1721262.

Severfield-Rowen Plc
Annual Report 2007

SUCCESS IN SCALE

SEVERFIELD–ROWEN Plc IS THE LARGEST SPECIALIST STEELWORK GROUP IN THE UK, WITH AN ENVIABLE REPUTATION FOR PERFORMANCE AND VALUE.

SUMMARISED CONTENTS

KEY ACHIEVEMENTS 2007

- Revenue of £300 7 million (2006 £295 1 million)
- Record margins due to focus on quality projects for major clients
  - Record underlying* operating margin increased to 14 2% (2006 9 9%)
  - Underlying profit before tax margin increased to 14 3% (2006 10 3%)
- Underlying profit before tax increased to £42 9 million (2006 £30 3 million)
- Retained profit after tax £26 4 million (2006 £20 9 million)
- Following acquisition and capital expenditure, year end borrowings of £48 1 million (2006 net funds £38 2 million)
- All core businesses performed strongly with a focus on prime projects
- Continued high quality projects undertaken
- Successful acquisition and integration of Fisher Engineering Ltd
- Record order book of £455 million, plus a very high level of future contract prospects
- 2008 commenced well

FINANCIAL HIGHLIGHTS

Revenue
up **1.9**%
at £300 7m

Underlying Operating Profit
up **46.6**%
at £42.7m

Underlying Profit Before Tax
up **41.8**%
at £42 9m

Underlying Profit Before Tax Margin
up **39.3**%
at 14 3%

Retained Profit After Tax
up **26.3**%
at £26 4m

Underlying Basic Earnings Per Share
up **39.4**%
at 35 74p

Dividend Per Share
up **40.4**%
at 20.0p

* Underlying is before amortisation of acquired intangible assets of £2 2 million and the movement in valuation of derivative financial instruments of £2 39 million

OUR BUSINESSES

Severfield–Rowen Plc
Holding company

Severfield–Reeve Structures Ltd
Steel fabrication

Watson Steel Structures Ltd
Steel fabrication

Atlas Ward Structures Ltd
Steel fabrication

Fisher Engineering Ltd
Steel fabrication

Rowen Structures Ltd
Project contracting

Steelcraft Erection Services Ltd
Steel erection

Severfield–Reeve International Ltd
Overseas contracts

Severfield–Reeve Projects Ltd
Project managers of building contracts

‹ Severfield–Reeve Structures' production facility at Dalton, North Yorkshire

Site key

Lines 1-5	Fabrication
Line 6	Fabsec/Plated beams
Lines 7-9	Intumescent (Fire Protection) Paint
Area 10	Small components (not shown in picture)
Area 11	Raw material stock
Area 12	Fabricated stock
Area 13	Fittings workshop

‹‹‹ **Watson Steel Structures'** production facility at Bolton Lancashire

‹‹ **Atlas Ward Structures'** production facility at Sherburn North Yorkshire

‹ **Fisher Engineering's** production facility at Enniskillen, Northern Ireland

MARKET SECTORS

CITY CENTRE & RETAIL

Major redevelopment in cities and out-of-town shopping facilities are challenging projects in their own right, requiring different skills and service solutions

Project management and supply chain linkage are vital aspects in the provision of successful execution

STADIUMS

The Group has an unrivalled record in the design engineering and building of many of the UK s best known venues As specialists in the sector, it has provided timely and cost-effective solutions for long spanning, architecturally innovative structures

Much of the Groups success stems from its understanding of client needs, coupled with its relevant resource and capability

LEISURE

This sector has grown significantly in recent years and continues to be an important one for the industry Group successes include ski domes, exhibition centres and recently the roof of Wimbledon Centre Court.

COMMERCIAL OFFICES

Commercial offices in London and throughout the UK have become a core of the Groups activity In response to the challenge new products processes and methods have been developed Performance benefits from FABSEC and FIREBEAM, together with other initiatives, have underpinned the Groups success in this sector

TRANSPORT

A major interest for all companies within the Group is transport and related facilities Rowen and Watson have successfully and for some time, been key partners in many prestigious projects, including Air and Rail facilities

BRIDGES

Watson Steel has developed the engineering skills and manufacturing capability to provide clients with solutions to the most demanding requirements in this sector

The Group continues to use its extensive resource and capacity to service key projects, fulfilling the delivery of large-scale and often complex steelwork, for major clients.

HOSPITALS

Hospitals are increasingly being specified with structural steel frames Span length enhanced flexibility, adaptability and speed of construction are significant advantages for the Group in this growing sector

INDUSTRIAL & PROCESS

Severfield-Rowen has the capability to deal with any special construction and engineering requirement. It is one of the UK s most skilled and versatile groups of companies with specialist experience in the design and fabrication of platework, tubular framed structures and specialist pipework

WAREHOUSE & DISTRIBUTION

This is one of the Group s key sectors, providing a constant and significant proportion of turnover Its position is sustained by competitive strengths including design capability, supply chain co-ordination and fabrication/erection speeds

EDUCATION

Group companies have extensive experience in the provision of structural steelwork in education facilities An important sector, which continues to grow throughout the UK

CAR PARKS

Car parks are now a major area of business for the structural steel industry, and the Severfield-Rowen Group has developed expertise and a proven track record in their design and construction

POWER STATIONS

Power Stations in the UK, Ireland and overseas have always been an important element of the Group s demand

Our experience and professionalism in delivering such projects enables it to continue in its pivotal role in supply to this growing sector

CHAIRMAN'S STATEMENT

The Group performed very well in 2007 with all of our core businesses contributing to record results.
PETER LEVINE

Peter Levine
CHAIRMAN

» BIRMINGHAM HOSPITAL

Birmingham's new 1,200 bed super hospital is being built on the 50 acre site of the old Queen Elizabeth Hospital in Edgbaston and will become part of the largest healthcare facility in the UK outside of London.

Covering some 170,000 sqm, the hospital comprises more than 10,000 tonnes of structural steelwork, including approximately 700 tonnes of Fabsec plated beams.

› Severfield-Reeve

Chairman's Statement

Introduction — Another Great Year

On behalf of the Board I am delighted to report that the Group performed extremely well in 2007 with all of our core businesses yet again delivering record productivity and customer service, and producing record results

In spite of the challenging global financial market conditions towards the end of the year the financial strength of Severfield-Rowen combined with increasing demand for the Group s differentiated services underline our confidence in the Group s long-term growth prospects

Overview — Further Growth

In 2007 underlying operating profit (before amortisation of acquired intangible assets of £2 2 million and the movement in valuation of derivative financial instruments of £2 39 million) increased by 46 6% to a record £42 68 million (2006 £29 12 million) on increased revenue of £300 7 million (2006 £295 1 million) The underlying operating margin increased to 14 2% (2006 9 9%) These impressive results were largely due to our quality service level underpinned by a focus on prime projects

All of our core businesses performed strongly with a focus on high-margin, prime projects Accordingly underlying profit before tax was 41 8% higher at £42 9 million (2006 £30 3 million) producing a 39 4% increase in underlying basic earnings per share of 35 74p (2006 25 64p) The underlying profit before tax margin increased to 14 3% (2006 10 3%)

Retained profit after tax was £26 4 million (2006 £20 9 million)

The Group s net assets increased to £116 8 million (2006 £66 2 million) Following the funding of the Fisher Engineering acquisition and the purchase of the Dalton Property we ended the year with net borrowings of £48 1 million (2006 net funds £38 2 million)

We increased our leading position in the structural steel industry and are involved in many significant projects and developments We are particularly pleased that all of the Company s core subsidiaries in 2007, namely Severfield-Reeve Structures, Watson Steel Structures, Atlas Ward Structures Rowen Structures, Fisher Engineering and Steelcraft Erection Services contributed to our record results

Heathrow Terminal 5

Notable among our recent completed projects was Heathrow Airport s new Terminal 5 which has received worldwide acclaim not only for its impressive visual impact but more fundamentally for the completion of its construction on time and on budget. The Group should be extremely proud of this achievement

Dividend — Improved Returns

With the record results announced today and in view of the strength of our financial position, the directors are pleased to announce a 40 4% increase in the full dividend for the year to 20 0p per share which is covered 1 8 times by underlying earnings The final dividend is 13 25p per share (2006 9 25p) payable on the 16 June 2008 to shareholders on the register on 16 May 2008

Fisher Engineering

The acquisition of Fisher Engineering was completed in October 2007 at a total cost of £92 2 million of which £36 6 million was paid in shares and the balance in cash

Based in Enniskillen Northern Ireland the company has an established track record as a very successful and profitable fabricator in both the province and Eire and its incorporation into the Group has been speedy and effective We look forward to Fishers making a significant contribution to the Group in 2008 and beyond

At the time of purchase, Ian Cochrane, the Managing Director of Fishers, joined our main Board A planned upgrade investment of some £2 5 million was completed in 2007, prior to the acquisition and is now providing the strategic productivity improvements envisaged

Dalton Airfield Estate

During the same period as the Fisher acquisition the Group acquired the freehold reversion of Dalton, the Group s headquarters from certain directors and management for the sum of £23 5 million The acquisition has a positive effect and means Severfield regains control of this valuable extensive headquarters and fabrication site thereby giving it both the flexibility in further development and an increased asset base

Board Changes

Chairmanship

With effect from the close of the Company s AGM on 30 May 2008 I will step down both as Chairman and Main Board director of Severfield-Rowen

Having been first Deputy Chairman for a numbers of years, then Chairman for the last ten years, it is time to pass on the baton In all those years it has been an honour to be part of the team that has made Severfield the pre-eminent force in our industry It has furthermore been a privilege to work alongside first the creator of the modern Severfield John Severs and latterly the team that I have no doubt will take it forward to further prosperity and success namely Tom Haughey, Peter Emerson and their management colleagues Shareholders should have every confidence that the future of Severfield is in good hands and I express sincere thanks to all my colleagues and our employees for their friendship and support to me over many years

» TESCO, LIVINGSTON

Covering an area of 85,000 sqm, this new Distribution Centre will serve Scotland's 100+ Tesco stores, helping the Scottish economy as products can be picked locally and distributed in Scotland

The project comprises 3,750 tonnes of fabricated steelwork, 40 tonnes of which are Fabsec bespoke plated beams.

› Atlas Ward

My replacement as Chairman is to be Toby Hayward Toby provides both valuable accounting background being a Chartered Accountant qualifying with Deloitte and Touche and has very extensive city experience For the last 2½ years he has been with Jefferies International Limited

John Featherstone

Also with effect from the close of the Company s AGM, John Featherstone one of our non-executive directors, will be standing down I have known John since he joined our Board twenty years ago as our then sole non executive and he has provided invaluable support throughout that time The Company owes him much gratitude and wishes him and his wife health happiness and a lengthy and vibrant retirement.

Board Reorganisation

Taking into account my departure and that of John Featherstone the decision has been taken to rationalise and streamline the Board structure.

Accordingly with effect from close of business of the forthcoming AGM, Peter Ellison, Brian Hick, Nigel Pickard and Ian Cochrane will step down as Main Board members but will of course continue as executive managing directors of their own companies being respectively Steelcraft Severfield-Reeve, Atlas Ward and Fisher Engineering I express my and the Board s appreciation of their important support to the Main Board and look forward to many years of continued contributions to the Group through a new Executive Management Committee

Proposed Board structure post-AGM

Main Board

Toby Hayward	Non Executive Chairman
Tom Haughey	Chief Executive Officer
Peter Emerson	Chief Operating Officer
Peter Davison	Finance Director
Keith Elliott	Senior Non Executive Director
David Ridley	Non-Executive Director
Geoff Wright	Non Executive Director

Divisional Executive Managing Directors

Peter Ellison	Steelcraft Erection Services
Brian Hick	Severfield-Reeve Structures
Nigel Pickard	Atlas Ward Structures
Ian Cochrane	Fisher Engineering

Employees — Key to Success

The consistent achievements of the Group continue to reflect directly on the excellent management and workforce The directors sincere gratitude is extended to them

Outlook — Still Positive

The Group s prospects are very good Our position remains robust and demand for our services continues to be significant particularly larger projects, as exemplified by our record order book and as observed by other leading construction contractors

We have begun this year well and are confident of further success in 2008 and beyond, including the Company s expressed objective of exploring overseas ventures

Peter Levine
Chairman
1998–2008
2 May 2008

» WIMBLEDON, LONDON

The multi-million pound redevelopment of Wimbledon's famous Centre Court includes enlarging the bowl to increase capacity from 13,800 to 15,000 and a new 5,200 sqm, 16 m high retractable roof

The project incorporates 3,900 tonnes of fabricated steelwork.

The retractable roof is to be in operation for the 2009 Championships.

› Watson Steel

OPERATIONAL REVIEW

An excellent order book of £455 million and a very high level of future contract prospects.
TOM HAUGHEY

Tom Haughey
CHIEF EXECUTIVE OFFICER

» WHITE CITY, LONDON

Situated off Wood Lane, Shepherd's Bush and close to the BBC headquarters, this massive centre will be the largest retail development in Europe. It will house an atrium for live events, 15 restaurants, parking for 2,500 vehicles, 265 shops, a cinema and other leisure facilities.

In excess of 25,000 tonnes of fabricated steel are utilised in this project, 5,000 tonnes of which are Fabsec plated beams with bespoke service openings

› Severfield-Reeve

Operational Review

The Company continued to make very good progress through 2007, producing records in output, turnover and profitability, and established the strongest forward order book in its history Client satisfaction is very high as the focus continues to be on delivery of value and on-time project execution for all contracts large and small

In the closing quarter of 2007 the Group achieved a significant strategic objective with the acquisition of Fisher Engineering Limited The Company has settled into the Group exceedingly well Benefits to the Group include enhanced flexibility better service offerings and the greater collective optimisation of our new scale and breadth This acquisition consolidates the Group s leading position in terms of service and client preference throughout the UK and Ireland

The companies within the Group while autonomous are solidly co operating to provide "best in industry" programmes service and value to clients and their projects

Severfield–Reeve Structures

Many notable projects were undertaken by the Company, including

- Completion of the Westfield Centre shopping centre, London
- Continuing specialist development of oil pipeline carrying racks on Sakhalin Island Russian Federation
- First ever inner city Ikea store on Queen Victoria Road Coventry
- Extension to the Shires shopping centre in Leicester
- Retail leisure and residential centre at Eagles Meadow Wrexham
- Concert hall arts venue and office development with unique rippling glass facade at King s Place, London
- Retail development at the Broadmead shopping complex in Bristol
- Office development using the innovative Bi-Steel Core at One Basinghall Avenue London
- New 1 200 bed hospital development at Queen Elizabeth Medical Centre, Edgbaston Birmingham
- Mixed use retail and residential development at Livingston, near Edinburgh
- Ropemaker multi-storey office block, London

During the course of 2007 the Company prepared for and obtained a Gold Award via the British Construction Steel Association Sustainability Charter This is a milestone achievement and is just the initial step in the Group s ambition to generate an efficient sustainable business model In the same time frame BS EN ISO 14001 Environmental and OHSAS 18001 Safety accreditations were achieved

Further site development for improved logistics and enhanced product output were implemented through 2007, ensuring that the Company strengthens its position as the leading production facility in Europe.

Watson Steel Structures

The Company again continues to express its versatility and engineering expertise through its participation in many high profile projects, including

- The on time/in budget completion of Terminal 5 Heathrow
- Terminal extension at Stansted for BAA
- Hackney Academy, London
- The Darwin Centre at the Natural History Museum, London
- Waste to Energy plant, Colnebrook

New projects awarded in 2008 include

- New Museum of Transport, Glasgow
- Terminal 2 Dublin Airport
- Extensions to Terminals 3 and 4 at Heathrow Airport
- The exclusive residential development at Number 1 Hyde Park, London
- Cannon Place development, London

In 2007 the operations at Watson Steel were enhanced with the commission of processing equipment and the improvement of site infrastructure

The Company was also successfully accredited with BS EN ISO 14001 Environment and OHSAS 18001 Safety awards demonstrating its ongoing commitment to quality safety and sustainability

» VICTORIA SQUARE SHOPPING CENTRE, BELFAST

Covering a total site area of 14 acres, the Victoria Square Shopping Centre, anchored by the largest House of Fraser store in the UK, includes an 8 screen cinema, 90 shop units, 17 restaurants, residential and leisure space as well as a 1,000 space underground car park The focal point is a glass dome, which stands 45 metres in height and 35 metres in diameter, supported by a steel truss structure.

The total project consists of 5,300 tonnes of fabricated steelwork

› Fisher Engineering

Atlas Ward Structures

In 2007 Atlas Ward derived productivity benefits from the significant investments made in 2006

Investment during 2007 is further strengthening the Company s position in the marketplace and makes it more flexible to compete across a range of construction sectors

Projects engaged during the year include

- New distribution centre for Tesco in Livingston, Scotland
- Project Storm a new distribution centre for major supermarket chain ASDA at Redhouse Interchange Doncaster
- New distribution centre for Tesco in Goole
- New distribution hub for Sainsbury s in Pineham
- New Sainsbury s store and adjacent non food retail units on Westfield Road, Edinburgh
- Two new teaching blocks at Anniesland College in Glasgow
- ProLogis Park, Wellingbrough the third phase of a distribution development totalling in excess of 4,000 tonnes of structural steelwork
- Lymedale Cross, a new speculative development for Helioslough in Newcastle-under-Lyme
- New distribution centre for Tesco in Donabate Dublin
- New factory and offices for JCB at Uttoxeter
- Cabot Park Plots 9 and 10 a new cross docking distribution facility based in Bristol
- A new manufacturing facility for Goodman s in Avonmouth

Atlas Ward is heavily involved in the development of new Sustainability strategies and initiatives for itself and other Group companies

Atlas Ward attained OHSAS 18001 Safety and BS EN 14001 2004 Environment accreditations in 2007

Fisher Engineering

Fisher Engineering joined the Group in October 2007 The integration into Severfield-Rowen has gone exceedingly well

An upgrade investment of some £2 5 million was completed in 2007, prior to its acquisition and is now providing the strategic productivity improvements envisaged

The projects completed or started by Fisher Engineering in 2007, include

- Victoria Shopping Centre in Belfast
- Ireland s very first Ikea Store in Belfast
- Centrecor Pharmaceutical at Cashall Ireland
- Dundrum Town Centre in Dublin
- Quinn Group Radiator Factory at Newport
- National Conference Centre in Dublin
- The Point Shopping Centre in Dublin
- MET University in Leeds (Feature Building)
- Commercial office block in Threadneedle Street, London
- BBC Now in Cardiff

During 2007 Fisher Engineering achieved Health and Safety Management accreditation to ISO 18001

» 40 HOLBORN VIADUCT, LONDON

This high profile commercial office is located in central London, providing a gateway to the City and West End and offers approximately 16,600 sqm of office and retail space across eight floors

The project consists of 1,770 tonnes of fabricated steelwork, including 600 tonnes of Fabsec bespoke beams. 450 tonnes of the steelwork were coated with intumescent fire protection paint.

