Severfield

OUR BALANCED AND RESILIENT BUSINESS

Severfield plc Interim report for the six months ended 24 September 2022

DIRECTORS AND ADVISERS

Alan Dunsmore
Chief executive officer

Adam Semple
Chief finance officer

Ian Cochrane
Chief operating officer

Derek Randall
Executive director and managing director at JSW Severfield Structures

Kevin Whiteman
Non-executive chairman

Alun Griffiths
Senior independent director (chairman of the remuneration committee)

Tony Osbaldiston
Non-executive director (chairman of the audit committee)

Louise Hardy
Non-executive director

Rosie Toogood
Non-executive director

Mark Pegler
Non-executive director (appointed 3 October 2022)

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HIGHLIGHTS

Revenue
£234.9m
(H1 2022: £195.9m)

Underlying[1] operating profit (before JVs and associates)
£12.1m
(H1 2022: £10.2m)

Operating profit (before JVs and associates)
£10.5m
(H1 2022: £8.2m)

Underlying[1] profit before tax
£12.1m
(H1 2022: £10.3m)

Profit before tax
£10.2m
(H1 2022: £7.9m)

Underlying[1] basic earnings per share
3.3p
(H1 2022: 2.7p)

Basic earnings per share
2.8p
(H1 2022: 1.7p)

Interim dividend per share
1.3p
(H1 2022: 1.2p)

Headlines

- Revenue up 20% to £234.9m (H1 2022: £195.9m) reflecting increased activity and steel prices
- Underlying[1] profit before tax up 17% to £12.1m (H1 2022: £10.3m)
- Period-end net debt (excluding IFRS 16 lease liabilities[2]) of £15.8m (26 March 2022: £18.4m) reflects stable working capital position
- High-quality, diversified UK and Europe order book of £464m at 1 November 2022 (1 June 2022: £486m), includes new industrial and distribution, nuclear and data centre orders
- Share of profit from JSSL of £0.6m (H1 2022: £0.3m) reflects further revenue growth
- India order book of £143m at 1 November 2022 (1 June 2022: £158m) reflects strong continued demand for structural steel in India
- Interim dividend increased by 8% to 1.3p per share (H1 2022: 1.2p per share)
- New simplified divisional structure is bedding in well, with three new divisions aligned with our chosen market sectors

Outlook

- UK and Europe – tendering and pipeline activity remain at consistently high levels – including opportunities in the industrial and distribution, transport infrastructure, nuclear, data centre and commercial office sectors
- India – strong and growing demand for structural steel – JSSL remains very well-positioned to take advantage of an economy which is expected to grow significantly in the medium term
- Inflationary pressures remain a challenge but continue to be well managed
- Management expectations are unchanged – high-quality order books give us good profit visibility through FY24

[1] Stated before non-underlying items of £2.0m (H1 2022: £2.4m) including the amortisation of acquired intangible assets of £1.7m (H1 2022: £2.0m) and net acquisition-related expenses of £0.3m (H1 2022: £0.4m). Non-underlying items have been separately identified as a result of their magnitude, incidence or unpredictable nature. Their separate identification results in a calculation of an underlying profit measure in the same way as it is presented and reviewed by management (see note 7 to the interim financial statements)

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

[3] Except as otherwise stated, '2021' and '2022' refer to the 52-week periods ended 27 March 2021 and 26 March 2022. '2023' and '2024' refers to the 52-week period ending 25 March 2023 and the 53-week period ending 30 March 2024. The Group's accounts are made up to an appropriate weekend date around 31 March each year

A reconciliation of the Group's underlying results to its statutory results is provided in the Alterative Performance Measures ('APMs') section (see note 18 to the Interim Financial Statements)

INTERIM STATEMENT

INTRODUCTION

The Group's strong performance in the first six months of 2023 highlights the successful evolution of our strategy over recent years and the benefits of our significant market sector, geographical and client diversification. This has resulted in a well-balanced Group which, together with our strong balance sheet, has provided us with the resilience to maintain and improve our market positions and expert capabilities in engineering and construction throughout the challenges of the past two years. This is reflected in our strong order books of £464m in the UK and Europe and £143m in India, which provide us with good visibility of earnings and position us with a strong future workload throughout the second half of the year and beyond.

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

In India, an improving pipeline of potential orders reflects a continuing strong demand for structural steel in India. All this leaves the business very well-positioned to take advantage of a strongly growing economy which, together with the ongoing conversion of the market from concrete to steel, will drive the success and value of the business.

At the same time, new global challenges have arisen, including higher steel and other raw material prices, energy price volatility and tighter labour markets. We are continuing to manage these pressures well and the Group's scale, financial and operational strengths and disciplined processes have helped to ensure that we have not experienced any significant disruption or material impact to profitability.

FINANCIAL REVIEW

Revenue of £234.9m (H1 2022: £195.9m) represents an increase of £39.0m (20 per cent) compared to the prior period. This includes an increase in steel prices of c.£23m.

Underlying operating profit (before JVs and associates) of £12.1m (H1 2022: £10.2m) represents an increase of £1.9m (19 per cent) over the prior period. The increase in profit highlights our ability to offset ongoing inflationary cost increases through a combination of operating efficiencies, higher selling prices and contractual protection as steel remains largely a pass-through cost for the Group.

The share of results of JVs and associates in the period was a profit of £1.0m (H1 2022: £0.6m). This includes a share of profit from the Indian joint venture of £0.6m (H1 2022: £0.3m), reflecting increased revenue and a strong operating performance as the business continues its post-COVID recovery. The share of results of JVs and associates also includes those of Construction Metal Forming ('CMF') Limited, which has contributed a profit of £0.4m (H1 2022: £0.3m). The CMF business has continued to develop its product range, including modular steel products, to drive organic revenue growth, and its expanded production facilities in Wales are expected to be operational in H2.

The Group's underlying profit before tax was £12.1m (H1 2022: £10.3m), an increase of 17 per cent compared to the previous period. The statutory profit before tax, which includes both underlying and non-underlying items, was £10.2m (H1 2022: £7.9m), an increase of 29 per cent.

Non-underlying items for the period of £2.0m (H1 2022: £2.4m) consisted of the amortisation of acquired intangible assets of £1.7m (H1 2022: £2.0m) and acquisition-related expenses of £0.3m (H1 2022: £0.4m). The amortisation of acquired intangible assets represents the amortisation of customer relationships, order books and brand name, which were identified on the acquisitions of Harry Peers and DAM Structures. These assets are being amortised over periods ranging from 12 months to five years. Acquisition-related expenses include movements in the valuation of the contingent consideration for the DAM Structure acquisition, which is payable over a five-year period.

