27 July 2022

HARGREAVES SERVICES PLC

("Hargreaves" or the "Group")

Results for the year ended 31 May 2022

Hargreaves Services plc (AIM: HSP), a diversified group delivering key services to the industrial and property sectors, announces its results for the year ended 31 May 2022. The Group has delivered very strong results and developed a strong platform from which to create, deliver and realise value for shareholders.

KEY FINANCIAL RESULTS

Year ended 31 May	**2022**	2021
Revenue*	**£177.9m**	£204.8m
Underlying Profit Before Tax ("UPBT")**	**£32.7m**	£21.2m
Profit from joint ventures	**£28.2m**	£17.7m
Profit Before Tax from continuing operations	**£34.5m**	£14.4m
Basic earnings per share	**113.8p**	50.8p
Basic underlying EPS from continuing operations*	**103.2p**	70.7p
Proposed Final Dividend	**5.6p**	4.5p
Proposed Additional Dividend	**12.0p**	12.0p
Cash and cash equivalents***	**£13.8m**	£28.3m
Net (Debt)/Cash (including leasing debt)	**(£4.6m)**	£16.5m
Net Assets	**£183.1m**	£144.3m
Net Assets per Share	**563p**	447p

** Revenue reduced following exit from coal activities in 2021, while like-for like Services revenue increased by 18.7% to £162.8m (2021: £137.2m)*
*** The basis of Underlying Profit Before Tax and basic underlying EPS is set out in Note 7*
**** Excludes £15m loan made to HRMS, £12m of which was repaid in July*

.

HIGHLIGHTS

- UPBT improved materially to £32.7m (2021: £21.2m), including £28.2m (2021: £17.7m) contribution from joint ventures
    - German joint venture contributed £27.3m (2021: £13.6m) benefitting from:
        - Very strong commodity market conditions
        - DK Recycling sustainable cost reductions and operational improvements
- Services UPBT increased to £7.6m from £5.1m as HS2 contract progresses
- Hargreaves Land momentum continues:
    - Further sales delivered at Blindwells
    - £50m of conditional contracts exchanged at Unity JV
    - Renewable energy land portfolio records first rental incomes
- Balance sheet free of bank debt
- Net assets increased by 26.9% to £183.1m (2021: £144.3m)
- Final dividend of 5.6p (2021: 4.5p) proposed, an increase of 24.4%
- Additional dividend of 12p (2021: 12p) proposed, funded by dividend to be received from HRMS

Commenting on the preliminary results, Chairman Roger McDowell said: *"The Board has a clear, strategic investment proposition from which to create, deliver and realise shareholder value. These results, which include the* *highest level of profit recorded in seven years, illustrate the Group's agility in taking advantage of market conditions whilst also delivering strong, underlying and sustainable profits. The Board is alive to current economic issues and our balance sheet strength will serve the Group well in a period of challenging global economic outlook."*

Analyst meeting & investor presentation

A briefing for analysts will be held via Zoom at 9.30am this morning, Wednesday 27 July 2022. Please contact Walbrook PR on 020 7933 8780 or at hargreavesservices@walbrookpr.com for further information.

A live presentation relating to the Company's Preliminary Results via the Investor Meet Company platform will be given by management on Thursday 28 July 2022 at 4:30pm GMT. Investors can sign up to Investor Meet Company for free and add to meet Hargreaves Services via:

https://www.investormeetcompany.com/hargreaves-services-plc/register-investor

A presentation recording on the financial results and business outlook delivered by management will be made available on the Company's website later today, here: https://www.hsgplc.co.uk/investors.aspx.

Enquiries:

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Chairman's Statement

Roger McDowell, Group Chairman

Introduction

The Group performed strongly throughout the financial year achieving a 54.2% increase in underlying profit before tax ("UPBT")* of £32.7m (2021: £21.2m). We have seen strong growth in both our Services business, which has been buoyed by the commencement of the HS2 contract, and the Group's investment in the German Joint Venture ("HRMS"). Hargreaves Land continued to progress its major developments at Blindwells and the Unity Joint Venture whilst also seeing the first incomes arise from its renewable asset land portfolio which promises so much potential future value. Profit before tax from continuing operations was £34.5m (2021: £14.4m). Basic underlying earnings per share from continuing operations* have increased to 103.2p compared to 70.7p in the prior year. Basic earnings per share was 113.8p (2021: 50.8p).

On behalf of the Board, I would like to thank everyone at Hargreaves for their hard work, dedication and passion, without which the Group would not be what it is today. Over the last few years the Group has undertaken a dramatic strategic transformation, which is now creating, delivering and beginning to realise substantially increased shareholder value.

Continuing momentum

This year the Group has built strong momentum in all three business areas of Services, Hargreaves Land and HRMS.

The Services business has started work in earnest on the major earthmoving project at HS2, which has led to a growth in UPBT. I am also pleased to see the expansion of our mechanical and electrical engineering capabilities, as demonstrated by our appointment to two major engineering contracts on HS2 collectively worth over £18m. Further environmentally positive business initiatives have been undertaken including the remediation of over 100 acres of previously unusable former mining land in Scotland.

Strategic progress has also been seen within Hargreaves Land. Further sales have been completed and exchanged at Blindwells and the wider pipeline looks strong with the conditional exchange of contracts for the development and sale of the first logistics units at the Unity Joint Venture near Doncaster due to complete over the coming years. The Group's value creation from its renewable land assets has also taken a big step forward in the year as Brockwell Energy announced they had achieved financial close on their Energy from Waste plant, which is under construction on our Westfield site. The first windfarm is now under construction by BayWa AG on our site at Dalquhandy. The creation of value from our renewable asset land portfolio over the next few years is an exciting prospect.

