

Interim Report for the six months
ended 30 November 2010
Source > Process > Distribute

Leaders in solid fuel supply and bulk material logistics



Hargreaves Services plc

Established in 1994, Hargreaves Services plc 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 Division produces coal, coke and smokeless fuel and also recycles tyres for customers throughout the UK and in Europe.

Revenue

£50.4m +20.2%

Underlying Operating Profit

£4.6m +17.4%



Energy & Commodities Division provides coal, coke, minerals and biomass products to a range of industrial, wholesale and public sector energy consumers.

Revenue

£149.5m +32.0%

Underlying Operating Profit

£12.1m +13.2%



Transport Division has grown to become one of the largest logistics providers in the UK.

Revenue

£38.5m +11.7%

Underlying Operating Profit

£2.2m +6.0%



Industrial Services Division provides quality assured contract management services to the power generation, utilities, chemicals and minerals industries.

Revenue

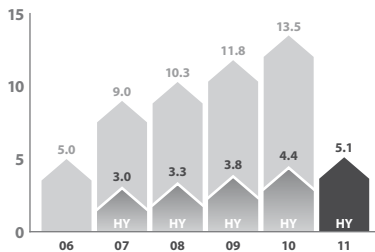
£36.0m +14.6%

Underlying Operating Profit

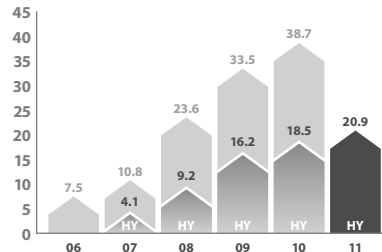
£2.1m +13.4%

Highlights of the Period

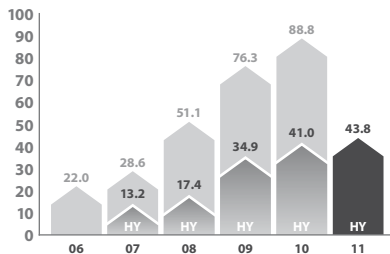
Dividend Per Share (pence)



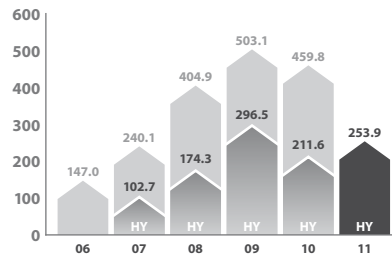
Underlying Operating Profit (£m)



Underlying Diluted EPS (pence)



Revenue (£m)



	Unaudited six months ended 30 November 2010	Unaudited six months ended 30 November 2009	Change %
Revenue	£253.9m	£211.6m	+20.0%
Operating Profit	£19.1m	£16.7m	+14.7%
Underlying Operating Profit ¹	£20.9m	£18.5m	+13.3%
Profit Before Tax	£16.1m	£14.7m	+9.6%
Underlying Profit Before Tax ²	£17.9m	£16.5m	+8.6%
Diluted EPS	37.2p	34.3p	+8.6%
Underlying Diluted EPS ²	43.8p	41.0p	+6.9%
Proposed Interim Dividend	5.1p	4.4p	+15.9%

- › Group is on track to deliver management's full year profit and cash targets
- › Strong performance from Energy & Commodities, especially in Europe
- › Improved performance at Maltby but short-term geological challenges
- › Monckton production fully sold for remainder of year at record prices
- › Planning submission at Tower Colliery proceeding

(1) Underlying operating profit is stated excluding the amortisation of acquired intangibles 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.

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Interim Statement

“Another great set of results. We remain pleased with the current trading conditions and excited by the growth opportunities opening up for us. We believe this will be another exciting year for Hargreaves.”

