Hargreaves Services plc

Interim Report

for the six months ended 30 November 2014

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

£37.0m
(19.4%)

Continuing Underlying Operating Profit

£1.6m
(48.4%)

Industrial Services

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

Continuing Revenue

£56.8m
(0.7%)

Continuing Underlying Operating Profit

£2.8m
0.0%

Production

Produces coal and coal based products for customers throughout the UK and Europe.

Continuing Revenue

£86.4m
+32.9%

Continuing Underlying Operating Profit

£8.0m
(2.4%)

Energy & Commodities

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

Continuing Revenue

£229.0m
(31.1%)

Continuing Underlying Operating Profit

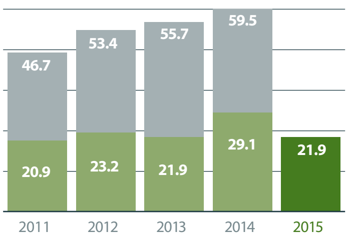
£9.5m
(43.5%)

Highlights of the Period

- The Group has delivered a resilient performance in difficult markets:
  - Continuing operating profit of £21.5m
  - Strong cash generation leading to a £28.4m reduction in Net Debt in the six month period
- Aside from the financial impact of the termination of our coal marketing agreement at Hatfield, current financial performance in all our operations remains broadly in line with expectations with contracts and hedges providing protection against low coal prices and low UK coal demand through to the end of April 2015
- Group simplification and the debt reduction initiative are progressing well, including disposal of Imperial Tankers operation and the closure of Monckton coke operation
- The Group is expecting to see reductions in short-term coal production and import volume targets and is therefore seeking to further reduce fixed costs
- Interim dividend increased to 10.0p per share from 8.8p per share reflecting the Board's confidence in continuing overall profit and cash generation even through this difficult period
- Group well placed with a strengthened balance sheet to weather the current difficult trading conditions

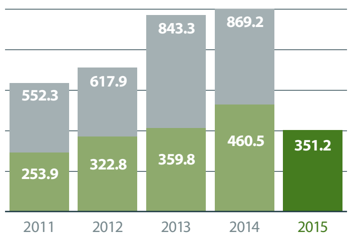
	Unaudited Six Months ended 30 November 2014	Unaudited Six Months ended 30 November 2013	Change %
Continuing Revenue	**£351.2m**	£460.5m	(23.7)%
Continuing Operating Profit	**£21.5m**	£29.1m	(26.1)%
Underlying Operating Profit	**£21.9m**	£30.9m	(29.1)%
Continuing Profit Before Tax	**£15.2m**	£29.7m	(48.8)%
Underlying Profit Before Tax	**£20.3m**	£28.5m	(28.8)%
Diluted EPS	**38.4p**	62.8p	(38.9)%
Underlying Diluted EPS	**46.9p**	65.0p	(27.8)%
Interim Dividend	**10.0p**	8.8p	13.6%
Net Debt	**£40.4m**	£95.2m	(57.6)%
Net Asset Value	**£152.2m**	£139.9m	8.8%

Continuing Underlying Operating Profit (£m)



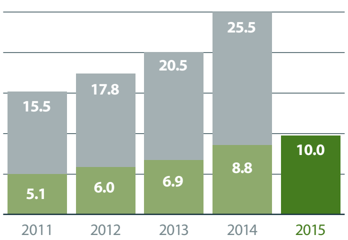
£21.9m
(29.1%)

Continuing Revenue (£m)



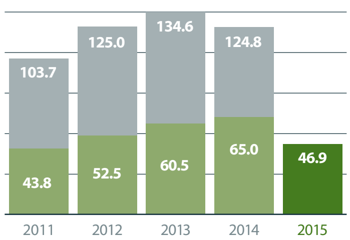
£351.2m
(23.7%)

Dividend per Share (pence)



10.0p
+13.6%

Underlying Diluted EPS (pence)



46.9p
(27.8%)

Interim Statement

Business Review

Results

Hargreaves has faced a number of significant challenges arising from the well documented weakness in the coal price and turmoil in our coal and coke markets and this has meant that the first six months of the year were a very difficult period for the Group. These challenging market conditions, particularly in the coke markets, are unprecedented and have prompted the Board to look carefully at its strategic options and to take proactive steps to streamline and simplify the Group's operations. These measures included the disposal of Imperial Tankers, our bulk tanker business, and the managed closure of our coke production operation at Monckton. Further details of our strategic actions are provided below.

The underlying operating profit for the first six months was £21.9m, a reduction of £9.0m compared with the comparative period mainly reflecting the impact of lower volumes on our Energy & Commodities ("E&C") Division. Underlying profit before tax was £20.3m compared with £28.5m for the comparative period. The simplification programme resulted in a one-off net charge of £4.7m to reported profit before taxation. This charge reduced to £1.7m after tax.

Update on Recent Market Developments

Since we last updated the market in early December, coal prices have seen further significant falls prompted by depressed global demand and the falling oil price. Current price levels represent a drop of approximately £5 per tonne since our trading update on 12 December 2014 and £14 per tonne since we acquired our Scottish surface mining assets in April and May 2013. The thermal coal price fell to a nine year low of approximately £39 per tonne in January 2015 and at the moment it is unclear where prices will settle. At current price levels, thermal coal produced in our surface mining operations is loss making and therefore our strategy will be to focus on mining projects at those sites that produce significant yields of higher value speciality coals. By targeting these higher value sites, the Group will be able to continue to supply its key speciality markets whilst protecting the viability and long-term potential of our Scottish operations.

The recent collapse in the oil price has also depressed gas prices which is leading to a significant and unexpected reduction in coal burn by UK power stations. As a result we are seeing signs that these stations may significantly reduce their near term coal purchases in order to rebalance stocks. In the absence of a significant increase in forecast coal burn, we would expect a number of our customers to slow contract offtake and reduce coal purchases when current contracts expire. It is even possible in current market conditions that a number of stations will purchase no additional coal during the remainder of this calendar year and instead consume existing stocks. Whilst this reduction in coal burn and coal purchases may only be temporary, it is likely to have impacts on both our port and production operations from May to the end of this calendar year.