The HRMS team continues to demonstrate its ability to be agile in an ever-changing commodities market, which has allowed them to take advantage of recent favourable pricing to deliver an excellent profit for the year, following a very strong performance in the prior year. Whilst the current result is pleasing, I am more excited by the underlying and sustainable improvements made in the steel recycling business, DK Recycling und Roheisen GmbH ("DK"). Since acquisition by HRMS in 2019, the management team has implemented improvements to operating processes and administrative functions which should deliver a sustainable improvement of around €10m per annum compared to their pre-acquisition performance. DK contributed approximately 43% of the HRMS result for the year.

Cash and leasing debt

The Group remains free from any bank debt and held net cash of £13.8m on 31 May 2022, compared to £28.3m in the prior year. This reduction is due to the decision to loan £15m to HRMS to enable them to capitalise on the current trading conditions. I am pleased to see that this funding provided to our Joint Venture has helped to deliver substantial returns. £12m of this loan was repaid in July 2022. Notwithstanding this, cash generated from operations has been primarily invested into Hargreaves Land assets and leased plant and equipment, principally for the HS2 contract.

The only debt held by the Group relates to specific leasing debts for the acquisition of fixed assets. At the year end this borrowing stood at £18.4m, which is an increase of £6.6m when compared to 31 May 2021 due to the initial investment required to mobilise the HS2 earthmoving contract within Services.

Dividend

The Group paid an interim dividend of 2.8p, which represented a 3.7% increase year on year. The continued strong performance of the Group throughout the remainder of the year has enabled the Board to announce an increase of nearly 25% to the final dividend, which is proposed to be 5.6p (2021: 4.5p). This brings the underlying full year dividend to 8.4p (2021: 7.2p) representing an overall increase of 16.7%.

In addition to the final dividend of 5.6p, the Board is also proposing an additional dividend of 12.0p per share (2021: 12.0p) in relation to dividends to be received from previously undistributed profits at HRMS. Combined this brings the total dividend for the year ended 31 May 2022 to 20.4p (2021: 19.2p).

If approved at the Annual General Meeting, the final dividend of 5.6p and the additional dividend of 12.0p will be paid on 31 October 2022 to all shareholders on the register at the close of business on 23 September 2022. The shares will become ex-dividend on 22 September 2022.

Environmental, social and governance ("ESG")

The Group has established a cross-business working group ("ESG Group") which is focussed on identifying the risks and opportunities arising from climate change and other social and governance matters. The ESG Group reports directly into the Audit and Risk Committee and contains representatives from each aspect of the business. I am pleased to see the high levels of engagement in this group and the fact that the drive for sustainability is coming from all parts of the Group.

Hargreaves has taken significant strides in the last year to develop our Employee Assistance Programme and train our mental health first aiders. The well-being of our employees is essential in delivering value to all of our stakeholders. We have also established a dedicated Corporate Social Responsibility fund for supporting local charities and activities in which our employees are actively involved.

Strategy and Shareholder Value

The Group remains focussed on its strategy to create, deliver and realise value for shareholders through the three core businesses of Services, Hargreaves Land and HRMS.

Create

The commencement of the major earthmoving contract at HS2 and the growing mechanical and electrical capabilities of the Services business have enabled opportunities for the Group to create value for Shareholders. The Hargreaves Land team are creating substantial shareholder value through the development of the renewable energy land portfolio and HRMS continues to create value through its ability to adapt to market conditions.

Deliver

The Services business has secured over 50 term contracts and framework agreements and is focussed on their successful delivery. The long term land development assets at Blindwells and Unity are continuing to deliver returns as we are now seeing regular revenues and profit generation. The delivery of value from the renewable land portfolio will increase steadily over the next few years. The transformation of the operations within DK, part of HRMS, is now delivering recurring and more sustainable returns, enabling the base level of profitability to be increased within HRMS.

Realise

We are increasing the underlying full year dividend by 16.7% to 8.4p in recognition of the successful delivery of the value created within the Group. Additionally, the value within HRMS continues to be repatriated to shareholders via the additional 12.0p annual dividend. The Board is confident that this increase is sustainable and fairly reflects the value that is being delivered within the Group. Further value realisation opportunities remain in the forefront of the Board's considerations.

Outlook

The Group now has significant momentum, which has resulted in the highest UPBT for the Group in seven years. The Balance Sheet remains free from bank debt and third party security and provides a strong platform for growth allowing the Group to remain agile to opportunities. Our net tangible assets now stand at £178.3m (2021: £139.5m) representing 548p per share (2021: 432p).

The Board is acutely aware of the uncertainties in current global economic outlook and has strategies in place to mitigate the challenges of UK inflation. HRMS is also taking steps to plan for potential threats to German energy supplies. The Board has great confidence in the strategy and expectations for the Group's financial performance heading into the year ending 31 May 2023.

