the Group's equity at that date would decrease by £nil (2014: £25,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings. If the £25,000,000 facility is fully utilised the exposure increases to £125,000.

22. Share-based payments

The Group operates a share-based incentive scheme open to all employees of the Group although the current intention is that only the Company's executive directors (being both board directors and certain members of the executive committee) and selected senior employees will participate in the scheme. Further details are given in the directors' remuneration report on pages 72 to 86.

Performance share plan

The vesting of awards is subject to performance conditions set by the remuneration committee. The Group recognised a total charge of £480,000 for the year (2014: £162,000) with a corresponding entry to reserves. The weighted average fair value of share options granted during the year was £0.52 per share. Three outstanding awards had been granted to 31 March 2015:

- During the period ended 31 March 2013 the remuneration committee granted 1,113,508 ordinary shares of 2.5p each at £nil value to the executive directors. The vesting of these awards was dependent on the Group's underlying earnings per share performance over the three-year period from 1 January 2012 to 31 December 2014. As a result of the Group's change of year-end to 31 March, these awards were deferred until 31 March 2015. The following vesting schedule applies:

Underlying EPS performance† for year ended 31 December 2014 ¹	% of award vesting
Equal to less than 6.51p	0%
Equal to 11.71p or better	100%
Between 6.51p and 11.71p	between 25% and 100%

The assumptions used to measure the fair value of the shares granted are as follows:

Share price on date of grant	£2.00*
Exercise price	nil
Expected volatility (using historic performance)	50%
Risk-free rate	1.7%
Dividend	5.0p
Actual life	three years

* Granted on 7 March 2012.

† Now deferred to 31 March 2015.

‡ The original EPS targets have been adjusted by a factor of 1.92105. This adjustment is based on the relationship between the last day cum rights issue share price (73p) and the theoretical ex rights price (38p).

The Black-Scholes pricing model produced, using the above assumptions, an annual charge of £nil (2014: charge of £nil).

22. Share-based payments continued

- During the year ended 31 March 2014 the remuneration committee granted 2,183,779 ordinary shares of 2.5p each at £nil value to the executive directors. The vesting of these awards will be dependent on the Group's underlying earnings per share performance over the three-year period from 1 April 2013 to 31 March 2016. The following vesting schedule applies:

Underlying EPS performance for year ending 31 March 2016	% of award vesting
Equal to less than 2.15p	0%
Equal to 4.87p or better	100%
Between 2.15p and 4.87p	between 25% and 100%

The assumptions used to measure the fair value of the shares granted are as follows:

Share price on date of grant	£0.48*
Exercise price	nil
Expected volatility (using historic performance)	98%
Risk-free rate	2.7%
Dividend	1.0p
Actual life	three years

* Granted on 5 June 2013.

The Black-Scholes pricing model produced, using the above assumptions, an annual charge of £229,000 (2014: £162,000).

- During the year ended 31 March 2015 the remuneration committee granted 2,198,382 ordinary shares of 2.5p each at £nil value to the executive directors. The vesting of these awards will be dependent on the Group's underlying earnings per share performance over the three-year period from 1 April 2014 to 31 March 2017. The following vesting schedule applies:

Underlying EPS performance for year ending 31 March 2017	% of award vesting
Equal to less than 3.23p	0%
Equal to 6.45p or better	100%
Between 3.23p and 6.45p	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	£0.55*
Exercise price	nil
Expected volatility (using historic performance)	76%
Risk-free rate	2.7%
Dividend	1.0p
Actual life	three years

* Granted on 4 June 2014.

The Black-Scholes pricing model produced, using the above assumptions, an annual charge of £251,000.

23. Share capital

	2015 £000	2014 £000
Issued and fully paid:		
297,503,587 ordinary shares of 2.5p each (2014: 297,503,587 ordinary shares of 2.5p each)	7,437	7,437

There are no share options outstanding as at 31 March 2015 (2014: nil).