Tim Ross, Chairman

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

	Production 2010 £000	Energy & Commodities 2010 £000	Transport 2010 £000	Industrial Services 2010 £000	Total 2010 £000
Segment operating profit	4,567	11,326	1,981	1,267	19,141
Intangible amortisation	–	815	197	784	1,796
Share of loss in jointly controlled entities	–	–	–	–	–
Underlying operating profit	4,567	12,141	2,178	2,051	20,937

	Production 2009 £000	Energy & Commodities 2009 £000	Transport 2009 £000	Industrial Services 2009 £000	Total 2009 £000
Segment operating profit	3,889	9,923	1,858	1,024	16,694
Intangible amortisation	–	815	197	784	1,796
Share of loss in jointly controlled entities	–	(9)	–	–	(9)
Underlying operating profit	3,889	10,729	2,055	1,808	18,481

+8.6%
Underlying Profit Before Tax

Results

We are pleased to announce another solid set of results for the first half of the year. Group revenue in the period increased by £42.3m from £211.6m to £253.9m partly as a result of higher commodity prices. Underlying operating profit for the Group increased by £2.4m or 13.3% to £20.9m. Profit before tax and amortisation of intangibles ('underlying profit before tax') increased by 8.6% from £16.5m to £17.9m. Reported profit before tax increased by 9.6% from £14.7m to £16.1m.

Trading and Business Review

Production Division

Production Division revenues increased by £8.5m from £41.9m to £50.4m due mainly to increased coke prices and increased pond fine sales. Underlying operating profit increased by £0.7m or 17.4% from £3.9m to £4.6m.

At Maltby, as we reported in December, the problematic T11 face was finally completed in July 2010 and production on the T24 face commenced thereafter, performing strongly for most of the rest of the first half. We continue to work in an area with challenging geological conditions but we are optimistic that the major equipment issues which affected us last year are now resolved. We continue to work hard and productively with staff and management at the colliery to restructure working practices and improve productivity. The recovery, conditioning and sale of pond fines has progressed well with a good stock on the ground to fulfil second half shipments.

Monckton coke works has again performed well during the first half. All coke for the remainder of the calendar year is fully sold with coke prices achieving the levels expected by management. We project an increase in the average coke price per tonne of over £20 for the full year.

In summary, strong coke prices and increased pond fines sales are compensating for the underground shortfalls and we remain confident that the Division will achieve management expectations for the full year.

The Tower Colliery project continues to progress and we await news of the planning decision. Barring unforeseen circumstances, management still expect a decision to be made in March 2011.

The Group continues to await visibility on the Government's intentions around the future of the Renewable Obligation Order ("ROO") legislation as it relates to our RocPower project. We will continue to hold off further investment until satisfactory regulations are enacted into primary legislation.

Energy & Commodities Division

Revenues in Energy & Commodities increased by £36.2m from £113.3m to £149.5m. Underlying operating profit increased by £1.4m from £10.7m to £12.1m. The fall in operating margin reflects the effect of higher commodity prices.

The European business performed very strongly in the first half and entered the second half with an encouraging sales pipeline. Revenues in Europe increased from £33.7m to £77.9m with operating profit increasing by £3.5m from £1.4m to £4.9m. The development of the business in Europe remains a key focus. In the first half, the Group formed a joint venture in Holland with its key Russian coal supplier, MIR Trade AG to provide handling services for speciality coals imported into Europe from Russia. The joint venture is expected to commence trading in the second half.

Our UK coals business performed well despite a slow start to the first half. As expected the volume of coal supplied to the UK power sector remained subdued. The speciality coals business in the UK performed well in volume and profit terms. The cold weather in November culminated in strong shipment levels across both the power station and speciality markets and produced a record level of monthly shipments.

Transport Division

Transport revenues increased by £4.0m from £34.5m to £38.5m. Underlying operating profit increased by £0.1m from £2.1m to £2.2m.

The long-term contracts in the Waste and Tanker fleets continue to provide solid underpinning for this division. We have however seen no improvement in trading conditions for the Bulk transport fleet. November results were marginally impacted by the weather disruption which continued into December and January. The impact on the full year operating profit for the division is expected to be around £0.4m.

Industrial Services Division

Industrial Services Division revenues were £36.0m in the six months to 30 November 2010, an increase of £4.6m compared to the comparative period. Underlying operating profit for the period was £2.1m, an increase of £0.3m on last year.

The Division has continued to trade steadily. The growth in revenue reflects the commencement of the new contracts announced and signed last year. Although no new major contracts were signed in the first half, business development and prospecting activities are progressing well and the pipeline of tenders is very encouraging.

We have commenced our first business development activities in Asia. We see a number of interesting opportunities and will gradually increase our spend in the region over the coming months.

