Annual Report and Accounts 2023

Hargreaves Services plc

About us

The value proposition of Hargreaves Services plc is built on creating, delivering and realising value from its three business pillars of Services, Hargreaves Land and its investment in its German joint venture.

Hargreaves operations are managed across the following structure:

Hargreaves Raw Material Services

Trades in specialist commodity markets and owns DK Recycling, a specialist recycler of steel waste material.

Services

Services provides critical support to many core industries including Energy, Environmental, UK Infrastructure and certain industries through the provision of materials handling, mechanical and electrical contracting services, logistics and major earthmoving.

Land

Hargreaves Land is focused on the sustainable development of brownfield sites for both residential and commercial purposes.

Read more at www.hsgplc.co.uk

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Highlights of the Year

1
Revenue up 18.9% to £211.5m up from £177.9m

2
Strong balance sheet - net assets of £201.0m up from £179.8m

3
Full year dividend of 21.0p proposed compared with 20.4p

4
Renewable Energy Land Assets valued at minimum £21.6m

Trading	• Revenue of £211.5m (2022: £177.9m) • Underlying* Profit before Tax ("UBPT") of £27.3m (2022: £30.4m**) • Basic underlying* EPS from continuing operations of 86.3p (2022: 96.1p**)
Services	• Revenue increased by 23.4% to £200.9m (2022: £162.8m) • Services UPBT* increased to £12.3m from £7.6m • More than ten new term service and framework contracts entered into in the year
Hargreaves Land	• Contracts exchanged in the year on land with £190m of Gross Development Value ("GDV") • Renewable energy land portfolio independently valued at a minimum of £15m above book value
German Joint venture	• Good trading performance with the Group's share of Profit after Tax of £15.5m (2022: £25.0m**) • Softer commodity market conditions
Balance Sheet	• Cash and cash equivalents of £21.9m (2022: £13.8m) • Net Asset Value* per share at 31 May 2023 of £6.18 per share (2022: £5.53**)
Dividend	• Final dividend increase of 7.1% to 6.0p (2022: 5.4p) and additional dividend of 12p (2022: 12p) proposed

Notes:

* Underlying Profit before Tax and Net Asset Value are defined in the Alternative Performance Measure Glossary.

** The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

Chair's Statement

Nigel Halkes FCA,
Acting Group Chair

> "The Group has remained focused on its strategy to create, deliver and realise value for shareholders"

Strategic Focus

The Group has remained focused on its strategy to create, deliver and realise value for shareholders. Over recent years progress has been made on the creation of value opportunities, notably the winning of new Services contracts and by identifying opportunities for renewable energy assets on some of our land which has limited alternative development potential. Additionally, the Group has delivered high quality trading results highlighted by solid organic growth within Services. On 25 July 2023, I announced that the Board has identified opportunities for value realisation, as set out below:

Renewable Energy Land Asset Valuation and Realisation Plan

A key focus over the last few years has been the identification of several thousand acres of the Group's land which is now under lease to third parties for the construction of wind farms as well as other renewable energy assets and the granting of access to third party wind farm projects. Collectively, these have the potential to generate over 700MW of clean electricity. The Group has rights to receive index linked ground rents from these assets, most of which are linked to the underlying price of the electricity they generate.

The first wind farm on our land became operational earlier this year at Dalquhandy. Similar land assets within the renewable land portfolio have increasing index linked rental income coming on stream over the next few years resulting in a growing and meaningful annual return to the Group. Most of these renewable energy land assets have planning permission and approved dates for grid connections, significantly de-risking the projected income profile.

We have recently commissioned the first independent valuation of these renewable energy land assets by Jones Lang LaSalle Limited ("JLL"). This review has placed a Market Value Today*** in the range of between £21.6m and £23.1m on these assets as at 30 June 2023 with a Market Value at Commissioning of Development ("COD")*** expectation in the range of £27.2m to £28.9m for when the assets commence generation, which is at various points over the period to January 2027. The board intends to commission this valuation on an annual basis. These investment property assets are held on the Balance Sheet at an historic cost of £6.6m, resulting in a substantial gain to be realised. These assets exclude the Westfield site where an Energy from Waste ("EfW") plant is being constructed by a third party.

It is the intention of the Board to realise the value of these renewable energy land assets over the next five years in an orderly manner and to repatriate proceeds to shareholders. This is a clear demonstration of the Group's strategy to create, deliver and then realise value for shareholders and I am pleased that this particular initiative is now moving into the realisation phase.

Pension Schemes

The Group currently pays £1.9m per annum in deficit reduction contributions relating to two legacy defined benefit pension schemes. Recent movements in gilt yields and the underlying performance of scheme assets have substantially narrowed the gap between scheme assets and liabilities. The Board estimates that a figure in the region of £15m would be sufficient to buy out these schemes and transfer the liabilities to an appropriate insurer. I can confirm that the Group has now instructed the Trustees of the schemes to progress towards a full buy out of the liability, subject to obtaining satisfactory terms from the insurance market. This may take up to 18 months to complete. The Board expects this will be funded from existing cash resources.

Financial Results

I am pleased to report another strong set of results for the Group. Underlying Profit before Tax ("UPBT")** was £27.3m (2022: £30.4m*), £3.1m lower than the prior year due to the expected and previously announced reduction in profitability from the Group's investment in the German joint venture, Hargreaves Raw Material Services GmbH ("HRMS") due to the anticipated reduction in commodity prices from elevated levels recorded in the previous year.

Whilst the contribution from HRMS has fallen from £25.0m to £15.5m*, a reduction of £9.5m, both the Services business and Hargreaves Land have seen substantial growth in profits to mitigate the softening commodity markets which have impacted the German business.

Group EBITDA** grew by 60.3% to £21.8m (2022: £13.6m), driven by improved performance within Services. Profit before Tax from Continuing Operations was £27.2m (2022: £32.2m*). Basic underlying earnings per share from continuing operations** was 86.3p (2022: 96.1p*). Basic earnings per share was 85.9p (2022: 106.6p*).

> "The Group has maintained momentum it has built over the last few years and has demonstrated its resilience particularly within the Services operations"

Cash and leasing debt

On 31 May 2023 the Group held cash in the bank of £21.9m (2022: £13.8m). The increase in cash compared with the prior year is predominantly due to the repayment of a £15m loan from HRMS, which was advanced in the prior year to allow the joint venture to maximise profits from the temporary boom in commodity prices.

The Group's debt relates solely to leasing arrangements for the acquisition of fixed assets. At the year end the balance of the debt was £36.4m (2022: £18.4m). The increase relates to the investment in plant and machinery required to undertake the earthmoving works on the HS2 contract.

Dividend

In April 2023, the Group paid an interim dividend of 3.0p, which was an increase of 7.1% on the prior year. The Group has continued to trade well throughout the second half of the year and the Board is proposing a final dividend of 6.0p (2022: 5.6p) taking the full year underlying dividend to 9.0p (2022: 8.4p) which represents an increase of 7.1%.

In addition to the final dividend of 6.0p, the Board is also proposing an additional dividend of 12.0p per share (2022: 12.0p) relating to cash to be repatriated from HRMS. This, combined with the full year underlying dividend of 9.0p, takes the total dividend to 21.0p (2022: 20.4p), an overall increase of 2.9%.

If approved at the Annual General Meeting, the final dividend of 6.0p and the additional dividend of 12.0p will be paid on 30 October 2023 to all shareholders on the register at the close of business on 22 September 2023. The shares will become ex-dividend on 21 September 2023.

Board changes

As previously announced, Roger McDowell has taken a temporary sabbatical for personal reasons from the beginning of June 2023 and I have assumed his responsibility as Chair until his return, which is anticipated to be in September 2023. Also as reported previously, John Samuel has informed the Board of his intention to step down as Group Finance Director to pursue other opportunities. He will be succeeded as Group Finance Director by Stephen Craigen (39), Group Financial Controller, with effect from 9 August 2023, the date on which John will leave the Board. Stephen joined the Board on 1 August 2023. David Hankin, a qualified solicitor and in house Legal Counsel, will be appointed Company Secretary on 9 August 2023.

Outlook

The Group has maintained the momentum it has built over the last few years and has demonstrated its resilience, particularly within the Services operations, in the face of a challenging economic environment. The Balance Sheet remains free from bank debt and third party security and continues to provide a strong and stable platform for growth.

The outlook for the Group's trading activities for the coming year and beyond is strong with 70% of expected revenue for the year in the Services business already secured and with Hargreaves Land having exchanged unconditional contracts for a large plot at Blindwells which is scheduled to complete in January 2024.

Furthermore, the realisation plans for certain renewable energy land assets has the potential to deliver substantial incremental value for shareholders over the next few years.

Nigel Halkes FCA
Acting Chair
8 August 2023

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

** The basis of Underlying profit before tax, EBITDA and basic underlying EPS is set out in the Alternative Performance Measures Glossary.

*** Valuation definitions

Market Value Today – Market Value Today takes the Market Value at COD and applies an appropriate reduction to reflect the inherent risk of delivery that would likely arise between a willing buyer and a willing seller based on the circumstances as they were at 30 June 2023.

Market Value at COD – represents the price at which the portfolio would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.

Chief Executive's Review

Gordon Banham,
Group Chief Executive

> "A key aspect of the Services business unit is its resilience and stability, which is derived from its strong contract base with high quality customers"

Services

The Services business delivered a 23.4% increase in revenue to £200.9m (2022: £162.8m), due in the most part to the increase in activity on the HS2 contract which accounted for £20.5m of the increase. The remaining increase has come from mechanical and electrical engineering project works, which is an area of the business which has performed particularly well in the year, and from growth in industrial services in Hong Kong.

The business unit recorded an UPBT of £12.3m (2022: £7.6m), an increase of over 60% on the prior year. This included a non-recurring profit of £3.2m from the disposal of certain plant and equipment. The remaining growth of £1.5m represents an underlying improvement of 19.7% year on year.

HS2

The year ended 31 May 2023 represented the first full year of operations on HS2, which commenced in the second half of the previous financial year. Revenue from activities on HS2 was £54.1m in the year (2022: £33.6m), which represents 26.9% (2022: 20.6%) of the total Services revenue.

The Group is contracted to the Eiffage Kier Ferrovial BAM joint venture ("EKFB") to carry out the major earthworks on the C2/3 sections of HS2, predominantly in Buckinghamshire. I am pleased to report that the contract has performed very well in the year, with all required plant and machinery now acquired and on site and at peak operations over 400 workers were at the location. In addition to earthmoving, the Group has supplied EKFB with a 650m, five section conveyor to facilitate the removal of surplus material in a highly efficient way and contributing to a substantial reduction in carbon emissions.

Continued contract success

A key aspect of the Services business unit is its resilience and stability, which is derived from its strong contract base with high quality customers. During the last financial year we have seen more success in this area as the Services business has signed more than ten term and framework contracts. These contract wins have taken the total number of term and framework contracts within the Services business to over 60, which provides an excellent underpin for the Group. These contracts secure approximately 70% of expected revenue for the year ending 31 May 2024. Additionally, the Services business has excellent growth opportunities in a number of major infrastructure projects, including Lower Thames Crossing and Sizewell C, alongside further mechanical engineering works for industrial clients.

Additionally, the Services business has good 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 target cost reimbursable fee arrangement so that increases in defined costs are recovered. With inflation in the UK rising rapidly and persisting over the past 12 months, the business has seen the benefit of these clauses in mitigating the impact of such risks.

The Group continues to monitor the situation at Tungsten West plc ("TW") regarding the tungsten mine in Devon. As previously reported, Hargreaves has a strong contractual position with TW which would provide the potential for substantial growth should TW be successful in raising sufficient funds to commence mining activities. The recent announcement by TW regarding their raising of funds ensured the receipt of the annual £1m fee, which was paid as due in June 2023.

The future of the project remains dependent on TW raising substantial additional monies. The Group remains in close contact with TW.

Hargreaves Land

Hargreaves Land recorded revenue of £10.6m (2022: £15.1m) and a Profit before Tax of £3.9m (2022: £2.1m) for the year. This represents an increase of 86% over the prior year, which is reflective of the business converting several development opportunities in the year. Despite this increase in profitability, the result is somewhat lower than the Board was anticipating earlier in the year as uncertainty over the housing market resulted in certain sales being delayed into the new financial year.

Our flagship project at Blindwells has been the most impacted by these delays, however, I am pleased to announce that we have exchanged unconditional contracts for the sale of a 20 acre plot to Avant Homes (Scotland) Limited for consideration of £18.5m. The sale is scheduled to complete in January 2024 with payments structured into four equal instalments over a three year period, with the first payable on completion.

The Board considers the delays experienced in the year to be reflective of the wider slowdown in the housebuilding market and therefore will only represent a timing delay on the project. The Board remains confident that the overall profitability of the scheme is not materially affected. The site remains a long term, regular profit stream for Hargreaves Land, with Phase 1 expected to be completed by 2032. Once Phase 1 is completed, there is a second Phase for which outline planning for a further 1,400 homes on land owned by the Group is currently being progressed.

£'m	Services	Hargreaves Land	HRMS	Unallocated	Total
Revenue (2023)	**200.9**	**10.6**	**-**	**-**	**211.5**
Revenue (2022)	162.8	15.1	-	-	177.9
Underlying Profit/(loss) before Tax (2023)**	**12.3**	**3.9**	**15.5**	**(4.4)**	**27.3**
Underlying Profit/(loss) before Tax* (2022)	7.6	2.1	25.0	(4.3)	30.4
Profit/(loss) before tax from continuing operations (2023)	**12.2**	**3.9**	**15.5**	**(4.4)**	**27.2**
Profit/(loss) before tax from continuing operations *(2022)	9.4	2.1	25.0	(4.3)	32.2

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** The basis of Underlying profit before tax and basic underlying EPS is set out in the Alternative Performance Measures Glossary .

Progress has continued at Unity in Yorkshire, with construction on one of the major logistics units, which was announced last year, progressing well. The Unity joint venture remains independently funded without recourse to Hargreaves.

Pipeline

A key strength of the Hargreaves Land business is the size and quality of its pipeline of development opportunities with significant progress having been made during the last twelve months. In the year ended 31 May 2023 Hargreaves Land exchanged contracts on schemes with a combined GDV of over £190m, which is anticipated to deliver returns in excess of 15%.

These opportunities are spread across the residential, commercial and logistics sectors, which ensures that the business does not become over reliant on any particular industry segment. Additionally, these arrangements form part of the capital light model that the business is adopting for future schemes, removing the need for material investment into assets to be held for long periods.

Pipeline Summary	Number of sites	Residential plots	Square Footage (Commercial)	Estimated GDV
Residential (planning allocated)	6	5,700	n/a	£200m
Residential (planning promotion)	7	2,850	n/a	£120m
Commercial (planning allocated)	6	n/a	5,700,000	£620m

Renewables Energy Land Assets

The Group continues to act as a landlord for several wind farm and other renewable energy assets, which could generate over 700MW of clean electricity. The first wind farm on our land became operational earlier this year at Dalquhandy. The remaining similar land assets have increasing rental income streams which are due to come on board over the next few years. These renewable energy land assets have planning permission and approved dates for grid connections, significantly de-risking the projected income profile.

The renewable energy land portfolio continues to be an area of great focus for the Board. We have seen the first independent valuation of the portfolio undertaken in the year by JLL, which has provided a Market Value at COD of over £27m for all existing renewable energy schemes, excluding the Westfield site, where a third party is constructing an EfW plant. The Board is committed to ensuring that the value created within the Group is optimised, realised and then repatriated to shareholders over the coming years.

In addition to the renewable energy land assets which are well progressed, the Group continues to look at longer term opportunities for renewable energy projects on its land. There are a further nine schemes under discussion which could generate over 800MW of energy. These schemes are medium term growth opportunities.

HRMS

The Group's share of post-tax profits from HRMS was £15.5m (2022: £25.0m*) which is a reduction of 38%. The corresponding contribution for the year ended 31 May 2021 was £13.6m, which demonstrates that the joint venture has made the most of the high commodity prices observed throughout late 2021 and 2022 and that the market has returned to more normal levels. Despite this reduction, the comparison with two years ago is more relevant as market conditions then were more comparable to today.

The trading business has seen a 38% reduction in total traded volume from 1,637kt to 1,020kt in the current year coupled with a reduction in commodity prices. This softening of commodity prices and reduction in volumes has meant a reduction in the level of working capital that HRMS requires. As such HRMS has been able to repay the £15m short term working capital loan that the Group provided in the previous financial year. At present there is no further requirement for funding to be provided by the Group to HRMS. The Board expects further cash repatriation from HRMS as inventory levels reduce in the trading business.

The Carbon Pulverisation Plant ("CPP") continues to breakeven as it has done since it was completed. It remains fully operational but is not expected to move into profitability until year ending 31 May 2025 at the earliest as it is impacted by the economic uncertainties within the German economy which have delayed the expected transition away from brown lignite coal.

In DK Recycling und Roheisen GmbH ("DK"), zinc, which is an important output, has fallen from peaks of over $4,500 per tonne in April 2022 to around $2,400 today, reducing profitability.

Summary

Hargreaves has continued to trade well despite challenging economic conditions both in the UK and Europe. The business has a strong balance sheet, from which we remain focused on unlocking and realising value for shareholders and I look to the future with optimism.

Gordon Banham
Group Chief Executive
8 August 2023

Operating Review

Each business has reasons to look forward to a bright future with opportunities for growth.

Overview

The Group has three core pillars of Services, Hargreaves Land and its investment in HRMS. Each sector has a clearly defined target market and service offering, with a distinct and clear geographical focus.

The Group is managed in these three pillars as they are each distinct from each other with limited interaction.

Services

Revenue 2023

£200.9m

↑ £162.8m 2022

UPBT 2023

£12.3m

↑ £7.6m 2022

Key markets

- Energy
- Environmental
- Infrastructure
- Industrial

Geographical focus

- UK and South East Asia

Services provided

- Materials handling
- Mechanical and electrical engineering
- Bulk logistics
- Major earthmoving
- Environmental land improvement

Hargreaves Land

Revenue 2023

£10.6m

↓ £15.1m 2022

UPBT 2023

£3.9m

↑ £2.1m 2022

Key markets

- Mixed use, residential and commercial
- Renewable energy land

Geographical focus

- Scotland and North of England

Services provided

- Multi-phase master developer
- Land promotion
- Commercial and logistics development
- Land suitable for renewable energy assets

HRMS

UPBT 2023

£15.5m

↓ £25.0m* 2022

Key markets

- Steel
- Cement
- Industrial

Geographical focus

- Germany
- Rest of Europe

Services provided

- Mineral trading
- Steel waste recycling
- Pig Iron and Zinc production
- Carbon pulverisation

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> "Growth opportunities exist within the earthmoving, engineering and environmental services work streams which means that the Services business remains well positioned to identify, create and deliver value for all stakeholders"

Services

Core capabilities

The Services business has an extensive and complementary service offering for a wide range of industrial customers. The services include, but are not limited to:

- Bulk materials handling in industrial complexes and major infrastructure projects;
- Mechanical and electrical engineering;
- Major earthmoving;
- Pre-construction design advice on major earthmoving infrastructure projects;
- Bulk logistics;
- Land remediation and improvement solutions;
- Quarrying and aggregates management.

Progress

The Services business has made significant progress on the delivery of core contracts in the year. The earthmoving operations at HS2 have seen the first full year of operation at site working for the EKFB joint venture. At peak operations there are over 400 people employed and working in the Aylesbury region. A key strength of the business is our investment in people. We have now trained over 80 plant operators, giving them the skills to operate large plant safely and effectively.

Additionally, the mechanical and electrical engineering team has delivered strong progress, with the completion of a five leg 650m conveyor system in conjunction with the earthmoving operations for EKFB at HS2, which delivered substantial carbon emission reductions through the removal of lorry movements. Further to this, the team has made good progress on the delivery of a lime dosing and mixing system for the SCS joint venture on HS2. Both of these projects demonstrate the highly skilled nature of the team operating in this sector and represents an area of growth for the Services business.

Within Hong Kong, a specialist team of linemen and electrical specialists undertake a range of services as part of the Overhead Lines Works contract with CLP Power ("CLPP"). This is a five year framework which supports CLPP's 950sq/km distribution network which services over 4m residents in Kowloon, New Territories and the outlying islands of Hong Kong. The ongoing development of the Hargreaves Power Services business and diversification into this market is a key facet of future growth opportunities, underlining the diversity of the offering within the Services business in Asia.

The bulk logistics operation has had a good year after facing difficulties with driver shortages in the previous year. The strong contractual positions within the logistics business have meant that recent soaring fuel costs have been mitigated, demonstrating the resilience of the operation. The business has had several new contract wins in the period, most notably a ten year waste haulage contract with Durham County Council.

Our operations within the environmental sector have also seen progress in the year. Our land remediation operations have improved over 225 acres of land in the year. This land was previously contaminated and unable to support plant life. As a result of our actions this land is now capable of growing and sustaining trees and other plant life.

The business unit is working to submit grant applications to the Scottish Government, which would allow for the planting of approximately 1.7 million trees on 700 hectares of land owned by the Group. This volume of trees would have the capability of absorbing 195,000 tonnes of carbon over the life of those trees.

Markets and strategic focus

The Services business holds over 60 term and framework contracts, which provides the Group with strong levels of revenue visibility.

The market sectors in which we operate are generally core industries within the UK and South East Asia; specifically the Energy, Environmental, Infrastructure and Industrial sectors. During the period of the pandemic, the Services business continued largely unaffected as a result of operating in these critical industries.

The business remains focused on growing the number of term and framework contracts it holds within the areas of core capability. Specific areas of target growth are focused on major earthmoving and mechanical and electrical engineering. There are several major infrastructure projects on the horizon, including Lower Thames Crossing and Sizewell C, which represent earthmoving opportunities comparable to the current HS2 project. Additionally, the capability of the Group's mechanical and electrical engineering team is growing and recent contract wins, not only on HS2, are demonstrating this capability to the wider market.

Outlook

Revenue and margins within Services are resilient, as demonstrated by the response to the recent high inflationary environment and are underpinned by a strong pipeline of contracted works, term contracts and framework positions. Growth opportunities exist within the earthmoving, engineering and environmental services work streams which means that the Services business remains well positioned to identify, create and deliver value for all stakeholders.

"The business has exchanged contracts on pipeline opportunities with an estimated GDV in excess of £190m"

Hargreaves Land

Hargreaves Land has developed significantly over the last few years and now has two clear areas of focus:

- Property and land development
- Renewable energy land assets

Property and land development

The property development aspect of Hargreaves Land has, until recently, been the most visible aspect of the business unit. The business model includes the identification of strategic land opportunities, development and promotion of such land opportunities and the realisation of value. The business does not build residential homes, instead value is realised by the sale of serviced plots to housebuilders. Within the commercial and logistics sectors the business may enter into contracts to facilitate the construction of warehousing or similar structures. Such work would be subcontracted in its entirety.

The core projects within property development are Blindwells and the Unity joint venture which are both large and enduring schemes providing a stream of revenue over many years.

Blindwells

The site at Blindwells remains the largest investment within Hargreaves Land. Phase 1, which represents 150 acres and the potential for over 1,600 homes is well established, with a total of 32 acres sold to date and with construction by housebuilders well under way. Due to the nature of the site and the requirement to prepare each parcel of land prior to sale to housebuilders there will be a consistent stream of around 10-15 acres per year available for sale. This provides a good level of predictability to revenue and profits from this project for the next 8-9 years.

Blindwells Phase 2 has the potential for up to 1,400 additional homes on the land owned by Hargreaves Land. Planning allocation is anticipated in 2026/27 and, if allocated, should provide at least another 10 years of revenue from Blindwells following the completion of Phase 1.

Unity

The Unity project is a 50:50 joint venture between Hargreaves Land and Waystone Limited. The site, which is near Doncaster, is set on over 600 acres and has outline planning for 3,100 homes and over 2m sq ft of commercial and logistics space. This scheme is also well established, with a number of commercial sales already completed. Unity also provides a long-term sustainable level of earnings as commercial and residential plots become available for sale. The overall scheme is expected to run until 2035, with a relatively consistent projected sale of approximately 15 acres per annum.

The two aforementioned schemes are large and long-term, however Hargreaves Land is also engaged in a number of smaller development opportunities. These opportunities are typically capital light, with limited requirement for upfront investment. Risk is managed through the use of conditional contracts, options and development agreements to secure planning, occupiers and forward funding ahead of any material financial commitment. The business has exchanged contracts on pipeline opportunities with an estimated GDV in excess of £190m, ranging from residential to industrial and mixed commercial use.

Renewable Energy Land Assets

Hargreaves Land holds over 3,000 acres which is consented for the construction of wind farms, battery storage and other renewable energy assets to be developed by third parties. Hargreaves Land will receive a ground lease on these assets based on a formula related to the level of energy produced on these sites.

Westfield – Energy from Waste

The most advanced scheme is a 32MW EfW plant at Westfield, in Fife, on eight acres of a larger 100 acre industrial site. This plant will deliver a 35 year minimum lease term at £420,000 per annum (annual RPI review). To facilitate the construction of the plant by a third party, the Group is required to invest £7m in the infrastructure of the site, most of which was invested in the year ended 31 May 2023. This will not only allow for the construction of the plant but will also open up approximately 40 further acres for other industrial uses. Interest in the site is buoyed by the potential for low-cost heat and power from the EfW Plant.

Wind Farms

The Group owns three areas of land, which have options to lease to wind farm operators. The first wind farm at Dalquhandy is now in operation and generating power. Two further wind farms at Broken Cross and North Kyle are currently under construction. In addition to this, the Group also owns land over which access agreements are in place for other wind farm operators. In total, there are six such access agreements, of which two are granted and four are due to be taken up in the next few years. In total, the wind farms are expected to provide approximately 580MW of renewable energy.

The options on the wind farms and access agreements are due to come online progressively over the next three years. Each option is specific; however, they will follow a standard makeup:

- Minimum 28 year term;
- 2-4% of gross generating income;
- Rising to 4-6% after year 12.

For access agreements, whilst the 28 year minimum term is consistent, the value will be either a fixed annual rental or 1% of the gross income generated by the operator.

Battery Storage

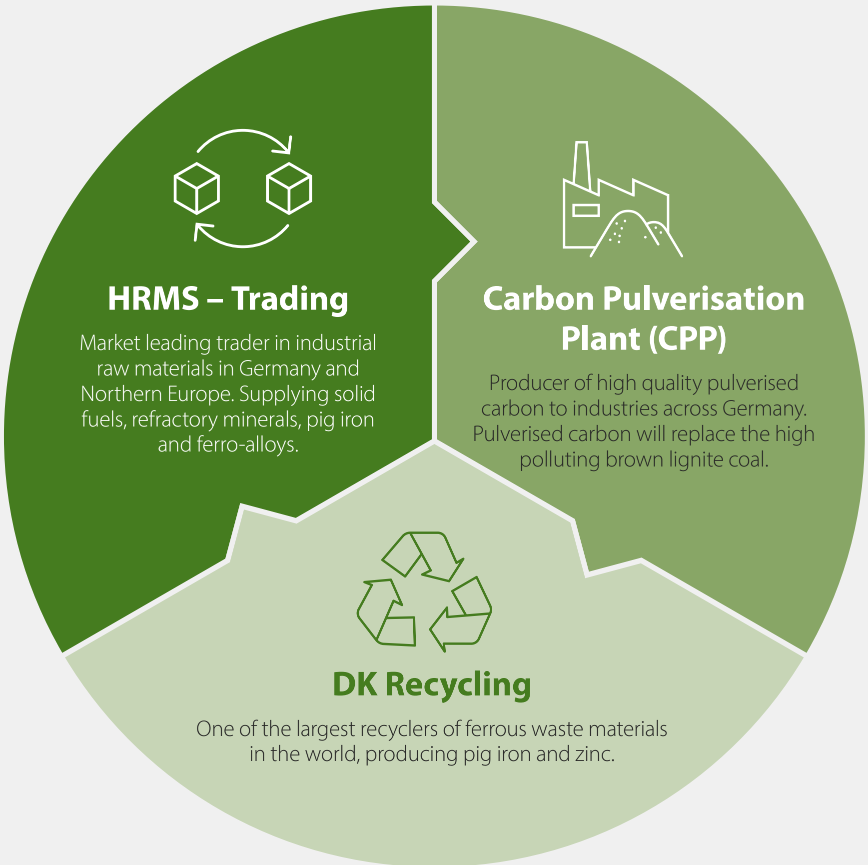
The Group has also exchanged contracts for the provision of a minimum 500MW Battery Storage facility at Broken Cross. This represents another ground lease for Hargreaves Land over a 35 year period. The value to Hargreaves is based on an indexed linked lease structure.

Valuation and Realisation

During the year the Group had Jones Lang LaSalle Limited carry out a valuation of these renewable energy land assets. The expected Market Value at COD of these assets was between £27.2m and £28.9m excluding the Westfield EfW site. The Board has taken the strategic decision to realise these assets over the next five years as these assets begin generating income. Proceeds realised will be repatriated to shareholders as appropriate.

Further to the arrangements entered into already, Hargreaves Land is currently exploring a number of other opportunities for renewable energy assets and battery storage on our land, which could lead to further ground leases coming on line in the medium term.

Hargreaves Raw Materials Services GmbH ("HRMS")



The Group has held an investment in the German based joint venture, HRMS, for over 15 years. Initially a minerals and solid fuels trading business, the last few years have seen a significant transformation in the scale of offering within the entity. Hargreaves Services Europe Limited ("HSEL") is the parent company of HRMS, which is in turn the parent of DK Recycling und Roheisen GmbH ("DK"). These entities combined represent the HRMS joint venture.

The business has three fully integrated revenue streams. The traditional trading business, which sells minerals and other solid fuels throughout Europe, including the supply into the CPP. The CPP grinds the carbon into a fine dust, which is used in many industries across Germany, in particular steel and cement manufacture. A key customer of the CPP is DK, which is the third part of the HRMS business. DK takes steel waste, which would otherwise be sent to land fill, and produces up to 285kt of pig iron and 6kt of zinc annually, which is in turn traded by the trading team.

Hargreaves owns 49.9% of the voting shares in HSEL, with the remaining 50.1% of voting shares held by the local management team. Hargreaves also owns a number of shares which carry an economic benefit but no voting rights. It is these non-voting shares which mean that Hargreaves is entitled to 86% of the profits of the joint venture. See accounting judgements in Note 1 to the financial statements.

Business model

Trading

The trading team comprises 16 individuals who trade in pig iron, ferro-alloys and other mineral products. The target market opens when there is a need for additional supply over and above the traditional supply contracts within the steel and cement industries of Europe.

Profitability is determined by two principal factors, volume and margin. Margins are largely static, although they can flex in times of high commodity pricing, however, the volumes can be variable. Increases in commodity prices in the past 18 months have been linked to a substantial increase in demand for product, which HRMS has been able to fulfil.

Operating Review continued

Commodity prices have softened in the past six months, leading a lower level of activity and profitability.

The trading business will typically secure deliveries for specific sales contracts. The team does not take principal positions on stock. Typically, around 80% of all stock held by HRMS is already forward sold, which reduces any perceived risk around fluctuations in commodity prices. Stock purchases are primarily funded by a flexible borrowing base facility of up to €80m.

CPP

The CPP has a total production capacity of 400,000 tonnes per annum, which involves taking carbon products and grinding them into a very fine powder. This product is intended to displace the highly polluting brown lignite coal dust which is expected to be phased out in the coming years by the German government although the recent energy crisis in Germany has meant that the closure of the lignite mines has been delayed.

The facility is currently producing 100,000 tonnes per annum and delivering a breakeven result. The total accessible market is estimated to be 2m tonnes per annum, meaning that the CPP is an area of potential growth for HRMS as it seeks to fill up the available production capacity. The key markets to address are the chemical, cement and steel manufacturers in Northern Europe.

DK

The facility at DK is one of the world's largest recycling centres for ferrous waste materials. The blast furnace can take up to 500kt of steel waste dusts and recycles them into 285kt of pig iron and 6kt of zinc. The operation is also a net energy producer.

This business has performed very well since its acquisition in December 2019 by HRMS due to the sustainable improvements made by the management team, including procurement efficiencies, improved sales strategies, process improvements and waste reduction.

In addition to this, DK had also benefited from the high commodity prices seen during 2021 and 2022, in particular zinc and pig iron. Zinc prices have dropped significantly during 2023 and this has impacted on the level of profitability within DK, as zinc is a by-product of the pig iron production so there is zero cost of production. To protect against the risk posed by variable commodity prices, DK hedges up to 50% of all zinc sales up to 12 months ahead.

Cash Repatriation

Since May 2021, the Group has received annual payments of £3.9m from HRMS, which has been subsequently distributed to shareholders in the form of a 12p additional dividend. The Board expects that repatriation will continue at least at this level for the next few years and this will be used to fund further additional dividends.

Outlook

Following two years of high commodity pricing, the market has now softened which will have an impact on the volumes available to be traded within HRMS. Combined with the uncertainty within the German economy, the near term future for the joint venture looks to be one of a tightening market and restricted opportunities for growth. Notwithstanding the challenges faced by HRMS, the business remains well positioned to take advantage of trading opportunities when they present themselves. The back to back nature of trades as well as the hedging strategy adopted will allow the team to mitigate some of the headwinds.

Key Performance Indicators

The Group has established a number of Key Performance Indicators ("KPIs") which are used to measure its performance in a number of areas. These include some non-financial measures which reflect the Board's emphasis on health and safety.

The KPIs for the Services business include:

- Underlying profit before tax against budget
- Return on capital employed against budget
- Average working capital against budget
- Lost time accident ratios against annually determined minimum targets
- "Near Miss" reporting

The KPIs for the Hargreaves Land business include:

- Underlying profit before tax against budget
- Cash performance against budget
- Return on capital employed against individual project targets

Group level KPIs include:

- Underlying profit before tax against budget
- Cash at bank (exclusive of leasing debt) against budget
- Lost time accident ratios against annually determined minimum targets

The Group achieved all of its KPIs in the year ended 31 May 2023. Similar challenging KPIs have been set for the year ending 31 May 2024.

Summary

Whilst Hargreaves remains a diverse organisation, I believe the three pillars of Services, Hargreaves Land and HRMS provide a clear and straightforward view of our operations. Each business has reasons to look forward to a bright future with opportunities for growth within each.

By order of the Board

Gordon Banham
Group Chief Executive
8 August 2023

Financial Review

John Samuel,
Group Finance Director

> "The profit after tax for the year generated an EBITDA of £21.8m, which results from the improved profitability of the Services business"

Results

Group revenue from continuing activities was £211.5m (2022: £177.9m) and UPBT was £27.3m (2022: £30.4m*). The increase in revenue is in the Services business primarily due to a full year of operation on the HS2 contract combined with additional mechanical and electrical engineering works. The decrease in UPBT is due to the reduction in contribution from HRMS from £25.0m to £15.5m. This is more a reflection on the extremely strong year to 31 May 2022 due to high commodity prices as opposed to any underperformance in the current year, which is comparable to the result achieved for the year ended 31 May 2021 of £13.6m. Gross profit margin has improved to 18.5% (2022: 16.6%).

There have been no exceptional gains or losses in the year ended 31 May 2023. In the prior year the Group recorded an exceptional gain of £1.8m relating to the write back of credit balances dating from 2015.