Notes to the consolidated financial statements

24. Other reserves

	Share-based payment reserve £000	Other reserves £000	Total £000
At 1 April 2013	388	139	527
Share-based payments charge	243	—	243
At 1 April 2014	631	139	770
Share-based payments charge	480	—	480
At 31 March 2015	1,111	139	1,250

The movement in the share-based payment reserve represents the share-based payment charge of £480,000 (2014: £243,000) (see note 22). The prior year charge includes £162,000 for the performance share plan and £81,000 for the share incentive plan which terminated in 2014.

25. Net cash flow from operating activities

	2015 £000	2014 £000
Operating profit/(loss) from continuing operations	259	(3,499)
Adjustments:		
Depreciation of property, plant and equipment (note 13)	3,622	3,581
Depreciation of investment property (note 13)	10	40
Gain on disposal of property, plant and equipment	(46)	(96)
Amortisation of intangible assets (note 12)	2,757	2,885
Retirement of acquired intangible asset (note 12)	—	2,370
Movements in pension scheme (note 30)	(528)	(539)
Share of results of JVs and associates (note 15)	213	3,391
Share-based payments	480	243
Movement in valuation of derivatives	(118)	—
Operating cash flows before movements in working capital	6,649	8,376
Decrease in inventories	1,075	2,372
(Increase)/decrease in receivables	(4,206)	10,798
Increase/(decrease) in payables	7,893	(19,433)
Cash generated from operations	11,411	2,113
Tax (paid)/received	(965)	409
Net cash flow from operating activities	10,446	2,522

26. Analysis of net funds

	2015 £000	2014 £000
Cash and cash equivalents	6,884	5,525
Unamortised debt arrangement fees	273	—
Financial liabilities — borrowings	—	(5,000)
Financial liabilities — finance leases	(794)	(206)
	6,363	319

27. Capital commitments

	2015 £000	2014 £000
Contracted for but not provided in the financial statements	—	750

28. Contingent liabilities

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

The Company and its subsidiaries have provided unlimited multilateral guarantees to secure any bank overdrafts and loans of all other Group companies. At 31 March 2015 these amounted to £15,000,000 (2014: £25,000,000). The Group has also given performance bonds in the normal course of trade.

29. Operating lease arrangements

The Group as lessee

The Group leases a number of its premises under operating leases which expire between 2015 and 2032.

The total future minimum lease rentals are as follows:

	2015 £000	2014 £000
Minimum lease rentals due:		
— Within one year	1,140	1,076
— After one year and within five years	3,656	3,779
— After five years	11,553	12,231
	16,349	17,086

The Group also leases certain items of plant and machinery and vehicles whose total future minimum lease rentals are as follows:

	2015 £000	2014 £000
Minimum lease rentals due:		
— Within one year	1,272	1,172
— After one year and within five years	2,128	1,450
— After five years	39	105
	3,439	2,727

The Group as lessor

Property rental income earned on owned properties during the year was £211,000 (2014: £422,000). The properties held have committed tenants for the next one to five years. All operating lease contracts contain market review clauses in the event that the lessees exercise the options to renew. The lessees do not have an option to purchase the property at the expiry of the lease period.

As at the balance sheet date the Group had contracted with tenants for the following future minimum lease payments:

	2015 £000	2014 £000
— Within one year	172	397
— After one year and within five years	313	919
— After five years	212	—
	697	1,316

Notes to the consolidated financial statements

30. Retirement benefit obligations

Defined contribution schemes

The Group operates two defined contribution retirement benefit schemes. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £1,644,000 (2014: £1,357,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2015, contributions of £266,000 (2014: £183,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

The Group has a defined benefit scheme which is now closed to new members and no defined benefit membership rights will accrue under the scheme.

