Interim Report

for the six months ended 30 November 2016

Hargreaves Services plc

Hargreaves Services plc delivers key projects and services in the infrastructure, energy and property sectors.

The Group continues to evolve our strategy to reflect the changing market.

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Review of the Period

Financial Statements

Focussing on developing and demonstrating value from three clear areas.

Distribution & Services Operations

Our Distribution & Services operations form the long term core of our business. Continuing underlying operating profit for these units is as follows:

Industrial Services

£0.2m

Coal Distribution

£2.8m

Specialist Earthworks

£1.1m

Logistics

£0.7m

For more information – see page 3

Property & Energy Portfolio

The development and realisation of value from our extensive land portfolio through property and energy projects.

Property and Energy Five Year Value Creation Target

£35m-£50m

For more information – see page 3

Releasing Cash from Legacy Assets

Legacy Asset Book Value

£42m

For more information – see page 4

Financials

	Unaudited Six Months ended 30 November 2016	Unaudited Six Months ended 30 November 2015	Change %
Continuing Revenue	**£170.9m**	£174.8m	(2.2)%
Continuing Operating Profit	**£0.1m**	£4.9m	(98.0)%
Underlying Operating Profit	**£2.1m**	£4.1m	(48.8)%
Continuing Profit Before Tax	**£0.2m**	£0.8m	(75.0)%
Underlying Profit Before Tax	**£0.9m**	£3.2m	(71.9)%
Diluted EPS	**0.0p**	0.5p	(100.0)%
Underlying Diluted EPS	**0.3p**	7.0p	(95.7)%
Interim Dividend	**2.7p**	1.7p	58.8%
Net Debt	**£36.9m**	£30.8m	19.8%
Net Asset Value	**£129.2m**	£141.3m	(8.6)%

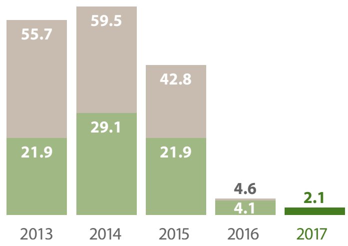
Highlights

- Overall performance in the first half was in line with management expectations;
- Strong prospects in Germany expected to drive outperformance in second half as announced in December;
- Property & Energy portfolio development progressing well with planning permission granted for an energy-from-waste plant near Grangemouth and the planning decision on our Blindwells development expected in March;
- Good progress being made with the integration of CA Blackwell to establish our new Specialist Earthworks division;
- Wind down of coal mining activities and the commencement of the site restoration programme at Tower underpins the expectation of full repayment of Joint Venture loans;
- Legacy asset realisation programme progressing well, with all surplus coal and coke stocks contracted;
- Net debt expected to fall materially during the second half, with the final outcome dependent on the timing of material property disposals.

Underlying Operating Profit (£m)

£2.1m

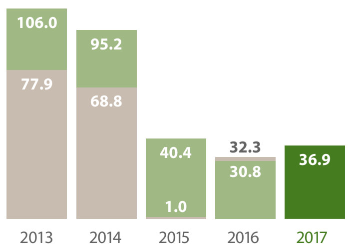
(48.8)%



Net Debt (£m)

£36.9m

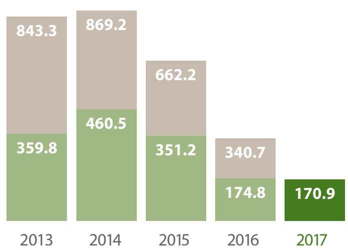
19.8%



Continuing Revenue (£m)

£170.9m

(2.2)%



Interim Statement

It is pleasing to see how much progress we have made towards the three strategic goals we set ourselves a year ago.

David Morgan, Chairman

Business Review
The Board is pleased with the progress that has been made during the period towards the achievement of the strategic goals set out in the 2016 Repositioning Strategy. In this regard, good progress has been made with the stabilisation of our Distribution & Services activities, the development of the Property & Energy portfolio and in realising cash from the Legacy Assets.

Trading in the first half was in line with management expectations. Revenue was £170.9m compared with £174.8m in the prior period as the reduction in coal sales and industrial services revenues following the closure of Redcar steelworks and a number of coal-fired power stations was largely offset by the £40.0m of revenue contributed by CA Blackwell. Underlying Operating Profit for the first half was £2.1m compared with £4.1m in the comparative period. Cash performance was in line with expectations with net debt of £36.9m at the end of the first half.

"Good progress has been made in all three of our business segments."

The table below summarises the results for the period by Operating Division.