Net finance expense was £1.0m (2022: £0.1m income). This reflects the increase in leasing debt during the year, which is due to the investment in plant and machinery required to service the HS2 earthmoving contract. Investment in this plant and machinery is now largely completed and the interest on leasing debt is at fixed rates.

The Group recorded £16.3m (2022: £25.9m*) in share of profits from joint ventures. £15.5m (2022: £25.0m*) of this was attributable to HRMS, which is stated after tax. The reduction in profits from HRMS has been outlined above, the remaining profits from joint ventures relate to the Unity joint venture, in which profits have remained consistent.

The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

This results in a consolidated profit before tax of £27.2m (2022: £32.2m*).

Whilst there have been no discontinued operations in the current year, the previous year saw a discontinued profit of £2.0m representing deferred consideration on the sale of Brockwell Energy Limited, which completed in October 2018.

Taxation

The income tax credit for the year is £0.8m (2022: £0.3m). This credit has been heavily impacted by the level of investment the Group has made in plant and machinery which qualifies for the 130% capital allowance "super-deduction". This super-deduction has been recognised in full and therefore heavily skews the tax position for the year.

In 2011, after taking professional advice, the Group engaged in a disclosable tax planning scheme relating to the leasing of assets, the legality of which has been challenged by HMRC. The Board has been advised that the scheme was lawful. All cash relating to the scheme has previously been paid to HMRC. This matter was heard by the First Tier Tribunal in June 2019 and a decision in favour of HMRC was issued on 23 March 2020. This decision was appealed at the Upper Tier Tribunal in June 2022 where the decision was overturned in favour of the taxpayers. HMRC have since been granted permission to appeal this ruling and the final conclusion remains outstanding. Dates for the substantive hearing in respect of this case have been scheduled for May 2024. The Group is not carrying any assets related to this case and has provided for all associated professional fees.

Cash Flow

The profit after tax for the year from continuing operations of £27.9m (2022: £32.5m*) generated an EBITDA** of £21.8m (2022: £13.6m), which results from the improved profitability of the Services business. Depreciation for the year was £14.6m (2022: £8.7m including impairment of £1.7m), which increased by 67.8% due to the investment in plant and machinery to support the HS2 earthmoving contract.

Movement in working capital was a net inflow of £12.6m (2022: £20.7m outflow) which reflects the repayment by HRMS of a £15m short term loan back to the Group. Otherwise, working capital movement has been minimal.

The Group received gross proceeds of £6.9m (2022: £2.3m) for the sale of fixed assets and invested £9.3m (2022: £2.7m) into capital items, most notably £5.8m into investment property including putting in infrastructure at Westfield to support the construction of an EfW plant by a third party on our land. The Group also invested £1.4m into an acquisition in July 2022 to supplement the Services business' engineering capabilities.

Financial Review continued

The increase in leasing debt due to the acquisition of plant and machinery has resulted in capital repayments on leasing debt increasing to £12.7m (2022: £5.5m).

Dividends totalling £6.7m (2022: £6.2m) were paid in the year. The Group received a payment of £3.9m (2022: £3.9m) from its German joint venture which funded the additional dividend of 12p per share made to shareholders in October 2022.

Capital Expenditure

Capital expenditure including that on right of use assets and investment properties totalled £40.0m (2022: £14.8m). Depreciation for the year was £14.6m (2022: £8.7m), the increase relating to the additional plant required for the earthmoving contract on HS2.

Banking Facilities

As at 31 May 2023 the Group had cash in hand of £21.9m (2022: £13.8m). In addition to the cash reserves, the Group also has access to a £12m invoice discounting facility with Santander which was undrawn at the year end. This facility provides the Group with additional flexibility to deal with any short term working capital fluctuations. The Group's assets are not covered by any debenture and the invoice discounting facility has no associated covenants.

Pensions

The Group has the obligation to fund two industry wide defined benefit pension schemes and an unfunded concessionary fuel scheme, all of which are closed to new members and are related to the former mining operations at Maltby Colliery. Under the assumptions used to calculate the schemes' position at 31 May 2023, an asset of £8.5m (2022: £10.4m) has been recorded. This excludes the £2.9m (2022: £2.7m) liability associated with the unfunded concessionary fuel scheme which is shown separately.

Contributions in the year were £2.4m (2022: £2.0m), including an additional £0.4m paid in accordance with an agreement reached with the Trustees in 2020. Net changes in actuarial measurements were £4.6m (2022: £6.0m) which have been accounted for through the Statement of Other Comprehensive Income.

A triennial valuation of the industrywide schemes was completed as at 31 December 2021 and agreed in February 2023. This valuation resulted in a technical provisions liability of £5.0m. The previous triennial valuation undertaken as at 31 December 2018 showed a technical provisions liability of £9.2m. As previously noted, subject to finalising acceptable terms with an appropriate insurer, the Board has decided to close out the liability through means of a pension buy-out at an anticipated cost of approximately £15m to be funded from the Group's cash resources. This process is underway and is expected to conclude within calendar year 2024.

Dividends

The Board is recommending a final dividend of 6.0p (2022: 5.6p) per share bringing the total for the year to 9.0p (2022: 8.4p), reflecting a full year increase of 7.1%. Additionally, the Board is proposing an additional dividend of 12p (2022: 12p) per share which will be paid at the same time as the final dividend. The additional dividend is being funded by the receipt of an equivalent amount from HRMS.

Share Capital

At 31 May 2023, there were 33,138,756 (2022: 33,138,756) ordinary shares of 10p each in issue of which the Company held 611,118 (2022: 611,118) in treasury. During the year, there were no (2022: 216,032) shares released from treasury to satisfy the exercise of share options although in June 2023, 24,360 options were exercised and satisfied by releasing the same number of shares from Treasury. At the date of this report, there were 586,758 shares held in treasury.

Going Concern

The Group has material assets and financial resources at its disposal together with robust risk management and capital allocation processes. The Group holds £21.9m of cash resources and has the availability of a further £12m Invoice Discounting facility which provides the Board with confidence that the Group has appropriate liquidity to meet any foreseeable cash requirements. A rigorous process of reviewing cash flow forecasts and testing for a range of challenging downside sensitivities has been undertaken. Only remedies to these downsides which are entirely within the Group's control have been assumed to be achievable mitigations to those sensitivities. Therefore, and after making appropriate enquiries, including reviewing budgets and strategic plans, the Directors have a reasonable expectation that 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 financial statements.

John Samuel
Group Finance Director
8 August 2023

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

** EBITDA is defined as profit before tax from continuing operations prior to charges for depreciation, amortisation and interest and excludes the share of profit from joint ventures and gains and losses on the sale of fixed assets.

Audit & Risk Committee Report

Nigel Halkes FCA,
Chair of the Audit & Risk Committee

The Audit & Risk Committee is responsible for reviewing financial reporting matters, monitoring internal controls and key corporate risks.

On behalf of the Audit & Risk Committee I am pleased to present the Committee's Report for the year ended 31 May 2023.

Membership of the Committee

The Committee consists of the four Non-executive Directors and is chaired by me as the Senior Independent Director. The composition of the Committee has been unchanged throughout this financial year, albeit Roger McDowell has taken a temporary sabbatical from the beginning of June 2023 for personal reasons and is expected to recommence attendance at the Committee from September onwards. The Board believes that the Committee members have the skills, qualifications and experience to discharge their duties in accordance with the Committee's terms of reference and have appropriate knowledge and experience in the sectors within which the Group operates.

Committee Meeting Schedule

The Committee met on four occasions during the year with all members at the time in attendance. The Group Finance Director attends Committee meetings by invitation to ensure that the Committee is fully informed of all material matters within the Group. The external auditor attended two of the meetings and, for part of one of those meetings, the external auditor met with the Committee without any of the Executive Directors being present.

For the financial year ending 31 May 2024, the Committee intends to continue with its programme of four meetings to be held during the year so that the work of the Committee is evenly spread, particularly with respect to Risk Management and internal audit.

Terms of Reference of the Committee

The Committee is established by and is responsible to the Board. It has written terms of reference, which are available for review at: www.hsgplc.co.uk. The terms of reference are formally reviewed annually to ensure that they meet the Board's expectations of the Committee's remit.

The Committee is responsible for reviewing a wide range of financial reporting and related matters including the interim and annual financial statements before their submission to the Board. In particular, the Committee is required to consider all critical accounting policies and practices adopted by the Group, and any significant areas of judgement that could materially impact reported results. The Committee provides a forum for reporting by the Group's external auditor, and advises the Board on the appointment, independence and objectivity of the external auditor and on their remuneration both for statutory audit and non-audit work. It also discusses and agrees the nature, scope, planning and timing of the statutory audit with the external auditor.

The Committee is also responsible for monitoring the internal controls that are operated by management to ensure the integrity of the information reported to the shareholders. An internal audit function, which reports directly to the Chair of the Audit & Risk Committee, supports the Committee in this process. The Committee reviews the appropriateness of the annual internal audit programme for the Group and ensures that the internal audit function is adequately sponsored and resourced.

Additionally, the Committee receives reports on, and is responsible for, reviewing the Group's arrangements and processes which exist for employees and others to raise concerns over possible wrongdoing in financial reporting or other matters. This work includes reviewing the Group's systems for the prevention and detection of fraud and bribery and considering any matters arising under the General Data Protection Regulations or any whistleblowing matters which are reported. The Committee also receives reports on all litigation which the Group is engaged with either as plaintiff or defendant and recommends actions in respect of such to the Board.

The Group's Environmental, Social & Governance ("ESG") Working Group is chaired by one of the business unit Managing Directors and includes members from every business within Hargreaves. It reports quarterly to the Committee. The Committee is responsible for reviewing the Group's ESG report and recommending it to the Board.

Activities of the Committee

During the year, the Committee's principal activities comprised:

- Reviewing and approving the internal audit programme for the year and monitoring the progress and outcome of that, including reviewing reports from the internal auditor;
- Receiving quarterly reports from the Group's ESG Working Group, considering and recommending to the Board that Group's proposals for actions, targets and metrics to be adopted to illustrate the Group's response to climate change including for reporting in compliance with the requirements of the Task Force on Climate-related Financial Disclosures ("TCFD");
- Reviewing the Quarterly Risk Report and recommending appropriate actions and responses to the Board;
- Receiving quarterly reports on legal actions with which the Group is concerned;
- Receiving reports on any whistleblowing matters;

Audit & Risk Committee Report continued

- Reviewing and approving changes in the Group's internal control policies and procedures;
- Reviewing the Group's procedures in respect of GDPR;
- Reviewing the draft interim financial statements;
- Reviewing and approving the audit plan proposed by the external auditor;
- Reviewing the draft report and financial statements for the year ended 31 May 2023 and recommending their approval to the Board including:
  - Considering the accounting policies adopted for the preparation of the financial statements;
  - Considering the key accounting estimates and judgements used in their preparation including but not restricted to construction contract revenue and assets, dilapidation provisions, contract provisions, post-retirement employee benefits, measurement of recoverable amounts of cash-generating units ("CGUs"), valuation of land and the treatment of joint ventures;
  - Considering the assumptions used to support the adoption of the going concern basis of accounting;
  - Considering the Risk Management section of the annual report and in particular its completeness and relevance to the financial statements;
  - Reviewing the ESG report included in the annual report.

External Auditor

The external auditor provides the Audit & Risk Committee with information about its internal procedures for maintaining independence and the rotation of personnel engaged on the audit, including the audit partner. After considering this information, the Committee is satisfied that the external auditor is independent.

All non-audit services to be provided by the external auditor which exceed £50,000 in cost must be approved by the Committee in advance. During the financial year, there were £9,000 (2022: £16,000) of non-audit services provided by PricewaterhouseCoopers LLP and its network firms to the Group. The Committee is satisfied that the provision of these services in the prior year, did not compromise the external auditor's independence.

After due and careful enquiry and after reviewing the external auditor's Report to the Audit Committee and discussing the findings with the auditor, the Committee is satisfied that the scope of the audit was appropriate and that all significant accounting judgements exercised by management had been suitably challenged and tested including, but not limited to, the matters referred to in the long form Audit Report. The reasons for the delay in completion of the audit for the year ended 31 May 2023 was due to the Groups investment in HRMS, the Committee discussed this matter and they were resolved within the amended timescale. The Committee recommended to the Board that in their opinion the audit had been carried out effectively and that the report of the external auditor be accepted. In accordance with best practice, the Committee held a private session with the external auditor without executive management present.

The Committee has recommended to the Board that PricewaterhouseCoopers LLP be proposed for re-election as auditor at the forthcoming Annual General Meeting.

Internal Audit

Before the start of each financial year, the Committee agrees a programme of work for the internal audit function. The programme is designed to test the effectiveness of the internal control systems and seeks to recommend improvements to processes, covering key financial and other controls which the Committee recognises are important in ensuring the integrity of the Group's operations, as well as its financial reporting. The programme includes self-assessment questionnaires, detailed testing of processes and the review of appropriate documentation. The use of computer aided audit techniques to monitor transactional data using the Group's existing management information systems also continue to be developed and monitored, improving the efficiency, scope and effectiveness of the internal audit function.

The internal audit function has developed an Audit Universe which has been adopted as the governing document in setting the scope and frequency of internal audit work across the Group. Each audit area is cross-referenced to the related corporate risk to ensure an integrated and targeted approach to the annual internal audit programme.

The 2022/23 programme, whilst approved by the Committee, was not completed in full due to staffing resourcing issues throughout the first half of the financial year. In place of a full internal audit plan certain specific procedures were carried out by the Group Finance team and by in house Legal Counsel to provide the Committee with assurance on key financial and governance controls. This included the completion of a self-assessment questionnaire around each business units' key financial controls.

The 2023/24 programme will again include cyclical reviews of compliance with the Approvals and Authorisations Mandate, key financial controls and various regulatory requirements. Assurance will also be provided around the tendering and contract management framework in the Services business. Crisis management planning is also in scope for review by the internal audit function during the coming year. The Group's recruitment processes and its employee training procedures feature in the plan as the Board puts particular emphasis on the skills and quality of its workforce at a time of low unemployment.

Risk Management

The internal audit function reports quarterly to the Committee on the key risks identified by the Board as being so material that they need to be regularly monitored as to whether those risks have increased or decreased during the period and what remedial actions may need to be taken to counter them. Risk registers at a business unit level are reviewed on a quarterly basis, with any material changes being escalated to the Board. The Risk Management report which follows this report sets out these risks and the steps the Group has taken to mitigate them.

Going Concern Basis of Accounting

The Group has material assets and financial resources at its disposal together with robust risk management and capital allocation processes. The Group's cash flow model prepared as part of the annual budget and five-year plan process was subjected to a number of stress tests. These included measuring the impact of the deferral of certain specific anticipated revenues (for example in Hargreaves Land) alongside other more general sensitivity tests related to reductions in revenue. These assumptions and sensitivities were subjected to thorough analysis and review by the external auditor. The Committee questioned both management and the external auditor on the assumptions and testing they had applied and were satisfied to recommend to the Board that the going concern basis of accounting remains appropriate.

The Audit & Risk Committee Report was approved by the Board on 8 August 2023 and signed on its behalf by:

Nigel Halkes FCA
Chair of the Audit & Risk Committee
8 August 2023

Risk Management

The Board retains overall responsibility for the identification, assessment and mitigation of risk throughout the Group.

The Group is exposed to a number of risks, which it must assess, manage and control in the ordinary course of business in the interest of all stakeholders to deliver shareholder value. It is accepted that some risks may never be entirely eliminated. The Board recognises that it is essential to have robust risk management systems and practices in place to identify, assess and prioritise the mitigation of risks affecting the Group.

Safety, Health and the Environment

The Board has identified that the risk of a material incident in the areas of Safety, Health and the Environment ("SHE") is a particularly significant area and, as such, the Board continues to receive a detailed monthly report from the Group Head of Health & Safety. The Group's approach to SHE is set out below.

The Board's vision is to maintain an environment where all its employees, contractors and third parties experience zero harm as a result of its activities. To achieve this, the Group takes a proactive approach and is committed to achieving the highest standards of safety and health management and the minimisation of any adverse environmental impacts.

The Board ensures that the Health and Safety of employees, customers and the public are at the forefront of all Group activities. The Group Chief Executive, supported by both internal and external competent and experienced advisers, is charged with overall responsibility. All businesses have formulated and implemented SHE management arrangements consisting of competent staff along with policies, procedures and objectives to meet both legislative and best practice requirements. SHE performance and delivery is ingrained in the operational delivery and day-to-day activities and not seen as a bolt on to each business. Where appropriate the management procedures are externally certified to internationally recognised standards.

Alongside management systems and legal compliance, the Group recognises the benefits that effective leadership and the setting of clear expectations has upon workplace behaviour. Therefore, the Group has visible performance metrics, which are communicated at all levels throughout the organisation and are designed to enable the early identification of adverse trends and the development of suitable intervention and improvement measures. The Board usually carries out annual random site visits each year to see SHE processes at first hand and to emphasise to employees the importance the Board places on SHE activities. This year the Board visited the earthmoving activities for HS2 at Aylesbury, which consisted of an extended site tour and interviews with site management. The Board was satisfied that the safety culture of the Group is well embedded into this operation.

The year ended 31 May 2023 was a year with three lost time incidents reported, a decrease from the prior year when the Group had six such incidents. Whilst it is pleasing to see a reduction in incidents, the aim of the Board is to continuously push to reduce and remove lost time incidents wherever possible.

Insurance

The Group has worked closely with its risk advisers, Marsh Limited, to develop processes and reporting in respect of motor and liability claims. This has resulted in the Group having greater insight in respect of ongoing claims, historic claims and claims trends. Learnings and best practice taken from this has resulted in an improved understanding of risk in relation to the Group's operational activities and a reduction in incidents and associated claims.

Corporate Risks

The Board undertakes a full annual review of the Group's risk profile and strategic approach to risk. A condensed high-level Risk Register, which identifies key areas of corporate risk which the Board has determined are the most critical, has been reviewed and updated to reflect the Group's current risk profile. These areas of risk have been selected on the basis that a material adverse event in any one of them could potentially either:

- prevent the Group from achieving its financial or operational objectives or
- cause material loss or damage to the Group's assets or reputation.

The identified areas of risk are monitored, reviewed and investigated as necessary by the internal audit function. The Audit & Risk Committee receives a written report on these risks every quarter, including a commentary which notes any material changes which have been identified. This report assesses whether each area has increased or decreased in the level of risk and where necessary corrective actions are implemented.

The areas of critical corporate risk which have been identified are as follows:

- Contractual Risk
- Recruitment & Retention of Key Executives and Skilled Employees
- Regulatory & Legislative Compliance
- Environmental
- Fraud
- IT Security
- Liquidity & Credit Risk
- Failure of a Material business unit
- Inflation

Following a review by the Committee and based on the experience throughout the year, the risks previously reported relating to Covid-19 have been removed.

The Audit & Risk Committee has considered an assessment of the risks which the Group may face as a result of climate change but at this stage does not assess those risks as material. Each business unit within the Group has carried out a climate change risk assessment process and that is embedded into each business unit's general risk register. Any risks are identified and mitigation procedures implemented where appropriate.

A table describing the key risks and the mitigations in place throughout the Group to protect against them is set out below.

Risk Management continued

Key Risks & Description	Mitigation
Contractual Risk	
Multiple businesses of the Group enter into and manage diverse and complex contracts as part of their core operations. Bad planning, agreement to onerous terms, ineffective management and delivering services outside of the Group's core competencies could all erode the value of the contract and increase the risk exposure to the Group. Attached to the risk surrounding contracts are the potential financial and reputational impacts on the resolution of defective works and warranty claims following contract completion.	• Delegated Authority Mandates in place throughout the Group requiring appropriate levels of senior personnel to approve contracts. • Requirement for legal review of all potential contracts which meet the agreed criteria, detailed within the Delegated Authority Mandates. • Recruitment and employment of suitably qualified and competent personnel at all levels to undertake works to minimise risk relating to defective works and associated warranty claims. • Targeting of contracts where the scope of work fits the core competencies of available resources. • Contracts have specific risk registers, which are prepared at tender stage and maintained throughout the progress of the contract. These registers highlight the potential risks inherent in a particular contract as well as the controls required to mitigate them. They form a critical part of the management of the contract and are updated regularly throughout.
Recruitment and Retention of Key Executives and Skilled Employees	
Key executives, senior management and skilled employees possess the industry knowledge and experience, without which, our strategic objectives may not be achieved. If the Group is unable to recruit or retain both key executives and skilled employees, this could adversely affect the Group both operationally and financially.	• The provision of remuneration and terms of employment that are competitive in the market. • Identification of key strategic roles across the Group. • Succession planning for these identified key strategic roles. • Supporting employees through the Employee Assistance Programme, retail discount schemes. • Provision of Mental Health first aiders to identify and provide first line treatment to employees.
Regulatory and Legislative Compliance	
Failure of the Group or a business within the Group to comply with its applicable regulatory and legislative obligations, resulting in financial, reputational, and potentially criminal implications for the Group or its responsible employees.	• Appropriate and specialist management systems are in place across the Group to ensure compliance with our obligations. • Competent and appropriately skilled individuals hold key roles in assuring our compliance to our regulatory and legislative obligations. • Memberships to various trade bodies provides access to proposed regulatory changes and helps to highlight any issues, allowing for early planning and appropriate representation.
Environmental	
There are inherent environmental risks within some of the Group's operations. If not properly managed, these risks could result in environmental contamination with disruption to business, financial costs and loss of reputation.	• Provision of clear guidance on the environmental standards which the Group's operations must adhere to. • Compliance with laws, regulations and industry best practice is a priority across the business. • Environmental management strategies are in place at all applicable sites. • The ESG Group sets the tone for the Group's approach to minimise the impact of activities on the environment, through the setting and monitoring of targets.
Fraud	
In the course of its operations, the Group is exposed to fraud risks from a number of internal and external sources.	• Fraud risk management policy is in place across the Group. • Fraud risk awareness training has been rolled out across the Group. • Fraud risk is discussed regularly in the Audit & Risk Committee with both internal and external audit. • The Group has many controls and procedures in place to limit the risk of fraud. These controls include, but are not limited to, detailed Authorisation and Approvals Mandates, system automated controls, segregation of duties on particular processes and periodic Internal Audit reviews.
IT Security	
There is an ever increasing reliance on the stability and security of the IT network for delivering day-to-day operations, whilst the volume and types of data held within it increases. This reliance on IT increases the potential for sophisticated cyber-attacks to target the Group's computer systems, infrastructure, networks and personal devices with the intention of paralysing operations for an immeasurable amount of time, carrying material financial and reputational implications for the Group.	• The Group has a dedicated IT function, with a high degree of skill and experience in maintaining and monitoring the IT infrastructure. • A risk-based IT strategy is in place focusing on four strategic initiatives: technology and innovation, compliance, culture and education and delivery. • Third party hosting of core business applications with a full business continuity and disaster recovery infrastructure as well as regular tiered backup solutions. • Mobile device management applied to all company devices to protect network and data via mobile platforms. • A "zero-trust" philosophy with regard to system access. • Full Checkpoint security application in place to cover our end-points, VPN connectivity and access to cloud platforms. • Global leading email security application presides over all email traffic, protecting against all targeted threats, phishing, malware and URL protection. • Full user security awareness programme with regular training videos rolled out to all users across the Group.

Key Risks & Description	Mitigation
Liquidity and Credit Risk	
The failure of the Group to maintain access to liquidity could result in a material adverse financial impact for the Group. The Group needs to ensure that sufficient liquid funds are available to meet its contractual demands and wider operational uncertainties, either through available cash reserves or external funding capacity. The Group has put in place a limited invoice discounting facility which provides working capital flexibility in addition to the Group's cash reserves. The Group is not dependent on bank borrowings. The Group's trading relationships require contract and credit exposures to specific customers that are material to the results of the Group, sometimes over a long period. Credit risk arises from the possibility that customers may not be able to pay their debts.	• Whilst the Group is in a positive cash position, it maintains strong relationships with prospective lenders and seeks to put in place appropriate finance facilities aligned to both the short and medium-term requirements of the business with sufficient flexibility to manage liquidity fluctuations within reasonable parameters. • Short and medium-term cash flow forecasting is in place across the Group, ranging from daily cash flow forecasting to five year planning together with the annual in-depth going concern review. • The Group regularly assesses the financial reliability of customers. • The Credit Control function closely monitors and chases any overdue debts and the majority of the Group's trade receivables are due for payment within 45 days. • The Group remains vigilant to monitoring and controlling counterparty exposures that are material to the results of the Group. All such exposures are carefully considered before contractual commitments are made to take account of the risks presented by the contract or relationship, the returns available and the opportunities that are, or are not, available to mitigate that exposure. • Authorisation of credit limits is restricted to a limited number of individuals, with the input of third-party credit scoring. • A robust capital expenditure procedure is in place Group-wide to control investment in illiquid assets.
Failure of a Material business unit	
The Board assesses that the failure of HRMS in particular would create a material risk to the Group. HRMS is a key supplier of specialist raw materials to major European customers in the steel, foundry, smelting, ferroalloy, sugar, limestone, insulation, refractory and ceramic industries. HRMS owns a material steel waste recycling business and has invested in a carbon pulverisation plant, however this has not yet achieved critical mass. HRMS is independently funded from the Group, however HRMS holds substantial monies in respect of undistributed profits and loans. Additionally, the Group has provided a €10million guarantee to HRMS' bankers. HRMS is exposed to the movements in certain commodity prices which can be variable and which could cause material fluctuations in profits. The Group's share of HRMS' profits represents a material contribution to the Group profit before tax. HRMS' subsidiary business, DK, recycles steel waste into pig iron and zinc. DK uses a small amount of gas in its production process.	• The Group's investment in HRMS is governed by a shareholders' agreement which provides a series of protective rights to the Group including controls over the approval of budgets, the granting of security and business activities. • The agreement provides step in rights to the Group in the event of a material breach of the agreement. • The Group Chief Executive is a member of the Board of HRMS which meets each month. • Monthly financial information is submitted to the Group and subject to review by Group Finance. • 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.
Inflation	
The cost of living in the UK has been rising since early 2021, with inflation reaching its highest level in decades during the last twelve months. Not only does this affect the ability of customers to afford goods and services, but increased costs along the supply chain may lead to reduced margins. Additionally, increased overhead costs and pressures to increase wages and salaries could affect the profitability of the Group.	• Contracts have been negotiated where necessary to include cost escalation clauses to limit the impact of inflation on fuel costs for example. • Many contracts are based upon "cost plus" principles which mitigates the impact of cost increases.

Nigel Halkes FCA
Chair of the Audit & Risk Committee
8 August 2023

Environmental, Social and Governance

Governance

An organisation's governance around climate-related risks and opportunities.

Strategy

The actual and potential impacts of climate-related risks and opportunities on an organisation's business, strategy, and financial planning.

Risk Management

The processes used by an organisation to identify, assess, and manage climate-related risks.

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Hargreaves recognises the reporting requirements across the four core elements of the TCFD in relation to governance, strategy, risk management, and metrics and targets.

The Group is exploring how we can align with as many of the 17 United Nations Sustainable Development Goals ('UNSDGs') as possible. We currently identify with 9 of the UNSDGs:

The Group is aware of the potential impact of its activities on the environment and remains committed to reporting its Environmental, Social and Governance ('ESG') performance in accordance with relevant legislation. Established in 2021, our ESG Working Group ('ESG Group'), chaired by a business unit Managing Director, meets approximately every six weeks to discuss risks and opportunities which climate change presents and to monitor progress against a range of objectives and targets. The ESG Group includes representatives from all areas of the business. Each business unit established its own Carbon Footprint Reduction Initiatives and Climate Change Risk Assessments to develop the delivery of Group-wide targets and reviews these documents quarterly. Hargreaves places emphasis on the Group's ESG agenda being driven from each business unit, all of which embed climate change risks into their risk register. This bottom up approach ensures that consideration of environmental issues is incorporated into each business unit's approach including when tendering for new business opportunities.

The ESG Group reports quarterly to the Audit & Risk Committee, which ensures Board level engagement and facilitates continued awareness of the Group's ESG activities at the highest level.

Along with various in-house online training, including Anti-Corruption & Bribery and Information Security, all employees are required to complete online ESG Awareness training. This training highlights the areas Hargreaves is focussing on to reduce fuel and water usage, waste, and increase levels of recycling. Additionally, the course advises how employees can make small changes in their homes, and the workplace, which can make a meaningful contribution to improving the environment. A monthly ESG themed topic is also added to the Group's internal SharePoint system to highlight various initiatives and raise awareness.

Environmental

Monitors and reports how the Company controls its impact on the environment.

Social

Examines how the Company manages its relationship with employees, suppliers and communities.

Governance

Controls and monitors how the Company deals with its leadership, internal controls and shareholders.

Following an independent assessment by Integrum ESG in January 2023, the Group was awarded an ESG A rating. This rating was calculated based on an analysis of procedures in areas of governance, sustainability and impact. An A rating indicates a very good overall approach to ensuring a company acts in line with expected standards for ESG matters.

Hargreaves is also proud to have been awarded Gold CSR Accreditation. The accreditation is an effective way to benchmark what the Group does with regard to social responsibility. The process involves collation, measurement and reporting on the full range of socially responsible activities. Accreditation also provides a roadmap for planning future activity. The application process records activity against the four pillars of Social Responsibility - environment, workplace, community and philanthropy. Each pillar of Social Responsibility is designed for a company to report their impact on areas such as energy performance, recycling, staff engagement, health and well-being, community engagement and supporting local and national charities. The accreditation is for three years and a tree is planted, in our name, as part of the Green Earth Appeal.

Environmental

The ESG Group has implemented robust measuring systems and appropriate goal setting, tracking and reporting in line with relevant legislation. Each business unit undertakes an annual climate change risk assessment of the impact and potential opportunities of climate change and embeds these results into their risk registers. These assessments focus on possible impacts within the next five years which is Hargreaves' usual planning cycle. Following these assessments, the relevant Group policies are reviewed and amended, where appropriate. Business units are also required to review, and update accordingly, the carbon reduction projects relevant to their business areas.

Climate Related Risks and Opportunities

The climate change risk assessments carried out by the business units did not identify any risks which might materially impact any of the Group's businesses.

The risk assessments, which considered the possible impacts on each business within the next five years specifically, covered the following areas:

- Summer daily maximum temperature around 7°C higher compared to average summer temperatures now;
- Winter daily maximum temperature around 4°C more than the current average, with the potential for more extreme temperatures, both warmer and colder than present;
- Rainfall events up to 20% more intense than current extremes;
- Average winter rainfall increasing by 41% on today's averages;
- Sea level up to 0.6m higher compared to today's level;
- Drier summers with up to 45% less rain than now;
- The flow in the watercourses peaking at up to 40% more than now and 80% less than now at its lowest;
- Increase in wind speeds by up to 60mph.

Separately, a range of actions have been implemented by the business units which aim to reduce their carbon emissions and mitigate cost increases which may arise more generally in the macro-economic environment as a result of climate change. These near term actions include measures to reduce energy and fuel consumption and these measures are set out below. Some of these measures have been included in the targets set for the financial year ended 31 May 2023 including reducing plant idling time, improving kilometres travelled per litre of fuel and reducing the megawatts consumed per office based employee. Performance against these targets is set out below.

Other risks which apply more generally relate to the reduction and ultimate phasing out by legislation of diesel as the major power source for plant and vehicles. The Board does not consider that any risks arising from these matters are likely to arise within the next five years.

There are two specific technology transition risks related to climate change which have been identified. First, the Group has been working with a major original equipment

Environmental, Social and Governance continued

manufacturer of plant for several years on the possible introduction of electrically powered plant. The timescales for this are governed by the manufacturer and the Board is unable to assess when such plant might become available. Secondly, all of Hargreaves' HGV fleet can be converted to operate on Hydrogenated Vegetable Oil ("HVO") at minimal cost with substantial emissions reductions arising. This alternative fuel is not yet commonly available nationwide and does have some additional cost but again the timing of major implementation of this will be driven by infrastructure roll out by fuel providers and the Board is unable to assess that timescale. Although the timescales for these technology transition risks are uncertain, the Board believes that the actions the Group has taken in preparation for these changes will enable it to adapt quickly and in a controlled manner at the appropriate time.

Additionally, the ESG Group has worked to identify business opportunities which may arise from climate change and the focus on carbon emission reduction. For Hargreaves, these arise mainly through the activities to regenerate otherwise unproductive former mining land in Scotland. This land requires waste sewage sludge to be spread over it so that it can then become capable of sustaining plant life. The Group is working towards achieving Scottish Government grant funding for woodland creation projects intended to capture over 200,000 tonnes of CO_2 on approximately 700 hectares of regenerated land which would feature approximately 1,700 trees being planted over the next five years.

Hargreaves Sustainability Initiatives

Procurement staff are required to complete a mandatory introductory module from the Supply Chain Sustainability School, with a view to this being enhanced and expanded in order to increase levels of awareness and collective buy-in from all staff members and we aim to achieve Silver status for all business units during the year ending 31 May 2024.

Where appropriate, smart meters and solar panels are being installed at all business locations. From FY24, the Group's power supply will be provided using 25% nuclear and 75% renewable energy, i.e. 100% non-carbon.

In addition, electric vehicle charging points have been installed at our two main office based facilities, other major operational sites and are now standard installations in all of Hargreaves Land's newly constructed industrial buildings.

The Group's earthmoving activities utilise the largest amount of plant and is investigating alternatively powered machines for future projects, working with one of the world's largest plant manufacturers.

At Blindwells, Hargreaves Land's flagship residential site in East Lothian, 25,000 trees have been planted. The trees will store the equivalent of 54 tonnes of carbon and produce 144 tonnes of oxygen in their first year; as well as increasing the overall levels of biodiversity net gain from the original 'base' position set by an independent ecologist. The levels of biodiversity net gain are monitored throughout the life of the site.

In FY24, Hargreaves Land is planning to plant sufficient trees on 235 acres of land that will remove 427 tonnes of carbon in their first year. Elsewhere in Land, over 700MW of renewable energy projects now have planning permission and grid connections, currently equivalent to 5% of Scotland's renewable electricity generating capacity[1]. Hargreaves Land also has a further 550-1,050MW of battery storage schemes awaiting planning permission and grid connections. Further opportunities for renewable energy assets on Hargreaves' land are being pursued.

Hargreaves Land continues to appraise its current Standard Developer Shell Specification documents to incorporate further carbon-reduction measures and sustainable technologies in future unit construction (including BREEAM certification) – albeit tailored to individual market circumstances on each project. In addition, Hargreaves Land is exploring across its entire portfolio the continued integration of renewables into its 'master-developer' projects – including potential for wider district-heating, battery storage and Combined Heat and Power processes where appropriate.

A BREEAM rating of 'Very Good' and a minimum EPC Rating of 'A' is typically targeted in any new units constructed by Hargreaves Land, unless there is a specific user requirement and this is not contrary to local planning policy. In Flood Zone areas, appropriate measures are undertaken to mitigate risks of flooding, alongside liaison with the appropriate statutory body such as the Environment Agency, SEPA, etc. during the planning process.