Financial Review

Revenue

Revenue increased by £42.3m from £211.6m in the six months to 30 November 2009 to £253.9m in the six months to 30 November 2010, driven mainly by the impact of increased commodity prices on the mineral purchases and sales in our Energy & Commodities division.

Operating Profit and Margins

Underlying operating profit increased by £2.4m from £18.5m to £20.9m. Overall Group underlying operating profit margins decreased to 8.2% in the six months to 30 November 2010 from 8.7% for the six months to 30 November 2009. The reduction in operating margin was mainly due to the impact of rising commodity prices.

Interest

In the six months to 30 November 2010 the net finance charge for the Group increased £1.0m from £2.0m to £3.0m. The net finance charge included amortisation of bank fees for the new facility of £0.4m. Interest cover remained strong at 9.9x.

Interim Statement (continued)

Taxation

The tax charge for the first half is approximately £4.6m compared with £5.0m for the six months ended 30 November 2009. This charge represents an effective tax rate for the Group of 28.4% compared with 30.5% for the year ending 31 May 2010. The tax charge for the first half was higher than the UK corporation tax rate of 28% due to disallowed costs and overseas profits taxable at a higher rate than the UK, but lower than the comparative period due to the anticipated reduction in deferred tax liabilities at 31 May 2011 following the reduction in the UK Mainstream rate to 27% in April 2011 and the recognition of a prior year adjustment for Corporation Taxes overprovided.

Earnings per Share

Reported basic earnings per share increased from 34.8p to 37.9p. Underlying fully diluted earnings per share increased by 6.9% from 41.0p to 43.8p. Minority interest share of profits in the period increased by £0.8m to £1.4m, primarily reflecting the increases in profit in our European businesses.

Dividend

The Board has recommended an increase of 15.9% in the interim dividend from 4.4p in the comparative period to 5.1p. The dividend will be paid on 25 March 2011 to all shareholders on the register at the close of business on 4 March 2011. The Dividend cover is a comfortable 7.4x.

Net Debt

Net debt increased by £11.4m from £88.2m at 31 May 2010 to £99.6m at 30 November 2010 reflecting the seasonal increase in working capital.

Net debt in the UK totalled £77.8m compared to £66.9m at 31 May 2010. Net debt drawn in Europe totalled £21.8m compared to £21.3m as at 31 May 2010 and £13.2m at 30 November 2009.

Group net equity increased from £89.8m at 31 May 2010 to £98.3m at 30 November 2010. Gearing (measured as net debt compared to net equity) at the end of November 2010 was 101% compared with 98% at the end of November 2009.

The Group's financial position remains strong with net debt at 30 November 2010 less than 1.7x earnings before interest, tax, depreciation and amortisation ("EBITDA"), comfortably below our covenant maximum of 2.5x.

Cash Flow

EBITDA for the six months to 30 November 2010 was £29.7m. The increase in working capital during the period was £26.1m. An exceptionally busy November in terms of coal shipments resulted in a depletion of stock at 30 November 2010 and increased trade debtors. Average debtor days temporarily increased by 3 days from 31 to 34 days due to the mix of longer credit term wholesale coal debtors at 30 November 2010.

As in prior years, the Group expects working capital to decrease significantly in the second half as contract shipments are fulfilled. Management remain confident of achieving their year-end debt targets.

Net capital expenditure in the first half was £7.2m compared with £5.2m in the six months to 30 November 2009.

Cash generation was in line with management expectations and, as always, remains an area of management focus.

Principal Risk and Uncertainties

The key risks and uncertainties for the Group are described on pages 18 and 19 of the Annual Report and Accounts 2010.

Current Trading and Outlook

The Board is very pleased with the progress and development of the Group during the first half and is expecting a strong second half performance. We are particularly encouraged by the performance of both the European and UK trading operations.

We remain focussed on managing working capital and cash flow and remain confident of achieving our year-end net debt targets.

We are very excited by the Tower project and will continue to focus on securing planning permission and delivering that project.

As outlined in the Annual Report, the Tower project and the development of the European business continues to offer strong organic growth opportunities. Subject to clarification of the future subsidy levels, RocPower adds another strong growth opportunity. The international prices of coal and coke continue to be significantly above our average of existing contracts.