In addition to thermal markets, we are also now starting to see margin pressure in the speciality markets. UK Coal has recently reduced prices to stimulate demand, which has been soft after a second successive mild winter. This has been coupled with increased supply from UK Coal's deep mines. This is only likely to be a short-term market feature and excess stocks should work through the system in due course with UK Coal's two deep mines due to close in the near future.

Future for Coal in the UK

Although trading opportunities over the next few months are likely to be very challenging, our view on the medium and longer term future for coal in the UK remains unchanged. New power generation capacity to replace the existing coal capacity remains behind schedule and the recent turmoil in the electricity markets will do little to remedy that situation. This is exacerbated by increasing uncertainty around regulation and government policy. We therefore remain of the view that coal will continue to have a significant role to play for many years to come in the UK's transition from unabated fossil fuel based generation to carbon capture, nuclear and renewable generation.

Although coal demand will fall in the coming years as stations close, it remains our view that indigenous production will fall at a faster rate. This decline will be accelerated by the recent low coal prices. As noted above, UK Coal's last two deep mines are due to close in the near term. At Hatfield, the only other operational deep mine in the UK, we have worked hard with HM Government and the Hatfield team to secure a Government loan to allow it to work out the last panel of coal. In line with our strategy, the impending decline in indigenous production means the Group should be well placed to find a market for any indigenous coal that we produce in the coming years.

Strategy

We continue to review and test our strategy in light of the changes that are taking place in the market.

In the Production Division, we remain committed to our surface mining operations and see long-term value even though current coal prices are exceptionally challenging. We continue to see strong long-term synergies between our Production and E&C Divisions in both the thermal coal and speciality coal distribution businesses. The Production Division provides a significant proportion of such coals to be marketed through our E&C Division and we therefore remain committed to maintaining a production capability in Scotland, even if it means producing thermal coal at a loss to allow continued production of higher value speciality coals. Consequently, we are reducing our Scottish mining production target for the year ending 31 May 2016 from 2m tonnes to around 1m tonnes.

In the face of low coal prices we will reduce production and focus on sites with the lowest costs and highest yield of speciality coals. The Group will also continue to focus its efforts on the potential to deliver restoration services and to generate value from our property and renewable portfolios.

In the E&C Division, as noted above, we are concerned about weak short-term demand from thermal customers resulting in low thermal coal volumes and consequent pressure on margins. As a result, we are reducing our target bulk volumes from approximately 4m tonnes in the current financial year to 2.5m tonnes next year. At this level, we expect profitability from Bulk Coal Operations to be approximately 50% of historic levels reflecting tighter market conditions and the impact of fixed costs on lower throughput. Although we will be well placed to supply thermal coal when stocks and demand levels normalise, we expect these overall bulk volumes to be substantially supported by the sale and supply of metallurgical coals, this financial year and next year, in order to make the most efficient use of our port capacity. The Group continues to closely monitor counterparty risk exposure, particularly within the challenging steel markets.

We will continue to seek opportunities to gradually grow our Industrial Services operations into the steel sector and into international markets to further reduce our dependence on the UK power generation sector. Our continued 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 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 core skills of Materials Handling and 'Operate and Maintain'. We continue to see the Transport business as a steady and dependable operation and we see no need to radically change its strategy. Both the Transport and Industrial Services operations are largely unaffected by the low coal price turmoil in the commodity markets.

The Group enjoys the benefit of a strong balance sheet. Net assets at the end of November 2014 were £152.2m or approximately £4.63 per share. A large proportion of that value resides in tangible fixed assets and liquid working capital and the Group remains committed to protecting that value from erosion. We will therefore continue to focus on maximising cash generation, continuing to follow a prudent growth strategy whilst seeking to further reduce fixed costs. We believe there is significant intangible value in our Scottish mining assets should coal prices recover and we will also be

…the management team are proactively taking all the sensible steps and measures to manage current market conditions whilst leaving the Group well placed to benefit when the market improves.

Tim Ross Chairman

working hard to create value from the Scottish property and renewable assets. The granting of planning consent in respect of 43.5MW of wind projects at Dalquhandy and Poniel marks the first step in this process.

Further Restructuring and Cost Reduction

Although our strategy remains largely unchanged, the falling coal price and reduced coal burn is likely to have a significant and material impact on the business in the year ending 31 May 2016. The Board has responded to this challenge by expanding its simplification initiatives to seek further opportunities to restructure and reduce the fixed cost base of the Group. A key part of this exercise is the decision to merge the management structures and business operations of the E&C and Production Divisions into a single new operation. Since the Scottish mining assets replaced the speciality coal supply contract with UK Coal, the operations of these two divisions have become more connected. The Production Division provides a significant proportion of the speciality coal sold by the E&C Division. E&C provides all coal marketing services to the Production Division. A full integration of these divisions will create opportunities to drive synergies and identify overhead reductions. The two divisions will be combined to form a new Coal Production & Distribution Division. The Group is targeting to reduce its fixed overheads by at least £3m before the end of the current financial year.

Share Buybacks and Dividends

As announced on 27 October 2014, and approved at the AGM on 5 November 2014, the strong cash generation being achieved by the Group provided the Board with the confidence to implement a rolling share buyback programme. The impact of the programme on this reported period amounted to the repurchase of 230,000 shares at a total cost of £1.5m. The Board can report that as at the date of this announcement the total number of shares repurchased and held in treasury by the Group has increased to 1,053,072, acquired at a total cost of £6.3m. Hargreaves will continue to utilise share buybacks, as appropriate, as a route to return surplus capital to shareholders.

The Board remains confident of cash generation within the Group, albeit at a slightly reduced level reflecting short-term pressure on profits, and remains committed to increasing the dividend to a pay-out level of 40%. The Board's intention is to recommend total dividend payments for the 2015 financial year which it judges to be sustainable in terms of cash cover, even if the short-term pressure on profits highlighted above results in the target payout ratio being exceeded during the year ending 31 May 2016.

The Board has recommended an interim dividend of 10.0p representing an increase of 13.6%. The dividend will be paid on 27 March 2015 to all shareholders on the register at the close of business on 27 February 2015.