In Scotland, Hargreaves Land is well advanced in the removal of gas supply provision to new residential development plots at Blindwells (in line with Scottish Government requirements) and continues to evaluate the situation in respect of similar developments across England and Wales, albeit carefully balanced against the individual requirements of housebuilders and potential occupiers on each project.

Through its work as a 'master developer' of large-scale mixed-use regeneration projects, Hargreaves Land is proactively fostering placemaking principles which support the creation of new 'twenty-minute neighbourhoods' on several schemes, which by way of purposeful design aim to reduce the local community's reliance on vehicular transport and increase the use of active-travel measures including walking and cycling. In addition, Hargreaves Land aims to protect and promote biodiversity wherever possible by integrating biodiversity gain into our entire masterplan process, to ensure our developments do not impact negatively on their surroundings and ensure a biodiversity net gain is delivered across each scheme and monitored throughout the life of the site.

Group-wide, we have monitored and recorded the reduction in CO_2 emissions to reduce business through the use of Microsoft Teams. Using Government statistics, we estimate that the tonnes of CO_2 equivalent emission reduction during FY23 was 738 tonnes. This is equivalent to an average size diesel car travelling approximately 110 times[2] around the earth[3]!

A range of PPE made from recycled materials is being trialled and we are working with the supply chain to establish sustainability targets in terms of packaging, reducing delivery and product choices. The focus is on durability and cost compared with non-recycled items. In addition, appropriate recycling bins will be placed at the relevant sites and these will be recovered using an appropriate provider.

[1] www.gov.scot
[2] www.sustainabletravel.org
[3] www.space.com

The ESG Group has evolved to establish a Fuel Sub-group. The Fuel Sub-group includes representatives from all areas of the business, to ensure a collaborative approach, to examine fuel usage and efficiency relating to HGV and yellow plant, including investigating the potential use of alternative fuels. In conjunction with the Fuel Sub-group, the business is exploring opportunities to utilise HVO, where possible. Trials using HVO have been carried out which show 95% reductions in carbon emissions. All of the Group's HGV fleet can use HVO and this offering is now made to every client.

Plant operators are being encouraged to reduce their idling time by 10-15%. Our Specialist Earthworks business is part of the UK Team for the creation of a new European Earthworks Sustainability Technical Report, aimed at sharing best practice in earthworks sustainability with our European peers. The business has been awarded the Best Environmental Sustainability Initiative Award at the EKFB C23 Awards for the design, supply and installation of the Small Dean Conveyor Project in Wendover, Buckinghamshire, as part of HS2. The conveyor has eliminated the equivalent of 1.15 million miles of road haulage, saving 1.6 million litres of diesel; offset over 5,000 tonnes of CO_2 (equivalent to planting 30,000 trees); and reduced construction noise by over 50%.

In conjunction with an external provider, the business has begun building a stock of earthmoving remould tyres, rather than purchasing new. This process includes worn tyres being removed from the machine, x-rayed, inspected, buffed, repaired and refilled. By utilising remould products, both new materials and energy requirements are significantly reduced in the tyre production process. As a tyre can be remoulded up to three times, tyre disposal will also be reduced. The provider issues monthly Maple Programme certificates, showing CO_2 and oil savings, through purchasing remould products. Typically, using remould tyres reduces energy used in tyre production by 30%[4].

No significant environmental incidents were reported in the year within the Group. Through the ESG Group, the usage of gas and electricity consumption is analysed, in addition to establishing metrics and targets, which have been approved by the Audit & Risk Committee.

FY23 Carbon Reduction Targets

Group carbon reduction targets set for FY23 were:

- To reduce plant idling time by 6%;
  - average plant idling time has reduced to 28% from 34% in line with the target.
- To improve the kilometres per litre achieved by the haulage fleet by 3%;
  - a 2.12% improvement has been achieved against this challenging objective.
- To reduce the MW consumed by office based employees by 2%.
  - in FY23, 1.62MW were consumed compared with 1.8MW in FY22, a reduction of 10%.

FY24 Targets

The Group has set three targets for the next financial year which are focussed on developing strong ESG management systems. The targets are as follows:

- To prepare a Sustainability Framework supported by management plans for carbon, waste and energy to align with the UK Government's goal of achieving Net Zero Carbon by 2050;
- To attain a Silver Level Rating in the Supply Chain Sustainability School;
- To plant at least 40,000 trees on the Group's own land which would equate to 5,000 tonnes of carbon capture over the life of those trees.

SECR

The Group's Scope 1, 2 and 3 emission data is set out in the table below.

The Group has achieved a 10.1% reduction in Scope 1 and 2 emissions and a 18.7% reduction per employee in a year where activity levels have increased substantially with revenue growing by almost 19%. The modest increase on measurable Scope 3 emissions is principally due to less home working as Covid 19 restrictions were eased. The 2022 figures have been restated to correct errors in both the Scope 1 and Scope 3 figures.

Methodology

The Group follows ISO14064:1 standard for its reporting and takes the operational control approach to reporting. The conversion of units of fuel used into tonnes of CO_2e has been done utilising the UK Government Conversion Factors 2023.

Scope 1 emissions have been calculated by taking the total number of litres of fuel used in operations during the reporting period and converting them to tonnes of CO_2e using the appropriate conversion factor.

Scope 2 emissions have been calculated by taking the total kWh of electricity and gas used at the Groups premises during the reporting period and converting them to tonnes of CO_2e using the appropriate conversion factor.

Scope 3 emissions have been calculated by taking the total litres of fuel purchased for business travel as well as an estimate of emissions for business flights.

The Board considers that the disclosures above meet the requirements of the Companies Act 2006 sections 414CA and with the exclusion of paragraphs 414CB (2A) (e), (f), (g) and (h) as the Board considers there to be no such material risks.

	Tonnes of CO_2e 2023	Tonnes of CO_2e 2022	Change %
Scope 1 and 2 Global GHG emissions			
Combustion of fuels in operations and services provided	**16,323**	18,034	-9.5%
Electricity, steam, heat and cooling for own use	**302**	453	-33.3%
Total footprint	**16,625**	**18,487**	**-10.1%**
Emissions reported above per employee	**12.2**	15.0	-18.7%
Scope 3			
Business travel (air, rail and vehicles)	**262**	248	+5.6%

[4] Kaltire data, validated by SCS Global Services

Environmental, Social and Governance continued

Social

Employee Wellbeing

Hargreaves is committed to employee wellbeing, from ensuring a satisfactory work-life balance, through flexible working and strict adherence to our rigorous policies, to ensuring employees are actively supported through our free of charge Employee Assistance Programme ('EAP'). The EAP provides confidential 24/7 online and telephone assistance, to support issues from mental health and physical support to legal and financial advice. In addition, the business has a total of 40 trained Mental Health First Aiders, 32 across the UK and 8 in Hong Kong. These individuals are the first point of contact for an informal chat or to sign post employees to the correct professional advice.

To help employees budget through the current cost of living crisis, our employees benefit from generous discounts from high street and online retailers via the Hargreaves Rewards platform using their online account or via an app. At the end of May 2023, employees have saved a total of £20,000 since the platform launched in December 2021.

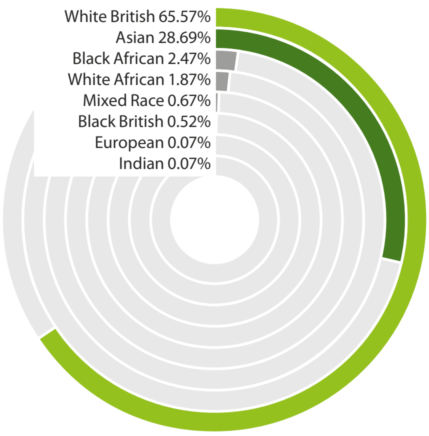
In partnership with an external coaching mentor, Hargreaves is supporting potential and existing Line Managers by delivering a Management Development Programme aimed towards actions and behaviours to improve team engagement and business performance. Course modules cover numerous topics, including customer focus, effective communication, engagement and inclusivity, and coaching and mentoring.

As part of our commitment to employee wellbeing and safety, we issued all employees with an electronic survey to gather anonymous feedback on the support and benefits offered to them. This feedback is used to guide changes and improvements. Fresh fruit is provided in breakout areas to encourage employees to benefit from a healthy balanced diet.

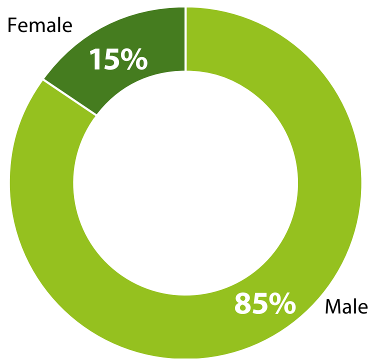
The charts below show the difference in mean (average) hourly rate between men and women. Within the Group, the main areas of work are in logistics, production and industrial services including material handling and maintenance. The majority of roles within these sectors are direct workers i.e. labourers, drivers, machine operators, shift work with irregular working patterns. The median gender pay gap was 46.02%.

The graphical information below illustrates the diverse nature of the Group, identifying the ethnicity and gender split of our workforce. The number of individuals who have identified themselves as disabled is 7.

Group Ethnicity Split



Group Gender Split

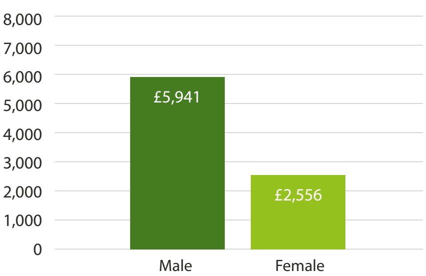


Difference in Mean Hourly Rate

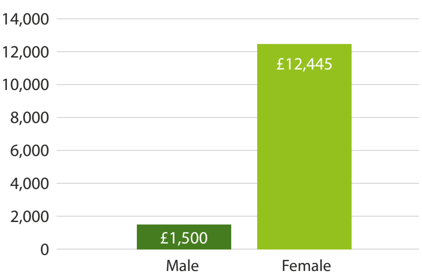
Difference in Median Hourly Rate

Whilst the hourly rates are higher for the males, the median bonus average is higher for females. The percentage of females receiving a bonus (49%) is also greater than the percentage of males receiving a bonus (38.81%).

Bonus Pay - Mean



Bonus Pay - Median



Social Engagement

The Group continues to support local communities, activities and events that employees are actively involved with through its £50,000 per annum Corporate Social Responsibility Fund ('CSR Fund'). During the current financial year, we have supported a total of 76 events, donations and initiatives across all areas of the business. These include sponsorship of 5 charity golf days; sponsorship of 29 adult and junior teams; 9 employee matched donations of sponsored events; donations to 9 community events and foodbanks; donations to 7 local schools, nurseries and hospitals; supplied 5 charity events with raffle prizes; 3 donations in memory of an employee or a family member; donations to 3 scout/cub groups; sponsorship of 2 local Christmas trees; and sponsorship of local businesses and attractions, some of which offer staff discounts and benefits, such as Durham Cathedral and Ushaw College.

Elsewhere, Hargreaves is also focussed on local communities. The business was recently awarded a ten year logistics contract for Durham County Council and intends to focus its CSR funding projects within this region. In addition, the business was 'Highly Commended' for 'Safer Transport and Logistics' at the MPA Health and Safety Awards in January 2023.

For the second year, we are proud to sponsor the North East England Chamber of Commerce Inspiring Female awards. The awards recognise the inspirational and influential women across a range of businesses in the region.

At the end of FY23, Hargreaves Land has delivered 144 housing plots dedicated to social housing development and is contracted to deliver a further 100 social housing plots in FY24. Hargreaves Land continues to explore opportunities where integrated placemaking principles can ensure a mix of tenures are delivered on each new development.

Our business is focussed on recruiting plant operators from outside the industry, recently recruiting 30 individuals. In addition, they retained 75% of new operators who successfully completed their training through the award winning Blackwell Earthmoving Training Academy in FY23. 294 people attended a Plant and People Interface Behavioural Awareness Training Week at the HS2 project. This included a visit from Chiltern Wood School for teenagers with special educational needs as part of a social engagement programme.

St Andrew's Church
Niall Fraser and Val Hartley presenting a cheque to St Andrew's Church, Earls Colne, to help with fundraising for the restoration of their historic bells.

MPA Awards
Graeme Lightbody, SHE Manager, proudly displaying our very well-received commendation.

Brandon United
The team looking ready for action in their sponsored team kit (Isaac Gittins, an employee's son, front and centre)

Immingham Town Council
One of our sponsored Christmas trees looking impressive outside Immingham Civic Centre.

Maltby Town Council
Sponsorship of the recent King's Coronation celebrations, which provided a great opportunity for communities to come together.

Governance

Hargreaves is committed to maintaining high standards of corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code 2018 ('QCA Code'). The Company complies with each of the ten principles of the QCA Code.

Around the Group, businesses hold various accreditations including ISO45001, ISO9001 and ISO14001. Additionally, the Group is well advanced in moving towards attaining ISO27001. These internationally recognised accreditations underpin the high standards we continue to achieve. In addition, our Logistics business holds FORS accreditation. This is a voluntary accreditation scheme for fleet operators which aims to raise the level of quality within fleet operations and demonstrates which operators are achieving exemplary levels of best practice, efficiency and environmental protection.

Further information on corporate governance is set out earlier in this Annual Report.

Board of Directors

Roger McDowell (aged 68)

Non-Executive Chair

Roger was appointed Chair of the Company and the Nominations Committee on 1 August 2018 after joining the Board in May 2018. He is also a member of the Remuneration and Audit & Risk Committees. Roger spent his executive career working in his family's business, pipeline products distributor Oliver Ashworth. He was Managing Director for eighteen years, leading the business through dramatic growth (from £1m to £100m turnover), main market listing and ultimate sale to St Gobain. Thereafter he has taken on Chair or non-executive roles in private equity backed and listed businesses in a variety of sectors including; engineering, manufacturing, waste management, renewable energy, financial services, IT, and telecoms. Roger currently serves as Chair of Avingtrans plc and Flowtech Fluidpower plc. He is also a Non-Executive Director of Tribal Group plc, Proteome Sciences plc, British Smaller Companies VCT2 PLC, Brand Architekts Group plc and Koheilan Ltd. As can be seen from the above, Roger has extensive business management experience in both executive and non-executive roles which provides the Board with relevant commercial and governance experience. He also has strong relationships with many of the Company's major shareholders, built up over several years with a number of companies.

Gordon Banham (aged 59)

Group Chief Executive

Gordon was Managing Director of his family firm, F Banham Limited, until 1994 when he negotiated its sale to Charrington Fuels and was appointed as General Manager of the combined businesses. On the acquisition of Charringtons by the CPL Group in 1995, he was made Distribution Director responsible for the enlarged group's coal distribution activities. Gordon joined Hargreaves in 2001, subsequently being appointed as Group Chief Executive. He led the management buyout of the Company in 2004 and its subsequent flotation on the London Stock Exchange the following year. Gordon's knowledge of the Group and its various business interests is unrivalled, and he continues to have a detailed involvement in all material matters with which the Group is engaged. Gordon is a Director of Robertson Homes (East Anglia) Limited.

John Samuel (aged 67)

Group Finance Director

John is a Chartered Accountant and qualified with Deloitte & Co in 1981. He became a partner with Baker Tilly in 1986, leaving that firm to join Filtronic plc in 1991, leading its flotation in 1994 and serving as Finance Director until 2004. He then served as Chief Financial Officer of Zetex plc for two years, before serving as Group Finance Director of Renew Holdings plc for twelve years from 2006, prior to joining the Company in January 2018. John is a Director of Ilkley Toy Museum Limited. John's experience as the senior financial officer in a number of public companies, including those which have experienced substantial growth through business change, has been particularly relevant to the Group. John steps down from the Board on 9 August 2023 to be succeeded by Stephen Craigen.

David Anderson (aged 56)

Group Property Director

David joined the Board as Group Property Director in November 2018. David joined from Henry Boot Developments Limited, the principal property development subsidiary of Henry Boot PLC, where he had served as a Director since 1996 and as Managing Director since 2005. He led the growth in revenue of that business from less than £10m in 2005 to over £220m in 2017. David's 25 years of experience and success in the field of property development brings the appropriate knowledge and understanding of that market necessary to assist the Group's growth in that business area.

Nigel Halkes FCA (aged 67)

Non-Executive Director

(acting Non-Executive Chair)

Nigel was appointed to the Board in August 2015 and serves as Chair of the Audit & Risk Committee. He is also a member of the Remuneration Committee. He is a Chartered Accountant and was a partner at Ernst & Young for 25 years, rising to become Managing Partner of Markets for the UK and Ireland, responsible for the firm's growth strategy, key relationships, and business development. He retired from Ernst & Young at the end of 2013 to pursue a portfolio non-executive career spanning the public, private and charitable sectors. Nigel is a Non-Executive Director of Tribal Group plc and a Trustee of the Hugo Halkes Foundation. Nigel's extensive professional experience brings rigour and insight to the Board particularly with regard to financial accounting and risk management.

Chris Jones (aged 57)

Non-Executive Director

Chris joined the Board in April 2020. He is a member of both the Remuneration and Audit & Risk Committee. He is a property consultant and Chartered Surveyor with over 30 years' direct experience working with a broad range of organisations within the UK investment and development sectors of the commercial property market. As a founding partner of his investment practice - Christopher Dee LLP, based in Manchester, he has provided advice to private and institutional clients on all aspects of commercial property investment, development, and funding work. Chris retains a role within Christopher Dee LLP to manage a UK wide unit linked property investment fund, where he reports directly to their board on all strategic matters. Chris is also a Director of The Creative Property Group Ltd and Doon Villa Holdings Ltd.

Nicholas Mills (aged 33)

Non-Executive Director

Nick joined the Board in 2020 as Non-Executive Director and currently serves as the Chair of the Remuneration Committee. He has been employed by Harwood Capital LLP since 2019 after spending 5 years at Gabelli Asset Management in New York. He acted primarily as a Research Analyst covering the multi-industrial space and also gained experience in Merger Arbitrage strategies and marketing Closed End Funds. He has a Bachelor of Science Degree from Boston College's Carroll School of Management. Nick is a Director of Harwood Capital Management Limited, Harwood Capital Management (Gibraltar) Limited, Growth Financial Services Limited, 62 Pont Street (Freehold) Ltd, Niox Group Plc and North Atlantic Investment Services Limited.

Stephen Craigen (aged 39)

Director

Stephen joined the Board in August 2023 as Director. He graduated from the University of Newcastle-upon-Tyne with a Masters degree in Mathematics and Statistics. Stephen is an experienced chartered accountant having qualified whilst at PwC.

Stephen joined Hargreaves in a Group Finance role in 2013 and progressed to Group Financial Controller in 2017, a position he held until his appointment to the Board and, as such, has a deep understanding of the Hargreaves business model. Stephen will succeed John Samuel as Group Finance Director on 9 August 2023.

Directors' Report

The Directors present their Directors' Report and financial statements for the year ended 31 May 2023.

Principal Activities

The principal activities of the Group during the year were the provision of haulage services, waste transportation, processing of minerals, mechanical and electrical engineering and materials handling, dealing in plant and machinery, the development and sale of land, civil engineering, and specialist earthworks.

Results and Proposed Dividend

The profit for the year from continuing operations was £27,926,000 (2022: £32,507,000*). Following the payment of an interim dividend of 3.0p per share on 6 April 2023, the Directors recommend a final dividend for the year ended 31 May 2023 of 6.0p (2022: 5.6p) per share.

The Directors also propose to declare an additional dividend of 12.0p (2022: 12.0p) per ordinary share following receipt of monies to be paid to the Company by HRMS.

It is proposed that the final dividend and additional dividend will be paid on 30 October 2023 to shareholders on the register on 22 September 2023. The shares will become ex-dividend on 21 September 2023. The proposed dividends have not been provided for in these financial statements as they were not declared and approved before the year end.

Outlook

The current trading and outlook for the Group is disclosed within the Chair's Statement above.

Financial Instruments

The financial risks faced by the Group and its policy in respect of these risks are set out in Note 29 of the financial statements.

Policy and Practice on Payment of Creditors

The Group does not operate a defined code of practice regarding payment to suppliers. The Group determines conditions of payment for its own supply of goods and services. It is the Group's policy that transactions are then settled in compliance with these legal or other contractual obligations having regard to good commercial practice.

Directors

The Directors who held office during the year and to date are as follows:

Roger McDowell
Nigel Halkes
Christopher Jones
Nicholas Mills
Gordon Banham
David Anderson
John Samuel
Stephen Craigen (appointed 1 August 2023)

The names and biographical details of the Directors at the date of this Directors' Report are given in the Board of Directors section of this Annual Report.

Roger McDowell is taking a temporary sabbatical break for personal reasons from 5 June 2023 and is expected to return to his duties in September 2023. In Roger's absence, Nigel Halkes, the Senior Independent Director, has assumed the Chair. Additionally, John Samuel will step down as Group Finance Director and Board Director on 9 August 2023 when John will be succeeded as Group Finance Director by Stephen Craigen who was appointed to the Board on 1 August 2023.

All Directors are required to retire by rotation every three years, in line with the Articles of Association. An evaluation of the performance of each Director and of the Board is carried out annually and the performance of each continues to be effective and demonstrates commitment to the role. The Directors required to retire by rotation at this year's AGM are set out below.

The Company provides indemnities to each of its Directors in accordance with the provisions of the Company's Articles of Association. Additional information relating to Directors' remuneration, service contracts and interests in the Company's shares is given in the Remuneration Report.

The Directors who held office at the end of the financial year had the following interests in the shares of the Company according to the register of Directors' interests (audited):

	Class of share	Interest at end of year	Interest at beginning of year
Gordon Banham (held by GB Holdings (2021) Limited)	Ordinary	**2,646,825**	2,646,825
Gordon Banham	Ordinary	**29,704**	29,704
Roger McDowell	Ordinary	**442,557**	442,557
Nigel Halkes	Ordinary	**5,000**	5,000
Christopher Jones	Ordinary	**79,369**	79,369
Nicholas Mills*	Ordinary	**10,000**	–
John Samuel	Ordinary	**28,000**	28,000
David Anderson	Ordinary	**58,100**	58,100

* Nicholas Mills is an employee of Harwood Capital LLP, which owns 9,200,000 ordinary shares of the Company, being 28.26% of the issued share capital.

Details of Directors' emoluments are set out in the Remuneration Report. All the Directors benefited from qualifying third-party indemnity provisions in place during the year and at the date of this Directors' Report.

Except as listed below, according to the register of Directors' interests, no rights to subscribe for shares in Group companies were granted to any of the Directors or their immediate families or exercised by them during the financial year and up to the date of this Directors' Report.

Options vested but not exercised at the date of this report

Director	Exercise price per share	Date of vesting	Number of shares vested
Gordon Banham	10 pence per ordinary share	4 August 2023	59,132
Gordon Banham	10 pence per ordinary share	13 December 2022	24,249
John Samuel	10 pence per ordinary share	4 August 2023	59,132
John Samuel	10 pence per ordinary share	13 December 2022	24,249
John Samuel	10 pence per ordinary share	31 January 2022	29,704
David Anderson	10 pence per ordinary share	4 August 2023	47,517

The options listed above may be exercised up to two years following the date of vesting.

Grant of Options

Director	Exercise price per share	Date of share award	Number of shares awarded
David Anderson	10 pence per ordinary share	1 August 2022	22,671

The above options were granted under the Hargreaves Services plc Executive Share Option Scheme and may not be exercised before 2 August 2025.

Exercise of Options

No options have been exercised during the financial year ended 31 May 2023 (2022: 167,586)

Retirement of Directors

In accordance with the Articles of Association one-third of Directors retire by rotation each year. The Directors retiring by rotation are Christopher Jones, Roger McDowell and Nicholas Mills, who being eligible, offer themselves for re-election. Additionally, Stephen Craigen, who was appointed to the Board on 1 August 2023, also offers himself for re-election.

Disclosable Interests

As at 4 August 2023, the Company had been notified of the following shareholders with 3% or more of the issued share capital of the Company:

Shareholder	Number of ordinary shares	% of issued share capital
Harwood Capital LLP	9,200,000	28.26%
Canaccord Genuity Group Inc	3,224,088	9.90%
GB Holdings (2021) Limited	2,646,825	8.13%
Downing LLP	1,617,695	4.97%

The above disclosures are in accordance with the last TR1 notification to the Company by shareholders.

Directors' Report continued

Company Secretary

David Hankin, a qualified solicitor and in house Legal Counsel, will succeed John Samuel as Company Secretary on 9 August 2023.

Employees

Applications for employment by disabled persons are always fully considered. Employment policies are designed to provide opportunities irrespective of colour, ethnic or national origin, nationality, sex, sexual orientation or marital status. In the event of employees becoming disabled every effort is made, including appropriate training, to ensure that their employment with the Group continues.

The Directors recognise the importance of good communications and good relations with employees. Regular meetings are held between the Chief Executive and senior managers who cascade relevant information through their reporting systems. The Group intranet also provides regular information to employees to inform them of developments within the Group. An employee e-newsletter is issued on a six-monthly basis to inform individuals in relation to various topics around the Group including employee benefits and human-interest stories.

Directors' Section 172(1) Statement

The Board acknowledges its responsibility under section 172(1) of the Companies Act 2006 and sets out below the key processes and consideration that demonstrate how the Directors promote the success of the Group. The below statement sets out the requirements of the Act, section 172(1), and notes how the Directors discharge their duties.

As noted in the Corporate Governance Report, the Group is headed by an experienced and effective Board, which controls and leads the Group. The Board meets at least ten times per year, receiving appropriate information from management on a timely basis, and making further detailed enquiries where necessary to enable it to fully discharge its duties. Each decision that is made by the Directors is supported by papers which analyse the possible outcomes so that an appropriate decision can be made based upon the likely impact on the performance and position of the Group. This enables a decision to be made which best promotes the success of the Group and considers the impact on the wider stakeholder group. Factors below are all considered during the decision-making process.

Likely consequences of any decisions in the long term

As part of the Board's decision-making process, they are given access to management papers which set out the potential outcome of decisions. The papers evaluate both the financial impact against forecast, as well as non-financial factors and how the decision fits with the strategy of the Group. Through a well-designed system of internal reporting and control the Board has devolved certain levels of autonomy to management to run and develop the business of the Group.

The Group has an annual budget and five-year plan which is reviewed regularly to benchmark performance and achievements against its long-term strategy. Each year, the Board holds a session with each of the business unit Managing Directors and other senior management to review and reconsider the strategy of each business unit. This includes consideration of market conditions and opportunities, investment requirements and capital allocation, the overhead cost base and margins. The Board then considers the outlook for the entire Group and the opportunities to create, deliver and realise value for shareholders. The Board's strategy is focused on delivering reliable and growing profits in its Services business. Additionally, in Hargreaves Land, the Board has decided to look to realise the value of land which has rental income deriving from third party renewable energy assets progressively over the next few years, whilst strengthening the pipeline of development projects.

The Board continued to support HRMS through the provision of short-term interest bearing loans whilst commodity prices were historically strong, utilising available cash funds to increase the joint venture's trading capacity. Those loans were fully repaid by 31 May 2023. The Board is now actively considering using surplus cash resources to buy out the Group's final salary pension scheme obligations and is engaged in discussions with the schemes' Trustees and advisers.

Interests of the Group's employees

The Directors actively consider the interest of employees in all major decisions. The Board encourages feedback from employees to improve the culture and working environment of the Group. The Group Chief Executive holds regular meetings with senior managers both to keep them informed of Board decisions and shareholder feedback but also to gather views and input from the business units. The senior managers then cascade that information down through the businesses through their reporting channels. Additionally, the Group's intranet and regular in house newsletter carry a range of statements and information updates which employees can access.

The Group also operates various LTIP schemes for the Directors and other senior employees based on performance criteria. The Board believes this encourages employee engagement in promoting the success of the Group and in aligning the financial interests of the Executive Directors and other senior employees with those of the shareholders.

The need to foster the Group's business relationships with suppliers, customers and others

The Directors have identified the stakeholders of the Group and review regularly to ensure adequate communication and engagement is ongoing with each stakeholder group. The Board recognises that the Group's customers, suppliers and employees are crucial to its success. An on-line questionnaire which covers a number of areas in which the Group interacts with employees has recently been commissioned so that employee feedback can be gathered, considered and acted upon. The Group has established long-term relationships with key customers and suppliers and the Board encourages feedback from them to improve decision making. For key customers and suppliers, appropriate due diligence is undertaken around their working practices and ethics as well as their financial stability and viability.

One of our strategic priorities is our commitment to the highest practicable standards of health and safety, which has enabled us to secure and maintain valuable contracts, as detailed in "Impact of the Group's operations on the community and environment" below.

Impact of the Group's operations on the community and environment

The Group takes its responsibility within the community and wider environment seriously. There are specific information channels in respect of health & safety matters. The Group has a proactive approach to safety, health and the environment and is committed to the highest practicable standards of safety and health management and the minimisation of adverse environmental impacts (as further detailed in the Environmental, Social and Governance report and "Principle 8: Promote a corporate culture that is based on ethical values and behaviours" of the Corporate Governance Report). The Group publishes its annual global emissions in compliance with the streamlined energy and carbon reporting ("SECR") regulations detailed in "Carbon emissions" below.

The desirability of the Group maintaining a reputation for high standards of business conduct

The Group is committed to maintaining high standards of corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code 2018 ("the QCA Code"). The Group's approach in relation to complying with each of the ten principles of the QCA Code is set out in the Corporate Governance Report.

To monitor and strengthen further Group compliance with corporate governance, the Board undertakes a self-assessment annual performance review. The assessment provides an effective platform for reviewing performance and, over time, a greater focus has developed on particular recommendations, which has prompted fruitful discussions among the Board and influenced its operation. The 2023 review has been carried out with the Board focusing on those areas where one or more of the Directors had indicated a concern. In particular, the Board considered that Board diversity is a key area for focus in the future.

The Group has a strong ethical culture based upon its Code of Ethics which can be found on the Group's website. The Group's reputation is built on its values as a Group, the values of its employees, and the collective commitment to acting at all times with integrity. Part of the work of the Audit & Risk Committee involves reviewing the Group Whistleblowing Policy by which employees of the Group may, in confidence, raise concerns about possible financial or other improprieties. Where there is a need to seek advice on particular issues, the Board will liaise with its lawyers and nominated advisers to ensure the consideration of business conduct, and its reputation is maintained.

The need to act fairly between members of the Group

An important role of the Board is to represent and promote the interests of the Group's shareholders as well as being accountable to them for the performance and activities of the Group. The Board engages with its shareholders through presentations, conference calls, face-to-face meetings and the Annual General Meeting. Following the announcement of the Group's half-year and year-end results, presentations are made to analysts and major shareholders to update them on progress and invite them to ask questions. The Board has also introduced the use of online real time webcasting of its results presentations which enables all interested parties, including private shareholders, to access information and to ask questions of Executive Directors. The Board is updated on the latest shareholder information by the receipt of shareholder register movements, analyst reports and feedback from the Group's brokers and Financial PR Advisers following investor presentations after half-year and year-end results. The Board incorporates this feedback into its decision-making processes. All Directors attended the Annual General Meeting in 2022 and engaged in discussion with the shareholders present. The Group provides contact details on the investor relations page of its website and in the Notice to the 2023 Annual General Meeting which investors can use to contact the Group, giving equal access to all investors and potential investors.

Carbon Emissions

Information on carbon emissions in accordance with the SECR regulations is set out in the ESG report.

Purchase of Own Shares

The Directors are authorised to make market purchases of the Company's own shares under an authority granted at the Annual General Meeting held on 27 October 2022. The Directors will seek authority to make market purchases of up to fifteen per cent of the Company's own shares at the 2023 Annual General Meeting (full details are available in the 2023 Notice of Annual General Meeting).

Directors' Report continued

Approval to Issue Shares

The Directors will seek authority to allot up to a maximum aggregate nominal amount of £1,085,067 at the 2023 Annual General Meeting (full details are available in the 2023 Notice of Annual General Meeting).

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

The Board proposes to reappoint PricewaterhouseCoopers LLP as auditor. Resolutions concerning their continued appointment and to authorise the Audit & Risk Committee of the Board of Directors to agree their remuneration will be put to the forthcoming Annual General Meeting of the Company (full details are available in the 2023 Notice of Annual General Meeting).

By order of the Board

John Samuel
Company Secretary
8 August 2023

Corporate Governance

The Company is committed to maintaining high standards of corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code 2018 ("the QCA Code"). The Company's approach in relation to complying with each of the ten principles of the QCA Code is set out below.

Deliver Growth

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Board has established a strategy and business model which seek to promote long-term value for shareholders. This is set out in the Strategic Report section of this Annual Report and follows the theme of Create, Deliver, Realise. Additionally, in Hargreaves Land, the Board has decided to look to realise land which has rental income deriving from third party renewable energy assets progressively over the next few years, whilst strengthening the pipeline of development projects. The risks to the Group posed by this transition have been evaluated by the Board and continue to be on a regular basis. These risks and the Board's views on the mitigations which balance them are set out in the Risk Management section of this report.

Principle 2: Seek to understand and meet shareholder needs and expectations

An important role of the Board is to represent and promote the interests of the Company's shareholders as well as being accountable to them for the performance and activities of the Group. The Board believes it is important to engage with its shareholders and aims to do this through presentations, conference calls, face-to-face meetings and the Annual General Meeting. Following the announcement of the Group's half-year and year-end results, presentations are made to analysts and major shareholders to update them on progress and invite them to ask questions. The Board has also introduced the use of online real time webcasting of its results presentations which enables all interested parties, including private shareholders, to access information and to ask questions of Executive Directors. The Board is updated on the latest shareholder information by the receipt of shareholder register movements, analyst reports and feedback from the Company's brokers and Financial PR Advisers following investor road shows after half-year and year-end results. All Directors attend the Annual General Meeting and engage in discussion with shareholders present. The Company provides contact details on the investor relations page of its website which investors can use to contact the Company.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the Group's customers, suppliers and employees are crucial to its success. The Group has established long-term relationships with key customers and suppliers and the Board encourages feedback from employees to improve the culture and working environment of the Group. The Group Chief Executive holds regular meetings with senior managers both to keep them informed of Board decisions and shareholder feedback but also to gather views and input from the business units. The senior managers then cascade that information down through the businesses through their reporting channels. Additionally, the Group's intranet and in house newsletter carry a range of statements and information updates which employees can access. There are specific information channels in respect of health & safety matters. The Group has a proactive approach to safety, health and the environment and is committed to the highest practicable standards of safety and health management and the minimisation of adverse environmental impacts (as further detailed below at "Principle 8: Promote a corporate culture that is based on ethical values and behaviours").

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Company's approach to risk is set out within the Risk Management section of this Annual Report. The Board has devolved considerable levels of autonomy to management to run and develop the business of the Group. The Board believes that a well-designed system of internal reporting and control is necessary. The Board therefore continues to have overall responsibility to develop and strengthen internal controls. The Audit & Risk Committee, on behalf of the Board, has the responsibility for reviewing internal controls. The system is designed to provide reasonable, but not absolute, assurance that the assets of the Group are safeguarded, that proper accounting records are maintained, and that reliable financial information is produced. All subsidiary undertakings are required to adhere to specified internal control procedures. The Audit & Risk Committee receives regular reports on internal control. Monitoring of compliance with the Group's system of internal control is undertaken by all levels of management and the internal audit function. This is reinforced by the role fulfilled by the Audit & Risk Committee (as further detailed below at "Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board").

