



INTERIM REPORT

for the six month period ended 30 November 2007

14 FEBRUARY 2008



1. Maltby Coal Face
2. Tippers on Site
3. Hargreaves Tankers
4. Monckton Coke Works

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HIGHLIGHTS

Business Highlights

- * Group continues to deliver ahead of expectations
- * Particularly strong performance from Minerals Division
- * Imperial Tankers acquired in September
- * Expected production life of Maltby extended two years to 2017

Financial Highlights

- * Revenue up 70% to £174.3m
- * Underlying operating profit up 114% from £4.3m to £9.2m
- * Underlying profit before tax up 61% from £4.4m to £7.1m
- * Underlying EPS up 33% to 17.64p
- * Interim dividend increased 10% to 3.3p
- * Return on Average Capital Employed 18.0%

Chairman, Tim Ross commented

“This is another impressive set of results and the Board is delighted with the performance of the business. We are pleased to have good visibility of short and medium term forward revenues. The acquisition of Imperial Tankers, which was completed during the period, is integrating well into the Group. The outlook and prospects for all divisions is very positive and we are pleased to be proposing an increase of 10% in the interim dividend to 3.3p per share”

INTERIM STATEMENT

Hargreaves Services plc (the "Group" or "Hargreaves") announces interim results for the six months ended 30 November 2007. The unaudited interim financial information represents the first published financial information prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") adopted by the EU ("Adopted IFRS").

RESULTS

We are pleased to report that Hargreaves has had a successful first half and is reporting a strong set of results, reflecting a combination of robust organic growth and the benefits and synergies from its recent acquisitions. Revenue has increased 70% from £102.7m to £174.3m. Including our share of revenue from joint ventures, revenue increased by 68% from £114.8m to £192.9m. The Group operating margin has also increased from 3.8% to 4.9% due in a large part to the effect of prior-period acquisitions. Operating profit before amortisation of acquired intangibles, including our share of profit from joint ventures, increased from £4.3m to £9.2m. Despite the full period acquisition of land and assets associated with the Maltby Colliery, our return on average capital employed for the first six months of the year remained a respectable 18.0% (2006: 21.5%).

TRADING AND BUSINESS REVIEW

The markets in which we operate have seen some significant changes. The benchmark price of coal has risen strongly during the period and finished November at \$128 per tonne, 72% higher than the beginning of the period. Although these price increases offer Hargreaves the potential of increasing future profits, the Group continues to adhere to its strategy of reducing risk wherever practicable by seeking long term contracts with hedged and determinable margins. Although this limits the opportunity to exploit higher prices in the short term, it is more than offset by the benefit of increased predictability of profits.

Minerals

The minerals business has had a strong first half of the year with revenue including share of joint ventures increasing 69% from £67.0m to £113.0m. Underlying operating profit increased from £2.1m to £3.0m. The German business has grown rapidly in the period and has established itself as a leading importer of coke and refractory minerals into Europe.

In the UK coal volumes and order books for power stations remain strong and our stocks and supply position are geared up for what we anticipate will be a busy second half.

Our Coal4Energy joint venture has rapidly established itself as the leading supplier of coal to the UK domestic market and is well placed to deliver a strong result for the full year.

Our ash handling joint venture, comprising Hargreaves Building Products ("HBP") and Hargreaves Coal Combustion Products ("HCCP") continues to perform well and is a leading service provider to the UK power station market. In

September we combined this joint venture with our lightweight aggregates associate, Lytag. The restructuring brought together our expertise in ash sourcing and disposal with our expertise in the use of ash to make lightweight aggregates. Discussions with a number of power stations, aimed at establishing a Lytag plant in the UK, are ongoing.

Following the re-structuring, Hargreaves lifted its stake in the overall combined joint venture to 50%. The cost to the Group will depend on the level of profits made by the joint venture in the 18 months proceeding the transaction but is expected to be £1.2m. The consideration will be settled in shares in Hargreaves Services plc at the conclusion of the earn-out period.