An underlying tax charge of £2.1m is shown for the period (H1 2022: £1.9m). This tax charge is recognised based upon the best estimate of the average effective tax rate on profit before tax for the full financial year and equates to the UK statutory rate of 19 per cent. A non-underlying tax credit of £0.4m has also been recognised. In the prior period, a non-underlying tax charge of £0.8m was recognised, comprising a tax credit on non-underlying items of £0.5m, offset by a charge of £1.3m relating to the increase in future tax rates from 19 per cent to 25 per cent.

Underlying basic earnings per share is 3.3p (H1 2022: 2.7p). This calculation is based on the underlying profit after tax of £10.0m (H1 2022: £8.3m) and 309,532,076 shares (H1 2022: 308,287,952 shares) being the weighted average number of shares in issue during the period. Basic earnings per share, which is based on the statutory profit after tax, is 2.8p (H1 2022: 1.7p). Diluted earnings per share, which includes the effect of the Group's performance share plan, is 2.7p (H1 2022: 1.7p).

Net debt (pre-IFRS 16 basis) at 24 September 2022 was £15.8m (26 March 2022: £18.4m). This represents an overdraft of £2.5m (26 March 2022: £3.5m) and the outstanding term loans of £13.3m (26 March 2022: £14.9m) for acquisitions. Operating cash flow for the period before working capital movements was £15.9m (H1 2022: £13.3m). Net working capital remained broadly stable following the large working capital outflow in the 2022 financial year, which included the impact of steel and other input price rises, higher steel purchases close to the 2022 year-end, and the UK's new VAT Domestic Reverse Charge regulations for construction services. Period-end working capital represented approximately nine per cent of revenue (26 March 2022: 10 per cent). Although this remains higher than our well-established target range of 4 to 6 per cent, we continue to expect an improvement in working capital in H2.

During the period, deferred consideration of £7.0m was paid in relation to the acquisition of DAM Structures, which was acquired in February 2021.

Capital expenditure of £2.1m (H1 2022: £3.5m) represents the continuation of the Group's capital investment programme. There remain some significant capital projects planned for the second half of the year, including new and upgraded equipment for our fabrication lines, and we continue to expect 2022 capital expenditure levels to be around our normal run rate of £6m to £8m per annum. Depreciation in the period was £3.6m (H1 2022: £3.3m), of which £0.9m (H1 2022: £0.8m) relates to right-of-use assets under IFRS 16.

INTERIM STATEMENT

The Group's net defined benefit pension liability at 24 September 2022 was £8.5m, a decrease of £5.9m from the year-end position of £14.4m. The deficit has reduced as a result of a higher discount rate, reflecting the significant increase in bond yields and employer deficit contributions over the period. This has been offset by lower than assumed returns on the scheme's assets and higher than expected inflation.

The Group has a £50m revolving credit facility ('RCF') with HSBC Bank and Virgin Money (formerly Yorkshire Bank), which matures in December 2026. This provides the Group with long-term financing to help support its growth strategy. The RCF is subject to three financial covenants, namely interest cover, net debt to EBITDA and debt service (cash flow) cover. As part of the Harry Peers and DAM Structures acquisitions, amortising term loans of £14m and £12m respectively were established as amendments to the RCF. At 24 September 2022, of these original loans of £26m, £13.3m remained outstanding.

The board considers the dividend to be a very important component of shareholder returns. Based on its current assessment of the performance of the business, our strong balance sheet and cash position, and longer-term prospects, the board has decided to increase the interim dividend by 8 per cent to 1.3p per share (H1 2022: 1.2p per share). This dividend will be paid in February 2023.

Capital Markets Day

We plan to host a Capital Markets Day for investors and analysts in early 2023, for which a separate RNS notice will be issued in due course.

OPERATIONAL REVIEW

New divisional structure

The Group has grown significantly over recent years, both organically and through acquisition. To align our business more closely with the market sectors we serve and our growing customer base, we have created a simpler divisional structure for our UK and Europe operations. The creation of three new market-focused divisions (see below) has also allowed us to adopt a more holistic approach to manufacturing across the Group, under the leadership of our Group Manufacturing Director, as we continue to invest in and optimise our factories, particularly at our main production centres in Dalton, Lostock and Enniskillen. There are no non-underlying costs associated with this re-organisation, which has been implemented for operational purposes.

With effect from 1 April 2022, the previous structure of six mainly location-based business units is being streamlined into three new divisions namely, the **Commercial and Industrial** division (mainly focusing on private sector clients), the **Nuclear and Infrastructure** division (mainly supporting public sector projects), and the **Products and Processing** division (including our growing modular and cold rolled steel product ranges). Further details are provided in the UK and Europe section below.

UK and Europe

The future success of the Group is determined, amongst other things, by the quality of the secured workload and our discipline to maintain risk-based contract selectivity irrespective of economic conditions. The UK and Europe order book at 1 November includes a significant amount of high-quality work and stands at £464m (1 June 2022: £486m), of which £367m is planned for delivery over the next 12 months. This leaves the Group very well-positioned with a strong future workload for the remainder of the 2023 financial year and beyond. The order book remains well-diversified and contains a good mix of projects across the Group's key market sectors. In terms of geographical spread of the order book of £464m, 95 per cent represents projects in the UK, with the remaining 5 per cent representing projects for delivery in Europe and the Republic of Ireland (1 June 2022: 96 per cent in the UK, 4 per cent in Europe and the Republic of Ireland). The more UK-centric nature of the current order book is driven by the recent completion of several projects in the Republic of Ireland, including the large industrial facility near Dublin.

As well as maintaining an historically high level of orders across the Group, we are also seeing a strong pipeline of further potential opportunities in the UK and in continental Europe as, despite the broader macroeconomic picture, many of our chosen markets continue to have a favourable outlook. Our scale and product service offering means we are well-positioned to take advantage of these opportunities across both our Commercial and Industrial and Nuclear and Infrastructure divisions with a wide client base, operating in a diverse range of market sectors and geographies. This provides us with resilience and the ability to drive future profitable growth.

Commercial and Industrial

The Commercial and Industrial ('C&I') division brings together the Group's strong capabilities in the industrial and distribution, commercial offices, stadia and leisure, data centres, retail, and health and education market sectors, working mainly with private sector clients.

During the period, we continued to work on several large distribution facilities in the UK, the Co-op Live Arena in Manchester, the Google Headquarters at King's Cross and a large industrial facility in the Republic of Ireland, which is now complete. Other significant revenue contributing projects include the new stadium for Everton F.C., Pinewood Studios in Shepperton, the ExCel Arena in London and a number of mid-sized office developments, both in the UK and Republic of Ireland (including Argyle Street in Glasgow, Wilton Park in Dublin and a new development at King's Cross in London).

