Hargreaves Services plc

Leading the way in solid fuel supply and bulk material logistics

Interim Report for the six months ended 30 November 2013

An Overview of the Group

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:

Transport

One of the largest suppliers of bulk logistics to UK customers.

Continuing Revenue	Continuing Underlying Operating Profit
£45.9m	**£3.1m**
+14.8%	+47.6%

Industrial Services

Provides quality assured contract management services to the power generation, utilities, chemicals, minerals and steel industries.

Continuing Revenue	Continuing Underlying Operating Profit
£57.2m	**£2.8m**
-12.3%	-9.7%

Production

Produces coal and coke for customers throughout the UK and Europe.

Continuing Revenue	Continuing Underlying Operating Profit
£65.0m	**£8.2m**
+42.9%	+46.4%

Energy & Commodities

Provides coal and coke to a range of industrial, wholesale and public sector energy consumers.

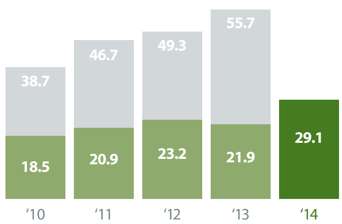
Continuing Revenue	Continuing Underlying Operating Profit
£332.2	**£16.8m**
+44.5%	+20.9%

Highlights of the Period

- Underlying operating profit of £30.9m, an increase of 25.1% over the prior period
- UK Bulk Coal and UK Speciality Coal operations performing slightly ahead of expectations
- Production division performing slightly behind expectations due to delays in commencing operations in Scotland and continuing pricing pressures in coke markets
- Seven newly acquired Scottish surface mining and restoration sites now in operation
- Award of contract for five year maintenance services at Castle Peak Power Station in Hong Kong by China Light and Power
- Expecting a stronger second half in Europe but outlook for coke markets remain uncertain
- Net debt at £95.2m in line with previous guidance
- Interim dividend increased to 8.8p per share, a further progression on the dividend payout

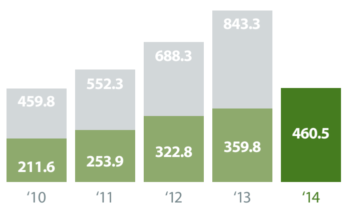
	Unaudited Six Months ended 30 Nov 2013	Restated Unaudited Six Months ended 30 Nov 2012	Change %
Continuing Revenue	**£460.5m**	£359.8m	28.0%
Continuing Operating Profit	**£29.1m**	£21.9m	32.9%
Underlying Operating Profit	**£30.9m**	£24.7m	25.1%
Continuing Profit Before Tax	**£29.7m**	£21.0m	41.4%
Underlying Profit Before Tax	**£28.5m**	£23.3m	22.3%
Diluted EPS	**62.8p**	(28.4)p	n/a
Underlying Diluted EPS	**65.0p**	60.5p	7.4%
Interim Dividend	**8.8p**	6.9p	27.5%

Continuing Underlying Operating Profit (£m)



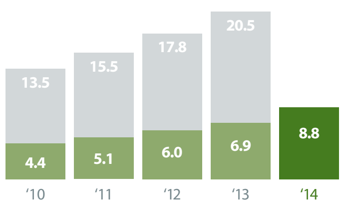
£29.1m
+32.9%

Continuing Revenue (£m)



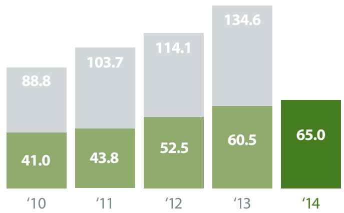
£460.5m
+28.0%

Dividend Per Share (pence)



8.8p
+27.5%

Continuing Underlying Diluted EPS (pence)



65.0p
+7.4%

Interim Statement

We are pleased to announce an encouraging set of results for the six months ended 30 November 2013. Revenue and profitability from underlying activities increased significantly on the prior period, reflecting a continuing strong performance from our UK coal operations together with the contribution from our newly acquired Scottish surface mining assets. The strength in these businesses has compensated for a subdued performance in Europe, where unsettled coke markets present continuing challenges.

Business Review

Future for Coal in the UK

At the time of our preliminary results in September 2013, we commented on our view for future coal demand in the UK. Our view has not changed in the intervening period. It is inevitable and necessary that unabated coal generation is reduced and eventually eliminated in the UK, however, there remains significant uncertainty concerning the time period over which this is likely to happen. Initiatives such as investment in renewables, changes in coal and gas prices and investment in new nuclear capacity may all hasten the demise of coal. On the other hand, concerns over the cost of energy in the short term, as well as over the long term price and security of gas supplies and delays in investment in alternative capacity all point to a slower decline. We remain of the view that despite current Energy Policy, coal will continue to have a significant role to play in the UK's transition from fossil fuel based generation to renewable generation for many years to come.

Update on strategic progress

The last financial year was a challenging one for the Group. The team worked hard to deal with the challenges and finished the year by completing two acquisitions of mining assets in Scotland either side of the year end. The Group is now very much on the front foot and looking again for growth and investment opportunities, both in the UK and abroad.