The scheme exposes the Group to actuarial and other risks, the most significant of which are considered to be:

Investment risk	The present values of the scheme liabilities are calculated using a discount rate determined by reference to corporate bond yields; if the return on scheme assets is below this rate, it will create a plan deficit. The Group holds a significant proportion of growth assets (bonds, gilts and equities) to leverage the return generated by the scheme.
Interest risk	A decrease in the corporate bond interest rate will increase the scheme liabilities, although this will be partially offset by an increase in the return on the scheme's assets.
Longevity risk	The present values of the scheme liabilities are calculated by reference to the best estimate of the mortality of scheme participants which reflect continuing improvements in life expectancy. An increase in the life expectancy of the scheme participants will increase the scheme's liabilities.
Salary risk	The present values of the defined benefit scheme liabilities are calculated by reference to the future salaries of scheme participants. As such, an increase in the salary of the scheme participants will increase the scheme's liabilities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 5 April 2014 by Mr Christopher Hunter, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	2015 %	2014 %
Key assumptions used:		
Discount rate	3.2	4.4
Inflation (RPI)	2.9	3.2
Future pension increases	2.8	3.1

When considering mortality assumptions a male life expectancy to 85 at age 65 has been used for the year ended 31 March 2015 (2014: 85).

Impact on scheme liabilities of changes to key assumptions:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 4.5%
Rate of mortality	Increase by one year	Increase by 3.4%

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2015 £000	2014 £000
Interest cost	1,407	1,290
Interest income	(898)	(815)
	509	475

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 £13,980,000 (2014: £9,509,000).

The actual return on scheme assets was a gain of £2,414,000 (2014: £300,000).

30. Retirement benefit obligations continued

The amount included in the balance sheet arising from the Group's obligations in respect of the defined benefit retirement scheme is as follows:

	2015 £000	2014 £000
Present value of defined benefit obligations	(38,958)	(32,395)
Fair value of scheme assets	22,481	19,862
	(16,477)	(12,533)

The major categories of scheme assets as a percentage of the total scheme assets are as follows:

	2015 %	2014 %
Equities	21.3	21.5
Bonds and gilts	61.3	62.3
Cash	6.2	5.5
Property	9.2	8.8
Other	2.0	1.9
	100.0	100.0

Bonds and gilts include a mixture of corporate and government bonds and fixed and index-linked gilts. Approximately 9 per cent of bonds have a sub-investment grade credit rating (BB+ or lower) and approximately 68 per cent of gilts are index-linked with 32 per cent being fixed.

Movements in the present value of defined benefit obligations were as follows:

	2015 £000	2014 £000
At start of year	(32,395)	(31,061)
Interest cost	(1,407)	(1,290)
Actuarial losses	(5,988)	(746)
Benefits paid	832	702
At end of year	(38,958)	(32,395)

Actuarial losses arising from changes in demographic assumptions, changes in financial assumptions and gains or losses arising from experience were losses of £nil (2014: £768,000), losses of £5,624,000 (2014: gains of £127,000) and losses of £364,000 (2014: losses of £105,000) respectively.

Movements in the fair value of scheme assets were as follows:

	2015 £000	2014 £000
At start of year	19,862	19,250
Interest income	898	815
Actuarial gains/(losses)	1,517	(515)
Employer contributions	1,037	1,014
Benefits paid	(833)	(702)
At end of year	22,481	19,862

The Group expects to contribute £88,000 per month to its defined benefit pension scheme in the year to 31 March 2016.

Notes to the consolidated financial statements

30. Retirement benefit obligations continued

History of experience of gains and losses:

	2015	2014	2013*	2011	2010
Experience gains/(losses) on scheme assets (£000)	1,516	(515)	961	243	(34)
Percentage of scheme assets	6.7%	(2.6%)	5.0%	1.4%	(0.2%)
Experience (gains)/losses on scheme liabilities (£000)	(364)	(105)	424	(512)	1,013
Percentage of the present value of scheme liabilities	(0.9%)	(0.3%)	1.4%	(1.9%)	4.1%
Total amount recognised in the consolidated statement of comprehensive income (£000)	(4,471)	(1,261)	(2,824)	(1,369)	(440)
Percentage of the present value of scheme liabilities	(11.5%)	(3.9%)	(9.1%)	(5.1%)	(1.8%)

* Represents the 15-month period ended 31 March 2013.