Industrial

Following the acquisition of Norec Limited in September 2006, the Norec business has delivered a strong revenue and margin performance. The Industrial Division reported revenues of £20.4m, up from £8.6m in the first half of 2006. Under the management of Norec, the Industrial Division margins have improved from 3.6% to 5.0% generating an operating profit before amortisation of acquired intangibles of £1.0m in the period.

Transport and Waste

The Transport and Waste division has had a satisfactory first half. The Division achieved revenue growth of £4.3m from £26.2m to £30.5m. Adjusting for the impact of the Imperial acquisition this reflected an organic increase of 5.6%. Operating profits increased from £1.6m to £1.7m. The decrease in the margins from 6.0% to 5.5% was principally due to the performance of the Crewe and Barnsley waste transport contracts, both of which have now expired.

On 28 September 2007, the Group completed the acquisition of the entire share capital of Imperial Tankers Ltd ("Imperial"). The purchase price paid was £5.4m with a further deferred consideration of up to £2.0m, subject to the achievement of targets based on the profitability of the combined Imperial and Hargreaves Bulk Liquid Transport Ltd ("HBLT") businesses in the 12 months following the acquisition.

It is expected that the earn-out targets will both help to ensure that the maximum available synergies are achieved and allow the Group to benefit from the management strength and expertise of the Imperial team.

Monckton

Monckton generated revenues of £15.8m, an increase of £2.7m or 20.6% on the comparative period. The majority of the increase in revenues can be attributed to revenues from the new tyre shredding operation. Operating profit improved from £0.5m in the period to 30 November 2006 to £1.4m in the current period, mainly reflecting the impact of a one off charge in the comparative period.

The Coke works has performed well during the first half of the year and should benefit from increased prices for the available output that has not been sold under long term

fixed or hedged contracts. With the increases that have occurred in international coke prices we are looking at the feasibility of re-commissioning old ovens in order to increase production capacity.

We have made good progress in achieving sources of supply for the tyre feedstock and the sale of the resulting tyre crumb. A strengthened management team have been tasked with achieving further improvements in production efficiency and equipment utilisation.

Maltby

Maltby Colliery generated revenues of £13.3m and an operating profit of £2.4m in the first six months. This was slightly below internal expectations, with the face equipment acquired with the mine becoming increasingly unreliable as the long T10 face was worked to completion. The change from T10 to the next face (T22) took place in January 2008 without any major issues and we are now producing on the T22 face with new equipment. The professionalism with which the face change was executed is a reflection of the expertise and commitment of our team at the colliery.

We will continue to invest significant amounts in plant, equipment and drivage development to extend as far as possible, the life of the area of reserves currently being worked. When the colliery was acquired the expected life was stated as being 2015. With the investment we have made and continue to make, coupled with the expertise of our mining team, we now believe that the current reserves area will be generating coal until 2017.

We are also currently undertaking a review of the technical and financial feasibility of reaching new areas of reserves, outside the current area of working, with a view to potentially extending the mine beyond the current forecast expected closure date of 2017.

FINANCIAL REVIEW

IFRS

The Alternative Investment Market (AIM) rules require that the next annual consolidated financial statements of the Group, for the year ending 31 May 2008, be prepared in accordance with Adopted IFRS.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of Adopted IFRS as at 30 November 2007 that are anticipated to be effective (or available for early adoption) at 31 May 2008, the Group's first annual reporting date at which it is required to use Adopted IFRS. Based on these Adopted IFRS, the directors have applied the accounting policies, as set out in the restatement document referred to in note 1 of this interim financial information, which they expect to apply when the first annual IFRS financial statements are prepared for the year ending 31 May 2008.

However, the Adopted IFRS that will be effective (or available for early adoption) in the financial statements for the year ending 31 May 2008 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting

policies for that annual period will only be determined finally when the annual financial statements are prepared for the year ending 31 May 2008.