The C&I order book at 1 November of £308m (1 June 2022: £348m) includes a significant amount of new work, which we have secured over recent months. This includes the full order to supply and construct fabricated steel for the Envision Battery Plant in Sunderland following the partnership with Nissan UK and Sunderland City Council to create an electric vehicle hub supporting next generation EV production, to help accelerate the transition to net zero carbon mobility. During the period, we also secured some new office projects, together with various large and several smaller industrial and distribution facilities in the UK, reflecting a sector which continues to present good opportunities. Most of our work is derived through either negotiated, framework or two-stage bidding procurement processes, in line with the risk profile of the work being undertaken.

We continue to be encouraged by the current level of tendering and pipeline activity across the Group, seeing a consistently high level of opportunities both in the UK and in continental Europe, in which we retain a good market position and which remains an important part of our strategic growth plans. The pipeline in continental Europe was adversely impacted by COVID-19 around 12 months ago, but has since recovered strongly.

In the UK, the government's £850m Automotive Transformation Fund aims to support the development of battery gigafactories and domestic zero carbon vehicle production, with a number of new facilities currently being planned or considered. A similar picture is also emerging in continental Europe. In addition, the UK's emergence as a major hub for film, television, advertising and gaming production is also leading to an increase in demand for film and TV studios. The Group's scale, speed of construction and on-time delivery capabilities, leaves us well-positioned to win work from such projects, all of which are likely to have a significant steelwork content.

INTERIM STATEMENT

We are also well-positioned to take advantage of some significant other opportunities in the industrial and distribution and data centre sectors and, despite predictions of the demise of the office after COVID-19, in the commercial office sector, including in London.

Nuclear and Infrastructure

The Nuclear and Infrastructure ('N&I') division encompasses the Group's market-leading positions in the nuclear, power and energy, transport (road and rail) and process industries sectors, mainly supporting public sector projects.

During the period, we continued to work on HS2 bridge packages for a variety of consortia including Water Orton Viaducts in the Midlands and PRA to Oxford Road in Aylesbury, together with road and rail bridges including the A1 Birtley to Coalhouse and A46 Binley bridges and the M42 junction 6 road improvement scheme. From a nuclear perspective, ongoing contracts include work at Hinkley Point and some large projects at Sellafield.

The N&I order book at 1 November was £151m (1 June 2022: £136m) of which 52 per cent represents transport infrastructure (1 June 2022: 65 per cent) and 46 per cent represents nuclear projects (1 June 2022: 32 per cent). Notable awards in the period include a large secondary steelwork package at Hinkley Point and some new bridge awards reflecting investment in infrastructure by Highways England and Network Rail.

As a key component of economic growth, the construction industry will be central to a sustainable economic recovery. New, low carbon infrastructure (including HS2, wind power, new nuclear, rail electrification, energy efficient buildings) will play a leading role in stimulating sustainable growth. The UK government's National Infrastructure Strategy ('NIS') sets out its plans to transform infrastructure to drive economic recovery, levelling up and meeting the UK's net zero emissions target by 2050. The funding of £650 billion for developments in roads, railways, power networks and other UK infrastructure projects, represents an increase of around £100 billion from the previous plan. Included within the NIS are increased budgets for some of the Group's key customers such as Network Rail, including a significant amount of rail electrification work and Highways England, including the second Road Investment Strategy. We have already secured some significant road and rail bridge awards, new nuclear and rail electrification work and we continue to make good progress with several other similar opportunities in the pipeline. In general, we remain well-positioned to win work in the transport sector given the Group's historical track record and our in-house infrastructure capabilities.

Looking further ahead, the UK government's Energy Security Strategy pledges a new generation of nuclear power (under the banner of 'Great British Nuclear') as well as offshore wind generation, together with several other new energy supply initiatives, to reduce reliance on foreign energy supply. The combination of the in-house nuclear expertise, together with the Group's unmatched scale and capability to deliver major infrastructure projects, leaves us well-positioned to win work from such projects in the future.

Products and Processing

The Products and Processing ('P&P') division consists of the growing modular product ranges of Severfield (Products & Processing) ('SPP') based in Sherburn and of Construction Metal Forming ('CMF'), our cold rolled steel joint venture business based in Wales. We continue to be the only hot rolled steel fabricator in the UK to have a cold rolled manufacturing capability.

In SPP we have maintained our focus on growing our 'Severstor' modular product range and 'Rotoflo' products, both of which attract higher margins. For Severstor, we are already making significant progress in growing our client base and have secured repeat orders from several blue-chip clients as well as continuing to develop our pipeline of opportunities. For Rotoflo, we have continued to develop the overseas footprint of the business, aided by our new sales manager in India, and have secured some new orders from the Indian paint industry, where we see some other potentially interesting opportunities. SPP has already been awarded 'Fit for Nuclear' and certain Network Rail accreditations which, together with an expanding client base and our previous record in modular construction, we believe will help us to achieve our future growth aspirations for the business.

CMF has continued to develop its product range which now includes load bearing frame and deck profiles, purlins and side rail systems to service a cold formed steel market, which has grown significantly in recent years through the increased use of steel in off-site and modular construction. The business's new manufacturing facility in South Wales is now complete and the expanded capacity is expected to be operational in H2. This will allow CMF to serve an external client base and ensure that its market share is maintained and increased in line with market growth.

Inflation and supply chain
Inflationary pressures and supply issues for both us and our clients have continued to present challenges throughout the period. Rising steel prices, supply constraints on certain materials and increased energy and labour costs have continued to drive upward pressure on total build costs, which in turn is placing increased strain on the supply chain. This is expected to continue through the second half and beyond. For existing projects, any additional costs have generally been offset by a combination of contractual protection, operating efficiencies, higher selling prices and by forward purchasing, leveraging the Group's scale and supply chain and sub-contract management strengths. For steel, we also benefit from relationships with supply chain partners in the UK and continental Europe, reducing the risk of interruptions to the Group's steel supply.

Business improvement
During the period, the Group launched Project Horizon, our new digitisation project. The objective is to maximise the automation of our estimating, design, production and contract delivery processes to improve customer service and increase efficiency. Workflows include a series of projects and initiatives designed to modernise and further standardise processes and systems across the Group. The project is a long-term initiative that we believe will shape our future as we develop and enhance our systems, to ensure we remain at the forefront of technology and innovation as market leaders in the industry. During the period, as part of Project Horizon, we continued to make good progress with our innovative approach to drawing and design, including the automation of repetitive tasks and the optimisation of engineering software, which is now being used on an increasing number of construction projects across the Group.

