16 March 2021: 7am

HARWORTH GROUP PLC

UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

STRONG 2020 PERFORMANCE AND WELL-POSITIONED TO PLAY A KEY ROLE SUPPORTING GOVERNMENT AGENDA ON HOUSING, LEVELLING UP AND THE GREEN ECONOMY

Harworth Group plc ("Harworth" or the "Group"), a leading regenerator of land and property for sustainable development and investment, announces its preliminary results for the year ended 31 December 2020.

Key Non-Statutory Measures (1)	**2020**	2019	**Key Statutory Measures**	**2020**	2019
Total return (%)	**3.0**	7.8	Operating profit (£'m)	**27.8**	24.3
EPRA NDV(2) per share (p)	**160.0**	155.6	Net asset value (£'m)	**488.7**	463.8
Value gains (£'m)	**22.3**	44.0	Basic earnings per share (p)	**8.0**	7.9
Profit excluding value gains (£'m)	**3.5**	3.5	Total dividend per share (p) (3)	**1.8**	0.3
Net loan to portfolio value (%)	**11.5**	12.1	Net debt (£'m)	**71.2**	70.9

Harworth's Chief Executive, Lynda Shillaw, said:

"Our results for 2020 give us great confidence in the strength and resilience of our underlying business and our ability to grow and prosper, despite the disruption caused by COVID-19.

"I was delighted to join Harworth as Chief Executive in November and I am excited to be leading the business through its next phase of growth. During 2020 we again benefitted from the expertise of our specialist and highly experienced teams, a long track-record of building and developing a high quality strategic landbank, and an unrivalled focus on creating places where people want to live and work.

"Demand for our serviced land has remained strong and we continue to see this in the first few months of 2021 as we also make progress across the portfolio and explore potential acquisitions. Together with our strong balance sheet and opportunities in our core residential and logistics sectors, we are very well-placed to trade successfully through the pandemic and play a key role in delivering the infrastructure the country needs for regional economic recovery and long-term growth."

CONTINUED GROWTH DURING 2020 SUPPORTING HIGHER DIVIDEND

- EPRA NDV per share growth of 2.8% to 160.0p (2019: 7.2% to 155.6p) reflecting continued progress, profitable sales across our sites and the robust fundamentals of the logistics and family-housing residential markets
- Operating profit increased by 14.4% to £27.8m (2019: £24.3m) and profit excluding value gains of £3.5m (2019: £3.5m)
- Recommended final dividend per share of 1.466p: reflecting underlying growth of 10% and supplemented to reflect the cancellation of the 2019 final dividend at the start of the pandemic(3), demonstrating the Board's confidence in the business

MASTER DEVELOPER EXPERTISE DEMONSTRATED IN PORTFOLIO RESILIENCE AND VALUATION UPLIFT

- Revenue from Capital Growth of £49.6m following completion of all major planned serviced land sales totalling 92.7 acres all at pricing ahead of, or in line with, 2019 book values
- Development progress during 2020 helped to drive increased value at major development sites
- Strong pipeline having secured planning consents for a further 1.1m sq. ft of industrial space and 300 residential plots
- As at 31 December 2020, planning applications for more than 1.3m sq. ft of employment space and over 2,500 residential plots had been submitted and were awaiting determination
- Post year end, submitted outline planning application for a further 2.9m sq. ft of employment space
- Substantial long-term pipeline of strategic land which stood at 30,668 plots and 27.3m sq. ft as at 31 December 2020

GROWTH OF INCOME PORTFOLIO THROUGH ACQUISITIONS AND ASSET MANAGEMENT

- Revenue from Income Generation of £20.4m (2019: £23.5m) predominantly made up of rental income
- Annualised rental and royalty income increased by 32.0% to £19.8m (2019: £15.0m) following acquisitions, lettings and lease re-gears
- Four Income Generation acquisitions made for a combined consideration of £40.0m, reflecting a blended Net Initial Yield of 8.4%.
- Demand for good quality industrial space remains strong with a low year-end portfolio vacancy rate of 4.5% (2019: 6.2%)
- Robust Business Space rent collection through active asset management with an average collection of 96% of rent due for the year

UNIQUELY POSITIONED TO CONTINUE DELIVERING SHAREHOLDER VALUE

- Appointment of Lynda Shillaw as Chief Executive Officer in November 2020 to position the business for further growth over the next decade
- Strategic focus remains on the 'beds and sheds' sectors in the North and the Midlands
- Well capitalised with Net Loan to Portfolio Value of 11.5% at the bottom of target range and substantial available liquidity of £62.7m as at 31 December 2020 providing firepower to execute on significant acquisition pipeline
- COVID-19 pandemic has highlighted more than ever the need and demand for well-designed, attractive and sustainable places for people to live and work in
- ESG is at the heart of our business, fundamental to how we operate and reflected in our Purpose to invest to transform land and property into sustainable places where people want to live and work

Footnotes:

1. *Harworth discloses both statutory and alternative performance measures (APMs). A full description and reconciliation to the APMs is set out in Note 2 to the financial information*
2. *European Public Real Estate Association Net Disposal Value*
3. *If the 2019 full year dividend had not been cancelled and included within the 2020 final dividend, the 2020 dividend would have been 1.102p per share, an increase of 10% on the original declared 2019 dividend*

-ENDS-

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Results Presentation

Harworth will be holding a live webcast presentation for analysts and investors starting at 09.45am today. This can be accessed via the following link:

https://webcasting.brrmedia.co.uk/broadcast/603d23d11e24d464e23e4ac5

ABOUT HARWORTH GROUP PLC

Listed on the premium segment of the main market, Harworth Group plc (LSE: HWG) is a leading sustainable regenerator of land and property for development and investment which owns, develops and manages a portfolio of approximately 16,000 acres of land on around 100 sites located throughout the North of England and Midlands. The Group specialises in the regeneration of large, complex sites, in particular former industrial sites, into new residential developments and employment areas (www.harworthgroup.com).

This announcement contains certain forward-looking statements which, by their nature, involve risk, uncertainties and assumptions because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements. Any forward-looking statements made by or on behalf of the Group are made in good faith based on current expectations and beliefs and on the information available at the time the statements are made. No representation or warranty is given in relation to these forward-looking statements, including as to their completeness or accuracy or the basis on which they were prepared, and undue reliance should not be placed on them. The Group does not undertake to revise or update any forward-looking statement contained in this announcement to reflect any changes in its expectations with regard thereto or any new information or changes in events, conditions or circumstances on which any such statement is based, save as required by law and regulations. Nothing in this announcement should be construed as a profit forecast.

STATEMENT OF THE CHAIR

Introduction

In a year in which we all seem to have had everything possible thrown at us I am very proud of what the Harworth team has achieved. Despite the disruption to the way in which we, and all those with whom we deal, normally work, the business largely delivered what it had set out to at the beginning of the year in terms of progress on developments, site sales, and the acquisition of additional income generating properties. The extent of the £45.5m value gains realised in the second half has been particularly encouraging, reflecting in part the strong progress we have made across our sites, both in terms of planning and partial realisations at or above book value, and also our team's effective asset management of income-generating properties to improve valuation yields. This performance allows us to show a 5.4% increase in net asset value and 3.1% increase in EPRA NDV across 2020 as a whole, a very creditable result in an extraordinary year.