Current Trading and Outlook

Aside from the financial impact of the termination of our coal marketing agreement at Hatfield, current trading in all our operations is broadly in line with management expectations with coal contracts and hedges providing reasonable visibility of Bulk Coal volumes through to the end of April 2015. However, as outlined above, following the significant recent weakness in energy commodity prices and a second consecutive mild winter, visibility of thermal coal demand beyond that point is very poor. In speciality coals, volumes have held up reasonably well although we are seeing some margin pressure particularly in the domestic heating sector as other suppliers have reduced prices. Our long-term outlook for these markets remains positive and is identified as an area of opportunity in which to grow our market share.

If coal prices remain depressed and power station demand turns out to be as low as currently indicated, trading from May 2015 to the end of the calendar year could be the most challenging period the Group has experienced and we would expect this to impact our outlook for the year ending 31 May 2016. In particular, the impact of coal prices on our surface mining operations in Scotland and at Tower, combined with the reduction in demand for thermal coal, are expected to result in a significant reduction in management's expectations for the year ending 31 May 2016 despite the further steps that we are taking.

However, the Group is well placed to weather this period of extreme volatility and is expecting to continue to generate cash throughout, albeit at reduced rates of profitability. Our balance sheet is strong and our assets are flexible and agile ensuring that the Group will be able to respond quickly when the market conditions improve. As the only likely remaining major national producer of indigenous coal we remain optimistic about the prospects offered by the UK once market conditions normalise and prices recover.

We will continue to review and challenge our chosen strategy and over the coming months our efforts will be focussed on fixed cost reduction and cash generation, which continues to track in line with expectations.

Interim Statement
Continued

The key focus of the strategic review was to ensure the Group remains optimally placed to deliver shareholder value.

Gordon Banham Group Chief Executive

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

	Production Unaudited 30 November 2014 £000	Energy & Commodities Unaudited 30 November 2014 £000	Transport Unaudited 30 November 2014 £000	Industrial Services Unaudited 30 November 2014 £000	Total Unaudited 30 November 2014 £000
Continuing Operating Profit (before simplification costs)	**7,526**	**9,550**	**1,586**	**2,832**	**21,494**
Intangible amortisation	71	–	–	–	71
Share of profit in associates and jointly controlled entities	293	(278)	–	–	15
Share of tax in associates and jointly controlled entities	81	222	–	–	303
Continuing Underlying Operating Profit	**7,971**	**9,494**	**1,586**	**2,832**	**21,883**
Net financing costs – Continuing operations	(430)	(595)	(279)	(261)	(1,565)
Continuing Underlying Profit before Tax	**7,541**	**8,899**	**1,307**	**2,571**	**20,318**

	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**

Underlying operating profit is stated excluding costs of £3.7m relating to the simplification programme, 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 costs of £3.7m relating to the simplification programme, £1.0m unrealised losses on derivative financial instruments, tax on share of profits of associates and jointly controlled entities and the amortisation of acquired intangibles.

Review of Underlying Performance

The underlying performance of the Group was broadly in line with our previously revised expectations for the first half of the year. Group revenue in the period reduced by £109.3m from £460.5m to £351.2m, reflecting both challenging market conditions, particularly within our E&C business, and the implementation of the simplification programme. Underlying operating profit in the first half reduced by £9.0m, from £30.9m to £21.9m. Underlying profit before tax in the first half was £20.3m, a reduction of £8.2m on the comparative period, due largely to reduced volumes and pricing pressure in our E&C division. The reported profit before tax of the Group reduced by £14.5m to £15.2m.

Update on Group Simplification Programme

Following the Board's review of strategy we have identified opportunities to simplify the Group's structure, increase operational focus, maximise the quality of earnings and liberate fixed and working capital. The key focus of the review was to ensure the Group remains optimally placed to deliver shareholder value.

The review was prompted by emerging changes in the markets in which the Group operates. The review identified opportunities to maximise the quality of future earnings by exiting profit streams that were considered to be the lowest risk-weighted returns and weakest prospects for sustainable long-term growth, whilst strengthening the Group's longer-term position in its core markets of trading, distribution and production.

The Board is pleased to report that the execution of this first phase of the simplification programme is on track and is targeted to be substantially complete by 31 May 2015. By that point, the Group expects to have achieved net cash generation across the Group of over £30m from the simplification programme which is expected to increase to over £40m by 31 May 2016.

To date the process has resulted in:

- The successful sale of Imperial Tankers Limited ("Imperial Tankers"), a non-core business, on 29 August 2014, to Suttons Transport Group, generating sale proceeds of £26.9m and a profit on disposal of £16.8m.
- The orderly closure of our non-core tyre crumbing business and the Mir Trade joint venture. The Group's exit from these businesses, which had a book cost of £2.8m, had a small positive net cash impact.
- The closure of Monckton coke works ("Monckton") on 12 December 2014. The Monckton closure will result in a £16.6m charge to the income statement but will liberate the significant working capital that was tied up in the business; the Group expects net cash inflows of approximately £17m to be generated.

The commentary below reflects the continuing, underlying performance of the four divisions, excluding the impact of the simplification programme.

Production Division

Production Division revenues increased by £21.4m from £65.0m to £86.4m reflecting six months at full run rate in our Scottish surface mining operations combined with slightly higher Tower contract mining revenues. This offset a reduction in coke revenues at Monckton following its closure in December.

Underlying operating profit for the first six months of the year reduced slightly from £8.2m to £8.0m with the increased contribution from our mining operations offsetting the reduced contribution from Monckton.

Surface Mining

The combined surface mining operations in Scotland, England and Wales contributed £8.0m of operating profit.

Our sites in Scotland have performed well during the period with strong production rates being achieved across all seven sites. Although the commencement of a major new site was delayed due to low coal prices, the Scottish operation sold over 0.7m tonnes during the period, generating revenues of £46.8m, and is expected to achieve approximately 1.3m tonnes during this financial year.

When we acquired the Scottish assets in mid 2013, the coal price was approximately £55 per tonne. Since that point, the coal price has steadily fallen; at the time of our announcement on 12 December 2014, the coal price had fallen to around £46 per tonne. The coal price has continued to weaken and has fallen approximately a further £5 per tonne since that announcement in December. This clearly has had a further significant impact on our Scottish operations, including a reduction in production targets for next year, and we estimate that this latest fall in coal price will have a further adverse impact on next year's result in Scotland of approximately £8m before taking into account any cost savings achieved.