	Distribution & Services 30 November 2016 £000	Property & Energy 30 November 2016 £000	Legacy 30 November 2016 £000	Corporate 30 November 2016 £000	Total 30 November 2016 £000
Revenue					
Total revenue	159,569	1,376	10,205	–	171,150
Inter-segment revenue	(229)	–	–	–	(229)
Revenue from external customers	**159,340**	**1,376**	**10,205**	**–**	**170,921**
Segment operating profit	**2,826**	**(834)**	**579**	**(2,424)**	**147**
Intangible amortisation	123	–	–	–	123
Share of profit in associates and jointly controlled entities (net of tax)	1,236	–	–	–	1,236
Share of tax in associates and jointly controlled entities	629	–	–	–	629
Underlying segment operating profit	**4,814**	**(834)**	**579**	**(2,424)**	**2,135**
Net financing costs	(1,239)	(238)	–	267	(1,210)
Underlying segment profit before tax	**3,575**	**(1,072)**	**579**	**(2,157)**	**925**

	Distribution & Services 30 November 2015 £000	Property & Energy 30 November 2015 £000	Legacy 30 November 2015 £000	Corporate 30 November 2015 £000	Total 30 November 2015 £000
Revenue					
Total revenue	174,766	674	–	–	175,440
Inter-segment revenue	(593)	–	–	–	(593)
Revenue from external customers	**174,173**	**674**	**–**	**–**	**174,847**
Segment operating profit	**8,927**	**(630)**	**–**	**(3,436)**	**4,861**
Intangible amortisation	198	–	–	–	198
Share of loss in associates and jointly controlled entities (net of tax)	(855)	–	–	–	(855)
Share of tax in associates and jointly controlled entities	(94)	–	–	–	(94)
Underlying segment operating profit	**8,176**	**(630)**	**–**	**(3,436)**	**4,110**
Net financing costs	(1,002)	(218)	–	311	(909)
Underlying segment profit before tax	**7,174**	**(848)**	**–**	**(3,125)**	**3,201**

Review of Underlying Performance

Distribution & Services

The table below shows revenue and underlying operating performance across our Distribution & Services operations.

Coal Distribution

Revenue in Coal Distribution was £68.5m, a reduction of £37.1m on the £105.6m in the comparative period, due to lower levels of thermal coal being traded and a £26.7m reduction in metallurgical coal sales following the closure of the Redcar steelworks, which led to our decision to exit metallurgical coal trading in the UK.

As set out in our strategy the Group remains committed to the sourcing and distribution of coals for the speciality markets. Sales of speciality coal totalled 329,000 tonnes in the first half and were in line with management expectations. On-going coal production is focused on speciality coal and currently limited to the House of Water site in Scotland which yields a high proportion of speciality coals. The new coal processing plant at the Killoch railhead has been successfully built and commissioned and is delivering the expected improvements in speciality coal yield from the House of Water site.

Production at the Tower site by our joint venture Tower Regeneration Limited is addressed in the Legacy Asset Realisations section below.

In Europe our associate operation has traded well in the first half. Favourable recent market conditions have resulted in a very strong order book to start the second half and the Board expects the Group's share of the operation to exceed its profit expectation for the full year by approximately £3m. The Group is encouraged by the opportunities presented by the European markets which are much larger and are proving to be more robust than the UK.

Industrial Services

The UK operation produced a strong first half performance, ahead of management expectations, although, due to the closure of Redcar steelworks and a number of coal fired power stations, this performance was significantly lower than the comparative period. Revenue in the UK was £23.4m compared with £41.8m in the comparative half last year. The UK strategy remains focused on growing outside of our traditional coal and steel sectors.

The international operations generated revenue growth, although the level of growth achieved was lower than the ambitious targets set. Reported revenue was £7.3m, 35% higher than the £5.4m posted in the comparative period. The £0.4m operating loss posted in the first half was below the £0.2m operating profit posted in the comparative period and behind management expectations following the delay to one major project.

Given the overall profile of contracts and planned site outages, our expectation for the Division continues to be that operating profit will be weighted to the second half and a strong second half profit performance is expected.

Logistics

The bulk haulage operations performed in line with management expectations in the first half in both revenue and profit terms. Progress continues to be made in re-aligning our fleet in a market that now has negligible coal movements. Revenue and underlying operating profit were £25.1m and £0.7m respectively, compared with £28.0m and £0.7m in the comparative period. The improvement in margin from 2.6% to 2.9% reflects the progress made in aligning the business to the areas of activity.

	30 November 2016			30 November 2015		
	Revenue £000	Underlying Operating Profit £000	Operating Profit Margin %	Revenue £000	Underlying Operating Profit £000	Operating Profit Margin %
Distribution & Services						
Coal Distribution	**68,515**	**2,770**	**4.0%**	105,589	4,497	4.3%
Industrial Services	**30,710**	**222**	**0.7%**	47,203	2,961	6.3%
Logistics	**25,095**	**722**	**2.9%**	27,971	718	2.6%
Specialist Earthworks	**39,977**	**1,100**	**2.8%**	–	–	–
Inter division	**(4,957)**	**–**	**–**	(6,590)	–	–
Distribution & Services Total	**159,340**	**4,814**	**3.0%**	174,173	8,176	4.7%

Specialist Earthworks

The new Specialist Earthworks business incorporates the CA Blackwell acquisition and the recently formed Group plant pool operation. Revenue for the first half was £40.0m relating to the CA Blackwell operations acquired in January 2016. The Division recorded an underlying operating profit of £1.1m. The Division was formed with the acquisition of Blackwell and hence there are no comparative numbers.