COVID-19

Thanks to the work our team had undertaken on our IT infrastructure over the 12 months preceding the first wave of the pandemic we were able, effectively overnight, to move entirely to home working across our offices, and this has continued to the present day. Our first priority has been, and remains, the safety of our people and those with whom we interact. Whilst maintaining appropriate precautions and observing government guidelines our contractors have been able to deliver the substantial works we had planned on our sites, making it possible to realise the first sale on our important development at South East Coalville in Leicestershire, and further phases at our Waverley flagship site in Rotherham, at Micklefields (Flass Lane) in Castleford, and at Thoresby. I would also like to express my thanks to all our other stakeholders, in particular the planning authorities with whom we interact and the contractors, consultants and professional services firms that support our development activity, for the way in which they have maintained what for us are essential services during these very difficult times.

Business Value

The reduction at the half year in the valuation of our portfolio of major residential developments was inevitable given market uncertainty at the time, particularly as to future development timescales to sales realisation. We were, therefore, very pleased to see valuations move forward strongly in the second half, reflecting the good progress that we had achieved on major developments such as the Advanced Manufacturing Park at Waverley, asset management initiatives we had taken which resulted in improved valuation yields on parts of our income generating portfolio such as at Brierley Hill in the West Midlands, and the reversal in part of first half reductions on residential sites as we continue to sell sites at or ahead of book value on developments such as South East Coalville.

Along with much of the market, our share price fell in 2020 with the onset of the pandemic and, as I write, it remains at a 21% discount to EPRA NDV. We are clear that the way to narrow this discount is to trade strongly by delivering a well thought through strategy, and to communicate very clearly our progress and potential to both current and potential investors. These are the key measures of success against which the Board will assess the achievement of our management.

Dividends

Whilst we understand that with a yield of only 0.87% it is not dividends that drive investor appetite for Harworth, we recognise that the payment of dividends is an important litmus test of a company's progress and potential. As I said in my last statement written in June 2020, we had to be prudent in the face of the uncertainty created by the first wave of the pandemic and plan accordingly, key to which was ensuring the financial security of the business. For this reason, we decided with regret not to pay the 2019 final dividend but to review the potential to catch this up later in the year when we understood better the implications of the pandemic for our business. Having achieved strong sales during the second half of 2020 and with £50m undrawn debt facilities at the beginning of 2021 we have the confidence to declare a 1.466p 2020 final dividend. This includes both the passed over 2019 final dividend of 0.698p and a 2020 final dividend of 0.768p, and represents a 10% underlying progression of dividends in respect of the 2020 year.

Our Strategy

Last year I explained the relevance of our Purpose: “Harworth invests to transform land and property into sustainable places where people want to live and work”. The previous year I took as my theme that Harworth is all about its people: I wrote that our ability to create value derives from their ability to identify opportunities; create master plans; negotiate acquisitions, disposals, and leases; develop relationships with local stakeholders; build partnerships with funders, developers, house-builders, and commercial clients; devise innovative remediation solutions for complex heavy industrial legacies; identify the right point in the market to offer sites for sale; and manage complex projects requiring the organisation of and interaction with multiple professional advisers and contractors. The 74 people who make up Harworth are specialist professionals in the various aspects of delivering our Purpose – that is what Harworth is, hence our strategy will always be directly aligned with that Purpose. It may vary in terms of its geographic and sectoral reach and which parts of the value chain Harworth itself undertakes but the fundamentals of our strategy will not change as these are derived from our Purpose.

It is entirely appropriate, and to be expected, that as an incoming Chief Executive, Lynda Shillaw will, once she has settled into the role and completed her first year-end, undertake a comprehensive review of the business and propose to the Board her medium-term objectives and the path to their delivery. However, for the reasons set out above and because our shareholders have invested in Harworth because of what we are and do, I anticipate this to be evolution not revolution.

Our Purpose aligns clearly with the direction society is taking to place much greater emphasis on sustainability and the environment, whilst our primary sectors of edge of settlement residential and commercial logistics are coming into even stronger focus post-COVID-19 as families place greater value on their home space and the trend to online retail accelerates. Our Northern operations are also well placed to benefit from the Government’s levelling-up agenda and from its continued focus on boosting the rate of UK housebuilding.

Our Board

2020 was a year of significant change. First and foremost we said goodbye at the end of October to Owen Michaelson who retired after 10 years as Harworth’s Chief Executive. During that time he had taken the business from being the estates division of UK Coal, focussed on extracting cash to support the core mining business, to a premium-listed company with its own clear identity and purpose and to a position where its coal legacy is fast becoming a minor part of its activities. Owen takes with him our grateful thanks and our best wishes for the future.

In his place we are delighted to have Lynda Shillaw join us as Chief Executive. Lynda comes to us after a long career in real estate, much of it in the North of England, bringing with her a deep understanding of our markets and strong existing relationships with many of our stakeholders. Previously she was Group Property Director and a Board Member at the listed Town Centre Securities plc where she led the management of its land and property and its development pipeline. Before that she was Divisional CEO, Property at the Manchester Airports Group, where she was responsible for its investment portfolio and development land bank, including its “Airport City” joint venture.

The end of October also marked the retirement after 9 years of Lisa Clement, our Senior Independent Director, who also chaired our Remuneration Committee. At the same time, we were sad to say goodbye to Andrew Cunningham who had joined the Board in 2016 and chaired our Audit Committee. We have much to thank both of them for and will miss their wise counsel. As a consequence, Angela Bromfield assumed the role of Senior Independent Director and became chair of the Remuneration Committee, and Patrick O’Donnell Bourke joined the Board as an Independent Non-Executive Director to take the role of chair of the Audit Committee.

Patrick has significant senior international experience in investing in, and managing, infrastructure, as well as having worked extensively in the electricity and renewable energy sectors. His most recent executive role was that of Group Finance Director for John Laing Group plc from 2011 until his retirement in 2019.

In anticipation of Lisa Clement’s retirement we announced at the half-year the appointment to the Board of Lisa Scenna as an Independent Non-Executive Director who has joined our Remuneration and Audit committees. Lisa has over 20 years' experience working at executive director level in large multinational corporations both private and publicly listed with a strong background in strategic and financial business change. Her most recent executive role was with Morgan Sindall Group as Managing Director of MS Investments.

As Chair I am delighted by the depth of relevant experience and the diversity of thought, background, and gender that we have around the Board table. I am confident that we have a team capable of adding significant value over the coming years and l much look forward to being able to hold physical Board meetings again!

Thank you

First and foremost a huge thank you to our people for what the business achieved last year despite the extraordinary environment created by COVID-19. So many went above and beyond despite all the personal concerns that the pandemic has brought with it. They would not have achieved what they did without strong clear leadership by our executive team who displayed sound judgement through a very uncertain period. We would also not have done what we did without the support of those stakeholders who are pivotal to the success of our projects, and without the belief of our customers in the quality and relevance to their businesses of the sites we create – to them also, thank you.

Alastair Lyons
Chair
16 March 2021

Footnotes:

(1) Harworth discloses both statutory and alternative performance measures (APMs). A full description and reconciliation to the APMs is set out in Note 2 to the financial information

CHIEF EXECUTIVE'S STATEMENT

A PERSONAL PERSPECTIVE

I joined Harworth as Group Chief Executive Officer at the beginning of November 2020, arriving in the business as the country went into a second COVID-19 lockdown. The global pandemic has dominated 2020 for most businesses, and Harworth has been no exception: that said, our performance in 2020 was very robust and we successfully navigated the resulting changes to working practices, maintaining focus on delivery throughout the year.

