

Hargreaves Services plc
("Hargreaves", the "Company", or the "Group")

Results for the year ended 31 May 2024

Hargreaves Services plc (AIM: HSP), a diversified group delivering services to the industrial and property sectors, announces its results for the year ended 31 May 2024.

Financial results

The Group has seen strong performances across its Services and Hargreaves Land divisions and reduced profitability within German Joint Venture, HRMS. Hargreaves Land delivered a record profit before tax following several notable transactions. HRMS also delivered an increased cash receipt, double that of the prior financial year. With a high level of secured revenue in Services, clear visibility of transactions in Land and signs of market recovery at HRMS there are many reasons to feel positive about the coming year. The Group maintains a strong, debt-free balance sheet and a clear focus on realising and delivering value to our shareholders.

KEY FINANCIAL RESULTS

Year ended 31 May 2024	2024	2023
Revenue	£211.1m	£211.5m
EBITDA*	£26.1m	£21.8m
Underlying Profit Before Tax ("UPBT")*	£16.9m	£27.3m
Share of profit from HRMS (net of tax)	£1.3m	£15.5m
Profit Before Tax	£16.7m	£27.2m
Basic underlying EPS*	38.2p	86.3p
Basic EPS	37.8p	85.9p
Proposed Final Dividend	18.0p	6.0p
Additional Dividend from HRMS	-	12.0p
Cash and cash equivalents	£22.7m	£21.9m
Net Assets	£192.1m	£201.0m
Net Assets per Share*	586p	618p

HIGHLIGHTS

- UPBT at £16.9m (2023: £27.3m), with a decrease due to expected reduction in profitability in HRMS, somewhat offset by growth in Hargreaves Land
- EBITDA increased 19.7% to £26.1m (2023: £21.8m) due to improved profitability of the Services business
- Record profit for Hargreaves Land with UPBT increasing 110.3% to £8.2m (2023: £3.9m)
- Increased cash receipt from HRMS of £7.8m (2023: £4.0m)
- Services business holds a strong contract portfolio, growing to over 65 term and framework contracts following several new contract wins, providing visibility of 70% of next year's expected revenue
- The buy-in of the pension scheme completed in March 2024 for a cash consideration of £3.7m

* The basis of Underlying profit before tax, EBITDA, Net Assets per Share and basic underlying EPS is set out in Note 5. The calculation of Net Assets per Share includes the renewable energy land assets at cost.

Commenting on the preliminary results, Group Chair Roger McDowell said: "The Group remains focused on its core objective to create, realise and deliver value for our shareholders. Despite the challenges faced by HRMS, the improvement in the second half of the year provides confidence that we will see an increased contribution in the current financial year. We also expect to bring to market the first tranche of renewable energy land assets, marking the beginning of substantial realisation events within that business. Additionally, the Services business continues to perform strongly, with over 70% of revenue already secured and further opportunities emerging within the power, water and infrastructure sectors. The Balance Sheet remains free from bank debt and no longer requires pension deficit contributions, providing a strong and stable platform from which to deliver

longer requires pension deficit contributions, providing a strong and stable platform from which to deliver substantial value to shareholders in the coming years."

Analyst briefing

A briefing open to analysts will take place on Tuesday 6 August 2024 at 10.00 am BST. To register and for more details please contact Walbrook PR on hargreavesservices@walbrookpr.com.

Investor presentation

Gordon Banham, Group Chief Executive, David Anderson, Group Property Director and Stephen Craigen, Chief Financial Officer, will provide a live presentation on the Company's preliminary results via the Investor Meet Company platform on Wednesday 7 August 2024 at 4.00 pm BST.

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9.00 am the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free [here](#).

For further details:

Hargreaves Services

Gordon Banham, Chief Executive
Stephen Craigen, Chief Financial Officer

www.hsgplc.co.uk

Tel: 0191 373 4485

Walbrook PR (Financial PR & IR)

Paul McManus / Charlotte Edgar /
Louis Ashe-Jepson

Tel: 020 7933 8780 or hargreavesservices@walbrookpr.com

Mob: 07980 541 893 / 07884 664 686

07747 515 393

Singer Capital Markets (Nomad and Corporate Broker)

Sandy Fraser / Phil Davies / Sam Butcher

Tel: 020 7496 3000

Cavendish Capital Markets Ltd (Joint Corporate Broker)

Katy Birkin / Hamish Waller - Corporate Finance
Jasper Berry / Tim Redfern - Sales / ECM

Tel: 020 7220 0500

About Hargreaves Services plc (www.hsgplc.co.uk)

Hargreaves Services plc is a diversified group delivering services to the industrial and property sectors, supporting key industries within the UK and South East Asia. The Company's three business segments are Services, Hargreaves Land and an investment in a German joint venture, Hargreaves Raw Materials Services GmbH (HRMS). Services provides critical support to many core industries including Energy, Environmental, UK Infrastructure and certain manufacturing industries through the provision of materials handling, mechanical and electrical contracting services, logistics and major earthworks. Hargreaves Land is focused on the sustainable development of brownfield sites for both residential and commercial purposes. HRMS trades in specialist commodity markets and owns DK Recycling, a specialist recycler of steel waste material. Hargreaves is headquartered in County Durham and has operational centres across the UK, as well as in Hong Kong and a joint venture in Duisburg, Germany.