› Rowen

Rowen Structures

Rowen Structures ceased the physical production of steelwork in the summer of 2007 It is now carried out at the other Company sites

Rowen Structures continues to contract business on behalf of the Group with its long-standing clients, providing its wholly retained project management skills and Group services to many projects including

- Westfield Shopping Centre in Derby
- 12 storey office and retail unit at No 3 Piccadilly Manchester for Carillion Construction Ltd
- Premium office development at 40 Holborn Viaduct for Balfour Beatty Construction Ltd

New projects commenced in the period include

- Prestigious new headquarters for Audi UK Ltd in London
- Premium office development (the "LEX" Building) in Queen Street, London
- 19 storey office development at 30 Crown Place, London
- Regents Place office development in London
- Large West End office development adjacent to Great Portland Street tube station
- Premium office and retail development situated adjacent to St Paul s Cathedral in central London

Rowen s management and staff will relocate to new, bespoke offices in the same vicinity in June 2008, from where they will continue to provide a full service to clients

Steelcraft Erection Services

The Group s performance in relation to project execution and customer satisfaction was again greatly influenced by the high level of professionalism and dedication provided by Steelcraft Erection Services

Steelcraft continues to lead the field in terms of innovation and is presently first user of a new bespoke steel erector platform developed as the optimum current solution for the safer erection of steelwork.

Severfield-Reeve Projects

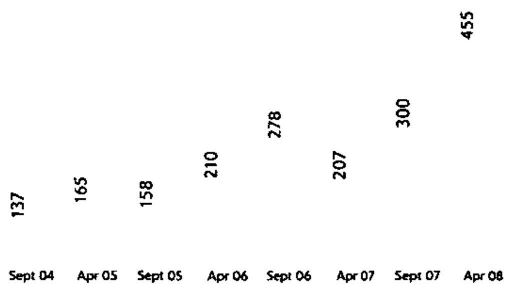
The Company continues to provide first-class services to its clients and other Group companies in the full development of small to medium scale projects

Conclusion

2007 was a further milestone in the Company s development, both financially and strategically The acquisition of Fisher Engineering has consolidated the Group s leading position in the UK and Ireland and our continued focus on client service has assisted in obtaining a record order book of some £455 million and establishing us as preferred supplier on a significant pipeline of future work

The Group is now positioned to derive growing synergy benefits from the flexibility and scale of its existing operations while beginning to explore new growth opportunities overseas

Tom Haughey
Chief Executive Officer
2 May 2008



Order Book
£m

» RIVERSIDE BRIDGE, CAMBRIDGE

The Riverside foot and cycle bridge is part of a programme by Cambridgeshire County Council to improve existing footpaths and cycle ways and links Riverside with Chesterton.

› Watson Steel

FINANCIAL REVIEW

A very successful year with revenue, underlying profit before tax, earnings per share and dividends reaching record levels. Very successful acquisition of Fisher Engineering completed.
PETER DAVISON

Peter Davison
FINANCE DIRECTOR

» THREADNEEDLE STREET, LONDON

Located in the City of London, at the junction of Old Broad Street and Threadneedle Street, adjacent to the Bank of England, this commercial office provides approximately 20,600 sqm of office and retail space over 10 floors.

The project utilised 2,100 tonnes of structural steelwork, coated with intumescent fire protection paint.

› Fisher Engineering

Financial Review

I am delighted to announce that the Group has had another record year with underlying profit before tax (before amortisation of acquired intangible assets of £2 2 million and the movement in valuation of derivative financial instruments of £2 39 million) of £42 95 million and importantly a record order book of £455 million This underlines the financial strength of the Group and its long-term prospects In a year of significant activity, including the acquisition of Fisher Engineering, this presents an excellent base for growth in the current year

Revenue of £300 66 million and underlying profit before tax of £42 95 million have increased 1 9% and 41 8% respectively over the figures achieved in 2006

Basic earnings per share based on the underlying profit after tax, increased by 39 39% to 35 74p Consequently, it is recommended that the total dividend for the year is increased by 40 35% to 20 0p per share giving a dividend cover of 1 8 times

Retained profit after tax of £26 4 million (2006 £20 9 million) has been transferred to reserves

Following the acquisition of Fisher Engineering and the significant capital expenditure in the period we ended the year with net borrowings of £48 1 million

Share Split

In October 2007 the Company s share capital was subject to a 4 1 share split which increased the number of shares in issue to 88,607,876 shares of 2 5p each Consequently where previous years comparative figures are shown in this review they have been amended, where appropriate, to reflect the share split

Revenue

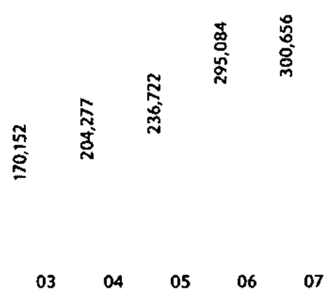
Group revenue increased by 1 9% to a record level of £300 66 million The relatively small increase in revenue, despite the Fisher Engineering acquisition in October 2007, reflects the following during the year

- In 2006 revenue increased to £295 08 million from £236 72 million in 2005, reflecting the Group s approach towards its optimum output levels In 2007 revenue increased only marginally despite continuing high capacity utilisation due to a change in work mix which in turn generated significantly higher margins
- During 2007 there was a lower level of externally sourced products and services which generate incremental revenue in addition to the revenue generated by steel Examples include decking, cladding and staircases, etc
- Production at the Group s facility at Rowen Structures Limited in Nottinghamshire ceased in July 2007 with the fabrication being carried out at other more efficient Group companies thus generating higher margins
- The Group continues to follow its strategic objective of increasing its own in-house capabilities to provide client services, e g Fabsec beams, intumescent paint and staircases
- At 31 December 2007 stock/work in progress was £14 60 million higher than at the end of 2006 reflecting the timing of project valuations and thus producing a lower level of revenue.

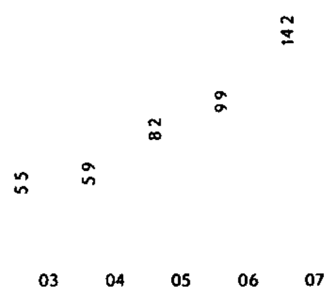
Operating Profit

The Group's underlying operating profit increased by 46 6% to £42 68 million We are particularly pleased that underlying operating margins, expressed as a percentage of revenue, have continued to increase significantly to 14 20% from the 9 87% achieved in 2006

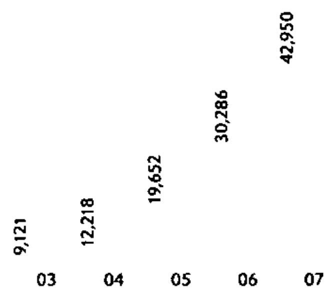
These results continue to incorporate the Group s two associated companies, Kennedy Watts Partnership Limited and Fabsec Limited of which the Group owns 25 1% and 25% respectively The Group s operating profit for the year includes its share of these two companies' results which amounted to a net profit of £58 000 (2006 £10 000)



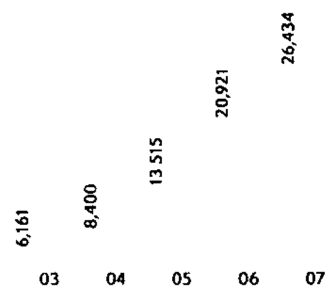
Revenue
£'000



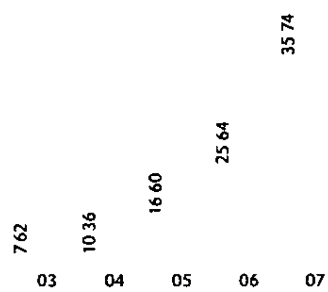
Underlying* Operating Margin
%



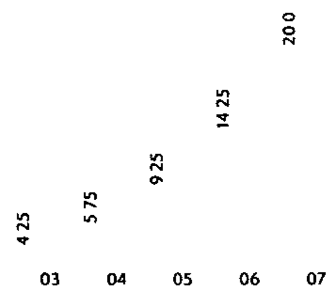
Underlying* Profit before tax
£'000



Profit after tax
£'000



Underlying* Basic earnings per share
pence



Dividend per share
pence

* Underlying is before amortisation of acquired intangible assets of £2 2 million and the movement in valuation of derivative financial instruments of £2 39 million

Finance Costs

Net interest receivable for the Group amounted to £266 000 (2006 £1,168,000) The reduction reflects the interest payable on the borrowings taken out to help fund the acquisition of Fisher Engineering in October

Profit before Tax

The table below provides a summary of the profit before tax

	2007 £000	2006 £000
Underlying profit before tax — continuing operations	42,950	30 286
Excludes non-underlying items (see below)		
Non underlying items	(4,590)	—
See section below for explanation		
Profit before tax — continuing operations	38,360	30 286

The underlying profit before tax has increased to £42 95 million, an increase of 41 8% over the previous year Margins, at this level, expressed as a percentage of revenue increased to 14 29% (2006 10 26%)

Non-Underlying Items

Non-underlying items are included within the "other items" column of the Consolidated Income Statement and amount to £4 59 million (2006 Nil) which relate to

- Amortisation of acquired intangibles — £2 2 million (2006 Nil)
- Movement in forward contract valuations — £2 39 million (2006 Nil) The Group particularly through Fisher Engineering is increasingly selling in to the euro zone (principally Eire) and locks in the contract profit at the time of accepting this work. Due to the weakening of sterling against the euro between the date when the forward exchange contracts were put in place during the year and the year end a negative fair value has arisen on these contracts IAS 39 requires the movement in the fair value to be included as a charge in the Consolidated Income Statement with an associated liability in the balance sheet

Taxation

The tax charge of £11 93 million represents an effective tax rate of 31 09% compared with 30 92% in the previous year The rate is slightly higher than the prevailing rate due to the adjustments made in respect of disallowable expenditure incurred during the year

During 2007 proposed amendments to the Industrial Buildings Allowance regime were announced Due to the fact that these amendments were not substantively enacted as at 31 December 2007, their effects have not been reflected within the Group's results

The directors have estimated that should these amendments be substantively enacted during the year ending 31 December 2008 the deferred tax liability held in the consolidated balance sheet would increase by £6 5 million with a corresponding charge to the consolidated income statement.

Earnings per Share

Underlying basic earnings per share was at a record level of 35 74p, an increase of 39 39% over the previous year This calculation is based on the underlying profit after tax of £29 74 million and 83,218,835 shares, being the weighted average number of shares in issue during the year

Basic earnings per share, based on profit after tax after non underlying items is 31 77p (2006 25 64p)

Underlying diluted earnings per share is 35 70p This calculation is based on the underlying profit after tax of £29 74 million and 83 297 638 shares being the weighted average number of shares in issue, allowing for contingent shares under a share based payments scheme

Diluted earnings per share based on profit after tax after non-underlying items, is 31 73p (2006 25 64p)

Dividend

The Board will be recommending a final dividend of 13 25p per share (2006 9 25p) at the Company s Annual General Meeting on 30 May 2008, bringing the total dividend for the year to 20 0p per share This total dividend represents a 40 35% increase over the total dividend of 14 25p per share paid for 2006 This is in line with the underlying basic earnings per share increase and maintains the total dividend cover at 1 8 times these earnings a level at which the Board remains comfortable and at which it remains confident of maintaining in the future

The final dividend will be paid on 16 June 2008 to shareholders on the register on 16 May 2008 The ex dividend date will be 14 May 2008

» EAGLES MEADOW, WREXHAM

Located in the centre of Wrexham this new 400,000 sqft open mall shopping centre will provide a natural extension to the existing town centre Eagles Meadow has been designed as a truly mixed-use development incorporating retail, leisure and residential uses

The development comprises more than 7,100 tonnes of structural steelwork, of which approximately half is coated with intumescent fire protection paint.

› Severfield-Reeve

Acquisitions

The Company made two acquisitions in the year for a total consideration of almost £116 million as follows

- **Action Merchants Limited**
  Action Merchants Limited is the non-trading holding company of Fisher Engineering Ltd, a leading steel fabrication company based in Enniskillen in Northern Ireland The total consideration amounted to £92 2 million (including £2 2 million costs), of which £36 6 million was satisfied by the issue of 1 750,000 ordinary shares of 10p each at £20 89 per share, with the balance paid in cash

  The Income Statement incorporates the result from 8 October 2007, the date of the acquisition of the Action Merchants Limited Group

  Goodwill arising on the acquisition amounted before allocation of intangibles, initially to £76 million A valuation of any identifiable intangible assets of Action Merchants Limited included in this figure has been carried out to identify and estimate the fair value and estimated useful lives of these intangible assets as required under IFRS 3 These intangible assets have been valued at approximately £39 million gross of the associated deferred tax liability of £10 92 million and are included in the Balance Sheet under "Other Intangible Assets" Goodwill will be subject to an annual impairment review as required under IFRS 3

  Fisher Engineering has been integrated into the Group very satisfactorily and the results for the three month period of ownership are both very good and encouraging for the future.

- **Dalton Airfield Estate Limited (DAEL)**
  DAEL owned the long leasehold title to the Group s headquarters and the freehold title to over half of Severfield–Reeve Structures Limited s fabrication facility, both at Dalton Airfield Industrial Estate in North Yorkshire, for which it was paid a rent of approximately £1 6 million per annum The Group acquired the freehold reversion of this facility from certain directors and management to regain Severfield– Rowen s control of this valuable and extensive headquarters and fabrication site The total consideration amounted to £23 5 million and was concluded on 9 October 2007

  The transaction has been included in the accounts as the acquisition of land and buildings

Balance Sheet

The Group s Balance Sheet continues to strengthen with shareholders funds increasing by £50 60 million to £116 83 million This equates to a total equity value per share at 31 December 2007 of 131 8p, compared with 67 6p at the end of 2006

The Group s Balance Sheet now has property, plant and equipment totalling £79 42 million Depreciation charged in the year amounted to £3 93 million We continue to invest heavily in our business with capital expenditure in the year of £33 68 million made up as follows

• Land and buildings at Dalton, North Yorkshire, as part of DAEL acquisition	£23 5 million
• Land and extension of production facilities at Dalton	£4 0 million
• Land and improvements to production facilities at Watson Steel Structures facility at Bolton	£2 0 million
• Improvements to production facilities at Atlas Ward Structures facility in North Yorkshire	£0 7 million
• Mobile cranes for use on sites	£1 4 million
• Motor vehicles/vans	£1 2 million

Expenditure in 2008 is budgeted to be approximately £4 million

The value of goodwill on the Balance Sheet of £54 71 million is made up primarily as follows

- Acquisition of Action Merchants Limited (Fisher Engineering) in 2007 – £47 98 million The goodwill is subject to an annual impairment review under IFRS 3 Given the excellent performance of the company since acquisition no impairment existed at 31 December 2007
- Acquisition of the Atlas Ward Group of Companies in 2005 – £6 6 million Subject to an annual impairment review under IFRS 3 Given the excellent performance of Atlas Ward in the year no impairment existed at 31 December 2007

Other intangible assets on the Balance Sheet, amounting to £39 04 million represents the capitalisation of the Group s costs in the development of a pedestal mounted powered work platform for use on sites in the erection of steel which is now being used on sites in London of £2 24 million and the gross value of the intangible assets arising on the Fisher acquisition, after amortisation in the year of £2 2 million, of £36 80 million

» BRIDGE ACADEMY, HACKNEY

Mace Plus is delivering this much needed academy in Hackney, providing new opportunities and facilities for 1,150 11–18 year olds in East London.

The six storey horseshoe shaped educational facility will include a 450 seat performance theatre and dance studio as well as an outdoor amphitheatre which will be built above the ground floor car park. A separate sports hall will be built, up to half its depth below ground, and will incorporate a sports pitch on its roof

The project comprises 1,100 tonnes of fabricated steelwork.

