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Creating an integrated
value chain



Hargreaves Services plc

Interim Report for the six months
ended 30 November 2009

Established in 1994, Hargreaves Services plc is one of the most rapidly expanding minerals and support services groups in the UK.

Hargreaves provides unrivalled performance in sourcing, producing, processing, handling and transporting carbon-based and other bulk materials throughout the UK and within Europe.

The Group has four complementary Divisions:



• Production



• Energy and Commodities

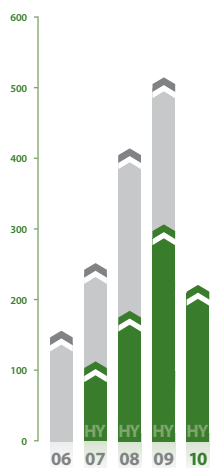


• Transport

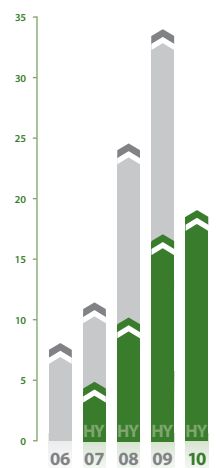


• Industrial Services

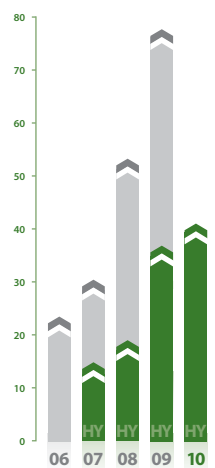
Revenue (£m)



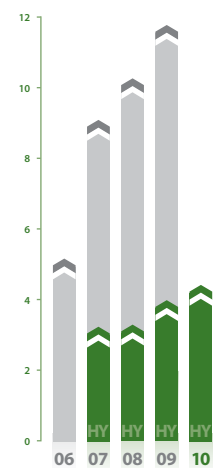
Underlying Operating Profit (£m)



Underlying Diluted EPS (pence)



Dividend Per Share (pence)



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Highlights

	Unaudited six months ended 30 November 2009	Unaudited six months ended 30 November 2008	Change
Revenue	£211.6m	£296.5m	-28.6%
Operating Profit	£16.7m	£13.9m	+20.1%
Underlying Operating Profit ⁽¹⁾	£18.5m	£16.2m	+14.1%
Profit Before Tax	£14.7m	£12.2m	+20.6%
Underlying Profit Before Tax ⁽²⁾	£16.5m	£13.9m	+18.7%
Diluted EPS	34.3p	28.5p	+20.4%
Underlying Diluted EPS ⁽²⁾	41.0p	34.9p	+17.5%
Proposed Interim Dividend	4.4p	3.8p	+15.8%

1 Underlying Operating Profit is stated excluding the amortisation of acquired intangibles and release of negative goodwill and including share of profit in jointly controlled entities and associates.

2 Underlying Profit Before Tax and Underlying Diluted EPS are stated excluding the amortisation of acquired intangibles and release of negative goodwill.

Reconciliation of operating profit to underlying operating profit, by segment, is as follows:

	Production Unaudited 30 November 2009 £000	Energy & Commodities Unaudited 30 November 2009 £000	Transport Unaudited 30 November 2009 £000	Industrial Unaudited 30 November 2009 £000	Total Unaudited 30 November 2009 £000
Segment operating profit	3,889	9,923	1,858	1,024	16,694
Intangible amortisation and release of negative goodwill	-	815	197	784	1,796
Share of loss in joint ventures	-	(9)	-	-	(9)
Underlying operating profit	3,889	10,729	2,055	1,808	18,481

	Production Unaudited 30 November 2008 £000	Energy & Commodities Unaudited 30 November 2008 £000	Transport Unaudited 30 November 2008 £000	Industrial Unaudited 30 November 2008 £000	Total Unaudited 30 November 2008 £000
Segment operating profit	8,345	3,895	1,519	146	13,905
Intangible amortisation and release of negative goodwill	-	-	285	1,427	1,712
Share of profit in joint ventures	-	577	-	-	577
Underlying operating profit	8,345	4,472	1,804	1,573	16,194