In the UK, we remain committed to seeking opportunities to further consolidate the coal industry. We continue to look for acquisition and partnership opportunities. In addition to seeking opportunities to purchase complementary and value-adding production resources we will also be looking to create closer relationships with owners of generation assets. We believe that longer term sourcing arrangements and relationships will be key to facilitating continued investment in coal production assets.

In addition to complementing our own operations, we view continued investment in coal production as being of strategic importance to the UK if, as the Government hopes, carbon capture technology is developed.

Because coal is a reliable, abundant, strategically important global energy resource, international markets continue to present major opportunities for the Group in the medium term. However, even with pessimistic forecasts of coal decline in the UK we are confident that the UK energy sector will provide the Group with a strong and stable platform for years to come, which gives us time to explore new growth opportunities in other markets. We will plan carefully to ensure that any new initiatives are resourced by experienced and capable senior management and meet our internal criteria for return on capital.

As an early example of success, we are very encouraged and excited by the opportunity afforded to the Group through our five year integrated maintenance services contract at Castle Peak power station in Hong Kong with China Light and Power. This contract has now commenced and we are working to ensure that the contract is operated successfully, delivers value and creates a strong reference site to drive future opportunities for the Group.

Our success in deploying services at the three largest UK steel plants has also encouraged us to step up business development efforts in this sector to see if we can identify opportunities to increase penetration of the steel sector internationally. Our experience in the UK has shown that the steel sector is particularly well aligned to the Group's skills, both through the deployment of services and trading.

We are entering an exciting phase for the Group in both the UK and international markets and the Board is pleased to see the team so energised in their efforts to consolidate our current position and continue to move the business forward.

Coal price

Coal prices have continued to fall during the period. Although we have no material exposure to commodity prices in our Energy & Commodities ("E&C") Division, the Production Division does have a longer term exposure through the development of new mining projects, which would benefit from strengthening coal prices. In the absence of such strengthening we remain confident that we have the reserve base to design mining plans that deliver an acceptable return at current coal prices. Should coal prices improve, we would expect to see a significant increase in the profitability and potential scale of the surface mining business. We remain focussed on restoration obligations and will ensure that restoration work is kept up to date and that funding for these activities is fully provided.

Current Trading And Outlook

The year ended 31 May 2013 was a challenging and transitional year for the Group. The completion of the fundraising in May 2013 and the associated investment in developing our surface mining business has consolidated our position as the leading coal producer and distributor in the UK market. The closure of Maltby Colliery together with the expansion of the Group's surface mining activity has reduced the capital intensity of the UK business and has increased the stability and predictability of our cash flows.

With the combined strength of our coal distribution business in the UK and our newly established surface mining business, the Board is confident that the UK business model is robust and well placed to deliver even as coal burn reduces in years to come. This strong foundation provides the Group with a platform and time to expand into new and related energy and energy services markets both in the UK and internationally.

Our management team continue to work hard in a dynamic and challenging coal market. Although there remain plenty of risks and issues to be navigated, we are very encouraged by the breadth and depth of the potential opportunities.

The Board remains confident of achieving its expectations for the full year. Accordingly, in line with our previously announced intention to progressively increase our dividend payout and reduce dividend cover, the interim dividend has been increased by 27.5%, from 6.9p to 8.8p per share.

Underlying Business Performance

The table below shows the reconciliation between Underlying profit measures and reported profit measures.

	Production Unaudited 30 November 2013 £000	Energy & Commodities Unaudited 30 November 2013 £000	Transport Unaudited 30 November 2013 £000	Industrial Services Unaudited 30 November 2013 £000	Total Unaudited 30 November 2013 £000
Continuing Operating Profit	**6,982**	**16,395**	**3,107**	**2,607**	**29,091**
Intangible amortisation	71	423	–	220	714
Share of profit in jointly controlled entities	910	2	–	–	912
Share of tax in jointly controlled entities	222	1	–	–	223
Continuing Underlying Operating Profit	**8,185**	**16,821**	**3,107**	**2,827**	**30,940**
Net financing costs – Continuing operations	(45)	(1,693)	(448)	(250)	(2,436)
Continuing Underlying Profit before Tax	**8,140**	**15,128**	**2,659**	**2,577**	**28,504**

	Production Unaudited 30 November 2012 £000	Energy & Commodities Unaudited 30 November 2012 £000	Transport Unaudited 30 November 2012 £000	Industrial Services Unaudited 30 November 2012 £000	Total Unaudited 30 November 2012 £000
Continuing Operating Profit	**5,145**	**12,542**	**1,917**	**2,293**	**21,897**
Intangible amortisation	59	1,285	197	784	2,325
Share of profit in jointly controlled entities	351	114	–	–	465
Share of tax in jointly controlled entities	–	–	–	–	–
Continuing Underlying Operating Profit	**5,555**	**13,941**	**2,114**	**3,077**	**24,687**
Net financing income/(costs) – Continuing operations	61	(840)	(324)	(294)	(1,397)
Continuing Underlying Profit before Tax	**5,616**	**13,101**	**1,790**	**2,783**	**23,290**

Underlying operating profit is stated excluding the amortisation of acquired intangibles and including share of profit in jointly controlled entities and associates.