Chair's Statement

Roger McDowell, Group Chair

Introduction

I am pleased to be able to report another year of good strategic progress and strong financial performance, notwithstanding the contrasting performance across our three business units, Services, Hargreaves Land and HRMS. A record year in Hargreaves Land and strong underlying margin growth in Services was offset by a significant decline in contribution from our German joint venture, HRMS.

The Group remains focused on the realisation and delivery of value to our shareholders, which is applied to each of our businesses as follows:-

- Services - We concentrate on creating and delivering growth through the identification and successful tendering of high-quality, robust contracts in areas of core competence within the infrastructure market.
- Hargreaves Land - Our medium-term strategy to deliver value through the realisation of capital employed within our landmark Blindwells development near Edinburgh and additional value creation through the management and ultimate disposal of the renewable energy land asset portfolio, whilst also growing an 'asset light' active development business.
- HRMS - Our focus is on longer term realisation whilst exploring certain accretive initiatives. We have an agreement for a minimum annual cash return target of £7m

Strategic Projects

The Board outlined two areas of key focus in the Annual Report and Accounts for the year ended 31 May 2023. First, to realise value from the Group's renewable energy land assets over the next five years. Second, to progress the Buy-Out of the Group's defined benefit pension scheme. I am pleased to report positive updates on both initiatives:

Renewable Energy Land Assets

During the year, the second wind farm constructed on land within our portfolio became operational. This means that land owned by the Group is now helping to support the generation and storage of over 200MW of installed capacity of renewable electricity.

An updated independent valuation of the Group's near-term renewable energy land assets was undertaken in July 2024 by Jones Lang LaSalle Limited ("JLL"). The review has placed a Market Value at Commissioning of Development** of between £27.0m and £28.8m (2023: £27.2m to £28.9m). These assets are held in the Balance Sheet at a historic cost of £7.4m (2023: £7.4m).

The Group remains committed to realising value from these assets through their orderly sale over the next three to four years. As a result of several wind farms becoming operational, including the wind farms at Broken Cross and Dalquhandy, I can confirm that we intend to bring the first tranche to market within the current financial year. It is anticipated that this tranche should be valued in excess of £10m.

Pension Scheme Buy-In

I'm pleased to say that the Buy-In of the pension scheme was executed in March 2024. Not only has the Buy-In completed, but it was done at a cost substantially lower than initially envisaged. This involved a one-off payment of £7.7m to the scheme, which allowed the trustees to purchase an insurance policy to cover the schemes liabilities. The payment of £7.7m included a loan of £4.0m to the scheme, which will be repaid to the Group within two years.

This Buy-In has removed the need to pay £1.8m in annual deficit reduction payments from FY25 onwards, which has in turn allowed the Board to increase the annual dividend for shareholders.

Financial Results

Overall Group Underlying Profit before Tax ("UPBT")* was £16.9m (2023: £27.3m) for the year ended 31 May 2024. The reduction is due, in most part, to the challenges faced by HRMS. HRMS did see an improved second half of the year with more favourable, although still uncertain, market conditions resulting in increased volumes. There are also early signs of improvement in gate-fees and commodity pricing.

The record profit within Hargreaves Land of £8.2m (2023: £3.9m) demonstrates the high quality of our professional team and underlying asset portfolio, which is all held at historic cost. Whilst profit profiles can be variable within this business, it is pleasing to see this milestone achieved.

We have also seen revenue and margin growth within the underlying results of Services, driven by growth within our Earthworks and Environmental activities.

Basic earnings per share have decreased to 37.8p from 85.9p in the prior year, reflecting the impact on the reduction in profit from HRMS.

Cash and leasing debt

On 31 May 2024 the Group held cash in the bank of £22.7m (2023: £21.9m). The business remains cash

generative, predominantly through the activities in Services and the receipt of HRMS dividends. The overall cash balance remains consistent with the prior year due to the one-off payment of £7.7m (inclusive of a £4m loan) made to the pension scheme to ensure the buy-in was completed, which has offset the underlying cash generation from operations.

The Group's debt relates solely to leasing debt and hire purchase arrangements for the acquisition of fixed assets. At the year end the balance of the debt was £34.2m (2023: £36.4m), the reduction reflects the net repayments made in the year.