Good progress continues to be made on the integration of the business and a new leadership team has been established. As the integration has continued, our understanding and assessment of the costs to conclude two specific contracts has highlighted a shortfall in fair value provisions of £2.7m. Consequently as reported on 22 December 2016 we have adjusted our assessment of fair value and have increased goodwill from £0.8m to £3.5m. The Group acquired the CA Blackwell group in full knowledge of, and at a price that reflected, a number of historic contractual challenges. The Board is confident that the acquisition was well structured and presented good value for shareholders.

The Group continues to support the Hemerden tungsten mine operated by Wolf Minerals and is in negotiation to vary the existing contract to the benefit of both parties. Enabling works have now commenced on the A14 project as we await conclusion of negotiation on the earthworks sub-contract. The Group continues to work through the back log of old contracts and claims, many of which were identified in due diligence and either provisioned on acquisition or covered by warranties or cash escrow as part of the transaction consideration.

Our strategy for developing the CA Blackwell business remains unchanged. Once we have worked through the historic contractual issues, we will focus the business on the sectors offering the best fit to our competences and resources. We see strong synergy and overlap with our skills in bulk road transport, mining and brownfield restoration and remediation.

Property & Energy

Although disappointed by the planning delays with respect to the Blindwells project, the Board is generally pleased with the continuing development of the Property & Energy portfolio.

As expected, realisations were limited in the period. The Property business contributed £1.4m of revenue in the first half and a net operating loss of £0.8m. Progress continues to be made on further short term realisations and management anticipates reporting an improved position at the time of the full year results.

Interim Statement *continued*

The Board expects to deliver an operating profit in the region of £3m higher than previous expectations.

Gordon Banham, Group Chief Executive

Encouraging progress also continues to be made in planning terms across a number of sites, most notably, Blindwells, Westfield, Monckton and Maltby. The main focus of attention in the first half was, and remains, the delivery of planning consent for the Blindwells site and the Board understands that the planning decision is now due in March.

Good progress continues to be made in working to achieve the realisation of properties acquired as part of the Blackwell transaction. The Group has allowed an extra six months to achieve a full realisation and is confident that the value to be obtained will cover the current book values.

The book value of the Group's Property & Energy portfolio is held at historic cost, which stood at £32.3m at 30 November 2016. In addition to continuing to account for property realisations, the Group has commissioned a formal valuation of its property portfolio and expects to report that value, alongside the historic cost book value, in the upcoming Preliminary Results in August 2017. It is the intention of the Board to update and report this valuation on an annual basis to provide shareholders with an opportunity to understand and track progress in its development.

Encouraging progress has also been made with the development of the Group's energy interests. We are pleased to report that the Earls Gate Energy from Waste project at Grangemouth, Scotland, has received planning permission, an important step in its development progress. A planning application has also been submitted for an energy plant at Westfield, a former open cast coal site in Fife, Scotland, as part of a broader master-planning initiative.

Work continues on a number of projects to develop value from the Group's 75MW of grid connections and we remain focused on expanding the 70MW of consented on-shore wind capacity. The Board sees significant potential future value from these initiatives.

During the period the total capital expenditure on property and energy development projects amounted to £3.2m.

Legacy Asset Realisations

We are pleased with the progress the Group has made towards realising the value from its portfolio of legacy assets.

Surplus coal and coke stocks with a balance sheet value of £10.9m at 31 May 2016 have all been contracted for sale. No loss or impairment against book value is expected and the coal is expected to have been realised into cash by the end of the financial year.

The Board is also pleased with progress at the Tower Joint Venture. Hargreaves expects to reach agreement with its joint venture partners to optimise the utilisation of plant at Tower, in exchange for a lower contract margin. This agreement will preserve the fleet's value and is expected to maximise plant disposal proceeds when liquidity returns to the heavy plant markets. This, in combination with the improved coal proceeds achieved through the higher coal price, significantly increases the likelihood of recovering the full amount of our outstanding loans, including future accrued interest.

Net Debt

Net Debt at 30 November 2016 was £36.9m. Whilst working capital requirements associated with the Specialist Earthworks business are expected to increase as the A14 contract ramps up, net debt is targeted to reduce significantly in the second half as our contracted coal stocks are delivered. Although legacy asset sales and property disposals all carry a degree of timing risk management expects that year end net debt will not exceed £10m.

Dividend

Reflecting the progress made together with the visibility on the prospects for the second half of the year the Board has approved the payment of an interim dividend of 2.7p per share. The interim dividend will be payable on 7 April 2017 to shareholders on the register at 24 February 2017.

Recent Trading and Outlook

The Distribution & Services operations are well placed to deliver a strong result for the second half. The Board expects to deliver an operating profit in the region of £3m higher than previous expectations, mainly arising from profit outperformance in Europe. Although the longer-term visibility of performance in the European business remains low, due to the trading nature of the business, the Group remains impressed and encouraged by the performance of the European management team and the opportunities presented by the larger and more resilient European carbon markets. The Board will work with and support local management to identify strategies to improve the predictability and visibility of earnings.

The Board expects the Industrial Services operation to deliver a stronger performance in the second half in operating profit terms. A delay in the commencement of a major project in Hong Kong will mean that, although the operation will grow year on year, it is likely to under-perform against internal profit targets. The Logistics and Specialist Earthworks businesses are expected to deliver in line with management's expectations in the second half.