Interest

The net finance charge for the period was £2.1m (2006: £0.0m). The increased interest was attributable to the cost of acquisitions, predominantly the Maltby Colliery and associated working capital investment. The interest expense in the comparative period was £0.6m but was mitigated by £0.6m of income recorded in respect of the fair value movement on interest rate swaps and foreign exchange contracts. With the increase in debt levels, interest cover has decreased, but remains at a comfortable 6.8x (2006: 11.2x).

Taxation

The taxation charge was £2.1m compared to £1.3m in the same period of 2006. The effective tax rate for the period increased from 30% to 32% due to an increase in the proportion of Group profits subject to the higher German tax rates.

Profit Attributable to Equity Shareholders

The profit attributable to equity shareholders increased from £2.9m to £4.1m. The minority interest, which now stands at 27.5%, relates to management share interests in Hargreaves Raw Material Services GmbH.

Earnings per Share

Reported basic earnings per share increased by 28% from 12.25p to 15.70p. Basic earnings per share excluding amortisation of acquired intangibles increased 33% from 13.22p to 17.64p.

Dividend

The Board has recommended an increase in the interim dividend from 3.0p last year to 3.3p. Dividend cover remains robust at just over 4.7 times earnings. This dividend will be paid on 20 March 2008 to all shareholders on the register at the close of business on 22 February 2008.

CAPITAL STRUCTURE

Cash Flow and Working Capital

Cash flow from operating activities was £3.1m (2006: £6.0m). Cash generation from operating activities was strong but was offset by an increase in working capital of £10.7m in the period.

The key driver of the investment in working capital was an increase of £6.9m in stocks. This reflected higher trading levels, the increase in the coal and coke prices and the build up of coal stocks and work in process at Maltby following the acquisition. Coal and coke stock levels continue to be carefully monitored and controlled. These stocks are readily convertible into cash and the coal and coke stock at the end

of the half year amounted to £33.8m and represented less than 2 months supply based on recent shipping levels.

Trade debtors also increased during the period by £13.9m to £45.0m due to higher trading levels. Although trade debtors increased in absolute terms, debtor days, expressed in terms of days sales outstanding, have fallen from 47 at the end of November 2006 to 39 at the end of this period. The impact of the increased trade debtors was only partially mitigated by a corresponding increase of £7.5m in trade and other creditors due to tighter payment terms in respect of mineral exports from China to the European market, through our German operation.

Capital expenditure

Capital expenditure during the period was £4.4m compared to £2.8m in the prior period principally reflecting the higher investment levels attributable to the Maltby Colliery.

Net Debt

Net Debt levels at the end of the period were £56.9m, an increase of £18.5m from the start of the period. This increase was attributable to the acquisition of Imperial Tankers and the increased investment in working capital discussed above.

Term loans and hire purchase debt increased by £6.5m in the period from £25.2m to £31.7m reflecting the £5.0m of term loan debt added for the acquisition of Imperial together with an additional £4.4m of hire purchase and term loan debt acquired with the company. Net debt available to finance working capital increased by £12m, from £13.2m to £25.2m, reflecting the higher working capital levels discussed above.

Following the acquisition of Imperial, the Group has reviewed its banking covenants and facilities with its bankers. The Group continues to be able to borrow at competitive rates and is satisfied with its current facilities. The gearing at the end of the period was 136% (2006: 73%). Given the ease with which the Group could convert stocks into cash, the Group is comfortable with this level of gearing and believes that the current facilities are adequate and appropriate for the Group's current needs.

BOARD CHANGES

On 31 December 2007, as planned, Peter Dillon retired as Finance Director and was replaced by Iain Cockburn. The Group recognises the considerable contribution made by Peter to the development of the business and thanks him for his substantial commitment and achievement. The Group wishes him well for the future and welcomes Iain to the Board.