Whilst the coal price has continued to fall during the period, the impact on our Scottish operation has been minimised through the financial hedges and fixed price contracts put in place following the acquisition of the Scottish assets. At the time we acquired the assets we were able to lock in fixed price contracts and hedges to protect the surface mining business for a period of two years, although this cover will fall away at the end of April 2015.

Notwithstanding this sharp fall in coal price, we remain committed to Scottish surface mining but will have to significantly reduce next year's planned 2m tonne production target to mitigate losses. We are currently targeting around 1m tonnes of production in the year ending 31 May 2016 focussing on the contribution from higher priced speciality coals which will help mitigate the anticipated losses on the thermal coal produced. This commitment reflects the Group's desire to protect the viability of the Scottish operations and the potential longer term value of the reserve base. In our view, Scotland remains a key source of coal volumes for sale into the industrial and domestic markets that the Group has worked very hard to secure. We are adapting the cost structure of our Scottish operations to deal with the volatile and challenging market conditions. Our English operation at Well Hill in Northumberland continues to perform well and we continue to make progress in getting additional, carefully selected sites through the planning process.

In light of the low coal price we will be stepping up our efforts to drive value from our portfolio of renewables and property opportunities. We were pleased to receive planning permission for 43.5MW of wind capacity in South Lanarkshire. Although we still have a number of administrative hurdles to overcome we will be working hard to ensure these projects can be commercialised at optimal valuations. The Group also has a number of other interesting wind projects in the pipeline. Efforts are continuing to optimise cash and profits from our property portfolio and we remain very pleased with the progress in seeking planning approval for a major housing development on a former surface mine site at Blindwells, east of Edinburgh.

We continue to work very hard with government at local, Holyrood and Westminster levels to find a solution for the significant legacy of opencast restoration with which local communities have been left by the failure of previous operators. An early solution would provide an opportunity for Hargreaves and other operators to protect jobs and future production capacity and create significant environmental benefits to those communities that are affected.

The Tower joint venture performed in line with management's expectations during the first half of the year. Coal sales during the period were 335,000 tonnes and muck-shift volumes have increased year on year reflecting a higher ratio phase of the site. Volumes are expected to increase further in the second half of the year. As we move into next year, we expect an improvement in ratio as we move to a new part of the site, however current coal price levels continue to impact adversely on the Tower mining operation. The fall of £5 per tonne in coal prices since our December announcement is expected to reduce the contribution from the Tower joint venture by a further £1m in the next financial year.

Interim Statement
Continued

Ratcliffe Power Station – Industrial Services

Energy & Commodities Division

Ongoing uncertainty and volatility within coal markets have resulted in a significant reduction in UK Bulk volumes and in the average profit per tonne achieved during the period. In addition, the Group is seeing margin pressure in the speciality markets as competitors reduce prices in the face of weak demand in the domestic heating markets.

Revenues reduced by £103.2m from £332.2m to £229.0m largely reflecting reduced UK Bulk and Speciality volumes and pricing, combined with the deconsolidation of European revenues following the restructure in November 2013. UK revenues reduced from £276.8m to £229.0m during the period. This significant reduction in Divisional revenue resulted in a significant reduction in underlying operating profit from £16.8m to £9.5m.

Although E&C trading is largely unaffected by coal prices, coal burn in UK power stations has been very low in the first part of the year. The recent further decline in coal burn further reduces medium-term revenue visibility for the Division. Contract cover until April 2015 does however provide the Group with reasonable visibility on full year bulk volumes in line with management's expectations. Low volumes have already been placing pressure on margins at both Redcar and Immingham prompting moves to reduce the fixed cost base of these operations.

Volumes within our UK speciality business have remained more robust during the first half with softness in domestic heating markets offset by strong volumes into the industrial markets. However, the ongoing warm weather through December and early January, and the current competitive dynamics of the market are likely to reduce pricing levels if volumes are to be maintained at the planned level. Since the start of this calendar year we have seen other producers reducing prices to stimulate demand and we expect some short-term competitive turbulence in the industrial and domestic markets as UK Coal liquidates its remaining production and stocks.

Hatfield

As the support we have provided to Hatfield comes to an end, we have exited our coal marketing arrangement for thermal coal off take and expect the adverse impact in the second half to be approximately £1.5m. We will still retain rights to market the speciality coal that is produced but expect our Industrial Services contract at Hatfield to finish in April 2015 when the final panel has been laid out and is ready for production.

Europe

As expected, the steel sector in the UK and Europe has continued to face significant challenges and this continues to impact coke demand. Revenues from our German associate operation fell from £55.4m to £31.1m with an underlying operating profit of only £0.7m before the one-off settlement of a long standing legal claim which resulted in the operation breaking even during the period. The Group decided to accept a reduced settlement with regard to the outstanding legal claim, despite a favourable court ruling, in light of the weakened financial position of the counterparty. The German business is nevertheless expected to perform broadly in line with management's expectations for the full year.

Industrial Services Division

Industrial Services Division revenues were £56.8m in the six months to 30 November 2014, in line with activity during the six months to 30 November 2013. Benefitting from some one-off contributions during the period, profits were in line with plan at £2.8m. Whilst the underlying business is expected to meet full year expectations, the aforementioned financial problems at Hatfield are also anticipated to adversely impact our Industrial Services contribution in the second half of the year by approximately £0.3m. However, it is pleasing to report that we are seeing significant interest in our service offering around mining and the team is developing a number of international opportunities that could replace the business lost at Hatfield.

The Division has demonstrated steady progress on contract awards in the UK and is focused on careful development of our international growth opportunities. The Group is pleased to report the acquisition of a small steel services operation with a long-term contract at a steel plant in South Africa. This is the Group's first step into the region and builds on our increased credentials and experience in the steel sector.

The Group is continuing its discussions with EON aimed at agreeing final contract values and payment for the biomass conversion project at Liverpool Bulk Terminal. Work is now largely complete and we do not anticipate any further provisions being required in connection with this project.