In Property the focus remains on the delivery of planning permission for the Blindwells site, with a decision expected next month.

Excellent progress continues to be made in the development of the Group's portfolio of energy projects. Many of these projects present significant value creation opportunities but are specialist and capital intensive. The Group is working to structure these assets into a separate legal entity to provide greater flexibility in deciding how these projects could be exploited. This is expected to optimise longer term value without adding complexity to the Group's business whilst minimising any impact or demands on the Group's balance sheet.

The Board remains confident of achieving its previously stated five year target for the creation of value from its Property & Energy portfolio. The publication of independently assessed market valuation numbers at the time of the Preliminary Results should provide investors with a better indication of that potential.

Efforts will continue to achieve the orderly marketing and disposal of legacy assets. The management team has demonstrated that it understands the markets for and valuations of these assets and we remain confident that the legacy asset positions will be exited for a value no less than the overall balance sheet position.

Summary

The Board is pleased with the performance and re-positioning of the business and is confident that the business will continue to demonstrate excellent progress towards realising the intrinsic value of the Group's operations and the value inherent in the Group's balance sheet. As debt levels reduce through the second half of the year careful consideration will be given to the application of cash to create shareholder value.

Financial Review

Revenue

Following the turbulent and challenging conditions the Group experienced across all of its markets in prior periods, the Group enjoyed a more stable trading environment during the six months to 30 November 2016. Reported Revenue decreased by £3.9m from £174.8m in the six months to 30 November 2015 to £170.9m in the six months to 30 November 2016.

Operating Profit and Margins

Underlying operating profit reduced by £2.0m from £4.1m to £2.1m, largely driven by the reduced level of coal trading activity within our Distribution & Services division. Revenues from the sale of coke, bulk and metallurgical coal were significantly lower, due to continuing negligible thermal coal shipments and the impact of the closure of Redcar steelworks in the period to 30 November 2015.

The acquisition of CA Blackwell in January 2016 has been successfully integrated into the Group and contributed £1.1m of underlying operating profit. The Logistics business generated an operating profit of £0.7m, consistent with the comparative period. The series of steel and power plant closures which occurred last year, combined with the continued challenging conditions and delays in major projects in Hong Kong, resulted in operating profit in the Industrial Services operations in the first half falling from £3.0m to £0.2m. This fall was largely in line with current management expectations and timing of projects and outages in the second half is expected to be more favourable than in the first half.

The Property & Energy division made good progress in the period with regard to the development of a number of property sites and energy projects. This early progress is yet to translate into reported financial returns, with the division reporting a £0.8m operating loss for the period.

The process to complete the realisation of legacy assets into cash started well in the first half and generated an operating profit contribution of £0.6m in the period. The book value of legacy assets at 30 November 2016 totals £42.0m, a significant decrease from the £60m of assets reported at 31 May 2016.

Following the previously announced restructure of central operations, the cost of the corporate division has decreased significantly from £3.4m to £2.4m for the six months to 30 November 2016.

Reported Group continuing operating profit fell from £4.9m to £0.1m whilst continuing profit before tax decreased from £0.8m to £0.2m.

Goodwill

The Group completed the acquisition of CA Blackwell in January 2016. Following experience with the business, the Group has re-measured goodwill in respect of two historic contracts where it became clear in the first half that further work and defect rectification would be required. Consequently, an increase of £2.7m has been recognised in goodwill with a corresponding decrease in acquired net assets of £2.7m. The decrease in acquired net assets reflects an increase in contract accruals at the acquisition date. This brings the goodwill to a total of £3.5m for the acquisition. No further revisions are expected to be required and the Board remains comfortable with the carrying value of the revised goodwill amount given the cash and profits that it expects to generate from the business.

Retirement Benefit Obligations

The Group is a member of two industry-wide defined benefit pension schemes and one concessionary fuel scheme as a result of its former deep mining operations at Maltby Colliery.

UK gilt yields remain weak and the falls over the first half have given rise to an increase in accounting estimates of the defined benefit pension scheme deficits. As a result, the Group has recognised an estimated increase in its defined benefit pension deficit of £4.1m, from £5.7m at 31 May 2016 to £9.8m at 30 November 2016. The Directors remain committed to funding these schemes. A full valuation is currently under review and is expected to be completed by 31 May 2017.

“The acquisition of CA Blackwell in January 2016 has been successfully integrated into the Group and contributed £1.1m of underlying operating profit.”

Interim Statement *continued*

The improvement within the working capital of the working capital of the Group has been driven by the realisation of legacy assets, totalling £15m in the first half.

Iain Cockburn, Group Finance Director

Interest

In the six months to 30 November 2016, continuing net finance expenses for the Group increased by £0.3m from £0.9m to £1.2m. This movement reflects a modest increase in average Group net debt levels during the period. Net debt (comprising cash and cash equivalents, bank overdrafts and other interest bearing loans and borrowings) at 30 November 2016 was £36.9m. The Group expects net debt to fall in the second half.