CURRENT TRADING AND OUTLOOK

The Group has grown very quickly in the last two years. We are very pleased with the way that the acquisitions are fitting into the Group and with the success that we are having in generating incremental synergies from these investments.

We will continue to review further investment opportunities, both organic and acquisition, and remain firmly focussed on the day-to-day operational performance. Following the recent period of growth, we continue to devote considerable energy to strengthening and refining our management structure and resources.

We remain very optimistic about the prospects for all divisions. A strong forward order book provides us with good revenue and profit visibility, in both the short and medium term.

Gordon Banham
Chief Executive
14 February 2008

Iain Cockburn
Finance Director
14 February 2008

Consolidated Income Statement
for the six months ended 30 November 2007

	6 months ended 30 November 2007 Unaudited £000	6 months ended 30 November 2006 Unaudited £000	Year ended 31 May 2007 Unaudited £000
Revenue	174,293	102,684	240,105
Cost of sales	(152,695)	(92,936)	(213,164)
Gross profit	21,598	9,748	26,941
Other income/(expense)	80	(16)	25
Administrative expenses	(13,215)	(5,834)	(17,075)
Operating profit	8,463	3,898	9,891
Finance income	114	618	324
Finance expenses	(2,206)	(574)	(920)
Share of profit of joint ventures	222	205	270
Share of profit of associates	-	-	56
Profit before income tax	6,593	4,147	9,621
Income tax	(2,126)	(1,253)	(3,134)
Profit for the period	4,467	2,894	6,487
Attributable to:			
Equity holders of the company	4,124	2,901	6,414
Minority interest	343	(7)	73
Profit for the period	4,467	2,894	6,487
Basic earnings per share	15.70p	12.25p	26.32p
Diluted earnings per share	15.48p	12.21p	26.16p

Consolidated Statement of Recognised Income and Expense
for the six month period ended 30 November 2007

	6 months ended 30 November 2007 Unaudited £000	6 months ended 30 November 2006 Unaudited £000	Year ended 31 May 2007 Unaudited £000
Foreign currency translation differences for foreign operations	98	-	(4)
Effective portion of changes in fair value of cash flow hedges	(3,307)	-	(769)
Defined benefit plan actuarial gains	-	-	108
Income tax on income and expense recognised directly in equity	910	-	199
Income and expense recognised directly in equity	(2,299)	-	(466)
Profit for the period	4,467	2,894	6,487
Total recognised income and expense for the period	2,168	2,894	6,021
Attributable to:			
Equity holders of the company	1,825	2,901	5,948
Minority interest	343	(7)	73
Total recognised income and expense for the period	2,168	2,894	6,021

Consolidated Balance Sheet
at 30 November 2007

	30 November 2007 Unaudited £000	30 November 2006 Unaudited £000	31 May 2007 Unaudited £000
ASSETS			
Non-current assets			
Property, plant and equipment	71,162	24,209	63,178
Intangible assets	17,445	11,531	12,630
Investments in joint ventures	1,360	1,110	881
Investments in associates	-	-	58
Other investments, including derivatives	7	159	220
Other receivables	-	500	500
Deferred tax assets	1,060	-	502
Total non-current assets	91,034	37,509	77,969
Current assets			
Inventories	42,617	15,208	35,027
Other investments, including derivatives	129	-	-
Trade and other receivables	55,815	32,291	38,406
Cash and cash equivalents	7,850	3,788	11,779
Total current assets	106,411	51,287	85,212
Total assets	197,445	88,796	163,181
LIABILITIES			
Non-current liabilities			
Loans and borrowings	(22,014)	(18,582)	(38,477)
Other non-current liabilities	(1,243)	-	-
Derivative financial instruments	(4,122)	-	(631)
Deferred tax liabilities	-	(1,618)	-
Retirement benefit obligations	(9,411)	(469)	(9,411)
Provisions	(9,827)	(2,671)	(10,327)
Total non-current liabilities	(46,617)	(23,340)	(58,846)
Current liabilities			
Trade and other payables	(62,513)	(30,822)	(49,505)
Current income tax liabilities	(3,689)	(2,099)	(1,851)
Borrowings	(42,725)	(4,956)	(11,740)
Derivative financial instruments	(37)	(523)	(205)
Total current liabilities	(108,964)	(38,400)	(63,301)
Total liabilities	(155,581)	(61,740)	(122,147)
Net assets	41,864	27,056	41,034
EQUITY			
Capital and reserves attributable to equity holders			
Issued capital	2,627	2,368	2,627
Share premium	29,177	19,082	29,177
Other reserves	29	29	29
Translation reserve	94	-	(4)
Merger reserve	1,022	-	1,022
Hedging reserve	(2,934)	-	(538)
Capital redemption reserve	1,530	1,530	1,530
Retained earnings	9,826	4,054	7,041
	41,371	27,063	40,884
Minority interest in equity	493	(7)	150
	41,864	27,056	41,034