Transport Division

Imperial Tankers was sold during the period, as announced on 1 September 2014. Consequently, Transport revenues have reduced by £8.9m from £45.9m to £37.0m. Underlying operating profit has also reduced by £1.5m from £3.1m to £1.6m.

Excluding the £7.3m of revenue and £0.5m of operating profit from Imperial Tankers that was included in the current period, Bulk Transport revenues have remained broadly in line with the prior period at £29.6m and underlying operating profit has reduced slightly on the prior period to £1.1m reflecting a competitive market. As usual, we expect a strong seasonal weighting to the first half of the year in our Bulk business.

Interim Statement
Continued

Financial Review

Revenue

The Group has experienced a substantial reduction in revenue during the period reflecting challenging market conditions within its E&C business. Whilst the simplification programme has had some impact on revenues in the period, following the orderly closure of certain businesses within the Group, a more marked effect will be felt by the end of the year. Reported revenue decreased by £109.3m from £460.5m in the six months to 30 November 2013 to £351.2m in the six months to 30 November 2014. If the impact of the European business restructure is excluded, Group revenues reduced by 13.3% from £405.1m to £351.2m as Bulk and Speciality volumes and margins suffered against a backdrop of ongoing uncertainty in the markets in which we operate.

Operating Profit and Margins

Underlying operating profit reduced by £9.0m from £30.9m to £21.9m almost entirely driven by a reduced contribution from our E&C business. As anticipated, the volumes and margins within our E&C business came under significant pressure against a backdrop of unseasonably warm weather, low gas prices and a consequent overall reduced coal burn. Our Production Division held its operating profit at around the £8m level with the reduced contribution from Monckton being replaced by a full six months production from our Scottish mining operations. Reported Group continuing operating profit fell from £29.1m to £21.5m whilst continuing profit before tax fell more sharply from £29.7m to £15.2m reflecting £3.7m of simplification costs and £1.0m of fair value losses on ineffective interest rate swaps.

Sale of Imperial Tankers

Imperial Tankers, the Group's wholly owned subsidiary, was sold to Suttons Transport Group on 29 August 2014 for a cash consideration of £26.9m. This disposal was the first step in implementing the Group simplification programme. The book value of Imperial Tankers in the Group accounts was approximately £10.1m resulting in a profit on disposal of £16.8m. The business unit was sold inclusive of cash balances and asset finance debt, resulting in a reduction in overall net debt of £27.5m.

Simplification Programme

Amounts relating to the Group Simplification Programme have been aggregated and are shown as a net charge to the income statement during the period. The net charge relating to simplification at the half year amounts to £4.7m, including a provision of £1.0m in respect of the surplus portion of the Group's interest rate swaps. The full year simplification charge is estimated to be approximately £7m; these costs do not form part of the Group's ongoing activities and are therefore excluded from the Group's underlying result.

Whilst the net charge during the period includes the impact of the closure of non-core businesses and some one-off transaction costs, the main elements relate to the gain on the disposal of Imperial Tankers of £16.8m (see above) and the charge incurred on the closure of Monckton of £15.2m. The further costs to come on the Monckton closure remain consistent with the guidance detailed in the 12 December 2014 announcement and mainly relate to redundancy costs.

Interest

In the six months to 30 November 2014, continuing net finance expenses for the Group reduced by £0.8m from £2.4m to £1.6m. This positive movement reflects a reduction in average Group net debt levels during the period largely as a result of the simplification programme.

Underlying net debt levels continue to track in line with management's expectations. Taking into account the potential impact of the buyback programme, approved on 5 November 2014, the Group would expect net financial expense in the year ending 31 May 2016 to be approximately £1.5m reflecting the level of facilities and commitments that the Group would require.

Taxation

Income tax expense for the first half was £1.3m compared with £6.2m for the six months ended 30 November 2013. Whilst this charge represents a reported effective tax rate for the Group of 8.6%, the underlying effective rate before the impact of the simplification programme, amounts to 22.7%.

The reduction from the 23.5% rate for the year ended 31 May 2014 to the underlying rate of 22.7% is largely driven by the fall in the UK corporation tax rate from 23% at April 2013 to 20% at April 2015.

Earnings per Share

Reported basic earnings per share decreased by 38.7% from 63.1p to 38.7p reflecting reduced profitability and the one-off charge for simplification costs during the period. Underlying diluted earnings per share decreased by 27.8% from 65.0p to 46.9p. The weighted average diluted number of shares in the period increased from 33.2m to 33.4m, due to the issuance of share options. The share buyback programme approved on 5 November 2014, had resulted in the purchase of 230,000 shares at 30 November 2014.

Discontinued Operations

The loss of £1.1m for the period from discontinued operations largely related to costs incurred at Maltby Colliery as part of the overall restoration programme. As previously reported, the mine shafts have been filled and capped and the Group has now received formal certification that this has been completed. The process to sell the underground equipment continues; there have been a number of enquiries and a further £1.7m of realisations have been achieved during the period leaving a net residual book value to recover of £5m. The Group remains confident of achieving in excess of book value for the assets but notes that low commodity prices have further depressed the mining equipment markets.

Net Debt

Net debt decreased by £28.4m from £68.8m at 31 May 2014 to £40.4m at 30 November 2014 and has fallen by £54.8m over the 12 month period since 30 November 2013. The net debt figure has decreased largely as a result of the Group's strong operating cash flows and the impact of the ongoing simplification programme.

Group net assets increased from £150.1m at 31 May 2014 to £152.2m at 30 November 2014. Gearing (measured as net debt compared to net assets) at the end of November 2014 was 26.5%, compared to 45.8% at 31 May 2014.

The Group's financial position remains strong with net debt at 30 November 2014 equal to 0.66 times the last 12 months' earnings before interest, tax, depreciation and amortisation ("EBITDA"), comfortably below our maximum covenant levels.

Cash Flow

Net cash flow from operating activities, before working capital movements, generated an inflow of £20.4m. As expected, working capital has increased slightly during the first half of the year, largely reflecting a build in readily marketable coal stocks in anticipation of second half trading. This was offset by £5m improvement in receivables and payables. As previously reported, the Group expects overall working capital to move positively over the full year. Efforts are currently underway to secure contracts for coal offtake for all of May's planned coal production, post expiry of the current contracts. As we have moved into the second half of the year our inventory has built further in our Scottish operations reflecting both the increased run rate being achieved across the sites and the level of contracted sales in the second half of the year. Whilst the Group has also seen a small stock build at Monckton, this is expected to unwind in the second half of the year, following closure of the operation.