Underlying operating profit up 14.1% to £18.5m

Interim Dividend up 15.8% to 4.4p

Results

We are pleased to announce another period of record profits for the Group. As expected Group turnover in the period fell from £296.5m to £211.6m reflecting the significant fall in average commodity prices since 2008. Due to our business model that insulates our profits from increases or decreases in commodity prices, we are pleased to note that this has not impacted profitability. As a result of strong trading across most of the Group, and in particular due to strong volumes and margins from specialty coals, operating profit before amortisation of intangibles and including share of profit from joint ventures ("underlying operating profit") increased 14.1% from £16.2m to £18.5m. Profit before tax and amortisation of intangibles ("underlying profit before tax") increased by 18.7% from £13.9m to £16.5m. Reported profit before tax increased by 20.6% from £12.2m to £14.7m.

Trading and Business Review

Production Division

Production Division revenues decreased by £1.6m from £43.5m to £41.9m. Underlying operating profit decreased by £4.4m from £8.3m to £3.9m reflecting the production challenges experienced at Maltby in the first half of the current year that we detailed in our December update. This also has to be seen in the context of strong comparisons for the first half of the prior year.

The investment program at Maltby continues and we are confident that the equipment issues encountered in the last six months on the T11 face with the first set of new equipment have been remedied. In addition, the geological anomalies that also contributed to the production difficulties have now been passed. A seventh methane generator at Maltby was commissioned

ahead of schedule in December 2009 and pond fine harvesting has progressed satisfactorily. Deliveries of pond fines to Drax under the new contract commenced in the first half and have helped mitigate the impact of lower production.

Monckton coke works has performed well during the first half. The Board is pleased to see stability returning to the coke markets and can report a significant increase in enquiries for coke availability. As a result of this, the coke stocks have been reduced to more normal levels. Coke prices are gradually increasing and we expect to sell Monckton's output for the next 12 months at average prices slightly above the prior year.

The Tower Colliery project is progressing very satisfactorily and the planning application in respect of this project should be submitted on schedule.

Energy & Commodities Division

The Energy & Commodities Division continued its strong performance. Volumes in all markets, in the UK and Europe, were ahead of budget. As expected, revenues decreased by £91.7m from £205.0m to £113.3m reflecting the significant drop in global commodity prices. Margins in the coke and specialty coal markets have been very strong. Underlying operating profit increased by £6.2m from £4.5m to £10.7m reflecting a strong performance in the specialty coal markets in the UK and in Europe.

The new coal operation in Belgium is fully operational, and has already generated a small profit in the first half. Through Belgium we have also commenced shipments into Poland for the first time, and are actively working on leasing a stockyard in Poland with a view to setting up a Polish operation in the second half.

We believe we are in a very strong position to benefit from a recovery in trading volumes in the continental European markets in the coming 12 months and see an opportunity to grow the business more quickly than previously anticipated.

In the UK generation sector, there has been reduced coal burn due to coal being displaced by cheaper gas. As a result, many power stations are slowing their supply chains to reduce stock levels back to normal levels. As a result we have entered into a contract with a customer that will result in the Group stocking coal from 1 April for delivery commencing 1 October. This will result in approximately 100,000 tonnes of extra coal stocks at 31 May 2010. There will be no price exposure on this stock and the transaction will have no impact on our budgeted revenue and profits in the current year. The stock will be cleared by the end of the first calendar quarter of 2011.

We announced in December that we had commissioned the first engine at the new Rocpower site in Featherstone. We have continued the commissioning process and now have four engines installed and operational, with a fifth and larger engine delivered and due for installation this month.

We are pleased with the speed and quality with which this site has been developed. Two further sites are in the planning process and decisions are expected by end of May 2010. As we await planning permission, we will continue to commission our existing site to prove generation reliability with a view to committing to the second and third sites around June 2010, at the end of the commissioning phase.

Iain Cockburn, Group Finance Director
Gordon Banham, Group Chief Executive



The development of this first site has utilised the core skills from within the Hargreaves Group. The Rocfuel supply chain has been used to secure the fuel necessary to support the Rocpower project. The Transport Division has provided the logistics to move the fuel to the site. The construction of the Featherstone site demonstrates the skills of our Industrial Services Division which will be utilised on subsequent sites and marketed for third party projects.