Dividend

The Group paid an interim dividend of 18.0p (2023: 3.0p), which represented a six-fold increase in the interim dividend. This significant increase reflected the additional free cash flow available following the buy-in of the pension scheme, as well as the additional sustainable cash returns from HRMS combined with a move to increase the interim dividend to represent 50% of the full year dividend.

The business has continued to trade well in the second half of the year and the Board can recommend a final dividend of 18.0p (2023: 6.0p) taking the full year dividend to 36.0p (2023: 21.0p), representing an increase of 71%.

In the previous year, we paid an additional dividend of 12.0p relating to cash received from HRMS. No such additional dividend is proposed as the impact of cash received from HRMS is factored into the 36.0p full year dividend.

If approved at the Annual General Meeting, the final dividend of 18.0p will be paid on 4 November 2024 to all shareholders on the register at the close of business on 27 September 2024. The shares will become ex-dividend on 26 September 2024.

Outlook

The Group remains steadfast in its core objective to create, realise and deliver value for our shareholders. Despite challenges faced by HRMS, the notable improvement in the second half of the year gives us confidence in an improved contribution for the current financial year. We are also excited to introduce the first tranche of renewable energy land assets to the market, marking the start of substantial realisation events within this business sector. The Services business continues to demonstrate robust performance, with over 70% of budgeted revenue already secured and additional opportunities emerging within the power, water and infrastructure sectors.

Our Balance Sheet remains free from bank debt and now relieved of pension deficit contribution requirements. This provides a solid and stable foundation for the delivery of substantial value for shareholders in the coming years.

Finally, I extend my sincere gratitude to all my colleagues and all the members of the Hargreaves team for their continuing hard work and dedication. We look forward to the future with confidence.

Roger McDowell

Group Chair

5 August 2024

** The basis of Underlying profit before tax is set out in Note 5*

***Market Value at Commissioning of Development - 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.*

Group Business Review

Gordon Banham, Group Chief Executive

CHIEF EXECUTIVE'S REVIEW

	Services	Hargreaves Land	HRMS	Central Costs	Total
--	----------	-----------------	------	---------------	-------

£'m	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue	204.1	200.9	7.0	10.6	-	-	-	-	211.1	211.5
Underlying PBT/(LBT)*	11.4	12.3	8.2	3.9	1.3	15.5	(4.0)	(4.4)	16.9	27.3

* The basis of Underlying Profit Before Tax is set out in Note 5.

Services

Revenue across the Services business has grown by 1.6% to £204.1m (2023: £200.9m). The HS2 contract remains the largest contract held by the Group delivering revenue of £48.3m (2023: £54.1m). It's anticipated that there is a further two years of work required on HS2 at a similar run rate. The prior year activities at HS2 included substantial engineering project works.

Services delivered an underlying profit before tax of £11.4m compared to £12.3m in FY23. The prior year included several non-recurring asset sales, which delivered a non-recurring profit of £3.2m. As such, the like for like PBT is £9.1m for the year ended 31 May 2023. The Services business has therefore delivered an underlying growth of £2.3m representing a 25.3% year on year improvement.

This improvement has been delivered, in the most part, through the increased margin the business has been able to recognise. Current year net margin is 5.6%, which compares to 4.5% in the prior year. The margin growth demonstrates the high quality of the contracts the Group is entering into within the transport and earthwork operations, combined with a constant focus on contract efficiency.

Continued contract success

A core focus of the Services business is the resilience and reliability of its contract base. The business is focused on securing term and framework contracts with high quality counterparties in areas of core competence. During the year we have seen success in this area, with the Services business signing several new term and framework contracts.

These include a five-year framework contract for Yorkshire Water delivering environmental handling services and a three-year agreement with Stirling Council to provide transportation services for their waste recovery operations to name but two. Additionally, the business has made great progress at Sizewell C Nuclear Power Station, with additional work secured on preparatory earthworks in advance of any major works.

Furthermore, the Group has, for the third time in a row, secured a five-year NEC Term Service contract with CLP Power Hong Kong Ltd ("CLP") providing mechanical and electrical engineering services within planned and reactive maintenance operations. The award of the contract is not only testament to the high quality of service provision but also critical for the ongoing development within Hong Kong and the wider region, providing a stable platform for growth in the area.

The Services Group now holds a strong contract portfolio which has grown to over 65 term and framework contracts, many of which contain escalation clauses to insulate the Group from inflationary pressures, providing the business with visibility of over 70% of budgeted revenue heading into the new financial year. This provides a stable base from which to deliver reliable revenues and strong margins helping underpin the cash generation of the Group.