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair

The Board

The Group is headed by an effective Board, which controls and leads the Group. The Board meets at least ten times per year, receiving appropriate information from management on a timely basis, and making further detailed enquiries where necessary to enable it to fully discharge its duties.

Corporate Governance continued

The Directors attended the following meetings in the year ended 31 May 2023:

Attendance at meetings	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee
Number of meetings	11	4	2	1
Gordon Banham	11 attended	n/a	n/a	1 attended
Nigel Halkes	11 attended	4 attended	2 attended	1 attended
John Samuel	11 attended	n/a	n/a	n/a
Roger McDowell	11 attended	4 attended	2 attended	1 attended
David Anderson	11 attended	n/a	n/a	n/a
Christopher Jones	11 attended	4 attended	2 attended	1 attended
Nicholas Mills	11 attended	4 attended	2 attended	1 attended

The Board is collectively responsible for the long-term success of the Group and has ultimate responsibility for the management, direction and performance of the Group and its businesses. The Board is required to exercise objective judgement on all corporate matters and is accountable to shareholders for the proper conduct of the business. All Directors have access to the advice and services of Group Legal Counsel who assists the Company Secretary. The Company Secretary is responsible to the Board for ensuring that procedures are followed and for compliance with applicable rules and regulations. There is a clearly defined division of responsibilities between the Chair and the Group Chief Executive. The Chair is primarily responsible for the leadership and effective working of the Board. This is achieved by:

- chairing Board meetings, setting the agendas in consultation with the Group Chief Executive and Company Secretary and encouraging the Directors to participate actively in Board discussions;
- leading the performance evaluation of the Board, its Committees and individual Directors;
- promoting high standards of corporate governance;
- ensuring timely and accurate distribution of information to the Directors and effective communication with shareholders;
- periodically holding meetings with the Non-executive Directors without the Executive Directors present; and
- establishing an effective working relationship with the Group Chief Executive by providing support and advice whilst respecting executive responsibility.

The Group Chief Executive is responsible for the executive management of the Group and for ensuring the implementation and execution of Board strategy and policy within approved business plans, budgets and timescales. Further details of the composition of the Board and Director's attendance at Board and Committee meetings are set out in this Annual Report.

Non-executive Directors

Non-executive Directors bring a wide range of experience to the Group. The QCA Code states that the Board should have at least two independent Non-executive Directors and that, since independence can easily be compromised, Non-executive Directors should not normally participate in performance-related remuneration schemes. The Board currently has four Non-executive Directors including the Non-executive Chair. Roger McDowell (on temporary sabbatical from 5 June 2023 for personal reasons) was a participant in the Company's Long-Term Incentive Plan scheme entitled the Hargreaves Services plc Share Option Scheme 2019, which was approved by shareholders at a general meeting of the Company on 22 January 2019. Roger McDowell has exercised and retained ownership of all of the 112,557 shares which vested to him under that scheme. The Board considers that Nicholas Mills is independent although he is employed by Harwood Capital LLP, which owns 28.26% of the shares in the Company. Whilst the Board considers that Roger McDowell and Nicholas Mills are independent, in any event, the Board has two other independent Non-executive Directors.

Conflicts of Interest

The Articles of Association enable the Directors to authorise any situation in which a Director has an interest that conflicts or has the potential to conflict with the Company's and Group's interests and which would otherwise be a breach of the Director's duty under section 175 of the Companies Act 2006. The Board has a formal system in place for Directors to declare such situations to be considered for authorisation by those Directors who have no interest in the matter being considered. The Nominations Committee reviews conflicts of interests when considering new Board appointments.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Details of the Directors' skills and experience are set out in Directors' biography page within this Annual Report. The Directors bring a wide range of expertise on issues related to operations, strategy and governance. The Board is satisfied that, between the Directors, it has an effective and appropriate mix of skills and experience.

All newly appointed Directors receive a full, formal and tailored induction on joining the Board, including meetings with senior management and advisers and visits to the Group's operational locations. The Board calendar is planned to ensure that Directors are briefed on a wide range of topics throughout the year and are given the opportunity to visit sites and discuss aspects of the business with employees. The Board recognises that the Directors have a diverse range of experience and encourages them to attend external seminars and briefings that will assist them individually. Directors have access to independent professional advice at the Group's expense where they judge this to be necessary to discharge their responsibilities as Directors. All Directors have access to the advice and services of Group Legal Counsel who assists the Company Secretary, who is responsible to the Board for ensuring compliance with Board procedures.

The Board has been advised by Jones Lang LaSalle Limited with regard to the valuation and planned realisation of its renewable energy land assets and, additionally, is advised by its nominated adviser Singer Capital Markets.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
To further strengthen Group compliance, the Board undertakes annual performance reviews that review and measure its effectiveness and that of its Committees. Each Board/Committee member completes an assessment, which provides numeric scoring against specific categories. Each Board/Committee member also provides recommendations for improvement of the effectiveness of the Board/Committee. The assessments provide an effective platform for reviewing performance and, over time, a greater focus has developed on particular recommendations, which has prompted fruitful discussions among the Board and influenced its operation.

The criteria for effectiveness include assessing:

- Key Board/Committee functions;
- Board/Committee composition (including succession planning);
- External reporting and information flows;
- Board/Committee culture;
- Board/Committee information for meetings and the meetings themselves; and
- Board development.

Following this year's annual performance review, which was carried out using a self-assessment questionnaire, the Board debated categories where at least one Director awarded a score of less than 3 out of 5.

The 2023 review was carried out with the Board focusing on those areas where one or more of the Directors had indicated a concern. In particular, the Board considered that diversity of Board composition is an area for focus in the future.

Alongside the annual performance review, the Chair conducts an informal appraisal in respect of the Group Chief Executive and the Group Chief Executive conducts appraisals in respect of the other Executive Directors. For details regarding succession planning and the process for senior management appointments, please refer to the section entitled "Nominations Committee" (under the heading "Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board") below.

Principle 8: Promote a corporate culture that is based on ethical values

Culture
The Company has a strong ethical culture based upon its Code of Ethics which can be found on the Company's website. The Company's reputation is built on its values as a company, the values of its employees, and the collective commitment to acting at all times with integrity. Part of the work of the Audit & Risk Committee involves reviewing the Group Whistleblowing Policy by which employees of the Group may, in confidence, raise concerns about possible financial or other improprieties. The appropriateness of the Board's corporate governance structures is reviewed as part of the Board and Committee effectiveness process described above.

Compliance with Laws
The Group has systems in place designed to ensure compliance with all applicable laws and regulations and conformity with all relevant codes of business practice. Compliance with the Bribery Act 2010 involves an Anti-Corruption Policy and a Group Whistleblowing Policy. Training is given to all appropriate employees through the use of online tools to ensure that there is full understanding of the Bribery Act 2010 and competition law and awareness of the consequences of not adhering to Group policies. The Group's Whistleblowing Policy is used to encourage staff to raise concerns in the knowledge that concerns raised in good faith will be taken seriously and investigated.

The Group has taken the appropriate steps to comply with the provisions of the Market Abuse Regulation and the Modern Slavery Act. The Group has processes and policies to comply with the General Data Protection Regulation ("GDPR") and wider information governance. The Group has a Data Protection Officer who is responsible for: managing information governance; implementing the requirements of GDPR; and arranging for online training to be given to appropriate employees.

Corporate Governance continued

Safety, Health and Environment
The Group has a proactive approach to safety, health and the environment and is committed to the highest practicable standards of safety and health management and the minimisation of adverse environmental impacts. The Board ensures that health and safety issues for employees, customers and the public are of foremost concern in all Group activities and ingrained in day-to-day activities. The Group Chief Executive is charged with overall responsibility. The Group encourages both internal and external training through a formal network of full-time officers and Health and Safety nominated "champions" at all levels. Statistical analysis is used to highlight any areas where additional training or improved working practices would be beneficial, and positive action is promptly implemented. All business units have activity related safety management systems.

Environmental, Social and Governance
The Group has established a cross-business ESG Working Group to assess procedures, review methods and identify goals to enable balanced judgements to be made going forward. The ESG Working Group also prepares reports required to comply with the requirements of the TCFD. The ESG Working Group's findings form an integral part of financial reports and investor presentations. Further details can be found together within the Environmental, Social and Governance report.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board
Please see details above at "Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair". The Board has a schedule of matters which are specifically reserved for its decision which can be viewed on the Company's website.

Board Committees
The Board has three Committees that assist in the discharge of its responsibilities:

- Remuneration;
- Audit & Risk; and
- Nominations.

Remuneration Committee
The Remuneration Committee, which was chaired by Christopher Jones until 1 December 2022 and subsequently by Nick Mills and comprises the Non-executive Directors, is responsible for making recommendations to the Board on the Group's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance-related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the Non-executive Directors. Further details on the composition and work of the Remuneration Committee are set out in the Remuneration Committee Report within this Annual Report. The Terms of Reference of the Remuneration Committee can be viewed on the Company's website.

Audit & Risk Committee
The Audit & Risk Committee, which is chaired by Nigel Halkes and comprises the Non-executive Directors, is responsible for reviewing a wide range of financial reporting and related matters including the half-year and annual financial statements before their submission to the Board. The Committee is required to focus in particular on critical accounting policies and practices adopted by the Group, and any significant areas of judgement that materially impact reported results. It is also responsible for monitoring the internal controls that are operated by management to ensure the integrity of the information reported to the shareholders. An internal audit function, which reports directly to the Chair of the Audit & Risk Committee, supports the Audit & Risk Committee in this process. The Committee provides a forum for reporting by the Group's external auditors, and advises the Board on the appointment, independence and objectivity of the external auditors and on their remuneration both for statutory audit and non-audit work. It also discusses the nature, scope and timing of the statutory audit with the external auditors. The Committee also reviews the appropriateness of the annual internal audit programme for the Group and ensures that the business risk management and internal audit functions are adequately sponsored and resourced. The ESG Working Group reports quarterly to the Committee. The Committee meetings are also attended, by invitation, by the Chief Executive and Group Finance Director. The Committee meets not less than four times annually. Further details on the composition and work of the Audit & Risk Committee are set out in the Audit & Risk Committee Report within this Annual Report. The Terms of Reference of the Audit & Risk Committee can be viewed on the Company's website.

Nominations Committee
The Nominations Committee, which was chaired by Roger McDowell until 5 June 2023 and is currently chaired by Nigel Halkes in Roger McDowell's absence, comprises the Non-executive Directors and the Group Chief Executive. The Committee is responsible for reviewing the structure, size and composition of the Board when compared with its current composition. It makes recommendations to the Board with regard to any changes and considers and reviews succession planning for Board Directors, taking into account the challenges and opportunities facing the Group. It identifies and nominates for Board approval suitable candidates to fill Board vacancies as and when they arise, and it keeps under review both the executive and non-executive leadership needs of the Company to enable the Group to compete effectively in the marketplace. The Committee recommends

as appropriate re-appointment of Non-executive Directors at the end of their specified terms of office and oversees the re-election by shareholders of any Director under the "retirement by rotation" provisions in the Company's Articles of Association. The Terms of Reference of the Nominations Committee can be viewed on the Company's website.

The performance of each of the Board Committees is reviewed annually by the Board.

All Directors have service agreements or letters of appointment and the details of their terms are set out in the Remuneration Report.

The Committee recognises the benefits to the Group of diversity in the workforce and in the composition of the Board itself. While the Company will continue to make all appointments based on the best candidate for the role and without prejudicing its policy of appointing the most suitable applicant for any role, it is aware of the desirability and benefits of diverse representation. In making senior appointments the Board will give particular weight to addressing diversity in the constitution of senior management including directors.

Evolution of Governance Framework

The Board continuously monitors its composition and governance framework taking into account effectiveness and the Group's strategy.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and relevant stakeholders

In addition to this Annual Report, the Company's website contains full information on the governance, management and activities of the Group and features all presentations given by the Executive Directors to shareholders.

Approval

The Board approved the Corporate Governance Report on 8 August 2023.

Nigel Halkes FCA
Acting Chair
8 August 2023

Remuneration Report

Nicholas Mills,
Chair of the Remuneration Committee

Responsibilities and Role of the Remuneration Committee

The Committee's principal function is to review the remuneration of the Executive Directors. It also monitors the remuneration of the Group's senior managers. The remuneration strategy, policy and approach for all staff, is also reviewed annually by the Committee. The full Terms of Reference of the Committee are available on the website.

The policy for the current and future financial years for the remuneration and incentivisation of the Executive Directors is as follows:

- to ensure that individual rewards and incentives are aligned with the performance of the Company and the interests of shareholders;
- to ensure that performance-related elements of remuneration constitute a material proportion of an executive's remuneration package; and
- to maintain a competitive remuneration package which enables the Company to attract, retain and motivate high-calibre executives.

The Committee reviews the Company's executive remuneration arrangements and implements incentive arrangements to support the objective of rewarding those individuals who deliver real and genuine shareholder value. In developing the arrangements, the Committee and its advisers consider current market practice.

Membership of the Committee

The members of the Committee, which met on two occasions during the year, were:

Nicholas Mills (Chair from 1 December 2022)
Christopher Jones (Chair until 1 December 2022)
Nigel Halkes
Roger McDowell

All members of the Committee are Non-executive Directors and are recognised by the Board as capable of bringing independent judgement to bear. Christopher Jones chaired the Committee until 1 December 2022 at which point, he was succeeded by Nick Mills. Nick took over the Chair to allow Chris to devote more time to working with the Hargreaves Land business. The membership of the Committee has been unchanged. The Group Chief Executive is consulted and invited to attend meetings, when appropriate. The Group Finance Director also attends meetings as required to provide relevant information to the Committee to ensure that the Committee's decisions are informed and take account of pay and conditions across the Group. No Director is present when his own remuneration is discussed.

During the year the Committee reviewed and considered the proposed appointment of all new employees whose basic salary was in excess of £120,000; annual pay rises and conditions of service for all employees earning over £120,000 per annum; bonus scheme arrangements; the vesting and granting of options under the Company's Long-Term Incentive Plans; the principles governing the Group's annual pay review; and the effectiveness of the Committee.

Components of Executive and Senior Management Remuneration

Basic Salary

This is a fixed cash sum, payable monthly. Salaries are reviewed annually by the Remuneration Committee in the light of individual performance, experience in the role and market comparisons. Considering the current economic conditions prevalent in the UK, a cost of living increase of 5% was awarded at 1 June 2023 to all UK employees other than the Directors following an increase of 6% at 1 June 2022. The Executive Directors received an increase of 6% to their basic salaries as at 1 June 2022 and the Committee has granted them an increase of 3% at 1 June 2023. During the year, there have been no changes to the benefits which the Executive Directors receive.

Annual Bonus

Executive Directors participate in an annual incentive bonus scheme linked to the actual achievement of a Group profit before tax target set by the Committee. A deduction of 10% is made from any bonus earned if the Group Health & Safety target is not achieved. For the year ended 31 May 2023, the Committee also set some specific cash targets for the Group which would have resulted in a further deduction of 10% of any bonus earned should they not have been achieved. The total bonus which could have been earned was capped at 100% of salary in respect of the Chief Executive and the Group Finance Director and 75% in respect of the Group Property Director. Bonuses do not count towards the calculation of pension entitlement. 97% of the bonus target for the financial year ended 31 May 2023 was achieved and accordingly total bonuses amounting to £859,000 have been earned. Total bonuses of £834,000 were earned in respect of the financial year ended 31 May 2022. Similar criteria have been set in respect of bonus arrangements for the financial year ending 31 May 2024.

Benefits in Kind and Pensions

In addition to basic salary, Executive Directors are entitled to the following benefits: paid holiday, company car or a cash allowance in lieu, contributions to a personal pension plan and life assurance, private medical insurance and permanent health insurance. No Director has benefits under any of the Group's defined benefit pension schemes.

Long-Term Incentive Plans

From time to time, the Executive Directors and other senior employees have been invited to participate in Long-Term Incentive Plans ("LTIPs"), whereby options to acquire ordinary shares in the Group are awarded subject to the achievement of various performance criteria. The Board believes that such plans are an important element of overall executive remuneration and assist in aligning the financial interests of Executive Directors and other senior employees with those of the shareholders.

At the Annual General Meeting held on 30 October 2019, shareholders approved the Hargreaves Services plc Executive Share Option Scheme, under which all awards are now made. Details of this LTIP and awards made under it are set out below.

Non-executive Directors' Remuneration (Audited)

The Non-executive Chair's basic salary was £84,800 per annum and other Non-executive Directors received a basic salary of £42,400 per annum. These basic salaries will increase by 3% from 1 June 2023. Additionally, the Non-executive Directors excluding the Chair receive an additional £2,750 per annum for chairing each Board Committee and N Halkes receives £2,750 for acting as Senior Independent Director.

Directors' Remuneration for the Year to 31 May 2023 (Audited)

	Salary/Fees		Bonus		Benefits		LTIPS		Total		Pension	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Gordon Banham	**499**	470	**484**	470	**45**	45	**–**	167	**1,028**	1,152	**121**	118
John Samuel	**297**	280	**288**	280	**19**	18	**–**	–	**604**	578	**45**	42
David Anderson	**239**	225	**87**	84	**13**	13	**–**	142	**339**	464	**48**	45
Roger McDowell	**85**	80	**–**	–	**–**	–	**–**	632	**85**	712	**–**	–
Nigel Halkes	**48**	45	**–**	–	**–**	–	**–**	–	**48**	45	**–**	–
Christopher Jones	**44**	43	**–**	–	**–**	–	**–**	–	**44**	43	**–**	–
Nicholas Mills	**44**	40	**–**	–	**–**	–	**–**	–	**44**	40	**–**	–
Total	**1,256**	1,183	**859**	834	**77**	76	**–**	941	**2,192**	3,034	**214**	205

Directors' Service Contracts and Letters of Appointment

The Directors have entered into service agreements and letters of appointment with the Company and the principal terms are as follows:

Date of latest agreement	Name	Position	Commencement of period of office	Annual salary (£)	Notice period
3 September 2013	Gordon Banham	Group Chief Executive	23 February 2004	498,669	12 months
2 January 2018	John Samuel	Group Finance Director	2 January 2018	296,800	6 months
14 November 2018	David Anderson	Group Property Director	12 November 2018	238,500	6 months
1 August 2023	Stephen Craigen	Director	1 August 2023	200,000	6 months
11 May 2018	Roger McDowell	Non-executive Chairman	11 May 2018	84,800	3 months
21 August 2015	Nigel Halkes	Non-executive Director	21 August 2015	47,900	3 months
1 April 2020	Christopher Jones	Non-executive Director	1 April 2020	43,775	3 months
9 September 2020	Nicholas Mills	Non-executive Director	9 September 2020	43,775	3 months

Remuneration Report continued

John Samuel has given notice under the terms of his contract and will cease to be a director on 9 August 2023. Non-executive Directors are not generally eligible to participate in any incentive plans, share option schemes or Company pension arrangements and are not entitled to any payment in compensation for any early termination of their appointment although, as a condition of Roger McDowell's appointment, he was granted LTIPs under the Hargreaves Services plc Share Option Scheme 2019 as set out below.

Directors' Share Options

No rights to subscribe for shares in Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the financial year and up to the date of this Directors' Report except as set out below. At 31 May 2023, no Director holds any rights to subscribe for shares in Group companies other than those related to options which have vested but have not yet been exercised.

Long-Term Incentive Plan ("LTIP") (Audited)

The Hargreaves Services plc Executive Share Option Scheme

At the Annual General Meeting held on 30 October 2019, the Hargreaves Services plc Executive Share Option Scheme ("the Executive Share Option Scheme"), was approved by shareholders. The scheme contains performance criteria measuring both the Company's own Total Shareholder Return over a three-year period and also measuring its comparative performance against a basket of other listed companies. It is envisaged that awards with a value up to 50% of a recipient's base salary will be made annually under the Executive Share Option Scheme to Executive Directors and other senior management as determined by the Committee. During the year ended 31 May 2023, a total of 118,584 awards were made of which 22,671 related to Executive Directors as set out below:

Director	Date of grant	Exercise price	No. of options granted	Exercise period
David Anderson	1 August 2022	10p per share	22,671	2 Aug 2025 – 1 Aug 2027

Additionally, the following awards were granted in the year ended 31 May 2022:

Director	Date of grant	Exercise price	No. of options granted	Exercise period
Gordon Banham	2 August 2021	10p per share	41,611	3 Aug 2024 – 2 Aug 2026
John Samuel	2 August 2021	10p per share	41,611	3 Aug 2024 – 2 Aug 2026
David Anderson	2 August 2021	10p per share	22,292	3 Aug 2024 – 2 Aug 2026

The performance criteria use the average mid-market closing Share price for the 21 Trading Days preceding 1 June during the year of the grant of the Option as a "Base Value". The number of Shares to be acquired on the exercise of an Option is dependent on the Total Shareholder Return on the third anniversary of the Date of Grant ("Strike Date") calculated by reference to the average Share price for the 21 Trading Days preceding the Strike Date.

The performance parameters for Total Shareholder Return are split equally between two parts as follows:

1. 50% of the Option is based upon the Company's performance (the "Company Performance Option"). If the Total Shareholder Return figure on the Strike Date reflects 100% or more growth in excess of the Base Value, the Company Performance Option may be exercised in full. If the Total Shareholder Return figure at the Strike Date reflects less than 25% growth in excess of the Base Value, the Company Performance Option lapses and ceases to be exercisable. In the event that the Total Shareholder Return figure at the Strike Date reflects percentages between 25% growth and 100% growth above the Base Value, the number of shares which vest under the Company Performance Option is based on a linear calculation between the 25% growth and 100% growth outcomes from zero at 25% growth to 100% at 100% growth or greater.

2. 50% of the Option is based upon benchmarking the Company's performance against the Peer Group (the "Peer Group Performance Option"). The growth of each of the companies in the Peer Group is measured using the average mid-market closing share price of such company for the 21 Trading Days preceding 1 June during the year of grant of the Option and calculating the growth at the Strike Date by reference to the average share price for the 21 Trading Days preceding the Strike Date. The growth of the Company (measured using the Base Value and the Strike Value) is then ranked in the "Peer Group TSR List" alongside the growth of the companies in the Peer Group. If the Company:
   - is ranked below the median position of the Peer Group TSR List, the Peer Group Performance Option lapses and is not exercisable;
   - is ranked first in the Peer Group TSR List, the Peer Group Performance Option may be exercised in full; and
   - is ranked at or above the median of the Peer Group TSR List but below first, the number of shares in respect of which the Peer Group Performance Option may be exercised shall be calculated on a straight line basis from 25% at the median position to 100% for ranking first (rounded up to the nearest whole number of Shares).

The companies which comprise the Peer Group for each new award of options under the LTIP are reviewed annually by the Committee taking advice from the Company's brokers and changes to the constituent members are made as appropriate.

No option shall be granted under the Executive Share Option Scheme on any date if, as a result, the total number of shares issued or issuable pursuant to options and other rights granted under the Executive Share Option Scheme together with any other employee share scheme established by the Company on or after Admission, would exceed 10% of the issued ordinary share capital of the Company on the date of grant.

On 13 December 2019, 48,894 LTIPS were awarded to each of Gordon Banham and John Samuel, both Executive Directors. Following the achievement of certain performance criteria, on 13 December 2022, 24,249 of these options vested in respect of each director and can be exercised at a price of 10p per share up until 13 December 2024. On 4 August 2020, 63,927 LTIPS were awarded to each of Gordon Banham and John Samuel and 51,370 LTIPS were awarded to David Anderson, an Executive Director. Following the achievement of certain performance criteria, on 4 August 2023, 59,132 of these options vested in respect of each of Gordon Banham and John Samuel and 47,517 in respect of David Anderson. These LTIPS can be exercised at a price of 10p per share up until 4 August 2025.

Additionally in Resolution 13 in the Notice of the Annual General Meeting for 2023, the Board will propose that shareholders approve an amendment to the performance criteria of the Executive Share Option Scheme. The change will see the Peer Group Performance Option be replaced with "the EPS Growth Option". 50% of the options awarded under the Executive Share Option Scheme will be dependent on the Group achieving a compound annual growth in EPS of between 15% and 30%. EPS in this measurement will exclude any EPS related to the Group's share of profits from HRMS and will also exclude any impact on EPS from the sale of renewable energy land assets. The Company Performance Option will remain unchanged other than the TSR growth will be required to be between 25% and 85%. These amendments, if approved, will apply to future options awarded under the scheme. Full details of the proposed amendments are included in the notes to the Notice of the Annual General Meeting.

The Hargreaves Services plc Share Option Scheme 2019

On 22 January 2019, shareholders in general meeting approved an LTIP scheme, the Hargreaves Services plc Share Option Scheme 2019 ("the Share Option Scheme 2019"). The following awards were granted in the year ended 31 May 2019:

Director	Date of grant	Exercise price	No. of options granted	Exercise period
Roger McDowell	30 January 2019	10p per share	285,144	31 Jan 2022-30 Jan 2024
Gordon Banham	30 January 2019	10p per share	75,250	31 Jan 2022-30 Jan 2024
John Samuel	30 January 2019	10p per share	75,250	31 Jan 2022-30 Jan 2024
David Anderson	30 January 2019	10p per share	64,157	31 Jan 2022-30 Jan 2024

The Share Option Scheme 2019 required a minimum 35% Total Shareholder Return to be achieved over the three-year period ending on 31 July 2021 ("the Vesting Period") from a base value of £3.515 ("Base Value") before vesting could commence. 100% vesting occurred at an 85% Total Shareholder Return over the above period from the Base Value. The rules of the Share Option Scheme 2019 allow participants to exercise options, to the extent they have satisfied the performance conditions, after the expiry of the Vesting Period. An option lapses five years after the date of the grant, except if the participant were to die, in which case the option lapses 12 months following death, whichever date is earlier. No disposal may be made of any shares arising from the exercise of an option until five years after the date of grant other than to satisfy any tax liability arising on exercise. No further options will be granted under the Share Option Scheme 2019.

During the year ended 31 May 2022, 167,586 of these options vested and were exercised with each director retaining ownership of the shares following their exercise. John Samuel holds 29,704 of these options which have vested but which he has not yet exercised. They can be exercised at a price of 10p per share up until 30 January 2024. The remaining options which were issued under the Share Option Scheme 2019 have lapsed.

Ordinary shares issued pursuant to either the Executive Share Option Scheme or the Share Option Scheme 2019 scheme shall rank pari passu in all respects with the ordinary shares already in issue.

Deferred Bonus Scheme

No awards under the Deferred Bonus Scheme were made and no outstanding awards were exercised during the year ended 31 May 2023. No awards under this scheme are outstanding in respect of any director. The Deferred Bonus Scheme is designed to allow awards to be made to Executive Directors and eligible employees in order to attract and retain key members of staff. The awards under the Deferred Bonus Scheme are based on a percentage of salary. This figure is then converted into a number of shares using the mid-closing price of a Hargreaves Services plc ordinary share on the day preceding the award. Other than serving the retention period of three years from the date of award, the Deferred Bonus Scheme has no performance criteria.

The Remuneration Committee Report was approved by the Board on 8 August 2023 and signed on its behalf by:

Nick Mills
Chair of the Remuneration Committee
8 August 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Independent Auditors' Report

to the members of Hargreaves Services plc

Report on the audit of the financial statements

Opinion

In our opinion, Hargreaves Services plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 May 2023 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Accounts (the "Annual Report"), which comprise: the Group and Parent Company Balance Sheets as at 31 May 2023; the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Group and Parent Company Statements of Changes in Equity and the Group and Parent Company Cash Flow Statements for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- The Group is structured along four segments being Services, Hargreaves Land, Hargreaves Services Europe 'HRMS' with the remaining areas of the Group included in an Unallocated segment. The group financial statements are a consolidation of the 84 reporting units within these four segments including the Group's centralised functions.
- Given the significance of the components to the Group's revenue and results, Hargreaves Industrial Services Limited, the bulk haulage and minerals divisions of Hargreaves (UK) Services Limited, C.A. Blackwell (Contracts) Limited, DK Recycling und Roheisen GmbH and Hargreaves Raw Material Services GmbH were considered significant components.
- For further coverage Blackwell Earthmoving Limited and Hargreaves Industrial Services (HK) Limited were included as full scope components. Specific audit procedures were performed over certain financial statement line items across a further 10 reporting units.

Key audit matters

- Risk of impairment to assets - Investments in subsidiary undertakings (parent)
- Valuation of land - Properties held for development and resale and Investment Property (group)
- Construction contract revenue and assets and Contract provisions (group)

Materiality

- Overall group materiality: £2,114,000 (2022: £1,779,000) based on 1% of revenue.
- Overall company materiality: £1,443,000 (2022: £1,200,000) based on 1% of total assets.
- Performance materiality: £1,585,500 (2022: £1,334,250) (group) and £1,082,250 (2022: £900,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

to the members of Hargreaves Services plc continued

This is not a complete list of all risks identified by our audit.

Construction contract revenue and assets and Contract provisions is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Risk of impairment to assets - Investments in subsidiary undertakings (parent)	
The parent company has investments in subsidiary undertakings of £33.1 million (2022: £31.4 million). No impairment has been recorded by management in the current year in respect of investments within Hargreaves Services plc. There is a risk that these assets could be overstated and impairment charges may be required. The determination of whether or not these assets are impaired involves subjective judgement and estimates about the future results and cashflows of the business. On an annual basis, management calculates the amount of headroom between the value in use of the parent company's Cash Generating Units ("CGUs") and their carrying value to determine whether there is a potential impairment of the investments held relating to those CGUs. The value in use of the CGU with respect to investments in Hargreaves Services plc is dependent on a number of key assumptions which include: – The forecast cash flows for the next five years; – A long-term (terminal) growth rate applied beyond the end of the five year forecast period; and – A discount rate applied to the model. See the accounting policies section within the financial statements for disclosure of the related accounting policies, judgements and estimates, Note 16 for detailed disclosure of the parent company's investments.	We understood and evaluated management's budgeting and forecasting process. Upon obtaining the parent company's impairment analysis we tested the reasonableness of the key assumptions, including the following: – Verifying the mathematical accuracy of the impairment models and agreeing the carrying value of assets being assessed for impairment to the balance sheet; – We challenged management's calculated weighted average cost of capital (WACC) used for discounting future cash flows within the impairment and recoverability models, utilising valuation experts to assess the cost of capital for the group and comparable organisations. It was noted that the WACC used by management was in line with our acceptable range and as such no exceptions were noted; – We traced the forecast financial information within the model to the latest Board approved budget and 5 year plan and challenged management to provide support to corroborate revenue margin assumptions, support for capital expenditure and considered the accuracy of previous forecasts and we consider that the assumptions were supported by appropriate evidence; – We performed sensitivity analysis to ascertain the impact of reasonably possible changes in key assumptions and to quantify the downside changes needed before an impairment would be required at the CGU level; and – We have reviewed the financial statements disclosures made with respect to the sensitivity of the WACC, cash flows and growth rates and we considered these to be appropriate. The recoverability of investment in subsidiaries was also assessed by comparing the net asset values of these subsidiaries against the carrying value of the investment including consideration of the market capitalisation of the Group. There were no indications of impairment identified. Following the conclusion of our procedures above, we are satisfied that no impairment is required. We also considered the disclosure made within the financial statements and considered these to be appropriate.
Valuation of land - Properties held for development and resale and Investment Property (group)	
The group has properties held for development and resale of £38.9 million (2022: £29.3 million) and investment properties of £14.1 million (2022: £8.3 million). No provision or impairment has been recorded by management in the current year in respect of these assets. The risk we have focused on is that these assets could be overstated and impairment charges may be required. Properties held for development and resale are held at lower of cost and net realisable value, while investment properties are held at cost and assessed for impairment on an annual basis. The determination of whether or not these assets are impaired involves subjective judgement and estimates about the future sales transactions and cash flows of these assets. On an annual basis, management calculates the amount of headroom between the future cash flows and their carrying value to determine whether there is a potential impairment of properties held for development and resale and/or investment properties. The value of future cash flows is dependent on a number of key assumptions which include: – The forecast cash flows for the next ten to fifteen years; and – A discount rate applied to the model.	We understood and evaluated management's budgeting and forecasting process. Upon obtaining the forecasts of management's estimate of future sales, rentals and costs to complete, we tested the reasonableness of the key assumptions, including the following: – Verifying the mathematical accuracy of future cash flows and agreeing the carrying value of properties held for development and resale and investment properties being assessed for impairment to the balance sheet; – We challenged management's calculated weighted average cost of capital (WACC) used for discounting future cash flows within the cash flow models, utilising valuation experts to assess the cost of capital for the group and comparable organisations. It was noted that the WACC used by management was in line with our acceptable range and as such no exceptions were noted; – We performed sensitivity analysis to ascertain the impact of reasonably possible changes in key assumptions and to quantify the downside changes needed before an impairment would be required;

Key audit matter	How our audit addressed the key audit matter
See the accounting policies section within the financial statements for disclosure of the related accounting policies, judgements and estimates, Note 14 for detailed disclosures on investment property and Note 19 for detailed disclosures on properties held for development and resale in inventory.	– We traced the forecast financial information within the model to recent sales data and challenged management to provide support to corroborate revenue margin assumptions, support for expenditure and considered the accuracy of previous forecasts and we consider that the assumptions were supported by appropriate evidence; – We have reviewed the financial statements disclosures made with respect to the sensitivity of the WACC, cash flows and growth rates and we considered these to be appropriate; – We have considered the future plans for each piece of land and considered sales of similar land in recent years for properties held for development and resale in inventory; and – Inspected lease agreements and calculated the present value of these agreements to verify expected future rental income on land held as investment property. Following the conclusion of our procedures above, we are satisfied that no impairment is required. We also considered the disclosure made within the financial statements and considered these to be appropriate.
Construction contract revenue and assets and Contract provisions (group)	
The group recognised construction contract revenue by assessing the performance obligations under each contract and determining the point at which those obligations have been fulfilled, allocating the transaction price as necessary to each obligation. The Group has control and review procedures in place to monitor, and evaluate, regularly, the estimates being made to ensure that they are consistent and appropriate. This includes reviewing the independent certification of the value of work done, the progress of work against contracted timescales and the costs incurred against the plan. In particular, management makes judgements on the expected recoverability of value recorded in respect of performance obligations which have been completed but not yet agreed with the customer and on the likelihood of the entitlement to any variable consideration. Certain contracts contain key performance indicators which determine the level of fee payable and management estimates performance against these to decide the appropriate fee level within the range contained in the contract. Construction contract revenue in the year ended 31 May 2023 was £64.1m (2022: £37.9m). The Group has made provisions against contract assets and for potential contract liabilities which require judgements to be made regarding recoverable amounts and reasonably possible costs which may be incurred. Contract provisions have been made against profits which are subject to contract performance measurements which have not yet been carried out by the client and other contracts where the Group has identified potential warranty, defects or performance obligations. Such estimates can result in contract margins being variable from period to period as judgments may change in the light of changing facts and circumstances. See the accounting policies section within the financial statements for disclosure of the related accounting policies, judgements and estimates, Note 2 for detailed disclosures on revenue recognised and Note 27 for detailed disclosures on contract provisions in place at year end.	We understood and evaluated management's process for estimating the value of variable consideration within revenue, contract assets and contract provisions. We considered both corroborating and contradictory evidence for the amounts recognised which included the following: – Review of the contracts considering the key terms and the ranges of fee level contained within the contract; – Agreement to source documentation for both the contract income and associated costs to determine the nature and permissibility of costs per the contracts; – We agreed amounts received under the contract to certification from the contractor and payment; – Looking at the most recent correspondence with the contractors and reviewing each monthly statement for the sign off on contract costs as well as certification of revenues; – Inquiry with the lead project manager for the contracts to understand the status of current performance against key performance indicators, the nature of ongoing discussions with contractors and the current projections based on discussions to date; – Conducted sensitivity analysis of over the ranges of variable consideration stipulated in the contracts; and – In the context of the requirements of IFRS 15 we also considered the reasonableness of recognition and resulting likelihood of reversal. Following the conclusion of our procedures noted above we are satisfied that the recognition of revenue and contract provisions in relation to the contract is appropriate. We have also considered the disclosure of critical accounting estimates made in the financial statements and consider them to be appropriate.