From the initial lockdown in March when we closed our offices in response to Government guidance, we have focussed on the health and wellbeing of our people, our partners, our customers, the communities in which we operate and the long-term financial strength of the Group. Harworth did not furlough any staff in 2020 and apart from the initial shutdown of construction sites at the beginning of the March lockdown we, along with our supply chain and customers, have continued to operate our sites safely and deliver key sales. As was evident from our 2020 Annual Employee Engagement Survey, morale has remained high and engagement levels amongst our people remain in the top decile. Their passion for the business, what we deliver, how we do it and living our values are, I believe, key differentiators of our business.

Since I first met members of the Harworth team, I have been consistently impressed by the quality of our people and the way that we go about our business. The Group has assembled a talented group of individuals who have a strong sense of social justice and are committed to our Purpose and to doing things in the right way, for the communities in which we work and which we help shape. The culture of the business is apparent in everything we do and our unique assets and financial strength underpin the long-term nature of the business. I believe that Harworth is one of a kind: a Master Developer with a unique combination of skills which have evolved as it successfully regenerated its legacy coal mining assets for employment and housing, and now increasingly focused on ambitious new strategic land and major development projects which make up more than 50% of our portfolio today. The scale of the opportunity at sites such as Waverley, Ironbridge and Coalville cannot fail to impress and our products of well-designed, sustainable new places where people want to live and work are more relevant than ever following the COVID-19 pandemic.

It is also very clear that ESG is at the core of what Harworth does as a business. It is so much more than a series of statements, a tick-sheet or targets that are not fully relevant to our business: it is absolutely fundamental to how we operate, from major site remediation to master planning, place making, mineral extraction and energy generation. It is a source of enormous pride for our people. The range of what we do is significant and enhancement of the natural environment and creating great places for existing and new communities are fundamental elements of what we deliver. However, it also goes beyond this with the ongoing curation, oversight of and involvement in the developments on our sites, and the way that we work in partnership with local authorities, communities, universities, employers and housebuilders to continue to deliver exceptional outcomes. ESG is at the core of our Purpose.

Harworth is headquartered in Rotherham and our teams live and work in the regions in which we operate: this is very important. We have a deep understanding of those regions and the people who live and work there. We are focussed on regenerating and improving local economies and outcomes for our communities by working in partnership with key local stakeholders.

We are likely to feel the impact of COVID-19 for years to come as significant social divides have been laid bare, be they economic or digital. Wellness, mental health and access to open space have moved rapidly up society's agenda and the importance of 'community' throughout the pandemic is something we have not seen for many years. **What Harworth does matters** and we intend to play a leading role in the Government's levelling up agenda and in driving the green economy in the UK. Harworth is well-positioned to be a key partner to central and local government in rebalancing the economy, as well as continuing to create long-term value for our investors. Our core sectors of residential land and industrial property are both subject to long-term structural under-supply, providing resilience to the business through the cycle. Our ability to work with government to regenerate and transform major sites that have either been vacant for decades or are what they are because of structural changes in the economy, such as power stations and steelworks, has been proven, for example, at sites such as Waverley. Put simply, Harworth has the track-record, the capabilities, and the strategic sites to deliver more projects like Waverley across our core regions.

STRONG RESULTS DEMONSTRATE OUR RESILIENCE IN CHALLENGING TIMES

Despite the challenges posed by the global pandemic, Harworth delivered strong results in 2020 which is testimony both to the quality of our underlying business and the resilience and dedication of our teams. We continued to work through two national lockdowns during the year and were able to complete all our major targeted sales for the year, as well as undertake a number of important acquisitions that will drive our future growth.

Over the year, net asset value grew to £488.7m from £463.8m with EPRA NDV increasing to £515.9m (2019: £500.5m) representing EPRA NDV per share growth of 2.8% (2019: 7.2%) to 160.0p (2019: 155.6p). This growth reflects the quality of our serviced land, the strength of the underlying markets in our core regions, the diversity of our portfolio, and the hard work of our teams in progressing sites and working closely with our customers. We were able to drive value gains from our underlying portfolio by continuing to prepare land for redevelopment, bringing forward and securing planning consents on major schemes, delivering sales for future residential and industrial end-uses and from active asset management of our diversified portfolio.

During 2020, the Group was able to complete all its major serviced land sales, driving value gains for the year. In total we sold 92.7 acres of serviced land comprising 873 residential plots, 48,640 sq. ft of commercial space, and land for an energy from waste facility for a combined consideration of £59.7m, at prices ahead of, or in line with, their 2019 book values. The continuing level of strong demand confirms the popularity and quality of our products and the relevance of our core Purpose of remediating and transforming land into attractive, sustainable places where people want to live and work. The COVID-19 pandemic has, if anything, accentuated the importance of the places that we create.

2020 also highlighted the importance and resilience of our investment portfolio in supporting the business with regular income which covers business overheads and finance interest payments, as well as providing the Group with additional value-add opportunities. Our team's active approach to managing our income portfolio has ensured that, despite the uncertain economic backdrop, we continued to collect rent successfully from our tenants across the whole period with 96% of rent collected in 2020. The vacancy rate in our Business Space portfolio stood at 4.5% at 31 December 2020 (2019: 6.2%) and we continue to see strong tenant interest for good quality industrial and logistics space. Combined across our Income Generation and Capital Growth teams, our earnings per share increased to 8.0p per share (2019: 7.9p).

ADDING TO OUR LAND AND INCOME PORTFOLIO FOR FUTURE GROWTH

Capital Growth

During the year we successfully added to our long-term pipeline of strategic land through land purchases of over 132 acres for a combined consideration of £10.5m. We also entered into three Planning Promotion Agreements (PPAs), including a potential new residential site in the West Midlands that could eventually deliver around 1,300 plots. As at 31 December 2020, our long-term pipeline stood at 30,668 residential plots and 27.3m sq. ft of employment space (31 December 2019: 29,596 plots and 24.4m sq. ft). Replenishing and growing our long-term pipeline of strategic land in our core areas are key to the future growth of our portfolio and remain a strategic priority for the Harworth management team.

Disposal of non-core assets

In line with our strategy of focusing our capital and management attention on adding value to sites that we believe can deliver significant capital growth or income, we continued to refine our portfolio during the year with the sale of sites totalling 2,335 acres. Much of this was agricultural land or mature income sites which we believe have limited development potential.

Growing our income-producing portfolio

During the year we also delivered on our strategy of growing our income portfolio, so that income therefrom will continue to cover all Group overheads as the business expands. Further details are provided below: during the year, we made four income-producing acquisitions for a total consideration of £40.0m, reflecting a blended Net Initial Yield of 8.4%.

PREPARING LAND TO CREATE NEW COMMUNITIES AS MASTER DEVELOPER

As a Master Developer a core capability is our ability to assemble packages of strategic land and bring them forward successfully through the planning system. Obtaining planning permissions in the UK is often not straightforward, but one of our core skillsets is managing complex planning applications, often with multiple owners, and working closely with Local Planning Authorities (LPAs) to achieve consent. Our experience with the LPAs in our core regions and our reputation for delivering high-quality, well-designed projects that benefit the local community and environment are key to our success in this area.