Roger McDowell
Chairman

26 July 2022

** The basis of Underlying profit before tax and basic underlying EPS is set out in Note 7.*

Group Business Review

Gordon Banham, Group Chief Executive

CHIEF EXECUTIVE'S REVIEW

£'m	Services	Hargreaves Land	HRMS	Central Costs	Total
Revenue (2022)	**162.8**	**15.1**	**-**	**-**	**177.9**
Revenue (2021)	*193.0*	*11.8*	*-*	*-*	*204.8*
Underlying Profit/(Loss) before Tax* (2022)	**7.6**	**2.1**	**27.3**	**(4.3)**	**32.7**
Underlying Profit/(loss) before Tax (2021)*	*5.1*	*6.3*	*13.6*	*(3.8)*	*21.2*
Profit before tax from continuing operations (2022)	***9.4***	***2.1***	***27.3***	***(4.3)***	***34.5***
Profit before tax from continuing operations (2021)	*(1.7)*	*6.3*	*13.6*	*(3.8)*	*14.4*

** The basis of Underlying Profit Before Tax is set out in Note 7.*

Services
The Services business recorded a reduction in revenue from £193.0m to £162.8m due to the decision taken in the prior year to cease all material coal activities, which accounted for £55.8m in the year ended 31 May 2021. Like for like Services revenue has grown from £137.2m to £162.8m, an increase of 18.7%. This growth has predominantly come from the major earthmoving contract on HS2, which commenced during the year.

The business unit delivered a UPBT of £7.6m, representing a growth of nearly 50% over the prior year. Whilst much of this improvement is delivered by the HS2 contract, operating margins have also improved across the business unit from 2.6% to 4.7%, reflecting the move away from the low margin coal activities.

In my previous report, I highlighted two specific contracts, which were on the horizon and I would like to provide an update on both of them.

HS2
I am pleased to report that the major earthmoving contract with the EKFB Consortium on HS2 has begun well. We now have over 350 people working on the project, with almost 300 items of plant being put to work. In addition to the earthmoving activities, we have also developed a solution to reduce the carbon emissions on the project through the installation of an overland conveyor system to remove excess material from site, which will eliminate over 78,000 lorry movements amounting to over 700,000 miles. This will not only reduce the carbon emissions through less miles driven, but also reduce the noise pollution for local residents.

Hemerdon
Following the listing of Tungsten West plc ("TW") on AIM in October 2021, we received the first of eight annual payments of £1m relating to maintaining our capability at site. TW announced in April 2022 that it intended to pause their development plan for the site and evaluate alternative approaches. A further announcement was made by TW on 19 July 2022 which indicates that TW plans to commence production in the first half of calendar year 2023. TW states that it has to put further funding in place to achieve this. Whilst this news does mean that any growth that was expected to come from the commencement of mining activities may be delayed, the Group

remains in a strong contractual position with security over the mineral rights. The Group remains in close contact with TW.

Profitability within Services has remained weighted to the second half of the year, however, in the coming year this is likely to level out as the works undertaken on HS2 provide greater profitability in the summer months, reducing the seasonality.

With over 50 framework and term contracts in place and approximately 75% of next year's revenue secured, the Services business has resilience to the current inflationary pressures. Most term contracts include a form of price escalation, particularly in relation to fuel increases for our logistics operations. The main HS2 contract is a defined cost plus fee arrangement so that increases in defined costs will be recovered. With inflation in the UK rising to over 7% in the second half of the last financial year, the business has seen the benefit of these clauses in the contracts in mitigating the impact of such risks.

Our mechanical, electrical and civils capabilities were enhanced on 7 July 2022 by the acquisition for £750,000 in cash of SBU Limited and its subsidiary S&B Utilities Limited ("SBU"). SBU has long standing framework contracts with Yorkshire Water and Severn Trent Services together with a very recent appointment with Northumbrian Water. The business, which has annual revenue of around £4m and over 40 employees, will strengthen our business offering in the utilities sector.

Hargreaves Land

Hargreaves Land recorded revenue of £15.1m (2021: £11.8m) and a Profit before tax of £2.1m (2021: £6.3m) for the year. This reduction of £4.2m in profitability is due to the timing of sales at the Unity Joint Venture, near Doncaster. In April 2021, the Unity Joint Venture completed a material sale to a national retailer, which was several months ahead of the original plan. This sale pulled forward £4.1m of profit into the year ended 31 May 2021, which has led to the reduction recorded in 2022.

Further progress has been made at Unity, with the exchange of contracts announced in February 2022 for the conditional sale of a total of 29 acres to Aver Property and the development of two logistics units for £50m consideration. Completion is expected to occur over the next 24 months. The Unity Joint Venture is independently funded from Hargreaves.

During the year, the business has completed a further sale at Blindwells. A 12.9 acre plot was sold to Persimmon in January 2022 for a total consideration of £9.6m, which is payable in three annual instalments. In February, the Group announced the exchange of contracts with Ogilvie Homes for the sale of a 4.6 acre plot, which is expected to complete in the next financial year. This demonstrates continuing progress within the Blindwells development, which welcomed its first residents in the financial year. The site remains a long term, regular annual profit stream for Hargreaves Land, with approximately 120 acres still remaining to be sold within Phase 1. The first phase is expected to be developed out by 2031 with Phase 2, known as Greater Blindwells, comprising approximately 1,000 acres progressing through the local plan process with a planning allocation for up to 8,000 homes expected to be secured before 2030.The Group has an effective 25% share of the land in this second phase.

An exciting development within Hargreaves Land has been the increasing momentum behind the Group's renewable energy land assets. The Group's former subsidiary, Brockwell Energy Limited, achieved financial close on their Energy from Waste plant at Westfield, Fife, which provided an immediate £2m of deferred consideration from the original sale of the business. Additionally, Brockwell entered into a 35-year minimum term index linked lease, which will deliver annual rental income of £0.4m following the construction of the plant which is expected to take about three years.