› Watson Steel

Unlike the rest of the Group Atlas Ward has a defined benefit pension scheme which, although closed to new members had an IAS 19 deficit of £7 29 million as at 31 December 2006 At 31 December 2007 largely as a result of the contributions paid over during the year, the deficit decreased slightly to £6 75 million and is shown as a liability in the Group Balance Sheet, with the remaining movement going through the Statement of Recognised Income and Expense as required under IFRS

The provision made in the accounts to 31 December 2006 of £2 6 million in respect of an alleged leak to a roof of a contract carried out by Atlas Ward Structures Limited has been under regular review during the year by the directors Although the case went to adjudication no real progress was made with no further indication of the likely outcome Consequently, it was decided that the provision should remain in place

Cash Flow

Management of the Group's cash has always been of prime importance to the Board and this remains the case with cash being tightly controlled During the year a significant amount of borrowings were taken out to fund the acquisitions in October of Action Merchants Ltd and DAEL Consequently the Group ended the year with net borrowings of £48 06 million (2006 positive cash £38 30 million) The Group has a revolving credit facility of £70 million with RBS and National Australia Bank as joint lenders until August 2010 The current level of borrowings leaves the Group comfortably within the limits of its facility

During the year £22 99 million was generated from operations

Outflows of cash during the year included dividends of £13 06 million corporation tax paid of £9 13 million and the purchase of property, plant and equipment, net of sale proceeds of £32 12 million

The cash outflow required for the Fisher acquisition after cash and cash equivalents acquired amounted to £54 96 million, including costs

Due to the acquisitions the Group ended the year with borrowings for the first time in many years and gearing of 41 14% (2006 Nil)

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

Following the acquisition of Fisher Engineering Ltd and the award to the Group of a large contract at Dublin Airport, the Group now has more exposure to the exchange rate fluctuations 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 the euros into sterling at the expected date of receipt As the exchange rate between sterling/euro moved against us between the time the foreign exchange contracts were taken out in 2007 and the year end IAS 39 requires the Company to provide for an accounting and non cash flow loss to the Income Statement of £2 39 million which is shown as a non-underlying item under "other items" on the Statement

The Group remains committed to strong financial controls, cash management and appropriate accounting and treasury policies

Greater detail of the Group s financial instruments is given in Note 23 to the financial statements

Summary

The Group has had a very successful year with revenue underlying profit before tax earnings per share and dividends per share once again reaching record levels

The acquisition of Fisher Engineering Ltd has proven to be very successful with the company fitting into the Group very well

The Group has continued to improve its already healthy financial position which together with its record order book of £455 million means it is well placed for future growth and cash generation

Peter Davison
Finance Director
2 May 2008

» SILKEN HOTEL, LONDON

Located on the intersection of the Strand and the Aldwych, this new five-star, Spanish owned hotel features a ten-storey steel framed atrium and will include 173 bedrooms, 79 apartments, restaurants, bars and a rooftop terrace. It is the first UK venture of the Silken Hotel Group

The project incorporates approximately 2,550 tonnes of fabricated structural steelwork

› Rowen

CORPORATE GOVERNANCE

» STANSTED ARRIVALS EXTENSION

This £40 million project creates an extra 5,900 sqm of floor space to the international arrivals area of the terminal, with the expanded immigration, baggage and customs halls opening in June 2008 and the project fully completed by December 2008. The roof structure, consisting of 22 diagrids (domes), each weighing 30 tonnes and measuring 18 sqm, was constructed in a dedicated zone at the airport and then lifted into place by a 450 tonne crane.

2,000 tonnes of fabricated steelwork, of which almost 800 tonnes are coated with intumescent fire protection paint, are utilised in this project.

› Watson Steel

Directors and Advisers

Peter M Levine MA (Oxon)
CHAIRMAN

Tom G Haughey BA
CHIEF EXECUTIVE OFFICER

Peter A Emerson
CHIEF OPERATIONS OFFICER

Peter J Davison BA FCA
FINANCE DIRECTOR

Peter F Ellison
MANAGING DIRECTOR
Steelcraft Erection Services

Brian W Hick
MANAGING DIRECTOR
Severfield-Reeve Structures

SECRETARY AND REGISTERED OFFICE

Peter J Davison BA FCA
Dalton Airfield Industrial Estate, Dalton
Thirsk, North Yorkshire, YO7 3JN

REGISTERED NUMBER
1721262

Registered in England

Nigel Pickard
MANAGING DIRECTOR
Atlas Ward Structures

Ian R S Cochrane
MANAGING DIRECTOR
Fisher Engineering

J Keith Elliott BSc MIChE
SENIOR NON EXECUTIVE DIRECTOR

John R Featherstone FCA
NON EXECUTIVE DIRECTOR

David P Ridley FRICS
NON EXECUTIVE DIRECTOR

Geoff H Wright
NON EXECUTIVE DIRECTOR

Advisers

AUDITORS
Deloitte & Touche LLP
Chartered Accountants
Leeds

SOLICITORS
Irwin Mitchell
21 Queen Street, Leeds LS1 2TW

Ashurst LLP
Broadwalk House 5 Appold Street
London EC2A 2HA

STOCKBROKERS
Hoare Govett Ltd
250 Bishopsgate London, EC2M 4AA

REGISTRARS AND TRANSFER OFFICE
Computershare Investor Services PLC
PO Box 82 The Pavilions Bridgwater Road
Bristol BS99 7NP

PUBLIC RELATIONS
Pelham Public Relations Ltd
No 1 Cornhill
London EC3V 3ND

BANKERS
National Australia Bank Ltd
(Yorkshire Bank)
94 Albion Street Leeds LS1 6AG

The Royal Bank of Scotland plc
3rd Floor 2 Whitehall Quay
Leeds, LS1 4HR

Bank of Scotland
Lisbon House, 116 Wellington Street,
Leeds, LS1 4LT

Northern Bank Ltd
Main Street, Irvinestown
Co Fermanagh, BT94 1GJ

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal Activity and Business Review

The principal activity of the Group continues to be the design, fabrication and erection of structural steelwork, specialist claddings and ancillary products

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in notes 13 and 15 to the financial statements

A review of the Group s progress during the year and of its future prospects is contained in the Chairman s Statement on pages 6 to 10, the Operational Review on pages 12 to 18 and the Financial Review on pages 20 to 28

The key financial performance indicators of the Group are presented on page 1 and are discussed further within the Financial Review on pages 20 to 28

Explanation of the Group s approach to financial risk management is given in the treasury section on page 28

The Group is also subject to competitor risk, operating in a competitive market with a focus on ongoing innovation and price pressure To reduce this risk we focus resources on ensuring we lead the sector in innovation and continue to invest in appropriate developments in technology and other areas We also actively challenge margins when reviewing potential orders and work hard to ensure the sourcing of quality labour and materials at the best price available – the ongoing Steel UK Limited partnership with Murray Metals Group being an excellent example of this in 2006

The Group benefits from close commercial relationships with a number of key customers and suppliers Damage to or loss of any of these relationships could have a direct and detrimental effect on the Group s results To manage this risk Group management continues to invest significant time and effort working with these customers and suppliers to ensure the Group meets their respective needs, and continues to develop strong working relationships

A review of the Group s performance in the area of health and safety and its consideration of environmental and employment policies, is given in the Corporate Social Responsibility section on page 39

Results and Dividends

The profit of the Group for the year after taxation amounted to £26 434 000 (2006 £20,921 000) details of which are set out in the financial statements on page 53

An interim dividend of 6 75p net per share (2006 5 00p) was paid on 26 October 2007 The directors recommend a final dividend for the year of 13 25p net per share (2006 9 25p) payable on 16 June 2008 to shareholders on the register on 16 May 2008

Fixed Assets

Details of changes in the Group s fixed assets are given in notes 10, 11 12 and 15 to the consolidated financial statements

Directors

The present membership of the Board is stated on pages 32 and 33 John Severs resigned as a director on 30 June 2007 Ian Cochrane was appointed a director on 9 October 2007 All of the other directors served throughout the year

The directors interests in the share capital of the Company are set out on page 47 in the Directors Remuneration Report.

J K Elliott will retire at the Annual General Meeting in accordance with the Articles of Association and will offer himself for re election

P M Levine (Chairman) believes that J K Elliott continues to be committed to the role of non executive director and to show effective performance and consequently supports his nomination

In accordance with the Combined Code issued by the London Stock Exchange T G Haughey and P J Davison will also retire at the Annual General Meeting and offer themselves for re-election

Plans for the structure of the Board are described in the Chairman s Statement on page 10

Executive Directors

Tom Haughey 52 was appointed Group Commercial Director in February 2002 He graduated from Strathclyde University in 1978 His career until joining the Group was within Corus (formerly British Steel) where his last position was Commercial Director of Corus Construction and Industrial In November 2005 he was appointed Joint Group Managing Director and Chief Executive Officer in July 2007

Peter Emerson, 54, has worked for the past 34 years in the Specialist Contracting Industry initially in the concrete contracting sector He joined Rowen in 1984 as a quantity surveyor rising to Deputy Managing Director in 1996 He was appointed Group Commercial Director in 1998 and in December 2001 to the key role of Managing Director of Watson Steel Structures Ltd In July 2007 he was also appointed Chief Operations Officer for the Group

Peter Davison, 52 graduated from Lancaster University in 1977 and qualified as a Chartered Accountant in 1980 with KPMG He joined the Group in 1988 as financial controller and company secretary immediately taking on the financial responsibility of the Company s flotation on the London Stock Exchange. He was appointed Group Finance Director in 1990 and has established and maintained efficient up-to-date systems of control to ensure the smooth running of all financial aspects of the Group

Peter Ellison 54 joined the Group in 1993 as Managing Director of the Group s in-house erection company, Steelcraft Erection Services Ltd He has spent his working life in the steel erection business and prior to joining the Group he ran his own erection company based in the Midlands Since joining Steelcraft he has built up a company which is very important for the success of the Group with an unrivalled reputation for the efficient and safe erection of structural steelwork.

Brian Hick, 49 joined the Group in 1989 and has had 32 years experience in the structural steel industry including 8 years working in the Middle East and Africa He was appointed Group Director responsible for international operations in 2000 and under his guidance the Group has been able to break into two significant market areas, both in the UK and overseas, being Power Generation and Petrochemical work. He was also appointed Managing Director of Severfield-Reeve Structure Ltd in July 2007

Nigel Pickard 43 joined the Group in 2005 following the acquisition of Atlas Ward He has 27 years experience in the structural steel industry working both in the UK and overseas markets In 2000, he was appointed Operations Director of Atlas Ward where he took full responsibility for production Appointed as Managing Director in 2002 he transformed Atlas Ward s business turning its substantial losses to profit and laid the foundations for further development in the future

Ian Cochrane, 38 joined the Group in 2007 following the acquisition of Fisher Engineering He has worked at Fisher Engineering for 20 years starting in the drawing office and progressing to Project Management. He was appointed Project Director in January 2004 and Managing Director in October 2007 He has gained a comprehensive understanding of all aspects of the business and has been involved in many major projects in Ireland representing a range of market sectors

Non-Executive Directors

Peter Levine, 52 graduated in jurisprudence from Trinity College, Oxford in 1977 and qualified as a solicitor in 1980 since when he has specialised in international/corporate law He was appointed a non-executive director and Deputy Chairman of the Company in 1993 becoming Chairman in 1998 He is the Chairman of Imperial Energy Corporation PLC the oil exploration and production company

Keith Elliott, 65, was appointed a non-executive director of the Company in October 1998 and was appointed to the role of Senior Independent Non Executive Director in 2003 He retired in July 1998 from Bechtel the international contracting organisation, where he was a partner in Bechtel Corporation and Senior Vice-President in charge of petroleum and chemical business having worked there for 32 years

John Featherstone, 75, has been a non executive director of the Company since 1988 He is a Chartered Accountant with a distinguished career in the financial management of both private and quoted companies He now serves as chairman and director of several private companies

David Ridley, 65, was appointed in June 2002 as a non executive director of the Company He previously held the Chairmanship of Faithful and Gould, the quantity surveyor and cost management consultants which forms part of the W S Atkins Group of companies He has a wealth of experience and contacts within a number of strategic sectors for the Group including infrastructure and transportation

Geoff Wright, 65 was appointed in September 2006 as a non-executive director of the Company He retired in 2006 from Hammerson PLC the FT100 Property Developer where he was Director of Project Management and Construction, having worked there for 37 years He is well known in the property and construction industries and was previously President of the Chartered Institute of Building He is a non-executive director of English Partnerships and BRE Trust

Directors and Officers Liability

Directors and Officers liability insurance has been purchased during the year

Agreements with Employees and Significant Agreements

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 can be terminated upon a change of control of the Group

There are no other significant agreements to which the Group is a party that take effect, alter or terminate upon a change of control of the Group following a takeover bid providing that the Group s credit rating is maintained

Significant Shareholdings

As at 25 April 2008, the Company 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

	2 5p Ordinary shares	%
M & G Investment Management	7920 569	8 94
Rathbone Investment Management	4,678 329	5 28
JP Morgan Asset Management	4 277 673	4 83
Credit Suisse Asset Management	3,848 860	4 34
Jupiter Asset Management	3,840 047	4 33
Legal & General Investment Management	3 801 579	4 29
Barclays Global Investors	3 006 595	3 39

Share Split

On 8 October 2007 the Company s authorised and issued share capital was sub-divided on the basis of 4 new ordinary shares of 2 5p each for each existing ordinary share of 10p each

Share Capital

The Company has a single class of share capital which following the share split is now divided into ordinary shares of 2 5p each

Three resolutions are to be proposed at the forthcoming Annual General Meeting relating to or concerning Share Capital

(i) The directors are requesting that their authority to allot shares be renewed The maximum amount of relevant securities that may be allotted pursuant to the authority is £731 015 in nominal value (29,240,599 shares) representing approximately 33% of the Company s total share capital in issue as at 25 April 2008 being the latest practical date prior to the date of the Notice of Meeting The Board has no present intention of exercising this authority, which will expire at the end of the 2009 Annual General Meeting or on 29 August 2009 whichever is the earlier

(ii) The directors power to allot equity securities conferred by the Special Resolution of the Company passed on 17 June 2007 will expire at the conclusion of the Annual General Meeting to be held on 30 May 2008 unless otherwise varied revoked or renewed Your directors consider it desirable that this power, being a limited disapplication of pre-emption rights should be renewed at the forthcoming Annual General Meeting such authority to expire at the end of the 2009 Annual General Meeting or on 29 August 2009 whichever is the earlier Apart from rights issues, open offers and other pre-emptive issues, the aggregate nominal value of new shares for which power is being sought is not to exceed £110 760 (4 430,394 shares) representing 5% of the Company s issued share capital The directors have no present intention of exercising this power but should any exercise be contemplated in the future they will have regard to the Investor Protection Committee guidelines

(iii) The directors are requesting that at the forthcoming Annual General Meeting they are given the authority to buy by way of market purchases up to 10% of the issued share capital of the Company representing a maximum of 8 860 788 shares The price to be paid will be no lower than 2 5p per share and no more than 5% above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the five business days preceding the day on which the shares are purchased Purchases would not be made in the close period preceding the announcement of the Company s interim or final results This proposal does not indicate that the Company will purchase shares at any particular time or price, or imply any opinion on the part of the directors as to the market or other value of the Company s shares This authority will expire at the end of the 2009 Annual General Meeting or on 29 August 2009 whichever is the earlier It is the present intention of the directors to seek a similar authority annually The directors have no present intention of exercising this authority and will only do so at price levels which they consider to be in the interests of shareholders after taking account of the Group's overall financial position and which would lead to a beneficial impact on the earnings per share of the Company

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 two shareholders (or their representatives) present in person and having the right to vote, or by any shareholders (or their representatives) present in person having at least 10% of the total voting rights of all shareholders or by any shareholders (or their representatives) present in person 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 twelve 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 an extraordinary 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

Voting at General Meetings

Any form of proxy sent by the Company to shareholders in relation to any general meeting must be delivered 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 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 certificated 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 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

The Board may decide to suspend the registration of transfers for up to 30 days a year by closing the Register of shareholders The Board cannot suspend the registration of transfers of any uncertificated shares without gaining consent from 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

(i) with the written consent of the holders of at least 75% in nominal value of the issued shares of the class, or

(ii) with the sanction of an extraordinary 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, or the new shares and the existing shares are deemed to be varied (unless the rights expressly allow it) by a reduction of paid up capital or if another share of that same class is issued and ranks in priority for payment of dividend or in respect of capital or more favourable voting rights

CREST

The Company s ordinary shares are in CREST, the settlement system for stocks and shares

Creditor Payment Policy

The Group s current policy concerning the payment of its trade creditors is to agree terms and conditions for its transactions with suppliers and to abide by those terms subject to those terms and conditions being met by the supplier At 31 December 2007 trade creditors of the Group represented 51 days of purchases (2006 52 days)

Charitable and Political Contributions

During the year the Group made charitable donations of £106,000 (2006 £90,000) principally to local charities serving the communities in which the Group operates

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

Directors' Responsibility Statement

The directors are responsible for preparing the annual report and the financial statements The directors are required to prepare accounts for the Group in accordance with International Financial Reporting Standards ("IFRS") and have chosen to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP")

In the case of UK GAAP accounts for the Company the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed

In the case of IFRS accounts for the Group, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Groups financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions other events and conditions in accordance with the definitions and recognition criteria for assets liabilities income and expenses set out in the International Accounting Standards Boards Framework for the Preparation and Presentation of Financial Statements

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards Directors are also required to

- 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 IFRS is insufficient to enable users to understand the impact of particular transactions other events and conditions on the entitys financial position and financial performance

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company for safeguarding the assets for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a report of the directors and the directors remuneration report which comply with the requirements of the Companies Act 1985

The directors are responsible for the maintenance and integrity of the Company website Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions

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 a going concern basis in preparing the financial statements

Auditors

Each director at the date of approval of this Annual Report, confirms that

- so far as the director is aware, there is no relevant audit information of which the Companys auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Companys auditors are aware of that information

This confirmation is given and should be interpreted, in accordance with the provisions of S234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of directors and signed on behalf of the Board

P S Davison

Peter Davison
Secretary
2 May 2008
Dalton Airfield Industrial Estate
Dalton Thirsk, North Yorkshire, YO7 3JN

The Group is committed to continuous improvement in its Corporate Social Responsibility activities

In accordance with the ABI reporting guidelines the Board takes regular account of the significance of social, environmental, ethical and health and safety matters to the business of the Group There is in place a comprehensive risk management and internal control process which identifies and assesses the significant risks to the Group s short and long term value arising from such matters

The Board recognises its Corporate Social Responsibilities to its shareholders customers and suppliers and is committed to good practice in all its activities

Environment

The Group is committed to minimising the impact of its business and its processes on the natural environment and the community at large by complying with all laws, directives and regulations pertaining to its field of operations

It works with the local authorities to ensure it complies with all permits and authorisations required to carry out its operations

During 2007 Severfield-Reeve Structures obtained a gold award via the British Construction Steel Association Sustainability Charter This is a milestone achievement and is the initial step in the Group s ambition to generate an efficient sustainable business model

Health and Safety

The Board is committed to high standards of health and safety for all of its employees

The Group has established a fully functional health and safety department which has full responsibility throughout the Group for developing and maintaining a positive health and safety culture for all aspects of the Group s operations Each operating subsidiary has a health and safety director who reports to the main Board via monthly Health and Safety meetings

The Group operates in a particularly risky working environment and the Board is proud of its good safety record Despite this the Board will continue to try and improve both health and safety awareness and its safety record throughout the Group

The Group has focused on gaining accreditation for its Safety, Health and Environmental System and has achieved certification to OHSAS 18001 and BS EN ISO 14001

Further site development for improved logistics and enhanced product output were implemented throughout 2007

Employees

Severfield-Rowen aims to attract, retain and motivate the highest calibre of employees and encourages their development and initiative.