Net capital expenditure in the first half was £4.5m compared with £6.9m in the six months to 30 November 2013. The bulk of the capital expenditure related to investment in mine stripping assets, following strong production run rates in Scotland, and is expected to unwind into operating cash flow in the next financial year.

The Group generated a cash inflow of £24.8m through the disposal of subsidiaries following the sale of Imperial Tankers in August 2014.

Consequently, the Group generated cash during the period of £33.6m through its operating and investing activities. Following this significant cash generation, the Group has repaid £36.0m of its banking facilities during the period, made dividend payments of £5.5m relating to the year ended 31 May 2014 and funded finance lease payments amounting to £2.7m.

Net Debt

£40.4m

Net debt decreased by £28.4m from £68.8m at 31 May 2014 to £40.4m at 30 November 2014 and has fallen by £54.8m over the 12 month period since 30 November 2013.

Glenmuckloch Surface Mine Restoration – Dumfries & Galloway

Financial Statements

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 November 2014

Continuing activities	Note	Underlying* unaudited six months ended 30 November 2014 £000	Simplification and non-underlying items six months ended 30 November 2014 £000	Unaudited six months ended 30 November 2014 £000	Unaudited six months ended 30 November 2013 £000	Audited year ended 31 May 2014 £000
Revenue		**351,237**	**–**	**351,237**	460,493	869,244
Cost of sales		**(311,938)**	**–**	**(311,938)**	(407,676)	(771,626)
Gross profit		**39,299**	**–**	**39,299**	52,817	97,618
Other operating income		**429**	**–**	**429**	98	970
Administrative expenses – Impairment of non-current assets		**–**	**–**	**–**	–	(2,829)
Other administrative expenses		**(18,163)**	**(71)**	**(18,234)**	(23,824)	(44,819)
Operating profit (before simplification)		**21,565**	**(71)**	**21,494**	29,091	50,940
Simplification costs		**–**	**(3,728)**	**(3,728)**	–	–
Operating profit (after simplification)		**21,565**	**(3,799)**	**17,766**	29,091	50,940
Gain on disposal of subsidiaries		**–**	**–**	**–**	2,087	2,087
Financial income		**520**	**–**	**520**	464	1,121
Financial expenses		**(2,085)**	**–**	**(2,085)**	(2,900)	(5,568)
Unrealised fair value losses on derivative financial instruments		**–**	**(975)**	**(975)**	–	–
Share of profit of associates and jointly controlled entities (net of tax)		**318**	**(303)**	**15**	912	3,499
Profit before tax		**20,318**	**(5,077)**	**15,241**	29,654	52,079
Income tax expense	4	**(4,605)**	**3,300**	**(1,305)**	(6,233)	(11,525)
Profit for the period/year from continuing operations		**15,713**	**(1,777)**	**13,936**	23,421	40,554
Discontinued operations						
Loss for the period/year from discontinued operations		**–**	**(1,081)**	**(1,081)**	(2,282)	(3,734)
Profit for the period/year		**15,713**	**(2,858)**	**12,855**	21,139	36,820
Other comprehensive (expense)/income						
Items that will not be reclassified to profit or loss						
Actuarial gains and losses on defined benefit pension plans				**–**	–	(2,738)
Tax recognised on items that will not be reclassified to profit or loss				**–**	–	460
Items that are or may be reclassified subsequently to profit or loss						
Foreign exchange translation differences				**(353)**	(244)	(754)
Effective portion of changes in fair value of cash flow hedges				**(4,115)**	5,764	10,576
Ineffective portion of changes in fair value of cash flow hedges				**615**	–	–
Tax recognised on items that are or may be reclassified subsequently to profit or loss				**701**	(1,329)	(2,118)
Other comprehensive (expense)/income for the period/year, net of tax				**(3,152)**	4,191	5,426
Total comprehensive income for the period/year				**9,703**	25,330	42,246
Profit attributable to:						
Equity holders of the company				**12,799**	20,864	36,995
Non-controlling interest				**56**	275	(175)
Profit for the period/year				**12,855**	21,139	36,820

* Underlying profit excludes simplification costs, amortisation of intangibles, movement on derivative financial instruments and the tax effect on share of profits in associates and jointly controlled entities.

	Note	Unaudited six months ended 30 November 2014 £000	Unaudited six months ended 30 November 2013 £000	Audited year ended 31 May 2014 £000
Total comprehensive income/(expense) for the period/year attributable to:				
Equity holders of the company		**9,647**	25,077	42,443
Non-controlling interest		**56**	253	(197)
Total comprehensive income for the period/year		**9,703**	25,330	42,246
GAAP measures				
Basic earnings per share (pence)	6	**38.68**	63.14	111.88
Diluted earnings per share (pence)	6	**38.37**	62.84	110.99
Basic earnings per share from continuing operations (pence)	6	**41.95**	70.04	123.18
Diluted earnings per share from continuing operations (pence)	6	**41.61**	69.71	122.19
Non-GAAP measures (continuing)				
Basic underlying earnings per share (pence)		**47.32**	65.32	125.77
Diluted underlying earnings per share (pence)		**46.93**	65.01	124.76