We note the recent announcement from Tungsten West plc ("TW") regarding the successful award of the operating permit for their Mineral Processing Facility at the tungsten mine in Devon. The announcement also noted that TW is well progressed with its latest feasibility study. The completion of this study will enable TW to undertake the capital raise required to bring the project into production. The Group remains party to an exclusive long-term Mining Services Contract with TW, which will commence should the project move to production. A further £1m instalment was received in July 2024, leaving a further £4m to be received.

Hargreaves Land

Hargreaves Land has delivered a record profit for the year of £8.2m (2023: £3.9m) which is particularly pleasing to see amidst a backdrop of uncertainty within the property market more generally.

The business has benefited from significant disposals, including the 8-acre site at Westfield, which held an Energy from Waste ("EfW") plant lease, which was sold for proceeds of £7.6m. Additionally, the business

completed the sale of 28 acres of land at Maltby raising proceeds of £4.9m.

Revenue for Hargreaves Land of £7.0m (2023: £10.6m) is lower than the prior year due to the mix of sales. The land at Westfield, which was sold in the year, was held as an Investment Property and therefore is not recognised as revenue.

The Group's largest project, Blindwells, has continued to be impacted by some uncertainty within the residential housing market as we have seen house builders delay purchases. The Group had anticipated a material sale to Avant Homes to complete in the second half of the year for a 20-acre site generating proceeds of £18.5m. Whilst contracts were exchanged, the completion has not yet taken place and is now expected to occur in the current financial year. The longer-term prospects of the Blindwells site remain positive, with high levels of interest in the plots we have brought to market during the year. Sale terms have been agreed on a further two development parcels bringing the total number of residential plots under offer or contract to 708. We expect the site to provide a substantial contribution in the current financial year. The project continues to represent a long-term, regular profit stream for Hargreaves Land with approximately 100 acres remaining in phase 1. Following the completion of phase 1, there is a second phase, for which a further planning allocation for up to an additional 1,500 homes is being progressed on 135 acres owned by the Group.

Progress has continued at the Group's other multi-phase development sites, including Westfield and Unity. Development works, which were started in the previous financial year have been completed at Westfield. There has been substantial interest in the site from industrial users and also for green energy storage.

At the start of FY24 demand for both residential and commercial plots was very subdued as rapidly rising interest rates and wider macro-economic uncertainty weighed on markets. This market fragility persisted into the second half of the year but as conditions stabilised and the medium-term outlook for interest rates moderated we saw a return of demand from house builders for serviced residential land in quality locations although values have yet to recover to levels seen at the peak of the market.

Commercial demand has been much slower to recover with increased construction costs combining with weaker investment values making scheme viability more challenging and this has only partially been offset by above inflation rental growth in many sectors.

Pipeline

As Hargreaves Land transitions to a lower-capital model the long-term pipeline of opportunities represents a key indicator of performance and opportunity for the business. We have seen significant progress in the building of the pipeline over the last few years. In the last twelve months alone, the business has exchanged contracts on five different schemes with a combined Gross Development Value ("GDV") of £210m. Additionally, the pipeline includes a further five schemes with an estimated combined GDV of £70m, which have terms agreed prior to exchange of contract.

The total estimated GDV of schemes on which the Group has exchanged contracts is now £1.1bn (2023: £940m). These schemes cover a total of 1,600 acres and represent a mix of residential and commercial developments. These schemes represent long-term opportunities and are expected to deliver a minimum margin of 15% of GDV.

Pipeline Summary	Number of sites	Residential plots	Acres	Estimated GDV
Residential (planning allocated)	5	5,560	763	£197m
Residential (planning promotion)	8	3,075	299	£130m
Commercial (planning allocated)	10	n/a	538	£770m
			1,600	£1,097m

Renewables

Significant progress has been made within the renewable energy asset portfolio in the year. Two windfarms on land owned by the Group are now operational and generating clean electricity. A third is under

construction and due to become operational by 2026. Option agreements were exchanged on a fourth windfarm project at the end of FY24 which is targeted to be under construction within the next five years. Of the six wind farm projects that require access across our land ("Access agreements"), two are fully operational, two are under construction and two are at pre-construction stage, having secured planning and grid connections.

The recent independent valuation of the Group's near-term renewable energy land assets of between £27.0m and £28.8m (2023: £27.2m and £28.9m) reaffirms the inherent value within these assets. The business remains focused on taking the first tranche of operational schemes to market within the coming financial year.

In addition to the well-established schemes there has been a lot of progress regarding new schemes on our land, including substantial new battery storage opportunities. The recent valuation covers eleven schemes, many of which are in operation, with a total MW output of 1,614MW. The Group has line of sight on a pipeline of an additional ten schemes with total output of 1,695MW which is not currently included within the valuation due to pre-planning or the long-term delivery timescales currently envisaged.

HRMS

The Group's share of post-tax profits from HRMS was £1.3m (2023: £15.5m). This represents a significant reduction in contribution from the joint venture which can be attributed to two main factors. First, a reduction in trading volumes which has been impacted by the German recession. Second, the impact of commodity pricing on the steel waste recycling process at DK.