The Government's *Planning for the Future* White Paper was put out to consultation in August, proposing reforms of the UK planning system. The Government remains committed to the delivery of its target of 300,000 new homes each year. We have responded to Government as part of the consultation process, confirming that we are cautiously supportive of the proposed White Paper and are keen to work with Government to refine the plans following the conclusion of the consultation process.

The current planning system has adapted to the challenges of COVID-19 and while we have seen some delays, many LPAs quickly moved their planning committees to virtual meetings to determine applications. However there has also been some slippage in some Local Plans which we continue to factor into our plans.

During the year, we were successful in securing planning consent on a number of sites, including a 300-plot residential site at Woodville which is the subject of a PPA and permission for a further 1.1m sq. ft of industrial space at our Gateway 36 development in Barnsley where we have previously obtained consent for 0.2m sq. ft. Additionally, we have a number of applications currently in the planning system; as at 31 December 2020, applications for more than 1.3m sq. ft of employment space and over 2,500 residential plots were awaiting determination. Of these, the most significant are our application for 1.1m sq. ft of commercial space at our Wingates development where we expect the outcome of the recent Examination in Public shortly and our application at Ironbridge for 1,000 homes, together with a range of leisure and supporting uses.

DELIVERING ENGINEERED LAND FOR NEW HOMES AND INDUSTRIAL SPACES

Despite the challenges of the global pandemic, we were able to continue safely the infrastructure and development works on all our development sites. The safety of our employees and those who work alongside us remained our top priority throughout the year, and it is a huge testimony to their hard work and dedication that we were able to achieve this. Underlying demand for Harworth's quality products from purchasers of residential and commercial land remained strong, despite the disruption caused by the pandemic. Highlights of the total property sales of £75.8m completed during the year included:

- 19.5 acres of industrial land at Skelton Grange near Leeds to Wheelabrator Technologies for a total consideration of £13.0m
- Plot C1, a 2.2 acre plot at Logistics North to A&F Forecourts Ltd

- 16.0 acres of residential land to Redrow at South East Coalville which represented Harworth's first transaction with Redrow
- 16.0 acres at Thoresby Vale in Nottinghamshire to David Wilson Homes
- 12.5 acres representing the second phase of South East Coalville to Bellway. This transaction was the first between Harworth and Bellway and the seventeenth housebuilder to which Harworth has sold engineered land since its formation; and
- Two parcels of land in Yorkshire at Waverley and Micklefields (Flass Lane) to Avant Homes, with the latter marking the completion of the last residential sales on that site

MAXIMISING OUR INVESTMENT PORTFOLIO

Our investment portfolio provides a recurring income stream needed to cover our overhead and finance interest costs, as well as making a significant contribution to our profits and value gains. During the year, our portfolio generated revenue of £20.4m (2019: £23.5m). Income is generated from our Business Space portfolio and from our position as landlord on our Natural Resources schemes, which include renewable energy generation. Our strategy is to use our in-house asset management skills and experience to maximise capital values and rental income, to grow our portfolio through the purchase of high-yielding investments where we can add further value through active asset management, and to undertake selective direct development of industrial space on our existing sites. In time, it is our intention to grow our investment portfolio to a scale that would allow us to sell assets once we believe that their value potential has been maximised.

Existing investments

The tenant base of our investment portfolio is predominantly industrial and well diversified between different economic sectors. This has provided a high degree of resilience during the pandemic. Furthermore, our Income Generation team was very proactive throughout the year, working with our tenants during each of the lockdowns, in line with the Government code of practice, supporting them to trade through the period of economic disruption. Where necessary this included moving a small number to monthly payment plans. As a result, we collected 96% of the total rent owed for the year as a whole.

Our team were also extremely successful in agreeing new and renewed lettings during the year. The year-end average vacancy rate across our portfolio remained low at 4.5% (2019: 6.2%), with a weighted average unexpired lease term (WAULT) of 12.5 years (2019: 13.5 years).

Four new acquisitions

During the year, we continued our strategy of adding high-yielding assets with asset management potential to our investment portfolio, investing a total consideration of £40.0m in four income-producing acquisitions:

- Thorns Road Industrial Estate near Dudley for £10.1m plus costs, reflecting a Net Initial Yield of 10.2% and a Reversionary Yield of 12.8%. The site's fully-let industrial units totalling 360,000 sq. ft generate rent of £1.1m per annum and a further 4.2 acres of vacant land provide further asset management potential.
- Two Short Term Operating Reserve (STOR) facilities in 2020: one in Gloucester for £1.2m plus costs reflecting a Net Initial Yield of 8.3% and one in Newport for £0.5m plus costs reflecting a Net Initial Yield of 8.5%.
- Our largest income-producing acquisition during the year was the off-market purchase for £26.0m plus costs of Saturn Park, Knowsley. The passing annual rent of £2.1m has a WAULT of 5.3 years, reflecting a Net Initial Yield of 7.7% and a Reversionary Yield of circa 9.0%.

Direct development activities

We progressed three direct development opportunities on our commercial development sites. This was in line with our stated strategy to undertake a limited number of such developments providing they satisfy three key tests: customer demand, funding and covenants, and projected returns that meet our corporate risk appetite.

In the second half of the year, we completed the 23,000 sq. ft research facility at the Advanced Manufacturing Park in Rotherham, which has been let to the UK Atomic Energy Authority on a 20-year lease.

Given the strong demand for industrial space in the region and the low vacancy rates in our portfolio, we made the decision to start construction on a new 50,800 sq. ft unit on the last remaining vacant plot at Logistics North. Works started towards the end of 2020 and are expected to be completed later this year. We also built two retail units at Riverdale Park and Waverley, which have both been leased to Costa Coffee.

Our People

Since joining the Group last November, it is very clear to me that one of Harworth's greatest strengths is our people. They give us not just the skills required to transform land and property and create new communities for people to live and work, but through their hard work and dedication they also provide the drive and determination to deliver these projects on time and on budget, whatever the circumstances. This was particularly evident during 2020 in the face of the global pandemic; with the health and safety of our staff of paramount importance, we were able to remain fully operational throughout the lockdowns. During the year, we recruited several new members to the team to provide extra resources and skills and experience where needed.

Outlook

Looking ahead, while it seems that there is still some way to go to get back to a normal business environment in 2021, our results for 2020 give us great confidence in the strength and resilience of our underlying business and our ability to grow and prosper, despite the disruption caused by COVID-19. It is particularly reassuring that demand for our residential and industrial products in our core regions has remained strong throughout. We are undertaking a comprehensive review of the business to ensure that we both optimise the returns from our existing portfolio and continue to be well positioned to deliver growth and sustainable shareholder returns going forward. This work will be undertaken over the spring and summer 2021. It will build on our existing strengths, scale and the key attributes that position us to succeed: specialist and highly experienced teams; a long track record of acquiring, assembling and developing our unique strategic landbank; an unrivalled focus on creating places where people want to live and work and the ongoing curation of the places that we and our partners create; the scale and optionality of our strategic pipeline and our ability to unlock the latent value in the land portfolio; and our robust financial position and balance sheet strength.