This marks the first significant income relating to the Group's renewable energy land portfolio, which in addition to Westfield includes options over land with wind farm developers needed to produce 580 MWs of power on various long-term agreements, which are expected to begin delivering value over the next 24 months. This represents more than 2% of the UK's total installed wind power capacity in 2021*. This is a particularly exciting area for Hargreaves Land and represents an opportunity to create substantial value for the Group.

Hargreaves Land acts solely as a landlord in this area and does not undertake any construction work or ownership of the energy generating assets themselves.

HRMS

HRMS contributed £27.3m (2021: £13.6m) to the Group's Profit before Tax. This represents an increase of 110% and demonstrates the continuing strong performance that was seen from HRMS in the second half of the previous year.

The traditional trading business has seen a substantial increase in volumes of minerals traded, which has accompanied the increase in commodity prices seen over the past 18 months. The trading team at HRMS have always been skilled at maximising opportunities whilst minimising the risk profile taken. This has been highlighted in the current year's result.

The performance by the trading team has been complemented by the significant turn around in the profitability of the steel waste recycling business, DK. Prior to acquisition by HRMS in December 2019, this business was loss making. Since then, the management team has introduced a number of measures which have led to an approximate €10m of sustainable improvement in profitability. In addition to this sustainable improvement, DK has also benefited from high commodity prices, in particular zinc and pig iron, which have augmented the result.

The third aspect of HRMS is the Carbon Pulverisation Plant. The plant is fully operational and producing 100kt of pulverised product per annum, which represents around 25% of the plant's full capacity. The facility delivered a break even result in the year, which is in line with the prior year result. It is not expected to move into profitability until the year ending 31 May 2024 whilst economic uncertainties persist in German industrial markets as a result of the war in Ukraine.

HRMS mitigates against its exposure to commodity prices by both hedging forward sales positions and by ensuring that it does not enter into open trading positions so that purchases of commodities are back to back with secured sales. DK is considering the installation of a liquid gas tank to provide resilience in the event of a gas supply shortage although only small quantities of gas are used in the production process.

Summary

This year has been one of real momentum, particularly within Services and Hargreaves Land, whilst HRMS continues to demonstrate its ability to capitalise on market opportunities.

I am particularly pleased with the resilience of the Services business, given the challenges faced by many businesses regarding cost inflation and supply chain difficulties. Hargreaves Land continues to deliver long term and recurring profits from the two flagship projects at Blindwells and Unity, whilst developing an exciting pipeline of opportunities, not least of which is the renewable energy land portfolio. Finally, the sustainable improvements made at DK have highlighted the ability of the management team to identify and take advantage of opportunities, which can deliver substantial value.

Hargreaves has undertaken significant changes over recent years and I believe we have navigated the challenges which have arisen well. The business has a strong, debt-free balance sheet and I look to the future with optimism.

Gordon Banham
Group Chief Executive
26 July 2022

**Source: https://www.statista.com/statistics/421861/wind-power-capacity-in-the-united-kingdom*

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 May 2022

Continuing operations	Note	2022 £000	2021 £000
Revenue	2	**177,908**	204,796
Cost of sales		**(148,458)**	(181,453)
Gross profit		**29,450**	23,343
Other operating income		**1,298**	3,821
Administrative expenses		**(24,520)**	(29,234)
Operating profit/(loss)		**6,228**	(2,070)
Analysed as:			
Operating profit (before exceptional items and impairment charges)		**4,474**	4,751
Exceptional items	3	**1,754**	(2,186)
Impairment of intangible assets		**-**	(4,635)
Operating profit/(loss)		**6,228**	(2,070)
Finance income		**823**	646
Finance expenses		**(770)**	(1,882)
Share of profit in joint ventures (net of tax)		**28,200**	17,680
Profit before tax		**34,481**	14,374
Taxation	4	**347**	2,032
Profit for the year from continuing operations		**34,828**	16,406

Discontinued operations

	Note	2022 £000	2021 £000
Profit for the year from discontinued operations	5	**2,000**	-
Profit for the year		**36,828**	16,406
Other comprehensive income/expense			
Items that will not be reclassified to profit or loss			
Gain in defined benefit pension schemes		**5,955**	1,956
Tax recognised on items that will not be reclassified to profit or loss		**(1,488)**	(319)
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange translation differences		**313**	(1,806)
Effective portion of changes in fair value of cash flow hedges		**41**	136
Tax recognised on items that are or may be reclassified subsequently to profit or loss		**(8)**	(25)
Share of other comprehensive income of joint ventures, (net of tax)		**3,070**	-
Other comprehensive income/(expense) for the year, net of tax		**7,883**	(58)
Total comprehensive income for the year		**44,711**	16,348

	Note	2022 £000	2021 £000
Profit/(loss) attributable to:			
Equity holders of the Company		**37,040**	16,426
Non-controlling interest		**(212)**	(20)
Profit for the year		**36,828**	16,406
Total comprehensive income attributable to:			
Equity holders of the Company		**44,923**	16,368
Non-controlling interest		**(212)**	(20)
Total comprehensive income for the year		**44,711**	16,348
Basic earnings per share (pence)	6	**113.80**	50.84
Diluted earnings per share (pence)	6	**110.44**	49.38
Continuing basic earnings per share (pence)	6	**107.62**	50.84
Diluted continuing basic earnings per share (pence)	6	**104.44**	49.38

Non-GAAP Measures

Basic underlying earnings per share from continuing operations (pence)*	6	**103.23**	70.66