Transport Division

Transport Division revenues for the six months ended 30 November 2009 were £34.5m, a decrease of £3.3m from the £37.8m reported in the six months to 30 November 2008. This drop in revenues was due principally to a drop in average fuel prices, the indexation of which is factored into the majority of the Division's sales contracts and due to continuing low volumes in our dry bulk fleet due to the lack of activity in the construction sector. As discussed in the Annual Report, we took steps last year to mitigate costs and improve efficiencies across the fleet and this is reflected in an underlying operating profit increase of £0.3m from £1.8m to £2.1m, despite the decrease in revenues. Activities in the construction and aggregate sectors remain subdued due to the recession, however, we are pleased to report a new 500,000 tonne per annum, three-year contract was won with a major utility.

We are pleased to note that activity levels are gradually rising again across the fleet. Revenues for the period were £4.7m higher than the second half of last year. In the coming months we will look for opportunities to purchase vehicles and new customer relationships from distressed operators.

In October 2009 we sold our Billingham tanker depot in return for the acquisition of select assets and customer relationships from Stiller Tankers Group. This has allowed us to move into larger and more suitable leased premises and to mitigate approximately £1.5m of capital expenditure on vehicles. These new customer relationships contributed to the strong performance of the Tanker business.

Industrial Services Division

Industrial Services Division revenues were £31.4m in the six months to 30 November 2009, an increase of £2.4m compared to the comparative period. Underlying operating profit for the period was £1.8m, an increase of £0.2m on the comparative period.

The Division has traded steadily and we are pleased to report a number of new contracts and extensions, including a hard facilities agreement covering four power station sites that should be worth in excess of £15m of revenue over a five year period. The Division also completed the renewal of a number of contracts at Ferrybridge power station covering activities in the coal, ash and FGD plants.

Production Division

Underlying Operating Profit

£3.9m

Energy and Commodities Division

Underlying Operating Profit

£10.7m

Interim Statement (continued)



Financial Review

Revenue

Revenue decreased by £84.9m from £296.5m in the six months to 30 November 2008 to £211.6m in the six months to 30 November 2009, driven mainly by the impact of decreased commodity prices on the mineral purchases and sales in our Energy & Commodities Division.

Operating Profit and Margins

Underlying operating profit increased by £2.3m from £16.2m to £18.5m. Overall Group underlying operating profit margins increased to 8.7% in the six months to 30 November 2009 from 5.5% for the six months to 30 November 2008.

The improvement in operating margin from 5.5% to 8.7% was mainly due to the impact of falling commodity prices combined with favourable pricing in the specialty coal markets.

Debt Financing Costs

In the six months to 30 November 2009 the net finance charge for the Group decreased £0.3m from £2.3m to £2.0m, as a result of lower interest rates starting to work through. The net finance charge included amortisation of bank fees of £0.1m. Interest cover remained strong at 13.4x compared with 9.8x at the end of November 2008.

Profit Before Tax

Underlying profit before tax increased by 18.7%, or £2.6m, from £13.9m in the comparative period to £16.5m.

Taxation

The tax charge for the first half was estimated at £5.0m compared with £3.9m for the six months ended 30 November 2008. This charge represents an estimated underlying

effective tax rate for the Group, stated prior to amortisation of acquired intangibles, of 30% compared with 27.9% for the comparative period. The tax charge for the first half was higher than the UK corporation tax rate of 28% due to expenditure, such as depreciation of fixed assets, that does not qualify for tax relief, and also due to the impact of overseas profits which are taxed at a rate which is higher than the UK Mainstream rate.

Earnings per Share

Reported basic earnings per share increased from 29.0p to 34.8p. Underlying fully diluted earnings per share increased by 17.5% from 34.9p to 41.0p.

Dividend

The final dividend for the year ended 31 May 2009 of 8p was paid on 18 November 2009. The Board has recommended an increase of 15.8% in the interim dividend from 3.8p in the comparative period to 4.4p. The dividend will be paid on 24 March 2010 to all shareholders on the register at the close of business on 26 February 2010. Dividend cover is a comfortable 7.9x.

Net Debt

Cash performance was in line with our expectations and, as always, remains an area of management focus. Net debt increased from £69.2m at 31 May 2009 to £80.1m at 30 November 2009. This increase was in line with our internal projections and reflected the seasonal working capital build together with the capital expenditure program for the year.