Underlying profit before tax and underlying diluted EPS are stated excluding a £2.1m exceptional profit relating to the European restructure and the amortisation of acquired intangibles.

Following a transitional year for the Group, we are pleased to announce a strong set of results for the six months ended 30 November 2013. We continue to work hard in a dynamic and challenging coal market and the Board remains confident of achieving its expectations for the full year.

Tim Ross, Chairman

Interim Statement
Continued

Review of Underlying Performance

Following a challenging year to 31 May 2013, the Group has performed strongly in the first half of the current year. Group revenue in the period increased by £100.7m from £359.8m to £460.5m. Underlying operating profit in the first half increased by £6.2m from £24.7m to £30.9m. Underlying profit before tax in the first half was £28.5m, an increase of 22.3% on the comparative period, driven by the first contribution from our Scottish surface mining operations and the continued strong performance of our UK coal operations.

Production Division

Production Division revenues increased by £19.5m from £45.5m to £65.0m. The new surface mining operations in Scotland combined with slightly higher Tower contract mining revenues have offset a reduction in Monckton coke revenues.

Underlying operating profit for the first six months of the year increased from £5.6m to £8.2m, driven by the contribution from our Scottish surface mining operations and the first full six months of operations at Tower.

Surface mining

Although it has taken more time than planned to bring certain key sites such as House of Water, Glenmuckloch and Broken Cross back into production, we are pleased with overall progress in Scotland. The exceptional and continuing wet weather experienced since the start of the second half has also hindered start up operations and production levels. This is expected to be a short term issue.

The Scottish operation has sold almost 400,000 tonnes in the period. Following the slower than anticipated start, the Group is operational on seven sites at the date of this report and is well placed to deliver strong production to the end of the financial year. The Board remains confident of being able to reach its target run rate of 2m tonnes per annum before the end of this financial year.

The Tower joint venture has performed in line with management's expectations for the first half of the year.

In England, our site at Well Hill in Northumberland contributed its first tonnes in the first half of the year and we continue to make progress in getting additional sites through the planning process.

Monckton

Against the backdrop of challenging steel markets, Monckton's performance during the first half of the year was broadly in line with plan as volumes were, as previously reported, largely contracted through the end of last calendar year. Looking ahead, Monckton's domestic volumes, representing approximately half of its output, are largely contracted to the end of 2015. With regard to Monckton's export volumes, the Group is experiencing some pricing pressure as contracts were renegotiated at the turn of the calendar year. Given the uncertain outlook, a number of customers are opting to minimise offtake and to seek quarterly contracts.

Maltby

Maltby remains a discontinued operation during the period as the closure programme continues in line with plan. We expect the mine shafts to have been filled and capped by the end of the financial year as part of Maltby's overall restoration programme. The process to sell the underground equipment is ongoing and, as previously reported in December, the Group provided Hatfield Colliery Partnership Limited with a short term option to acquire certain items of underground plant and equipment. There have been a number of enquiries to date and some realisations have already been achieved and further amounts are expected to be achieved by the end of the financial year. The Group remains confident of achieving full value for the assets.

2m tonnes

Production: Surface Mining

The board remains confident of being able to reach its target run rate of 2m tonnes per annum from our Scottish Mining operations before the end of this financial year.

Following a challenging year to 31 May 2013, the Group has performed strongly in the first half of the current year.
Gordon Banham, Group Chief Executive

Energy & Commodities Division
The Energy & Commodities Division delivered a strong performance in the first half. Revenues increased by £102.3m from £229.9m to £332.2m, driven by increased coal volumes into power stations and steel works. Increases in volumes more than off-set reductions in underlying commodity prices. Underlying operating profit increased by £2.9m from £13.9m to £16.8m and the Group anticipates a slightly more even H1/H2 weighting compared with previous years. The fall in underlying operating margin from 6.0% to 5.1% reflects the mix impact of increased volumes of sales of power station, coking and Pulverised Coal Injection ("PCI") coal.

Our UK Bulk Coal operations have slightly exceeded management expectations in the first half of the year. Volumes have remained strong at our Immingham and Redcar operations and we expect this trend to continue. The new Redcar operation also provided a platform for the continued sourcing of coking coals for the Redcar steel works. The Group began sourcing PCI coal for the PCI plant at Redcar, under a long term contract which became operational during the period. We continue to closely manage counterparty risk exposure, whilst maximising opportunities, particularly within the challenging steel markets.

Following the announcement of UK Coal's insolvency and restructuring last year, the Group worked hard to mitigate the loss of the associated supply contract, under which UK Coal supplied around 270,000 tonnes of coal for the Industrial and Domestic markets.

Our German operations continue to operate in subdued and difficult coke markets, although there are some encouraging signs that volumes and activity levels are starting to turn. Whilst the outlook for coke prices and coke demand remains uncertain, existing contract positions and potential contract awards provide us with some confidence that the German business will recover against plan in the second half.