I am delighted to have joined Harworth and I am excited to lead the business through its next phase of growth. I believe that Harworth can play a key role in helping local and central government deliver on their core agendas on housing, 'levelling up', and the green economy, and that our Purpose, the culture of our business and the way that we create and curate places are more relevant now than ever. Demand for our serviced land has remained strong and we continue to see this in the first few months of 2021 as we also make progress across the portfolio and explore potential acquisitions. Together with our strong balance sheet and opportunities in our core residential and logistics sectors, we are very well-placed to trade successfully through the pandemic and play a key role in delivering the infrastructure the country needs for regional economic recovery and long-term growth.

Lynda Shillaw
Chief Executive Officer
16 March 2021

Footnotes:

(1) Harworth discloses both statutory and alternative performance measures (APMs). A full description and reconciliation to the APMs is set out in Note 2 to the financial information

Financial Review

Financial Highlights

Whilst impacted by COVID-19, the solid operational performance throughout 2020 allowed us nonetheless to achieve 2.8% growth in EPRA NDV per share across the year.

During the period, revenue from our Capital Growth division, comprising sales of serviced land, totalled £49.6m. This was lower than 2019 (£62.0m), predominantly the result of revising scheduled activities on site as the COVID-19 pandemic unfolded. We prioritised expenditure on sites to achieve year-end sales and we were pleased that all major sales were secured and completed on sites as planned. Achieving these sales continues to demonstrate strong underlying demand for our sites and our ability to sustainably manage our cashflows.

Revenue from Income Generation, predominantly from rental income, was £20.4m (2019: £23.5m), reflecting strong rent collection throughout the year and bolstered by new acquisitions and a promote fee at Logistics North which partly offset the impact of the ongoing winding down of income from coal fines.

In total, this resulted in Group revenue of £70.0m (2019: £85.5m) and an operating profit of £27.8m (2019: £24.3m). The Group's profit excluding value gains (PEVG) was £3.5m (2019: £3.5m).

The independent valuations of our portfolio are an important part of the financial results for the Group. Value growth is driven by management actions on our sites, progressing the development and establishment of communities. The market environment also has an impact and, in this respect, 2020 had two distinct halves.

The first six months were characterised by uncertainties in the residential market due to COVID-19, which resulted in valuation reductions for our major residential development sites, largely reflecting changes in underlying profit assumptions. Conversely, as the structural changes already impacting the logistics sector were accelerated due to growing e-commerce demand, and rent collection remained high, the Business Space portfolio and the industrial land we own saw valuation increases in the first half.

In the second half of 2020, the progress that we made on our sites and the sales that we completed, all in line with or above 2019 book values, created value and demonstrated the resilience of our residential markets. This resulted in the reversal of some of those half-year valuation declines. On our industrial sites, letting activities, strong rent collection and the ongoing development of schemes resulted in valuation increases as the industrial market went from strength to strength. As a result, the Income Generation portfolio continued to grow in value and the Capital Growth portfolio also increased in value in the second half of the year.

While at the half year the independent valuations were subject to a material uncertainty clause, the greater market clarity in the second half of the year meant that the independent valuations as at 31 December 2020 are no longer subject to this clause.

Over the year as a whole net asset value grew to £488.7m (2019: £463.8m). With EPRA adjustments for development property valuations included, EPRA NDV at 31 December 2020 was £515.9m (2019: £500.5m) representing a per share increase of 2.8% to 160.0p (2019: 155.6p). This resulted in a total return (EPRA NDV growth plus dividends per share paid in the year) of 3.0% (2019: 7.8%).

With housebuilders returning to all major development sites in the early summer, an interim dividend of 0.334p (H1 2019: 0.304p) per share was paid in October. The Board remained committed throughout 2020 to considering, at the time of the final 2020 dividend, an increased payment for 2020 to reflect the cancellation of the 2019 full-year dividend following the onset of COVID-19. Given the full-year 2020 performance, the Board has approved the recommendation of a 2020 final dividend of 1.466p. This comprises the cancelled 0.698p per share final 2019 dividend and a 0.768p per share final 2020 dividend. The 2020 final dividend and 2020 interim dividend total 1.102p per share, an increase of 10% on the total 2019 dividend before cancellation.

The Group's revolving credit facility was increased by £30.0m in May 2020 to £130.0m and the Group has continued to exercise a prudent and disciplined approach to financing. Harworth remains well capitalised and as at 31 December 2020 had substantial available liquidity of £62.7m (31 December 2019 £35.8m). The closing net loan to portfolio value (LTV) was 11.5% (31 December 2019: 12.1%), at the lower end of our net LTV target range. This provides the potential to support our future growth and means that we have significant headroom at 31 December 2020 to withstand a further substantial fall in residential values before we reach our tightest LTV covenant, whilst our projected interest cover ratios could withstand a downside scenario of a material loss of rental income before reaching the relevant covenant.

Presentation of financial information

We find that as our property portfolio includes development properties and joint venture arrangements, Alternative Performance Measures ("APMs") can provide additional valuable insight into our business alongside the statutory results. In particular, revaluation gains on development properties are not recognised in the statutory Income Statement and Balance Sheet. The APMs set out to show measures which include movements in development property revaluations, assets held for sale, overages and joint ventures, and also the profitability of the business excluding value gains. We believe that these APMs assist in providing stakeholders with additional useful disclosure on the underlying trends, performance and position of the Group.

Our key APMs are:

- **Total return** - the movement in EPRA NDV plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share
- **EPRA NDV per share** - EPRA NDV aims to represent shareholder value under an orderly sale of business, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability net of any resulting tax. This has replaced the previously used EPRA NNNAV measure. EPRA NDV per share is EPRA NDV divided by the number of shares in issue less shares held by the Employee Benefit Trust
- **Value gains** – these are the realised profits from the sales of properties and unrealised profits from property value movements including joint ventures and the mark to market movement on development properties, assets held for sale and overages
- **Profit excluding value gains (PEVG)** - property net rental, royalty and fee income, net of running costs of the business which represents the underlying profitability of the business not reliant on property value gains or profits from the sales of development properties
- **Net loan to portfolio value (LTV)** - Group debt net of cash held expressed as a percentage of portfolio value

A full description of all non-statutory measures and reconciliations between all statutory and non-statutory measures are set out in Note 2 to the condensed consolidated financial statements.

Harworth discloses some APMs which are EPRA measures as these are a set of standard disclosures for the property industry and thus aid comparability for our real estate investors and analysts. Following the release of new best practice recommendations by EPRA, we have replaced the reporting of EPRA NNNAV with EPRA NDV within these results. We believe that this measure continues to be the most appropriate measure to explain our business. The new EPRA APMs and previous APMs are reported in Note 2 for comparison purposes.

Our financial reporting is aligned to our business units of Income Generation and Capital Growth with items which are not directly allocated to specific business activities, held centrally and presented separately.