Consolidated Cash Flow Statement

for the six month period ended 30 November 2007

	6 months ended 30 November 2007 Unaudited £000	6 months ended 30 November 2006 Unaudited £000	Year ended 31 May 2007 Unaudited £000
Cash flows from operating activities			
Profit for the period	4,467	2,894	6,487
Adjustments for:			
Depreciation	4,714	1,758	5,030
Amortisation of intangible assets	512	228	685
Negative goodwill on acquisition	-	-	(84)
Share of profit of joint ventures	(222)	(205)	(270)
Share of profit of associates	-	-	(56)
Gain on sale of property, plant and equipment	(80)	16	(25)
Equity-settled share-based payment transactions	237	90	268
Net finance expense/(income)	2,092	(44)	596
Income tax expense	2,126	1,253	3,134
	<u>13,846</u>	<u>5,990</u>	<u>15,765</u>
Change in inventories	(6,857)	(153)	(13,254)
Change in trade and other receivables	(14,180)	(3,553)	(4,914)
Change in trade and other payables	10,288	3,713	10,691
Change in provisions and employee benefits	-	-	117
	<u>3,097</u>	<u>5,997</u>	<u>8,405</u>
Cash from operating activities	3,097	5,997	8,405
Interest paid	(2,089)	(571)	(1,971)
Income tax paid	(1,504)	(982)	(2,245)
	<u>(496)</u>	<u>4,444</u>	<u>4,189</u>
Net cash (outflow)/inflow from operating activities	(496)	4,444	4,189
Cash flows from investing activities			
Interest received	114	50	324
Proceeds from sale of property, plant and equipment	493	241	794
Acquisition of property, plant and equipment	(4,862)	(3,014)	(8,661)
Acquisition of subsidiary, net of cash acquired	(6,640)	(7,710)	(33,693)
Acquisition of other investments	(8)	-	75
	<u>(10,904)</u>	<u>(10,433)</u>	<u>(41,161)</u>
Net cash outflow from investing activities	(10,904)	(10,433)	(41,161)
Cash flows from financing activities			
Proceeds from issue of shares	-	-	10,332
Proceeds of borrowings	5,040	-	15,000
Repayments of borrowings	(2,454)	(3,006)	(1,164)
Repayment of finance lease liabilities	(1,294)	(848)	(1,947)
Proceeds from invoice discounting facility	4,787	(207)	3,656
Dividends paid	(1,536)	(1,184)	(1,972)
	<u>4,543</u>	<u>(5,245)</u>	<u>23,905</u>
Net cash (outflow)/inflow from financing activities	4,543	(5,245)	23,905
Net decrease in cash and cash equivalents	(6,857)	(11,234)	(13,067)
Cash and cash equivalents at the start of the period/year	1,955	15,022	15,022
Effect of exchange rate fluctuations on cash held	(591)	-	-
	<u>(5,493)</u>	<u>3,788</u>	<u>1,955</u>
Cash and cash equivalents at the end of the period/year	(5,493)	3,788	1,955

NOTES

(forming part of the financial statements)

1. Basis of preparation

The AIM rules require that the next annual consolidated financial statements of the Group, for the year ending 31 May 2008, be prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the EU ('Adopted IFRS').