As previously reported, the Group successfully completed a reorganisation of its German business on the 28 November 2013. Whilst the Group retains the same economic interest and therefore a largely similar level of contribution to the Group's results, the resultant lower equity participation and greater autonomy means that the German business will be treated as an associate going forward and will no longer be consolidated into the Group numbers.

Industrial Services Division
Industrial Services Division revenues were £57.2m in the six months to 30 November 2013, a reduction of £8.1m compared with the six months to 30 November 2012. The reduction in revenue reflects the downsizing of our engineering services business that was announced at the end of last year.

The underlying operating profit of the division stood at £2.8m at the end of the first half, a reduction of £0.3m on the prior period comparative, reflecting £0.3m of business development costs that have been expensed during the period and delays in some key contract awards.

Whilst these delays are also expected to impact the second half slightly, the Division has demonstrated good progress on contract awards, most notably the previously reported achievement of the five year integrated maintenance services contract with China Light and Power.

The first biomass conversion project completed last year and we are pleased to note that the second is nearing completion. We have encountered significant delays on this project and whilst we have worked collaboratively with the customer and have delivered a quality solution, we shall not be undertaking any further projects of this kind. Although commercial discussions around the project are ongoing, we do not anticipate that any further provisions will be required.

Transport Division
Transport revenues increased significantly during the period from £40.0m to £45.9m reflecting strong volumes in the period within our Dry Bulk business. Underlying operating profit also increased significantly from £2.1m to £3.1m reflecting increased contribution from both the Dry Bulk and Tankers business units. We expect a strong weighting to the first half of the year reflecting higher than normal volumes in our Bulk business.

Other Continuing Activities
As reported on 10 December 2013, the Group noted the sale of the business and assets of Hatfield Colliery Limited (HCL) to Hatfield Colliery Partnership Limited (HCPL), an Employee Benefit Trust. Hargreaves assisted in the restructure by entering into a new contract, on substantially the same terms as the previous offtake contract, which now extends into 2015. Although Hargreaves will continue to provide whatever support it can to HCPL, our mine management contract was terminated with no such contract put in place with HCPL.

With regard to the landslip at Hatfield in February 2013, the Group previously reported its understanding that Network Rail intended to bring a claim against the Group. The Group continues to work with insurers and their solicitors to vigorously defend any claim that may be brought. The Board is of the opinion that no provision is necessary based on the facts available at this time.

Interim Statement
Continued

Financial Review

Revenue
The Group enjoyed a substantial increase in revenue during the period reflecting both E&C volumes and also a full six months contribution from our newly acquired Scottish surface mines. Revenue increased by £100.7m from £359.8m in the six months to 30 November 2012 to £460.5m in the six months to 30 November 2013, despite the impact of declining commodity prices in the period. The strong E&C revenues reflected buoyant power station volumes underpinned by coking coal volume and new flows of PCI coal.

Operating Profit and Margins
Underlying operating profit increased by £6.2m from £24.7m to £30.9m largely following increased contributions from E&C and Production. Our E&C division has delivered a strong first half supported by strong thermal and metallurgical volumes. The Production division has benefitted from the first six months of mining from our surface mines in Scotland. Reported operating profit posted a slightly higher increase of £7.2m, from £21.9m to £29.1m, reflecting the Group's significantly reduced amortisation charge following a number of write offs last year. Notwithstanding the significant increase in lower margin volume activity in E&C, underlying operating margin remained resilient at 6.7% (2012: 6.9%) reflecting increased margins across the other divisions; most notably Production where a full six months of Tower supported the Division's result.

Gain on disposal of subsidiaries
As previously announced, a reorganisation of our European operations was completed on 28 November 2013, resulting in a lower equity participation for the Group, whilst retaining the same economic interest. From a financial reporting perspective, this resulted in the sale by the Group of our German business, and the deconsolidation of its net assets, including net debt, from the Group balance sheet. This was then immediately followed by re-acquisition of the same entity as an associate and recognition of the fair value of the investment in the associate, in accordance with IAS 27. Sale of subsidiaries from the Group required recycling of the associated translation and non-controlling interest reserves into the income statement. These accounting entries resulted in a one-off, non-recurring profit on disposal of £2.1m in the period. This has been excluded from underlying operating profit.

Interest
In the six months to 30 November 2013, total group finance expenses of £3.3m were in line with the prior period group finance expenses of £3.2m reflecting a similar level of net debt in the Group year on year. On a continuing basis, however, finance expenses for the Group increased to £2.9m from £1.8m in the prior period reflecting the significant discontinued operations in the prior year with both Maltby and Belgium incurring a large proportion of Group interest. Continuing finance expenses are expected to reduce in the second half as net debt reduces and the European interest is removed following the reorganisation of our European operation. Finance income remained in line with the prior year at £0.5m due mainly to interest earned on balances invested in the Tower joint venture. Interest cover remained strong at 14.5 times.

Taxation
Income tax expense for the first half is £6.2m compared with £5.3m for the six months ended 30 November 2012. This charge represents an effective tax rate for the Group of 21.0%. The underlying rate before the one-off profit on disposal of the German business amounts to 23.2%.