Independent Auditors' Report

to the members of Hargreaves Services plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured along four segments being Services, Hargreaves Land, Hargreaves Services Europe 'HRMS' with the remaining areas of the Group included in an Unallocated segment. The group financial statements are a consolidation of the 84 reporting units within these four segments including the group's centralised functions.

We, as the group engagement team, audited all in scope components based in the UK. The HRMS segment based overseas, being DK Recyclingund Roheisen GmbH and Hargreaves Raw Materials Services GmbH, and part of the Services segment based overseas, being Hargreaves Industrial Services (HK) Limited, have been audited by PwC component auditors. The group audit team supervised the direction and execution of the audit procedures performed by the component teams. Our involvement in their audit process, including site visits, attending component audit meetings, review of their reporting and supporting working papers, together with the additional procedures performed at group level, gave us the evidence required for our opinion on the financial statements as a whole.

Given the significance of the components to the group's revenue and results, Hargreaves Industrial Services Limited, the bulk haulage and minerals divisions of Hargreaves (UK) Services Limited, C.A. Blackwell (Contracts) Limited, DK Recycling und Roheisen GmbH and Hargreaves Raw Material Services GmbH were considered 6 significant components. For further coverage Blackwell Earthmoving Limited and Hargreaves Industrial Services (HK) Limited were included as 2 full scope components.

Specific audit procedures were performed over inventory, investments in joint ventures, amounts due from undertakings in which the Group has a participating interest, cash and cash equivalents, deferred tax assets, investment property, property, plant and equipment, retirement benefits obligations, trade and other payables, other operating income, share of profit in joint ventures, equity and income tax expenses across a further 10 reporting units. This, together with additional procedures performed on the Group's centralised functions, gave us the evidence we needed for our opinion on the group financial statements as a whole.

As a result of this scoping we obtained coverage over 85% of the Group's external revenue and 69% of the Group's profit before tax.

The Company audit was performed by the Group audit team. The Company is principally a holding Company and there are no branches or other locations to be considered when scoping the audit. The Company is audited on a stand-alone basis, and hence, testing has been performed on all material financial statement line items.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£2,114,000 (2022: £1,779,000).	£1,443,000 (2022: £1,200,000).
How we determined it	1% of revenue	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the annual report, we consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax. Revenue is also used by the shareholders in assessing the performance and growth of the Group, and is a generally accepted auditing benchmark.	We believe that total assets are considered to be more appropriate as it is not a profit oriented company. The parent company is a holding company only and therefore total assets is deemed a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £406,920 and £1,995,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,585,500 (2022: £1,334,250) for the group financial statements and £1,082,250 (2022: £900,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £105,000 (group audit) (2022: £88,950) and £68,000 (company audit) (2022: 60,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained and assessed management's board report that details the Group's assessment and conclusion with respect to their ability to continue as a going concern;
- We evaluated the historical accuracy of the budgeting process to assess the reliability of the data;
- We evaluated management's board approved base case forecast and downside scenarios, and challenged the adequacy and appropriateness of the underlying assumptions, including the level and period of reduction in revenue and timing of significant cash receipts, and confirmed management's mitigating action are within their control and can be taken on a timely basis if needed. We reviewed the composition of costs at a divisional level within the forecasts to ensure they were prepared on a consistent and appropriate basis;
- We reviewed the latest trading results for the year to date in FY24 and compared to management's budget, FY23 actuals and revised forecasts, and considered the impact of these actual results on the future forecast period;
- We reviewed the mathematical integrity of management's going concern forecast models, where no exceptions were identified; and
- We reviewed the disclosures included within the Annual Report and consider these to be appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent Auditors' Report

to the members of Hargreaves Services plc continued

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 May 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations and environmental regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as AIM Rules for Companies, tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Inquiries of management and those charged with governance around actual and potential litigation claims;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries with unusual accounts combinations;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Reviewing the internal audit reports.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
8 August 2023

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 May 2023

Continuing operations	Note	2023 £000	Restated* 2022 £000
Revenue	2	**211,459**	177,908
Cost of sales		**(172,402)**	(148,458)
Gross profit		**39,057**	29,450
Other operating income	3	**4,918**	1,298
Administrative expenses		**(32,178)**	(24,520)
Operating profit		**11,797**	6,228
Analysed as:			
Operating profit (before exceptional items and amortisation charges)		**11,972**	4,474
Exceptional items	5	**–**	1,754
Amortisation of intangible assets	15	**(175)**	–
Operating profit		**11,797**	6,228
Finance income	8	**1,612**	823
Finance expense	8	**(2,565)**	(770)
Share of profit in joint ventures (net of tax)*	16	**16,311**	25,879
Profit before tax*		**27,155**	32,160
Taxation	9	**771**	347
Profit for the year from continuing operations*		**27,926**	32,507
Discontinued operations			
Profit for the year from discontinued operations	10	**–**	2,000
Profit for the year*		**27,926**	34,507
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
(Loss)/gain in defined benefit pension schemes	25	**(4,645)**	5,955
Tax recognised on items that will not be reclassified to profit or loss	9	**1,161**	(1,488)
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange translation differences		**1,130**	313
Effective portion of changes in fair value of cash flow hedges		**–**	41
Tax recognised on items that are or may be reclassified subsequently to profit or loss	9	**–**	(8)
Share of other comprehensive income of joint ventures, (net of tax)	16	**1,912**	3,070
Other comprehensive (expense)/income for the year, net of tax		**(442)**	7,883
Total comprehensive income for the year*		**27,484**	42,390
Profit/(loss) attributable to:			
Equity holders of the Company*		**27,915**	34,719
Non-controlling interest		**11**	(212)
Profit for the year*		**27,926**	34,507

	Note	2023 £000	Restated* 2022 £000
Total comprehensive income/(expense) attributable to:			
Equity holders of the Company*		**27,473**	42,602
Equity holders of the Company*		**27,473**	42,602
Non-controlling interest		**11**	(212)
Total comprehensive income for the year*		**27,484**	42,390
Basic earnings per share (pence)*	11	**85.85**	106.63
Diluted earnings per share (pence)*	11	**84.13**	103.48
Continuing basic earnings per share (pence)*	11	**85.85**	100.45
Diluted continuing basic earnings per share (pence)*	11	**84.13**	97.48

Non-GAAP Measures

	Note	2023 £000	Restated* 2022 £000
Basic underlying earnings per share from continuing operations (pence)**	11	**86.28**	96.06
Diluted underlying earnings per share from continuing operations (pence)**	11	**84.55**	93.22

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

Earnings per share for the prior year have also been restated. Please refer to Note 11.

** See Alternative Performance Measures Glossary.

Group and Parent Company Balance Sheets

at 31 May 2023

	Note	Group 2023 £000	Group Restated* 2022 £000	Company 2023 £000	Company 2022 £000
Non-current assets					
Property, plant and equipment	12	**10,861**	9,938	**–**	–
Right-of-use assets	13	**39,815**	22,062	**–**	–
Investment property	14	**14,074**	8,298	**–**	–
Intangible assets including goodwill	15	**5,685**	4,824	**–**	–
Investments in joint ventures*	16	**74,282**	55,096	**4,984**	4,984
Investments in subsidiary undertakings	16	**–**	–	**33,135**	31,358
Deferred tax assets	18	**14,753**	11,063	**–**	7
Trade receivables	20	**–**	4,224	**–**	–
Retirement benefit surplus	25	**8,474**	10,382	**–**	–
		167,944	125,887	**38,119**	36,349
Current assets					
Inventories	19	**39,302**	30,476	**–**	–
Trade and other receivables	20	**71,609**	88,574	**95,582**	81,412
Contract assets	21	**5,114**	6,752	**–**	–
Cash and cash equivalents	22	**21,859**	13,773	**12,646**	15
		137,884	139,575	**108,228**	81,427
Total assets*		**305,828**	265,462	**146,347**	117,776
Non-current liabilities					
Other interest-bearing loans and borrowings	23	**(20,839)**	(11,045)	**–**	–
Retirement benefit obligations	25	**(2,902)**	(2,703)	**–**	–
Provisions	27	**(4,120)**	(2,344)	**–**	–
Deferred tax liabilities	18	**(3,417)**	(1,920)	**–**	–
		(31,278)	(18,012)	**–**	–
Current liabilities					
Other interest-bearing loans and borrowings	23	**(15,511)**	(7,326)	**–**	–
Trade and other payables	24	**(47,427)**	(50,727)	**(52,381)**	(20,612)
Provisions	27	**(10,467)**	(9,440)	**–**	–
Income tax liability		**(154)**	(108)	**(81)**	(39)
		(73,559)	(67,601)	**(52,462)**	(20,651)
Total liabilities		**(104,837)**	(85,613)	**(52,462)**	(20,651)
Net assets*		**200,991**	179,849	**93,885**	97,125

	Note	Group 2023 £000	Group Restated* 2022 £000	Company 2023 £000	Company 2022 £000
Equity attributable to equity holders of the Parent					
Share capital	28	**3,314**	3,314	**3,314**	3,314
Share premium	28	**73,972**	73,972	**73,972**	73,972
Other reserves	28	**211**	211	**–**	–
Translation reserve	28	**(689)**	(1,819)	**–**	–
Merger reserve	28	**1,022**	1,022	**1,022**	1,022
Hedging reserve	28	**318**	318	**–**	–
Capital redemption reserve	28	**1,530**	1,530	**1,530**	1,530
Share-based payment reserve	28	**2,388**	2,029	**2,388**	2,029
Retained earnings*		**119,136**	99,494	**11,659**	15,258
		201,202	180,071	**93,885**	97,125
Non-controlling interest		**(211)**	(222)	**–**	–
Total equity*		**200,991**	179,849	**93,885**	97,125

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

The Company's profit after tax for the year was £3.1m (2022: £6.4m).

The notes on pages 56 to 99 form an integral part of these financial statements.

These financial statements on pages 48 to 99 were approved by the Board of Directors on 8 August 2023 and were signed on its behalf by:

Gordon Banham
Director

Registered number: 4952865

Group and Parent Company Statements of Changes in Equity

for year ended 31 May 2023

Group (Note 28)	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	Restated* Retained earnings £000	Restated* Total Parent equity £000	Non-controlling interest £000	Restated* Total equity £000
At 1 June 2021*	**3,314**	**73,955**	**(2,132)**	**285**	**211**	**1,530**	**1,022**	**1,680**	**63,475**	**143,340**	**(10)**	**143,330**
Total comprehensive income/(expense) for the year												
Profit/(loss) for the year*	–	–	–	–	–	–	–	–	34,719	34,719	(212)	34,507
Other comprehensive income	–	–	313	33	–	–	–	–	7,537	7,883	–	7,883
Total comprehensive income/(expense) for the year*	**–**	**–**	**313**	**33**	**–**	**–**	**–**	**–**	**42,256**	**42,602**	**(212)**	**42,390**
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**	**99,494**	**180,071**	**(222)**	**179,849**
At 1 June 2022	**3,314**	**73,972**	**(1,819)**	**318**	**211**	**1,530**	**1,022**	**2,029**	**99,494**	**180,071**	**(222)**	**179,849**
Total comprehensive income/(expense) for the year												
Profit for the year	–	–	–	–	–	–	–	–	27,915	27,915	11	27,926
Other comprehensive income/(expense)	–	–	1,130	–	–	–	–	–	(1,572)	(442)	–	(442)
Total comprehensive income for the year	**–**	**–**	**1,130**	**–**	**–**	**–**	**–**	**–**	**26,343**	**27,473**	**11**	**27,484**
Transactions with owners recorded directly in equity												
Equity-settled share-based payment transactions	–	–	–	–	–	–	–	359	–	359	–	359
Dividends paid	–	–	–	–	–	–	–	–	(6,701)	(6,701)	–	(6,701)
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**359**	**(6,701)**	**(6,342)**	**–**	**(6,342)**
At 31 May 2023	**3,314**	**73,972**	**(689)**	**318**	**211**	**1,530**	**1,022**	**2,388**	**119,136**	**201,202**	**(211)**	**200,991**

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

Company (Note 28)	Share capital £000	Share premium £000	Hedging reserve £000	Capital redemption reserve £000	Merger reserve £000	Share-based payment reserve £000	Retained earnings £000	Total Parent equity £000
At 1 June 2021	**3,314**	**73,955**	**2**	**1,530**	**1,022**	**1,680**	**15,116**	**96,619**
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	6,379	6,379
Other comprehensive expense								
Effective portion of changes in fair value of cash flow hedges	–	–	(2)	–	–	–	–	(2)
Total comprehensive (expense)/income for the year	**–**	**–**	**(2)**	**–**	**–**	**–**	**6,379**	**6,377**
Transactions with owners recorded directly in equity								
Issue of shares	–	17	–	–	–	–	–	17
Equity-settled share-based payment transactions	–	–	–	–	–	349	–	349
Dividends paid	–	–	–	–	–	–	(6,237)	(6,237)
Total contributions by and distributions to owners	**–**	**17**	**–**	**–**	**–**	**349**	**(6,237)**	**(5,871)**
At 31 May 2022 and 1 June 2022	**3,314**	**73,972**	**–**	**1,530**	**1,022**	**2,029**	**15,258**	**97,125**
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	3,102	3,102
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**3,102**	**3,102**
Transactions with owners recorded directly in equity								
Equity-settled share-based payment transactions	–	–	–	–	–	359	–	359
Dividends paid	–	–	–	–	–	–	(6,701)	(6,701)
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**–**	**359**	**(6,701)**	**(6,342)**
At 31 May 2023	**3,314**	**73,972**	**–**	**1,530**	**1,022**	**2,388**	**11,659**	**93,885**

Group and Parent Company Cash Flow Statements

for year ended 31 May 2023

		Group		Company	
	Note	2023 £000	Restated* 2022 £000	2023 £000	2022 £000
Cash flows from operating activities					
Profit for the year from continuing operations*		**27,926**	32,507	**3,102**	4,379
Adjustments for:					
Depreciation and impairment of property, plant and equipment and right-of-use assets	12,13	**14,570**	8,666	**–**	–
Amortisation of intangible assets	15	**175**	–	**–**	–
Net finance expense/(income)	8	**953**	(53)	**(653)**	434
Share of profit in joint ventures (net of tax)*	16	**(16,311)**	(25,879)	**–**	–
Dividend received from joint ventures	16	**–**	–	**–**	(3,917)
Profit on sale of property, plant and equipment, investment property and right-of-use assets	3	**(4,718)**	(1,298)	**–**	–
Equity-settled share-based payment expenses	26	**359**	349	**–**	–
Income tax (credit)/expense	9	**(771)**	(347)	**87**	32
Contributions to defined benefit pension schemes	25	**(2,426)**	(2,002)	**–**	–
Translation of non-controlling interest and investments		**482**	202	**–**	–
		20,239	12,145	**2,536**	928
Change in inventories		**(8,827)**	(3,308)	**–**	–
Change in trade and other receivables		**23,290**	(19,256)	**(14,170)**	(3,733)
Change in trade and other payables		**(4,563)**	903	**31,769**	(14,652)
Change in provisions and employee benefits		**2,713**	1,000	**–**	–
		32,852	(8,516)	**20,135**	(17,457)
Interest received		**1,127**	34	**820**	–
Interest paid		**(2,192)**	–	**(167)**	(434)
Income tax paid		**(281)**	(44)	**(38)**	(365)
Net cash inflow/(outflow) from operating activities		**31,506**	(8,526)	**20,750**	(18,256)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**6,565**	801	**–**	–
Proceeds from sale of investment property		**266**	1,407	**–**	–
Proceeds from sale of right of use assets		**81**	78	**–**	–
Acquisition of property, plant and equipment		**(3,442)**	(1,479)	**–**	–
Acquisition of investment property		**(5,783)**	(1,070)	**–**	–
Acquisition of right of use assets		**(85)**	(163)	**–**	–
Payment for acquisition of subsidiaries, net of cash acquired	17	**(1,447)**	–	**–**	–
Investment in subsidiaries	16	**–**	–	**(1,418)**	–
Dividends received from joint ventures		**–**	3,917	**–**	3,917
Net cash (outflow)/inflow from investing activities in continuing operations		**(3,845)**	3,491	**(1,418)**	3,917
Net cash inflow from investing activities in discontinued operations	10	**–**	2,000	**–**	2,000
Net cash (outflow)/inflow from investing activities		**(3,845)**	5,491	**(1,418)**	5,917

		Group		Company	
	Note	2023 £000	Restated* 2022 £000	2023 £000	2022 £000
Cash flows from financing activities					
Principal elements of lease payments	23	**(12,721)**	(5,531)	**–**	–
Dividends paid	28	**(6,701)**	(6,237)	**(6,701)**	(6,237)
Net cash outflow from financing activities		**(19,422)**	(11,768)	**(6,701)**	(6,237)
Net increase/(decrease) in cash and cash equivalents		**8,239**	(14,803)	**12,631**	(18,576)
Cash and cash equivalents at 1 June		**13,773**	28,303	**15**	18,591
Effect of exchange rate fluctuations on cash held		**(153)**	273	**–**	–
Cash and cash equivalents at 31 May	22	**21,859**	13,773	**12,646**	15

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

Notes
(forming part of the financial statements)

1 Accounting Policies

Hargreaves Services plc (the "Company", "Parent Company") is a public company limited by shares and incorporated, domiciled and registered in England, UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in joint ventures. The Parent Company financial statements present information about the Company as a separate entity and not about the Group.

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. In publishing the Parent Company financial statements together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Income Statement and related notes that form a part of these approved financial statements. The financial statements are presented in Pounds Sterling since this is the currency in which the majority of the Group's transactions are denominated.

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 2022 Consolidated Statement of Profit and Loss and Other Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity and Group Cash Flow Statement following a correction of the allowability of certain expenses for corporate tax in a joint ventures for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

Accounting Estimates involving Judgements

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The Board considers that the key areas requiring the use of estimates and judgements which may materially affect the financial statements are:

a) Construction Contract Revenue and assets.

IFRS 15, Revenue from Contracts with Customers, applies to all revenue recognition, "Construction Contracts", insofar as the Group carries out construction contracts and represents a key area of judgement. Management must assess the performance obligations under each contract and determine the point at which those obligations have been fulfilled, allocating the transaction price as necessary to each obligation. The estimates and judgements which management must carry out to assess the total expected costs on a contract are also necessary under IFRS 15. The Group has control and review procedures in place to monitor, and evaluate, regularly, the estimates being made to ensure that they are consistent and appropriate. This includes reviewing the independent certification of the value of work done, the progress of work against contracted timescales and the costs incurred against plan. In particular, management makes judgements on the expected recoverability of value recorded in respect of performance obligations which have been completed but not yet agreed with the customer and on the likelihood of the entitlement to any variable consideration. Certain contracts contain key performance indicators which determine the level of fee payable and management estimates performance against these to decide the appropriate fee level within the range contained in the contract. Differences arising on the ultimate completion of the contract and any unforeseen changes or events as the contract progresses may result in material changes to expected financial outcomes. Construction contract revenue in the year ended 31 May 2023 was £64.1m (2022: £37.9m). When revenue recognised in respect of a customer contract exceeds amounts received or receivable from the customer a contract asset is recognised. At 31 May 2023 this value was £5.1m (2022: £6.8m).

b) Dilapidations Provision

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Board makes provisions for liabilities which exist but where judgements have to be made as to the quantification of such liabilities.

The Group has entered into property leases which in turn have contractual obligations to restore the properties to their condition prior to the commencement of the lease. The dilapidations provision, which is set out in Note 27, is based on third party assessments of the cost of the work which has been carried out on behalf of the landlords or internal estimates where appropriate. Currently, the Board has no other evidence as to the likely final cost of the dilapidations work. Significant judgements and estimates are involved in making this assessment and the amount and timing of the associated cash flows. The final cost of the dilapidations works may vary materially from the amount of the provision. The carrying value of the dilapidations provision at 31 May 2023 is £5.1m (2022: £2.3m).

c) Contract Provisions

The Group has made provisions against contract assets and for potential contract liabilities which require judgements to be made regarding recoverable amounts and reasonably possible costs which may be incurred. The nature of these items, which is set out in Note 27, is such that their timing and quantum is uncertain and so the Directors have made judgements based upon the facts as they are known at the date of this report. Contract provisions have been made against profits which are subject to contract performance measurements which have not yet been carried out by the client and other contracts where the Group has identified potential warranty, defects or performance obligations. Such estimates can result in contract margins being variable from period to period as judgements may change in the light of changing facts and circumstances. The view has been taken that all of these items could potentially occur within the next 12 months and so all of the provisions have been classified as current. The carrying value of contract provisions at 31 May 2023 is £6.5m (2022: £6.1m).

d) Post Retirement Employee Benefits

The Group operates two funded defined benefit schemes and an unfunded concessionary fuel scheme. Independent actuaries calculate the Group's asset/liability in respect of these schemes. The actuaries make assumptions as to discount rates, salary escalations, net interest on scheme assets/liabilities, future pension increases, mortality rates applicable to members and future rates of inflation. These assumptions are made under the Board's direction. The Board determines the appropriateness of these assumptions by benchmarking them against those used by other schemes and by taking advice from the independent actuaries. If the actual experience of the schemes is different from the assumptions used, then the pension asset/liability may differ from that shown in these financial statements. More information is given in Note 25 to these financial statements. The impact of the equalisation of Guaranteed Minimum Pensions has been assessed to be negligible. The net surplus of the defined benefit schemes and the concessionary fuel scheme in the balance sheet at 31 May 2023 is £5.6m (2022: £7.7m). This surplus is not currently realisable as the schemes all are in deficit when measured in accordance with the statutory funding objective set out in the Pensions Act.

e) Measurement of the Recoverable Amounts of Cash-Generating Units ("CGUs") Containing Goodwill, Intangible Assets, Investments in Subsidiaries, Investments in joint ventures and Parent Company Intra-Group Balances

In accordance with IAS 36 "Impairment of Assets", the Board identifies appropriate CGUs and the allocation of goodwill to these units. The assessment of impairment involves assumptions on the estimated future operating cash flows from these CGUs, the discount rate applied in the calculations and the comparison of the cash flows to the carrying value of the goodwill and other intangible assets. These are key areas of judgement and include significant accounting estimates. Management has assessed the sensitivity of carrying amounts of CGUs containing goodwill and/or intangible assets to reasonably possible changes in key assumptions. More information on the assumptions used and the sensitivities applied are set out in Note 15 to these financial statements.

f) Valuation of Land

Land held for development, including land in the course of development until legal completion of the sale of the asset, is carried at the lower of cost and net realisable value. Investment properties are stated at cost less accumulated impairment. Investment properties are not remeasured to fair value at each reporting date, however, a review for impairment is carried out at each reporting date, giving consideration to the fair value of the property. Regular reviews are carried out to identify any impairment in the value of the land by comparing the total estimated selling prices less estimated selling expenses against the book cost of the land plus estimated costs to complete. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Valuations of site/phase work in progress are carried out at regular intervals and estimates of the cost to complete a site/phase and estimates of anticipated revenues are required to enable a development profit to be determined. Management are required to employ judgement in estimating the profitability of a site/phase and in assessing any impairment provisions which may be required.

Accounting Judgements

g) Treatment of joint ventures

Management have considered the level of control of each of the Group's individual joint venture arrangements and are satisfied that the Group does not have control, either through voting rights or other circumstances, of any of these arrangements. Tower Regeneration Limited is a joint venture between the Group and a third party. The purpose of this joint venture was to enable the Group's access to a surface mine in South Wales. The mine ceased to operate in 2016 and restoration work is nearing completion. The Group is entitled to 35% of the profits from the operation. The strategic business decisions of the joint venture are taken by both the Group and the third party equally. This is reflected in the equal representation on that Board of each investing party and the ownership of voting rights is split 50:50 between both parties.

Hargreaves Services Europe Limited ("HSEL"), is a material joint venture to the Group. HSEL owns 100% of Hargreaves Raw Materials Services GmbH ("HRMS") which is a key supplier of specialist raw materials to major European customers in the steel, foundry, smelting, ferroalloy, sugar, limestone, insulation, refractory and ceramic industries. This combined with the Group's historic expertise in production operations, materials handling, storage operations and logistics, marketing and technical support, creates an ideal platform for HRMS to compete in the supply of speciality mineral products in Europe. HRMS owns 94.9% of DK Recycling und Roheisen GmbH ("DK") a recycler of steel waste material and a producer of pig iron and zinc. The Group is entitled to 86% of the profits of HSEL, however the Group does not exert control over the business. The Group holds 49% of the voting rights in HSEL, with the remainder being held by the HRMS management team. One of the three Directors of HSEL is appointed by the Group. The Group does not have the power to change these arrangements. A shareholder agreement is in place to provide the Group with safeguards designed to protect its investment; however, the key strategic decisions affecting the operation and its financial results are not taken by the Group. In the event of a dispute between the Group and the operation which could not be resolved, the operation would be subject to an orderly wind down. Whilst the voting rights demonstrate significant influence, the Group does not control the operation and therefore the Board accounts for the investment as a joint venture.

Notes
(forming part of the financial statements) continued

1 Accounting Policies continued

Accounting Judgements continued

g) Treatment of joint ventures continued

Waystone Hargreaves Land LLP ("the Unity JV") is a material joint venture between the Group and a third party. The purpose of this joint venture is to develop land owned or controlled by each of the parties. The strategic business decisions of the joint venture are taken by the Board of the Unity JV. This is reflected in the equal representation on that Board of each investing party and the ownership of voting rights is split 50:50 between both parties.

Measurement Convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments and financial instruments classified as fair value through the Statement of Profit and Loss are stated at their fair value.

Going Concern

The Group's business activities, together with the factors likely to affect its future development performance and position are set out in the Operating Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, Note 29 to the financial statements includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group's financing is not dependent on bank borrowings, however the group has access to a £12m invoice discounting facility, which is currently undrawn and will remain in place until 31 October 2024. Notwithstanding that, a rigorous review of cash flow forecasts including testing for a range of challenging downside sensitivities has been undertaken. 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 financial statements.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Change in Subsidiary Ownership and Loss of Control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Application of the Equity Method to joint ventures

Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost, or fair value where cost is lower than fair value at acquisition. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to £nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Transactions Eliminated on Consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Parent Company financial statements

In the Parent Company financial statements, all investments in subsidiaries and joint ventures are carried at cost less accumulated impairment.

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the Income Statement except for differences arising on qualifying cashflow hedges which are recognised directly in other comprehensive income.

The assets and liabilities of foreign operations are translated into Pounds Sterling, the Group's presentational currency, at the exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence is lost, the entire accumulated amount in the translation reserve, net of amounts previously attributed to non-controlling interests, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests.

Classification of Financial Instruments Issued by the Group

Financial instruments issued by the Group are treated as equity (i.e., forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Financial Instruments

Financial Assets

The Group classifies financial assets under the following measurement categories:

- Measured at amortised cost (non-derivative financial assets);
- Measured subsequently at fair value through either profit or loss or comprehensive income.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Non-derivative Financial Assets

Non-derivative financial assets include trade and other receivables and contract assets, as defined by IFRS 15. Neither of these two categories contain a significant financing element and, as such, expected credit losses are measured under IFRS 9 using the simplified impairment approach. This approach requires expected lifetime losses to be recognised upon the initial recognition of the asset.

At initial recognition, the Group measures a non-derivative financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The Group subsequently measures trade and other receivables and contract receivables at amortised cost.

Derivative Financial Instruments

The Group uses forward foreign currency contracts to manage its exchange rate risk.

Derivative financial instruments are recognised initially at fair value and are subsequently remeasured to fair value at each reporting date and changes therein are accounted for as described as follows.

Notes

(forming part of the financial statements) continued

1 Accounting Policies continued

Cash Flow Hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecast transaction (for example, interest payments, sales and purchases denominated in foreign currency, sale and purchase of commodities), changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the hedging reserve to the extent that the hedge is effective. Amounts deferred in equity are recognised in the Consolidated Statement of Comprehensive Income when the hedged item affects profit or loss. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in profit or loss.

Derivatives designated as hedging instruments are accounted for in line with the nature of the hedging arrangement. Derivatives are intended to be highly effective in mitigating the above risks, and hedge accounting is adopted where the required hedge documentation is in place and the relevant test criteria are met. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement as part of financing costs. The Group continues to apply IAS 39 for the purposes of hedge accounting as permitted under IFRS 9.

Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Intra-Group Financial Instruments

Where the Company enters into financial guarantee contracts to guarantee the liabilities (including indebtedness) of subsidiary undertakings or joint ventures, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful economic lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful economic lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Depreciation rates are as follows:

Freehold buildings	–	2% to 4% p.a.
Leasehold improvements	–	15% p.a.
Motor vehicles and plant	–	10% to 33% p.a.
Furniture and equipment	–	25% p.a.
Fixtures and fittings	–	15% p.a.

Assets in the course of construction are not depreciated until they are brought into use.

Depreciation of right-of-use assets is based on the same categorisation as above.

Lease accounting policy

The Group has relied upon the exemption under IFRS 16 to exclude the impact of low-value leases and leases that are short-term in nature (defined as leases with a term of 12 months or less). Costs on these leases are recognised on a straight-line basis as an operating expense within the income statement. All other leases are accounted for in accordance with this policy.

The Group has various lease arrangements for properties (e.g. office buildings and storage facilities), vehicles, and other equipment including plant and machinery. At the inception of a lease contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a certain period of time and whether it obtains substantially all the economic benefits from the use of that asset, in exchange for consideration. The Group recognises a lease liability and a corresponding right-of-use asset with respect to all such lease arrangements in which it is a lessee.

A right-of-use asset is capitalised on the balance sheet at cost which comprises the present value of future lease payments determined at the inception of the lease adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred in addition to an estimate of costs to remove or restore the underlying asset. Where a lease incentive is receivable, the amount is offset against the right-of-use asset at inception. Right-of-use assets are depreciated using the straight-line method over the shorter of the estimated life of the asset or the lease term and are assessed in accordance with IAS 36 'Impairment of Assets' to determine whether the asset is impaired and to account for any loss.

The lease liability is initially measured at the present value of lease payments as outlined above and is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Lease payments comprise fixed lease rental payments only with the exception of property, which also includes the associated fixed service charge. Lease liabilities are classified between current and non-current on the balance sheet.

The key estimate applied by management relates to the assessment of the incremental borrowing rate adopted by the Group to discount the future lease rentals to present value in order to measure the lease liabilities. The weighted average rate applied by the Group at transition was 3.7%.

Sub leases

If an underlying asset is re-leased by the Company to a third party and the Company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The Company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short-term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).

After classification lessor accounting is applied to the sublease.

Where the Group also acts as lessor and substantially all the risks and rewards of ownership have passed to the lessee, the Group derecognises the related equipment and recognises a receivable for the minimum lease payments discounted at a rate which reflects a constant periodic rate of return over the life of the lease.

Investment Property

Investment properties are properties which are held with the intention to derive value from either rental income, for capital appreciation, or for both. Investment properties are stated at cost less accumulated impairment. Investment properties are not remeasured to fair value at each reporting date, however, a review for impairment is carried out at each reporting date, giving consideration to the fair value of the property. An impairment is recognised when the fair value less costs to sell of the property is lower than the book value. Land is not depreciated. In accordance with IAS 40, an investment property which is being sold is not reclassified as inventory but is treated as an investment property until it is derecognised.

All investment properties within the Group relate to Hargreaves Land.

Business Combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the purchase method. Goodwill arises from the acquisition of businesses and represents the difference between the cost of the acquisition and the fair value of the identifiable assets (including other intangible assets), liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately, or which arise from legal rights regardless of whether those rights are separable.

Acquisitions on or After 1 June 2010

For acquisitions on or after 1 June 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired, reflecting conditions at the date of acquisition. Adjustments to fair values include those made to bring accounting policies into line with those of the Group. Provisional fair values are finalised within 12 months of the business combination date and, where significant, are adjusted by restatement of the comparative period in which the acquisition occurred.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Notes
(forming part of the financial statements) continued

1 Accounting Policies continued

Business Combinations continued

Acquisitions Between 1 June 2006 and 1 June 2010

Goodwill arising on acquisitions that have occurred between 1 June 2006 and 1 June 2010 is capitalised and is subject to impairment review, both annually and when there are indications the carrying value may not be recoverable. Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

Acquisitions and Disposals of Non-Controlling Interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the Parent.

Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Intangible Assets and Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Other intangible assets that are acquired by the Group, which have finite useful economic lives, are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Customer contracts are amortised over five years, being the length of the contract.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Work in progress includes work to date on service contracts where project milestones have not yet been reached. Where necessary, provisions are made against obsolete, defective or slow-moving inventories.

Properties Held for Development and Resale

Properties held for development and resale are included within inventories on the basis that their carrying value will be recovered principally through sale in the ordinary course of business, rather than through continuing use within the Group. These assets are not available for immediate sale and will be subject to further development before being available for sale. Properties held for development and resale are shown in the financial statements at the lower of cost and net realisable value. Cost represents the acquisition price including legal and other professional costs associated with the acquisition together with subsequent development costs net of amounts transferred to cost of sales. Net realisable value is the expected net sales proceeds of the developed property.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the Cash Flow Statement.

Trade and Other Payables

Trade and other payables are non-interest-bearing and are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-Bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transactions costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Reversals of Impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee Benefits

Defined Benefit Pension Plans

The Group operates a concessionary fuel retirement benefit scheme. In addition, following the acquisition of Maltby Colliery, the Group is a member of two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group.

The retirement benefit scheme liabilities are calculated by a qualified actuary using the projected unit method. The concessionary fuel retirement benefit schemes are unfunded retirement benefits and as such there are no assets in the schemes. The retirement benefit deficits are recognised in full, the movement in the scheme deficits is split between operating charges, finance items and, in other comprehensive income, remeasurement gains and losses.

The defined benefit pension schemes are funded retirement benefit schemes. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in other comprehensive income, remeasurement gains and losses.

Defined Contribution Pension Plans

The Group operates a Group defined contribution personal pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the financial year. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

Share-Based Payment Transactions

The Group operates a share option scheme for certain employees. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share options that do not meet the related service and non-market performance conditions at the vesting date.