The weighted average period over which benefits are expected to be paid, or the duration of the liabilities, is currently 18 years.

31. Related party transactions

The remuneration of the directors is provided in the audited part of the directors' remuneration report on page 80.

In addition to the board of directors, members of the executive committee are also considered as key management personnel of the Group. Information about the remuneration of the additional directors who belong to the executive committee is as follows:

	2015 £000	2014 £000
Short-term employee benefits	1,204	852
Contributions into pension schemes	93	112
	1,297	964

Short-term employee benefits include salary, bonus, social security contributions, the provision of company cars, fuel for company cars and private medical insurance.

The charge in relation to share-based payments is provided in note 22 and relates to executive directors and members of the executive committee.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associated undertakings are disclosed below.

During the year the Group purchased services in the ordinary course of business from Fabsec Limited at a cost of £162,000 (2014: £105,000). The amount outstanding at 31 March 2015 was £92,000 (2014: £16,000).

During the year the Group incurred additional operating costs in relation to the day-to-day running of the joint venture in India of £596,000 (2014: £595,000). Those costs were recharged to the joint venture company during the year and the amount outstanding at 31 March 2015 was £245,000 (2014: £275,000).

Five year summary

	2015 £000	2014 £000	2013† £000	2011 £000	2010 £000
Results					
Revenue	201,535	231,312	318,256	267,778	266,692
Underlying* operating profit/(loss)	8,974	7,621	(19,218)	14,193	16,204
Underlying* profit/(loss) before tax	8,311	4,025	(21,532)	10,117	15,283
Non-underlying items before tax	(8,502)	(8,082)	(7,326)	(3,335)	(4,176)
Profit/(loss) attributable to equity holders of Severfield plc	144	(2,640)	(23,127)	5,822	7,633
Assets employed					
Non-current assets	145,078	147,650	154,871	156,940	165,013
Net current assets/(liabilities)	16,565	14,243	(32,060)	(3,059)	(11,739)
Non-current liabilities	(21,059)	(18,495)	(20,410)	(21,583)	(22,331)
Net assets	140,584	143,398	102,401	132,298	130,943
Key statistics					
Earnings per share:					
Basic — underlying*	2.31p	0.88p	(10.78p)	4.19p	6.51p
Basic	0.05p	(0.89p)	(13.49p)	3.39p	4.46p
Diluted — underlying*	2.31p	0.88p	(10.78p)	4.19p	6.51p
Diluted	0.05p	(0.89p)	(13.49p)	3.39p	4.46p
Dividends per share	—	—	1.50p	5.00p	7.50p
Dividend cover (times) — underlying* basis	—	—	(13.8)	1.6	1.3
Share price — high	72.00p	65.50p	114.26p	173.60p	163.06p
— low	53.50p	38.00p	35.40p	78.08p	92.27p

Key statistics for 2013, 2011 and 2010 have been restated to reflect the 7:3 rights issue in April 2013.

* The basis of stating results on an underlying basis is set out on page 101.

† Represents the 15-month period ended 31 March 2013.

Financial calendar

Preliminary announcement of full year results

17 June 2015

Publication of annual report

July 2015

Annual general meeting

2 September 2015

Announcement of interim results (provisional)

24 November 2015

Delivering quality service

The project involves the construction of two new production studios within the Warner Brothers complex at Leavesden, together with an extension to the existing Harry Potter tour. Each new studio is essentially a portal frame which includes wide spanning roof trusses with gantry walkways located within the trusses, as well as runway beams fixed to the underside of the trusses. The Harry Potter extension is of similar construction.