Taxation

Income tax expense for the first half was £0.2m compared with £0.5m for the six months ended 30 November 2015. This charge includes £146,000 relating to the impact on deferred taxation of the planned reduction in the UK corporation tax rate to 17%. The tax charge on current period results has been calculated based upon an estimated effective tax rate for the full year of 1.7%. This effective tax rate is significantly lower than the current UK corporation tax rate due to the expected utilisation of previously unrecognised tax losses within the Group's Specialist Earthworks business.

Earnings per Share

Reported basic earnings per share decreased by 0.52p from 0.49p to a loss of 0.03p, reflecting the small reported profit after tax during the period. Underlying diluted earnings per share decreased by 96.0% from 7.04p to 0.28p. The weighted average diluted number of shares in the period decreased slightly from 32.3m to 32.2m, as a result of a reduced number of unvested share options in employee share schemes.

Net Debt

Net debt increased by £4.6m from £32.3m at 31 May 2016 to £36.9m at 30 November 2016. The net debt increase reflects the Group's strong operating cash inflows since 31 May 2016, benefiting from the unwinding of legacy coal inventories. This was offset by the seasonal stock build in advance of the colder winter months as well as tax payments of £6.2m in the period, including a £5.2m advance payment in respect of the lease planning arrangement carried out in the year ended 31 May 2011.

Group net assets decreased from £131.4m at 31 May 2016 to £129.2m at 30 November 2016. Gearing (measured as net debt compared to net assets) at the end of November 2016 was 28.6%, compared with 24.6% at 31 May 2016.

The Group's financial position remains strong with net debt at 30 November 2016 equal to 2.6 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 £4.2m. Movements in working capital have resulted in a cash inflow of £2.3m for the period, making total cash inflow from operating activities of £6.5m.

The improvement within the working capital of the Group has been driven by the realisation of legacy assets, totalling £15m in the first half. This improvement has been offset by seasonal stock builds within our Coal Distribution business unit, as well as the anticipated unwind of the strong working capital position reported at 31 May 2016.

Tax payments of £6.2m included a final advance payment to HMRC of £5.2m in respect of the lease planning arrangement previously reported upon.

Net capital expenditure in the six months to 30 November 2016 was a net spend of £3.4m, a reduction of £0.9m compared to the period to 30 November 2015. Significant capital expenditures included development of the Group's Property & Energy projects, investment in surface mine stripping assets and capital investments in our Blackwell Plant business. Proceeds from sale of property, plant and equipment of £3.6m were mainly generated from surplus plant disposals, as we continue to orientate and synergise our yellow plant fleet.

Repayment of finance lease liabilities totalled £5.2m for the period, an increase of £2.4m compared to the prior period. This reflects the increase in the size of the Group's yellow plant fleet following the acquisition of CA Blackwell in the prior year.

The final dividend of 0.6 pence per share was paid in October 2016, resulting in a cash payment of £0.2m.

Financial Statements

Condensed Consolidated Statement of Comprehensive Income
for the Six Months Ended 30 November 2016

Continuing activities	Note	Unaudited six months ended 30 November 2016 £000	Unaudited six months ended 30 November 2015 £000	Audited year ended 31 May 2016 £000
Revenue		**170,921**	174,847	340,665
Cost of sales		**(151,722)**	(153,062)	(296,291)
Gross profit		**19,199**	21,785	44,374
Other operating income		**1,607**	57	265
Other administrative expenses		**(20,659)**	(16,981)	(39,434)
Operating profit (before exceptional items)		**147**	4,861	5,205
Exceptional items		**–**	(2,255)	(12,378)
Operating profit/(loss) (after exceptional items)		**147**	2,606	(7,173)
Financial income		**153**	483	1,153
Financial expenses		**(1,363)**	(1,392)	(2,785)
Share of profit/(loss) of associates and jointly controlled entities (net of tax)		**1,236**	(855)	(1,792)
Profit/(loss) before tax		**173**	842	(10,597)
Income tax (expense)/credit	4	**(159)**	(462)	1,082
Profit/(loss) for the period/year from continuing operations		**14**	380	(9,515)
Discontinued operations				
Loss for the period/year from discontinued operations		**–**	(157)	(940)
Profit/(loss) for the period/year		**14**	223	(10,455)
Other comprehensive (expense)/income				
Items that will not be reclassified to profit or loss				
Actuarial gains and losses on defined benefit pension plans		**(5,654)**	–	(1,098)
Tax recognised on items that will not be reclassified to profit or loss		**961**	–	181
Items that are or may be reclassified subsequently to profit or loss				
Foreign exchange translation differences		**2,173**	(582)	149
Effective portion of changes in fair value of cash flow hedges		**347**	(7)	1,119
Tax recognised on items that are or may be reclassified subsequently to profit or loss		**(63)**	(109)	(40)
Other comprehensive (expense)/income for the period/year, net of tax		**(2,236)**	(698)	311
Total comprehensive expense for the period/year		**(2,222)**	(475)	(10,144)
Profit/(loss) attributable to:				
Equity holders of the company		**(9)**	155	(10,498)
Non-controlling interest		**23**	68	43
Profit/(loss) for the period/year		**14**	223	(10,455)
Total comprehensive (expense)/income for the period/year attributable to:				
Equity holders of the company		**(2,245)**	(543)	(10,187)
Non-controlling interest		**23**	68	43
Total comprehensive expense for the period/year		**(2,222)**	(475)	(10,144)