The trading business has seen a return to more normal conditions following a period of two years during which volumes and pricing were extremely strong. This area of the business has seen traded volumes of 746kt, which compares to 1,020kt in the previous year. Additionally, average margin has been squeezed to 5.7% (2023: 6.4%). Yet despite this, the trading operation has delivered a local PBT of £10.0m (2023: £24.5m).

The other aspect of HRMS is the steel waste recycling operation, DK Recycling und Roheisen GmbH ("DK"). This facility takes in approximately 500kt of waste dusts from around Europe and produces pig iron and zinc for sale. In the current year DK has been impacted by several pricing pressures.

1. Pig iron sales pricing is down, impacted by the lack of any EU sanctions on pig iron imported from Russian sources.
2. Coke pricing, which is a key fuel in the process, has remained high impacted by the embargo on Russian imports.
3. Zinc pricing is down on the prior year, with the market price down as low as \$2,200 per tonne, compared to highs of over \$4,000 per tonne twelve months earlier.

This has resulted in DK delivering a local loss before tax of £7.4m (2023: £5.3m profit). However, this masks a bit of a turnaround in the second half of the year, which has seen the business deliver a profit for the final six months. This has been assisted by an improvement in gate fees on dust brought on site and a general improvement in pig iron and zinc pricing since the turn of the year.

Looking forward, there are reasons to be more positive about the coming financial year within DK. Most notably the cost of coke has been secured at lower prices, which will lead to a substantial improvement in the DK profitability. The higher gate fees recognised in the second half of the year will be in place for the whole of the new year. Finally, there has been an improvement in pig iron pricing as some modest sanctions on the importation of Russian product begin to have an impact.

Despite the overall reduction in contribution to PBT from the joint venture, I am pleased to report that HRMS made a cash payment to the Group of £7.8m during the year (2023: £4.0m). The management team of HRMS have agreed to maintain a minimum cash return to the Group of £7m per annum. It is important to note that this is not dependent on the performance of DK. This will be funded out of the ongoing profits of HRMS trading operations as there is no requirement to reinvest profits into working capital due to the significant headroom on their banking facility.

During the year, HRMS refinanced their Balance Sheet and now hold a €76m asset backed finance facility. One key aspect of this new facility is that it no longer requires an off-Balance Sheet guarantee from Hargreaves Services plc. As such, the €10m guarantee that was previously in place and recorded as a contingent liability has been removed.

has been removed.

Summary

The Group has seen strong performances within Services and Hargreaves Land and reduced profitability within HRMS. With a high level of secured revenue in Services, clear visibility of transactions in Land and early signs of a recovery in HRMS there are many reasons to feel positive about the coming year.

The business has a strong, debt-free balance sheet and we remain focus on creating, delivering and realising value for our shareholders.

Gordon Banham
Group Chief Executive
5 August 2024

Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 May 2024

	Note	2024 £000	2023 £000
Revenue		211,146	211,459
Cost of sales		(167,763)	(172,402)
Gross profit		43,383	39,057
Other operating income		6,404	4,918
Administrative expenses		(33,920)	(32,178)
Operating profit		15,867	11,797
Analysed as:			
Operating profit (before amortisation charges)		16,058	11,972
Amortisation of intangible assets		(191)	(175)
Operating profit		15,867	11,797
Finance income		2,078	1,612
Finance expense		(2,802)	(2,565)
Share of profit in joint ventures (net of tax)		1,533	16,311
Profit before tax		16,676	27,155
Taxation	3	(4,458)	771
Profit for the year		12,218	27,926
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit or loss</i>			
Loss in defined benefit pension schemes		(12,377)	(4,645)
Tax recognised on items that will not be reclassified to profit or loss		3,094	1,161
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign exchange translation differences		(569)	1,130
Share of other comprehensive income of joint ventures, (net of tax)		167	1,912
Other comprehensive expense for the year, net of tax		(9,685)	(442)

Total comprehensive income for the year	2,533	27,484
--	--------------	---------------

Profit/(loss) attributable to:

Equity holders of the Company	12,278	27,915
Non-controlling interest	(60)	11

Profit for the year	12,218	27,926
----------------------------	---------------	---------------

Total comprehensive income/(expense) attributable to:

Equity holders of the Company	2,593	27,473
Non-controlling interest	(60)	11

Total comprehensive income for the year	2,533	27,484
--	--------------	---------------

Basic earnings per share (pence)	4	37.78	85.85
Diluted earnings per share (pence)	4	37.00	84.13

Non-GAAP Measures

Basic underlying earnings per share (pence)*	4	38.22	86.28
Diluted underlying earnings per share (pence)*	4	37.43	84.55