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

INTERIM STATEMENT

India

JSSL is continuing to ramp up its Bellary facility towards its maximum capacity of c.100,000 tonnes, with total output for 2023 including sub-contracted work likely to exceed 100,000 tonnes. This increased activity is evident in the Group's higher after-tax share of profit of £0.6m (H1 2022: £0.3m). The improved performance reflects an increase in revenue of 70 per cent to £70.3m (H1 2022: £41.2m) and an unchanged operating margin of 5.6 per cent (H1 2022: 5.6 per cent), mainly reflecting increased steel prices which have been successfully passed through to clients at zero margin. Financing expenses of £2.5m (H1 2022: £1.6m) are higher than the previous period, reflecting an increase in borrowings and in the cost of letters of credit, which are linked to higher steel prices. These higher financing costs result in JSSL's operating profit of £3.9m (H1 2022: £2.3m) reducing to a profit before tax of £1.4m (H1 2022: £0.7m).

Notwithstanding current inflationary pressures, JSSL has continued to win new work, resulting in a strong order book of £143m at 1 November 2022 (1 June 2022: £158m). In terms of mix, 36 per cent of the order book represents higher margin commercial work, with the remaining 64 per cent representing industrial projects (1 June 2022: commercial work of 37 per cent, industrial work of 63 per cent). The current higher level of industrial work is consistent with the ongoing fluctuations in the timing and mix of industrial and commercial work in a growing order book.

The company's strong order book, together with an improving pipeline of potential orders, reflects a continuing strong demand for structural steel in India. All this leaves the business very well-positioned to take advantage of an economy which is expected to grow significantly in the medium term which, together with the ongoing conversion of the market from concrete to steel, will drive the success and long-term value of the business.

In conjunction with our joint venture partner, we are close to selecting another plot of land to facilitate the future expansion of the business. This land purchase, which should be completed in H2, will allow the business to expand its geographical footprint whilst providing it with the platform to build quickly and add the necessary volume to support the expected future market growth. We remain excited about the long-term trajectory of the market and of the value creation potential of JSSL.

ESG

In the UK and Europe, we have a prominent position in many market sectors with strong growth potential and are well-positioned to help accelerate the journey to net zero. This includes infrastructure projects such as new nuclear, HS2 and rail electrification, together with other projects in support of a low-carbon economy such as battery plants, energy efficient buildings and manufacturing facilities for renewable energy.

Our sustainability strategy outlines our commitment to reach net zero for our scope 1 and 2 carbon emissions by 2040 and we have begun implementing the actions required to achieve this objective. We have already been accredited by the Carbon Trust as carbon neutral for our manufacturing and construction operations and have signed up to the United Nations 'Race to Zero' campaign, which requires the establishment of a net zero target in line with a 1.5-degree world. We remain on schedule to submit this target for validation by the Science-Based Target Initiative ('SBTi') by the end of the 2023 financial year. From a social value perspective, we have adopted the National TOMs – Themes, Outcomes and Measures – methodology framework to focus our future commitments on all areas of social value both internally and in partnership with our clients.

The Group-wide 'MyVoice' forums recognise the importance of input from our people in helping us deliver on our strategic ambitions. Our regular schedule of meetings has continued during the period, which provide valuable, ongoing insights and feedback for the board. During the period, the Group further bolstered its commitment to young people, recruiting a record number of UK apprentices, across a range of disciplines and becoming a gold member of The 5% Club, demonstrating our commitment to 'earning and learning'. This will help improve the innovative thinking and fresh ideas required to sustain the industry and the Group into the future.

SUMMARY AND OUTLOOK

In the first six months of 2023, the Group has delivered a strong financial performance whilst managing ongoing inflationary pressures. We have increased revenues and profits in the UK and India, our order books are substantial and of high quality, and our balance sheet remains healthy, allowing us to operate effectively and efficiently and to continue making the right long-term decisions for the business. The Group's businesses are well-positioned in markets with excellent opportunities, underpinned by our new, simplified divisional structure, providing us with a better platform to fulfil our strategic growth aspirations.

We remain mindful of the macro-economic backdrop, including ongoing inflationary pressures. However, given the Group's performance to date and the current visibility of future workload for delivery in the second half of the year, we are confident of delivering further progress and a full year performance which is in line with our previous expectations.

Alan Dunsmore
Chief Executive Officer
22 November 2022

CONSOLIDATED INCOME STATEMENT

	Six months ended 24 September 2022 (unaudited)		
	Underlying £000	Non-underlying £000	Total £000
Revenue	234,869	–	234,869
Operating costs	(222,741)	(1,669)	(224,410)
Operating profit before share of results of JVs and associates	12,128	(1,669)	10,459
Share of results of JVs and associates	1,039	–	1,039
Operating profit	13,167	(1,669)	11,498
Net finance expense	(1,029)	(289)	(1,318)
Profit before tax	12,138	(1,958)	10,180
Taxation	(2,090)	416	(1,674)
Profit for the period	10,048	(1,542)	8,506
Earnings per share:			
Basic	3.25p	(0.50)p	2.75p
Diluted	3.21p	(0.49)p	2.72p

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

	Six months ended 25 September 2021 (unaudited)			Year ended 26 March 2022 (audited)		
	Underlying £000	Non-underlying £000	Total £000	Underlying £000	Non-underlying £000	Total £000
	195,890	–	195,890	403,563	–	403,563
	(185,710)	(2,025)	(187,735)	(376,682)	(5,424)	(382,106)
	10,180	(2,025)	8,155	26,881	(5,424)	21,457
	581	–	581	1,346	–	1,346
	10,761	(2,025)	8,736	28,227	(5,424)	22,803
	(479)	(338)	(817)	(1,129)	(674)	(1,803)
	10,282	(2,363)	7,919	27,098	(6,098)	21,000
	(1,939)	(809)	(2,748)	(4,795)	(604)	(5,399)
	8,343	(3,172)	5,171	22,303	(6,702)	15,601
	2.71p	(1.03)p	1.68p	7.22p	(2.17)p	5.05p
	2.69p	(1.02)p	1.67p	7.19p	(2.16)p	5.03p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 24 September 2022 (unaudited) £000	Six months ended 25 September 2021 (unaudited) £000	Year ended 26 March 2022 (audited) £000
Actuarial gain on defined benefit pension scheme*	**4,787**	1,030	5,938
Losses taken to equity on cash flow hedges	**(1,364)**	(177)	(22)
Reclassification adjustments on cash flow hedges	**207**	14	13
Exchange difference on foreign operations	**(96)**	1	40
Tax relating to components of other comprehensive income*	**(1,195)**	(258)	(1,184)
Other comprehensive income for the period	**2,339**	610	4,785
Profit for the period from continuing operations	**8,506**	5,171	15,601
Total comprehensive income for the period attributable to equity shareholders of the parent	**10,845**	5,781	20,386