Where the Company grants share-based payment awards over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Shares purchased by the Group are deducted from retained earnings at the total consideration paid or payable.

Exceptional Items

Exceptional items are defined as items of income and expenditure which are material and non-routine in nature and which are considered to be of such significance that they require separate disclosure on the face of the Income Statement. Any future movement on items previously classified as exceptional continues to be classified as exceptional.

Revenue

Revenue is recognised when control over a product or service is transferred to the Group's customer. The value attributed to revenue is measured based on the consideration specified in the contract and excludes any amounts collected on behalf of third parties. In circumstances where consideration is not clearly defined in the contract, the revenue is subject to variability. When revenue is variable, the Group estimates the amount of consideration to be recovered. Revenue is only recognised to the extent that it is highly probable that a significant reversal in a future period will not occur. When an amendment to an existing contract arises, the Group reviews the nature of the modification and whether or not it reflects a separate or new performance obligation to be satisfied, or whether it is an amendment to an existing performance obligation. The Group does not adjust the amount of consideration for the effects of a significant financing component when the Group expects, at the contract date, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Revenue is measured excluding value added tax, for goods and services supplied to external customers in line with the fulfilment of contractual performance obligations. All directly attributable expenses in respect of goods supplied and services provided are recognised in the Income Statement in the period to which they relate. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust its transaction price for the time value of money.

The Group's activities cover a variety of disciplines, therefore, depending on the nature of the product or service delivered and the timing of when control is passed onto the customer, the Group will account for revenue both over time and at a point in time. Where revenue is measured over time, the Group uses the input method to measure progress of delivery.

Sales of Goods

Revenue is recognised at a point in time when delivery of the product has been made and title has passed to the customer. Revenue is recognised on individual sales at a point in time when the conditions above have been met.

Revenue is measured at the invoiced price net of VAT and any discounts. If, as a separate transaction, the Company has entered into a derivative contract to hedge the sale price, any gains or losses on that hedge instrument are also included in revenue at the same time as the hedged transaction is recorded as revenue.

Notes
(forming part of the financial statements) continued

1 Accounting Policies continued

Services
Revenue is recognised over time as contractual performance obligations are fulfilled. A proportion of sales are subject to long-term contracts, typically on a cost-plus or similar basis. Typically, these contracts take the form of a continuing performance obligation. The revenue and profit on such contracts is recognised (and invoiced) using the input method of measuring progress on completion of the performance obligation. Profit is recognised in line with the recognition of revenue allocating costs to each separate performance obligation as appropriate. Any losses on contracts are recognised in full immediately.

Construction Contract Revenue
When the outcome of individual contracts can be estimated reliably, contract revenue and costs are recognised as revenue and expenses respectively over time by reference to the fulfilment of performance obligations using the input method of estimating progress of delivery at the reporting date. Costs are recognised as incurred, and revenue is recognised using the input method. The costs of obtaining a contract are recognised as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less. The stage of completion of a contract is assessed by reference to completion of a physical proportion of the contract work. Revenue includes the initial amount agreed in the contract plus any variations in contracted work, to the extent that it is probable that they will result in revenue and can be measured reliably. Revenue includes an assessment of any variable consideration which may become receivable based upon relevant performance measures. Variable consideration is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised. Provision is made for all known or expected losses on contracts as soon as they are foreseen. These provisions are reviewed throughout the contract life and are adjusted as required. However, the nature of the risks on contracts are such that is often not possible to resolve them until the end of the contract and therefore the provisions may not reverse until the contract is concluded.

Rental Income
Rental income from property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Property
Sales of freehold land and properties are recognised at a point in time upon legal completion.

Rebates
From time to time the Group may offer a rebate on the sale of goods. The rebate is recognised at the point of sale as a reduction in revenue recorded. Should the rebate not become due then additional revenue is booked to reflect this at the point at which it becomes clear the rebate will not be payable.

Contract Assets
Contract assets represent amounts for which the Group has an unconditional right to consideration in respect of unbilled revenue recognised at the balance sheet date and comprises costs incurred plus attributable margin.

Contract Liabilities
Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Net Finance Costs
Net finance costs comprise interest payable, finance charges on leases and interest receivable on funds invested together with changes in the fair values of interest rate swaps and foreign currency forward contracts recognised through the profit and loss and the net interest on the defined benefit pension scheme liability. This is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit asset/liability.

Interest income and interest payable is recognised in the Income Statement as it accrues, using the effective interest method. Dividend income is recognised in the Income Statement on the date the entity's right to receive payment is established.

Taxation
Tax on the profit or loss for the period comprises both current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Provisions

A provision is recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and where it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate. The effect is not deemed material for any the Group's provisions.

Restoration and Rehabilitation Costs

The previous mining, extraction and processing activities of the Group gave rise to obligations for site restoration. Restoration works can include site decommissioning and dismantling and site and land rehabilitation. The extent of work required, and the associated costs are dependent on the requirements of relevant authorities and the Group's environmental policies.

An initial provision reflecting the current obligation for the cost of future site restoration is recognised at the commencement of the production phase for all liabilities created through development of the surface mine. Production activities give rise to further restoration obligations and provisions are made for these liabilities as they arise.

Restoration provisions are measured at the expected value of future cash flows. Significant judgements and estimates are involved in forming an expectation of future activities and the amount and timing of the associated cash flows. Such expectations are based on existing planning requirements and management's future development plans which give rise to a constructive obligation.

Restoration provisions are adjusted for changes in estimates, which are accounted for as a change in the corresponding capitalised cost within non-current assets, except where a reduction in the provision is greater than the unamortised capitalised cost of the related assets, in which case the capitalised cost is reduced to £nil and the remaining adjustment is recognised in the Statement of Comprehensive Income. Changes to the capitalised cost result in an adjustment to future amortisation and financial charges.

Given the significant judgements and estimates involved, adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence. Factors influencing those changes include but are not limited to: revisions to estimated reserves and site operations; planning requirements and management's development plans and changes in the estimated cost and scope of anticipated activities.

Adopted IFRSs Not Yet Applied

Certain new accounting standards and interpretations have been published that are not mandatory for 31 May 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 HRMS.

- **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 Raw Materials Services ("HRMS"):** The Group's share of its German joint venture, which includes Hargreaves Services Europe Limited which is the parent company of 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.

Notes
(forming part of the financial statements) continued

2 Segmental Information continued

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 2023 £000	Hargreaves Land 2023 £000	Unallocated 2023 £000	HRMS 2023 £000	Total 2023 £000
Revenue					
Total revenue	202,958	10,608	–	–	213,566
Intra-segment revenue	(2,107)	–	–	–	(2,107)
Revenue from external customers	**200,851**	**10,608**	**–**	**–**	**211,459**
Operating profit/(loss) (before exceptional items and amortisation)	**14,326**	**3,011**	**(5,365)**	**–**	**11,972**
Share of profit in joint ventures (net of tax)	–	841	–	15,470	16,311
Net finance (expense)/income	(1,956)	44	959	–	(953)
Amortisation charge	(175)	–	–	–	(175)
Profit/(loss) before taxation from continuing operations	**12,195**	**3,896**	**(4,406)**	**15,470**	**27,155**
Taxation	(231)	629	373	–	771
Profit/(loss) after taxation	**11,964**	**4,525**	**(4,033)**	**15,470**	**27,926**
Depreciation charge	14,295	110	165	–	14,570
Capital expenditure	33,690	6,083	235	–	40,008
Net assets/(liabilities)					
Segment assets	94,111	73,920	63,515	–	231,546
Segment liabilities	(85,028)	(6,623)	(13,186)	–	(104,837)
Segment net assets	**9,083**	**67,297**	**50,329**	**–**	**126,709**
Joint ventures	–	5,675	–	68,607	74,282
Total net assets	**9,083**	**72,972**	**50,329**	**68,607**	**200,991**

Unallocated net assets of £50.3m include cash and cash equivalents of £21.9m, net deferred tax asset of £11.3m, amounts due from joint ventures of £11.2m, amounts due to joint ventures of £4.1m, a net pension asset of £5.6m and other corporate items (£4.4m asset).

	Services 2022 £000	Hargreaves Land 2022 £000	Unallocated 2022 £000	Restated* HRMS 2022 £000	Restated* 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	–	25,021	25,879
Net finance (expense)/income	(468)	58	463	–	53
Exceptional items	1,754	–	–	–	1,754
Profit/(loss) before taxation from continuing operations*	9,297	2,127	(4,285)	25,021	32,160
Taxation	3,343	(3,546)	550	–	347
Profit/(loss) after taxation*	12,640	(1,419)	(3,735)	25,021	32,507
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	–	50,260	55,096
Total net assets*	9,051	59,950	60,588	50,260	179,849

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

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

The following table analyses revenue by significant category:

	2023 £000	2022 £000
Sale of goods	**31,279**	36,123
Provision of services	**115,267**	103,286
Rental Income	**829**	609
Construction contracts	**64,084**	37,890
	211,459	177,908

The timing of revenue recognition is analysed as follows:

	Services 2023 £000	Hargreaves Land 2023 £000	Total 2023 £000
Over time	**112,382**	**2,364**	**114,746**
At a point in time	**88,469**	**8,244**	**96,713**
Revenue	**200,851**	**10,608**	**211,459**

	Services 2022 £000	Hargreaves Land 2022 £000	Total 2022 £000
Over time	74,953	13,857	88,810
At a point in time	87,855	1,243	89,098
Revenue	162,808	15,100	177,908

Geographical Information

	2023		2022	
	Revenue £000	Non-current assets £000	Revenue £000	Restated* Non-current assets £000
UK*	**175,954**	**166,521**	150,498	124,754
Europe	**2,027**	**–**	2,427	–
Hong Kong	**29,916**	**825**	22,436	224
Other overseas	**3,562**	**598**	2,547	909
	211,459	**167,944**	177,908	125,887

3 Other Operating Income/(expense)

	2023 £000	2022 £000
Profit on disposal of property, plant and equipment	**4,475**	308
Profit on disposal of investment property	**260**	990
Loss on disposal of right-of-use assets	**(17)**	–
Management charge for services provided	**200**	–
Total other operating income	**4,918**	1,298

Notes
(forming part of the financial statements) continued

4 Expenses and Auditors' remuneration

The following items have been charged to the Statement of Profit and Loss:

	2023 £000	2022 £000
Amortisation of other intangibles	**175**	–
Impairment of property, plant and equipment owned	**–**	1,531
Depreciation of property, plant and equipment owned	**1,681**	2,513
Depreciation of right-of-use assets	**12,889**	4,622
Interest payable on right-of-use leases	**2,099**	537
Expense relating to short-term leases	**7,090**	4,191
Expense relating to leases of low-value assets that are not shown above as short-term	**1,351**	1,287

Auditors' remuneration:

	2023 £000	2022 £000
Audit of these financial statements	**90**	91
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**285**	252
Audit of financial statements of joint ventures of the Company	**235**	222
Taxation compliance services	**9**	7
Other assurance services	**–**	9

5 Exceptional Items

The Group incurred one exceptional item in the year ended 31 May 2022 as follows:

	2023 £000	2022 £000
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

In the year ended 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.

6 Staff Numbers and Costs

The average number of persons employed by the Group in continuing operations (including Directors) during the year, analysed by category, was as follows:

	Number of employees Group	
	2023	2022
Directors and senior management	**16**	17
Administration	**288**	234
Production	**1,057**	979
	1,361	1,230

The aggregate payroll costs of these persons were as follows:

	Group	
	2023 £000	2022 £000
Wages and salaries	**61,380**	48,756
Share-based payments (see Note 26)	**359**	349
Social security costs	**4,711**	3,834
Contributions to defined contribution pension scheme (see Note 25)	**1,921**	1,696
Expenses of defined benefit pension schemes (see Note 25)	**186**	341
	68,557	54,976

The Company has no employees (2022: nil).

7 Directors' Remuneration

	2023 £000	2022 £000
Directors' emoluments	**2,192**	3,034
Emoluments in lieu of Company pension contributions	**214**	205
	2,406	3,239

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was £1,028,000 (2022: £1,152,000), and £121,000 (2022: £118,000) was paid in lieu of Company pension contributions.

The detailed breakdown of the Directors' total emoluments is included within the Remuneration Report.

	Number of Directors	
	2023	2022
The number of Directors who exercised share options was	**–**	3
The number of Directors in respect of whose services shares were received or receivable under long-term incentive schemes was	**3**	4

At the balance sheet date two Directors hold rights to subscribe for a total of 78,202 shares in the Group as a result of options which have vested but have not yet been exercised (2022: one Director 29,704).

All of the Directors benefited from qualifying third-party indemnity provisions.

8 Finance Income and Expense

Recognised in Profit or Loss

	2023 £000	2022 £000
Finance income		
Bank interest receivable	**415**	94
Early settlement discount	**94**	179
Interest received from jointly controlled entities	**805**	531
Interest on defined benefit pension scheme obligation (see Note 25)	**298**	19
Total finance income	**1,612**	823
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	**280**	26
Interest payable on leases	**2,099**	537
Foreign exchange loss	**186**	207
Total finance expense	**2,565**	770

Notes

(forming part of the financial statements) continued

9 Taxation

Recognised in the Income Statement

	2023 £000	2022 £000
Current tax		
Current year	**187**	212
Adjustments for prior years	**24**	(4)
Current tax expense	**211**	208
Deferred tax		
Origination and reversal of temporary timing differences	**2,382**	1,542
Adjustments for prior years	**(3,364)**	(2,097)
Deferred tax credit	**(982)**	(555)
Tax credit in Income Statement (excluding share of tax of equity accounted investees)	**(771)**	(347)

The deferred tax adjustment in respect of prior years of £3,364,000 (2022: £2,097,000) relates to losses assumed to be utilised in the previous year, which were ultimately retained.

Recognised in Other Comprehensive Income

	2023 £000	2022 £000
Deferred tax credit/(expense)		
Effective portion of changes in fair value of cash flow hedges	**–**	(8)
Remeasurements of defined benefit pension schemes	**1,161**	(1,488)
	1,161	(1,496)

Reconciliation of Effective Tax Rate

	2023 £000	Restated* 2022 £000
Profit for the year from continuing operations*	**27,926**	32,507
Total tax credit	**(771)**	(347)
Profit before taxation from continuing operations*	**27,155**	32,160
Tax using the UK corporation tax rate of 20.00% (2022: 19.00%)*	**5,431**	6,110
Effect of tax rates in foreign jurisdictions	**(159)**	37
Tax effect of joint ventures*	**(3,100)**	(4,753)
Changes in unrecognised tax losses	**(616)**	136
Non-deductible expenses	**776**	407
Other temporary trading differences	**237**	(183)
Adjustment in respect of previous periods	**(3,340)**	(2,101)
Effective total tax credit	**(771)**	(347)

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

Adjustment in respect of previous periods includes the impact of the "super deduction" of 130% on qualifying fixed asset additions, which resulted in losses that were expected to be utilised in the May 2022 computations being retained.

The UK corporation tax rate increased from 19.00% on 1 April 2023, therefore a blended rate of 20.00% has been used (2022: 19.00%).

Factors That May Affect Future Current and Total Tax Charges

Following the March 2022 budget, the corporate tax rate increased from 19% to 25% on 1 April 2023. The deferred tax balances at 31 May 2023 and 31 May 2022 have been calculated based on the rate substantively enacted at the balance sheet date of 25%.

10 Discontinued Operations

All discontinued operations results are attributable to equity holders. For the year ended 31 May 2023, there were no discontinued operations. For the year ended 31 May 2022, the Group's discontinued operations made a profit of £2,000,000 after tax during the year.

The profit from discontinued operations in the prior year 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 ended 31 May 2022. There are no remaining balances relating to this matter.

	2023 £000	2022 £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

11 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.

	2023			Restated* 2022		
	Earnings £000	EPS Pence	DEPS Pence	Earnings £000	EPS Pence	DEPS Pence
Underlying earnings per share from continuing operations*	**28,066**	**86.28**	**84.55**	31,086	96.06	93.22
Exceptional items, fair value adjustments, amortisation and impairment (net of tax)	**(140)**	**(0.43)**	**(0.42)**	1,421	4.39	4.26
Continuing basic earnings per share*	**27,926**	**85.85**	**84.13**	32,507	100.45	97.48
Discontinued operations	–	–	–	2,000	6.18	6.00
Basic earnings per share*	**27,926**	**85.85**	**84.13**	34,507	106.63	103.48
Weighted average number of shares		**32,528**	**33,193**		32,362	33,347

The calculation of weighted average number of shares includes the effect of own shares held of 611,118 (2022: 611,118).

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 665,549 (2022: 985,056); effect of basic earnings per ordinary share in the current year is 1.72p (2022: 3.15p). Effect on underlying earnings per ordinary share is 1.73p (2022: 2.84p). Effect on discontinued operations per ordinary share for 2023 is nil (2022: 0.18p).

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

Basic, continuing basic, underlying and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of 7.2p and 7.0p per share respectively. The amount of the correction for continuing basic and diluted earnings per share was a decrease of 7.2p and 7.0p per share respectively. The amount of the correction for underlying and diluted earnings per share was a decrease of 7.2p and 7.0p per share respectively.

Notes
(forming part of the financial statements) continued

12 Property, Plant and Equipment

Group

	Freehold land and buildings and leasehold improvements £000	Furniture and equipment £000	Motor vehicles and plant £000	Fixtures and fittings £000	Total £000
Cost					
At 1 June 2021	11,836	4,335	24,045	402	40,618
Additions	–	168	1,307	4	1,479
Disposals	(494)	(936)	(1,864)	–	(3,294)
Transfers to right-of-use assets and investment properties	(38)	–	(811)	–	(849)
Effect of movements in foreign exchange	–	14	107	4	125
At 31 May 2022	11,304	3,581	22,784	410	38,079
At 1 June 2022	11,304	3,581	22,784	410	38,079
Additions	320	1,561	1,556	5	3,442
Acquisitions (Note 17)	1,250	10	164	–	1,424
Disposals	(223)	(894)	(7,419)	(425)	(8,961)
Effect of movements in foreign exchange	1	5	(393)	10	(377)
At 31 May 2023	**12,652**	**4,263**	**16,692**	**–**	**33,607**
Accumulated depreciation and impairment					
At 1 June 2021	5,233	3,971	17,236	372	26,812
Depreciation	453	206	1,844	10	2,513
Impairment	356	–	1,175	–	1,531
Disposals	(88)	(936)	(1,762)	–	(2,786)
Transfers to right-of-use assets and investment properties	(11)	–	–	–	(11)
Effect of movements in foreign exchange	(3)	29	58	(2)	82
At 31 May 2022	5,940	3,270	18,551	380	28,141
At 1 June 2022	5,940	3,270	18,551	380	28,141
Depreciation	260	521	890	10	1,681
Disposals	(35)	(894)	(5,518)	(424)	(6,871)
Effect of movements in foreign exchange	–	(3)	(236)	34	(205)
At 31 May 2023	**6,165**	**2,894**	**13,687**	**–**	**22,746**
Net book value					
At 1 June 2021	6,603	364	6,809	30	13,806
At 31 May 2022	5,364	311	4,233	30	9,938
At 31 May 2023	**6,487**	**1,369**	**3,005**	**–**	**10,861**

For the year ended 31 May 2022, the group recognised an impairment charge of £1.5m against some unproductive plant.

The Company has no property, plant and equipment.

13 Right-of-Use Assets

Group

	Land and buildings £000	Motor vehicles and plant £000	Total £000
Cost			
At 1 June 2021	2,840	22,051	24,891
Additions	497	11,779	12,276
Disposals	(131)	(3,152)	(3,283)
Transfer from fixed assets	–	811	811
Effect of movements in foreign exchange	(11)	(34)	(45)
At 31 May 2022	3,195	31,455	34,650
At 1 June 2022	3,195	31,455	34,650
Additions	1,004	29,779	30,783
Disposals	(302)	(1,087)	(1,389)
Effect of movements in foreign exchange	(37)	4	(33)
At 31 May 2023	**3,860**	**60,151**	**64,011**
Accumulated depreciation and impairment			
At 1 June 2021	1,689	9,426	11,115
Depreciation	602	4,020	4,622
Disposals	(131)	(3,063)	(3,194)
Transfer from fixed assets	–	11	11
Effect of movements in foreign exchange	24	10	34
At 31 May 2022	2,184	10,404	12,588
At 1 June 2022	2,184	10,404	12,588
Depreciation	733	12,156	12,889
Disposals	(248)	(1,042)	(1,290)
Effect of movements in foreign exchange	9	–	9
At 31 May 2023	**2,678**	**21,518**	**24,196**
Net book value			
At 1 June 2021	1,151	12,625	13,776
At 31 May 2022	1,011	21,051	22,062
At 31 May 2023	**1,182**	**38,633**	**39,815**

The Group leases various offices, warehouses, stores, equipment and vehicles.

The Company has no right-of-use assets.

Security

The Group's ROU assets are used to secure some of its interest-bearing loans and borrowings (see Note 23).

Notes

(forming part of the financial statements) continued

14 Investment Property

	Group		Company	
At cost	**2023 £000**	**2022 £000**	**2023 £000**	**2022 £000**
At 1 June	**8,298**	7,607	**–**	–
Additions	**5,783**	1,070	**–**	–
Disposals	**(7)**	(417)	**–**	–
Transfer from fixed assets	**–**	38	**–**	–
At 31 May	**14,074**	8,298	**–**	–

The fair value of the Investment Properties is estimated by the Directors at £29,600,000 (2022: £14,128,000). The increase in the estimated fair value is as a result of the Market Value Today as prepared by JLL.

15 Intangible Assets including Goodwill

Group

	Goodwill £000	Customer contracts £000	Total Cost £000
Cost			
At 1 June 2021	18,314	1,404	19,718
Disposals	–	(1,404)	(1,404)
At 31 May 2022	18,314	–	18,314
At 1 June 2022	18,314	–	18,314
Acquisitions (Note 17)	–	1,036	1,036
At 31 May 2023	**18,314**	**1,036**	**19,350**
Accumulated amortisation and impairment			
At 1 June 2021	13,490	1,404	14,894
Disposals	–	(1,404)	(1,404)
At 31 May 2022	13,490	–	13,490
At 1 June 2022	13,490	–	13,490
Amortisation charge	–	175	175
At 31 May 2023	**13,490**	**175**	**13,665**
Net book value			
At 1 June 2021	4,824	–	4,824
At 31 May 2022	4,824	–	4,824
At 31 May 2023	**4,824**	**861**	**5,685**

The customer contract acquisition included within Intangible Assets relates to the acquisition of SBU Limited and its wholly owned subsidiary S&B Utilities Limited and the framework positions acquired with that business. This will be amortised over a five-year period which is the length of the customer contracts and frameworks acquired. See Note 17.

The Group does not have any internally generated intangible assets.

The Company has no intangible assets (2022: £nil).

Impairment Testing

The intangible assets have been allocated to Cash-Generating Units or groups of CGUs as follows:

	Goodwill	
	2023 £000	2022 £000
Hargreaves Industrial Services Limited	**1,252**	1,252
Specialist Earthworks	**3,572**	3,572
	4,824	4,824

	Customer Contracts	
	2023 £000	2022 £000
S&B Utilities Limited	**861**	–
	861	–

The recoverable amounts of the above CGUs have been calculated with reference to their value in use. The key features of this calculation are shown below:

Hargreaves Industrial Services Limited:	2023	2022
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate	**11.4%**	10.5%

Specialist Earthworks:	2023	2022
Period on which management approved forecasts are based	**10 years**	10 years
Discount rate	**11.4%**	10.5%

S&B Utilities Limited:	2023	2022
Period on which management approved forecasts are based	**5 years**	–
Discount rate	**11.4%**	–

In order to test goodwill for impairment the Group performs value in use calculations by preparing cash flow forecasts for each CGU derived from the most recent financial budget and strategic plan approved by management going forward five years, with the exception of Specialist Earthworks which is based on a 10 year financial budget due to the nature of the business. An annual growth rate of 2% has been assumed after the relevant forecast period in perpetuity. The Board considers that the assumptions of growth provide management with a conservative estimate against which to compare the corresponding CGU carrying values. Sustaining maintenance capital expenditure in each CGU has been included in the calculations but no cash flows relating to enhancement capital expenditure have been included. A post-tax discount rate of 11.4% (2022: 10.5%) has been used in the first instance. The increase in the discount rate is due to an increase in the debt and cost of debt.

For the year ended 31 May 2023 and 31 May 2022, each of the CGUs has substantial headroom under the annual impairment review, which remains after allowing for reasonably possible changes in assumptions.

Other than changes to the discount rate, the key assumption which would impact the carrying value of goodwill is the margin generated by each CGU. Whilst the sensitivities vary according to CGU, for a material impairment to take place the discount rate would have to increase to 32% (2022: 30%) or the assumed operating margins would have to decrease by more than 30% (2022: 35%) before any further impact on any single CGU.

The Company has no intangible assets.

Notes

(forming part of the financial statements) continued

16 Investments in Subsidiaries and joint ventures

List of Registered Offices:

16.1	West Terrace, Esh Winning, Durham, DH7 9PT
16.2	Tower Colliery, Tirherbert Road, Rhigos, Aberdare, CF44 9UF
16.3	Böningerstraβe 29, 47051 Duisburg, Germany
16.4	Van Heetveldelei 178, 2100 Deurne, Antwerp, Belgium
16.5	Suite 2, Park House Earls Colne Business Park, Earls Colne, Colchester, Essex, England, CO6 2NS
16.6	Plac Rodla, 8/914, 70-419 Szczecin, Polska
16.7	Flat No.333, 3rd Floor, Devika Tower, 6 Nehru Place, Delhi-110019, India
16.8	3 Nobel Boulavard, Cape Gate NE3, Vanderbijlpark, Gauteng, 1900
16.9	Lot 6.05, Level 6, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia
16.10	Room 1117-8, 11th Floor, Tuen Mun Central Square, N0.22 Hoi Wing Road, Tuen Mun, New Territories, HK
16.11	Cp House, Otterspool Way, Watford, Hertfordshire, England, WD25 8JJ
16.12	Werthausser Str. 182, 47053 Duisburg, Germany

The Group and Company have the following investments in subsidiaries and joint ventures at the end of the year:

	Address of registered office	Class of shares held	Ownership 2023	Ownership 2022
Company				
Subsidiary undertakings				
Hargreaves (UK) Limited	16.1	Ordinary	**100%**	100%
Hargreaves Industrial Services Limited	16.1	Ordinary	**100%**	100%
Forward Sound Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Services (HK) Limited	16.10	Ordinary	**100%**	100%
Hargreaves Land Limited	16.1	Ordinary	**100%**	100%
H Technical Resources Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Maltby Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Property Ventures Limited	16.1	Ordinary	**100%**	100%
Hargreaves Services (Westfield) Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Services (Castlebridge) Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Services (Blindwells) Limited	16.1	Ordinary	**100%**	100%
Hargreaves Services Forestry Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Services South Africa (Pty) Ltd	16.8	Ordinary	**100%**	100%
Hargreaves Mining India Private Limited	16.7	Ordinary	**–**	100%
C.A. Blackwell Group Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Industrial Services Sdn Bhd	16.9	Ordinary	**100%**	100%
Hargreaves Pension Company Limited	16.1	Ordinary	**100%**	100%
Hargreaves Land Holdings Limited*	16.1	Ordinary	**100%**	100%
Blackwell Earthmoving Limited	16.5	Ordinary	**100%**	100%
Dormant				
Coal 4 Energy Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Carbon Products Europe Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Services Wind Farm (Damside) Limited*	16.1	Ordinary	**–**	100%
Hargreaves Corporate Director Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Services (Muir Dean) Limited*	16.1	Ordinary	**–**	100%
Hargreaves Industrial Products Limited*	16.1	Ordinary	**100%**	100%
HBLT Limited*	16.1	Ordinary	**100%**	100%
R Hanson & Son Limited*	16.1	Ordinary	**100%**	100%
HESOTT Limited*	16.1	Ordinary	**100%**	100%
H Europe Limited*	16.1	Ordinary	**–**	100%
Joint ventures				
Mir Trade Services Limited*	16.1	Ordinary	**–**	50%
Hargreaves Services Europe Limited	16.1	Ordinary	**49%**	49%

	Address of registered office	Class of shares held	Ownership 2023	Ownership 2022
Group				
Subsidiary undertakings				
Hargreaves (UK) Services Limited	16.1	Ordinary	**100%**	100%
The Monckton Coke & Chemical Company Limited *	16.1	Ordinary	**100%**	100%
Maltby Colliery Limited*	16.1	Ordinary	**100%**	100%
HE Contracts Limited*	16.1	Ordinary	**100%**	100%
Maxibrite Limited *	16.1	Ordinary	**85.2%**	85.2%
RocPower Limited *	16.1	Ordinary	**85%**	85%
Hargreaves Carbon Products NV	16.4	Ordinary	**100%**	100%
Hargreaves Industrial Services (HK) Limited	16.10	Ordinary	**100%**	100%
Access Services (HK) Limited	16.10	Ordinary	**100%**	100%
OCCW (St Ninians) Limited *	16.1	Ordinary	**100%**	100%
OCCW (Duncanziemere) Limited *	16.1	Ordinary	**100%**	100%
OCCW (Chalmerston) Limited *	16.1	Ordinary	**100%**	100%
OCCW (Netherton) Limited *	16.1	Ordinary	**100%**	100%
OCCW (Damside) Limited *	16.1	Ordinary	**100%**	100%
OCCW (Broken Cross) Limited *	16.1	Ordinary	**100%**	100%
OCCW (House of Water) Limited *	16.1	Ordinary	**100%**	100%
C. A. Blackwell (Contracts) Limited	16.1	Ordinary	**100%**	100%
Geofirma Soils Engineering Limited *	16.1	Ordinary	**100%**	100%
Renaissance Land Regeneration Limited *	16.1	Ordinary	**100%**	100%
Hargreaves Land (North) Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Land (South) Limited*	16.1	Ordinary	**100%**	100%
Hargreaves Power Services (HK) Limited	16.10	Ordinary	**100%**	100%
SBU Limited*	16.1	Ordinary	**100%**	–
S&B Utilities Limited*	16.1	Ordinary	**100%**	–
Dalquhandy Windfarm SPV Limited*	16.1	Ordinary	**100%**	–
Broken Cross Energy SPV Limited*	16.1	Ordinary	**100%**	–
North Kyle Windfarm SPV Limited*	16.1	Ordinary	**100%**	–
Kennoxhead SPV Limited*	16.1	Ordinary	**100%**	–
Broken Cross Windfarm SPV Limited*	16.1	Ordinary	**100%**	–
Westfield EFW SPV Limited*	16.1	Ordinary	**100%**	–
Poniel Energy SPV Limited*	16.1	Ordinary	**100%**	–
Killoch Energy SPV Limited*	16.1	Ordinary	**100%**	–
Westfield Windfarm SPV Limited*	16.1	Ordinary	**100%**	–
Westfield Solar SPV Limited*	16.1	Ordinary	**100%**	–
Hargreaves Land Group Limited*	16.1	Ordinary	**100%**	–
Joint ventures				
Tower Regeneration Limited	16.2	Ordinary	**50%**	50%
Tower Regeneration Leasing Limited *	16.2	Ordinary	**50%**	50%
Hargreaves Raw Material Services GmbH	16.3	Ordinary	**49%**	49%
Hargreaves Carbon Products Polska Sp. z o.o.	16.6	Ordinary	**49%**	49%
Carbon Action Ltd	16.1	Ordinary	**50%**	50%
Hargreaves Darlington Limited*	16.1	Ordinary	**50%**	50%
Waystone Hargreaves Land LLP	16.11	Ordinary	**50%**	50%
DK Recycling und Roheisen GmbH	16.12	Ordinary	**47%**	47%
Hargreaves-EWT Industrieservices GmbH	16.12	Ordinary	**25%**	25%

Notes

(forming part of the financial statements) continued

16 Investments in Subsidiaries and joint ventures continued

	Address of registered office	Class of shares held	Ownership 2023	Ownership 2022
Dormant companies				
Metallurgical Supplies Limited*	16.1	Ordinary	**–**	100%
Tru-Green Limited*	16.1	Ordinary	**100%**	100%
Eastgate Materials Handling Limited*	16.1	Ordinary	**–**	100%
Renaissance Land Management Limited*	16.1	Ordinary	**100%**	100%
517EPA Limited*	16.1	Ordinary	**100%**	100%
RocFuel Limited*	16.1	Ordinary	**50.1%**	50.1%
Squire Distribution Services Limited*	16.1	Ordinary	**100%**	100%
Har Transport Limited*	16.1	Ordinary	**100%**	100%
HS Transport Services Limited*	16.1	Ordinary	**100%**	100%
Premier Lime and Stone Company*	16.1	Ordinary	**100%**	100%
C.A. Blackwell (Plant) Limited*	16.1	Ordinary	**100%**	100%
HBR Limited*	16.1	Ordinary	**100%**	100%

The following solvent companies were liquidated during the year; Hargreaves Mining India Private Limited, Hargreaves Services Wind Farm (Damside) Limited, Hargreaves Services (Muir Dean) Limited, H Europe Limited, Mir Trade Services Limited, Metallurgical Supplies Limited and Eastgate Materials Handling Limited.

Hargreaves Services plc acquired 100% of the share capital of SBU Limited, S&B Utilities Limited, Dalquhandy Windfarm SPV Limited, Broken Cross Energy SPV Limited, North Kyle Windfarm SPV Limited, Kennoxhead SPV Limited, Broken Cross Windfarm SPV Limited, Westfield EFW SPV Limited, Poniel Energy SPV Limited, Killoch Energy SPV Limited, Westfield Windfarm SPV Limited, Westfield Solar SPV Limited and Hargreaves Land Group Limited in the year ended 31 May 2023.

Tower Regeneration Leasing Limited is a 100% owned subsidiary of Tower Regeneration Limited. Hargreaves Raw Material Services GmbH and Hargreaves Carbon Products Polska Sp. z o.o. are both 100% owned subsidiaries of Hargreaves Services Europe Limited. DK Recycling und Roheisen GmbH is a 94.9% owned subsidiary of Hargreaves Raw Materials Services GmbH. Hargreaves-EWT Industrieservices GmbH is 50% owned by Hargreaves Raw Materials Services GmbH.

The Group's share of post-acquisition total recognised profit or loss in the above jointly controlled entities for the year ended 31 May 2023 was a profit of £16,311,000 (2022: £25,879,000).*

Joint ventures

Carrying amount of equity accounted investees:

Group	Tower Regeneration Limited £000	Restated* Hargreaves Services Europe Limited £000	Waystone Hargreaves Land LLP £000	Interests in immaterial joint ventures £000	Restated* Total £000
At 1 June 2021*	–	26,172	4,052	(3)	30,221
Group's share of profit in joint ventures (net of tax)*	–	25,021	858	–	25,879
Group's share of other comprehensive income	–	3,070	–	–	3,070
Dividends received	–	(3,917)	–	–	(3,917)
Exchange differences	–	(86)	–	(71)	(157)
At 31 May 2022*	–	50,260	4,910	(74)	55,096

Group	Tower Regeneration Limited £000	Restated* Hargreaves Services Europe Limited £000	Waystone Hargreaves Land LLP £000	Interests in immaterial joint ventures £000	Restated* Total £000
At 1 June 2022*	–	50,260	4,910	(74)	55,096
Group's share of profit in joint ventures (net of tax)	–	15,470	841	–	16,311
Group's share of other comprehensive income	–	1,912	–	–	1,912
Exchange differences	–	965	–	(2)	963
At 31 May 2023	**–**	**68,607**	**5,751**	**(76)**	**74,282**

* These UK subsidiaries are exempt from audit by virtue of s479A of the Companies Act 2006.