Net debt drawn on the UK facilities totalled £72.3m compared to £60.7m at 31 May 2009. Net debt drawn on the European facilities totalled £7.8m compared to £8.5m as at 31 May 2009 and £17.6m at 30 November 2008. The reduction in European debt was due to lower trading levels.

Group net equity increased from £71.7m at 31 May 2009 to £82.1m at 30 November 2009. Gearing (measured as net debt compared to net equity) at the end of November 2009 was 98% compared with 117% at the end of November 2008.

The Group's financial position remains strong with net debt at 30 November 2009 less than 1.5x earnings before interest, tax, depreciation and amortisation ("EBITDA") compared with 1.6x at 30 November 2008.

Cash Flow

EBITDA for the six months to 30 November 2009 was a record £26.2m, with operating cash inflow of £8.7m. The increase in working capital during the period was £17.5m compared to the £27.1m increase in the previous period.

As with prior years, the Group expects UK stocks to decrease during the second half but will be stocking an additional 100,000 tonnes to support the contract noted above. The Group had no material open positions in their stocks at 30 November 2009. All excess stocks of coke at Monckton have now been cleared. Although working capital attributable to the European trading business increased by only £0.8m, from £20.1m at 31 May 2009 to £20.9m at 30 November 2009, working capital levels are expected to rise as trading levels increase and the new Polish operation are established.

The Group issued 134,343 shares on 12 October 2009 in settlement of the final £1m of deferred consideration in relation to the acquisition of Imperial Tankers. This was in line with the provision held.



Capital Expenditure

Net capital expenditure in the first half was £5.2m compared with £12.5m in the six months to 30 November 2008. As previously announced we have continued our program of investment at Maltby. Although net capital expenditure at Maltby in the first half was only £0.9m, the second and final set of face equipment is due to be delivered and commissioned in the second half. Of the remaining £4.3m of capital expenditure in the first half, the development of the Rocpower's first plant accounted for £2.5m of the spend, £1.4m was spent on vehicle and plant additions during the year.

Principal Risk and Uncertainties

The key risks and uncertainties for the Group are described on pages 12 and 13 of the Annual Report and Accounts 2009.

Current Trading and Outlook

Although Maltby Colliery has faced production challenges in the first half, we are confident that the mechanical and geological issues encountered will not be repeated in the second half. We are also encouraged by the conditions of the coke market and expect to achieve a satisfactory price for all our production.

The second half will see Hargreaves focus efforts on accelerating the development of trading activities in mainland Europe. We are excited by the opportunities presented by the more stable market conditions and having established Hargreaves Carbon Products NV in Belgium, we will now seek to accelerate the growth of that business by leveraging our very successful UK specialty coal model and our successful coke and mineral trading operation in Germany. A key part of this growth will be the establishment of an operation and stockyard in Poland,

to supply specialty coals and to leverage UK supply relationships to import power station coals into the rapidly evolving Polish market.

The future opportunities for Hargreaves are extremely exciting. We are very encouraged by the progress that has been made by Rocpower and with considerable roll out potential this can become a significant profit centre for the Group. The Tower project is also progressing well and we are confident that this will also create an exciting future opportunity for the Group.

In summary, we are encouraged by the immediate trading outlook and are excited by the growth opportunities that are available to the Group. The Board remains confident of achieving management's expectations for the full year.