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

CONSOLIDATED BALANCE SHEET

	At 24 September 2022 (unaudited) £000	At 25 September 2021 (unaudited) £000	At 26 March 2022 (audited) £000
ASSETS			
Non-current assets			
Goodwill	**82,188**	85,390	82,188
Other intangible assets	**8,713**	7,610	10,343
Property, plant and equipment	**90,297**	92,401	91,436
Right-of-use asset	**10,724**	9,994	11,070
Interests in JVs and associates	**31,175**	29,371	30,136
Contract assets, trade and other receivables	**5,656**	4,282	4,881
	228,753	229,048	230,054
Current assets			
Inventories	**17,589**	9,102	18,005
Contract assets, trade and other receivables	**118,274**	88,112	117,859
Current tax asset	**1,045**	177	4,171
Derivative financial instruments	**–**	679	670
Cash and cash equivalents	**–**	11,045	–
	136,908	109,115	140,705
Total assets	**365,661**	338,163	370,759
LIABILITIES			
Current liabilities			
Cash and cash equivalents	**(2,769)**	–	(3,974)
Trade and other payables	**(109,080)**	(87,413)	(111,692)
Financial liabilities – borrowings	**(7,375)**	(5,900)	(5,900)
Financial liabilities – leases	**(1,576)**	(1,531)	(1,756)
Derivative financial instruments	**(281)**	–	–
	(121,081)	(94,844)	(123,322)
Non-current liabilities			
Trade and other payables	**(2,315)**	(4,009)	(3,081)
Retirement benefit obligations	**(8,499)**	(20,366)	(14,396)
Financial liabilities – borrowings	**(6,000)**	(11,900)	(8,950)
Financial liabilities – leases	**(9,587)**	(9,321)	(9,884)
Deferred tax liabilities	**(7,921)**	(5,225)	(7,166)
	(34,322)	(50,821)	(43,477)
Total liabilities	**(155,403)**	(145,665)	(166,799)
NET ASSETS	**210,258**	192,498	203,960
EQUITY			
Share capital	**7,738**	7,725	7,738
Share premium	**88,518**	88,167	88,511
Other reserves	**4,542**	4,090	4,485
Retained earnings	**109,460**	92,516	103,226
TOTAL EQUITY	**210,258**	192,498	203,960

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 26 March 2022	**7,738**	**88,511**	**4,485**	**103,226**	**203,960**
Total comprehensive income for the period	**–**	**–**	**(1,253)**	**12,098**	**10,845**
Ordinary shares issued*	**–**	**7**	**–**	**–**	**7**
Equity settled share-based payments	**–**	**–**	**1,310**	**–**	**1,310**
Dividend provided for or paid **	**–**	**–**	**–**	**(5,864)**	**(5,864)**
At 24 September 2022 (unaudited)	**7,738**	**88,518**	**4,542**	**109,460**	**210,258**

* The issue of shares represents shares allotted for the 2018 Sharesave scheme

** The 2022 final dividend of £5.9m was paid to shareholders on 14 October 2022

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 28 March 2021	7,706	87,658	3,464	92,101	190,929
Total comprehensive income for the period	–	–	(163)	5,944	5,781
Ordinary shares issued*	19	509	–	–	528
Equity settled share-based payments	–	–	789	–	789
Dividend provided for or paid	–	–	–	(5,529)	(5,529)
At 25 September 2021 (unaudited)	7,725	88,167	4,090	92,516	192,498

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

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 28 March 2021	7,706	87,658	3,464	92,101	190,929
Total comprehensive income for the year	–	–	32	20,354	20,386
Ordinary shares issued*	32	853	–	–	885
Equity settled share-based payments	–	–	989	–	989
Dividend provided for or paid	–	–	–	(9,229)	(9,229)
At 26 March 2022	7,738	88,511	4,485	103,226	203,960

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

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 24 September 2022 (unaudited) £000	Six months ended 25 September 2021 (unaudited) £000	Year ended 26 March 2022 (audited) £000
Net cash flow from operating activities	**13,292**	(367)	(5,685)
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	**468**	185	376
Purchases of land and buildings	**–**	(2,098)	(2,759)
Purchases of other property, plant and equipment	**(1,999)**	(1,310)	(2,507)
Purchases of intangible assets	**(68)**	(125)	(124)
Investment in subsidiary entity, net of cash acquired	**(7,000)**	(526)	(526)
Net cash used in investing activities	**(8,599)**	(3,874)	(5,540)
Cash flows from financing activities			
Interest paid	**(975)**	(537)	(1,056)
Dividends paid	**–**	(5,529)	(9,229)
Proceeds from shares issued	**7**	528	885
Repayment of borrowings	**(1,475)**	(2,950)	(5,900)
Repayment of lease liabilities	**(1,045)**	(1,209)	(2,432)
Net cash used in financing activities	**(3,488)**	(9,697)	(17,732)
Net increase/(decrease) in cash and cash equivalents	**1,205**	(13,938)	(28,957)
Cash and cash equivalents at beginning of period	**(3,974)**	24,983	24,983
Cash and cash equivalents at end of period	**(2,769)**	11,045	(3,974)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1) General information

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

The condensed consolidated interim financial information does not constitute the statutory financial statements of the Group within the meaning of section 435 of the Companies Act 2006. The statutory financial statements for the year ended 26 March 2022 were approved by the board of directors on 15 June 2022 and have been delivered to the registrar of companies. The report of the auditors on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial information for the six months ended 24 September 2022 has been reviewed, not audited, and was approved for issue by the board of directors on 21 November 2022.

2) Basis of preparation

The condensed consolidated interim financial information for the six months ended 24 September 2022 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed consolidated interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the statutory financial statements for year ended 26 March 2022, which were prepared in accordance with International Financial Reporting Standards ('IFRS'). The condensed consolidated interim financial information has also been prepared in accordance with UK-adopted financial reporting standards.

Going concern

Net debt (pre-IFRS 16 basis) at 24 September 2022 was £15.8m, representing an overdraft of £2.5m and the outstanding term loans of £13.3m. The Group has a £50m revolving credit facility ('RCF') with HSBC and Virgin Money that matures in December 2026. The RCF, of which £15m is available as an overdraft facility, includes an additional accordion facility of £35m, which allows the Group to increase the aggregate available borrowings to £50m. Throughout the period, the Group has maintained significant amounts of headroom in its financing facilities and associated covenants.