Condensed Consolidated Balance Sheet
as at 30 November 2014

	Unaudited 30 November 2014 £000	Unaudited 30 November 2013 £000	Audited 31 May 2014 £000
Non-current assets			
Property, plant and equipment	**64,410**	72,463	80,293
Intangible assets	**8,413**	18,415	17,801
Investments in associates and jointly controlled entities	**5,106**	8,613	6,843
Derivative financial instruments	**6,359**	1,950	2,965
Deferred tax assets	**1,632**	2,253	–
	85,920	103,694	107,902
Current assets			
Assets held for sale	**5,975**	11,572	8,171
Inventories	**109,977**	95,185	100,437
Derivative financial instruments	**3,548**	3,133	4,178
Trade and other receivables	**124,206**	159,857	133,518
Cash and cash equivalents	**21,149**	8,416	30,768
	264,855	278,163	277,072
Total assets	**350,775**	381,857	384,974
Non-current liabilities			
Other interest-bearing loans and borrowings	**(54,069)**	(102,491)	(92,328)
Retirement benefit obligations	**(4,320)**	(3,140)	(5,580)
Provisions	**(10,651)**	(8,279)	(8,641)
Derivative financial instruments	**(4,993)**	(2,096)	(1,343)
Deferred tax liabilities	**–**	–	(2,172)
	(74,033)	(116,006)	(110,064)
Current liabilities			
Other interest-bearing loans and borrowings	**(7,465)**	(3,264)	(7,215)
Trade and other payables	**(95,716)**	(100,056)	(99,612)
Income tax liabilities	**(14,900)**	(16,551)	(14,823)
Provision	**(254)**	(1,699)	(550)
Derivative financial instruments	**(6,177)**	(4,402)	(2,586)
	(124,512)	(125,972)	(124,786)
Total liabilities	**(198,545)**	(241,978)	(234,850)
Net assets	**152,230**	139,879	150,124
Equity attributable to equity holders of the parent			
Share capital	**3,314**	3,308	3,309
Share premium	**73,956**	73,939	73,952
Other reserves	**211**	211	211
Translation reserve	**(2,318)**	(1,455)	(1,965)
Merger reserve	**1,022**	1,022	1,022
Hedging reserve	**(33)**	(1,257)	2,766
Capital redemption reserve	**1,530**	1,530	1,530
Retained earnings	**74,266**	61,905	69,073
	151,948	139,203	149,898
Non-controlling interest	**282**	676	226
Total equity	**152,230**	139,879	150,124

Consolidated Statement of Changes in Equity
for the six months ended 30 November 2014

	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	Non-controlling interest £000	Total equity £000
Balance at 1 June 2014	3,309	73,952	(1,965)	2,766	211	1,530	1,022	69,073	149,898	226	150,124
Total comprehensive income and expense for the period											
Profit for the period	–	–	–	–	–	–	–	12,799	12,799	56	12,855
Other comprehensive income											
Foreign exchange translation differences	–	–	(353)	–	–	–	–	–	(353)	–	(353)
Effective portion of changes in fair value of cash flow hedges	–	–	–	(4,115)	–	–	–	–	(4,115)	–	(4,115)
Ineffective portion of changes in fair value of cash flow hedges	–	–	–	615	–	–	–	–	615	–	615
Tax recognised on other comprehensive income	–	–	–	701	–	–	–	–	701	–	701
Total other comprehensive income	–	–	(353)	(2,799)	–	–	–	–	(3,152)	–	(3,152)
Total comprehensive income and expense for the period	–	–	(353)	(2,799)	–	–	–	12,799	9,647	56	9,703
Transactions with owners recorded directly in equity											
Issue of shares	5	4	–	–	–	–	–	–	9	–	9
Equity settled share-based payment transactions	–	–	–	–	–	–	–	(610)	(610)	–	(610)
Dividends paid	–	–	–	–	–	–	–	(5,534)	(5,534)	–	(5,534)
Purchase of own shares	–	–	–	–	–	–	–	(1,462)	(1,462)	–	(1,462)
Total contributions by and distributions to owners	5	4	–	–	–	–	–	(7,606)	(7,597)	–	(7,597)
Balance at 30 November 2014	**3,314**	**73,956**	**(2,318)**	**(33)**	**211**	**1,530**	**1,022**	**74,266**	**151,948**	**282**	**152,230**

Condensed Consolidated Cash Flow Statement
for the six months ended 30 November 2014

	Unaudited six months ended 30 November 2014 £000	Unaudited six months ended 30 November 2013 £000	Audited year ended 31 May 2014 £000
Cash flows from operating activities			
Profit for the period from continuing operations	**13,936**	23,421	40,554
Adjustments for:			
Depreciation	**5,030**	4,705	9,407
Impairment of property, plant and equipment	**6,044**	–	2,829
Depreciation of mining assets	**3,820**	267	2,873
Amortisation and impairment of goodwill and intangible assets	**5,503**	714	1,319
Net finance expense	**1,565**	2,436	4,447
Share of profit of jointly controlled entities (net of tax)	**(15)**	(912)	(3,499)
Profit on sale of property, plant and equipment	**(437)**	(98)	(970)
Profit on disposal of subsidiaries	**(16,755)**	(2,087)	(2,087)
Equity settled share-based payment (income)/expense	**(610)**	503	1,050
Income tax expense	**1,305**	6,233	11,525
Loss on derivative financial instruments	**975**	–	(199)
Translation of non-controlling interest	**–**	22	(22)
	20,361	35,204	67,227
Change in inventories	**(9,650)**	(26,018)	(28,434)
Change in trade and other receivables	**2,911**	(14,427)	13,435
Change in trade and other payables	**313**	(6,063)	(6,461)
Change in provisions and employee benefits	**2,025**	917	1,115
	15,960	(10,387)	46,882
Interest paid	**(1,273)**	(2,145)	(3,871)
Income tax (paid)/received	**(2,162)**	1,530	(793)
Net cash from continuing operating activies	**12,525**	(11,002)	42,218
Net cash from discontinued operating activities	**(2,607)**	(1,396)	(9,149)
Net cash from operating activities	**9,918**	(12,398)	33,069
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**1,248**	385	2,089
Dividends received	**1,681**	–	4,273
Acquisition of property, plant and equipment	**(5,714)**	(7,330)	(23,618)
Disposal of subsidiaries	**24,807**	10,242	10,242
Net cash from investing activities in continuing operations	**22,022**	3,297	(7,014)
Net cash from investing activities in discontinued operations	**1,679**	1,413	2,910
Net cash from investing activities	**23,701**	4,710	(4,104)
Cash flows from financing activities			
Proceeds from issue of share capital	**9**	743	755
Purchase of own shares	**(1,462)**	–	–
Payment of finance lease liabilities	**(2,740)**	(2,005)	(4,960)
Proceeds from promissory notes	**3,319**	–	–
Dividends paid	**(5,533)**	–	(7,406)
Repayment of revolving credit facility	**(36,000)**	(5,000)	(4,000)
Net cash from financing activities in continuing operations	**(42,407)**	(6,262)	(15,611)
Net cash from financing activities in discontinued operations	**(788)**	(3,120)	(1,923)
Net cash from financing activities	**(43,195)**	(9,382)	(17,534)
Net (decrease)/increase in cash and cash equivalents	**(9,576)**	(17,070)	11,431
Cash and cash equivalents at the start of the period/year	**30,768**	18,959	18,959
Effect of exchange rate fluctuations on cash held	**(43)**	399	378
Cash and cash equivalents at the end of the period/year	**21,149**	2,288	30,768

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 2014 and the comparative figures for the six months ended 30 November 2013 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").