Gordon Banham

Chief Executive

16 February 2010

Iain Cockburn

Finance Director

16 February 2010

Transport Division

Underlying Operating Profit

£2.1m

Industrial Services Division

Underlying Operating Profit

£1.8m

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 November 2009

	Note	Unaudited six months ended 30 November 2009 £000	Unaudited six months ended 30 November 2008 £000	Audited year ended 31 May 2009 £000
Revenue		211,597	296,535	503,093
Cost of sales		(176,058)	(263,106)	(433,800)
Gross profit		35,539	33,429	69,293
Other operating income/(expense)		351	(291)	(511)
Administrative expenses		(19,196)	(19,233)	(38,936)
Operating profit		16,694	13,905	29,846
Financial income		432	762	1,683
Financial expenses		(2,387)	(3,032)	(6,577)
Share of (loss)/profit of jointly controlled entities (net of tax)		(9)	577	1,216
Profit before tax		14,730	12,212	26,168
Income tax expense	4	(4,958)	(3,882)	(7,459)
Profit for the period		9,772	8,330	18,709
Other comprehensive income				
Foreign exchange translation differences		355	283	640
Effective portion of changes in fair value of cash flow hedges		1,320	8,891	8,134
Actuarial gains and losses on defined benefit pension plans		–	–	(170)
Tax recognised on other comprehensive income		(368)	(2,490)	(2,578)
Other comprehensive income for the period, net of tax		1,307	6,684	6,026
Total comprehensive income for the period		11,079	15,014	24,735
Profit attributable to:				
Equity holders of the company		9,191	7,615	18,025
Minority interest		581	715	684
Profit for the period		9,772	8,330	18,709
Total comprehensive income for the period attributable to:				
Equity holders of the company		10,396	14,299	23,871
Minority interest		683	715	864
Total comprehensive income for the period		11,079	15,014	24,735
Basic earnings per share (pence)	6	34.77	28.98	68.53
Diluted earnings per share (pence)	6	34.29	28.47	67.27

Condensed Consolidated Statement of Financial Position as at 30 November 2009

	Unaudited 30 November 2009 £000	Unaudited 30 November 2008 £000	Audited 31 May 2009 £000
Non-current assets			
Property, plant and equipment	70,941	72,210	71,240
Intangible assets	36,322	22,968	36,685
Investments in jointly controlled entities	460	783	953
Derivative financial instruments	3	20	–
	107,726	95,981	108,878
Current assets			
Inventories	67,670	62,553	60,693
Derivative financial instruments	389	4,130	754
Trade and other receivables	65,216	80,988	55,026
Cash and cash equivalents	7,651	29,603	1,062
	140,926	177,274	117,535
Total assets	248,652	273,255	226,413
Non-current liabilities			
Other interest-bearing loans and borrowings	(63,661)	(39,825)	(24,331)
Retirement benefit obligations	(3,949)	(5,431)	(4,429)
Provisions	(9,186)	(10,614)	(9,557)
Derivative financial instruments	(100)	(4,107)	(113)
Deferred tax liabilities	(6,110)	(6,095)	(5,724)
Other non-current liabilities	–	(1,076)	–
	(83,006)	(67,148)	(44,154)
Current liabilities			
Bank overdraft	(15,268)	(25,823)	(9,486)
Other interest-bearing loans and borrowings	(8,849)	(36,855)	(36,421)
Trade and other payables	(51,796)	(76,229)	(54,333)
Income tax liabilities	(6,222)	(4,450)	(7,159)
Derivative financial instruments	(1,457)	(674)	(3,191)
	(83,592)	(144,031)	(110,590)
Total liabilities	(166,598)	(211,179)	(154,744)
Net assets	82,054	62,076	71,669
Equity attributable to equity holders of the parent			
Share capital	2,653	2,627	2,639
Share premium	30,407	29,184	29,434
Other reserves	211	29	211
Translation reserve	899	469	646
Merger reserve	1,022	1,022	1,022
Hedging reserve	(810)	(1,217)	(1,762)
Capital redemption reserve	1,530	1,530	1,530
Retained earnings	43,302	27,036	35,792
	79,214	60,680	69,512
Minority interest	2,840	1,396	2,157
Total equity	82,054	62,076	71,669

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 November 2009

	Attributable to equity holders of the company										
	Share capital £000	Share premium £000	Other reserves £000	Hedging reserve £000	Translation reserve £000	Merger reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 June 2009	2,639	29,434	211	(1,762)	646	1,022	1,530	35,792	69,512	2,157	71,669
Total comprehensive income for the period											
Profit or loss	-	-	-	-	-	-	-	9,191	9,191	581	9,772
Other comprehensive income											
Foreign exchange translation differences	-	-	-	-	253	-	-	-	253	102	355
Effective portion of changes in fair value of cash flow hedges	-	-	-	1,320	-	-	-	-	1,320	-	1,320
Tax recognised on other comprehensive income	-	-	-	(368)	-	-	-	-	(368)	-	(368)
Total other comprehensive income	-	-	-	952	253	-	-	-	1,205	102	1,307
Total comprehensive income for the period	-	-	-	952	253	-	-	9,191	10,396	683	11,079
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners											
Issue of share capital	14	973	-	-	-	-	-	-	987	-	987
Dividends to equity holders	-	-	-	-	-	-	-	(2,136)	(2,136)	-	(2,136)
Share-based payment transactions	-	-	-	-	-	-	-	455	455	-	455
Total transactions with owners	14	973	-	-	-	-	-	(1,681)	(694)	-	(694)
Balance at 30 November 2009	2,653	30,407	211	(810)	899	1,022	1,530	43,302	79,214	2,840	82,054