Diluted underlying earnings per share from continuing operations (pence)*	6	**100.18**	68.64

* See Alternative Performance Measures in Note 7

Group Balance Sheet
at 31 May 2022

	2022 £000	Restated* 2021 £000
Non-current assets		
Property, plant and equipment	**9,938**	13,806
Right-of-use assets	**22,062**	13,776
Investment property	**8,298**	7,607
Intangible assets including goodwill	**4,824**	4,824
Investments in joint ventures	**58,383**	31,187
Deferred tax assets	**11,063**	10,084
Trade receivables	**4,224**	_-
Retirement benefit surplus	**10,382**	2,911
	129,174	84,195
Current assets		
Other financial assets	**–**	2
Inventories	**30,476**	27,168
Trade and other receivables	**88,574**	78,260
Income tax asset	**–**	59
Contract assets	**6,752**	1,720
Cash and cash equivalents	**13,773**	28,303
	139,575	135,512
Total assets	**268,749**	219,707
Non-current liabilities		
Other interest-bearing loans and borrowings	**(11,045)**	(8,586)
Retirement benefit obligations	**(2,703)**	(2,867)
Provisions*	**(2,344)**	(3,087)
Deferred tax liabilities	**(1,920)**	–

	(18,012)	(14,540)
Current liabilities		
Other interest-bearing loans and borrowings	**(7,326)**	(3,179)
Trade and other payables*	**(50,727)**	(49,611)
Provisions*	**(9,440)**	(8,038)
Income tax liability	**(108)**	–
Other financial liabilities	**–**	(43)
	(67,601)	(60,871)
Total liabilities	**(85,613)**	(75,411)
Net assets	**183,136**	144,296

	2022 £000	2021 £000
Equity attributable to equity holders of the Parent		
Share capital	**3,314**	3,314
Share premium	**73,972**	73,955
Other reserves	**211**	211
Translation reserve	**(1,819)**	(2,132)
Merger reserve	**1,022**	1,022
Hedging reserve	**318**	285
Capital redemption reserve	**1,530**	1,530
Share-based payment reserve	**2,029**	1,680
Retained earnings	**102,781**	64,441
	183,358	144,306
Non-controlling interest	**(222)**	(10)
Total equity	**183,136**	144,296

*Upon review of the prior year accruals balance it was identified that a number of items should have been classified as provisions. As such a restatement has been undertaken during the year. The impact is an increase in provisions of £3,723,000 and a corresponding reduction in trade and other payables. There is no impact on opening reserves.

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Other reserves £000	Capital redemption reserve £000	Merger reserve £000	Share-based payment reserve £000	Retained earnings £000	Total Parent equity £000	Non-controlling interest £000	Total equity £000
At 1 June 2020	**3,314**	**73,955**	**(326)**	**174**	**211**	**1,530**	**1,022**	**1,462**	**48,703**	**130,045**	**10**	**130,055**
Total comprehensive income/(expense) for the year												
Profit/(loss) for the year	–	–	–	–	–	–	–	–	16,426	16,426	(20)	16,406
Other comprehensive income/(expense)	–	–	(1,806)	111	–	–	–	–	1,637	(58)	–	(58)
Total comprehensive income/(expense) for the year	–	–	(1,806)	111	–	–	–	–	18,063	16,368	(20)	16,348
Transactions with owners recorded directly in equity												
Equity-settled share-based payment transactions	–	–	–	–	–	–	–	218	–	218	–	218
Dividends paid	–	–	–	–	–	–	–	–	(2,325)	(2,325)	–	(2,325)
Total contributions by and distributions to owners	–	–	–	–	–	–	–	218	(2,325)	(2,107)	–	(2,107)
At 31 May 2021	**3,314**	**73,955**	**(2,132)**	**285**	**211**	**1,530**	**1,022**	**1,680**	**64,441**	**144,306**	**(10)**	**144,296**

	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Other reserves £000	Capital redemption reserve £000	Merger reserve £000	Share-based payment reserve £000	Retained earnings £000	Total Parent equity £000	Non-controlling interest £000	Total equity £000
At 1 June 2021	**3,314**	**73,955**	**(2,132)**	**285**	**211**	**1,530**	**1,022**	**1,680**	**64,441**	**144,306**	**(10)**	**144,296**
Total comprehensive income/(expense) for the year												
Profit/(loss) for the year	–	–	–	–	–	–	–	–	37,040	37,040	(212)	36,828
Other comprehensive income	–	–	313	33	–	–	–	–	7,537	7,883	–	7,883
Total comprehensive income/(expense) for the year	–	–	313	33	–	–	–	–	44,577	44,923	(212)	44,711

Transactions with owners recorded directly in equity												
Issue of shares	–	17	–	–	–	–	–	–	–	17	–	17
Equity-settled share-based payment transactions	–	–	–	–	–	–	–	349	–	349	–	349
Dividends paid	–	–	–	–	–	–	–	–	(6,237)	(6,237)	–	(6,237)
Total contributions by and distributions to owners	–	17	–	–	–	–	–	349	(6,237)	(5,871)	–	(5,871)
At 31 May 2022	**3,314**	**73,972**	**(1,819)**	**318**	**211**	**1,530**	**1,022**	**2,029**	**102,781**	**183,358**	**(222)**	**183,136**