The Group recognised £1,912,000 (2022: £3,070,000) other comprehensive income which relates to the Group's share of the actuarial gain on the defined benefit pension scheme.

Group	Tower Regeneration Limited £000	Restated* Hargreaves Services Europe Limited £000	Waystone Hargreaves Land LLP £000	Interests in immaterial joint ventures £000	Restated* Total £000
Hargreaves' share of net (liabilities)/assets	(6,924)	53,392	4,910	(74)	51,304
Amount not recognised	6,924	–	–	–	6,924
Non-distributable reserves	–	(3,132)	–	–	(3,132)
Investment at 31 May 2022*	–	50,260	4,910	(74)	55,096

Group	Tower Regeneration Limited £000	Hargreaves Services Europe Limited £000	Waystone Hargreaves Land LLP £000	Interests in immaterial joint ventures £000	Total £000
Hargreaves' share of net (liabilities)/assets	(8,014)	71,236	5,751	(76)	68,897
Amount not recognised	8,014	–	–	–	8,014
Non-distributable reserves	–	(2,629)	–	–	(2,629)
Investment at 31 May 2023	**–**	**68,607**	**5,751**	**(76)**	**74,282**

The figures below are prepared under IFRS, all numbers are presented in £000s.

	Tower Regeneration Limited		Waystone Hargreaves Land LLP		Hargreaves Services Europe Limited	
At cost	2023	2022	2023	2022	2023	Restated* 2022
Voting rights	**50%**	50%	**50%**	50%	**49%**	49%
Cash and cash equivalents	**25**	45	**2,055**	530	**679**	5,898
Other current assets*	**1,838**	186	**24,598**	15,181	**175,390**	203,601
Total current assets*	**1,863**	231	**26,653**	15,711	**176,069**	209,499
Non-current assets	**4,025**	3,965	**–**	–	**65,171**	51,699
Current liabilities*	**(27,973)**	(21,882)	**(15,152)**	(5,892)	**(133,611)**	(165,400)
Non-current liabilities*	**(813)**	(2,098)	**–**	–	**(24,261)**	(33,169)
Net (liabilities)/assets (100%)*	**(22,898)**	(19,784)	**11,501**	9,819	**83,368**	62,629
Revenue	**–**	–	**19,269**	13,805	**510,894**	591,604
Other expenses	**(1,291)**	(1,282)	**(17,406)**	(12,089)	**(473,262)**	(533,252)
Depreciation and amortisation	**–**	–	**–**	–	**(4,249)**	(3,908)
Interest income	**79**	1	**–**	–	**1,077**	64
Interest expense	**(1,612)**	(1,296)	**(181)**	–	**(4,598)**	(2,173)
(Loss)/profit before tax	**(2,824)**	(2,577)	**1,682**	1,716	**29,862**	52,335
Income tax expense*	**–**	–	**–**	–	**(11,783)**	(22,201)
Post tax (loss)/profit (100%)*	**(2,824)**	(2,577)	**1,682**	1,716	**18,079**	30,134

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34. Current liabilities have been restated by an increase of £9,643,000, non-current liabilities have been restated by a decrease of £21,060,000 and other current assets have been restated by a decrease £14,204,000 as a result of the correction of the corporate tax charge above and a reclassification of certain assets and liabilities.

HRMS, a wholly owned subsidiary of Hargreaves Services Europe Limited has a contingent liability in respect of possible fines or penalties arising from certain trading transactions with a counterparty in Poland. When the matter came to the attention of the management of HRMS, they reported it proactively to the Polish authorities from whom no response has yet been received. It is not possible to assess the likely quantum of any such fines or penalties nor is it possible to determine whether any fines or penalties will be levied by the Polish authorities.

The total financial liabilities included in current liabilities is:

Tower Regeneration Limited £nil (2022: £nil);

Waystone Hargreaves Land LLP £nil (2022: £nil),

Notes
(forming part of the financial statements) continued

16 Investments in Subsidiaries and joint ventures continued

Joint ventures continued
Hargreaves Services Europe Limited £54,757,000 (2022: £55,676,000) representing its borrowing base facility and term loans.

Included within current liabilities above and disclosed in Note 32 Related Parties are loans totalling £11.2m (2022: £26.0m) due from HRMS to Hargreaves Services plc as well as a loan due to HRMS from Hargreaves Services plc of £4.0m (2022: £nil). Interest on the loans is currently charged at 1.7% over UK base rate.

Waystone Hargreaves Land LLP includes an amount of £1,627,000 (2022: £nil) payable to Hargreaves Land North Limited, a wholly owned subsidiary. This loan is repayable on demand. Tower Regeneration Limited includes an amount of £14,275,000 (2022: £12,716,000) within current liabilities, which is due to Forward Sound Limited, a wholly owned subsidiary undertaking.

The Group also has a non-material interest in the following companies: Tower Regeneration Leasing Limited, MIR Trade Services Limited, Carbon Action Limited and Hargreaves Darlington Limited.

Company	Group undertakings £000	Joint ventures £000
Shares at cost and net book value		
At 1 June 2021	21,009	4,984
Capital contribution arising on share options (Note 26)	349	–
Investment in Blackwell Earthmoving Limited	10,000	–
At 31 May 2022	31,358	4,984
At 1 June 2022	31,358	4,984
Capital contribution arising on share options (Note 26)	359	–
Investment in Hargreaves Services South Africa (Pty) Ltd	1,418	–
At 31 May 2023	**33,135**	**4,984**

The capital contribution arising on share options is as a result of the share-based payment charge during the year.

On 1 June 2022, Hargreaves Services South Africa (Pty) Ltd issued 101 ordinary shares of £1 each to Hargreaves Services plc, its parent company, at a consideration of £14,040 per ordinary share. The consideration was satisfied by converting £1.4m of loan due by Hargreaves Services South Africa (Pty) Ltd to Hargreaves Services plc into equity.

On 26 October 2021, Blackwell Earthmoving Limited issued 10,000,000 ordinary shares of £1 each to Hargreaves Services plc, its parent company, at par value. The consideration was satisfied by converting £10m of loan due by Blackwell Earthmoving Limited to Hargreaves Services plc.

17 Acquisition of Subsidiaries

Acquisition of SBU Limited

On 7 July 2022, the Group acquired 100% of the share capital of SBU Limited, which owns 100% of S&B Utilities Limited for a total consideration of £1,447,000. This consideration comprised an acquisition price of £760,000, along with a cash injection of £687,000 to pay off all bank loans and mortgage balances. The acquisition price of £760,000 was settled partly in cash of £710,000 and £50,000 payable as contingent consideration. The principal activity of these companies is the construction and maintenance of water assets. S&B Utilities Limited has long standing framework contracts with Yorkshire Water and Severn Trent Services together with an appointment to a framework with Northumbrian Water which occurred after the date of acquisition. The fair value of the assets and liabilities at the date of acquisition was a net asset position of £411,000.

	Recognised values on acquisition £000
ASSETS	
Non-current assets	
Property, plant and equipment	1,424
Deferred tax asset (Note 18)	50
	1,474
Current assets	
Trade and other receivables	1,922
	1,922
LIABILITIES	
Current liabilities	
Trade and other payables	**(2,985)**
Net identifiable assets	**411**
Net Purchase Consideration	**1,447**
Other intangibles on consolidation (Note 15)	**1,036**
Satisfied by:	
Consideration paid	760
Cash injection	687
Net Purchase Consideration	**1,447**

£50,000 is held in escrow pending certain performance measurements. The fair value of this contingent payment is estimated at £50,000. The payment of £25,000 of the additional consideration is dependent on the financial outcome of one project which is expected to complete during the year ending 31 May 2024. The remaining £25,000 of contingent consideration is not payable until 7 July 2024 and is dependent on whether any claims arise for which the vendors have responsibility as they existed prior to the date of acquisition.

Notes

(forming part of the financial statements) continued

18 Deferred Tax Assets and Liabilities

Group

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2023 £000	**2022 £000**	**2023 £000**	**2022 £000**
Property, plant and equipment	**–**	3,951	**(2,024)**	–
Employee benefits	**–**	–	**(1,393)**	(1,920)
Share-based payments	**250**	280	**–**	–
Tax value of loss carry-forwards recognised	**14,432**	6,777	**–**	–
Other temporary timing differences	**71**	55	**–**	–
Tax assets	**14,753**	11,063	**(3,417)**	(1,920)

Movement in Deferred Tax During the Year

	31 May 2022 £000	Recognised in income £000	Recognised in equity £000	Recognised on acquisition £000	31 May 2023 £000
Property, plant and equipment	**3,951**	**(5,946)**	**–**	**(29)**	**(2,024)**
Employee benefits	**(1,920)**	**(634)**	**1,161**	**–**	**(1,393)**
Share-based payments	**280**	**(30)**	**–**	**–**	**250**
Tax value of loss carry-forwards recognised	**6,777**	**7,576**	**–**	**79**	**14,432**
Other temporary timing differences	**55**	**16**	**–**	**–**	**71**
Total	**9,143**	**982**	**1,161**	**50**	**11,336**
Deferred tax due in less than one year					**3,216**
Deferred tax due in more than one year					**8,120**

Movement in Deferred Tax During the Prior Year

	31 May 2021 £000	Recognised in income £000	Recognised in equity £000	31 May 2022 £000
Property, plant and equipment	2,245	1,706	–	3,951
Financial assets	8	–	(8)	–
Employee benefits	(11)	(421)	(1,488)	(1,920)
Share-based payments	94	186	–	280
Tax value of loss carry-forwards recognised	7,488	(711)	–	6,777
Other temporary timing differences	260	(205)	–	55
Total	10,084	555	(1,496)	9,143
Deferred tax due in less than one year				2,902
Deferred tax due in more than one year				6,241

The Group has an unrecognised deferred tax asset of £2,466,000 relating to trading losses (2022: £1,798,000).

Company

Recognised Deferred Tax Assets and Liabilities

The Company has a deferred tax asset of £nil relating to the tax value of loss carry-forwards recognised (2022: £7,000).

The deferred tax asset has been calculated based at the rate of 25% (2022: 25%) substantively enacted at the balance sheet date.

19 Inventories

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Raw materials and consumables	**261**	866	**–**	–
Finished goods	**110**	328	**–**	–
Properties held for development and resale	**38,931**	29,282	**–**	–
	39,302	30,476	**–**	–

Changes in raw material and consumables and finished goods recognised as cost of sales in the year amounted to £7,610,000 (2022: £38,271,000).

The write-down of inventories to net realisable value was £nil (2022: £nil).

There were no reversals of previous write-downs in either the current or prior year.

20 Trade and Other Receivables

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Trade receivables	**20,103**	30,843	**–**	–
Amounts due from Group undertakings	**–**	–	**83,321**	54,856
Amounts due from undertakings in which the Group/Company has a participating interest	**28,750**	39,992	**11,974**	26,509
Other receivables	**5,844**	7,426	**244**	47
Prepayments and accrued income	**16,912**	14,537	**43**	–
	71,609	92,798	**95,582**	81,412

Included within trade and other receivables is £nil (2022: £4,224,000) expected to be recovered in more than 12 months.

The Group has a variety of credit terms depending on the customer. These terms range from 30 to 90 days.

Amounts due from Group undertakings to the Company are repayable on demand. No interest is charged on these balances.

Amounts due from undertakings in which the Group/Company has a participating interest are repayable on demand. Interest is charged at rates ranging between 2% and 10%.

Trade receivables are shown net of an expected credit loss allowance of £246,000 (2022: £331,000) arising from the ordinary course of business, as follows:

	2023 £000	2022 £000
Group		
At 1 June	**331**	267
Provided during the year	**79**	98
Released	**(14)**	(26)
Utilised during the year	**(150)**	(8)
At 31 May	**246**	331

The expected credit loss allowance records impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amounts considered irrecoverable are written off against the trade receivables directly. There is no expected credit loss in respect of other receivables, amounts due from group undertakings or amounts due from undertakings in which the Group/Company has a participating interest.

The ageing of trade receivables was:

31 May 2023	Gross trade receivables £000	Expected credit losses £000	Net trade receivables £000
Group			
Not past due date	**16,513**	**–**	**16,513**
Past due date (0-90 days)	**3,577**	**–**	**3,577**
Past due date (over 90 days)	**15**	**(2)**	**13**
Individually impaired amounts	**244**	**(244)**	**–**
	20,349	**(246)**	**20,103**

Notes
(forming part of the financial statements) continued

20 Trade and Other Receivables continued

31 May 2022	Gross trade receivables £000	Expected credit losses £000	Net trade receivables £000
Group			
Not past due date	26,076	–	26,076
Past due date (0-90 days)	4,752	–	4,752
Past due date (over 90 days)	324	(309)	15
Individually impaired amounts	22	(22)	–
	31,174	(331)	30,843

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2023 £000	2022 £000
UK	**16,846**	27,674
Rest of the world	**3,257**	3,169
	20,103	30,843

Further details on the Group's exposure to credit and currency risks and impairment losses related to trade receivables are disclosed in Note 29.

21 Contract Assets

31 May 2023	2023 £000
Group	
At 1 June 2022	**6,752**
Transfers from contract assets recognised at the beginning of the year to receivables	**(2,966)**
Increase related to services provided in the year	**1,328**
At 31 May 2023	**5,114**

31 May 2022	2022 £000
Group	
At 1 June 2021	1,720
Transfers from contract assets recognised at the beginning of the year to receivables	(579)
Increase related to services provided in the year	5,611
At 31 May 2022	6,752

Aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £157,267,000 (2022: £100,319,000).

Progress billings and advances received from customers under open construction contracts amounted to £157,339,000 (2022: £96,473,000).

Contract assets include £729,000 (2022: £1,142,000) relating to retentions, of which £177,000 (2022: £354,000) are expected to be recovered in more than 12 months. The Company has no contract assets.

22 Cash and Cash Equivalents

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Cash and cash equivalents per Balance Sheet	**21,859**	13,773	**12,646**	15
Cash and cash equivalents per Cash Flow Statement	**21,859**	13,773	**12,646**	15

The Group's exposure to credit and currency risk related to cash and cash equivalents is disclosed in Note 29.

23 Other Interest-Bearing Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. The Company has no interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see Note 29.

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Non-current liabilities				
Lease liabilities	**20,839**	11,045	**–**	–
Current liabilities				
Current portion of lease liabilities	**15,511**	7,326	**–**	–

Terms and Debt Repayment Schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2023 £000	Carrying amount 2023 £000	Face value 2022 £000	Carrying amount 2022 £000
Lease liabilities	Sterling	3.7%-6.4%	2024–2027	**36,350**	**36,350**	18,371	18,371

In accordance with the presentation requirements of IFRS 9, these liabilities have been classified according to the maturity date of the longest permitted refinancing.

Lease Liabilities

Lease liabilities are payable as follows:

Group	Minimum lease payments 2023 £000	Interest 2023 £000	Principal 2023 £000	Minimum lease payments 2022 £000	Interest 2022 £000	Principal 2022 £000
Less than one year	**17,459**	**(1,948)**	**15,511**	7,991	(665)	7,326
Between one and five years	**22,005**	**(1,166)**	**20,839**	11,459	(414)	11,045
	39,464	**(3,114)**	**36,350**	19,450	(1,079)	18,371

Changes in Liabilities from Financing Activities

	Group Lease liabilities £000
At 1 June 2021	11,765
Changes from financing cash flows	
Principal elements of lease payments	(5,531)
Total changes from financing cash flows	(5,531)
Other changes	
New leases	12,049
Interest expense	537
Interest paid	(449)
Total other changes	12,137
At 31 May 2022	18,371
Changes from financing cash flows	
Principal elements of lease payments	(12,721)
Total changes from financing cash flows	**(12,721)**
Other changes	
New leases	30,628
Interest expense	2,099
Interest paid	(2,027)
Total other changes	**30,700**
At 31 May 2023	**36,350**

Notes

(forming part of the financial statements) continued

24 Trade and Other Payables

	Group		Company	
	2023 £000	**2022 £000**	**2023 £000**	**2022 £000**
Trade payables	**9,498**	9,607	**–**	–
Amounts due to Group undertakings	**–**	–	**48,301**	20,582
Amounts due to undertakings in which the Group/Company has a participating interest	**4,090**	429	**4,080**	–
Other trade payables	**2,220**	937	**–**	–
Deferred income	**1,440**	3,958	**–**	–
Non-trade payables and accrued expenses	**30,179**	35,796	**–**	30
	47,427	50,727	**52,381**	20,612

Amounts due to Group undertakings for the Company are repayable on demand. No interest is incurred on these balances.

Amounts due to undertakings in which the Group/Company has a participating interest are repayable to demand. Interest is charged at 1.7% above the Bank of England base rate.

25 Pension Schemes and Other Retirement Benefits

Defined Contribution Scheme

The Group operates a Group personal pension scheme. The pension cost charge for the year represents contributions payable by the Group to the employees' funds and amounted to £1,921,000 (2022: £1,696,000). There were no outstanding or prepaid contributions, at either the beginning or end of the financial year.

Defined Benefit Schemes

The Group acquired a concessionary fuel retirement benefit scheme and became responsible for two defined benefit schemes on the acquisition of Maltby Colliery on 26 February 2007. The defined benefit schemes are part of two industry wide schemes which relate to the coal industry. Details of these two schemes are consolidated in the tables below because the two schemes share the same characteristics and risks, and as such, the disclosures have been aggregated. The Group is only liable for its own section of the scheme. Any deficit or surplus is not shared with other members of the multi-employer scheme.

In common with most company pension schemes the Industry Wide Coal Staff Superannuation Scheme ("IWCSSS") and Industry Wide Mineworkers Pension Scheme ("IWMPS") are both established as a trust under which the assets of the Scheme are held separately from those of the sponsoring employers. The management of the Scheme is the responsibility of its trustee board, the Committee of Management, who are required to manage the Scheme in accordance with its Deed and Rules. The Scheme is sectionalised so that each employer or group of associated employers has a separate sub-fund within the Scheme. Each employer is liable for the benefits accrued by its member employees but has no liability for benefits accrued in other employer sub-funds. This means that in practice each employer sub-fund effectively operates as a separate pension scheme.

The latest full actuarial valuation of these schemes was carried out at 31 December 2021 by AON Solutions UK Limited. The next triennial valuation is due to be carried out as at 31 December 2024. The 31 December 2021 valuation of the IWCSSS showed a technical provisions deficit of £2.4m (previously £6.4m) and a contribution schedule was agreed at £0.4m per annum to meet the technical provisions of the scheme by 31 March 2024. The valuation of the IWMPS showed a technical provisions deficit of £2.6m (previously £2.8m) and a contribution schedule was agreed at £1.3m per annum to meet the technical provisions of the scheme by 31 March 2024. For accounting purposes under IAS 19, actuaries use different assumptions than for the triennial valuation. The major difference relates to assumptions concerning the future return on the growth assets portfolio. The December 2021 valuations have been used as the basis, adjusted for the requirements of IAS 19 to 31 May 2023 by a qualified independent actuary, to enable the Directors to account for the schemes as follows:

	2023 £000	**2022 £000**
Concessionary fuel scheme		
Present value of unfunded defined benefit obligations	**(2,902)**	(2,703)
Defined benefit schemes		
Present value of funded defined benefit obligations	**(33,492)**	(41,832)
Fair value of scheme assets	**41,966**	52,214
Retirement benefit obligation surplus	**8,474**	10,382
Total schemes net position	**5,572**	7,679

Movements in Present Value of Defined Benefit Obligation

	2023 £000	2022 £000
At the beginning of the year	**44,535**	58,381
Interest cost	**1,514**	1,112
Remeasurement (gains)/losses:		
– Changes in demographic assumptions	**(376)**	(24)
– Changes in financial assumptions	**(11,564)**	(13,197)
– Experience	**3,700**	1,074
Benefits paid	**(1,415)**	(2,811)
At the end of the year	**36,394**	44,535

Movements in the Fair Value of Scheme Assets

	2023 £000	2022 £000
At the beginning of the year	**52,214**	58,425
Net interest on scheme assets	**1,812**	1,131
Remeasurement loss	**(12,885)**	(6,192)
Employer contributions	**2,426**	2,002
Benefits paid	**(1,415)**	(2,811)
Expenses paid	**(186)**	(341)
At the end of the year	**41,966**	52,214

Expense Recognised in the Income Statement

	2023 £000	2022 £000
Expenses paid from schemes	**186**	341
Interest expense on net defined benefit pension schemes	**(298)**	(19)
	(112)	322

The expense is recognised in the following line items in the Income Statement:

	2023 £000	2022 £000
Administrative expenses	**186**	341
Financial expenses	**(298)**	(19)
	(112)	322

Remeasurement gains recognised directly in equity in the Statement of Other Comprehensive Income:

	2023 £000	2022 £000
At 1 June	**(1,427)**	(7,382)
Recognised in the year	**(4,645)**	5,955
At 31 May	**(6,072)**	(1,427)

Scheme Assets

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, were:

	Fair value at 2023 £000	Fair value at 2022 £000
Growth assets	**16,843**	29,192
Matching assets	**24,333**	22,125
Cash	**790**	897
	41,966	52,214

Notes
(forming part of the financial statements) continued

25 Pension Schemes and Other Retirement Benefits continued

Defined Benefit Schemes continued

The split between quoted and non-quoted assets:

	Fair value at 2023 £000	Fair value at 2022 £000
Quoted assets	**3,679**	4,353
Non-quoted assets	**38,287**	47,861
	41,966	52,214

The major assumptions used in this valuation were:

	2023	2022
Rate of increase in deferred pensions	**3.25%**	3.20%
Rate of increase in pensions in payment	**3.05%**	3.20%
Discount rate applied to scheme liabilities	**5.25%**	3.45%
Inflation assumption RPI	**3.25%**	3.45%
Inflation assumption CPI	**2.70%**	2.95%

The assumptions used by the actuary and approved by the Board are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The inflation assumption has increased following the UK Government's consultations on Retail Price Index reforms and their likely impact. The discount rate assumption is derived from the AON GBP Select curve and is the same as that used in setting the assumption at 31 May 2023.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on the SAPS S3 actuarial tables with scaling factors of 116% (2022: 110%) (IWCSSS) and 111% (2022: 105%) (IWMPS) and include an allowance for future improvements in longevity based on the CMI 2021 projections with long-term improvement rate of 1% (2022: 1%) per annum. The same tables were used at 31 May 2022. The mortality scaling factors have been increased by 6% to reflect the negative outlook for mortality outcomes post Covid-19 (2022: no allowance for Covid-19). The assumptions are equivalent to expecting a 60-year-old to live for a number of years as follows:

IWMPS

Current pensioner aged 60: 23.0 years (male), 26.9 years (female) (2022: 23.5 years (male), 27.2 years (female)).

Future retiree upon reaching 60: 24.4 years (male), 28.2 years (female) (2022: 24.7 years (male), 28.5 years (female)).

IWCSSS

Current pensioner aged 60: 24.5 years (male), 27.3 years (female) (2022: 24.9 years (male), 27.6 years (female)).

Future retiree upon reaching 60: 25.7 years (male), 28.5 years (female) (2022: 26.1 years (male), 28.8 years (female)).

Risk exposure

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. As part of the two industry wide schemes, the schemes' assets represent an allocation of larger investment portfolios. The growth assets include equities, diversified funds and interest-bearing securities and are managed by Legal & General Investment Management, Invesco and PIMCO. These assets also include property investments. The matching assets are managed by Legal & General Investment Management and include corporate bonds, gilts and other fixed interest securities. The matching assets portfolio is designed to manage risk by matching income with certain liabilities of the schemes over a defined period. The growth assets portfolio seeks to deliver returns in excess of benchmark targets set by the independent Trustees.

Inflation risks

Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. As noted above, the matching assets portfolio is designed to manage risk by matching income with certain liabilities of the schemes over a defined period.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Sensitivity Analysis

The Directors consider the discount rate, inflation rate and life expectancy assumptions to be the most significant actuarial assumptions and therefore the only assumptions relevant for sensitivity analysis purposes. Reasonably possible changes at the reporting date to one of the actuarial assumptions, holding other assumptions constant, would have increased/(decreased) the defined benefit obligation by the amounts shown below.

	2023 £000	2022 £000
Discount rate (1% increase)	**(4,258)**	(7,014)
Inflation (1% increase)	**3,749**	6,500
Life expectancy (1 year increase)	**1,201**	2,150

	2023 £000	2022 £000
Discount rate (1% decrease)	**5,204**	9,964
Inflation (1% decrease)	**(3,639)**	(6,059)
Life expectancy (1 year decrease)	**(1,175)**	(1,746)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The Group expects to contribute approximately £2,000,000 to the defined benefit schemes in the next financial year.

The weighted average duration of the defined benefit obligation is 14 years (2022: 18 years).

The Company has no retirement benefit obligation (2022: £nil).

26 Employee Share Schemes

The Group has established two Executive Long-Term Incentive Plans only one of which is still in use, and a deferred bonus scheme. The terms and conditions of the outstanding schemes are as follows, whereby all options are settled by physical delivery of shares:

	Date of grant	Employees entitled	Number of shares granted	Principal vesting conditions	Contractual life
Share option scheme January 2019	January 2019	Directors	499,801	3 years' service and Total Shareholder Return of between 35% and 85%	3 years
Share option scheme December 2019	December 2019	Directors	97,788	3 years' service and 50% Absolute Total Shareholder Return of between 35% and 85% and 50% Relative Total Shareholder Return of between 35% and 85%	3 years
Deferred bonus scheme G	December 2019	Senior employees	74,470	3 years' service	3 years
Share option scheme 2020	August 2020	Directors	179,224	3 years' service and 50% Absolute Total Shareholder Return of between 35% and 85% and 50% Relative Total Shareholder Return of between 35% and 85%	3 years
Deferred bonus scheme H	August 2020	Senior employees	62,448	3 years' service	3 years
Deferred bonus scheme I	October 2020	Senior employees	38,835	3 years' service	3 years
Deferred bonus scheme J	August 2021	Senior employees	14,820	3 years' service	3 years
Share option scheme 2021	August 2021	Directors and senior employees	146,532	3 years' service and 50% Absolute Total Shareholder Return of between 35% and 85% and 50% Relative Total Shareholder Return of between 35% and 85%	3 years
Share option scheme 2022	August 2022	Directors and senior employees	118,584	3 years' service and 50% Absolute Total Shareholder Return of between 35% and 85% and 50% Relative Total Shareholder Return of between 35% and 85%	3 years

Notes
(forming part of the financial statements) continued

26 Employee Share Schemes continued

Share Option Schemes

	2023 Weighted average exercise price	2023 Number of options	2022 Weighted average exercise price	2022 Number of options
Outstanding at the beginning of the year	**10p**	**453,248**	10p	776,813
Granted during the year	**10p**	**118,584**	10p	146,532
Lapsed during the year	**10p**	**(49,290)**	10p	(302,511)
Exercised during the year	**10p**	**–**	10p	(167,586)
Outstanding at the end of the year	**10p**	**522,542**	10p	453,248
Exercisable at the end of the year	**10p**	**78,202**	10p	29,704

There were 118,584 options granted in the year with a weighted average exercise price of 10p per share. These options are not exercisable before 2 August 2025. There were no options exercised in the year.

Deferred Bonus Schemes

	2023 Number of options	2022 Number of options
Outstanding at the beginning of the year	**140,463**	174,089
Granted during the year	**–**	14,820
Exercised during the year	**–**	(48,446)
Outstanding at the end of the year	**140,463**	140,463
Exercisable at the end of the year	**24,360**	–

The options outstanding at 31 May 2023 have an exercise price of £nil and a weighted average contractual life of 7 months. There were no options granted in the year. There were no options exercised in the year.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received in respect of the Deferred Bonus Schemes is measured based on the Black-Scholes model. The contractual life of the option is used as an input into this model. A Monte Carlo model is used for the January 2019, December 2019, August 2020, August 2021 and August 2022 Share Option Schemes due to their more complex measurement characteristics involving the market conditions noted above in relation to relative Total Shareholder Return (TSR) and absolute Total Shareholder Return (TSR). For market based vesting conditions, such as the absolute TSR and relative TSR performance metrics, the probability of meeting these metrics and the number of awards expected to vest is taken into account when calculating the estimated fair value.

The fair value of options and the assumptions used in these calculations for the options outstanding are as follows:

	2019 January Share option scheme	2019 December Share option scheme	2019 Deferred Bonus Scheme G	2020 August Share option scheme	2020 Deferred Bonus Scheme H	2020 Deferred Bonus Scheme I	2021 Deferred Bonus Scheme J	2021 August Share option scheme	2022 August Share option scheme
Fair value at grant date	0.34	1.84	2.69	1.57	2.02	1.90	4.51	4.91	3.87
Exercise price	0.10	0.10	–	0.10	–	–	–	0.10	0.10
Share price	2.96	2.85	2.86	2.22	2.19	2.06	5.05	5.21	5.22
Expected volatility	29%	31%	31%	33%	31%	31%	40%	40%	44%
Option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend	2.44%	2.53%	2.53%	2.03%	2.53%	2.53%	3.69%	3.69%	1.61%
Risk-free rate	0.87%	0.55%	1.70%	0.00%	0.00%	0.00%	0.00%	0.11%	1.60%

Volatility was calculated with reference to the Group's daily share price volatility. The weighted average share price in the year was 425p (2022: 485p).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Expiry date	Exercise price	Options outstanding 2023	2022
Share option scheme January 2019	30 January 2024	10p	**29,704**	29,704
Share option scheme December 2019	13 December 2024	10p	**48,498**	97,788
Deferred Bonus Scheme G	13 December 2024	–	**24,360**	24,360
Share option scheme August 2020	5 August 2025	10p	**179,224**	179,224
Deferred Bonus Scheme H	5 August 2025	–	**62,448**	62,448
Deferred Bonus Scheme I	1 October 2025	–	**38,835**	38,835
Deferred Bonus Scheme J	3 August 2024	–	**14,820**	14,820
Share option scheme August 2021	3 August 2024	10p	**146,532**	146,532
Share option scheme August 2022	2 August 2025	10p	**118,584**	–
			663,005	593,711

Long-Term Incentive Plans and Deferred Bonus Schemes

The costs charged/(credited) to the Income Statement relating to share-based payments were as follows:

	2023 £000	2022 £000
Share options granted in 2019	**–**	54
Share options granted in 2020	**27**	53
Share options granted in 2021	**114**	114
Share options granted in 2022	**154**	128
Share options granted in 2023	**64**	–
	359	349

27 Provisions

Group	Contract provisions £000	Restoration provisions £000	Dilapidations provisions £000	Insurance provisions £000	Other provisions £000	Total provision £000
At 1 June 2022	6,125	1,756	2,344	564	995	11,784
Provisions made during the year	3,185	486	2,721	–	316	6,708
Provisions utilised during the year	(2,763)	(37)	–	(536)	(298)	(3,634)
Provisions reversed	–	(36)	–	–	(235)	(271)
At 31 May 2023	**6,547**	**2,169**	**5,065**	**28**	**778**	**14,587**
Current	**6,466**	**200**	**3,452**	**28**	**321**	**10,467**
Non-Current	**81**	**1,969**	**1,613**	**–**	**457**	**4,120**

Provisions comprise:

1 The contract provisions have been made against profits which are subject to contract performance measurements which have not yet been carried out by the client and other contracts where the Group has identified potential warranty, defects or performance obligations. Although £6,466,000 of these obligations are expected to be completed in the next 12 months, the nature of such obligations may mean that they take longer to be completed. £81,000 of these obligations relate to de-mobilisation costs expected to arise in 2025.

2 A £1,969,000 restoration provision relates to the obligation to restore certain sites now that surface mining operations have ceased. This obligation is expected to be completed after 31 May 2024. The remaining £200,000 site restoration provision is expected to be completed before 31 May 2024 although weather and operational conditions may mean that it takes longer to complete the restoration works.

3. A £5,065,000 dilapidations provision relates to property leases where there are contractual obligations to restore the property to the condition prior to the commencement of the lease. The dilapidations provision is based on a third party assessment of the cost of the work which has been carried out on behalf of the landlord. Of this, £1,613,000 is expected to be completed after 31 May 2024.

4. The insurance provisions represent outstanding excess amounts for claims which have been made but not settled and where there is a reasonable expectation of an economic outflow.

5. Other provisions relate to various trading related uncertainties that give rise to a potential economic outflow.

The Company has no provisions at 31 May 2023 (2022: £nil).

Notes
(forming part of the financial statements) continued

28 Capital and Reserves

Share Capital

	Group and Company ordinary shares	
	2023 Number	**2022 Number**
In issue at 1 June and 31 May	**33,138,756**	33,138,756

	2023 £000	**2022 £000**
Allotted, called up and fully paid		
32,527,638 (2022: 32,527,638) ordinary shares of 10p each (excluding own shares held)	**3,253**	3,253
Own shares held of 10p each 611,118 (2022: 611,118)	**61**	61
	3,314	3,314

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

At the year end the Group held 611,118 (2022: 611,118) within Treasury shares, representing own shares purchased as part of the Group's share buyback programme. These shares had a market value of £2.4m at 31 May 2023 (2022: £3.4m) and were purchased for an aggregate consideration of £3.5m (2022: £3.5m).

Share Premium
The Share Premium represents the excess amount paid for share capital issued at prices higher than the nominal value.

Translation Reserve
The Translation Reserve comprises all foreign exchange differences arising since 1 June 2007, the transition date to Adopted IFRSs, from the translation of the financial statements of foreign operations.

Hedging Reserve
The Hedging Reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share-based Payment Reserve
The Share-based Payment Reserve comprises the cumulative charge in relation to the Group's long term incentive plans (Note 26). This reserve is expected to move in line with the charge recognised in the Share-based Payment charge recognised in the Income Statement.

Other Reserves
Other Reserves, the Merger Reserve, and the Capital Redemption Reserve are historical reserves for which no movements are anticipated.

Dividends
The aggregate amount of dividends paid in the year comprises:

	2023 £000	**2022 £000**
Final dividend paid in respect of prior year but not recognised as liabilities in that year (5.6p per share (2022: 4.5p))	**1,822**	1,454
Additional dividend paid in respect of the prior year (12.0p per share) (2022: 12.0p)	**3,903**	3,877
Interim dividend paid in respect of the prior year (3.0p per share) (2022: 2.8p)	**976**	906
	6,701	6,237
Proposed final dividend (6.0p per share (2022: 5.6p))	**1,952**	1,812
Proposed additional dividend (12.0p per share (2022: 12.0p))	**3,883**	3,883

The proposed dividends are not included in liabilities as they were not approved before the year end.

29 Financial Instruments

The Group's and Company's principal financial instruments comprise short-term receivables and payables, bank loans and overdrafts, obligations under finance leases and cash. Neither the Group nor the Company trades in financial instruments but uses derivative financial instruments in the form of forward rate agreements and forward foreign currency contracts to help manage its foreign currency, interest rate and commodity price exposures. The main purpose of these financial instruments is to raise finance for the Group's and Company's ongoing operations and to manage its working capital requirements.