We are increasingly confident that the Group is well placed to exploit the many opportunities for growth that exist in the UK, Europe and beyond.

The Board remains confident of achieving management's expectations for the full year.

"The Board is very pleased with the progress and development of the Group during the first half and is expecting a strong second half performance."

Gordon Banham, Group Chief Executive

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 November 2010

	Note	Unaudited six months ended 30 November 2010 £000	Unaudited six months ended 30 November 2009 £000	Audited year ended 31 May 2010 £000
Revenue		253,944	211,597	459,779
Cost of sales		(214,709)	(176,058)	(385,393)
Gross profit		39,235	35,539	74,386
Other operating income		38	351	1,593
Administrative expenses		(20,132)	(19,196)	(40,740)
Operating profit		19,141	16,694	35,239
Financial income		56	432	2,031
Financial expenses		(3,048)	(2,387)	(6,394)
Share of loss of jointly controlled entities (net of tax)		–	(9)	(159)
Profit before tax		16,149	14,730	30,717
Income tax expense	4	(4,582)	(4,958)	(9,370)
Profit for the period		11,567	9,772	21,347
Other comprehensive income				
Foreign exchange translation differences		(431)	355	(781)
Effective portion of changes in fair value of cash flow hedges		(2,221)	1,320	1,486
Actuarial gains and losses on defined benefit pension plans		–	–	(3,028)
Tax recognised on other comprehensive income		621	(368)	434
Dividend waived		–	–	(15)
Other comprehensive income for the period, net of tax		(2,031)	1,307	(1,904)
Total comprehensive income for the period		9,536	11,079	19,443
Profit attributable to:				
Equity holders of the Company		10,150	9,191	20,560
Minority interest		1,417	581	787
Profit for the period		11,567	9,772	21,347
Total comprehensive income for the period attributable to:				
Equity holders of the Company		8,193	10,396	18,760
Minority interest		1,343	683	683
Total comprehensive income for the period		9,536	11,079	19,443
Basic earnings per share (pence)	6	37.94	34.77	77.53
Diluted earnings per share (pence)	6	37.23	34.29	75.61

Condensed Consolidated Balance Sheet

as at 30 November 2010

	Unaudited 30 November 2010 £000	Unaudited 30 November 2009 £000	Audited 31 May 2010 £000
Non-current assets			
Property, plant and equipment	84,424	70,941	85,605
Intangible assets	32,814	36,322	34,607
Investments in jointly controlled entities	–	460	–
Derivative financial instruments	–	3	3
	117,238	107,726	120,215
Current assets			
Inventories	84,380	67,670	81,956
Derivative financial instruments	147	389	517
Trade and other receivables	86,435	65,216	62,371
Cash and cash equivalents	11,199	7,651	16,983
	182,161	140,926	161,827
Total assets	299,399	248,652	282,042
Non-current liabilities			
Other interest-bearing loans and borrowings	(81,144)	(63,661)	(73,265)
Retirement benefit obligations	(5,676)	(3,949)	(6,177)
Provisions	(8,801)	(9,186)	(8,986)
Derivative financial instruments	(188)	(100)	(770)
Deferred tax liabilities	(5,144)	(6,110)	(5,823)
	(100,953)	(83,006)	(95,021)
Current liabilities			
Bank overdraft	(21,963)	(15,268)	(24,189)
Other interest-bearing loans and borrowings	(7,729)	(8,849)	(7,729)
Trade and other payables	(61,363)	(51,796)	(59,889)
Income tax liabilities	(5,735)	(6,222)	(4,489)
Derivative financial instruments	(3,389)	(1,457)	(941)
	(100,179)	(83,592)	(97,237)
Total liabilities	(201,132)	(166,598)	(192,258)
Net assets	98,267	82,054	89,784
Equity attributable to equity holders of the parent			
Share capital	2,680	2,653	2,660
Share premium	31,422	30,407	30,429
Other reserves	211	211	211
Translation reserve	(388)	899	(31)
Merger reserve	1,022	1,022	1,022
Hedging reserve	(2,290)	(810)	(690)
Capital redemption reserve	1,530	1,530	1,530
Retained earnings	59,984	43,302	51,813
	94,171	79,214	86,944
Minority interest	4,096	2,840	2,840
Total equity	98,267	82,054	89,784