Consolidated Cash Flow Statement

	2022 £000	Restated* 2021 £000
Cash flows from operating activities		
Profit for the year from continuing operations	**34,828**	16,406
Adjustments for:		
Depreciation and impairment of property, plant and equipment and right-of-use assets	**8,666**	6,562
Impairment of goodwill and intangible assets	**–**	4,635
Net finance (income)/expense	**(53)**	1,236
Share of profit in joint ventures (net of tax)	**(28,200)**	(17,680)
Profit on sale of property, plant and equipment, investment property and right-of-use assets	**(1,298)**	(3,667)
Equity-settled share-based payment expenses	**349**	218
Income tax (credit)	**(347)**	(2,032)
Contributions to defined benefit pension schemes	**(2,002)**	(2,039)
Translation of non-controlling interest and investments	**202**	–
	12,145	3,639
Change in inventories	**(3,308)**	36,841
Change in trade and other receivables	**(19,256)**	2,012
Change in trade and other payables*	**903**	5,545
Change in provisions and employee benefits*	**1,000**	(1,489)
	(8,516)	46,548
Interest received/(paid)	**34**	(1,194)
Income tax (paid)	**(44)**	(127)
Net cash (outflow)/inflow from operating activities	**(8,526)**	45,227
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**801**	3,125
Proceeds from sale of investment property	**1,407**	5,040
Proceeds from sale of right of use assets	**78**	753

Acquisition of property, plant and equipment	**(1,479)**	(2,727)
Acquisition of investment property	**(1,070)**	(390)
Acquisition of right of use assets	**(163)**	–
Dividends received from joint ventures	**3,917**	–
Net cash inflow from investing activities in continuing operations	**3,491**	5,801
Net cash inflow from investing activities in discontinued operations	**2,000**	–
Net cash inflow from investing activities	**5,491**	5,801
Cash flows from financing activities		
Principal elements of lease payments	**(5,531)**	(6,085)
Dividends paid	**(6,237)**	(2,325)
Repayment of Group banking facilities	**–**	(32,000)
Net cash outflow from financing activities	**(11,768)**	(40,410)
Net (decrease)/increase in cash and cash equivalents	**(14,803)**	10,618
Cash and cash equivalents at 1 June	**28,303**	18,499
Effect of exchange rate fluctuations on cash held	**273**	(814)
Cash and cash equivalents at 31 May	**13,773**	28,303

*Upon review of the prior year accruals balance it was identified that a number of items should have been classified as provisions. As such a restatement has been undertaken during the year. The impact is an increase in provisions of £3,723,000 and a corresponding reduction in trade and other payables. There is no impact on opening reserves

Notes

1 Basis of preparation and status of financial information

The financial information set out above has been prepared and approved by the Directors in accordance with the recognition and measurement criteria of international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 May 2022 or 31 May 2021. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were (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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

The Group has restated the 31 May 2021 balance sheet and cash flow statement due to a review of the prior year accruals balance where it was identified that a number of items should have been classified as provisions. As such a restatement has been undertaken during the year. A third balance sheet has not been presented as the impact of the restatement is not considered to be qualitatively material to users of the accounts and all balances as at the opening balance sheet day are disclosed within the relevant notes.

Going concern

The Group's financing is not dependent on bank borrowings, however the Group has a £12m invoice discounting facility which is currently undrawn. Notwithstanding that, a rigorous review of cash flow forecasts including testing for a range of challenging downside sensitivities has been undertaken. These sensitivities include testing without utilising the invoice discounting facility. Mitigating strategies to these sensitivities considered by the Board exclude any remedies which are not entirely within the Group's control. As a result, and after making appropriate enquiries including reviewing budgets and strategic plans, the Directors have a reasonable expectation that both the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the Annual Report and Accounts.

These results were approved by the Board of Directors on 26 July 2022.

2 Segmental Information

The following analysis by industry segment is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to assess performance and make strategic decisions about allocation of resources.

The sectors distinguished as operating segments are Services, Hargreaves Land, Unallocated and HSEL.

- **Services:** Provides materials handling, mechanical and electrical engineering, land restoration, logistics and bulk earthmoving into the energy, environmental, infrastructure and industrial sectors.
- **Hargreaves Land:** The development and realisation of value from the land portfolio including rental income from investment properties and the share of profit of the Unity joint venture.
- **Unallocated:** The corporate overhead contains the central functions that are not devolved to the individual business units.
- **Hargreaves Services Europe ("HSEL"):** The Group's share of its German joint venture, which includes HRMS and DK.

These segments are combinations of subsidiaries and joint ventures. They have separate management teams and provide different products and services. The four operating segments are also reportable segments.

The segment results, as reported to the Board of Directors, are calculated under the principles of IFRS. Performance is measured on the basis of underlying profit/(loss) before tax, which is reconciled to profit/(loss) before tax in the tables below:

	Services 2022 £000	Hargreaves Land 2022 £000	Unallocated 2022 £000	HSEL 2022 £000	Total 2022 £000
Revenue					
Total revenue	163,800	15,100	–	–	178,900
Intra-segment revenue	(992)	–	–	–	(992)
Revenue from external customers	**162,808**	**15,100**	**–**	**–**	**177,908**
Operating profit/(loss) (before exceptional items)	**8,011**	**1,211**	**(4,748)**	**–**	**4,474**
Share of profit in joint ventures (net of tax)	–	858	–	27,342	28,200
Net finance (expense)/income	(468)	58	463	–	53
Exceptional items (see Note 3)	1,754	–	–	–	1,754
Profit/(loss) before taxation from continuing operations	**9,297**	**2,127**	**(4,285)**	**27,342**	**34,481**
Taxation (see Note 4)	3,343	(3,546)	550	–	347
Profit/(loss) after taxation	**12,640**	**(1,419)**	**(3,735)**	**27,342**	**34,828**
Depreciation and impairment charge	(8,344)	(100)	(222)	–	(8,666)
Capital expenditure	(13,507)	(1,165)	(154)	–	(14,826)
Net assets/(liabilities)					
Segment assets	79,155	62,505	68,706	–	210,366
Segment liabilities	(70,104)	(7,391)	(8,118)	–	(85,613)
Segment net assets	**9,051**	**55,114**	**60,588**	**–**	**124,753**
Joint ventures	–	4,836	–	53,547	58,383
Total net assets	**9,051**	**59,950**	**60,588**	**53,547**	**183,136**