Income Statement[1]

	2020				2019			
	Capital Growth £m	**Income Generation £m**	**Central Over-heads £m**	**Total £m**	Capital Growth £m	Income Generation £m	Central Over-heads £m	Total £m
Revenue	49.6	20.4	-	**70.0**	62.0	23.5	-	85.5
Cost of sales	(56.2)	(3.2)	-	**(59.4)**	(50.5)	(7.1)	-	(57.5)
Gross (loss)/profit	**(6.6)**	**17.2**	**-**	**10.6**	11.5	16.4	-	27.9
Administrative expenses	(3.1)	(1.9)	(9.6)	**(14.5)**	(2.7)	(2.2)	(8.0)	(12.9)
Other gains	12.6	19.1	-	**31.7**	-	9.3	-	9.3
Other operating expense	-	-	(0.1)	**(0.1)**	-	-	(0.1)	(0.1)
Operating (loss)/profit	**2.9**	**34.4**	**(9.7)**	**27.8**	8.9	23.4	(8.1)	24.3
Share of profit of joint ventures	8.0	0.7	-	**8.7**	7.0	1.4	-	8.4
Interest	0.4	-	(3.5)	**(3.1)**	0.3	-	(2.7)	(2.4)
(Loss)/profit before tax	**11.3**	**35.1**	**(13.2)**	**33.4**	16.3	24.9	(10.8)	30.3
Tax charge	-	-	(7.5)	**(7.5)**	-	-	(4.8)	(4.8)
(Loss)/profit after tax	**11.3**	**35.1**	**(20.7)**	**25.9**	16.3	24.9	(15.6)	25.5

Notes: (1) There are minor differences on some totals due to roundings

Revenue in 2020 was £70.0m (2019: £85.5m), split between revenue from Income Generation of £20.4m (2019: £23.5m) and revenue from Capital Growth of £49.6m (2019: £62.0m).

Capital Growth revenue, which results primarily from the sale of development properties, was £49.6m which was lower than 2019 (£62.0m) as a result of rescheduled activities on sites.

Income Generation (Business Space, Natural Resources and Operations) revenue mainly comprised property rental and royalty income. Revenue in 2020 is lower as a result of the ongoing trend of reduced sales of coal fines (2020: £0.0m, 2019: £4.0m), mitigated in part by increased rental income from property acquisitions and asset management. The core of our recurring income is from rental and royalty income from Business Space and Natural Resources assets which increased on an annualised basis from £15.0m to £19.7m in the period.

Cost of sales comprised the inventory cost of development property sales and the direct costs of the Income Generation business. Cost of sales increased to £59.4m (2019: £57.5m) of which £43.9m related to the inventory cost of development property sales (2019: £50.1m) and £10.4m related to an increase in the net realisable value provision on development properties (2019: £0.7m decrease). Administration expenses increased with the expansion of the regional teams and additional COVID-19 costs.

Other gains of £31.7m comprised the profit on sale of investment properties assets held for sale and overages of £6.6m (2019: £3.7m), which included the sale of part of the site at Skelton Grange, and a £25.1m (2019: £5.6m) net increase in the fair value of investment properties and assets held for sale.

Joint venture profits of £8.7m (2019: £8.4m) included an increase in the value of the Gateway 45 Leeds and ADV LLP prior to the acquisition of the remaining interest. Value (losses)/gains on a non-statutory basis are set out below.

Non-statutory value (losses)/gains[(1)]

Value (losses)/gains are made up of profit on sale, revaluation gains/(losses) on investment properties (including joint ventures), and revaluation gains/(losses) on development properties, assets held for sale and overages:

£m				**2020**			2019	**2020**	2019
	Categorisation	**Profit on sale**	**Revaluation gains/(losses)**	**Total**	Profit on sale	Revaluation gains	Total	**Total Valuation**	Total Valuation
Capital Growth									
Major Developments	Development	0.1	(10.4)	**(10.3)**	5.1	27.9	33.0	**248.1**	277.3
Strategic Land	Investment	6.1	6.5	**12.6**	0.0	(0.3)	(0.3)	**96.2**	75.7
Income Generation									
Business Space	Investment	(0.2)	14.8	**14.6**	0.1	4.8	4.9	**227.6**	172.8
Natural Resources	Investment	0.0	5.1	**5.1**	3.3	3.9	7.2	**38.3**	46.8
Agricultural Land	Investment	0.7	(0.4)	**0.3**	0.0	(0.8)	(0.8)	**8.0**	12.7
Total		**6.7**	**15.6**	**22.3**	8.5	35.5	44.0	**618.2**	585.3

Notes: (1) A full description and reconciliation of APMs in the above table is included in note 2 to the condensed consolidated financial statements.

An independent valuation of the land and property portfolio was completed by BNP Paribas and Savills as at 31 December 2020. This resulted in revaluation gains over the whole of 2020 of £15.6m (2019: £35.5m). The principal revaluation gains and losses across the divisions reflected the following:

- Major Developments – progress on our major development sites, the strength of the industrial market and sales of residential land supported valuations although only partly reversed the half-year residential land reduction as uncertainty remained in some parts of the residential markets;
- Strategic Land – increased due to profit on sale and valuation uplift at Skelton and demand for well-located industrial land across the portfolio including on acquisitions made during the year;
- Business Space – good letting progress achieved across our portfolio including the lease re-gear at Moxon Way and an increase in valuation at Nufarm reflecting a high quality covenant on a long term lease;
- Natural Resources – valuation uplifts as a result of asset management initiatives; and
- Agricultural Land – small reductions across a handful of assets.

The above valuation includes an industrial strategic land site in the Midlands which, after the acquisition of the remaining joint venture ownership, is now fully owned and has been consolidated from the acquisition date.

The net realisable value provision as at 31 December 2020 was £17.3m (2019: £6.9m) and held across nine development properties, with the increase in the year reflecting the results of the independent valuations undertaken. This provision reduces the value of these development properties from their deemed cost (the fair value at which they were transferred from investment property to development property) to their net realisable value at 31 December 2020. The transfer from investment to development property takes place once planning is secured and development with a view to sale has commenced.

In 2020, the Group achieved revaluation gains of £15.6m (2019 £35.5m) comprising;

	2020 £m	2019 £m
Increase in fair value of investment properties	**25.4**	5.8
Decrease in value of assets held for sale	**(0.3)**	(0.2)
Net realisable value provision on development properties	**(11.8)**	(0.5)
Contribution to statutory operating profit	**13.3**	5.1
Share of profits from joint ventures	**8.7**	8.4
Unrealised (losses)/gains on development properties, overages and assets held for sale	**(6.4)**	22.0
Total revaluation gains	**15.6**	35.5

Cash and sales

The Group undertook property sales[1] of £75.8m in 2020 (2019: £79.9m) achieving profits on sale of £6.7m (2019: £8.5m). The sales were split between residential serviced plots, totalling £44.4m (2019: £58.1m), commercial land, totalling £15.4m (2019: £4.4m) and other, mainly mature, income-generating sites and agricultural land including those in the North East, totalling £16.0m (2019: £17.4m).

Cash proceeds, including receipt of deferred consideration from prior years, were £83.8m (2019: £58.0m) as shown in the table below:

	2020 £m	2019 £m
Total property sales[1]	**75.8**	79.9
Less deferred consideration on sales in the year	**(21.6)**	(38.5)
Add deferred consideration from sales in prior years	**29.6**	16.6
Total cash proceeds	**83.8**	58.0

Notes: (1) A full description and reconciliation of APMs is included in Note 2 to the condensed consolidated financial statements.

Tax

The income statement charge for taxation in the year was £7.5m (2019: £4.8m) which comprised a deferred tax charge of £7.9m (2019: £3m) and a current tax credit of £0.4m (2019: £1.8m charge).

The current tax credit resulted from the current tax charge of £0.4m, arising on profits from the sale of development properties, investment property and assets held for sale offset by the impairment of some development properties, and a £0.8m credit arising from the prior year reflecting the finalisation of land remediation relief and capital allowances.