Condensed Consolidated Cash Flow Statement for the six months ended 30 November 2009

	Unaudited six months ended 30 November 2009 £000	Unaudited six months ended 30 November 2008 £000	Audited year ended 31 May 2009 £000
Cash flows from operating activities			
Profit for the period	9,772	8,330	18,709
<i>Adjustments for:</i>			
Depreciation	7,469	6,577	13,596
Amortisation of intangible assets	1,804	1,718	2,408
Net finance expense	1,955	2,271	4,894
Share of loss/(profit) of jointly controlled entities	9	(577)	(1,216)
(Gain)/loss on sale of property, plant and equipment	(351)	(15)	193
Loss on sale of investments	-	-	318
Equity settled share-based payment expenses	455	341	648
Income tax expense	4,958	3,882	7,459
Translation of minority interest	102	-	179
	26,173	22,527	47,188
Change in inventories	(6,441)	(18,319)	(15,909)
Change in trade and other receivables	(8,260)	(28,016)	15,213
Change in trade and other payables	(1,909)	18,230	(23,201)
Change in provisions and employee benefits	(851)	984	(1,934)
	8,712	(4,594)	21,357
Interest paid	(2,050)	(2,709)	(3,955)
Income tax paid	(5,876)	(4,329)	(8,323)
Net cash inflow/(outflow) from operating activities	786	(11,632)	9,079
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	1,446	668	1,495
Dividends received	-	100	117
Acquisition of subsidiaries, net of cash acquired	(2,993)	(165)	(9,547)
Acquisition of property, plant and equipment	(5,539)	(3,819)	(7,110)
Proceeds from sale of jointly controlled entities	-	306	-
Investment in trade and assets	(1,672)	-	-
Acquisition of other investments	-	-	(590)
Minority interest contribution	-	-	39
Net cash outflow from investing activities	(8,758)	(2,910)	(15,596)
Cash flows from financing activities			
Proceeds from issue of share capital	987	7	269
Proceeds from new loan	-	-	9,000
Proceeds from new revolving credit facility	43,052	-	-
Repayment of borrowings	(21,811)	(2,812)	(6,374)
Payment of finance lease liabilities	(3,219)	(1,728)	(5,724)
Proceeds from/(repayment of) invoice discounting facility	9,633	7,802	(9,310)
Dividends paid	(2,137)	(1,839)	(2,838)
(Repayment of)/proceeds from issue of promissory notes	(17,409)	18,691	15,115
Net cash inflow from financing activities	9,096	20,121	138
Net increase/(decrease) in cash and cash equivalents	1,124	5,579	(6,379)
Cash and cash equivalents at the start of the period/year	(8,424)	(1,025)	(1,025)
Effect of exchange rate fluctuations on cash held	(317)	(774)	(1,020)
Cash and cash equivalents at the end of the period/year	(7,617)	3,780	(8,424)

Notes to the Interim Report

1 Basis of preparation

The interim financial information set out in this statement for the six months ended 30 November 2009 and the comparative figures for the six months ended 30 November 2008 are unaudited. This financial information does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. It does not comply with IAS34 'Interim Financial Reporting', as is permissible under the rules of the AIM market ("AIM").

These interim financial statements have been prepared in accordance with the measurement and recognition criteria of Adopted IFRS's. They do not include all the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 May 2009.