Unallocated net assets of £60.6m include cash and cash equivalents of £13.8m, deferred tax asset of £11.1m, amounts due from Jointly Controlled Entities of £29.3m, a net pension asset of £7.7m, deferred tax liability of £1.9m and other corporate items (£0.6m asset).

	Services 2021 £000	Hargreaves Land 2021 £000	Unallocated 2021 £000	HSEL 2021 £000	Total 2021 £000
Revenue					

Total revenue	194,600	11,800	–	–	206,400
Intra-segment revenue	(1,604)	–	–	–	(1,604)
Revenue from external customers	192,996	11,800	–	–	204,796
Operating profit/(loss) (before exceptional items and impairment)	6,691	2,530	(4,470)	–	4,751
Share of profit in joint ventures (net of tax)	–	4,069	–	13,611	17,680
Net finance (expense)/income	(1,614)	(338)	716	–	(1,236)
Impairment of intangibles	(4,635)	–	–	–	(4,635)
Exceptional items (see Note 3)	(2,186)	–	–	–	(2,186)
Profit/(loss) before taxation from continuing operations	(1,744)	6,261	(3,754)	13,611	14,374
Taxation (see Note 4)	591	(114)	1,555	–	2,032
Profit/(loss) after taxation	(1,153)	6,147	(2,199)	13,611	16,406
Depreciation charge	(6,135)	(103)	(323)	–	(6,561)
Capital expenditure*	(5,011)	(1,215)	(216)	–	(6,442)
Net assets/(liabilities)					
Segment assets	77,900	55,820	54,800	–	188,520
Segment liabilities	(60,078)	(6,990)	(8,343)	–	(75,411)
Segment net assets	17,822	48,830	46,457	–	113,109
Joint ventures	–	4,051	–	27,136	31,187
Total net assets	17,822	52,881	46,457	27,136	144,296

* Upon review of the prior year segmental capital expenditure disclosure it was identified that this note only included capital expenditure relating to property, plant, and equipment. As such a restatement has been undertaken during the year to show total capital expenditure of property, plant, and equipment, right of use assets and investment properties. There is no other impact on the financial statements.

Unallocated net assets of £46.5m include cash and cash equivalents of £28.3m, deferred tax asset of £10.1m, amounts due from Jointly Controlled Entities of £14.5m, VAT liability of £3.8m and other corporate items (£2.6m liability).

3 Exceptional Items

The Group incurred one exceptional item in each year as follows:

	2022 £000	2021 £000
Exceptional item in Cost of sales		
Losses on legacy contracts in C.A. Blackwell (Contracts) Limited	–	(2,186)
Total exceptional item in Cost of sales	**–**	**(2,186)**
Exceptional item in Administrative expenses		
Release of accrual relating to a liability from the year ended 31 May 2015	**1,754**	–
Total exceptional item in Administrative expenses	**1,754**	–
Total	**1,754**	**(2,186)**

In the year ending 31 May 2022, an aged accrual dating from the year ended 31 May 2015 totalling £1,754,000 was released as the potential for payment had lapsed due to time.
In the year ending 31 May 2021, further losses were recognised on the legacy contracts within C.A. Blackwell (Contracts) Limited resulting in costs of £2,186,000.

4 Taxation

Recognised in the Income Statement

	2022 £000	2021 £000
Current tax		
Current year	**212**	57
Adjustments for prior years	**(4)**	8
Current tax expense	**208**	65
Deferred tax		
Origination and reversal of temporary timing differences	**1,542**	764
Impact of increase in tax rate	**–**	(2,736)
Adjustments for prior years	**(2,097)**	(125)
Deferred tax credit	**(555)**	(2,097)
Tax credit in Income Statement (excluding share of tax of equity accounted investees)	**(347)**	(2,032)

The deferred tax adjustment in respect of prior years of £2,097,000 relates to losses assumed to be utilised in the previous year, which were ultimately retained.

Recognised in Other Comprehensive Income

	2022 £000	2021 £000
Deferred tax expense		
Effective portion of changes in fair value of cash flow hedges	**(8)**	(25)
Remeasurements of defined benefit pension schemes	**(1,488)**	(319)
	(1,496)	(344)

Reconciliation of Effective Tax Rate

	2022 £000	2021 £000
Profit for the year from continuing operations	**34,828**	16,406
Total tax credit	**(347)**	(2,032)
Profit before taxation from continuing operations	**34,481**	14,374
Tax using the UK corporation tax rate of 19.00% (2021: 19.00%)	**6,551**	2,731
Effect of tax rates in foreign jurisdictions	**37**	(143)
Tax effect of joint ventures	**(5,194)**	(2,586)
Previously unrecognised tax losses	**136**	(92)
Non-deductible expenses	**407**	894
Impact of change in tax rates	**-**	(2,736)
Other temporary trading differences	**(183)**	17
Adjustment in respect of previous periods	**(2,101)**	(117)

Effective total tax credit	**(347)**	(2,032)

The UK corporation tax rate has been 19.00% for the duration of the financial year (2021: 19.00%).