The directors have reviewed the Group's forecasts and projections for the remainder of the 2023 financial year and up to 12 months from the date of approval of the interim financial statements, including sensitivity analysis to assess the Group's resilience to potential adverse outcomes including a highly pessimistic 'worst case' scenario. This 'worst case' is based on the combined impact of securing no further orders, some contract deteriorations and further significant inflationary pressures for the entirety of the going concern period. Given the strong previous performance of the Group, this scenario is only being modelled to stress test our strong financial position and demonstrate the existence of considerable headroom in the Group's covenants and borrowing facilities.

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

3) Accounting policies

Except as described below, the accounting policies applied in preparing the condensed consolidated interim financial information are consistent with those used in preparing the statutory financial statements for the year ended 26 March 2022.

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

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

There are no new IFRSs and IFRICs that are effective for the first time for the six months ended 24 September 2022 which have a material impact on the Group.

4) Risks and uncertainties

The principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining six months of the year ending 25 March 2023, other than as disclosed below, have not changed from those disclosed on pages 86 to 98 of the strategic report included in the annual report for the year ended 26 March 2022. The annual report is available on the Company's website www.severfield.com. These risks and uncertainties include, but are not limited to:

- Health and safety
- Supply chain
- People
- Commercial and market environment
- Mispricing a contract (at tender)
- Cyber security
- Failure to mitigate onerous contract terms
- Indian joint venture
- Sustainability (ESG)

The preparation of the condensed consolidated interim financial information under IFRS requires management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Assumptions and estimates are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised. The Group's critical accounting judgements and estimates have not changed significantly from those disclosed on page 177 of the annual report for the year ended 26 March 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4) Risks and uncertainties continued

Revenue and profit recognition

Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract. Such judgements are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing contracts to completion. These estimates are made by reference to recovery of pre-contract costs, surveys of progress against the construction programme, changes in design and work scope, the contractual terms and site conditions under which the work is being performed, delays, costs incurred, claims received by the Group, external certification of the work performed and the recoverability of any unagreed income from claims and variations.

Management continually reviews the estimated final outturn on contracts and makes adjustments where necessary. Based on the above, management believes it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment. However, due to the level of uncertainty, combination of cost and income variables and timing across a large portfolio of contracts at different stages of their contract life, it is impracticable to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level.

Within this portfolio, there are a limited number of long-term contracts where the Group has incorporated significant judgements over revenue and profit, which have been recognised at a level that is considered highly probable not to significantly reverse. However, there are a host of factors affecting potential outcomes in respect of these entitlements, which could result in a range of reasonably possible outcomes on these contracts in the following financial year, ranging from a gain of £16,000,000 to a loss of £5,000,000. Management has assessed the range of reasonably possible outcomes on these limited number of contracts based on facts and circumstances that were present and known at the balance sheet date. As with any contract applying long-term contract accounting, these contracts are also affected by a variety of uncertainties that depend on future events, and so often need to be revised as contracts progress.

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

At the balance sheet date, amounts due from construction contract customers, included in contract assets, trade and other receivables was £69,530,000 (26 March 2022: £74,898,000).

5) Segmental analysis

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

The constituent operating businesses have been aggregated as they have businesses with similar products and services, production processes, types of customers, methods of distribution, regulatory environments, and economic characteristics. Given that only one operating and reporting segment exists, the remaining disclosure requirements of IFRS 8 are provided within the consolidated income statement and balance sheet.

With effect from 1 April 2022, the Group is being streamlined into three market-focused divisions namely, the Commercial and Industrial division (mainly focusing on private sector clients), the Nuclear and Infrastructure division (mainly supporting public sector projects), and the Products and Processing division (including our growing modular and cold rolled steel product ranges). Notwithstanding this, there has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period as the information regularly reviewed by the CODM (one reportable segment) is in the process of being updated to enable the Group to report additional operating segments (if required) under the new divisional structure. This exercise will be completed in the second half of 2023 and, if required, updated segmental information will be reported in the annual report for the year ending 25 March 2023.

6) Seasonality

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

7) Non-underlying items

	At 24 September 2022 £000	At 25 September 2021 £000	At 26 March 2022 £000
Operating costs	**(1,669)**	(2,025)	(5,424)
Finance expense	**(289)**	(338)	(674)
Non-underlying items before tax	**(1,958)**	(2,363)	(6,098)
Tax on non-underlying items	**416**	(809)	(604)
Non-underlying items after tax	**(1,542)**	(3,172)	(6,702)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7) Non-underlying items continued

	At 24 September 2022 £000	At 25 September 2021 £000	At 26 March 2022 £000
Non-underlying items before tax consist of:			
Amortisation of acquired intangible assets	**(1,669)**	(2,025)	(5,191)
Unwinding of discount on deferred and contingent consideration	**(289)**	(338)	(674)
Other exceptional costs	**–**	–	(233)
Non-underlying items before tax	**(1,958)**	(2,363)	(6,098)

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

Non-underlying items have been separately identified to provide a better indication of the Group's underlying business performance. The board believe that non-underlying items should be separately identified on the face of the income statement to assist in understand the underlying performance of the Group. Their separate identification results in the calculation of an underlying profit measure, which is the same as that presented and reviewed by management. Accordingly, certain alternative performance measures ('APMs') have been used throughout this annual report to supplement rather than replace the measure provided under IFRS, see note 18.

8) Taxation

The corporation tax expense reflects the estimated underlying effective tax rate of 19 per cent on profit before taxation for the Group for the year ending 25 March 2023.

9) Dividends

	Six months ended 24 September 2022 £000	Six months ended 25 September 2021 £000	Year ended 26 March 2022 £000
2021 final – 1.8p per share	**–**	(5,529)	(5,529)
2022 interim – 1.2p per share	**–**	–	(3,700)
2022 final – 1.9p per share	**(5,864)**	–	–
	(5,864)	(5,529)	(9,229)

The 2022 final dividend of £5,864,000 was paid to shareholders on 14 October 2022.

The directors have declared an interim dividend in respect of the six months ended 24 September 2022 of 1.3p per share (H1 2022: 1.2p per share) which will amount to an estimated dividend payment of £4,000,000 (H1 2022: £3,700,000). This dividend is not reflected in the balance sheet as it was declared and will be paid after the balance sheet date, on 3 February to shareholders on the register at the close of business on 6 January.