* The basis of Underlying earnings per share is set out in Note 5

Group Balance Sheet at 31 May 2024

	Group	
	2024 £000	2023 £000
Non-current assets		
Property, plant and equipment	9,415	10,861
Right-of-use assets	40,675	39,815
Investment property	14,829	14,074
Intangible assets including goodwill	6,048	5,685
Investments in joint ventures	61,988	74,282
Trade and other receivables	4,000	-
Deferred tax assets	11,323	14,753
Retirement benefit surplus	1,259	8,474
	149,537	167,944
Current assets		
Inventories	49,325	39,302
Trade and other receivables	70,905	71,609
Contract assets	6,425	5,114
Cash and cash equivalents	22,700	21,859
	149,355	137,884
Total assets	298,892	305,828
Non-current liabilities		
Other interest-bearing loans and borrowings	(15,884)	(20,839)
Retirement benefit obligations	(2,979)	(2,902)
Provisions	(15,290)	(4,120)
Deferred tax liabilities	-	(3,417)
	(34,153)	(31,278)
Current liabilities		
Other interest-bearing loans and borrowings	(18,270)	(15,511)
Trade and other payables	(48,383)	(47,427)
Provisions	(4,524)	(10,467)

Income tax liability	(1,466)	(154)
	(72,643)	(73,559)
Total liabilities	(106,796)	(104,837)
Net assets	192,096	200,991
Equity attributable to equity holders of the Parent		
Share capital	3,314	3,314
Share premium	73,990	73,972
Other reserves	211	211
Translation reserve	(1,258)	(689)
Merger reserve	1,022	1,022
Hedging reserve	318	318
Capital redemption reserve	1,530	1,530
Share-based payment reserve	2,730	2,388
Retained earnings	110,510	119,136
	192,367	201,202
Non-controlling interest	(271)	(211)
Total equity	192,096	200,991

Group Statement of Changes in Equity for year ended 31 May 2024

Group	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Other reserves £000	Capital redemption reserve £000	Merger reserve £000	Share-based payment reserve £000	Retained earnings £000	Total Parent equity £000	Non-controlling interest £000	Total equity £000
At 1 June 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 and 1 June 2023	3,314	73,972	(689)	318	211	1,530	1,022	2,388	119,136	201,202	(211)	200,991
Total comprehensive income/(expense) for the year												
Profit/(Loss) for the year	-	-	-	-	-	-	-	-	12,278	12,278	(60)	12,218
Other comprehensive expense	-	-	(569)	-	-	-	-	-	(9,116)	(9,685)	-	(9,685)
Total comprehensive (expense)/income for the year	-	-	(569)	-	-	-	-	-	3,162	2,593	(60)	2,533
Transactions with owners recorded directly in equity												
Issue of shares	-	18	-	-	-	-	-	-	-	18	-	18
Equity-settled share-based payment transactions	-	-	-	-	-	-	-	342	-	342	-	342
Dividends paid	-	-	-	-	-	-	-	-	(11,788)	(11,788)	-	(11,788)
Total contributions by and distributions to owners	-	18	-	-	-	-	-	342	(11,788)	(11,428)	-	(11,428)

Group Cash Flow Statement for year ended 31 May 2024

	Group	
	2024 £000	Restated* 2023 £000
Cash flows from operating activities		
Profit for the year	12,218	27,926
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	16,212	14,570
Amortisation of intangible assets	191	175
Net finance expense	724	953
Share of profit in joint ventures (net of tax)	(1,533)	(16,311)
Profit on sale of property, plant and equipment, investment property and right-of-use assets	(6,204)	(4,718)
Equity-settled share-based payment expenses	342	359
Income tax expense/(credit)	4,458	(771)
Contributions to defined benefit pension schemes	(5,427)	(2,426)
Translation of non-controlling interest and investments	(217)	482
	20,764	20,239
Change in inventories	(10,024)	(8,827)
Change in trade and other receivables*	1,777	11,620
Change in trade and other payables*	5,358	(8,517)
Change in provisions and employee benefits	5,226	2,713
	23,101	17,228
Interest received	2,078	1,127
Interest paid	(2,548)	(2,192)
Income tax paid	(37)	(281)
Net cash inflow from operating activities*	22,594	15,882
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	219	6,565
Proceeds from sale of investment property	7,879	266
Proceeds from sale of right of use assets	115	81
Acquisition of property, plant and equipment	(2,254)	(3,442)
Acquisition of investment property	(1,040)	(5,783)
Acquisition of right of use assets	-	(85)
Payment for acquisition of subsidiaries, net of cash acquired	(500)	(1,447)
Dividends received from joint ventures	7,800	-
Repayment of loans due from joint ventures*	-	28,500
Draw down of loans due from joint ventures*	(683)	(16,830)
Loan to pension scheme in relation to buy-in	(4,000)	-
Net cash inflow from investing activities*	7,536	7,825
Cash flows from financing activities		
Principal elements of lease payments	(17,425)	(12,721)
Dividends paid	(11,788)	(6,701)
Draw down of loans from joint ventures*	-	3,954
Net cash outflow from financing activities *	(29,213)	(15,468)
Net increase in cash and cash equivalents	917	8,239
Cash and cash equivalents at 1 June	21,859	13,773
Effect of exchange rate fluctuations on cash held	(76)	(153)