The reduction from the 27.3% rate for the year ended 31 May 2013 to the underlying rate of 23.2% is driven by the fall in the UK corporation tax rate from 23% to 21% and the exceptional goodwill write-off last year that was treated as non-deductible.

Earnings per Share
Reported basic earnings per share increased from 28.4p to 63.1p. Underlying fully diluted earnings per share increased by 7.4% from 60.5p to 65.0p. The weighted average diluted number of shares in the period increased from 27.8m to 33.2m following the equity raise in May 2013.

Discontinued operations
The loss for the period from discontinued operations, relating to costs incurred at Maltby colliery as part of the overall restoration programme, was £2.3m during the period. The prior period charge of £26.1m comprises the previously reported £7.9m loss in relation to Maltby and the £18.2m loss relating to the fraud in Belgium. It is worth noting that Maltby was treated as a continuing operation in the prior period interim statement as the decision to close was taken after 30 November 2012.

Dividend
In line with the Board's previously announced target of increasing the dividend payout progressively over three years towards a dividend cover of around four times, the Board has recommended an increase of 27.5% in the interim dividend from 6.9p to 8.8p. The dividend will be paid on 21 March 2014 to all shareholders on the register at the close of business on 21 February 2014.

Net Debt
Net debt increased by £17.3m from £77.9m at 31 May 2013 to £95.2m at 30 November 2013. The net debt figure has increased in line with working capital movements outlined below and also reflects the deconsolidation of the German debt which was £10.2m at the point of change in ownership.

Group net assets increased from £118.3m at 31 May 2013 to £139.9m at 30 November 2013. Gearing (measured as net debt compared to net assets) at the end of November 2013 was 68%, compared to 66% at 31 May 2013.

The Group's financial position remains strong with net debt at 30 November 2013 equal to 1.4 times earnings before interest, tax, depreciation and amortisation ("EBITDA") pre exceptional profit, comfortably below our maximum covenant levels.

Progressive dividend policy

8.8p

Interim dividend increased by 27.5% from 6.9p to 8.8p per share.

Cash Flow

EBITDA for the six months to 30 November 2013 was £35.2m.

The Group's working capital has increased during the period largely as a result of increased inventory levels. Underlying stock levels, adjusted for the removal of German inventory following the reorganisation, increased by £26m. The increase reflects seasonal investment in inventory in E&C, delays on one of the biomass conversion projects and the capital deployed on the acquisition of certain property assets of the Scottish Coal Company Limited. Stock days, adjusted for the European reorganisation, have increased to 58 days.

Debtor days have increased slightly in the period to 23 days and creditor days have reduced from 21 days to 17 days. Both these measures continue to reflect the efficient working capital cycles evident within the E&C division which has experienced further growth during the period.

As in prior years we expect working capital balances to reduce during the second half as Scottish surface mining revenue streams increase, E&C inventory positions unwind and the biomass conversion project is completed.

Net capital expenditure in the first half was £17.4m compared with £10.1m in the six months to 30 November 2012; £12.6m of this spend related to the capital invested in our Scottish surface mining business, largely relating to yellow plant.

The cash flow in relation to the disposal of subsidiaries relates to the reorganisation of our German business. The net debt figure of the German business was £10.2m at 28 November 2013 which was effectively removed from net debt at the period end.

Total loans to Tower reduced slightly to £22.1m at 30 November 2013 reflecting an element of repatriation of cash in the first half and we expect further repayments during the second half of the year.

Tax of £1.5m was received in the first half reflecting last year's losses on Maltby. Whilst the corporation tax liability in the balance sheet has increased during the period, tax payments in the second half of the year are expected to remain at a low level as a result of further losses that can be utilised following the closure of Maltby.

The final dividend of 13.6p per share for year ended 31 May 2013 was paid on 12 December 2013.