Factors That May Affect Future Current and Total Tax Charges
Following the March 2021 budget, the corporate tax rate will increase from 19% to 25% with effect from 1 April 2023. The deferred tax balances at 31 May 2022 and 31 May 2021 have been calculated based on the rate substantively enacted at the balance sheet date of 25%.

5 Discontinued Operations

All discontinued operation results are attributable to equity holders. The Group's discontinued operations made a profit of £2,000,000 (2021: £nil) after tax during the year.

The profit from discontinued operations represents the contingent consideration received following the disposal of Brockwell Energy Limited ("Brockwell"). The Company disposed of the whole of its shareholding in Brockwell on 19 October 2018 with contingent consideration of £2m which was received in the year ending 31 May 2022. There are no remaining balances relating to this matter.

	2022 £000	2021 £000
Proceeds from disposal of subsidiary	**2,000**	–
Profit before tax of discontinued operations	**2,000**	–
Current tax charge	–	–
Profit for the year from discontinued operations	**2,000**	–

6 Earnings per Share

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

	2022			2021		
	Earnings £000	EPS Pence	DEPS Pence	Earnings £000	EPS Pence	DEPS Pence
Underlying earnings per share from continuing operations	**33,407**	**103.23**	**100.18**	22,832	70.66	68.64
Exceptional items, fair value adjustments and impairment (net of tax)	**1,421**	**4.39**	**4.26**	(6,406)	(19.82)	(19.26)
Continuing basic earnings per share	**34,828**	**107.62**	**104.44**	16,426	50.84	49.38
Discontinued operations	**2,000**	**6.18**	**6.00**	-	-	-
Basic earnings per share	**36,828**	**113.80**	**110.44**	16,426	50.84	49.38
Weighted average number of shares		**32,362**	**33,347**		32,312	33,262

The calculation of weighted average number of shares includes the effect of own shares held of 611,118 (2021: 827,150).

The calculation of diluted earnings per share ("DEPS") is based on the profit for the year and the weighted average number of ordinary shares in issue in the year. The potentially dilutive effect of the share options outstanding (effect on weighted average number of shares) is 985,056 (2021: 950,750); effect of basic earnings per ordinary share in the current year is 3.36p (2021: 1.46p). Effect on underlying earnings per ordinary share is 3.05p (2021: 2.02p). Effect on discontinued operations per ordinary share for 2022 is 0.18p (2021: nil).

7 Alternative Performance Measures Glossary

This report provides alternative performance measures ("APMs"), which are not defined or specified under the requirements of International Financial Reporting Standards. The Board believes that these APMs provide readers with important additional information on the business.

Alternative Performance Measure	Definition and Purpose
Underlying profit before tax ("UPBT")	Represents the profit before tax from continuing operations prior to exceptional items, fair value adjustments and impairment of intangible assets, and, in accordance with International Accounting Standards, including the Group's share of the post-tax profit of its German joint venture. This measure is consistent with how the business measures performance and is reported to the Board.

	2022 £000	2021 £000
Profit before tax from continuing operations	**34,481**	14,374
Exceptional items (see Note 3)	**(1,754)**	2,186
Impairment of intangible assets and goodwill	**-**	4,635
Underlying Profit before Tax	**32,727**	21,195

Basic underlying earnings per share	Profit attributable to the equity holders of the Company from continuing operations prior to exceptional items and impairment of intangible assets after tax divided by the weighted average number of ordinary shares during the financial year adjusted for the effects of any potentially dilutive options. See Note 6.
EBITDA	EBITDA is defined as profit before tax from continuing operations prior to charges for depreciation and impairment and interest and excludes the share of profit from jointly controlled entities and gains and losses on the sale of fixed assets.

	2022 £'000	2021 £'000
Profit before tax from continuing operations	**34,481**	**14,374**
Depreciation and impairment	8,666	6,562
Impairment of goodwill	-	4,635
Net finance (income)/expense	(53)	1,236
Share of profit in joint ventures (net of tax)	(28,200)	(17,680)
(Profit) on sale of fixed assets	(1,298)	(3,667)
EBITDA	**13,596**	**5,460**

Net Debt/(cash)	Represents the net position of the Group's cash and loan balances including leases. Calculated as follows:

	2022 £000	2021 £000
Cash and cash equivalents	**13,773**	28,303
Non-current interest-bearing loans and borrowings	**(11,045)**	(8,586)
Current interest bearings loans and borrowings	**(7,326)**	(3,179)
Net (debt)/cash	**(4,598)**	16,538

Net Asset Value per share	Represents the Net Asset value of the Group divided by the number of shares in issue less those shares held in treasury. Calculated as follows:

	2022	2021
Total shares in issue	**33,138,756**	33,138,756
Less shares in treasury	**(611,118)**	(827,150)
Shares for calculation	**32,527,638**	32,311,606
Net Asset Value per Balance Sheet	**£183,136,000**	£144,296,000

Net Asset Value per share	**£5.63**	£4.47

8 Posting of Report & Accounts

The Group confirms that the annual report and accounts for the year ended 31 May 2022 will be posted to shareholders as soon as practicable and a copy will be made available on the Group's website:
www.hsgplc.co.uk