10) Earnings per share

Earnings per share is calculated as follows:

	Six months ended 24 September 2022 £000	Six months ended 25 September 2021 £000	Year ended 26 March 2022 £000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent company	**8,506**	5,171	15,601
Earnings for the purposes of underlying basic earnings per share being underlying net profit attributable to equity holders of the parent company	**10,048**	8,343	22,303
Number of shares	**Number**	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**309,532,076**	308,287,952	308,834,123
Effect of dilutive potential ordinary shares and under share plans	**3,313,744**	2,109,620	1,335,323
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**312,845,820**	310,397,572	310,169,446
Basic earnings per share	**2.75p**	1.68p	5.05p
Underlying basic earnings per share	**3.25p**	2.71p	7.22p
Diluted earnings per share	**2.72p**	1.67p	5.03p
Underlying diluted earnings per share	**3.21p**	2.69p	7.19p

11) Property, plant and equipment

During the period, the Group acquired land and buildings of £nil (H1 2022: £2,098,000) and other property, plant and equipment of £1,999,000 (H1 2022: £1,310,000). The Group also disposed of other property, plant and equipment for £468,000 (H1 2022: £185,000) resulting in a gain on disposal of £17,000 (H1 2022: loss of £2,000).

12) Intangible assets

During the period, the Group capitalised software-related costs of £68,000. In the prior period, the Group acquired intangible assets of £125,000, relating to product licences.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13) Net debt

	At 24 September 2022 £000	At 25 September 2021 £000	At 26 March 2022 £000
Borrowings	**(13,375)**	(17,800)	(14,850)
Cash and cash equivalents	**(2,769)**	11,045	(3,974)
Unamortised debt arrangement costs	**364**	103	402
Net debt (pre-IFRS 16)	**(15,780)**	(6,652)	(18,422)
IFRS 16 lease liabilities	**(11,163)**	(10,852)	(11,640)
Net debt (post-IFRS 16)	**(26,943)**	(17,504)	(30,062)

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

14) Fair value disclosures

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

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

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

	At 24 September 2022 £000	At 25 September 2021 £000	At 26 March 2022 £000
(Liabilities)/assets			
Foreign exchange contracts	**(281)**	679	670

15) Net cash flow from operating activities

	Six months ended 24 September 2022 £000	Six months ended 25 September 2021 £000	Year ended 26 March 2022 £000
Operating profit from continuing operations	**11,498**	8,736	22,803
Adjustments:			
Depreciation of property, plant and equipment	**2,687**	2,550	5,163
Right-of-use asset depreciation	**914**	765	1,702
(Gain)/loss on disposal of other property, plant and equipment	**(17)**	2	(11)
Amortisation of intangible assets	**1,698**	2,032	5,369
Movements in pension scheme liabilities	**(1,109)**	(983)	(2,045)
Share of results of JVs and associates	**(1,039)**	(581)	(1,346)
Share-based payments	**1,310**	789	989
Operating cash flows before movements in working capital	**15,942**	13,310	32,624
Decrease/(increase) in inventories	**416**	1,196	(7,774)
Decrease/(increase) in receivables	**1,666**	(16,864)	(50,533)
(Decrease)/increase in payables	**(2,887)**	3,852	23,781
Cash generated from operations	**15,137**	1,494	(1,902)
Tax paid	**(1,845)**	(1,861)	(3,783)
Net cash flow from operating activities	**13,292**	(367)	(5,685)

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

16) Related party transactions

There have been no changes in the nature of related party transactions as described in note 31 on page 203 of the annual report for year ended 26 March 2022 and there have been no new related party transactions which have had a material effect on the financial position or performance of the Group in the six months ended 24 September 2022, except as stated below.

During the period, the Group provided services in the ordinary course of business to its Indian joint venture, JSW Severfield Structures ('JSSL') and in the ordinary course of business contracted with and purchased services from its UK joint venture, Construction Metal Forming Limited ('CMF'). The Group's share of the retained profit in JVs and associates of £1,039,000 (H1 2022: £581,000) for the period reflects a profit from JSSL of £586,000 (H1 2022: £275,000) and a profit from CMF of £453,000 (H1 2022: £306,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16) Related party transactions continued

The Group incurred additional operating costs in relation to the day-to-day running of its Indian joint venture ('JSSL') of £130,000 (H1 2022: £133,000). Those costs were recharged to JSSL during the period and the amount due from JSSL at 24 September 2022 was £699,000 (26 March 2022: £575,000). The amount due to JSSL at 24 September 2022 was £30,000 (26 March 2022: £nil).

During the period, the Group has contracted with and purchased services from CMF amounting to sales of £nil (H1 2022: £81,000) and purchases of £4,774,000 (H1 2022: £6,973,000). The amounts due from and to CMF at 24 September 2022 was £1,360,000 (26 March 2022: £1,545,000) and £3,449,000 (26 March 2022: £106,000) respectively.

During the period, the Group contracted with and purchased services from MET Structures, amounting to sales of £6,701,000 (H1 2022: £7,570,000) and purchases of £nil (H1 2022: £1,450,000). The amount due from MET Structures at 24 September 2022 was £3,568,000 (26 March 2022: £2,890,000). MET Structures shares common directors with the Group.

17) Contingent liabilities

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

The Company and its subsidiaries have provided unlimited multilateral guarantees to secure any bank overdrafts and loans of all other Group companies. At 24 September 2022 this amounted to £35,000,000 (26 March 2022: £35,000,000). The Group has also given performance bonds in the normal course of trade.

18) Alternative performance measures

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

18) Alternative performance measures continued

In order to facilitate understanding of the APMs used by the Group, and their relationship to reported IFRS measures, definitions and numerical reconciliations are set out below.

Alternative performance measure ('APM')	Definition	Rationale
Underlying operating profit (before JVs and associates)	Operating profit before non-underlying items and the results of JVs and associates.	Profit measure reflecting underlying trading performance of wholly owned subsidiaries.
Underlying profit before tax	Profit before tax before non-underlying items.	Profit measure widely used by investors and analysts.
Underlying basic earnings per share ('EPS')	Underlying profit after tax divided by the weighted average number of shares in issue during the period.	Underlying EPS reflects the Group's operational performance per ordinary share outstanding.
Net funds/(debt) (pre-IFRS 16)	Balance drawn down on the Group's revolving credit facility, with unamortised debt arrangement costs added back, less cash and cash equivalents (including bank overdrafts) before IFRS-16 lease liabilities.	Measure of the Group's cash indebtedness before IFRS-16 lease liabilities, which are excluded from the definition of net funds/(debt) in the Group's borrowing facilities. This measure supports the assessment of available liquidity and cash flow generation in the reporting period.