This interim statement, which is neither audited nor reviewed, has been prepared in accordance with the measurement and recognition criteria of Adopted IFRS's. This statement 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 2014.

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 2014, as described in those financial statements.

3. Status of Financial Information

The comparative figures for the financial year ended 31 May 2014 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 for the six month period is charged at 20.8% (six months ended 30 November 2013: 22.7%; year ended 31 May 2014: 22.7%). The underlying tax rate is 22.7%, representing the best estimate of the annual effective rate expected for the full year.

5. Dividends

The dividend of 16.7 pence per ordinary share, proposed in the 2014 Annual Accounts and agreed by the shareholders at the Annual General Meeting on 5 November 2014, was paid on 21 November 2014.

The directors have recommended an interim dividend of 10.0 pence per share which will be paid on 27 March 2015.

6. Earnings per Share

Earnings per share for the ordinary shares are as follows:

	Unaudited six months ended 30 November 2014 Continuing and discontinued	Unaudited six months ended 30 November 2014 Continuing	Unaudited six months ended 30 November 2013 Continuing and discontinued	Unaudited six months ended 30 November 2013 Continuing	Audited year ended 31 May 2014 Continuing and discontinued	Audited year ended 31 May 2014 Continuing
Ordinary shares						
Basic earnings per share	**38.68**	**41.95**	63.14p	70.04p	111.88p	123.18p
Diluted earnings per share	**38.37**	**41.61**	62.84p	69.71p	110.99p	122.19p

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 2014 Continuing and discontinued	Unaudited six months ended 30 November 2014 Continuing	Unaudited six months ended 30 November 2013 Continuing and discontinued	Unaudited six months ended 30 November 2013 Continuing	Audited year ended 31 May 2014 Continuing and discontinued	Audited year ended 31 May 2014 Continuing
Profit for the period/year attributable to equity holders (£000)	**12,799**	**13,880**	20,864	23,146	36,995	40,729
Weighted average number of shares	**33,089,812**	**33,089,812**	33,045,197	33,045,197	33,065,926	33,065,926
Earnings per ordinary share (pence)	**38.68**	**41.95**	63.14	70.04	111.88	123.18p

Notes to the Interim Report
Continued

6. Earnings per Share (continued)

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 2014 Continuing and discontinued	Unaudited underlying six months ended 30 November 2014 Continuing	Unaudited six months ended 30 November 2013 Continuing and discontinued	Unaudited underlying six months ended 30 November 2013 Continuing	Audited year ended 31 May 2014 Continuing and discontinued	Audited year ended 31 May 2014 Continuing
Profit for the period/year attributable to equity holders (£000)	**12,799**	**13,880**	20,864	23,146	36,995	40,729
Weighted average number of shares	**33,359,468**	**33,359,468**	33,203,576	33,203,576	33,332,203	33,332,203
Diluted earnings per ordinary share (pence)	**38.37**	**41.61**	62.84	69.71	110.99p	122.19p

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 2014	Unaudited underlying six months ended 30 November 2013	Audited year ended 31 May 2014
Profit for the period/year attributable to equity holders (£000)	**13,880**	23,146	40,729
Profit on disposal of subsidiary	**–**	(2,087)	(2,087)
Amortisation/impairment of intangibles/goodwill	**71**	714	1,319
Simplification costs (including derivative movement)	**4,703**	–	–
Impairment of property, plant and equipment	**–**	–	2,404
Tax effect of above items	**(2,997)**	(189)	(780)
Continuing underlying profit after tax	**15,657**	21,584	41,585

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 2014 £000	Energy & Commodities Unaudited 30 November 2014 £000	Transport Unaudited 30 November 2014 £000	Industrial Services Unaudited 30 November 2014 £000	Total Unaudited 30 November 2014 £000
Revenue					
Total revenue	86,392	229,021	36,959	56,765	409,137
Inter-segment revenue	(47,682)	(964)	(4,909)	(4,345)	(57,900)
Revenue from external customers	**38,710**	**228,057**	**32,050**	**52,420**	**351,237**
Segment operating profit	**7,526**	**9,550**	**1,586**	**2,832**	**21,494**
Share of profit in associates and jointly controlled entities	293	(278)	–	–	15
Net financing costs	(430)	(595)	(279)	(261)	(1,565)
Profit before taxation (pre simplification)	**7,389**	**8,677**	**1,307**	**2,571**	**19,944**
Simplification costs					(3,728)
Unrealised fair value losses on derivative financial instruments					(975)
Profit before taxation					**15,241**

	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	**6,982**	**16,395**	**3,107**	**2,607**	**29,091**
Profit on disposal of subsidiaries	–	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**

8. Interim Results

These results were approved by the Board of Directors on 16 February 2015. 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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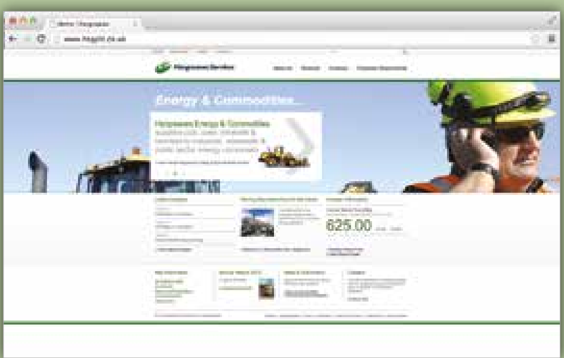
Please visit us online at **www.hsgplc.co.uk** for up to date investor information, company news and other information.



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