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 November 2013

Continuing activities	Note	Unaudited six months ended 30 November 2013 £000	Restated Unaudited six months ended 30 November 2012 £000	Audited year ended 31 May 2013 £000
Revenue		**460,493**	359,751	843,298
Cost of sales		**(407,676)**	(319,212)	(756,930)
Gross profit		**52,817**	40,539	86,368
Other operating income		**98**	142	355
Administrative expenses – Impairment of goodwill and intangible assets		**–**	(2,325)	(4,131)
Other administrative expenses		**(23,824)**	(16,459)	(38,620)
Operating profit		**29,091**	21,897	43,972
Gain on disposal of subsidiaries		**2,087**	–	–
Financial income		**464**	435	831
Financial expenses		**(2,900)**	(1,832)	(4,313)
Share of profit of jointly controlled entities (net of tax)		**912**	465	2,573
Profit before tax		**29,654**	20,965	43,063
Income tax expense	4	**(6,233)**	(5,269)	(10,933)
Profit for the period/year from continuing operations		**23,421**	15,696	32,130
Discontinued operations				
Loss for the period/year from discontinued operations		**(2,282)**	(26,119)	(81,757)
Profit/(loss) for the period/year		**21,139**	(10,423)	(49,627)
Other comprehensive income/(expense)				
Foreign exchange translation differences		**(244)**	217	530
Effective portion of changes in fair value of cash flow hedges		**5,764**	1,806	(8,086)
Actuarial gains on defined benefit pension plans		**–**	–	655
Tax recognised on other comprehensive income/(expense)		**(1,329)**	(433)	1,718
Other comprehensive income for the period/year, net of tax		**4,191**	1,590	(5,183)
Total comprehensive income/(expense) for the period/year		**25,330**	(8,833)	(54,810)
Profit/(loss) attributable to:				
Equity holders of the company		**20,864**	(7,752)	(46,438)
Non-controlling interest		**275**	(2,671)	(3,189)
Profit/(loss) for the period/year		**21,139**	(10,423)	(49,627)
Total comprehensive income/(expense) for the period/year attributable to:				
Equity holders of the company		**25,077**	(6,187)	(51,640)
Non-controlling interest		**253**	(2,646)	(3,170)
Total comprehensive income/(expense) for the period/year		**25,330**	(8,833)	(54,810)
GAAP measures				
Basic earnings per share (pence)	6	**63.14**	(28.42)	(166.68)
Diluted earnings per share (pence)	6	**62.84**	(28.42)	(166.68)
Basic earnings per share from continuing operations (pence)	6	**70.04**	55.24	112.53
Diluted earnings per share from continuing operations (pence)	6	**69.71**	54.23	110.96
Non-GAAP measures (continuing)				
Basic underlying earnings per share (pence)		**65.32**	61.64	136.52
Diluted underlying earnings per share (pence)		**65.01**	60.52	134.63

Condensed Consolidated Balance Sheet
as at 30 November 2013

	Unaudited 30 November 2013 £000	Unaudited 30 November 2012 £000	Audited 31 May 2013 £000
Non-current assets			
Property, plant and equipment	**72,463**	98,492	60,070
Intangible assets	**18,415**	27,510	19,149
Investments in associates and jointly controlled entities	**8,613**	600	2,719
Derivative financial instruments	**1,950**	219	37
Deferred tax assets	**2,253**	–	4,108
	103,694	126,821	86,083
Current assets			
Assets held for sale	**11,572**	–	14,997
Inventories	**95,185**	114,067	96,193
Derivative financial instruments	**3,133**	9,966	3,216
Trade and other receivables	**159,857**	136,564	149,558
Cash and cash equivalents	**8,416**	44,478	61,435
	278,163	305,075	325,399
Total assets	**381,857**	431,896	411,482
Non-current liabilities			
Other interest-bearing loans and borrowings	**(102,491)**	(116,695)	(92,686)
Retirement benefit obligations	**(3,140)**	(5,520)	(3,640)
Provisions	**(8,279)**	(9,558)	(7,620)
Derivative financial instruments	**(2,096)**	(3,824)	(3,150)
Deferred tax liabilities	**–**	(2,131)	–
	(116,006)	(137,728)	(107,096)
Current liabilities			
Bank overdraft	**–**	(26,279)	(42,476)
Other interest-bearing loans and borrowings	**(3,264)**	(14,094)	(6,446)
Trade and other payables	**(100,056)**	(106,785)	(117,841)
Income tax liabilities	**(16,551)**	(17,531)	(9,344)
Provisions	**(1,699)**	–	(2,285)
Derivative financial instruments	**(4,402)**	(3,857)	(7,664)
	(125,972)	(168,546)	(186,056)
Total liabilities	**(241,978)**	(306,274)	(293,152)
Net assets	**139,879**	125,622	118,330
Equity attributable to equity holders of the parent			
Share capital	**3,308**	2,749	3,296
Share premium	**73,939**	33,046	73,208
Other reserves	**211**	211	211
Translation reserve	**(1,455)**	(1,191)	(872)
Merger reserve	**1,022**	1,022	1,022
Hedging reserve	**(1,257)**	1,898	(5,692)
Capital redemption reserve	**1,530**	1,530	1,530
Retained earnings	**61,905**	87,471	47,265
	139,203	126,736	119,968
Non-controlling interest	**676**	(1,114)	(1,638)
Total equity	**139,879**	125,622	118,330

Condensed Statement of Changes in Equity
for the six months ended 30 November 2013

	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Other reserves £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total parent equity £000	Minority interest £000	Total equity £000
Balance at 1 June 2013	3,296	73,208	(872)	(5,692)	211	1,530	1,022	47,265	119,968	(1,638)	118,330
Total comprehensive income for the period	–	–	–	–	–	–	–	20,864	20,864	275	21,139
Profit for the period											
Other comprehensive income											
Foreign exchange translation differences	–	–	(222)	–	–	–	–	–	(222)	(22)	(244)
Effective portion of changes in fair value of cash flow hedges	–	–	–	5,764	–	–	–	–	5,764	–	5,764
Tax recognised on other comprehensive income	–	–	–	(1,329)	–	–	–	–	(1,329)	–	(1,329)
Total other comprehensive income	–	–	(222)	4,435	–	–	–	–	4,213	(22)	4,191
Total comprehensive income for the period	–	–	(222)	4,435	–	–	–	20,864	25,077	253	25,330
Transactions with owners recorded directly in equity											
Issue of shares	12	731	–	–	–	–	–	–	743	–	743
Equity settled share-based payment transactions	–	–	–	–	–	–	–	503	503	–	503
Total transactions by and distributions to owners	12	731	–	–	–	–	–	503	1,246	–	1,246
Changes in ownership interests											
Acquisition of non-controlling interest without a change in control	–	–	–	–	–	–	–	(6,727)	(6,727)	3,922	(2,805)
Disposal of subsidiary	–	–	(361)	–	–	–	–	–	(361)	(1,861)	(2,222)
Total changes in ownership interests	–	–	(361)	–	–	–	–	(6,727)	(7,088)	2,061	(5,027)
Total transactions with owners	12	731	(361)	–	–	–	–	(6,224)	(5,842)	2,061	(3,781)
Balance at 30 November 2013	**3,308**	**73,939**	**(1,455)**	**(1,257)**	**211**	**1,530**	**1,022**	**61,905**	**139,203**	**676**	**139,879**