Notes

1 Basis of preparation and status of financial information

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

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 May 2024 or 31 May 2023. Statutory accounts for 2023 have been delivered to the Registrar of Companies, and those for 2024 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

The Group has represented the 31 May 2023 cash flow statement due to a review of the prior year movement in joint venture loan balances where it was identified that they should be classified as investing and financing activities.

Going Concern

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 at this level until 31 October 2025. 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.

These results were approved by the Board of Directors on 5 August 2024.

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 earthworks 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.

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 2024 £000	Hargreaves Land 2024 £000	Unallocated 2024 £000	HRMS 2024 £000	Total 2024 £000
Revenue					
Total revenue	206,857	7,036	-	-	213,893
Intra-segment revenue	(2,747)	-	-	-	(2,747)
Revenue from external customers	204,110	7,036	-	-	211,146
Operating profit/(loss) (before amortisation)	13,665	7,694	(5,301)	-	16,058
Share of profit in joint ventures (net of tax)	-	250	-	1,283	1,533
Net finance (expense)/income	(2,293)	207	1,362	-	(724)
Amortisation charge	(191)	-	-	-	(191)
Profit/(loss) before taxation	11,181	8,151	(3,939)	1,283	16,676
Taxation	(2,764)	(1,704)	10	-	(4,458)
Profit/(loss) after taxation	8,417	6,447	(3,929)	1,283	12,218
Depreciation charge	15,905	129	178	-	16,212
Capital expenditure	16,884	1,096	202	-	18,182
Net assets/(liabilities)					
Segment assets	100,368	78,832	57,704	-	236,904
Segment liabilities	(95,327)	(5,389)	(6,080)	-	(106,796)
Segment net assets	5,041	73,443	51,624	-	130,108
Joint ventures	-	5,942	-	56,046	61,988
Total net assets	5,041	79,385	51,624	56,046	192,096

Unallocated net assets of £51.6m include cash and cash equivalents of £22.7m, deferred tax asset of £11.3m, amounts due from joint ventures of £17.0m, investments of £1.7m and other amounts due from £8.9m.

ventures of £17.0m, a net pension liability of £1.7m and other corporate items (£2.3m asset).

	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 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	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).

3 Taxation

Recognised in the Income Statement

	2024 £000	2023 £000
Current tax		
Current year	1,344	187
Adjustments for prior years	7	24
Current tax expense	1,351	211
Deferred tax		
Origination and reversal of temporary timing differences	2,267	2,382
Adjustments for prior years	840	(3,364)
Deferred tax expense/(credit)	3,107	(982)
Tax expense/(credit) in Income Statement (excluding share of tax of equity accounted investees)	4,458	(771)

The deferred tax adjustment in respect of prior years of £840,000 (2023: £3,364,000 credit) relates to the treatment of losses assumed to be unused in the previous year, which were ultimately utilised.

Recognised in Other Comprehensive Income

	2024 £000	2023 £000
Deferred tax expense		
Remeasurements of defined benefit pension schemes	3,094	1,161
	3,094	1,161

Reconciliation of Effective Tax Rate

	2024 £000	2023 £000
Profit for the year	12,218	27,926
Total tax expense/(credit)	4,458	(771)
Profit before taxation	16,676	27,155
Tax using the UK corporation tax rate of 25.00% (2023: 20.00%)	4,169	5,431
Effect of tax rates in foreign jurisdictions	(249)	(159)
Tax effect of joint ventures	(321)	(3,100)

Changes in unrecognised tax losses	(49)	(616)
Non-deductible expenses	224	776
Other temporary trading differences	(163)	237
Adjustment in respect of previous periods	847	(3,340)

Effective total tax expense/(credit)	4,458	(771)
--------------------------------------	-------	-------

The UK corporation tax rate increased from 19% to 25% on 1 April 2023, therefore a blended rate of 20.00% was used in the prior year.

Factors That May Affect Future Current and Total Tax Charges

The corporate tax rate increased from 19% to 25% on 1 April 2023. There are no known changes planned for the rate of UK corporate tax. The deferred tax balances at 31 May 2024 and 31 May 2023 have been calculated based on the rate substantively enacted at the balance sheet date of 25%.

4 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.