The movement in deferred tax from 31 December 2019 mainly arose due to the increase in the valuation of investment properties as well as the reversed change in future corporation tax rate from 17% to 19% substantively enacted on 17 March 2020 and effective from 1 April 2020.

At 31 December 2020, the Group had deferred tax liabilities of £23.1m (2019: £15.6m) which largely related to unrealised gains on investment properties and recognised deferred tax assets of £7.3m (2019: £7.8m). The net deferred tax liability was £15.8m (2019: £7.8m).

Basic earnings per share and dividends

Basic earnings per share for the year were 8.0p (2019: 7.9p) reflecting the revaluation gains in investment property, particularly across Strategic Land and Income Generation at 31 December 2020.

Reflecting the improving backdrop, an interim dividend of 0.334p (H1 2019: 0.304p) per share was paid in October. Given the full year 2020 performance, the Board has approved the recommendation of a 2020 final dividend of 1.466p. This is made up of the cancelled 0.698p per share final 2019 dividend and a 0.768p per share final 2020 dividend. The 2020 final dividend and 2020 interim dividend total 1.102p per share, an increase of 10% on the total 2019 dividend before cancellation of the final dividend.

Property categorisation

Until sites receive planning permission and the future use has been determined, our view is that the land is held for a currently undetermined future use and should therefore be held as investment property. Where there is a subsequent change in use, typically in properties and land that have received planning permission and where development with a view to sale has commenced, these are re-categorised as development properties.

As at 31 December 2020, the balance sheet value of all development sites was £177.7m (2019: £202.1m) and the valuation (based on valuations by BNP Paribas and Savills) was £207.5m, reflecting a £29.8m cumulative uplift in value since they were classified as development properties. In order to highlight the market value of development properties, and overages, and to be consistent with our investment properties, we use EPRA NDV, which includes the market value of development properties, assets held for sale and overages less notional deferred tax, as our primary net assets metric.

Net asset value

	31 December 2020 £m	31 December 2019 £m
Properties[1]	**584.5**	541.0
Cash	**12.7**	11.8
Trade and other receivables	**56.4**	59.2
Other assets	**5.4**	4.3
Total assets	**659.0**	616.3
Gross borrowings	**83.9**	82.7
Deferred tax liability	**15.8**	7.8
Derivative financial instruments	**0.8**	0.6
Other liabilities	**69.8**	61.4
Statutory net assets	**488.7**	463.8
Value of development properties on a mark to market basis, assets held for sale and overages less notional deferred tax[2]	***27.2***	*36.7*
EPRA NDV[2]	***515.9***	*500.5*
Number of shares in issue (less Employee Benefit Trust shares)	**322,410,320**	321,777,367
EPRA NDV per share[2]	***160.0p***	*155.6p*

(1) Properties include investment properties, development properties, assets held for sale, occupied properties and investment in joint ventures

(2) A full description and reconciliation of the APMs in the above table is included in Note 2 to the condensed consolidated financial statements

EPRA NDV is £515.9m (2019: £500.5m) which includes the total mark to market value of the development properties, assets held for sale and overages. The total portfolio value as at 31 December 2020 was £618.2m[1], an increase of £32.9m from 31 December 2019 (£585.3m).

The share of profits from joint ventures net of distributions resulted in investments in joint ventures decreasing to £25.3m (2019: £31.8m, adjusted on a like-for-like basis for joint ventures included in the Group as at 31 December 2020). During the second half of 2020, Harworth acquired the remaining 50% interest in Ansty Development Vehicle LLP, with the full assets, liabilities and post-acquisition performance incorporated within the Group results from the acquisition date.

Trade and other receivables include deferred consideration on sales as set out above. At 31 December 2020, deferred consideration of £33.5m was outstanding (2019: £41.1m) of which £nil (2019: £12.9m) is due after more than one year.

The movement in EPRA NDV over the period is set out below and shows the role of value gains in the growth achieved during the year. Further detail on value gains is provided under **Non-statutory value (losses)/gains** above.

	31 December 2020 £m	31 December 2019 £m
Opening EPRA NDV	**500.5**	466.5
Profit before value gains (PEVG)	**3.5**	3.5
Value gains	**22.3**	44.0
Interest and finance costs	**(3.1)**	(2.4)
Tax	**(6.5)**	(7.3)
Dividends	**(1.1)**	(3.0)
Other movements in value	**0.3**	(0.8)
Closing EPRA NDV[2]	**515.9**	500.5

The table below sets out our top ten sites by value, which represent 43% of our total portfolio, showing the total acres for each site and split according to their categorisation, including currently consented residential plots and commercial space:

Site	**Categorisation**	**Region**	**Acres**	**Residential plots Consented**	**Residential plots Sold/Built**	**Commercial space sq.ft. Consented**	**Commercial space sq.ft. Sold, built or purchased**
Waverley	Development	Yorkshire & Central	419	3,890	1,714/1,124	-	-
South East Coalville	Development	Midlands	316	2,016	370/0	-	-
Nufarm	Investment	Yorkshire & Central	112	-	-	0.3m	0.3m
Knowsley	Investment	North West	35	-	-	0.4m	0.4m
Waverley AMP	Investment	Yorkshire & Central	113	-	-	2.1m	1.5m
Pheasant Hill Park	Development	Yorkshire & Central	307	1,200	522/240	0.1m	0.0m
Four Oaks Business Park	Investment	North West	19	-	-	0.4m	0.4m
Melton Commercial Park	Investment	Midlands	141	-	-	0.3m	0.3m
Ironbridge	Investment	Midlands	359	-	-	-	-
Ansty	Investment	Midlands	145	-	-	-	-
TOTAL			**1,966**	**7,106**	**2,606/1,364**	**3.6m**	**2.9m**

Financing strategy

Harworth's financing strategy is to be prudently geared, with the Income Generation portfolio providing a recurring income source to service debt facilities. We believe this gives the Group a number of advantages:

- allows working capital swings to be managed appropriately given that expenditure on sites often occurs in advance of sales and thus net debt can increase materially during the year;
- gives the Group the ability to complete acquisitions quickly, which is often a differentiating factor in a competitive situation; and
- ensures that the Group does not combine financial gearing with its existing operational gearing, being exposure to planning, remediation/engineering, letting and sales risks.

Harworth's financing strategy continues to target a net LTV of 10% to 15% and entails the Group seeking as a principle to maintain its cash flows in balance by funding infrastructure spend and acquisitions through disposal proceeds. To take advantage of market opportunities, the Group may consider additional project specific debt facilities in 2021 which could result in a short-term increase in net LTV.

Debt facilities

The Group benefits from a £130m Revolving Credit Facility ("RCF") with RBS and Santander, expiring in February 2023. The facility was increased by £30m to £130m in May 2020 until July 2022. The Group also uses, as part of its funding, infrastructure financing provided by public bodies to promote the development of major sites.

The Group had borrowings and loans of £83.9m at 31 December 2020 (2019: £82.7m), being drawings on the RCF (net of capitalised loan fees) of £79.7m (2019: £75.8m) and infrastructure loans (net of capitalised loan fees) of £4.2m (2019: £6.9m). The Group's cash at 31 December 2020 was £12.7m (2019: £11.8m). The resulting net debt was £71.2m (2019: £70.9m). The movements in net debt over the year are shown below.