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Our financials — Company

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Project: Warner Brothers, Leavesden

Sector: Stadia and leisure

Location: Leavesden, Hertfordshire

Tonnage: 1,500

Client: Warner Brothers

Main contractor: Bowmer and Kirkland

Completion: March 2015

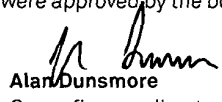
Company balance sheet

At 31 March 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	4	60,022	60,760
Intangible assets		515	652
Investments	5	100,659	98,959
		161,196	160,371
Debtors — amounts falling due within one year	6	48,094	63,021
Creditors — amounts falling due within one year	7	(95,674)	(115,879)
Net current liabilities		(47,580)	(52,858)
Total assets less current liabilities		113,616	107,513
Capital and reserves			
Share capital	9	7,437	7,437
Share premium	10	85,702	85,702
Other reserves	11	1,100	620
Profit and loss account	12	19,377	13,754
Equity and total shareholders' funds	13	113,616	107,513

The financial statements were approved by the board of directors on 17 June 2015 and signed on its behalf by:


Ian Lawson
 Chief executive officer


Alan Dunsmore
 Group finance director

Severfield plc

Registered in England No: 1721262

Notes to the Company financial statements

At 31 March 2015

1. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable UK accounting standards ('UK GAAP').

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements of the Company. The key factors considered by the directors in making the statement are set out within the financial review on pages 32 to 35.

Cash flow

The Company is exempt from the requirements of FRS1 (Revised) 'Cash flow statements'.

Tangible fixed assets

Freehold and long leasehold land is held at cost and not depreciated.

Depreciation is provided on other fixed assets to write off the cost of each asset over its estimated useful life at the following rates:

Freehold buildings	1 per cent straight-line
Motor vehicles	25 per cent written down value

Intangible fixed assets

Intangible fixed assets relate to capitalised software costs.

Intangible assets are amortised on a straight-line basis over their useful economic lives as follows:

Software costs	7 years
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Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share-based payments

Share-based payments are accounted for as described in the Group accounting policies on page 105.

Related party transactions

The Company has taken advantage of the exemption under FRS 8 'Related party disclosures' not to disclose transactions with other wholly-owned Group companies.

2. Operating profit

The auditor's remuneration for audit services to the Company was £17,000 (2014: £17,000).

3. Profit of the Company

The Company has taken advantage of Section 408 of the Companies Act 2006 and consequently its profit and loss account is not presented as part of these accounts. The profit of the Company for the financial year amounted to £5,623,000 (2014: £10,742,000). Dividends paid and proposed are disclosed in note 9 to the consolidated financial statements.

Notes to the Company financial statements

4. Tangible fixed assets

	Freehold and long leasehold land and buildings £000	Motor vehicles £000	Total £000
Cost			
At 1 April 2014	64,256	65	64,321
Disposals	(216)	(46)	(262)
At 31 March 2015	64,040	19	64,059
Depreciation			
At 1 April 2014	3,513	48	3,561
Charge for the year	505	3	508
Disposals	—	(32)	(32)
At 31 March 2015	4,018	19	4,037
Net book value			
At 31 March 2015	60,022	—	60,022
At 31 March 2014	60,743	17	60,760

The Company's freehold and long leasehold land and buildings includes those which are occupied and used by some of the Company's subsidiary undertakings.

5. Investments

	2015 £000	2014 £000
Investment in subsidiaries	86,950	86,950
Investment in joint ventures	13,709	12,009
	100,659	98,959

Investment in subsidiaries

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

Severfield (UK) Limited	— steel fabrication and construction
Severfield (Design & Build) Limited	— steel fabrication
Severfield (NI) Limited	— steel fabrication and construction

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

	£000
Cost	
At 1 April 2014 and 31 March 2015	107,150
Provision for impairment	
At 1 April 2014 and 31 March 2015	20,200
Net book value	
At 31 March 2015	86,950
At 31 March 2014	86,950

5. Investments continued**Investment in joint ventures**

On 17 November 2008 a formal agreement was signed in India with JSW Building Systems Limited (a subsidiary of JSW Steel Limited of India) to form a 50/50 joint venture, JSW Severfield Structures Limited, to create a structural steelwork business in Bellary and Mumbai, India, serving primarily the Indian market.