Condensed Consolidated Cash Flow Statement
for the six months ended 30 November 2013

	Unaudited six months ended 30 November 2013 £000	Restated Unaudited six months ended 30 November 2012 £000	Audited year ended 31 May 2013 £000
Cash flows from operating activities			
Profit for the period from continuing operations	**23,421**	15,696	32,130
Adjustments for:			
Depreciation	**4,972**	4,069	8,345
Amortisation and impairment of goodwill and intangible assets	**714**	2,325	7,985
Net finance expense	**2,436**	1,397	3,482
Share of profit of jointly controlled entities	**(912)**	(465)	(2,573)
Profit on sale of property, plant and equipment	**(98)**	(142)	(355)
Profit on disposal of subsidiaries	**(2,087)**	–	–
Equity settled share-based payment expenses	**503**	641	307
Income tax expense	**6,233**	5,269	10,933
Translation of non-controlling interest	**22**	25	19
	35,204	28,815	60,273
Change in inventories	**(26,018)**	(14,141)	(23,231)
Change in trade and other receivables	**(14,427)**	(16,776)	(34,253)
Change in trade and other payables	**(6,063)**	12,574	30,951
Change in provisions and employee benefits	**917**	–	35
	(10,387)	10,472	33,775
Interest paid	**(2,145)**	(894)	(2,688)
Income tax received/(paid)	**1,530**	(6,548)	(9,868)
Net cash from continuing operating activities	**(11,002)**	3,030	21,219
Net cash from discontinued operating activities	**(1,396)**	(20,911)	(45,801)
Net cash from operating activities	**(12,398)**	(17,881)	(24,582)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**385**	638	1,289
Acquisition of property, plant and equipment	**(7,330)**	(2,534)	(6,954)
Disposal of subsidiaries	**10,242**	–	–
Net cash from investing activities in continuing activities	**3,297**	(1,896)	(5,665)
Net cash from investing activities in discontinued activities	**1,413**	(1,554)	4,225
Net cash from investing activities	**4,710**	(3,450)	(1,440)
Cash flows from financing activities			
Proceeds from issue of share capital	**743**	981	41,690
Payment of finance lease liabilities	**(2,005)**	(1,908)	(3,754)
Proceeds from revolving credit facility	**–**	11,127	–
Invoice discounting advances	**–**	(306)	(5,425)
Dividends paid	**–**	2,000	(5,025)
(Repayment of)/proceeds from revolving credit facility	**(5,000)**	20,000	10,000
Net cash from financing activities in continuing operations	**(6,262)**	31,894	37,486
Net cash from financing activities in discontinued operations	**(3,120)**	(6,845)	(5,390)
Net cash from financing activities	**(9,382)**	25,049	32,096
Net (decrease)/increase in cash and cash equivalents	**(17,070)**	3,718	6,074
Cash and cash equivalents at the start of the period/year	**18,959**	14,637	14,637
Effect of exchange rate fluctuations on cash held	**399**	(156)	(1,752)
Cash and cash equivalents at the end of the period/year	**2,288**	18,199	18,959

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 2013 and the comparative figures for the six months ended 30 November 2012 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 IAS 34 '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 2013.

2. Accounting policies

The accounting policies applied in preparing these interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 May 2013, as described in those financial statements. The comparative figures for 30 November 2012 within the statement of comprehensive income, cash flow statement and related notes have been restated to reflect the impact on previous results of the operations that were discontinued in the year ended 31 May 2013.

3. Status of financial information

The comparative figures for the financial year ended 31 May 2013 are not the company's statutory financial statements for that financial year. Those accounts have been reported on by the company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor 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

Income tax pre exceptional charge for the six month period is charged at 22.7% (six months ended 30 November 2012: 25.7%; year ended 31 May 2013: 23.8%). The underlying tax rate, excluding the one-off profit on disposal of the German business is 23.2%, representing the best estimate of the annual effective rate expected for the full year.

5. Dividends

The dividend of 13.6 pence per ordinary share, proposed in the 2013 Annual Accounts and agreed by the shareholders at the Annual General Meeting on 6 November 2013, was paid on 12 December 2013. This has been included in Trade and Other Payables in these interim financial statements.