Condensed Consolidated Statement of Comprehensive Income
for the Six Months Ended 30 November 2016 *continued*

Continuing activities	Note	Unaudited six months ended 30 November 2016 £000	Unaudited six months ended 30 November 2015 £000	Audited year ended 31 May 2016 £000
GAAP measures				
Basic earnings per share (pence)	6	**(0.03)**	0.49	(32.96)
Diluted earnings per share (pence)	6	**(0.03)**	0.48	(32.96)
Basic earnings per share from continuing operations (pence)	6	**(0.03)**	0.98	(30.01)
Diluted earnings per share from continuing operations (pence)	6	**(0.03)**	0.97	(30.01)
Non-GAAP measures (continuing)				
Basic underlying earnings per share (pence)		**0.28**	7.13	5.70
Diluted underlying earnings per share (pence)		**0.28**	7.04	5.63

Condensed Consolidated Balance Sheet
as at 30 November 2016

	Unaudited 30 November 2016 £000	Unaudited 30 November 2015 £000	Restated Audited* 31 May 2016 £000
Non-current assets			
Property, plant and equipment	**68,679**	57,487	68,095
Investment property	**5,126**	5,126	5,126
Intangible assets	**12,313**	9,479	12,223
Investments in associates and jointly controlled entities	**2,501**	4,181	1,043
Derivative financial instruments	**369**	–	–
Deferred tax assets	**3,048**	2,574	3,207
	92,036	78,847	89,694
Current assets			
Assets held for sale	**5,040**	5,040	5,040
Inventories	**40,533**	60,423	46,983
Derivative financial instruments	**348**	114	32
Trade and other receivables	**127,610**	105,892	117,310
Cash and cash equivalents	**27,457**	21,804	21,161
	200,988	193,273	190,526
Total assets	**293,024**	272,120	280,220
Non-current liabilities			
Interest-bearing loans and borrowings	**(59,441)**	(48,417)	(46,098)
Retirement benefit obligations	**(9,764)**	(4,917)	(5,699)
Provisions	**(3,919)**	(5,154)	(4,189)
Derivative financial instruments	**–**	(390)	(66)
	(73,124)	(58,878)	(56,052)
Current liabilities			
Interest-bearing loans and borrowings	**(4,965)**	(4,146)	(7,401)
Trade and other payables	**(84,047)**	(57,609)	(77,844)
Income tax liabilities	**–**	(8,679)	(6,271)
Provisions	**(867)**	–	(867)
Derivative financial instruments	**(834)**	(1,538)	(430)
	(90,713)	(71,972)	(92,813)
Total liabilities	**(163,837)**	(130,850)	(148,865)
Net assets	**129,187**	141,270	131,355
Equity attributable to equity holders of the parent			
Share capital	**3,314**	3,314	3,314
Share premium	**73,955**	73,955	73,955
Other reserves	**211**	211	211
Translation reserve	**(1,409)**	(4,313)	(3,582)
Merger reserve	**1,022**	1,022	1,022
Hedging reserve	**222**	(1,147)	(62)
Capital redemption reserve	**1,530**	1,530	1,530
Retained earnings	**49,934**	66,288	54,582
	128,779	140,860	130,970
Non-controlling interest	**408**	410	385
Total equity	**129,187**	141,270	131,355

* Figures are audited excluding impact of restatement to intangible assets and trade and other payables.

Consolidated Statement of Changes in Equity
for the Six Months Ended 30 November 2015

	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 2015	3,314	73,955	(3,731)	(1,141)	211	1,530	1,022	72,999	148,159	342	148,501
Total comprehensive income and expense for the period											
Profit for the period	–	–	–	–	–	–	–	155	155	68	223
Other comprehensive income											
Foreign exchange translation differences	–	–	(582)	–	–	–	–	–	(582)	–	(582)
Effective portion of changes in fair value of cash flow hedges	–	–	–	(7)	–	–	–	–	(7)	–	(7)
Tax recognised on other comprehensive income	–	–	–	1	–	–	–	(110)	(109)	–	(109)
Total other comprehensive income	–	–	(582)	(6)	–	–	–	(110)	(698)	–	(698)
Total comprehensive income and expense for the period	–	–	(582)	(6)	–	–	–	45	(543)	68	(475)
Transactions with owners recorded directly in equity											
Equity settled share-based payment transactions	–	–	–	–	–	–	–	275	275	–	275
Dividends paid	–	–	–	–	–	–	–	(6,433)	(6,433)	–	(6,433)
Purchase of own shares	–	–	–	–	–	–	–	(598)	(598)	–	(598)
Total contributions by and distributions to owners	–	–	–	–	–	–	–	(6,756)	(6,756)	–	(6,756)
Balance at 30 November 2015	**3,314**	**73,955**	**(4,313)**	**(1,147)**	**211**	**1,530**	**1,022**	**66,288**	**140,860**	**410**	**141,270**

Consolidated Statement of Changes in Equity
for the Six Months Ended 30 November 2016