Reconciliations to IFRS measures

	Six months ended 24 September 2022 (unaudited) £000	Six months ended 25 September 2021 (unaudited) £000	Year ended 26 March 2022 (audited) £000
Underlying operating profit (before JVs and associates)			
Underlying operating profit (before JVs and associates)	**12,128**	10,180	26,881
Non-underlying operating items	**(1,669)**	(2,025)	(5,424)
Share of results of JVs and associates	**1,039**	581	1,346
Operating profit	**11,498**	8,736	22,803

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18) Alternative performance measures continued

Reconciliations to IFRS measures continued

	Six months ended 24 September 2022 (unaudited) £000	Six months ended 25 September 2021 (unaudited) £000	Year ended 26 March 2022 (audited) £000
Underlying profit before tax			
Underlying profit before tax	**12,138**	10,282	27,098
Non-underlying items	**(1,958)**	(2,363)	(6,098)
Profit before tax	**10,180**	7,919	21,000

	Six months ended 24 September 2022 (unaudited) £000	Six months ended 25 September 2021 (unaudited) £000	Year ended 26 March 2022 (audited) £000
Underlying basic earnings per share			
Underlying net profit attributable to equity holders of the parent company	**10,048**	8,343	22,303
Non-underlying items after tax	**(1,542)**	(3,172)	(6,702)
Net profit attributable to equity holders of the parent company	**8,506**	5,171	15,601
Weighted average number of ordinary shares	**309,532,076**	308,287,952	308,834,123
Underlying basic earnings per share	**3.25p**	2.71p	7.22p
Basic earnings per share	**2.75p**	1.68p	5.05p

	Six months ended 24 September 2022 (unaudited) £000	Six months ended 25 September 2021 (unaudited) £000	Year ended 26 March 2022 (audited) £000
Net debt			
Borrowings	**(13,375)**	(17,800)	(14,850)
Cash and cash equivalents	**(2,769)**	11,045	(3,974)
Unamortised debt arrangement costs	**364**	103	402
Net debt (pre-IFRS 16)	**(15,780)**	(6,652)	(18,422)
IFRS 16 lease liabilities	**(11,163)**	(10,852)	(11,640)
Net debt (post-IFRS 16)	**(26,943)**	(17,504)	(30,062)

19) Cautionary statement

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

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

20) Statement of directors' responsibilities

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

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

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

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

By order of the board

Alan Dunsmore
Chief Executive Officer
22 November 2022

Adam Semple
Chief Financial Officer
22 November 2022

INDEPENDENT REVIEW REPORT TO SEVERFIELD PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 24 September 2022 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 24 September 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

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

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

Conclusions relating to going concern

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

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK-adopted financial reporting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK. In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

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

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

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

Craig Parkin
for and on behalf of KPMG LLP
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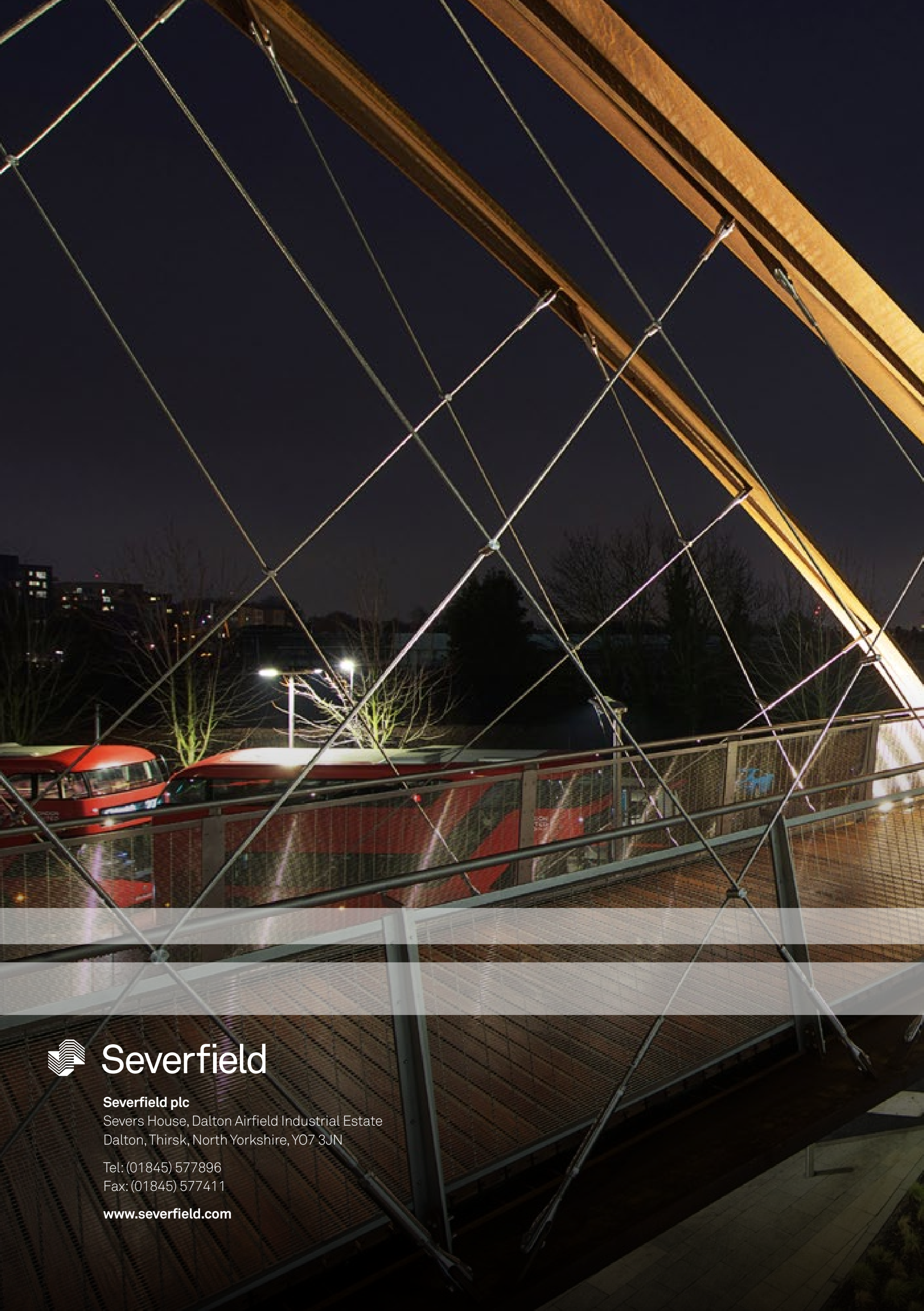

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