(a) Fair Values of Financial Assets and Financial Liabilities

Fair Value Hierarchy

The following hierarchy classifies each class of financial asset or liability depending on the valuation technique applied in determining its fair value:

Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities.

Level 2: The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 3: The fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In both 2023 and 2022 all of the forward exchange contracts are considered to be Level 2 contracts. There have been no transfers between categories in the current or preceding year.

All other financial assets and financial liabilities are considered to be level 3.

The fair value of financial instruments held at fair value have been determined based on available market information at the balance sheet date.

The fair value of the options has been determined based upon the fair value of the assets and liabilities of the entities.

(b) Credit Risk

Financial Risk Management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's risk is influenced by the nature of its customers. New customers are analysed for creditworthiness before the Group's standard payment terms and conditions are offered and appropriate credit limits set.

Exposure to Credit Risk

The maximum Group exposure to credit risk at the balance sheet date was £59,811,000 (2022: £85,013,000) being the total of the carrying amount of trade receivables, other receivables, contract assets and amounts due from undertakings in which the Group has a participating interest.

The maximum Company exposure to credit risk at the balance sheet date was £95,539,000 (2022: £91,412,000) being the total of the carrying amount of trade receivables, other receivables and amounts due from Group undertakings.

The allowance account for trade receivables is used to record impairment losses unless the Group or the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly. Further information on credit risk is provided in Note 20.

(c) Liquidity Risk

Financial Risk Management

Liquidity risk is the risk that the Group and the Company will not be able to access the necessary funds to finance their operations. The Group finances operations through a mix of short and medium-term facilities.

The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on a rolling cash forecast.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

Group

		2023						2022				
	Carrying amount £000	Contractual cash flow £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000	Carrying Amount £000	Contractual cash flow £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities												
Lease liabilities	**36,350**	**39,459**	**17,459**	**15,170**	**6,830**	**–**	18,371	19,450	7,991	8,644	2,815	–
Trade and other payables	**47,427**	**47,427**	**47,427**	**–**	**–**	**–**	50,727	50,727	50,727	–	–	–
	83,777	**86,886**	**64,886**	**15,170**	**6,830**	**–**	69,098	70,177	58,718	8,644	2,815	–

Notes
(forming part of the financial statements) continued

29 Financial Instruments continued

Company

	2023						2022					
	Carrying amount £000	Contractual cash flow £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000	Carrying Amount £000	Contractual cash flow £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities												
Trade and other payables	**52,381**	**52,381**	**52,381**	**–**	**–**	**–**	20,612	20,612	20,612	–	–	–
	52,381	**52,381**	**52,381**	**–**	**–**	**–**	20,612	20,612	20,612	–	–	–

(d) Market Risk

Financial Risk Management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's or the Company's income or the value of its holdings of financial instruments.

Group

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The Group's policy is to reduce currency exposures on sales and purchasing through forward foreign currency contracts.

The Group is exposed to interest rate risk principally where its borrowings are at a variable interest rate. Levels of interest-bearing borrowings are monitored to minimise the exposure to interest rate risk, when appropriate the Group will utilise interest rate swaps to mitigate the remaining risk. Currently, the Group does not have any interest rate swaps in place.

Commodity Price Risk

Commodity price risk is the risk of financial loss to the Group through open positions on the trading of mineral commodities, prices for which are subject to variations that are both uncontrollable and unpredictable.

The Group mitigates these risks wherever practicable, through the use of measures including fixed price contracts, hedging instruments and "back-to- back" purchase and sale agreements.

Foreign Currency Risk

Group

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

31 May 2023

	Euro £000	US Dollar £000	Hong Kong Dollar £000	South African Rand £000	Malaysian Ringgit £000	Total £000
Investment in joint ventures	**68,607**	**–**	**–**	**–**	**–**	**68,607**
Cash and cash equivalents	**3**	**2**	**2,283**	**744**	**412**	**3,444**
Trade receivables	**–**	**–**	**3,183**	**–**	**–**	**3,183**
Loans due from undertakings in which the Group has a participating interest	**11,184**	**–**	**–**	**–**	**–**	**11,184**
Other receivables	**517**	**–**	**623**	**50**	**–**	**1,190**
Prepayments and accrued income	**–**	**–**	**4,649**	**335**	**42**	**5,026**
Trade payables	**(125)**	**–**	**(1,221)**	**(133)**	**–**	**(1,479)**
Other trade payables	**–**	**–**	**(276)**	**–**	**–**	**(276)**
Non-trade payables and accrued expenses	**(17)**	**–**	**(3,290)**	**(222)**	**(25)**	**(3,554)**
Net exposure	**80,169**	**2**	**5,951**	**774**	**429**	**87,325**

The Group has no future contracted sales or purchases denominated in a foreign currency at 31 May 2023.

31 May 2022

	Restated* Euro £000	US Dollar £000	Hong Kong Dollar £000	South African Rand £000	Malaysian Ringgit £000	Restated* Total £000
Investment in joint ventures*	50,260	–	–	–	–	50,260
Cash and cash equivalents	435	1	2,718	738	12	3,904
Trade receivables	–	–	3,119	–	–	3,119
Loans due from undertakings in which the Group has a participating interest	26,042	–	–	–	–	26,042
Other receivables	12	–	228	27	–	267
Prepayments and accrued income	–	–	4,557	336	7	4,900
Trade payables	–	–	(875)	(96)	–	(971)
Other trade payables	–	–	(231)	–	–	(231)
Non-trade payables and accrued expenses	(10)	–	(3,411)	(706)	(13)	(4,140)
Net exposure*	76,739	1	6,105	299	6	83,150

* The prior year net exposure has been restated to include the investment in joint venture which is denominated in Euros. The effect of this is an increase in the net exposure balance denominated in Euros of £50,260,000.

Company

The Company's exposure to foreign currency risk is as follows.

31 May 2023

	Euro £000	Hong Kong Dollar £000	South African Rand £000	Total £000
Loans due from undertakings in which the Group has a participating interest	**11,184**	**–**	**–**	**11,184**
Trade receivables due from undertakings in which the Group has a participating interest	**517**	**–**	**–**	**517**
Trade payables due to Group undertakings	**(1,083)**	**–**	**–**	**(1,083)**
Balance Sheet exposure	**10,618**	**–**	**–**	**10,618**

31 May 2022

	Euro £000	Hong Kong Dollar £000	South African Rand £000	Total £000
Trade receivables due from Group undertakings	–	–	370	370
Loans due from Group undertakings	–	14	1,376	1,390
Loans due from undertakings in which the Group has a participating interest	26,042	–	–	26,042
Trade receivables due from undertakings in which the Group has a participating interest	458	–	–	458
Trade payables due to Group undertakings	(983)	–	–	(983)
Balance Sheet exposure	25,517	14	1,746	27,277

Sensitivity Analysis

Group

A 10% weakening of the following currencies against the Pound Sterling at 31 May 2023 would have decreased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Notes
(forming part of the financial statements) continued

29 Financial Instruments continued

(d) Market Risk continued

Sensitivity Analysis continued

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 2022.

	Equity		Profit or loss	
	2023 £000	Restated* 2022 £000	2023 £000	2022 £000
€*	**(7,288)**	(6,976)	**(1,028)**	(2,407)
$	**–**	–	**–**	–
HKD	**(541)**	(555)	**(541)**	(555)
ZAR	**(70)**	(27)	**(70)**	(27)
MYR	**(39)**	(1)	**(39)**	(1)

* The prior year net exposure has been restated to include the investment in joint venture which is denominated in Euros. This has subsequently decreased the impact on Equity of a 10% weakening of Euros by a further £6,260,000.

A 10% strengthening of the above currencies against the Pound Sterling at 31 May 2023 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

Profile

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Fixed rate instruments				
Financial liabilities	**(36,350)**	(18,371)	**–**	–
	(36,350)	(18,371)	**–**	–
Variable rate instruments				
Financial assets	**21,859**	13,773		15
	21,859	13,773		15

Sensitivity Analysis

An increase of one basis point in interest rates throughout the period would have affected profit or loss by the amounts shown below. This calculation assumes that the change occurred at all points in the period and had been applied to the average risk exposures throughout the period.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instruments at fair value through profit and loss with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2022.

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Profit or loss				
Increase/decrease	**178**	210	**63**	93

(e) Capital Management

The Group manages its capital to ensure that it will be able to continue as a going concern, whilst maximising the return to shareholders. The capital structure of the Group consists of debt, which includes leasing related borrowings of £36,350,000 (2022: £18,371,000), cash and cash equivalents of £21,859,000 (2022: £13,773,000), and equity attributable to equity holders of the Parent, comprising capital, reserves and retained earnings of £200,991,000 (2022: £179,849,000).

The capital structure is reviewed regularly by the Directors. The Group's policy is to maintain gearing at levels appropriate to the business. The Directors take consideration of gearing determined as the proportion of net debt to total capital. It should be noted that the Directors review gearing taking careful account of the working capital needs and flows of the business. The Group has access to an undrawn £12m invoice discounting facility with Santander. This facility provides the Group with additional flexibility to deal with any short term working capital fluctuations. The Group's assets are not covered by any debenture and the invoice discounting facility has no associated covenants.

The Directors consider the allocation of capital delivered from asset realisation and cash flows from operations, taking into account the growth opportunities and return on capital employed in each business unit.

30 Capital Commitments

Group

At 31 May 2023, the Group had capital commitments totalling £nil (2022: £277,000).

Company

At 31 May 2023, the Company had capital commitments totalling £nil (2022: £nil).

31 Contingencies

Group and Company

The Company and certain of its subsidiary undertakings have composite arrangements in connection with banking facilities. The Company acts as a guarantor, or surety, for various subsidiary undertakings and joint ventures in banking and other agreements entered into by them in the normal course of business.

The Group has performance bonds and guarantees in place in relation to various performance obligations under certain contracts. The total value of these bonds at 31 May 2023 is £1.6m (2022: £2.1m).

In relation to HRMS, the Group has provided a €10m or £8.6m (2022: €5m or £4.3m) guarantee in connection with the banking facilities of HRMS.

32 Related Parties

Identity of Related Parties with which the Group has Transacted

The Group and the Company have a related party relationship with their subsidiaries and joint ventures (Note 16) and its Directors. All related party transactions were made on terms equivalent to those that prevail in arm's length transactions only.

Group

Other Related Party Transactions

	Sales to		Purchases from	
	2023 £000	2022 £000	2023 £000	2022 £000
Joint ventures				
Tower Regeneration Limited	**138**	381	**–**	–
Waystone Hargreaves Land LLP	**136**	136	**–**	–
Hargreaves Services Europe Limited	**1,436**	1,906	**–**	–
	1,710	2,423	**–**	–

	Interest received from		Interest paid to	
	2023 £000	2022 £000	2023 £000	2022 £000
Joint ventures				
Hargreaves Services Europe Limited	**800**	531	**125**	–

	Loan receivables outstanding		Trade receivables outstanding	
	2023 £000	2022 £000	2023 £000	2022 £000
Joint ventures				
Tower Regeneration Limited	**14,275**	12,716	**34**	44
Carbon Action Limited	**144**	142	**–**	–
Waystone Hargreaves Land LLP	**1,627**	–	**101**	84
Hargreaves Services Europe Limited	**11,184**	26,042	**1,385**	964
	27,230	38,900	**1,520**	1,092

	Loan payables outstanding		Trade payables outstanding	
	2023 £000	2022 £000	2023 £000	2022 £000
Joint ventures				
Tower Regeneration Limited	**–**	–	**–**	12
Waystone Hargreaves Land LLP	**–**	–	**–**	417
Hargreaves Services Europe Limited	**3,954**	–	**136**	–
	3,954	–	**136**	429

Notes
(forming part of the financial statements) continued

32 Related Parties continued

Transactions with Key Management Personnel

The Directors are the key management personnel of the Group. Details of Directors' remuneration, share options, pension benefits and other non-cash benefits can be found in Note 7. In addition to this, the element of the share-based payment charge for the year that relates to key management personnel is £170,000 (2022: £192,000) and the social security costs amounted to £321,000 (2022: £65,000). There are no other post-employment or other long-term benefits.

The Company had no transactions with key management personnel.

Company

Other Related Party Transactions

	Receivables outstanding		Payables outstanding	
	2023 £000	2022 £000	2023 £000	2022 £000
Subsidiaries	**83,321**	54,856	**48,301**	20,582
Joint ventures	**11,974**	26,509	**4,080**	–
	95,295	81,365	**52,381**	20,582

33 Ultimate controlling party

The Company is listed on the Alternative Investment Market of the London Stock Exchange. Material shareholders are detailed within the Directors' Report. There is no ultimate controlling party of the Group.

34 Restatement relating to the year ended 31 May 2022

The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000.

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of 7.2p and 7.0p per share respectively. The correction further affected some of the amounts disclosed in Note 2, Note 9, Note 11 and Note 16.

The financial statement line items have been restated as follows:

Group Balance Sheet (Extract)

	As previously Reported at 1 June 2021	Opening Balance Decrease	1 June 2021 (Restated)
Investments in jointly controlled entities	31,187	(966)	30,221
Net Assets	**144,296**	**(966)**	**143,330**
Retained earnings	64,441	(966)	63,475
Total Equity	**144,296**	**(966)**	**143,330**

	As previously Reported at 31 May 2022	Opening Balance Decrease	Decrease in the Period	31 May 2022 (Restated)
Investments in jointly controlled entities	58,383	(966)	(2,321)	55,096
Net Assets	**183,136**	**(966)**	**(2,321)**	**179,849**
Retained earnings	102,781	(966)	(2,321)	99,494
Total Equity	**183,136**	**(966)**	**(2,321)**	**179,849**

Consolidated Statement of Profit and Loss and Other Comprehensive Income (Extract)

	As previously Reported at 31 May 2022	Decrease in the Period	31 May 2022 (Restated)
Share of profit in joint ventures (net of tax)	28,200	(2,321)	25,879
Profit before Tax	**34,481**	**(2,321)**	**32,160**
Taxation	347	–	347
Profit from Continuing Operations	**34,828**	**(2,321)**	**32,507**
Profit for the year from discontinuing operations	2,000	–	2,000
Profit for the year	**36,828**	**(2,321)**	**34,507**
Other comprehensive income:			
Total comprehensive income for the year	44,711	(2,321)	42,390
Profit attributable to:			
Equity holders of the company	37,040	(2,321)	34,719
Non-controlling interest	(212)	–	(212)
Profit for the year	**36,828**	**(2,321)**	**34,507**
Total comprehensive income attributable to:			
Equity holders of the company	44,923	(2,321)	42,602
Non-controlling interest	(212)	–	(212)
Profit for the year	**44,711**	**(2,321)**	**42,390**

Group Statement of Changes in Equity (Extract)

	Retained Earnings	Total Parent Equity	Non-Controlling Interest	Total Equity
As Previously Reported At 1 June 2021	64,441	144,306	(10)	144,296
Opening Balance Adjustment	(966)	(966)	–	(966)
Adjusted Balance at 1 June 2021	**63,475**	**143,340**	**(10)**	**143,330**
Profit/(loss) for the year				
As Previously Reported At 31 May 2022	37,040	37,040	(212)	36,828
Decrease in the period	(2,321)	(2,321)	–	(2,321)
Adjusted Balance at 31 May 2022	**34,719**	**34,719**	**(212)**	**34,507**
Total comprehensive income/(expense) for the year				
As Previously Reported At 31 May 2022	44,577	44,923	(212)	44,711
Decrease in the period	(2,321)	(2,321)	–	(2,321)
Adjusted Balance at 31 May 2022	**42,256**	**42,602**	**(212)**	**42,390**
Closing Balance at 31 May 2022				
As Previously Reported At 31 May 2022	102,781	183,358	(222)	183,136
Opening Balance Adjustment	(966)	(966)	–	(966)
Decrease in the period	(2,321)	(2,321)	–	(2,321)
Adjusted Balance at 31 May 2022	**99,494**	**180,071**	**(222)**	**179,849**

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 prior to exceptional items, fair value adjustments, impairment and amortisation of intangible assets, and, in accordance with International Accounting Standards, includes 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.

	2023 £000	Restated* 2022 £000
Profit before tax from continuing operations*	**27,155**	32,160
Exceptional items (see Note 5)	**–**	(1,754)
Amortisation of intangible assets	**175**	–
Underlying Profit before Tax*	**27,330**	30,406

Basic underlying earnings per share	Profit attributable to the equity holders of the Company prior to exceptional items, impairment and amortisation of intangible assets and fair value gains on acquisition 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 11.
EBITDA	EBITDA is defined as profit before tax from continuing operations prior to charges for depreciation, amortisation and impairment and interest and excludes the share of profit from joint ventures and gains and losses on the sale of fixed assets.

	2023 £'000	Restated* 2022 £'000
Profit before tax from continuing operations*	**27,155**	32,160
Depreciation and impairment	**14,570**	8,666
Amortisation of intangible assets	**175**	–
Net finance expense / (income)	**953**	(53)
Share of profit in joint ventures (net of tax)*	**(16,311)**	(25,879)
Profit on sale of fixed assets	**(4,718)**	(1,298)
EBITDA	**21,824**	**13,596**

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:

	2023	Restated* 2022
Total shares in issue	**33,138,756**	33,138,756
Less shares in treasury	**(611,118)**	(611,118)
Shares for calculation	**32,527,638**	32,527,638
Net Asset Value per Balance Sheet*	**£200,991,000**	£179,849,000
Net Asset Value per share*	**£6.18**	£5.53

* The prior year numbers have been restated following a correction of the allowability of certain expenses for corporate tax in a joint venture for the year ended 31 May 2022 and prior years. The net effect of the changes for the year ended 31 May 2022 was a decrease in the opening balance of the investment in joint ventures of £966,000 and a decrease in the share of profit in joint ventures (net of tax) of £2,321,000 which has subsequently decreased the closing investment in joint ventures by £3,287,000. Please refer to Note 34.

Notice of Annual General Meeting – Hargreaves Services plc

(incorporated and registered in England and Wales under company number 4952865)

NOTICE IS GIVEN that this year's **Annual General Meeting** of Hargreaves Services plc (the **Company**) will be held at Prior's Hall, Durham Cathedral, Durham, DH1 3EH on 25 October 2023 at 11.00am to consider and, if thought fit, approve the following resolutions:

Ordinary Business

1. To adopt and receive the Directors' Report, the Strategic Report, the Directors' Corporate Governance and Remuneration Reports, the Audit & Risk Committee Report, the Auditor's Report and the financial statements for the year ended 31 May 2023.
2. To approve the Directors' Corporate Governance and Remuneration Reports for the year ended 31 May 2023.
3. To declare a final dividend for the year ended 31 May 2023 of 6 pence per ordinary share to bring the dividend for the year ended 31 May 2023 to a total of 9 pence per ordinary share.
4. To declare an additional dividend of 12 pence per ordinary share in respect of monies to be paid to the Company by Hargreaves Services Europe Limited.
5. To re-appoint Christopher Jones as a director of the Company in accordance with article 34 of the Company's Articles of Association, who offers himself for re-appointment.
6. To re-appoint Roger McDowell a director of the Company in accordance with article 34 of the Company's Articles of Association, who offers himself for re-appointment.
7. To re-appoint Nicholas Mills as a director of the Company in accordance with article 34 of the Company's Articles of Association, who offers himself for re-appointment.
8. To re-appoint Stephen Craigen as a director of the Company in accordance with article 29.2 of the Company's Articles of Association, who offers himself for re-appointment.
9. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next general meeting at which accounts are laid before the Company.
10. To authorise the Audit & Risk Committee of the board of directors to determine the remuneration of the auditors.
11. To authorise the directors of the Company pursuant to section 551 of the Companies Act 2006 (the Act) generally and unconditionally to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into such shares in the Company (**Rights**):

    11.1. up to an aggregate nominal value of £1,085,067 (representing approximately one-third of the total ordinary share capital in issue (excluding shares held in Treasury) as at 4 August 2023); and

    11.2. comprising equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £2,170,133 (after deducting from such amount any shares allotted under the authority conferred by virtue of resolution 11.1) in connection with or pursuant to an offer or invitation by way of a rights issue (as defined below), provided that such authorities conferred by this resolution 11.1 shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling six months after the end of the Company's current financial year unless varied, revoked or renewed by the Company in general meeting, save that the Company may at any time before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares and grant Rights pursuant to such offers or agreements as if the relevant authorities conferred by this resolution 11 had not expired. These authorities shall be in substitution for all previous authorities previously granted to the directors to allot shares and grant Rights which are pursuant to this resolution 11 revoked but without prejudice to any allotment or grant of Rights made or entered into prior to the date of this resolution 11.

    For the purposes of this resolution 11, **rights issue** means an offer or invitation to (i) holders of ordinary shares in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on the record date for such allotment and (ii) persons who are holders of other classes of equity securities if this is required by the rights of such securities (if any) or, if the directors of the Company consider necessary, as permitted by the rights of those securities, to subscribe for further securities by means of the issue of a renounceable letter (or other negotiable instrument) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or any other matter whatsoever.

12. Subject to and conditional upon the passing of resolution 11 (and in substitution for all existing like powers granted to the directors of the Company (to the extent they remain in force and unexercised)), the directors be and are empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority conferred upon them by resolution 11 or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act as if section 561(1) of the Act and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

    12.1. pursuant to the authority conferred upon them by resolution 11.1 or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act as if section 561(1) of the Act and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

    12.1.1. in connection with or pursuant to an offer of such securities by way of a pre-emptive offer (as defined below); and

    12.1.2. (otherwise than pursuant to resolution 12.1.1) up to an aggregate nominal value of £325,520 (representing approximately 10% of the total ordinary share capital in issue (excluding shares held in Treasury) as at 4 August 2023); and

Notice of Annual General Meeting – Hargreaves Services plc

(incorporated and registered in England and Wales under company number 4952865) continued

12.2. pursuant to the authority conferred upon them by resolution 11.2, in connection with or pursuant to a rights issue, as if section 561(1) of the Act and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment, and the powers given shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling six months after the end of the Company's current financial year unless renewed or extended prior to such expiry, save that the directors of the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

For the purpose of this resolution 12:

(a) **rights issue** has the meaning given in resolution 11; and

(b) **pre-emptive offer** means a rights issue, open offer or other pre-emptive issue or offer to (i) holders of ordinary shares in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on the record date(s) for such allotment; and (ii) persons who are holders of other classes of equity securities if this is required by the rights of such securities (if any) or, if the directors of the Company consider necessary, as permitted by the rights of those securities, but subject in both cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or any other matter whatsoever.

Special Business

13. To approve amendments to the Hargreaves Services plc Executive Share Option Scheme (the Scheme).
14. The Company be and is generally and unconditionally authorised for the purpose of section 701 of the Act to make market purchases (which in this resolution shall have the meaning given to this term in section 693(4) of the Act) of its ordinary shares of 10 pence each in the capital of the Company (Ordinary Shares) on the terms set out below:

14.1 the maximum aggregate number of Ordinary Shares authorised to be purchased by the Company pursuant to this resolution 14 is 4,882,800 (representing approximately 15% of the total ordinary share capital in issue (excluding shares held in Treasury) as at 4 August 2023); and

14.2 the minimum price which may be paid for each of those Ordinary Shares (exclusive of expenses) is 10 pence; and

14.3 the maximum price (exclusive of expenses) which may be paid for each of those Ordinary Shares is not more than the higher of (i) 5% above the average of the middle market quotations for Ordinary Shares (as derived from the Daily Official Lists of the London Stock Exchange) for the five dealing days immediately preceding the date of purchase and (ii) the price stipulated by European Commission-adopted Regulatory Technical Standards pursuant to Article 5(6) of the Market Abuse Regulation, but so that this authority shall (unless previously varied, revoked or renewed) expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling six months after the end of the Company's current financial year, save that the Company may before the expiry of this authority conclude any contract for the purchase of its own shares pursuant to the authority conferred by this resolution 12 which contract would or might be executed wholly or partially after the expiration of this authority as if the authority conferred by this resolution 12 had not expired.

8 August 2023
By order of the Board

John Samuel
Company Secretary

Registered Office:
West Terrace
Esh Winning
Durham
DH7 9PT
Registered in England and Wales No. 4952865

Notes

1. This notice is the formal notification to members of the Company's Annual General Meeting (the Meeting), its date, time and place and the matters to be considered. If you are in doubt as to what action you should take you should consult an independent adviser.
2. Resolutions 1 to 11 and resolution 13 will be proposed as ordinary resolutions. A simple majority (being more than 50%) of votes cast must be in favour of each such resolution in order for it to be passed.
   Resolutions 12 and 14 will be proposed as special resolutions. A special resolution requires 75% or more of votes cast to be in favour of such resolution in order for it to be passed.
   All business proposed at the Meeting is ordinary business, pursuant to Article 24.1, save for Resolution 14. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those shareholders registered in the register of members of the Company at close of business on 23 October 2023 as holders of ordinary shares of 10 pence each in the capital of the Company shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register of members after close of business on 23 October 2023 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
3. If you are a member of the Company at the time set out in Note 2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend and to speak and vote on your behalf at the Meeting (although shareholders are expected to be prohibited from attending the Meeting in person). You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
   A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
4. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the office of the Registrars of the Company, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD no later than 11.00am on 23 October 2023.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in Notes 10-13 below) will not in itself prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
6. If a member appoints a proxy or proxies and then decides to attend the Annual General Meeting in person and vote using his poll card, then the vote in person will override the proxy vote(s). If the vote in person is in respect of the member's entire holding, then all proxy votes will be disregarded. If, however, the member votes at the meeting in respect of less than the member's entire holding, then if the member indicates on his polling card that all proxies are to be disregarded, that shall be the case; but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member's entire holding. If you do not have a proxy form and/or believe that you should have one or if you require additional forms, please contact the Registrars of the Company, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD.
7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see Note 4 above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
8. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
9. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD no later than 11.00am on 23 October 2023. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to Note 7 above, your appointment will remain valid.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (Euroclear) specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA11) by 11.00am on 23 October 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or

Notice of Annual General Meeting – Hargreaves Services plc

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sponsored member, or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
14. If a corporation is a member of the Company, it may by resolution of its directors or other governing body authorise one or more persons to act as its representative or representatives at the Meeting and any such representative or representatives shall be entitled to exercise on behalf of the corporation all the powers that the corporation could exercise if it were an individual member of the Company. Corporate representatives should bring with them either an original or certified copy of the appropriate board resolution or an original letter confirming the appointment, provided it is on the corporation's letterhead and is signed by an authorised signatory and accompanied by evidence of the signatory's authority.
15. As at 4 August 2023 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 33,138,756 ordinary shares (586,758 of which are held in Treasury with no voting rights). Therefore, the total voting rights in the Company as at 4 August 2023 was 32,551,998.
16. The following documents will be available for inspection at the Company's registered office at West Terrace, Esh Winning, Durham, DH7 9PT during normal business hours on any week day (Saturdays and English public holidays excepted) from the date of this notice until the close of the Meeting and at the place of that Meeting for at least 15 minutes prior to and during the Meeting:
    - copies of the service contracts for the Executive Directors of the Company; and
    - copies of the letters of appointment of Non-Executive Directors of the Company.

Explanatory Notes to the Notice of Annual General Meeting
The notes on the following pages explain the proposed resolutions.

Resolution 1: Accounts
The directors will present their Report, the Directors' Corporate Governance and Remuneration Reports, the Auditor's Report and the audited financial statements for the financial year ended 31 May 2023 to the meeting as required by law. These financial statements on pages 48 to 99 of the Company's Annual Report.

Resolution 2: Approval of the Directors' Remuneration Report
Shareholders are asked to approve the Directors' Remuneration Report for the financial year ended 31 May 2023 which is set out in full on pages 36 to 39 of the Company's Annual Report. The vote is advisory and the directors' entitlement to remuneration is not conditional upon this resolution being passed.

Resolution 3: Final Dividend
The Board proposes a dividend for the financial year ended 31 May 2023 of 6 pence per ordinary share. If the meeting approves resolution 3, the dividend will be paid on 30 October 2023 to shareholders on the register of members on 22 September 2023.

Resolution 4: Additional Dividend
The Board proposes an additional dividend of 12 pence per ordinary share in respect of monies to be received by the Company from Hargreaves Services Europe Limited. If the meeting approves resolution 4, the additional dividend will be paid on 30 October 2023 to shareholders on the register of members on 22 September 2023.

Resolutions 5, 6 and 7: Re-appointment of Directors
At each Annual General Meeting one-third of the directors for the time being (other than those appointed since the last Annual General Meeting) are required to retire. If the number of relevant directors is not a multiple of three, the number nearest to one-third of directors, but not less than one-third, must retire. Directors due to retire by rotation are those longest in office since their last re-election or re-appointment. A retiring director is eligible for re-appointment. Christopher Jones, Roger McDowell and Nicholas Mills are offering themselves for re-appointment.

Brief biographical details of Christopher Jones, Roger McDowell and Nicholas Mills are set out on pages 24 and 25 of this document.

Resolution 8: Appointment of Director
As Stephen Craigen was appointed to the Board on 1 August 2023, a date subsequent to the date of the last Annual General Meeting, he is required by the Company's articles of association to be re-appointed at this year's Annual General Meeting. Accordingly, the directors recommend that Stephen Craigen be re-appointed as a director and resolution 8 proposes his re-appointment.

Brief biographical details of Stephen Craigen are set out on page 25 of this document.

Resolutions 9 and 10: Re-appointment and Remuneration of Auditors
The Company is required to appoint auditors at each general meeting at which accounts are laid, to hold office until the next general meeting. PricewaterhouseCoopers LLP are willing to be re-appointed for a year and resolution 9 proposes their appointment and, in accordance with standard practice, resolution 10 authorises the Audit & Risk Committee of the board of directors of the Company to determine the level of the auditors' remuneration.

Resolution 11: Renewal of Board's Authority to Allot Shares

Resolution 11.1 grants the directors authority to allot relevant ordinary shares up to an aggregate nominal amount of £1,085,067 being approximately one-third of the Company's issued ordinary share capital (excluding shares held in Treasury) as at 4 August 2023.

In line with guidance issued by the Investment Association, resolution 11.2 grants the directors authority to allot ordinary shares in connection with a rights issue up to an aggregate nominal amount of £2,170,133 (representing 21,701,332 ordinary shares of 10 pence each), as reduced by the nominal amount of any shares issued under resolution 11.1. This amount, before any such reduction, represents approximately two-thirds of the Company's issued ordinary share capital (excluding shares held in Treasury) as at 4 August 2023. Under a rights issue, ordinary shareholders are invited to subscribe for further ordinary shares in proportion (as near as is practicable) to their holdings of shares in the Company and, if they accept the invitation, their holding of shares is not diluted (and if they decline the offer then they can sell their "rights" in the market for value).

Guidelines issued by the Investment Association provide that an authority for directors to allot new shares up to an amount equal to one-third of the existing share capital, such as that granted by resolution 11.1, will be regarded as routine. The Investment Association guidelines also state that an authority for directors to allot a further amount equal to one-third of the existing issued share capital, such as that granted by resolution 11.2, will also be regarded as routine as long as that additional authorisation applies only to fully pre-emptive rights issues.

It is not the directors' current intention to exercise either of these authorities. The authorities granted by resolution 11 replace the existing authorities to allot shares.

Resolution 12: Disapplication of Statutory Pre-emption Rights

Resolution 12.1.1 grants the directors power to allot shares without first offering them to existing shareholders in proportion to their existing shareholdings, where such offers are made in connection with or pursuant to a pre-emptive offer of shares.

Resolution 12.1.2 permits the directors to allot shares without first offering them to existing shareholders and otherwise than in connection with a pre-emptive offer, but only up to a limit of 10% of the total ordinary share capital. Historically, the Pensions and Lifetime Savings Association (PLSA) (previously known as the National Association of Pension Funds) guidelines suggested that AIM companies should be permitted to take authority to allot up to 10% of issued share capital for cash on a non pre-emptive basis (which the Company has done each year since joining AIM). The PLSA has changed its guidance which now states that the limit should be 5% but that an additional 5% is acceptable provided that the Company confirms that it intends to use the additional 5% only in connection with an acquisition or specified capital investment which would be announced contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue. Taking note of the PLSA's guidance, the directors are proposing that the resolution remains unchanged from that passed at last year's Annual General Meeting and in previous years.

Resolution 12.2 grants the directors power to allot those shares issued further to the powers granted to them under resolution 11.2 without first offering them to existing shareholders.

Resolution 13: Approval of amendments to the Hargreaves Services plc Executive Share Option Scheme (the Scheme)

The Board proposes that shareholders approve an amendment to the performance criteria of the Hargreaves Services plc Executive Share Option Scheme. The change proposes that the Peer Group Performance Option be replaced with "the EPS Growth Option". 50% of the options awarded under the Executive Share Option Scheme would be dependent on the Group achieving a compound annual growth in Earnings Per Share ("EPS") of between 15% and 30%. EPS in this measurement would exclude any EPS related to the Group's share of profits from HRMS and would also exclude any impact on EPS from the sale of renewable energy land assets. The Company Performance Option will remain unchanged other than the TSR growth will be required to be between 25% and 85%. These amendments, if approved, will apply to future options awarded under the scheme.

Resolution 14: Purchase of Own Shares

Resolution 14 authorises the Company to purchase its own shares (in accordance with section 701 of the Act) during the period from the date of this Annual General Meeting until the end of the next Annual General Meeting of the Company or the expiration of six months after the Company's current financial year end, whichever is the sooner, up to a total of 4,882,800 ordinary shares. This represents approximately 15% of the issued ordinary share capital of the Company (excluding shares held in Treasury) as at 4 August 2023. The maximum price payable for a share shall not be more than the higher of 5% above the average of the middle market quotations of such shares for the five business days before such purchases and the price stipulated in the European Commission-adopted Regulatory Technical Standards pursuant to Article 5(6) of the Market Abuse Regulation (being the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out). The minimum price payable for a share will be 10 pence. Companies are permitted to retain any of their own shares which they have purchased as treasury shares with a view to possible re-issue at a future date, rather than cancelling them. The Company will consider holding any of its own shares that it purchases pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost-effectively and would provide the Company with additional flexibility in the management of its capital base.

The directors will consider making use of the renewed authority pursuant to resolution 14 in circumstances which they consider to be in the best interests of shareholders generally after taking account of market conditions prevailing at the time, other investment opportunities, appropriate gearing levels, the effect on earnings per share and the Company's overall financial position. No purchases will be made which would effectively alter the control of the Company without the prior approval of the shareholders in a general meeting.

Shareholder Information

Company Secretary
John Samuel FCA

Independent Auditors
PricewaterhouseCoopers LLP
Levels 5 and 6
Central Square South
Orchard Street
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NE1 3AZ

Bankers
Santander
58/60 Briggate
Leeds
LS1 6AS

Nominated Adviser and Stockbroker
Singer Capital Markets
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Registered Office
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Esh Winning
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Registrar
Neville Registrars Limited
Neville House
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Halesowen
B62 8HD

Hargreaves Services plc
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