Employees are regularly informed of matters concerning the performance and future developments of the Group

The Board takes account of employees interests when making decisions and suggestions from employees aimed at improving the Group s performance are welcomed

The Group has continued with its established policy of employing disabled persons where practicable and endeavours to ensure that they benefit from training and career opportunities in common with all employees In the event that employees become disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged

The Board considers training of employees to be very important and consequently has established a training department to operate this particular function

This department is manned by experienced training officers whose prime purpose is to provide adequate training to new employees and to update all employees with the continuing changes in legislation regarding training and health and safety

Corporate Governance

The Board is committed to high standards of corporate governance It is accountable to the Company s shareholders for good corporate governance

This statement together with the Directors Remuneration Report on pages 44 to 49 describe how the principles of good governance, as set out in Section 1 of the FRC Combined Code updated in June 2006 by the London Stock Exchange are applied to the Company and the Company s compliance with the code provisions The principles of good governance are split into the following areas directors directors remuneration, accountability and audit, and relations with shareholders

A Directors

The Board

The Company is controlled through the Board of Directors which comprises seven executive and five non-executive directors, three of which J K Elliott, D P Ridley and G H Wright, are considered as independent

The Board has a separate chairman and chief executive in line with the Code provision A2 The Chairman is mainly responsible for the running of the Board, evaluating its performance and ensuring that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings The chief executive s responsibilities focus on co-ordinating the Company s business and assessing and implementing Group strategy

J K Elliott is the senior independent non executive director and leads the performance review of the Chairman taking into account the views of the executive directors

All directors are able to take independent professional advice in furtherance of their duties if necessary

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 Board acknowledges that P M Levine and J R Featherstone would be classed as non independent but recognises that their commitment and continuing effectiveness in the decision making process are invaluable

Nevertheless on 30 May 2008 at the Company s Annual General Meeting P M Levine and J R Featherstone will resign as directors of the Company with immediate effect Peter Levine will be replaced as non-executive Chairman by Toby Hayward

Board Effectiveness

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 strategic direction of individual trading subsidiaries, codes of conduct annual budgets, progress towards achievement of those budgets and capital expenditure programmes 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 Committees described below All directors, in accordance with the Code, will submit themselves for re-election at least once every three years The performance of individual directors is evaluated annually in conjunction with the remuneration review

The Board generally meets monthly and during the year met ten times A formal agenda for each meeting is agreed with the chairman and is circulated in advance of the meeting to allow time for proper consideration together with relevant papers including key strategic, operational and financial information

Attendance of individual directors during 2007 at scheduled Board Meetings and at meetings of the Remuneration and Audit Committees is set out below

	Board	Remuneration Committee	Audit Committee
Total number of meetings held	10	8	2
P M Levine	9		
J L Severs[1]	5		
T G Haughey	10		
P A Emerson	10		
P J Davison	10		
P F Ellison	9		
B W Hick	10		
N Pickard	10		
I R S Cochrane[2]	1		
J K Elliott	10	8	2
J R Featherstone	10	8	2
D P Ridley	10	8	2
G H Wright	10	8	2

[1] Full attendance at meetings prior to resignation

[2] Two meetings held following appointment

Board Committees

The Board has established four standing committees all of which operate within defined terms of reference

The committees established are the Audit Committee, the Remuneration Committee, the Nomination Committee and the Health and Safety Committee Trading companies are managed by separate boards of directors Any matters of a material nature concerning the trading companies are reported to the Group Board of Directors on a monthly basis

With the change in the executive management in 2007 the change in chairmanship in 2008 and the attendant Board restructuring, the new Board considered it important to retain a level of continuity in the boardroom and have asked Keith Elliott to continue in his role as Senior non-executive director for the immediate future notwithstanding that 2008 will be his 10th year as a serving director He will continue his Chairmanship of the three committees to the Board the Audit Committee, the Nomination Committee and the Remuneration Committee Through an appraisal of its own performance, the Board of directors is satisfied with the independence of Keith Elliott as Senior non-executive director

Audit Committee

The Audit Committee comprises the non-executive directors, with the exception of P M Levine and is chaired by J K Elliott. The Board is satisfied that at least one member of the Audit Committee has relevant financial experience The Committee has written terms of reference which will be available for inspection at the AGM Meetings are held not less than twice a year and additional meetings may be requested by the auditors

The responsibility of the Audit Committee principally falls into four areas

- To monitor the integrity of the financial statements, formal announcements and to review significant financial reporting judgements
- To review the Company s internal financial controls
- To make recommendations to the Board in relation to the appointment and removal of the external auditors and to approve their remuneration and their terms of engagement It also reviews and monitors the external auditors independence, objectivity and effectiveness during the audit process taking into account relevant UK professional regulatory requirements This review includes consideration of the auditors period in office, their compensation and scope, quality and cost-effectiveness of their work.
- To consider the need for an internal audit function The Committee agrees with the directors opinion that the Group is not of sufficient size and complexity to require the need for an internal audit function

It also includes a review of the nature of non-audit services supplied and non audit fee levels relative to the audit fee The Committee recognises that given their knowledge of the business there are often advantages in using the auditors to provide certain non audit services The Committee is satisfied that the independence of the auditors has not been impaired by providing these services Details of the auditors fees are shown in note 4 on page 62

On invitation, the Finance Director, other executive directors and the auditors attend meetings to assist the Committee to fulfil its duties The Committees can access independent professional advice if it considers it necessary

Remuneration Committee

The Remuneration Committee operates under written terms of reference The Committee comprises the non-executive directors with the exception of P M Levine, and is chaired by J K Elliott. The Committee s report is set out on pages 44 to 49

Nomination Committee

The Nomination Committee comprises the non-executive directors, with the exception of P M Levine, and is chaired by J K Elliott. 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 will meet as and when required No meetings were held during the year

Ian Cochrane was appointed to the Board as part of the acquisition of Fisher Engineering Limited The review and proposed appointment of Toby Hayward occurred in 2008

The terms of reference for the Nomination Committee will be available for inspection at the AGM

All directors are required to seek re-election by the members at the AGM following their appointment 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

B Directors Remuneration

The Directors Remuneration Report is set out on pages 44 to 49 of the financial statements

C Accountability and Audit

Financial Reporting

The performance and financial position of the Company are provided in the Operational Review on pages 12 to 18 and the Financial Review on pages 20 to 28 together with the Chairman s Statement on pages 6 to 10 and the Directors Report on pages 34 to 38 These enable the Board to present a balanced and understandable assessment of the Company s position and prospects The directors responsibilities for the financial statements are described in the Directors Report on pages 37 and 38

Internal Control

The Board has applied Principle C 2 of the Combined Code and an ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group which involves working closely with independent risk management consultants This process has been in place for the full financial year and up to the date of the approval of these financial statements and is regularly reviewed by the Board This process is in accordance with the guidance provided by the Turnbull Report.

The Board has formally acknowledged its overall responsibility for reviewing the effectiveness of internal control It 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

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 with respect to the preparation of financial information and the safeguarding of assets The system is designed to manage rather than eliminate the risk of failure to achieve business objectives

In carrying out its review of the effectiveness of internal control in the Group the Board has taken into consideration the following key features of the risk management process and system of internal control

- Senior management from all key disciplines and subsidiary companies within the Group are involved in the process of risk assessment in order to identify and assess Group objectives, key issues and controls A further review has been performed to identify those risks relevant to the Group as a whole. This assessment encompassed all aspects of risk including operational, compliance, financial and strategic A risk register is in place and is updated on an ongoing basis and a control strategy has been determined for each of the significant risks
- The risk management committee, chaired by T G Haughey has the primary responsibility to identify monitor and control the significant risks to an acceptable level throughout the Group The committee receives information on relevant risk matters from line management and other sources on a regular basis
- The Group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual results with budgets Management accounts are prepared for each subsidiary company and the Group on a monthly basis Material variances from budget are thoroughly investigated In addition a more detailed profitability forecast based on actual contracts secured is regularly prepared to monitor the performance of the main operating company of the Group as the year progresses

Cash flow forecasts are regularly prepared to ensure that the Group has adequate funds and resources for the foreseeable future

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

Formal arrangements are in place by which staff of the Company may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters

Risks are identified and appraised through the annual process of preparing these budgets

The Board approves the Group s annual budget

- 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
- Safety, Health and Environmental risks are continually monitored at all sites and are reviewed on a monthly basis by senior management and on a quarterly basis by the Health and Safety Committee

Steps have been taken to embed internal control and risk management into the operations of the business and to deal with areas of improvement which come to management s and the Board s attention This process is continuing to increase risk awareness throughout the Group

D 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

P M Levine T G Haughey, P A Emerson and P J Davison attended several meetings with analysts institutional shareholders and retail investors in the year ended 31 December 2007, either at the time of the announcements of the Company s interim or final results or during visits to the Company s offices in North Yorkshire

Feedback from these meetings is reported to the Board

The Board has sought to use the Annual General Meeting to communicate with private investors and encourages their participation

Compliance Statement

Throughout the year ended 31 December 2007 the Company has been in compliance with the Code provisions set out in Section 1 of the FRC Combined Code on Corporate Governance

» THE OVAL, LONDON

Located in South London, The Oval is home to Surrey County Cricket Club and seats a capacity crowd of 23,000 In its 150 year history, it has witnessed some famous victories, including England's Ashes win of 2005

The project consists of 2,000 tonnes of structural steelwork.

› Severfield-Reeve

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the Directors Remuneration Report Regulations 2002 and Schedule 7A of the Companies Act 1985 It also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors remuneration As required by the regulations a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which time the financial statements will be approved

The regulations require the auditors to report to the Company s members on the "auditable part" of the Directors Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations) The report has therefore been divided into separate sections for audited and unaudited information

UNAUDITED INFORMATION

Remuneration Committee

The Company has an established Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code The Committee comprises four non-executive directors, J K Elliott J R Featherstone G H Wright and D P Ridley and is chaired by J K Elliott.

The Remuneration Committee received external advice from New Bridge Street Consultants LLP (NBSC) who provided no other services to the Company

The Remuneration Committee met on eight occasions during the year with full attendance

No director plays a part in any discussion about his own remuneration

The terms of reference for the Remuneration Committee are available from the Company Secretary

Remuneration Policy

The Remuneration Committee s policy is to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre Moreover remuneration policy is designed to align closely the remuneration of the directors with the goals of the Company and its shareholders Growth in executive remuneration is weighted to match growth in Group profitability, complexity of the role and contribution to shareholder value creation

The remuneration of non-executive directors is considered by the executive directors and reflects the time that they commit to the Company Non executive directors cannot participate in any of the Company s share option schemes the Share Matching Plan or the Performance Share Plan and are not eligible to join the Company s pension scheme.

The major elements of the remuneration package for the executive directors are

- Basic annual salary and benefits
- Annual bonus payments
- A Performance Share Plan (PSP)
- Pensions

It is not intended to grant further awards under previous legacy plans including the Share Matching Plan (SMP) the share option scheme or the deferred bonus plan

Developments in 2007

2007 was a transition year for the Company in many respects Results in 2006 were outstanding with pre-tax profit exceeding budget by 42% and revenue up by 25% The growth continued in 2007 resulting in a strong share price, enhanced dividend payments and the Company s entry to the FTSE 250 At the same time, Managing Director John Severs announced his retirement as Chief Executive Officer stepping down from the Board in June 2007 A new executive management team took over on 1 July 2007 Tom Haughey and Peter Emerson were appointed Chief Executive and Chief Operating Officer respectively

The Company retained John Severs at a cost of £250,000 per annum from 1 July 2007 as a senior adviser to the business under a three-year agreement thereby continuing to have access to his unique knowledge and innovation in structural fabrication and erection and his wide-ranging contacts in the industry

Basic Salary

The level of basic annual salary and benefits is determined by the Committee taking into account the performance of the individual and information from independent sources on salary levels for similar jobs in comparable companies The comparator companies are chosen having regard to size industry sector and the relative complexity of the business In addition, pay settlements in the workforce generally are taken into account

Rigorous remuneration comparator surveys have been performed with the assistance of the executive compensation consultants NBSC who have undertaken all our recent surveys and assisted the Company with the design of executive compensation plans The surveys are updated as appropriate in changing market conditions and taking into account other relevant factors such as the Company s entry during 2007 into the FTSE 250

Annual base salaries for all the executive directors were set at the start of 2007 following our normal approach involving assessment against prevailing rates through our comparator surveys and assessment of the value of individual contribution to Company performance In July 2007 attendant with the changes to the executive management team and the realignment of roles and responsibilities further base salary adjustments were implemented, also following the same guidelines and policy The revised salaries were disclosed in our circular to shareholders in advance of an EGM on 5 October 2007 attendant with the agenda item for that EGM to replace the SMP with the PSP

Details of the salaries paid in 2007 are set out in the table of directors emoluments It is the Committee s intention to maintain base salaries at this level in 2008 making only a 3% cost of living increment.

Annual Bonus Payments

Annual bonus awards to executive directors are governed by the bonus plan introduced in 2003 Under this plan bonus awards correlate with underlying profit before tax achieved in the previous year The plan contains both a lower profit threshold below which no bonuses are payable and a maximum bonus limit as a percentage of the individual s base salary No bonus awards are payable in years when profit before tax achieved is below 95% of budget Bonus awards for years when profit was earned at 100% of budget could fall between 50% and 100% of base salary for the Chief Executive and between 10% and 40% for other directors Awards when profit achieved is 120% of budget or better and can be between 100% and 150% of base salary for the Chief Executive and between 40% and 75% for other directors Awards are interpolated linearly between the three levels of 95% 100% and 120% Setting of bonuses is at the discretion of the Remuneration Committee taking into account our assessment of contribution to financial results, prevailing market conditions budget performance in difficult market conditions being better rewarded than in a sellers market, and both individual and collective contribution to the implementation of strategic initiatives which we anticipate will deliver profits in future years

The Remuneration Committee applied the bonus plan guidelines during 2007 based on performance in 2006 and subsequently and incorporated its judgement on contributory and circumstantial factors including non-financial KPIs such as Health and Safety and other Corporate Social Responsibility metrics The guidelines will continue to be applied consistently in 2008 and in future years in accordance with our policy to align the executive directors remuneration with the Group performance

2006 was an outstanding year with pre-tax profit exceeding budget by 42 8% After considering a range of other factors as well as profit, the Remuneration Committee determined that bonus awards in 2007 based on 2006 performance should be at the top end of the ranges specified above.

A supplementary completion bonus of £1 6 million was paid to John Severs at the discretion of the Remuneration Committee at the time of his retirement in June 2007 In effect, the completion bonus constituted an additional one year s remuneration at the 2007 base salary and bonus level plus an allowance equivalent to the Company s pension contribution This was evaluated based on his length of service and his outstanding contribution to the business and to the enhancement of shareholder value particularly over the past five years where, as shown on the chart on page 46, the level of shareholder return has been over 800% Also it was noted that unlike other executive directors John Severs had not participated in any executive long term incentive arrangements on a voluntary basis Furthermore, there was no contractual-based payments in connection with his departure Taking all of these factors into account, the Committee viewed this additional bonus as appropriate notwithstanding that this is recognised as being unusual by market standards

Details of the bonuses paid in 2007 are set out in the table of directors emoluments

The bonus payments are not pensionable

Performance Share Plan

Against a background of the Board changes in 2007 the Remuneration Committee undertook a review of executive remuneration arrangements with particular focus on long term incentives

The Company has, since 2004 operated a bonus-linked Share Matching Plan as the sole type of long-term incentive for its senior executive directors In addition to the SMP, the executives had been involved in a related party transaction with the Company through a sale and leaseback arrangement relating to some land at the Company s principal site at Dalton in North Yorkshire At the EGM on 5 October 2007 the shareholders approved the repurchase of the property by the Company thus obviating the linkage between certain executive directors and the property ownership and the attendant lock in incentive of that arrangement.