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 November 2010

	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Other reserves £000	Merger reserve £000	Capital redemption reserve £000	Retained earnings £000	Total parent equity £000	Minority interest £000	Total equity £000
Balance at 1 June 2010	2,660	30,429	(31)	(690)	211	1,022	1,530	51,813	86,944	2,840	89,784
Total comprehensive income for the period											
Profit or loss	-	-	-	-	-	-	-	10,150	10,150	1,417	11,567
Other comprehensive income											
Foreign exchange translation differences	-	-	(357)	-	-	-	-	-	(357)	(74)	(431)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(2,221)	-	-	-	-	(2,221)	-	(2,221)
Tax recognised on other comprehensive income	-	-	-	621	-	-	-	-	621	-	621
Total other comprehensive income	-	-	(357)	(1,600)	-	-	-	-	(1,957)	(74)	(2,031)
Total comprehensive income for the period	-	-	(357)	(1,600)	-	-	-	10,150	8,193	1,343	9,536
Transactions with owners recorded directly in equity											
Issue of shares	20	993	-	-	-	-	-	-	1,013	-	1,013
Equity settled share-based payment transactions	-	-	-	-	-	-	-	459	459	-	459
Dividends	-	-	-	-	-	-	-	(2,438)	(2,438)	(87)	(2,525)
Total transactions with owners	20	993	-	-	-	-	-	(1,979)	(966)	(87)	(1,053)
Balance at 30 November 2010	2,680	31,422	(388)	(2,290)	211	1,022	1,530	59,984	94,171	4,096	98,267

Condensed Consolidated Cash Flow Statement

for the six months ended 30 November 2010

	Unaudited six months ended 30 November 2010 £000	Unaudited six months ended 30 November 2009 £000	Audited year ended 31 May 2010 £000
Cash flows from operating activities			
Profit for the period	11,567	9,772	21,347
Adjustments for:			
Depreciation	8,391	7,469	14,565
Amortisation of intangible assets	1,796	1,804	3,592
Net finance expense	2,992	1,955	4,363
Share of loss of jointly controlled entities	–	9	159
Profit on sale of property, plant and equipment	(38)	(351)	(624)
Profit on sale of investments	–	–	(969)
Equity settled share-based payment expenses	459	455	948
Income tax expense	4,582	4,958	9,370
Translation of minority interest	(74)	102	(104)
	29,675	26,173	52,647
Change in inventories	(2,941)	(6,441)	(22,099)
Change in trade and other receivables	(24,417)	(8,260)	(8,135)
Change in trade and other payables	1,985	(1,909)	7,613
Change in provisions and employee benefits	(686)	(851)	(1,966)
	3,616	8,712	28,060
Interest paid	(2,975)	(2,050)	(4,030)
Income tax paid	(3,395)	(5,876)	(11,484)
Net cash (outflow)/inflow from operating activities	(2,754)	786	12,546
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	265	1,446	1,947
Proceeds from sale of investments	–	–	1,750
Dividends received	–	–	127
Acquisition of subsidiaries, net of cash acquired	–	(2,993)	(1,304)
Acquisition of property, plant and equipment	(4,383)	(5,539)	(19,712)
Acquisition of trade and assets	–	(1,672)	(1,743)
Net cash outflow from investing activities	(4,118)	(8,758)	(18,935)
Cash flows from financing activities			
Proceeds from issue of share capital	1,013	987	35
Proceeds from revolving credit facility	10,144	43,052	52,628
Repayment of borrowings	–	(21,811)	(21,811)
Payment of finance lease liabilities	(5,349)	(3,219)	(7,511)
(Repayment of)/proceeds from invoice discounting facility	(327)	9,633	9,027
Dividends paid	(2,438)	(2,137)	(3,292)
Repayment of promissory notes	–	(17,409)	(21,874)
Net cash inflow from financing activities	3,043	9,096	7,202
Net (decrease)/increase in cash and cash equivalents	(3,829)	1,124	813
Cash and cash equivalents at the start of the period/year	(7,206)	(8,424)	(8,424)
Effect of exchange rate fluctuations on cash held	271	(317)	405
Cash and cash equivalents at the end of the period/year	(10,764)	(7,617)	(7,206)

Notes to the Interim Statement

1. Basis of preparation

The interim financial information set out in this statement for the six months ended 30 November 2010 and the comparative figures for the six months ended 30 November 2009 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").