2 Accounting policies

The accounting policies applied in preparing these interim financial statements, other than those noted below, are the same as those applied in the preparation of the annual financial statements for the year ended 31 May 2009, as described in those financial statements. From 1 June 2009 the following standards, amendments and interpretations endorsed by the EU became effective and were adopted by the Group:

- IFRS 8 'Operating Segments';
- IFRIC11 'IFRS 2 – Group and Treasury Share Transactions';
- Revised IAS 23 'Borrowing Costs';
- Revised IAS 1 'Presentation of Financial Statements';
- Amended IFRS1 and IAS27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'; and
- Amendments to IFRS2 'Share based payment – Vesting Conditions and Cancellations'.

The adoption of the above has not had a significant impact on the Group's interim financial statements.

3 Status of financial information

The comparative figures for the financial year ended 31 May 2009 are not the company's statutory financial statements for that financial year. Those accounts have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

4 Taxation

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

5 Dividends

The dividend of 8 pence per ordinary share, proposed in the 2009 Annual Accounts, agreed by the shareholders at the Annual General Meeting on 9 November 2009 and paid on 18 November 2009, has been charged to reserves in these interim financial statements.

The directors have recommended an interim dividend of 4.4 pence per share which will be paid on 24 March 2010.

6 Earnings per share

Earnings per share for the ordinary shares are as follows:

	Unaudited six months ended 30 November 2009	Unaudited six months ended 30 November 2008	Audited year ended 31 May 2009
Ordinary shares			
Basic earnings per share	34.77p	28.98p	68.53p
Diluted earnings per share	34.29p	28.47p	67.27p

6 Earnings per share (continued)

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

	Unaudited six months ended 30 November 2009	Unaudited six months ended 30 November 2008	Audited year ended 31 May 2009
Ordinary shares			
Profit for the period/year attributable to equity holders (£000)	9,191	7,615	18,025
Weighted average number of shares	26,432,471	26,272,976	26,302,652
Earnings per ordinary share (pence)	34.77	28.98	68.53

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 six months ended 30 November 2009	Unaudited six months ended 30 November 2008	Audited year ended 31 May 2009
Profit for the period/year attributable to equity holders (£000)	9,191	7,615	18,025
Weighted average number of shares	26,807,450	26,741,294	26,792,996
Diluted earnings per ordinary share (pence)	34.29	28.47	67.27

7 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors, since they are responsible for strategic decisions.

The Group determined that the operating segments identified under IFRS8 Operating Segments were the same as the business segments previously identified under IAS14 Segment Reporting.

	Production Unaudited 30 November 2009 £000	Energy & Commodities Unaudited 30 November 2009 £000	Transport Unaudited 30 November 2009 £000	Industrial Unaudited 30 November 2009 £000	Total Unaudited 30 November 2009 £000
Revenue					
Total revenue	41,894	113,252	34,498	31,420	221,064
Inter-segment revenue	(2,854)	(1,902)	(4,618)	(93)	(9,467)
Revenue to third parties	39,040	111,350	29,880	31,327	211,597
Segment operating profit	3,889	9,923	1,858	1,024	16,694
Share of loss in joint ventures	–	(9)	–	–	(9)
Net financing costs	(881)	(688)	(327)	(59)	(1,955)
Profit before taxation	3,008	9,226	1,531	965	14,730

Notes to the Interim Report (continued)

7 Segmental information (continued)

	Production Unaudited 30 November 2008 £000	Energy & Commodities Unaudited 30 November 2008 £000	Transport Unaudited 30 November 2008 £000	Industrial Unaudited 30 November 2008 £000	Total Unaudited 30 November 2008 £000
Revenue					
Total revenue	36,008	205,048	37,780	28,964	307,800
Inter-segment revenue	(201)	(3,436)	(5,924)	(1,704)	(11,265)
Revenue to third parties	35,807	201,612	31,856	27,260	296,535
Segment operating profit	8,345	3,895	1,519	146	13,905
Share of profit in joint ventures	–	577	–	–	577
Net financing costs	(761)	(847)	(434)	(228)	(2,270)
Profit/(loss) before taxation	7,584	3,625	1,085	(82)	12,212

Comparative inter-segment revenue numbers for Production have been restated to be comparable with the treatment of intra- and inter-segment revenues as reported in the audited financial statements for the year ended 31 May 2009.

8 Interim results

These results were approved by the Board of Directors on 16 February 2010. Copies of this interim report will be sent to all shareholders and will be available to the public from the Group's registered office.

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