Having reviewed the effectiveness of the SMP, the Committee concluded that executives will be better motivated and rewarded under a stand alone long-term incentive arrangement, a Performance Share Plan (PSP) which is not influenced by annual bonus levels and which is not linked to cash bonus investment, but where the focus is on continuing the strong profit growth in the future from the all-time high position of today

The policy under the PSP is summarised below

- Initially participation will be limited to the seven executive directors
- The normal maximum limit for the value of shares comprising an award will be 150% of salary in any year This may be exceeded in exceptional circumstances
- The first awards were made following approval the EGM on 5 October 2007 at the maximum level, recognising the need to lock in and incentivise the new management team (in anticipation of the new plan, executives had not participated in the SMP in 2007)
- Awards to senior executives will vest no sooner than three years after grant

For awards made in 2007 vesting will be determined by the achievement of underlying earnings per share targets set over a three-year performance period using EPS at the end of 2006 as a base point (there will be no facility to retest the performance condition) Twenty-five per cent of an award will vest if underlying EPS growth is equal to RPI+18% over three years All of the award will vest for growth of RPI+45% over three years In setting these targets the Remuneration Committee was cognizant of the exceptional recent earnings growth, from where these growth targets will be measured as well as uncertainty in the longer term outlook in construction industry Nevertheless, it is recognised that the EPS growth rate is amongst the most challenging in the FTSE 250 for a plan of this type

EPS was chosen as a performance condition as improving profitability is the key financial performance indicator Using EPS provides better alignment of interest between executives and shareholders as profit is calculated on a per share basis

The value of dividends paid over the vesting period will be rolled up and paid out in shares or cash to the extent shares ultimately vest

It is anticipated that a similar policy will be adopted under the PSP in 2008 (at the time of writing the grant levels and performance conditions have not been finalised)

Share Options

There were no outstanding share options at 31 December 2007 No options were granted in 2007 It is the Committee s intent that the PSP supersedes the granting of options Options may be granted in future years in special circumstances at the discretion of the Committee

Shareholding Guideline

A policy was introduced in 2004 whereby executive directors will be required to retain shares acquired as matching awards under the SMP until such time they have built up a holding of such shares equivalent in market value (at the date of vesting) to the executives base salary Thereafter, the executive directors will be under a continuing obligation to maintain at least such a holding This requirement will be carried forward to the aggregate of awards vesting under the SMP and the PSP The requirement underscores the Committee s policy to align executive director remuneration and shareholder interests

Pensions

The Group contributes to each executive director s money purchase pension fund Contribution rate for each director is £50,000 p a plus 7% of base salary resulting in contribution levels in the range of 15%–36% of base salary

Service Contracts

The service contracts of executive directors run on a rolling basis and are no longer than 12 months duration Notice periods of 12 months are required to be given by all parties

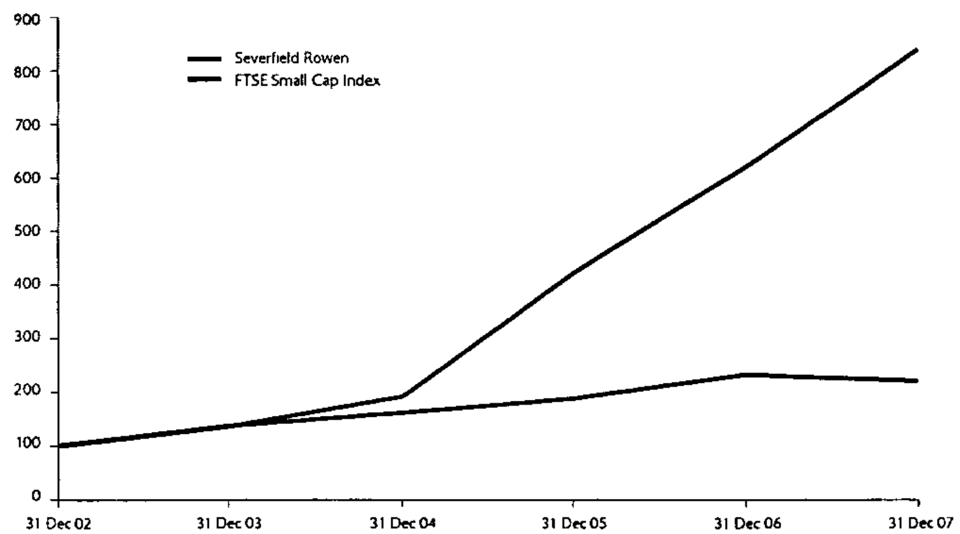
Details of the contracts of each director, including the date, unexpired term and any payment obligations on early termination, are available from the Company Secretary and at the Annual General Meeting

Performance Graph

The following graph shows the Company s performance measured by total shareholder return compared with the performance of the FTSE Small Cap Index It is based on the change in the value of a £100 investment made on 31 December 2002 over the five year period ended 31 December 2007

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

Change in value of a £100 investment over 5 years



Directors' Interests

The directors and their families had the following beneficial interests in the share capital of the Company

	31 December 2007 2 5p Ordinary Shares	31 December 2006 (or date of appointment) 2 5p Ordinary Shares
P M Levine	65,680	125,680
T G Haughey	61,336	61,336
P A Emerson	20,272	20,272
P J Davison	62,108	138 108
P F Ellison	26,844	26,844
B W Hick	31,232	43,232
N Pickard	5,260	5,260
I R S Cochrane	1,220,584	1 220 584
J K Elliott	200,000	200,000
J R Featherstone	127,000	327,000
D P Ridley	4,000	40,000
G H Wright	4,000	–

Transactions of ordinary shares since the year end are as follows

1 Sales	Date	Number of shares	Price per share
J R Featherstone	2 April 2008	125,000	£3 10

2 Purchases	Date	Number of shares	Price per share
T G Haughey	24 January 2008	38 771	£2 56
P A Emerson	24 January 2008	17500	£2 58
P J Davison	24 January 2008	20 000	£2 56
P F Ellison	24 January 2008	19,385	£2 56
B W Hick	24 January 2008	10 000	£2 56
N Pickard	24 January 2008	7754	£2 56
P M Levine	28 January 2008	400 000	£2 48
D P Ridley	31 January 2008	50 000	£2 61
D P Ridley	2 April 2008	20 000	£3 06

Other than the above transactions there have been no changes in the directors interests between the year end and 25 April 2008

Directors' Remuneration Report continued

AUDITED INFORMATION

Aggregate Directors' Remuneration

The total amounts for directors remuneration were as follows

		2007 £000	2006 £000
Emoluments	— salaries, bonus and taxable benefits	5,249	3 044
	— fees	224	178
Money purchase pension contributions		445	349
		5,918	3 571

Directors' Emoluments

Details of the directors emoluments are as follows

	Basic salary £000	Fees £000	Bonus £000	Termination payments £000	Taxable benefits £000	2007 Total £000	2006 Total £000
Executive							
T G Haughey	328		210		22	560	459
P A Emerson	262		168		22	452	368
P J Davison	210		154		21	385	345
P F Ellison	230		157		4	391	325
B W Hick	170		124		4	298	255
N Pickard	170		124		12	306	267
I R S Cochrane (from 9/10/07)	43		—		1	44	—
J L Severs (until 30/6/07)	300		900	1 600	13	2,813	1 025
Non-Executive							
P M Levine		75				75	59
J K Elliott		50				50	45
J R Featherstone		33				33	33
D P Ridley		33				33	33
G H Wright		33				33	8
Aggregate emoluments	1,713	224	1,837	1 600	99	5 473	3,222

Taxable benefits include the provision of company cars fuel for company cars and private medical insurance

Directors' Pension Entitlements

The executive directors are members of the Group s money purchase pension schemes Contributions paid by the Company in respect of these schemes in the year are as follows

	2007 £000	2006 £000
T G Haughey	73	51
P A Emerson	68	47
P J Davison	65	47
P F Ellison	66	47
B W Hick	62	44
N Pickard	62	52
I R S Cochrane (from 9/10/07)	3	—
J L Severs (until 30/6/07)	46	61
	445	349

Directors' Share Options

There are no share options outstanding at 31 December 2007 (2006 None)

The market price of the shares at 31 December 2007 was 460p and the range during the year was 344 75p to 620p

Annual Deferred Bonus Share Scheme

Under the terms of the Severfield-Rowen Plc 1999 Annual Deferred Bonus Share Scheme no deferred share awards (as defined in the Scheme Rules) were made in 2007

There were no bonus shares outstanding at 31 December 2007

Share Matching Plan

Under the Company s Share Matching Plan the following shares will vest with the directors, subject to achievement of the relevant performance criteria

	Number of Shares vesting in May 2008	Number of Shares vesting in June 2009	Total Number of Shares
T G Haughey	20 448	15 112	35 560
P A Emerson	21,692	12 092	33 784
P J Davison	16 732	11 184	27916
P F Ellison	21,692	11,184	32,876
B W Hick	16,736	8 764	25 500
N Pickard	–	8,764	8 764
	97300	67,100	164 400

The full cost of purchasing the shares to meet the obligations under the scheme was charged to the Income Statement in 2005 and 2006 and amounted in total to £350 000 No further disclosures regarding this share-based payment scheme are provided in the financial statements as the cost is immaterial

Performance Share Plan

Under the Company s Performance Share Plan the following awards over shares will vest with the directors on 4 October 2010, subject to achievement of the performance criteria described on page 45

	Number of Shares
T G Haughey	110 944
P A Emerson	88 756
P J Davison	63,608
P F Ellison	73 964
B W Hick	51 772
N Pickard	51,772
	440 816

Approval

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

J K Elliott
Chairman of Remuneration Committee
2 May 2008

GROUP ACCOUNTS

31 December 2007
(Prepared in accordance with IFRS)

CONTENTS

» SCOTTISH WIDOWS, EDINBURGH

This commercial office is located on Semple Street in Edinburgh and is being constructed for Scottish Widows Investment Partnership The 6,000 sqm Grade A office development is spread over basement, ground and five upper floors and includes self-contained car parking.

The project consists of approximately 2,800 tonnes of structural steelwork, including almost 1,200 of Fabsec plated beams, of which the majority was coated with fire protection paint.

› Severfield-Reeve

Independent Auditors' Report to the Members of Severfield-Rowen Plc

We have audited the Group financial statements of Severfield-Rowen Plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Recognised Income and Expense, the Consolidated Cash Flow Statement and the related notes 1 to 37 These Group financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors Remuneration Report that is described as having been audited

We have reported separately on the parent Company financial statements of Severfield-Rowen Plc for the year ended 31 December 2007

This report is made solely to the Company s members as a body in accordance with section 235 of the Companies Act 1985 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 auditors 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

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the Annual Report, the Directors Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors responsibilities

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the Group financial statements give a true and fair view whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors Report is consistent with the Group financial statements The information given in the Directors Report includes that specific information presented in the Chairman s Statement Operational Review Financial Review, and Corporate Social Responsibility sections that is cross-referred from the Principal Activity and Business Review section of the Directors Report

In addition we report to you if, in our opinion we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the Company s compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board s statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group s corporate governance procedures or its risk and control procedures

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited Group financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements Our responsibilities do not extend to any further information outside the annual report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors Remuneration Report to be audited It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group s circumstances consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors Remuneration Report to be audited

Opinion

In our opinion

- the Group financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union, of the state of the Group s affairs as at 31 December 2007 and of its profit for the year then ended
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation
- the part of the Directors Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors Report is consistent with the Group s financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds
2 May 2008

Consolidated Income Statement For the year ended 31 December 2007

	Note	Before Other Items 2007 £000	Other Items[1] 2007 £000	Total 2007 £000	Total 2006 £000
Continuing operations					
Revenue	3	300 656	–	300 656	295,084
Cost of sales		(250 936)	–	(250,936)	(261,148)
Gross profit		49 720	–	49,720	33,936
Other operating income		479	–	479	79
Distribution costs		(1 295)	–	(1,295)	(877)
Administrative expenses		(6,278)	(2 200)	(8,478)	(4 030)
Share of results of associates		58	–	58	10
Unrealised losses on derivative financial contracts		–	(2 390)	(2,390)	–
Operating profit	4	42,684	(4 590)	38,094	29 118
Investment revenue – interest	6	1 405	–	1,405	1,250
Finance costs – interest	6	(1,139)	–	(1,139)	(82)
Profit before tax		42 950	(4 590)	38,360	30 286
Tax	7	(13 211)	1,285	(11,926)	(9,365)
Profit for the period attributable to the equity holders of the parent		29 739	(3,305)	26,434	20,921
Earnings per share [2]	9				
Basic		35 74p	(3 97p)	31 77p	25 64p
Diluted		35 70p	(3 97p)	31 73p	25 64p

[1] Other items relate to the amortisation of acquired intangibles and unrealised losses on derivative contracts Other items have been disclosed separately in order to give an indication of the underlying earnings of the Group

There were no such items in 2006 or previous periods

[2] The calculation of earnings per share for previous periods has been adjusted to reflect the 4 1 share split in October 2007

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Actuarial profit/(loss) on defined benefit pension scheme	35	285	(1 169)
Tax on items taken directly to equity	21	(85)	351
Impact of reduction in tax rate on deferred tax on defined benefit pension scheme		(134)	–
Net gain/(expense) recognised directly in equity		**66**	**(818)**
Profit for the year from continuing operations		26,434	20,921
Total recognised income and expense for the year attributable to equity holders of the parent		**26,500**	**20,103**

Consolidated Balance Sheet 31 December 2007

	Note	2007 £000	2006 £000
Assets			
Non-current assets			
Goodwill	10	54,712	6,732
Other intangible assets	11	39,040	1,608
Property plant and equipment	12	79,423	43,602
Interests in associates	15	104	46
		173,279	51,988
Current assets			
Inventories	16	17,931	3 333
Trade and other receivables	18	65,614	46,786
Cash and cash equivalents		5,445	38,304
		88,990	88,423
Total assets		262,269	140 411
Liabilities			
Current liabilities			
Trade and other payables	19	57,857	56 966
Financial liabilities — borrowings	23	53,504	–
Financial liabilities — derivative financial instruments	23	2,850	–
Tax liabilities		10,394	6 125
Obligations under finance leases	22	–	66
		124,605	63 157
Non-current liabilities			
Retirement benefit obligations	35	6 745	7 287
Deferred tax liabilities	21	11,490	742
Provisions	20	2,600	3 000
		20,835	11 029
Total liabilities		145 440	74,186
Net assets		116,829	66,225
Equity			
Share capital	25	2,215	2 040
Share premium	26	46,152	9,770
Other reserves	27	743	139
Retained earnings	28	67,719	54,276
Total equity		116,829	66,225

The financial statements were approved by the Board of directors on 2 May 2008 and signed on its behalf by

T G Haughey
Director

P J Davison
Director

Consolidated Cash Flow Statement For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Cash flows from operating activities			
Cash generated from operations	30	22,987	35,488
Interest paid		(768)	(82)
Tax paid		(9,131)	(6,341)
Net cash from operating activities		13,088	29 065
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		1,555	920
Interest received		1,384	1,239
Acquisition of subsidiary including costs	29	(55,641)	–
Cash acquired with subsidiary	29	685	–
Purchases of property, plant and equipment		(33,679)	(13 010)
Purchases of intangible fixed assets		(632)	(600)
Net cash used in investing activities		(86,328)	(11 451)
Cash flows from financing activities			
Payment of finance lease liabilities		(66)	(363)
Borrowings taken out		53,504	–
Dividends paid		(13,057)	(9 079)
Net cash generated from financing activities		40,381	(9 442)
Net (decrease)/increase in cash and cash equivalents		(32,859)	8 172
Cash and cash equivalents at beginning of period		38,304	30,132
Cash and cash equivalents at end of period		5,445	38,304

1 **Significant accounting policies**

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) The 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 financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments The principal accounting policies adopted are set out below

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all subsidiaries for the financial year ended 31 December 2007

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

Consolidated income statement disclosure

In order to give an indication of the underlying earnings of the Group, certain items are presented in the middle column of the Consolidated Income Statement entitled "Other Items" These include

- amortisation of acquired intangibles
- fair values on unrealised losses on derivative forward contracts

Business combinations

The acquisition of subsidiaries is accounted for using the purchase 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, plus any costs directly attributable to the business combination 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

Goodwill arising on acquisition is recognised as an intangible asset and initially measured at cost being the excess of the cost of the business combination over the Group s interest in the net fair value of the identifiable assets liabilities and contingent liabilities recognised Negative goodwill arising on acquisition is recognised immediately in the Consolidated Income Statement

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint 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 or joint control over those policies

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting unless it meets the exceptions described in IAS 28 Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group s share of the net assets of the associate, less any impairment in the value of individual investments Losses of the associates in excess of the Group s interest in those associates are not recognised unless, and only to the extent that, the Group has incurred legal or constructive obligations on behalf of the associates

Any excess of the cost of acquisition over the Group s share of the fair values of the identifiable net assets of the associate 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 associate 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 associates profit less losses while the Group s share of the net assets of the associates is shown in the Consolidated Balance Sheet

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group s interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition Goodwill is initially recognised as an intangible asset at cost and is subsequently measured at cost less any accumulated impairment losses Goodwill which is recognised as an asset is reviewed for impairment at least annually Any impairment is recognised immediately as profit or 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

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date Goodwill arising prior to 1 January 1998 of £1 122 000 was taken directly to reserves in the year in which it arose Such goodwill has not been reinstated on the balance sheet

Revenue recognition

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

Profit is recognised on contracts if the final outcome can be assessed reliably by including in the income statement revenue and related cost as contract activity progresses Revenue is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract Variations in contract work, claims and incentive payments are included in Revenue to the extent that there is appropriate certainty that they will be accepted by the customer and can be measured reliably

Where the outcome of a construction contract cannot be estimated reliably contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable Contract costs are recognised as expenses in the period in which they are incurred

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately

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

Operating profit

Operating profit is stated after charging restructuring costs amortisation gains or losses arising on the fair value of foreign exchange derivative contracts and after the share of results of associates but before investment income and finance costs

Retirement benefit costs

The Group operates three defined contribution pension schemes and costs of these schemes are charged to the income statement in the period in which they are incurred

In addition Atlas Ward acquired on 31 March 2005 has a defined benefit scheme which is now closed The liability in respect of this scheme is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets together with adjustments for actuarial gains/losses

The finance cost of liabilities and expected return of assets are included within Administrative expenses in the Consolidated Income Statement

The actuarial gain/loss is charged through the Consolidated Statement of Recognised Income and Expense and is made up of the difference between the expected return on assets and those actually achieved the difference between the actuarial assumptions for liabilities and actual experience in the period and any changes in the assumptions used in the valuations.