The interim financial information has been prepared on the basis of the recognition and measurement requirements of Adopted IFRS that are effective (or available for early adoption) at 31 May 2008, the Group's first annual reporting date at which it is required to use Adopted IFRS. Based on these Adopted IFRS, the directors have applied the accounting policies, as set out in the IFRS restatement document referred to below, which they expect to apply when the first annual IFRS financial statements are prepared for the year ending 31 May 2008.

However, the Adopted IFRS that will be effective (or available for early adoption) in the financial statements for the year ending 31 May 2008 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the financial statements are prepared for the year ending 31 May 2008.

The preparation of this financial information resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous Generally Accepted Accounting Practice ('GAAP'). The revised accounting policies have, except where otherwise stated, been applied to all periods presented in this financial information.

IFRS 1 – 'First Time Adoption of International Financial Reporting Standards' mandates that most IFRS are applied fully retrospectively, meaning that the opening balance sheet at 1 June 2006 is restated as if those accounting policies had always been applied. IFRS 1 permits companies to apply certain exemptions from the full requirements of IFRS during the transition. Details of the exemptions applied by the Group are outlined in the restatement document referred to below.

A detailed review of the changes in our accounting policies and reconciliations of our financial statements from UK GAAP to IFRS at key dates were published to the London Stock Exchange on 14 February 2008 and are also available on the Group's website at:

www.hargreavesservices.co.uk

2. Accounting policies

The accounting policies that the Group intend to apply to the year ending 31 May 2008 are set out in the IFRS restatement document referred to in note 1.

3. Status of financial information

The comparative figures for the year ended 31 May 2007 are not the Group's statutory financial statements for that year. Those financial statements, which were prepared under UK GAAP, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The interim information for the half years ended 30 November 2007 and 30 November 2006 is unaudited. This information does not constitute statutory accounts within the meaning of the Companies Act 1985. In relation to the financial statements for the year ended 31 May 2007, this has been extracted from an unaudited restatement of the financial information taken from the audited Group's statutory financial statements for that year, details of which are given in the IFRS restatement document referred to in note 1.

4. Taxation

Taxation is based on the estimated effective rate for each year as a whole, including deferred tax.

5. Dividends

The dividend of 6 pence per ordinary share, proposed in the 2007 Annual Accounts, agreed by the shareholders at the Annual General Meeting on 3 October 2007 and paid on 11 October 2007, has been charged to reserves in these interim financial statements.

The directors have recommended an interim dividend of 3.3 pence per share, which will be paid on 20 March 2008.

6. Earnings per share

The calculation of earnings per share is based on the profit for the period/year and on the weighted average number of ordinary shares in issue and ranking for dividend in the period.

	Unaudited 6 months ended 30 November 2007	Unaudited 6 months ended 30 November 2006	Unaudited Year ended 31 May 2007
Profit for the period/year (£000)	4,124	2,901	6,414
Weighted average number of ordinary shares ('000)	26,271	23,675	24,372
Earnings per share (pence)	15.70	12.25	26.32

The calculation of diluted earnings per share is based on the profit for the period/year and on the weighted average number of ordinary shares in issue in the period/year adjusted for the dilutive effect of the share options outstanding.

	Unaudited 6 months ended 30 November 2007	Unaudited 6 months ended 30 November 2006	Unaudited Year ended 31 May 2007
Profit for the period/year (£000)	4,124	2,901	6,414
Weighted average number of ordinary shares ('000)	26,642	23,751	24,516
Earnings per share (pence)	15.48	12.21	26.16

7. Divisional performance

The Divisions enjoy a considerable amount of inter-divisional trade as part of the integrated solutions provided to clients. This level of inter-divisional activities, cross-utilisation of the overhead base and other facilities limit the usefulness of analysis beyond direct costs. Below are the stated divisional results.