	2024			2023		
	Earnings £000	EPS Pence	DEPS Pence	Earnings £000	EPS Pence	DEPS Pence
Underlying earnings per share	12,361	38.22	37.43	28,066	86.28	84.55
Amortisation (net of tax)	(143)	(0.44)	(0.43)	(140)	(0.43)	(0.42)
Basic earnings per share	12,218	37.78	37.00	27,926	85.85	84.13
Weighted average number of shares		32,345	33,021		32,528	33,193

The calculation of weighted average number of shares includes the effect of own shares held of 332,401 (2023: 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 676,305 (2023: 665,549); effect on basic earnings per ordinary share in the current year is 0.78p (2023: 1.72p). Effect on underlying earnings per ordinary share is 0.79p (2023: 1.73p).

5 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 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.																								
	<table><tr><td></td><td>2024 £000</td><td>2023 £000</td></tr><tr><td>Profit before tax</td><td>16,676</td><td>27,155</td></tr><tr><td></td><td>191</td><td>175</td></tr><tr><td>Amortisation of intangible assets</td><td></td><td></td></tr><tr><td>Underlying Profit before Tax</td><td>16,867</td><td>27,330</td></tr></table>		2024 £000	2023 £000	Profit before tax	16,676	27,155		191	175	Amortisation of intangible assets			Underlying Profit before Tax	16,867	27,330									
	2024 £000	2023 £000																							
Profit before tax	16,676	27,155																							
	191	175																							
Amortisation of intangible assets																									
Underlying Profit before Tax	16,867	27,330																							
Basic underlying earnings per share	Profit attributable to the equity holders of the Company prior to amortisation of intangible assets after tax divided by the weighted average number of ordinary shares during the financial year adjusted for the effects of any potentially dilutive options. See Note 4.																								
EBITDA	EBITDA is defined as profit before tax 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 and investment property.																								
	<table><tr><td></td><td>2024 £'000</td><td>2023 £'000</td></tr><tr><td>Profit before tax</td><td>16,676</td><td>27,155</td></tr><tr><td>Depreciation</td><td>16,212</td><td>14,570</td></tr><tr><td>Amortisation of intangible assets</td><td>191</td><td>175</td></tr><tr><td>Net finance expense</td><td>724</td><td>953</td></tr><tr><td>Share of profit in joint ventures (net of tax)</td><td>(1,533)</td><td>(16,311)</td></tr><tr><td>Profit on sale of fixed assets and investment property</td><td>(6,204)</td><td>(4,718)</td></tr><tr><td>EBITDA</td><td>26,066</td><td>21,824</td></tr></table>		2024 £'000	2023 £'000	Profit before tax	16,676	27,155	Depreciation	16,212	14,570	Amortisation of intangible assets	191	175	Net finance expense	724	953	Share of profit in joint ventures (net of tax)	(1,533)	(16,311)	Profit on sale of fixed assets and investment property	(6,204)	(4,718)	EBITDA	26,066	21,824
	2024 £'000	2023 £'000																							
Profit before tax	16,676	27,155																							
Depreciation	16,212	14,570																							
Amortisation of intangible assets	191	175																							
Net finance expense	724	953																							
Share of profit in joint ventures (net of tax)	(1,533)	(16,311)																							
Profit on sale of fixed assets and investment property	(6,204)	(4,718)																							
EBITDA	26,066	21,824																							
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:																								
	<table><tr><td></td><td>2024</td><td>2023</td></tr><tr><td>Total shares in issue</td><td>33,138,756</td><td>33,138,756</td></tr><tr><td>Less shares in treasury</td><td>(332,401)</td><td>(611,118)</td></tr><tr><td>Shares for calculation</td><td>32,806,355</td><td>32,527,638</td></tr></table>		2024	2023	Total shares in issue	33,138,756	33,138,756	Less shares in treasury	(332,401)	(611,118)	Shares for calculation	32,806,355	32,527,638												
	2024	2023																							
Total shares in issue	33,138,756	33,138,756																							
Less shares in treasury	(332,401)	(611,118)																							
Shares for calculation	32,806,355	32,527,638																							
	<table><tr><td>Net Asset Value per Balance Sheet</td><td>£192,096,000</td><td>£200,991,000</td></tr></table>	Net Asset Value per Balance Sheet	£192,096,000	£200,991,000																					
Net Asset Value per Balance Sheet	£192,096,000	£200,991,000																							
	<table><tr><td>Net Asset Value per share</td><td>£5.86</td><td>£6.18</td></tr></table>	Net Asset Value per share	£5.86	£6.18																					
Net Asset Value per share	£5.86	£6.18																							

6 Posting of Report & Accounts

The Group confirms that the annual report and accounts for the year ended 31 May 2024 will be posted to shareholders as soon as practicable and a copy will be made available on the Group's website:

www.hsgplc.co.uk

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@seg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

FR EAKPSEESLEFA