The directors have recommended an interim dividend of 8.8 pence per share which will be paid on 21 March 2014.

Review of the Period

Financial Statements

6. Earnings per share

Earnings per share for the ordinary shares are as follows:

	Unaudited six months ended 30 November 2013 Continuing and discontinued	Unaudited underlying six months ended 30 November 2013 Continuing	Unaudited six months ended 30 November 2012 Continuing and discontinued	Restated Unaudited underlying six months ended 30 November 2012 Continuing	Audited year ended 31 May 2013 Continuing and discontinued	Audited year ended 31 May 2013 Continuing
Ordinary shares						
Basic earnings per share	**63.14p**	**70.04p**	(28.42)p	55.24p	(166.68)p	112.53p
Diluted earnings per share	**62.84p**	**69.71p**	(28.42)p	54.23p	(166.68)p	110.96p

The calculation of earnings per share is based on the profit/(loss) 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.

Ordinary shares

	Unaudited six months ended 30 November 2013 Continuing and discontinued	Unaudited underlying six months ended 30 November 2013 Continuing	Unaudited six months ended 30 November 2012 Continuing and discontinued	Restated Unaudited underlying six months ended 30 November 2012 Continuing	Audited year ended 31 May 2013 Continuing and discontinued	Audited year ended 31 May 2013 Continuing
Profit/(loss) for the period/year attributable to equity holders (£000)	**20,864**	**23,146**	(7,752)	15,067	(46,438)	31,351
Weighted average number of shares	**33,045,197**	**33,045,197**	27,277,663	27,277,663	27,860,668	27,860,668
Earnings per ordinary share (pence)	**63.14**	**70.04**	(28.42)	55.24	(166.68)	112.53

The calculation of diluted earnings per share is based on the profit/(loss) 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 2013 Continuing and discontinued	Unaudited underlying six months ended 30 November 2013 Continuing	Unaudited six months ended 30 November 2012 Continuing and discontinued	Restated Unaudited underlying six months ended 30 November 2012 Continuing	Audited year ended 31 May 2013 Continuing and discontinued	Audited year ended 31 May 2013 Continuing
Profit/(loss) for the period/year attributable to equity holders (£000)	**20,864**	**23,146**	(7,752)	15,067	(46,438)	31,351
Weighted average number of shares	**33,203,576**	**33,203,576**	27,783,438	27,783,438	28,252,909	28,252,909
Diluted earnings per ordinary share (pence)	**62.84**	**69.71**	(28.42)	54.23	(166.68)	110.96

Underlying basic and diluted earnings per share are calculated on the same weighted average number of shares in the tables above, and on underlying profit after tax, as reconciled below:

	Unaudited underlying six months ended 30 November 2013 continuing	Restated Unaudited underlying six months ended 30 November 2012 continuing	Audited year ended 31 May 2013 continuing
Profit for the period/year attributable to equity holders (£000)	**23,146**	15,067	31,351
Profit on disposal of subsidiary	**(2,087)**	–	–
Amortisation/impairment of intangibles/goodwill	**714**	2,325	7,985
Tax effect of amortisation	**(189)**	(578)	(1,299)
Continuing underlying profit after tax	**21,584**	16,814	38,037

Notes to the Interim Report
(continued)

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 2013 £000	Energy & Commodities Unaudited 30 November 2013 £000	Transport Unaudited 30 November 2013 £000	Industrial Services Unaudited 30 November 2013 £000	Total Unaudited 30 November 2013 £000
Revenue					
Total revenue	64,951	332,235	45,922	57,185	500,293
Inter-segment revenue	(23,519)	(6,241)	(6,713)	(3,327)	(39,800)
Revenue from external customers	41,432	325,994	39,209	53,858	460,493
Segment operating profit pre exceptional item	6,982	16,395	3,107	2,607	29,091
Profit on disposal of subsidiary	–	2,087	–	–	2,087
Share of profit in jointly controlled entities	910	2	–	–	912
Net financing costs	(45)	(1,693)	(448)	(250)	(2,436)
Profit before taxation	7,847	16,791	2,659	2,357	29,654

Restated	Production Unaudited 30 November 2012 £000	Energy & Commodities Unaudited 30 November 2012 £000	Transport Unaudited 30 November 2012 £000	Industrial Services Unaudited 30 November 2012 £000	Total Unaudited 30 November 2012 £000
Revenue					
Total revenue	45,545	229,876	40,009	65,239	380,669
Inter-segment revenue	(2,940)	(11,005)	(5,248)	(1,725)	(20,918)
Revenue from external customers	42,605	218,871	34,761	63,514	359,751
Segment operating profit	5,145	12,542	1,917	2,293	21,897
Share of profit in jointly controlled entities	351	114	–	–	465
Net financing income/(costs)	61	(840)	(324)	(294)	(1,397)
Profit before taxation	5,557	11,816	1,593	1,999	20,965

8. Interim results

These results were approved by the Board of Directors on 10 February 2014. Copies of this interim statement will be sent to all shareholders and will be available to the public from the Group's registered office.

Notes

Notes

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