JSW Severfield Structures Limited is registered in India and, during the year, the Company invested indirectly £1,700,000 (2014: £3,538,000) in the joint venture. The investment is carried in Severfield Mauritius Limited, a wholly-owned subsidiary of the Company.

	£000
Cost	
At 1 April 2014	12,009
Additions	1,700
At 31 March 2015	13,709

As a result of the loss of £213,000 recorded during the year, the Company's investment in the Indian joint venture of £13,709,000 has been reviewed for impairment. The recoverable amount of the investment is determined from value in use calculations which are based on the following year's budget, together with financial projections for 2017 to 2019. The calculations assume a long-term growth rate of 1.5 per cent from 2020 onwards and a pre-tax discount rate of 10 per cent. Following this review, no impairment charge was recorded in the year ended 31 March 2015 (2014: £nil). Management considers that no reasonably possible change in the key assumptions would result in an impairment, whilst recognising that the achievement of the forecasts is dependent on the move to a sustainable profit position.

6. Debtors — amounts falling due within one year

	2015 £000	2014 £000
Other debtors	1,202	493
Amounts owed by subsidiary undertakings	45,321	61,699
Corporation tax recoverable	1,571	829
	48,094	63,021

7. Creditors — amounts falling due within one year

	2015 £000	2014 £000
Bank borrowings	3,864	8,873
Other creditors and accruals	4,266	2,797
Amounts owed to subsidiary undertakings	87,351	103,931
Deferred tax liability (note 8)	193	278
	95,674	115,879

Borrowings represent an element of the Group's revolving credit facility from HSBC Bank plc and National Australia Bank jointly as disclosed in note 21 to the consolidated financial statements. The facility is available until July 2019.

Notes to the Company financial statements

At 31 March 2015

8. Deferred tax

	Amount provided		Amount unprovided	
	2015 £000	2014 £000	2015 £000	2014 £000
Excess capital allowances	394	385	—	—
Short-term timing differences	(201)	(107)	—	—
	193	278	—	—

Deferred tax — movement for the year

	£000
At 1 April 2014	278
Current year credit	(85)
At 31 March 2015	193

9. Share capital

	2015 £000	2014 £000
Issued and fully paid:		
297,503,587 ordinary shares of 2.5p each (2014: 297,503,587 ordinary shares of 2.5p each)	7,437	7,437

There are no share options outstanding as at 31 March 2015 (2014: nil).

10. Share premium

	2015 £000	2014 £000
At start of year	85,702	46,152
Proceeds from shares issued	—	39,550
At end of year	85,702	85,702

11. Other reserves

	2015 £000	2014 £000
At start of year	620	377
Share-based payment charge	480	243
At end of year	1,100	620

The movement in the share-based payment reserve represents the share-based payment charge of £480,000 (2014: £243,000).

12. Profit and loss account

	2015 £000	2014 £000
At start of year	13,754	3,012
Net profit for the year	5,623	10,742
At end of year	19,377	13,754

13. Movement in shareholders' funds

	2015 £000	2014 £000
At start of year	107,513	51,772
Proceeds from shares issued	—	44,756
Net profit for the year	5,623	10,742
Movement in share-based payment reserve	480	243
At end of year	113,616	107,513

14. Capital commitments

	2015 £000	2014 £000
Contracted for but not provided in the financial statements	—	—

15. Contingent liabilities

The Company has provided an unlimited multilateral guarantee to secure any bank overdrafts and loans of all other Group companies. At 31 March 2015 these amounted to £nil (2014: £nil).

During the prior year, the Company provided an undertaking, not exceeding £3,500,000, to secure a loan facility of the Indian joint venture (JSW Severfield Structures Limited) until 31 March 2016.

Addresses and advisers

Registered office and headquarters

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YO7 3JN

Operational businesses

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Severfield (NI) Limited

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Co Fermanagh
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Bankers

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