	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 2016	3,314	73,955	(3,582)	(62)	211	1,530	1,022	54,582	130,970	385	131,355
Total comprehensive income and expense for the period											
(Loss)/profit for the period	–	–	–	–	–	–	–	(9)	(9)	23	14
Other comprehensive income											
Foreign exchange translation differences	–	–	2,173	–	–	–	–	–	2,173	–	2,173
Effective portion of changes in fair value of cash flow hedges	–	–	–	347	–	–	–	–	347	–	347
Remeasurement of defined benefit pension plans	–	–	–	–	–	–	–	(5,654)	(5,654)	–	(5,654)
Tax recognised on other comprehensive income	–	–	–	(63)	–	–	–	961	898	–	898
Total other comprehensive income	–	–	2,173	284	–	–	–	(4,693)	(2,236)	–	(2,236)
Total comprehensive income and expense for the period	–	–	2,173	284	–	–	–	(4,702)	(2,245)	23	(2,222)
Transactions with owners recorded directly in equity											
Equity settled share-based payment transactions	–	–	–	–	–	–	–	245	245	–	245
Dividends paid	–	–	–	–	–	–	–	(191)	(191)	–	(191)
Total contributions by and distributions to owners	–	–	–	–	–	–	–	54	54	–	54
Balance at 30 November 2016	**3,314**	**73,955**	**(1,409)**	**222**	**211**	**1,530**	**1,022**	**49,934**	**128,779**	**408**	**129,187**

Condensed Consolidated Cash Flow Statement
for the Six Months Ended 30 November 2016

	Unaudited six months ended 30 November 2016 £000	Unaudited six months ended 30 November 2015 £000	Audited year ended 31 May 2016 £000
Cash flows from operating activities			
Profit/(loss) for the period/year from continuing operations	**14**	380	(9,515)
Adjustments for:			
Depreciation	**5,277**	3,618	9,261
Depreciation of mining assets	**402**	2,505	7,263
Amortisation and impairment of goodwill and intangible assets	**123**	376	1,026
Net finance expense	**1,210**	909	1,632
Share of (profit)/loss of jointly controlled entities (net of tax)	**(1,236)**	855	1,792
Impairment of investment in joint venture	**–**	–	4,302
Profit on sale of property, plant and equipment	**(1,738)**	(57)	(265)
Equity settled share-based payment expense	**245**	442	520
Income tax expense/(credit)	**159**	462	(1,082)
Translation of non-controlling interest	**(221)**	125	(5)
	4,235	9,615	14,929
Change in inventories	**6,442**	(2,631)	15,541
Change in trade and other receivables	**(9,704)**	1,484	10,696
Change in trade and other payables	**6,405**	(14,280)	(21,775)
Change in provisions and employee benefits	**(897)**	(870)	754
	6,481	(6,682)	20,145
Interest paid	**(918)**	(3,684)	(4,011)
Income tax paid	**(6,206)**	(5,387)	(6,702)
Net cash from continuing operating activities	**(643)**	(15,753)	9,432
Net cash from discontinued operating activities	**–**	(894)	(3,156)
Net cash from operating activities	**(643)**	(16,647)	6,276
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**3,646**	761	1,613
Dividends received	**–**	802	839
Acquisition of subsidiaries (net of cash acquired)	**–**	(273)	(4,110)
Acquisition of property, plant and equipment	**(7,085)**	(5,580)	(15,075)
Net cash from investing activities in continuing operations	**(3,439)**	(4,290)	(16,733)
Net cash from investing activities in discontinued operations	**–**	–	–
Net cash from investing activities	**(3,439)**	(4,290)	(16,733)
Cash flows from financing activities			
Purchase of own shares	**–**	(598)	(598)
Payment of finance lease liabilities	**(5,164)**	(2,751)	(6,591)
Payment of other loan balances	**–**	–	(2,890)
Dividends paid	**(191)**	(6,433)	(6,924)
Proceeds from Group banking facilities	**15,500**	9,000	5,000
Net cash from financing activities in continuing operations	**10,145**	(782)	(12,003)
Net cash from financing activities in discontinued operations	**–**	(282)	(282)
Net cash from financing activities	**10,145**	(1,064)	(12,285)
Net increase/(decrease) in cash and cash equivalents	**6,063**	(22,001)	(22,742)
Cash and cash equivalents at the start of the period/year	**21,161**	43,853	43,853
Effect of exchange rate fluctuations on cash held	**233**	(48)	50
Cash and cash equivalents at the end of the period/year	**27,457**	21,804	21,161

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 2016 and the comparative figures for the six months ended 30 November 2015 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 2016.

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 2016, as described in those financial statements.

3. Status of Financial information
The comparative figures for the financial year ended 31 May 2016 are not the company's statutory financial statements for that financial year and are restated after an adjustment to intangible assets and trade and other payables relating to the re-measurement of goodwill referred to in the Financial Review. The statutory financial accounts for the financial year ended 31 May 2016 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 19.83% (six months ended 30 November 2015: 20.0%; year ended 31 May 2016: 20.0%). The effective tax rate, excluding the impact of JCEs, is 1.73%, representing the best estimate of the annual effective rate expected for the full year.