The pension scheme deficit is recognised in full and presented on the face of the Consolidated Balance Sheet. The associated deferred tax asset is recognised within non-current assets in the Consolidated Balance Sheet.

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 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 Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Dividends

Dividends are recorded in the Group s 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, are currently stated at cost in the balance sheet. The Group has a policy of revaluing land and buildings when material differences arise being the fair value at the date of revaluation determined from market based evidence by appraisal undertaken by professional valuers less any subsequent accumulated depreciation and subsequent accumulated impairment losses Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date

Any material revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in which case the increase is credited to the income statement to the extent of the decrease previously charged A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance if any held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income On the subsequent sale or retirement of a revalued property the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings

Depreciation is provided on other property plant and equipment to write off the cost or revalued amount of each asset over its estimated useful life at the following rates

Freehold buildings	1% straight line
Plant and machinery	10% straight line
Fixtures fittings and office equipment	10% written down value
Computer equipment	20% straight line
Motor vehicles	25% written down value

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 recognised in income

Intangibles

The Group recognises intangible assets at cost less accumulated amortisation and impairment losses Acquired intangible assets arise as a result of applying IFRS 3 which requires the separate recognition of intangible assets from goodwill on all business combinations from 1 January 2004

Intangible assets are amortised on a straight-line over their useful economic lives as follows

	Amortisation period
Customer relationships	10 years
Brands	25 years
Know how	10 years
Order book	18 months

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred

An internally generated intangible asset arising from the Group s development is recognised only if all of the following conditions are met

- an asset is created that can be identified (such as software and new processes)
- it is probable that the asset created will generate future economic benefits and
- the development cost of the asset can be measured reliably

Internally generated intangible assets are amortised on a straight line basis over their useful lives Where no internally generated intangible asset can be recognised development expenditure is recognised as an expense in the period in which it is incurred

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

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

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

Investments

Fixed asset investments are shown at cost less provision for impairment

Current asset investments are stated at the lower of cost and net realisable value

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.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method

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 The fair value of the shares is measured by use of the Black-Scholes pricing model

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 are discounted to present value where the effect is material

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options Further details of derivative financial instruments are disclosed in note 23 to the financial statements

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

2 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group s accounting policies

In the process of applying the Group s accounting policies which are described in note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are also discussed below

Revenue and margin recognition

The Group s revenue recognition and margin recognition are central to the way the Group values the work it has carried out in each financial year These policies require forecasts to be made of the outcomes of long term construction contracts which require assessments and judgements to be made on recovery of pre-contract costs changes in work scopes contract programmes and maintenance liabilities

Recoverability of internally generated intangible asset

During the year management considered the recoverability of its internally generated intangible asset which is included in its balance sheet at £2,240,000 The project is progressing in a very satisfactory manner and customer reaction has given management assurance over their estimate of anticipated revenues from the project. Management is very confident that the carrying amount of the asset will be recovered in full This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate

Retirement benefit obligations

Details of the Group s defined pension scheme are set out in note 35 The scheme has been valued in accordance with IAS 19 "Employee Benefits" At 31 December 2007 the defined benefit obligation recognised on the Group s balance sheet was £6,745 000 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 scheme s 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 scheme s 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 scheme s assets are classified as actuarial gains and losses

Impairment of goodwill and intangible assets arising from acquisitions

Determining whether goodwill or associated intangible assets are impaired requires an estimation of the value in use 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 and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £54,712 000 and of intangible assets arising from acquisitions was £36 800,000 No impairment adjustment has been made for the year ended 31 December 2007

3 Revenue and segmental analysis

	2007 £000	2006 £000
Revenue by destination		
United Kingdom	289,622	290,627
Europe	8,989	3,889
Other countries	2,045	568
	300,656	295,084

Revenue, profit before tax and net assets in both years, related to the design, fabrication and erection of structural steelwork and related activities and represents the Group s primary reported information

Revenue, which relates wholly to construction contracts, and related assets in both years originated from the United Kingdom Secondary reported information is provided for Revenue by destination above

4 Operating profit

Operating profit for the year has been arrived at after crediting

	2007 £000	2006 £000
Rent receivable	418	79
Profit on sale of property plant and equipment	114	–
and after charging		
Depreciation on owned assets	3,925	4,183
Depreciation on assets held under hire-purchase contracts	–	55
Loss on sale of property plant and equipment	–	212
Amortisation of acquired intangibles	2,200	–
Unrealised losses on derivative financial assets	2 390	–
Auditors remuneration – audit	142	105
– other services	474	80
Rentals under operating leases		
– hire of plant and machinery	2,587	2 513
– other operating leases	3 302	3,439
Staff costs (note 5)	55,985	51 066

4 **Operating profit** continued

The analysis of auditors remuneration is as follows

	2007 £000	2006 £000
Fees payable to the Company s auditors for the audit of the Company s annual accounts	18	17
Fees payable to the Company's auditors and their associates for other services to the Group		
– The audit of the Company s subsidiaries pursuant to legislation	124	88
Total audit fees	142	105
Other services pursuant to legislation		
– Class I circular reporting accountant services	300	–
Tax services		
– advisory and compliance services	53	80
– advisory services in relation to the Fisher Engineering acquisition	61	–
Corporate finance services	60	–
Total non-audit fees	474	80

A description of the work of the audit committee is set out in the corporate governance statement on page 41

5 **Directors and employees**

Details of directors remuneration for the year are provided in the audited part of the Directors Remuneration Report on pages 48 and 49

The average number of persons employed by the Group (including executive directors) during the year was

	2007 Number	2006 Number
Production	931	856
Site	207	223
Sales and administration	45	42
	1 183	1 121

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	48,172	44 504
Social security costs	5 740	5 095
Other pension costs	2,073	1 467
	55,985	51 066

6 Investment revenue and finance costs

	2007 £000	2006 £000
Interest receivable	1,405	1,250
Interest on bank borrowings	(1,138)	(69)
Interest on finance leases	(1)	(13)
Total finance costs	(1,139)	(82)
Net interest receivable	266	1 168

7 Tax

a) The tax charge comprises

	2007 £000	2006 £000
Current tax		
UK corporation tax charge at 30% (2006 30%) based on profits for the year	12,940	9 304
Adjustments to prior years tax provision	(16)	(89)
Total current tax	12,924	9 215
Deferred tax		
Current year (credit)/charge (note 21)	(1,009)	86
Adjustments to prior years provision	11	64
Total deferred tax	(998)	150
Total tax on profit on ordinary activities	11,926	9 365

b) Tax reconciliation

The charge for the year can be reconciled to the profit per the income statement as follows

	2007 £000	2006 £000
Profit before tax	38,360	30,286
Tax on Group profit on ordinary activities at standard		
UK corporation tax rate of 30% (2006 30%)	11,508	9 086
Expenses not deductible for tax purposes	581	314
Lower tax rates due to small companies	(139)	(3)
UK dividend income	(7)	–
Unprovided deferred tax movement	(8)	(7)
Non-qualifying profit on disposals	(4)	–
Adjustments to prior years provisions	(5)	(25)
Income tax expense for the year	11,926	9 365

During 2007 proposed amendments to the Industrial Buildings Allowance regime were announced Due to the fact that these amendments were not substantively enacted as at 31 December 2007, their effects have not been reflected within the Group s results

The directors have estimated that should these amendments be substantively enacted during the year ending 31 December 2008, the deferred tax liability held in the consolidated balance sheet would increase by £6 5 million with a corresponding charge to the Consolidated Income Statement

8 Dividends

	2007 £000	2006 £000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 December 2006 of 9 25p (2005 6 125p) per share	7,549	4 998
Interim dividend for the year ended 31 December 2007 of 6 75p (2006 5 00p) per share	5,508	4 081
	13,057	9 079
Proposed final dividend for the year ended 31 December 2007 of 13 25p (2006 9 25p) per share	11,741	7 549

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements

9 Earnings per share

There are no discontinued operations in either the current or prior year

The calculation of the basic and diluted earnings per share is based on the following data reflecting the 4 1 share split in October 2007

Earnings

	2007 £000	2006 £000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent company	26,434	20 921
Earnings for the purposes of underlying basic earnings per share being underlying net profit attributable to equity holders of the parent company	29,739	20 921
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	83,218,835	81,607,876
Effect of dilutive potential ordinary shares		
Share-based payments scheme	78,803	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	83,297,638	81 607 876

Basic earnings per share	31 77p	25 64p
Underlying basic earnings per share	35 74p	25 64p
Diluted earnings per share	31 73p	25 64p
Underlying diluted earnings per share	35 70p	25 64p

10 Goodwill

Cost	£000
At 1 January 2006 and 1 January 2007	6,760
Recognised on acquisition of a subsidiary (Note 29)	47980
At 31 December 2007	**54,740**
Accumulated impairment losses	
At 1 January 2006	28
Impairment losses for the year	–
At 1 January 2007	28
Impairment losses for the year	–
At 31 December 2007	**28**
Carrying amount	
At 31 December 2007	54,712
At 31 December 2006	6,732

The carrying amount of goodwill is made up 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 recoverable amounts of goodwill are determined from value in use calculations Forecast cash flows are based on approved budgets and plans and subsequent cash flows are increased in line with projected economic growth rates The cash flows have been discounted using a pre-tax discount value of 11% for weighted average cost of capital

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired

11 Other intangible assets

	Intangible assets acquired on acquisition £000	Development costs £000	Total £000
Cost			
At 1 January 2007	–	1 608	1 608
Additions	39 000	632	39,632
At 31 December 2007	**39,000**	**2,240**	**41,240**
Amortisation			
At 1 January 2007	–	–	–
Charge for the year	2 200	–	2 200
At 31 December 2007	**2,200**	**–**	**2,200**
Carrying amount			
At 31 December 2007	36,800	2,240	39,040
At 31 December 2006	–	1,608	1 608

No amortisation charges will be incurred on the development costs until the development has been completed

11 **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 During the year the acquisition of Fisher Engineering Ltd resulted in intangible assets as follows

	Customer relationships £000	Brands £000	Order book £000	Know-how £000	Total £000
Cost					
At 1 January 2007	–	–	–	–	–
Acquired in year	25 800	3,200	9 600	400	39,000
At 31 December 2007	**25,800**	**3,200**	**9,600**	**400**	**39,000**
Amortisation					
At 1 January 2007	–	–	–	–	–
Charge for the period	620	30	1 540	10	2 200
At 31 December 2007	**620**	**30**	**1,540**	**10**	**2,200**
Net book value					
At 31 December 2007	**25,180**	**3,170**	**8,060**	**390**	**36,800**
At 31 December 2006	–	–	–	–	–

Amortisation of acquired intangibles is included in the Consolidated Income Statement as part of Administrative expenses and is classified within the middle column entitled "Other items"

The weighted average amortisation period for each category of intangible asset is disclosed in the Statement of Significant Accounting Policies on page 59

12 Property, plant and equipment

	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 January 2006	20 082	23,970	1,057	2,644	47753
Additions	6,791	4,732	205	1,282	13 010
Transfer to inventories	(822)	–	–	–	(822)
Disposals	–	(1,241)	(118)	(973)	(2 332)
At 1 January 2007	26,051	27,461	1 144	2 953	57 609
Additions	27 278	5 154	84	1,163	33,679
Acquisition of subsidiary	2,217	4,588	332	371	7 508
Disposals	(51)	(3,475)	(53)	(1,257)	(4,836)
At 31 December 2007	**55,495**	**33,728**	**1 507**	**3 230**	**93,960**
Accumulated depreciation					
Depreciation					
At 1 January 2006	412	8 882	614	1,061	10,969
Charge for the year	178	3,389	157	514	4,238
Disposals	–	(552)	(118)	(530)	(1,200)
At 1 January 2007	590	11 719	653	1 045	14,007
Charge for the year	202	2 954	173	596	3,925
Disposals	–	(2 683)	(53)	(659)	(3,395)
At 31 December 2007	**792**	**11,990**	**773**	**982**	**14,537**
Carrying amount					
At 31 December 2007	**54,703**	**21,738**	**734**	**2,248**	**79,423**
At 31 December 2006	25 461	15 742	491	1,908	43 602

12 Property, plant and equipment continued

The Group operates a system of regular valuations of freehold and long leasehold land and buildings across its portfolio which have included using FPD Savills and Rushton International Chartered Surveyors This operates on a rotational basis, with one of the five main properties reviewed each year The five properties are the Severfield-Reeve Structures Limited and Severfield-Reeve Projects Limited sites at Dalton Airfield Industrial Estate the Watson Steel Structures Limited site at Lostock Lane Bolton, the Atlas Ward Structures Limited site at Sherburn and the Fisher Engineering Limited steel storage site at Enniskillen in Northern Ireland

To date, no material surplus over net book value has been identified, and accordingly no adjustment to revalue freehold and long leasehold land and buildings has been considered necessary

The net book value of the Group s plant and machinery includes £Nil (2006 £395 000) in respect of assets held under finance leases

13 Subsidiaries

The Company has investments in the following significant subsidiary undertakings All of the companies listed are registered in England

Severfield-Reeve Structures Limited	– steel fabrication
Watson Steel Structures Limited	– steel fabrication
Rowen Structures Limited	– project contracting
Atlas Ward Structures Limited	– steel fabrication
Fisher Engineering Limited	– steel fabrication (acquired 8 October 2007)
Steelcraft Erection Services Limited	– steel erection
Severfield-Reeve International Limited	– overseas contracts
Severfield-Reeve Projects Limited	– project managers of building contracts

The Company owns the whole of the issued share capital of the subsidiaries noted above

14 Investments and interests in joint ventures

On 3 February 2006 Severfield-Reeve Structures Limited entered into a 50/50 joint venture agreement with Murray Metals Group Limited to form Steel UK Limited, a company involved in steel buying activities To date, both parties have continued to purchase steel through the individual companies and no trade has passed through Steel UK Limited The share capital invested by the Group is a nominal sum of £50

Steel UK Limited is registered in England

15 **Interests in associates**

The Company has an interest in two associated companies as follows

		Holding %	Class of capital
Kennedy Watts Partnership Limited	– CAD/CAM steelwork design	25 1	Preferred ordinary
Fabsec Limited	– development of fire beam	25 0	Ordinary

Group	Goodwill £000	Share of net assets/ (liabilities) £000	Loans to associate undertaking £000	Total £000
At 1 January 2006	362	(397)	71	36
Profits retained	–	10	–	10
At 1 January 2007	**362**	**(387)**	**71**	**46**
Profits retained	–	58	–	58
At 31 December 2007	**362**	**(329)**	**71**	**104**

The Group s share of the retained loss for the year of the associates is made up as follows

	Kennedy Watts Partnership Limited £000	Fabsec Limited £000	Total £000
Share of operating results	44	14	58

Summarised financial information in respect of the Group s associates is as follows

	2007 £000	2006 £000
Total assets	1 594	1 259
Total liabilities	(3 248)	(3,155)
Net liabilities	(1,654)	(1,896)
Group s share of associates net liabilities	(329)	(387)
Revenue	2,881	2 720
Profit after tax	431	134
Group s share of associates profit after tax for the period	58	10

During the year ended 31 December 2005 the Board reviewed the investment of long-term loans outstanding from Fabsec Ltd of £614,000 and concluded that there was an element of doubt over the collection of this loan in the short to medium term Consequently, after considering the net liabilities of Fabsec Ltd a provision of £543,000 was made against the debt This provision remains in place at 31 December 2007

16 **Inventories**

	2007 £000	2006 £000
Raw materials and consumables	4,874	1 685
Work in-progress	13,057	1,648
	17931	3,333

17 **Construction contracts**

	2007 £000	2006 £000
Contracts in progress at balance sheet date		
Amounts due from construction contract customers included in trade and other receivables	60,478	42,110
Amounts due to construction contract customers included in trade and other payables	(1,969)	(5,957)
	58,509	36 153
Contract costs incurred plus recognised profits less recognised losses to date	1,081,716	705 416
Less progress billings	(1,023,207)	(669,263)
	58,509	36,153

At 31 December 2007, retentions held by customers for contract work amounted to £11,020 000 (2006 £6,219 000)

At 31 December 2007 amounts of £3 803 000 (2006 £2,401,000) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months

18 **Trade and other receivables**

	2007 £000	2006 £000
Amounts due from construction contract customers (note 17)	60,478	42 110
Other receivables	2,803	1 592
Prepayments and accrued income	2,333	3,084
	65 614	46,786

Within other receivables there is deferred expenditure of £Nil (2006 £649,000) due after more than one year

The directors consider that the carrying amount of trade and other receivables approximates their fair value

Before accepting any new customer, the Group uses an external credit rating to assess the potential customer s credit quality and defines credit limits by customer 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

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 Amounts overdue at 31 December 2007 in respect of retentions were £44,000 (2006 £94 000)

19 **Trade and other payables**

	2007 £000	2006 £000
Trade creditors	34,072	30,258
Other taxation and social security	6,039	5,346
Other creditors and accruals	15,253	14,895
Payments in advance (note 17)	1,969	5 957
Amounts owed to associates	524	510
	57,857	56,966

The directors consider that the carrying amount of trade payables approximates their fair value

The average credit period taken for trade purchases is 51 days (2006 52 days)