	2007 Minerals £000	2007 Industrial £000	2007 Transport £000	2007 Monckton £000	2007 Maltby £000	2007 Total £000
Revenue	94,363	20,377	30,480	15,803	13,269	174,293
Segment operating profit	2,784	570	1,583	1,395	2,363	8,695
Segment profit before tax	2,287	443	1,306	1,175	1,756	6,966
Common costs						(373)
Group profit before taxation						<u>6,593</u>
	2006 Minerals £000	2006 Industrial £000	2006 Transport £000	2006 Monckton £000	2006 Maltby £000	2006 Total £000
Revenue	57,663	8,583	23,379	13,060	-	102,684
Segment operating profit	1,962	78	1,493	482	-	4,015
Segment profit before tax	1,967	11	1,363	483	-	3,821
Common costs						326
Group profit before taxation						<u>4,147</u>

8. Acquisition

On 28 September 2007 the Company acquired the entire issued share capital of Imperial Tankers Limited. In accordance with IFRS 3 Business Combinations, a review of the acquisition was performed to identify specific intangible assets. This resulted in the creation of an intangible asset of £1,622,000 for customer contracts, based on the discounted future cash flows of the key long term sales contracts in place at the date of acquisition. The residual goodwill of £2,596,000 was capitalised and will be reviewed annually for impairment.

	Book and fair value £000
ASSETS	
Non-current assets	
Property, plant and equipment	7,287
Current assets	
Inventories	126
Trade and other receivables	2,782
Cash and cash equivalents	1,306
Total assets	<u>11,501</u>
LIABILITIES	
Non-current liabilities	
Loans and borrowings	(2,993)
Deferred income tax liabilities	(1,068)
Current liabilities	
Trade and other payables	(2,213)
Current income tax liabilities	(390)
Borrowings	(1,609)
Total liabilities	<u>(8,273)</u>
Net assets	3,229
Goodwill	2,596
Intangibles under IFRS 3	1,622
Net purchase consideration and costs of acquisition	<u>7,447</u>
Satisfied by :	
Cash	5,447
Deferred consideration	<u>2,000</u>

The intangible asset is being amortised over the weighted average expected life of these contracts, which is 62 months. The goodwill is not being amortised, but will be reviewed for impairment annually.

On 30 September 2007, the Group increased its stake in Hargreaves Building Products Ltd and Lytag Ltd by way of a share exchange between Hargreaves Building Products Ltd and Hargreaves Coal Combustion Products Ltd, and exchanging shares in Hargreaves Services plc with the other shareholders of HCCP Ltd, HBP Ltd, and Lytag Ltd. Hargreaves increased its share of the new combined group from 25% to 50%, resulting in an increase in investments of £130,476. The consideration was valued at £1,243,375 based on expected future profits of the combined HBP/HCCP group. This resulted in goodwill of £1,112,899. The goodwill will not be amortised over a specific period of time, however it will be reviewed annually for impairment at each reporting date, in line with Group policy.

9. Hedging reserve

The hedging reserve relates to the fair value of three commodity swap contracts taken out to protect Group margin on the sale of coke under a long-term supply contract. This contract is subject to commodity price and foreign exchange fluctuations, hence the commercial decision to minimise the effect of these fluctuations.

10. Interim results

These results were approved by the Board of Directors on 14 February 2008. Copies of this interim report will be sent to all shareholders and will be available to the public from the Group's registered office.



1. Loading Shovel
2. Coal Screening Plant
3. Maltby by Night
4. Minerals Management



HARGREAVES SERVICES PLC

Registered number 4952865



INTERIM REPORT

for the six month period ended 30 November 2007

14 FEBRUARY 2008

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