5. Dividends
The dividend of 0.6 pence per ordinary share, proposed in the 2016 Annual Accounts and agreed by the shareholders at the Annual General Meeting on 5 October 2016, was paid on 21 October 2016.

The directors have recommended an interim dividend of 2.7 pence per share which will be paid on 7 April 2017 to shareholders on the register at the close of business on 24 February 2017.

6. Earnings per Share
Earnings per share for the ordinary shares are as follows:

	Unaudited six months ended 30 November 2016 Continuing and discontinued	Unaudited six months ended 30 November 2016 Continuing	Unaudited six months ended 30 November 2015 Continuing and discontinued	Unaudited six months ended 30 November 2015 Continuing	Audited year ended 31 May 2016 Continuing and discontinued	Audited year ended 31 May 2016 Continuing
Ordinary shares						
Basic earnings per share	**(0.03)**	**(0.03)**	0.49	0.98	(32.96)	(30.01)
Diluted earnings per share	**(0.03)**	**(0.03)**	0.48	0.97	(32.96)	(30.01)

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 2016 Continuing and discontinued	Unaudited six months ended 30 November 2016 Continuing	Unaudited six months ended 30 November 2015 Continuing and discontinued	Unaudited six months ended 30 November 2015 Continuing	Audited year ended 31 May 2016 Continuing and discontinued	Audited year ended 31 May 2016 Continuing
(Loss)/profit for the period/year attributable to equity holders (£000)	**(9)**	**(9)**	155	312	(10,498)	(9,558)
Weighted average number of shares	**31,825,447**	**31,825,447**	31,887,488	31,887,488	31,851,053	31,851,053
Earnings per ordinary share (pence)	**(0.03)**	**(0.03)**	0.49	0.98	(32.96)	(30.01)

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. The effect on earnings per ordinary share is nil p in the period/year due to the loss attributable to equity holders.

	Unaudited six months ended 30 November 2016 Continuing and discontinued	Unaudited underlying six months ended 30 November 2016 Continuing	Unaudited six months ended 30 November 2015 Continuing and discontinued	Unaudited underlying six months ended 30 November 2015 Continuing	Audited year ended 31 May 2016 Continuing and discontinued	Audited year ended 31 May 2016 Continuing
(Loss)/profit for the period/year attributable to equity holders (£000)	**(9)**	**(9)**	155	312	(10,498)	(9,558)
Weighted average number of shares	**32,177,392**	**32,177,392**	32,309,031	32,309,031	32,251,497	32,251,497
Diluted earnings per ordinary share (pence)	**(0.03)**	**(0.03)**	0.48	0.97	(32.96)	(30.01)

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 six months ended 30 November 2016 Underlying	Unaudited six months ended 30 November 2015 Underlying	Audited year ended 31 May 2016 Underlying
(Loss)/profit for the period/year attributable to equity holders from continuing operations (£000)	**(9)**	312	(9,558)
Amortisation/impairment of intangibles/goodwill	**123**	198	584
Exceptional items	**–**	2,255	12,378
Tax effect of above items	**(25)**	(491)	(1,587)
Continuing underlying profit after tax	**89**	2,274	1,817

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. The Group has changed its reportable operating segments effective 1 June 2016 and the segmental information for the comparative period has been re-stated accordingly.

	Distribution & Services Unaudited 30 November 2016 £000	Property & Energy Unaudited 30 November 2016 £000	Legacy Unaudited 30 November 2016 £000	Corporate Unaudited 30 November 2016 £000	Total Unaudited 30 November 2016 £000
Revenue					
Total revenue	159,569	1,376	10,205	–	171,150
Inter-segment revenue	(229)	–	–	–	(229)
Revenue from external customers	**159,340**	**1,376**	**10,205**	**–**	**170,921**
Segment operating profit/(loss)	**2,826**	**(834)**	**579**	**(2,424)**	**147**
Share of profit in associates and jointly controlled entities	1,236	–	–	–	1,236
Net financing costs	(1,239)	(238)	–	267	(1,210)
Profit/(loss) before taxation	**2,823**	**(1,072)**	**579**	**(2,157)**	**173**

Notes to the Interim Report *continued*

7. Segmental Information *continued*

	Distribution & Services Unaudited 30 November 2015 £000	Property & Energy Unaudited 30 November 2015 £000	Legacy Unaudited 30 November 2015 £000	Corporate Unaudited 30 November 2015 £000	Total Unaudited 30 November 2015 £000
Revenue					
Total revenue	174,766	674	–	–	175,440
Inter-segment revenue	(593)	–	–	–	(593)
Revenue from external customers	**174,173**	**674**	**–**	**–**	**174,847**
Segment operating profit/(loss)	**8,927**	**(630)**	**–**	**(3,436)**	**4,861**
Share of loss in jointly controlled entities	(855)	–	–	–	(855)
Net financing costs	(1,002)	(218)	–	311	(909)
Profit/(loss) before taxation (pre exceptional costs)	**7,070**	**(848)**	**–**	**(3,125)**	**3,097**
Exceptional Costs					(2,255)
Profit before taxation					**842**

8. Interim Results

These results were approved by the Board of Directors on 14 February 2017. 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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