20 Provisions

	Contract provisions £000
At 1 January 2007	3 000
Utilised in year	(100)
Released in year	(300)
At 31 December 2007	2,600

Contract provisions relate to provisions on contracts including fault and warranty provisions, and are expected to be utilised within three years Provision is made for the directors best estimate of known legal claims in progress

21 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

	2007 £000	2006 £000
Deferred tax liabilities	(14,457)	(3,025)
Deferred tax assets	2,967	2,283
Net deferred tax liability	(11,490)	(742)

The net deferred tax liability is made up as follows

	2007 £000	2006 £000
Excess capital allowances	(4,153)	(3,025)
Other timing differences	280	97
Intangible assets on acquisition of subsidiary	(10,304)	–
Forward exchange contracts	798	–
On retirement benefit obligations	1,889	2,186
Net deferred tax liability	(11,490)	(742)

The movement during the year in deferred tax liability is as follows

	2007 £000	2006 £000
At 1 January	(742)	(943)
Current year credit/(charge)	1,009	(86)
Adjustment in respect of prior years	(11)	(64)
On acquisition of subsidiary	(11,527)	–
Deferred tax in relation to pension scheme (profits)/losses	(85)	351
Reduction in tax rate on defined pension scheme	(134)	–
At 31 December	(11 490)	(742)

The deferred tax asset relates to 28% of the Group s deficit on its retirement benefit defined scheme of £6,745 000 the valuation of financial instruments and other timing differences

At the balance sheet date the Group has unused tax losses of £2 200 000 (2006 £2 200 000) available for offset against future profit No deferred tax asset was recognised in respect of such losses due to the unpredictability of future profit streams within the Group company in question Losses may be carried forward indefinitely

22 Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts payable under finance leases				
Within one year	–	67	–	66
In the second to fifth years inclusive	–	–	–	–
	–	67	–	66
Less future finance charges	–	(1)	–	n/a
Present value of lease obligations	–	66	–	66
Less Amount due for settlement within 12 months (shown under current liabilities)			–	66
Amount due for settlement after 12 months			–	–

All lease obligations are denominated in sterling

The fair value of the Group s lease obligations approximates their carrying amount

The Group s obligations under finance leases were secured by the lessors rights over the leased assets

23 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 maximising 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

Gearing ratio

The Board of Directors reviews the capital structure on a semi-annual basis following the taking out of borrowings in 2007 As part of this review it considers the cost of capital and the risks associated with each class of capital

The gearing ratio at the year end is as follows

	2007 £000	2006 £000
Borrowings	(53,504)	(66)
Cash and cash equivalents	5,445	38,304
Net (debt)/funds	(48,059)	38 238
Equity	116,829	66 225
Net debt to equity ratio	41 1%	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

Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements

23 Financial instruments continued

Categories of financial instruments

	Carrying value 2007 £000	2006 £000
Financial assets		
Cash and cash equivalents	5,445	38,304
Amounts due from construction contract customers	60,478	42 110
Financial liabilities		
Trade creditors	(34,072)	(30 258)
Borrowings	(53,504)	–
Finance leases	–	(66)
Derivative financial instruments	(2,850)	–

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. Except for derivative financial instruments, the carrying amounts of financial assets and financial liabilities are recorded at amortised cost in the financial statements and are considered to approximate their fair value.

Cash and cash equivalents

This comprises cash held by the Group and short term deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

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 any concentration 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 December 2007 were £11 020 000 (2006 £6 219,000).

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 credit worthiness 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.

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 17.

The Group uses four banks to spread the risk of holding significant cash balances with financial institutions.

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 liquidity 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.

23 Financial instruments continued

Trade creditors are initially measured at fair value and subsequently at amortised cost using effective interest rates, and the Directors consider this to be the case at the end of the reporting period The average credit period taken for trade purchases is 51 days (2006 52 days), which reflects the mix of when these amounts are contractually due

Borrowings represent the Group s revolving credit facility from the Royal Bank of Scotland and National Australia Bank jointly which provides credit support of up to £70 million at an interest rate of 0 45% above LIBOR These borrowings were taken out in 2007 in relation to the acquisition of Fisher Engineering Limited The amount borrowed is scheduled to be redrawn at a lower amount in 2008 The revolving credit facility is available for three years ending 21 August 2010

Borrowings outstanding at 31 December 2007 amounted to £53 504,000 (2006 Nil)

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 a variety of derivative financial instruments to manage its exposure to foreign currency risk, and in January 2008 to interest rates

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 amounts of the Group s foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows

	Liabilities		Assets	
	2007	2006	2007	2006
	£000	£000	£000	£000
Euro	(3,751)	–	4,181	128
Dollar	–	–	222	221
	(3,751)	–	4,403	349

Foreign currency sensitivity analysis

The Group is mainly exposed to the euro

The following table details the Group s sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies 10% 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, (being forward exchange contracts of 98 13 million Euros) and adjusts their translation at the period end for a 10% change in foreign currency rates A positive number below indicates an increase in profit and other equity where the sterling strengthens 10% against the relevant currency For a 10% weakening of the 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

	Euro currency impact	
	2007	2006
	£000	£000
Profit or loss	6,903	(32)

The Group s sensitivity to foreign currency has increased in 2007 due to the number of contracts undertaken primarily by Fisher Engineering Limited in Ireland and relates principally to the fair value of derivative financial instruments

23 **Financial instruments** continued

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover euro currency receipts on relevant contracts

At 31 December 2007 the Group had forward exchange contracts held for the sale of 98 13 million euros at an average exchange rate of 1 4161 euros to the pound and maturing within 12 months of the year end (2006 Nil)

Interest rate risk management

The Group is exposed to interest rate risk as described under the borrowings paragraph earlier in this note In line with the Group s policies in January 2008 it entered into a fixed rate swap agreement for the majority of its anticipated borrowings

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year A 0 5% 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% higher and all other variables were held constant, the Group s profit for the year ended 31 December 2007 would decrease by £240 000 (2006 increase by £192 000) This is attributable to the Group s exposure to interest rates on its variable rate borrowings

The Group s sensitivity to interest rates has increased during the current period due to the increase in the level of borrowings in the year However current indications are that the level of Group borrowings will decrease during 2008 and to nil during 2009

24 Share-based payments

The Group introduced during the year a share based incentive scheme open to all employees of the Group although the current intention is that only the Company s executive directors and selected senior employees will participate in the scheme The Group recognised a total charge of £604,000 in the year with a corresponding entry to reserves

Performance Share Plan

The vesting of awards is subject to performance conditions set by the Remuneration Committee.

During the year the Remuneration Committee granted 110,204 ordinary shares of 10p each at nil value to the executive directors of the Company Following the 4 1 share split these converted to 440,816 ordinary shares of 2 5p each The vesting of these awards will be dependent on the Company s earnings per share performance over the three year period from 1 January 2007 to 31 December 2009 with the following vesting schedule to apply

Company s EPS performance over the performance period	% of award vesting
Equal to less than RPI + 18%	0%
Equal to RPI + 18%	25%
Equal to RPI + 45% or better	100%
Between RPI + 18% and RPI + 45%	Pro rata between 25% and 100%

The Black-Scholes pricing model has been used to measure the fair value of the shares granted The assumptions used in the model are as follows

Share price on date of grant	£5 07*
Exercise price	Nil
Expected volatility (using historic performance)	50%
Risk-free rate	5%
Dividend	20 0p
Expected percentage options exercised versus granted	100%
Actual life	3 years

* Granted on 5 October 2007 Share price adjusted to reflect subsequent 4 1 share split

The Black-Scholes model produced using the above assumptions, an annual charge of £604,000

25 Share capital

	2007 £000	2006 £000
Authorised		
27,000,000 ordinary shares of 10p each		2 700
108 000 000 ordinary shares of 2 5p each	2,700	
Issued and fully paid		
20 401 969 ordinary shares of 10p each		2,040
88 607 876 ordinary shares of 2 5p each	2,215	

There are no share options outstanding as at 31 December 2007

On 8 October 2007, 1 750 000 ordinary shares of 10p were issued as part of the acquisition of the Action Merchants Limited group at the market value of £20 89 per share

On 8 October 2007 the Company s authorised and issued share capital was sub-divided on the basis of 4 new ordinary shares of 2 5p each for each existing ordinary share of 10p each

26 Share premium account

	£000
Balance at 1 January 2006 and 1 January 2007	9,770
Premium arising on issue of equity shares (Note 25)	36,382
Balance at 31 December 2007	46,152

27 Other reserves

	Share-based payment reserve £000	Other reserves £000	Total £000
Balance at 1 January 2006 and 1 January 2007	–	139	139
Share-based payments in year	604	–	604
Balance at 31 December 2007	604	139	743

28 Retained earnings

	£000
Balance at 1 January 2006	43,252
Net profit for the year	20921
Dividends paid	(9079)
Actuarial loss on defined benefit pension scheme	(1,169)
Deferred income taxes on defined benefit pension scheme	351
Balance at 1 January 2007	54,276
Net profit for the year	26,434
Dividends paid	(13 057)
Actuarial profit on defined benefit pension scheme	285
Deferred income taxes on defined benefit pension scheme	(85)
Reduction in tax rate on deferred tax on defined benefit pension scheme	(134)
Balance at 31 December 2007	67719

The Company purchased £Nil of shares (2006 £205 000) to meet its obligations under the Share Matching Plan disclosed in the Directors Remuneration Report on page 49 The full cost of purchasing the shares of £350 000 was charged to the Income Statement in 2006 and 2005

29 Acquisition of subsidiary

On 8 October 2007 the Company acquired 100% of the issued share capital of Action Merchants Limited for a total consideration of £92,198,000 Action Merchants Limited is the parent company of Fisher Engineering Limited a company based in Enniskillen in Northern Ireland involved in the design fabrication and erection of structural steelwork. This transaction was accounted for by the acquisition method of accounting The provisional values (given the purchase of the business in the fourth quarter of the financial year) attributed are as follows

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired			
Property plant and equipment	7508	–	7,508
Intangible assets	–	39 000	39 000
Inventories	5 122	–	5,122
Trade and other receivables	14,443	–	14,443
Cash and cash equivalents	685	–	685
Trade and other payables	(10 171)	–	(10,171)
Derivative financial instruments	–	(460)	(460)
Tax liabilities	(382)	–	(382)
Deferred tax liability	(736)	(10 791)	(11 527)
	16 469	27749	44,218
Goodwill			47980
Total consideration			92,198

Satisfied by	
Cash	55,641
Issue of shares (Note 25)	36 557
	92 198

Being	
Consideration	90,000
Costs	2 198
	92 198

Net cash outflow arising on acquisition	
Cash consideration	55 641
Cash and cash equivalents acquired	(685)
	54 956

The directors considered the premium arising on the acquisition and concluded there were separately identifiable intangible assets of £39 million (Note 11) which were capable of being recognised with an associated deferred tax impact

The balance of goodwill arising on the acquisition of the Action Merchants Limited group was attributable to the anticipated profitability of the distribution of the Group s products in a broader range of markets and the anticipated future operating synergies from the combination It was also attributable to the significant experience and knowledge of its employees and the potential to develop premises acquired as part of the business

The Action Merchants Limited group contributed £19,429 000 revenue and £3,850,000 to the Group s profit before tax for the period between the date of acquisition and the balance sheet date

The pre-acquisition revenue and profit before tax of the Action Merchants Limited group for the period from 1 January 2007 to 8 October 2007 amounted to £35 203,000 and £6 453 000 respectively, and on this basis Group revenue would have been £335 859 000 and Group profit before tax £44 813 000 if the Group had owned the Action Merchants Limited group from the beginning of the year

30 **Notes to the cash flow statement**

	2007 £000	2006 £000
Operating profit from continuing operations	38,094	29,118
Adjustments for		
Share of results of associated companies	(58)	(10)
Depreciation of property plant and equipment	3,925	4 238
Pension movements	(257)	(266)
(Profit)/loss on disposal of property, plant and equipment	(114)	212
Movement in provisions	(400)	3 000
Share-based payments	604	–
Amortisation of acquired intangibles	2,200	–
Unrealised losses on derivative financial contracts	2,390	–
Operating cash flows before movements in working capital	46,384	36,292
(Increase)/decrease in inventories	(9,476)	4 807
Increase in receivables	(4,364)	(14 356)
(Decrease)/increase in payables	(9,557)	8,745
Cash generated by operations	22,987	35 488

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 other short-term highly liquid investments with a maturity of three months or less

31 **Analysis of net debt**

	At 1 January 2007 £000	Cash flow £000	Borrowings introduced £000	At 31 December 2007 £000
Cash at bank and in hand	38 304	(32 859)	–	5,445
Borrowings	–	–	(53 504)	(53,504)
Finance leases	(66)	66	–	–
Net fund/(debt)	38,238	(32,793)	(53,504)	(48,059)

32 **Capital commitments**

	2007 £000	2006 £000
Contracted for but not provided in the financial statements	1 900	845

33 **Contingent liabilities**

The Company and its subsidiaries have provided unlimited multilateral guarantees to secure any bank overdrafts and loans of all other Group companies At 31 December 2007 these amounted to £69 719 000 (2006 £1 193 000) The Group has also given performance bonds in the normal course of trade

34 Operating lease arrangements

The Group leases a number of its premises under operating leases which expire between 2008 and 2032

The total future minimum lease rentals are as follows

	2007 £000	2006 £000
Minimum lease rentals due		
– Within one year	41	84
– After one year and within five years	–	–
– After five years	22,009	32,488
	22,050	32,572

The Group also leases certain items of plant and machinery and vehicles whose total future minimum lease rentals are as follows

	2007 £000	2006 £000
Minimum lease rentals due		
– Within one year	486	388
– After one year and within five years	5,354	6,846
– After five years	779	–
	6,619	7 234

35 Retirement benefit schemes

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 £1,710,000 (2006 £1,201,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans As at 31 December 2007 contributions of £249 000 (2006 £188 000) due in respect of the current reporting period had not been paid over to the schemes

Defined benefit schemes

Atlas Ward has a defined benefit scheme which is now closed to new members

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2007 by Mr Alex Pearse 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

	2007 %	2006 %
Key assumptions used		
Discount rate	5 70	5 20
Expected return on scheme assets	5 60	5 20
Expected rate of salary increases	–	–
Future pension increases	3 25	2 90

When considering mortality assumptions a male life expectancy to 82 at age 65 has been used in both 2007 and 2006

35 **Retirement benefit schemes** continued

Amounts recognised in income in respect of these defined benefit schemes are as follows

	2007 £000	2006 £000
Interest cost	1,081	979
Expected return on scheme assets	(718)	(713)
	363	266

The charge for the year has been included in administrative expenses Actuarial gains and losses have been reported in the statement of recognised income and expense The cumulative actual gains and losses recognised amount to a loss of £1,629 000

The actual return on scheme assets was £613,000 (2006 £295,000)

The amount included in the balance sheet arising from the Groups obligations in respect of the Atlas Ward defined benefit retirement scheme is as follows

	2007 £000	2006 £000	2005 £000
Present value of defined benefit obligations	(21 222)	(21,038)	(19,834)
Fair value of scheme assets	14,477	13,751	13 450
Deficit in scheme	(6,745)	(7 287)	(6 384)
Liability recognised in the balance sheet	(6,745)	(7 287)	(6,384)

The major categories of scheme assets as a percentage of the total scheme assets are as follows

	2007 %	2006 %
Equities	29 4	7 8
Bonds	54 1	88 2
Cash	4 5	4 0
Property	12 0	–
	100 0	100 0

When investments are held in bonds and cash, the expected long-term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments which is based more on realistic future expectations than on the returns that have been available historically The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension plan

Movements in the present value of defined benefit obligations were as follows

	2007 £000	2006 £000
At 1 January 2007	(21,038)	(19 834)
Interest cost	(1,081)	(979)
Actuarial gains and losses	390	(751)
Benefits paid	507	526
At 31 December 2007	(21,222)	(21 038)

35 Retirement benefit schemes continued

Movements in the fair value of scheme assets were as follows

	2007 £000	2006 £000
At 1 January 2007	13,751	13 450
Expected return on scheme assets	718	713
Actuarial gains and losses	(105)	(418)
Contributions from the sponsoring companies	620	532
Benefits paid	(507)	(526)
At 31 December 2007	**14,477**	13 751

None of the scheme s assets were invested in Atlas Ward Holdings Limited or property occupied by Atlas Ward Holdings Limited

The Group expects to contribute £63 000 per month to its defined benefit pension scheme in the year to 31 December 2008

History of experience of gains and losses

	2007	2006	2005
Difference between the expected and actual return on scheme assets (£000)	(105)	(418)	547
Percentage of scheme assets	(0 7%)	(3 0%)	4 1%
Experience gains and losses on scheme liabilities (£000)	(373)	57	384
Percentage of the present value of scheme liabilities	(1 8%)	0 3%	1 9%
Total amount recognised in the Consolidated Statement of Recognised Income and Expense (£000)	285	(1 169)	(745)
Percentage of the present value of scheme liabilities	1 3%	(5 6%)	(3 8%)

36 Related party transactions

The remuneration of the directors who are the key management personnel of the Group, is provided in the audited part of the Directors Remuneration Report on pages 48 and 49

The charge in relation to share-based payments is provided in Note 24

The Group was involved in a related party transaction with Dalton Airfield Estate Limited, a company controlled by six directors of the Company This transaction related to the sale and leaseback of the majority of the production facility at Dalton which was sold for a cash consideration of £14 million in 2001 and then leased back to the Group at a rent costing £1 54 million per annum On 9 October 2007 the Group acquired the freehold reversion of the facility for the sum of £23 5 million