This interim statement which is neither audited nor reviewed has been prepared in accordance with the measurement and recognition criteria of Adopted IFRS's. It does 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 2010.

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 2010, as described in those financial statements. From 1 June 2010 the following standards, amendments and interpretations endorsed by the EU became effective and were adopted by the Group:

- Amendments to IFRS 2 'Group Cash-Settled Share-based payments transactions';
- Revised IFRS 3 'Business Combinations';
- Amendments to IAS 27 'Consolidated and Separate Financial Statements';
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement of Eligible Hedged Items';
- Amendments to IAS 39 'Reclassification of Financial Assets: Effective Date and Transition';
- Amendments to IAS 32 'Financial Instruments: Presentation – Classification of rights issue'; and
- Improvements to IFRS's (issued 16 April 2009).

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 2010 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 9.1 pence per ordinary share, proposed in the 2010 Annual Accounts, agreed by the shareholders at the Annual General Meeting on 8 November 2010 and paid on 17 November 2010, has been charged to reserves in these interim financial statements.

The directors have recommended an interim dividend of 5.1 pence per share which will be paid on 25 March 2011.

6. Earnings per Share

Earnings per share for the ordinary shares are as follows:

	Unaudited six months ended 30 November 2010	Unaudited six months ended 30 November 2009	Audited year ended 31 May 2010
Ordinary shares			
Basic earnings per share	37.94p	34.77p	77.53p
Diluted earnings per share	37.23p	34.29p	75.61p

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.

Notes to the Interim Statement (continued)

6. Earnings per Share (continued)

	Unaudited six months ended 30 November 2010	Unaudited six months ended 30 November 2009	Audited year ended 31 May 2010
Profit for the period/year attributable to equity holders (£000)	10,150	9,191	20,560
Weighted average number of shares	26,750,140	26,432,471	26,519,310
Earnings per ordinary share (pence)	37.94	34.77	77.53

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 2010	Unaudited six months ended 30 November 2009	Audited year ended 31 May 2010
Profit for the period/year attributable to equity holders (£000)	10,150	9,191	20,560
Weighted average number of shares	27,260,276	26,807,450	27,192,323
Diluted earnings per ordinary share (pence)	37.23	34.29	75.61

7. Segmental information

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

	Production Unaudited 30 November 2010 £000	Energy & Commodities Unaudited 30 November 2010 £000	Transport Unaudited 30 November 2010 £000	Industrial Unaudited 30 November 2010 £000	Total Unaudited 30 November 2010 £000
Revenue					
Total revenue	50,360	149,536	38,525	35,998	274,419
Inter-segment revenue	(8,818)	(4,971)	(5,313)	(1,373)	(20,475)
Revenue from external customers	41,542	144,565	33,212	34,625	253,944
Segment operating profit	4,567	11,326	1,981	1,267	19,141
Share of loss in jointly controlled entities	–	–	–	–	–
Net financing costs	(1,230)	(1,048)	(390)	(324)	(2,992)
Profit before taxation	3,337	10,278	1,591	943	16,149

7. Segmental information (continued)

	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 from external customers	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 jointly controlled entities	–	(9)	–	–	(9)
Net financing costs	(881)	(688)	(327)	(59)	(1,955)
Profit before taxation	3,008	9,226	1,531	965	14,730

8. Contingent liability

In August 2006, Hargreaves Raw Material Services GmbH completed a merger with Mineral Resources Europe GmbH ('MRE'). The Dutch Customs authorities have alleged that prior to the merger, MRE failed to pay appropriate anti-dumping duties amounting to £2.6m on ten specific shipments from a Chinese supplier. All imports in question took place before the merger of MRE into the Group. No assessment has been raised by Dutch Customs. Based on the facts available at this time and based on discussions with the Group's lawyers the Directors do not believe that any additional duty was payable and will challenge any assessment should an assessment be raised. The probability of any liability is considered sufficiently remote as to not justify the creation of a provision.

9. Interim results

These results were approved by the Board of Directors on 22 February 2011. Copies of this interim statement will be sent to all shareholders and will be available to the public from the Group's registered office.

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