During the year the Group entered into related party transactions with PLLG GmbH a company controlled by P M Levine (Chairman) These transactions were for fees in relation to sundry advice given and advice in relation to the acquisitions and totalled £328 000 (2006 £234 000)

There were no outstanding balances with either of the above at 31 December 2007 (2006 £Nil)

During the year Severfield-Reeve Projects Limited undertook to carry out a building contract for P J Davison At 31 December 2007 revenue taken on this contract amounted to £129,000, of which the balance outstanding at the year end was £29,000

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 Kennedy Watts Partnership Limited at a cost of £2 024 000 (2006 £1,821,000) The amount outstanding at 31 December 2007 was £524,000 (2006 £507,000)

Loans outstanding from Fabsec Limited at 31 December 2007 amounted to £614,000 (2006 £614,000) The directors continue to have doubts regarding the collectability of these loans and consequently a provision of £543,000 which was made in 2005 is still in place leaving a balance at 31 December 2007 of £71,000 (2006 £71,000) During the year the Group purchased services in the ordinary course of business from Fabsec Limited at a cost of £278 000 (2006 £277000) The amount outstanding at 31 December 2007 was £Nil (2006 £3 000)

37 General Information

Severfield-Rowen Plc is a company incorporated in the United Kingdom under the Companies Act 1985 The address of the registered office is given on page 32 The nature of the Group s operations and its principal activities are set out on page 34 These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates

In the current year the Group has adopted IFRS 7 "Financial instruments disclosures" which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 "Presentation of financial statements" The impact of adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group s financial instruments and management of capital

Four interpretations issued by the International Financial Reporting Implementations Committee are effective for the current period These are IFRIC 7 "Applying the restatement approach under IAS 29 financial reporting in hyperinflationary economies", IFRIC 8 "Scope of IFRS 2" IFRIC 9 "Reassessment of embedded derivatives" and IFRIC 10 "Interim financial reporting and impairment" The adoption of theses interpretations has not led to any changes in the Group s accounting policies

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective

IFRS 8	*Operating segments*
IAS 23 (Revised)	*Borrowing costs*
IFRIC 11	*IFRS 2 — Group and Treasury Share Transactions*
IFRIC 12	*Service concession arrangements*
IFRIC 13	*Customer loyalty programmes*
IFRIC 14	*IAS 9 The limit on a defined benefit asset, minimum funding requirements and their interaction*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group

Five Year Summary

	IFRS				UK GAAP
	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Results					
Revenue	300,656	295 084	236 722	204,277	170 152
Underlying operating profit*	42,684	29 118	19,303	12,108	9,177
Underlying profit before tax*	42,950	30,286	19,652	12 218	9,121
Non underlying items	(4,590)	–	–	–	–
Profit attributable to equity holders of Severfield-Rowen Plc	26,434	20 921	13 515	8 400	6 161
Assets employed					
Non-current assets	173,279	51 988	44,560	34,872	31,954
Net current (liabilities)/assets	(35,615)	25,266	18 034	15,472	11 603
Non-current liabilities	(20,835)	(11 029)	(7,393)	(3,049)	(2 902)
Net assets	116,829	66,225	55,201	47,295	40,655
Key statistics					
Earnings per share					
Basic – underlying*	35,74p	25 64p	16 60p	10 36p	7 62p
Basic	31 77p	25 64p	16 60p	10 36p	7 62p
Diluted – underlying*	35 70p	25 64p	16 60p	10 36p	7 62p
Diluted	31 73p	25 64p	16 60p	10 36p	7 62p
Dividends per share	20 00p	14 25p	9 25p	5 75p	4 25p
Dividend cover (times)	1 8	1 8	1 8	1 8	1 8
Share price – high	620 0p	412 0p	241 5p	127 5p	90 0p
– low	344 75p	241 5p	119 75p	85 0p	51 88p

The amounts disclosed for 2003 are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS

Key statistics for prior years have been restated to reflect the 4 1 share capital in October 2007

* Underlying figures are stated before the amortisation of acquired intangibles and unrealised losses on derivative contracts

Financial Calendar

Preliminary announcement of full year results	2 April 2008
Publication of Annual Report	7 May 2008
Annual General Meeting	30 May 2008
Payment of final dividend	16 June 2008
Announcement of interim results	August 2008
Payment of interim dividend	October 2008

COMPANY ACCOUNTS

31 December 2007
(Prepared in accordance with UK GAAP)

CONTENTS

» DUNDRUM SHOPPING CENTRE, DUBLIN

Dundrum Shopping centre is located within the heart of Dublin's most affluent suburbs and contains more than 80 shops and restaurants on 3 levels The development also provides a major cinema complex, office blocks, hotel and residential areas, a theatre and education facilities plus car parking facilities which are located on levels below the development plus a 2,500 space multi-storey car park.

The project utilises 25,000 tonnes of structural steelwork.

› Fisher Engineering

Independent Auditors' Report to the Members of Severfield-Rowen Plc

We have audited the parent Company financial statements of Severfield-Rowen Plc for the year ended 31 December 2007 which comprise the Balance Sheet and the related notes 1 to 14 These parent Company financial statements have been prepared under the accounting policies set out therein

We have reported separately on the Group financial statements of Severfield-Rowen Plc for the year ended 31 December 2007 and on the information in the Directors Remuneration Report that is described as having been audited

This report is made solely to the Company s members, as a body in accordance with section 235 of the Companies Act 1985 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 auditors 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

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the Annual Report and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors responsibilities

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the Directors' Report is consistent with the parent Company financial statements The information given in the Directors Report includes that specific information presented in the Chairman s Statement, Operational Review, Financial Review and Corporate Social Responsibility sections that is cross-referred from the Principal Activity and Business Review section of the Directors Report

In addition we report to you if, in our opinion, the Company has not kept proper accounting records if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions is not disclosed

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited parent Company financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements Our responsibilities do not extend to any further information outside the annual report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company s circumstances consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements

Opinion

In our opinion

- the parent Company financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company s affairs as at 31 December 2007,
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors Report is consistent with the parent Company financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds
2 May 2008

Company Balance Sheet 31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	4	28 988	25,461
Investments	5	108,089	2,687
		137,077	28 148
Current assets			
Debtors	6	30,695	13,453
Cash at bank and in hand		–	74
		30,695	13 527
Creditors – amounts falling due within one year	7	(112,629)	(17 630)
Net current liabilities		(81,934)	(4,103)
Total assets less current liabilities		55,143	24,045
Provisions for liabilities and charges	8	(1,060)	(843)
		54,083	23 202
Capital and reserves			
Called-up share capital	9	2,215	2,040
Share premium account	10	46,152	9 770
Other reserves	11	629	25
Profit and loss account	12	5 087	11,367
Equity and total shareholders' funds		54,083	23 202

The financial statements were approved by the Board of directors on 2 May 2008 and signed on its behalf by

T G Haughey
Director

P J Davison
Director

Notes to the Company Financial Statements Year ended 31 December 2007

1 **Significant accounting policies**

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985 They have been prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold properties, and in accordance with applicable UK accounting standards (UK GAAP)

Profit and loss account

In accordance with the exemption allowed by section 230 of the Companies Act 1985 the Company has not presented its own profit and loss account.

Cash flow

The Company is exempt from the requirements of Financial Reporting Standard No 1 (Revised) "Cash Flow Statements"

Tangible fixed assets

Freehold and long leasehold land is not depreciated

Depreciation is provided on other fixed assets to write off the cost or revalued amount of each asset over its estimated useful life at the following rates

Freehold buildings	1% straight line

Under FRS 15 the Company has adopted a policy of continuous revaluation of land and buildings

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 substantially 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 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 60

2 Operating profit

The auditors remuneration for audit services to the Company expensed was £2,000 (2006 £1,500)

The Company has no employees other than the directors whose remuneration was borne by subsidiary undertakings

3 Profit of the Company

The Company has taken advantage of Section 230 of the Companies Act 1985 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 £6,777,000 (2006 £9,226 000) Dividends paid and proposed are disclosed in Note 8 to the Consolidated financial statements

4 Tangible assets

	Freehold and long leasehold land and buildings £000
Cost	
At 1 January 2007	26 180
Additions	3 778
Disposals	(51)
At 31 December 2007	**29,907**
Depreciation	
At 1 January 2007	719
Provided in year	200
Disposals	–
At 31 December 2007	**919**
Net book value	
At 31 December 2007	**28,988**
At 31 December 2006	25 461

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

The Company operates a system of regular valuations of freehold and long leasehold land and buildings across its portfolio which have included using FPD Savills and Rushton International Chartered Surveyors This operates on a rotational basis, with one of the four main properties reviewed each year The four properties are the Severfield-Reeve Structures Limited and Severfield-Reeve Projects Limited sites at Dalton Airfield Industrial Estate, the Watson Steel Structures Limited site at Lostock Lane, Bolton and the Atlas Ward Structures Limited site at Sherburn

To date, no material surplus or deficit over net book value has been identified and accordingly no adjustment to revalue freehold and long leasehold land and buildings has been considered necessary

5 Investments

	2007 £000	2006 £000
Investment in subsidiaries	107,554	2,152
Investment in associates	535	535
	108,089	2,687

Investment in subsidiaries

The Company has investments in the following significant subsidiary undertakings All of the companies listed are registered in England

Severfield-Reeve Structures Limited	– steel fabrication
Watson Steel Structures Limited	– steel fabrication
Rowen Structures Limited	– projected contracting
Atlas Ward Structures Limited	– steel fabrication
Fisher Engineering Limited	– steel fabrication (acquired 8 October 2007)
Steelcraft Erection Services Limited	– steel erection
Severfield-Reeve International Limited	– overseas contracts
Severfield-Reeve Projects Limited	– project managers of building contracts

The Company owns the whole of the issued share capital of the subsidiaries noted above

	£000
Cost	
At 1 January 2007	2,152
Acquisition of the Action Merchants Limited group (Fisher Engineering)	92 198
Acquisition of Dalton Airfield Estate Limited	13 204
At 31 December 2007	107,554

Investment in associates

The Company has an interest in two associated companies as follows

		Holding %	Class of capital
Kennedy Watts Partnership Limited	– CAD/CAM steelwork design	25 1	Preferred ordinary
Fabsec Limited	– development of fire beam	25 0	Ordinary

	£000
Cost	
At 1 January 2007 and 31 December 2007	535

6 Debtors

	2007 £000	2006 £000
Other debtors	118	672
Prepayments and accrued income	–	608
Amounts owed by subsidiary undertakings	30,577	12 173
	30,695	13 453

Within other debtors there is deferred expenditure of £Nil (2006 £649,000) due after more than one year

7 Creditors – amounts falling due within one year

	2007 £000	2006 £000
Bank borrowings	69,719	–
Other creditors and accruals	373	2
Corporation tax	96	96
Amounts owed to subsidiary undertakings	42,441	17532
	112,629	17,630

Borrowings represent the Group s revolving credit facility from the Royal Bank of Scotland and National Australia Bank jointly as disclosed in note 23 to the Consolidated financial statements The facility is available for three years ending 21 August 2010

8 Provisions for liabilities and charges

Deferred tax

The amount of deferred tax provided and unprovided in the financial statements is

	Amount provided		Amount unprovided	
	2007 £000	2006 £000	2007 £000	2006 £000
Excess capital allowances	1,060	843	–	–
Other timing differences	–	–	–	–
	1,060	843	–	–

Deferred Taxation — Movement for the year

	£000
At 1 January 2007	843
Current year charge	190
Prior year adjustment	27
At 31 December 2007	**1,060**

Notes to the Company Financial Statements Year ended 31 December 2007

9 Share capital

	2007 £000	2006 £000
Authorised		
27,000,000 ordinary shares of 10p each		2,700
108,000,000 ordinary shares of 2 5p each	2,700	
Issued and fully paid		
20,401,969 ordinary shares of 10p each		2,040
88,607,876 ordinary shares of 2 5p each	2,215	

There are no share options outstanding as at 31 December 2007

On 8 October 2007 1,750,000 ordinary shares of 10p each were issued as discussed in Note 25 to the Consolidated financial statements

On 8 October 2007 the Company's authorised and issued share capital was sub-divided on the basis of 4 new ordinary shares of 2 5p each for each existing ordinary share of 10p each

10 Share premium account

	£000
Balance as at 1 January 2007	**9,770**
Premium arising on the issue of equity shares	36,382
Balance at 31 December 2007	**46,152**

11 Other reserves

	£000
Balance at 1 January 2007	**25**
Share-based payments in year	604
Balance at 31 December 2007	**629**

12 Profit and loss account

	£000
Balance at 1 January 2007	11,367
Dividends paid	(13,057)
Net profit for the year	6,777
Balance at 31 December 2007	**5,087**

13 Capital commitments

	2007 £000	2006 £000
Contracted for but not provided in the financial statements	–	–

14 Contingent liabilities

The Company has provided an unlimited guarantee to secure any bank overdrafts and loans of all other Group companies At 31 December 2007 these amounted to £Nil (2006 £1,193,000)

Notice is hereby given that the Annual General Meeting of Severfield-Rowen Plc will be held at The Angel Inn, Long Street Topcliffe Thirsk, North Yorkshire, YO7 3RW on Friday 30 May 2008 at 12 noon for the following purposes

Ordinary Business

1 To receive and adopt the Directors Report and Financial Statements for the year ended 31 December 2007 together with the Auditors Report.

2 To declare a final dividend for the year ended 31 December 2007 of 13 25p net per share, payable on 16 June 2008 to shareholders on the register on 16 May 2008

3 To approve the Directors Remuneration Report for the year ended 31 December 2007

4 To re-elect T G Haughey (aged 52) as a director

5 To re-elect P J Davison (aged 52) as a director

6 To re-elect J K Elliott (aged 65) as a director

7 To reappoint Deloitte & Touche LLP as auditors of the Group and to authorise the directors to fix their remuneration

Special Business

To consider and, if thought fit, to pass the following resolutions of which number 8 will be proposed as an ordinary resolution and numbers 9 and 10 will be proposed as special resolutions

8 That the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all of the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £731,015 provided that such authority shall (unless and to the extent previously revoked varied or renewed by the Company in general meeting) expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 or on 29 August 2009, whichever is the earlier, provided that such authority shall allow the Company to make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by the resolution had not expired

9 That, subject to the passing of resolution 8 set out in the notice convening this meeting the directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 8 as if section 89 (1) of the Act did not apply to such allotment such power to expire at the conclusion of the Annual General Meeting of the Company to be held in 2009, or on 29 August 2009, whichever is the earlier save that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired Such power shall be limited to

(i) the allotment of equity securities in connection with any invitation made to holders of ordinary shares to subscribe by way of rights or by way of open offer or other pro rata offer where the equity securities respectively attributable to the interest of all such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems arising in, or pursuant to, the laws of any territory or the requirements of any regulatory body or any recognised stock exchange in any territory and

(ii) the allotment (other than pursuant to (i) above) of equity securities for cash up to a maximum aggregate nominal amount of £110 760

Notice of Annual General Meeting continued

10 That the Company be and is hereby unconditionally and generally authorised to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 2 5p each in its capital on such terms and in such a manner as the directors may from time to time determine provided that

(i) The maximum number of shares which may be so purchased is 8,860,788 which represents 10% of the issued ordinary share capital as at 25 April 2008

(ii) The minimum price which may be so paid is 2 5p per share (exclusive of expenses),

(iii) The maximum price which may be so paid for each share shall not exceed an amount (exclusive of expenses) equal to 5 per cent over the average of the middle market quotations of the ordinary shares as derived from the Daily Official List of The London Stock Exchange for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned

(iv) This authority shall continue in force until the conclusion of the next Annual General Meeting of the Company to be held in 2009 or on 29 August 2009 whichever is the earlier

(v) The Company may agree before the authority terminates under (iv) above to purchase ordinary shares where the purchase will or may be executed after the authority terminates (either wholly or in part) The Company may complete such a purchase even though the authority has terminated

By order of the Board

P J Davison
Secretary
2 May 2008
Dalton Airfield Industrial Estate, Dalton
Thirsk, North Yorkshire, YO7 3JN

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead subject to the Articles of Association of the Company Proxy forms must be lodged with the registrars of the Company not less than 48 hours before the time fixed for the meeting Lodgement of proxy forms will not preclude a member from attending and voting at the meeting A proxy need not be a member of the Company A form of proxy is included

2 The following will be available for inspection at the registered office of the Company during normal business hours and, on the day of the Annual General Meeting, at the aforementioned venue 15 minutes prior to and throughout the meeting (a) Register of directors interests (b) Copies of all directors service contracts (c) Memorandum and Articles of Association of the Company, (d) Rules of the Severfield-Reeve Executive Share Option Scheme, (e) Rules of The Severfield-Reeve Plc 1998 Executive Share Option Scheme, (f) Rules of The Severfield-Rowen Plc 1999 Annual Deferred Bonus Share Scheme (g) Rules of the Severfield-Rowen Share Matching Plan (h) Rules of the Severfield-Rowen Performance Share Plan (i) Terms of reference for Audit Committee, (j) Terms of reference for Remuneration Committee, (k) Terms of reference for Nomination Committee, (l) Terms and conditions of appointment of non-executive directors

3 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 only those shareholders registered in the Register of Members of the Company 48 hours before the time set for the meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time Changes to members in the register after this deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting

» CROSS DOCKING WAREHOUSE, PROLOGIS PARK, WELLINGBOROUGH

This 540,000 sqft warehouse completes ProLogis Park, which is at the heart of the UK's most strategically important distribution location.

The project consists of 1,600 tonnes of structural steelwork.

Atlas Ward were responsible for the steelwork on all three buildings, the first two are now being occupied by Monsoon and Homebase

› Atlas Ward

Severfield–Rowen Plc

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

Tel (01845) 577896 Fax (01845) 577411

www sfrplc com