	31 December 2020 £m	31 December 2019 £m
Opening net debt	**70.9**	64.4
Cash inflow from operations	**(25.8)**	(29.6)
Property expenditure and acquisitions	**56.1**	49.6
Disposal of investment property, assets held for sale and overages	**(27.7)**	(18.1)
Investments in and distributions from joint ventures	**(8.6)**	(1.2)
Interest and loan arrangement fees	**3.4**	2.4
Dividends	**1.1**	3.0
Tax paid	**2.1**	0.0
Other cash and non-cash movements	**(0.4)**	0.4
Closing net debt	**71.2**	70.9

With the increase in RCF limit, the margin payable on the RCF was increased by 0.15%. The weighted average cost of debt, using 31 December 2020 balances and rates, was 2.94% with a 0.9% non-utilisation fee on undrawn RCF balances (2019: 3.1% with a 0.8% non-utilisation fee on undrawn RCF balances).

The Group's hedging strategy is to have roughly half its debt at a fixed rate and half exposed to floating rates. The Group currently has a £45m fixed rate interest swap at an all-in cost of 1.2% (including fees) on top of the existing margin paid under the RCF. The interest rate swap is hedge accounted with any unrealised movements going through reserves to the extent that the hedge is effective.

As at 31 December 2020, the Group's net LTV was 11.5% (2019: 12.1%). If gearing is just assessed against the value of the core income portfolio, this equates to a net loan to core income portfolio value of 28.7% (2019: 35.3%). As at 31 December 2020, the portfolio could withstand a substantial fall in asset values before reaching the tightest LTV covenant and the Group's projected interest cover ratios could withstand a downside scenario of a material loss of rental income before reaching the relevant covenant.

Outlook

The expertise of our team in creating value and great places combined with the diversification of our portfolio across the residential and industrial sectors has stood us well and Harworth has continued to deliver positive returns for shareholders throughout an exceptional year. The fundamentals of our business remain in good shape and with the financial resources available to us as at 31 December 2020 we are well placed to continue to bring forward our sites, grow our business and take advantage of opportunities in the residential and logistics markets.

Kitty Patmore
Chief Financial Officer
16 March 2021

Footnotes:

(1) *Harworth discloses both statutory and alternative performance measures (APMs). A full description and reconciliation to the APMs is set out in Note 2 to the financial information*

Principal risks and uncertainties

The Board has ultimate responsibility for determining the risk appetite of the Group, for monitoring the risk profile of the business and ensuring that measures and controls are in place to manage risk effectively.

The Board recognises that not all risks can be eliminated, or sufficiently mitigated at an acceptable cost, and that there are some risks which, given the nature of Harworth's business and the track record and experience of the team, it is prepared to accept. The Board also recognises that the Group's insurance programme plays an important part in reducing the impact of certain inherent risks which are neither acceptable nor capable of removal.

The Group Risk Register (GRR) remains the principal tool used by the Board and Management Board to monitor the risk profile of the business and the measures in place at an operational level for mitigating and managing risk. It forms part of a wider framework of measures pursuant to which risks are monitored and managed throughout the year. These measures include:

- an annual review of the Board's risk appetite;
- formal reviews of the GRR undertaken by both the Management Board and Board bi-annually;
- consultation by all members of the Management Board with their teams about existing and new operational risks, and the effectiveness of risk management measures;
- a programme of review of internal controls and processes overseen by the Audit Committee;
- quarterly health and safety meetings chaired by the Chief Executive and attended by representatives of all divisions;
- a site risk register maintained by our Estates, Environment and Safety team by which we continuously monitor the risk status of each of our sites. Sites are inspected throughout the year and material changes in risk status are reported to both the Management Board and Board on a monthly basis; and
- an annual review of whistleblowing reports by the Audit Committee.

The GRR maps the risk profile of the business. It is a dynamic document and remains subject to continuous review and evolution. The GRR currently identifies risks grouped into nine categories: **Markets**; **Delivery**; **Politics**; **Finance**; **People**; **Environment**; **Social**; **Governance**; and **Legal** and **Regulatory**. Risks are scored on a "heat map", from "very low" to "very high", according to residual risk status (after accounting for mitigation measures already in place) and materiality. Categories and risks remain subject to regular review. The Board's objective is to maintain, as far as possible, an alignment between its risk appetite and the risk profile of the business.

Our 2020 interim results for the six months ended 30 June 2020 presented the risk profile of the business both on a "business as usual" basis and with a "COVID-19" overlay. Given its prolonged impact, our GRR now reflects risk on a COVID-19 basis only. As would be expected, the materially higher risk environment attributable to COVID-19 is reflected in a higher than normal risk profile across most of our principal risk categories, as shown below.

	Movement in risk since 2020 interim results[1]	Current risk profile	Anticipated movement in risk (next 6 months)
Markets			
1. Commercial property market	Down	Medium	No change
2. Residential property market	Down	Medium	Up
3. Energy market	No change	Low	Up
4. Adaptation of strategy	Down	Medium	Down
Delivery			
5. Acquisitions	No change	High	No change
6. Planning	No change	High	No change
7. Project delivery	No change	High	No change
8. Other operational shortfalls	No change	Medium	No change

[1] Note, in some cases there has been a movement in risk but it was not material enough to change the risk categorisation.

9. Mining legacy	No change	Medium	No change
Politics			
10. Planning policy changes	No change	Medium	No change
11. Other policy changes	Down	Medium	No change
Finance			
12. Availability of capital	Down	High	No change
13. Income	Down	High	No change
14. Cashflow	Down	Medium	No change
15. Valuations	Down	Medium	No change
16. Insurance	Up	High	No change
People			
17. Resourcing	Up	High	No change
18. Succession planning	No change	Medium	No change
19. Employee engagement	Down	Medium	No change
20. Communication and connectivity	Down	Medium	No change
21. Diversity	No change	Medium	No change
22. Culture	Down	Medium	No change
Environmental			
23. Environmental incident	No change	Medium	No change
24. Harworth's environmental impact	No change	Low	No change
25. Climate change	No change	Low	No change
Social			
26. Purpose	No change	Medium	No change
27. Sustainability	Up	High	No change
28. Communities and stakeholders	No change	Medium	No change
Governance			
29. Investors	No change	High	No change
30. Internal controls and processes	Down	Medium	No change
31. Joint ventures	Down	Medium	No change
32. Cyber and information security	No change	Medium	No change
33. Business continuity	No change	Medium	No change
Legal and regulatory			
34. Health and safety incident	No change	Medium	No change
35. Other regulatory breach	No change	Low	No change
36. Legislative and regulatory changes	No change	Low	No change

Markets

Despite the severe downturn and turbulence in the macro-economic climate, largely attributable to COVID-19, industrial property market evidence shows resilience and even strength, both house prices and housing sales volumes have remained strong nationally including on our sites, the political support for our core markets remains strong, and the agreement reached between the UK and the EU prior to the end of the Brexit transition period affords some stability in that regard. This is reflected in our principal **Markets** risks returning to a "medium" risk status. However, demand in the housing market is being affected in the short-term by the Government's stamp duty holiday. Whilst that holiday has now been extended to the end of June and will then taper off until the end of September, the housing market is likely to soften as those deadlines approach. There are also concerns about the outlook for employment over the medium-term, notwithstanding recent budget initiatives, and this might adversely affect the market for residential development land. Given this, we expect the residential property market risk to increase in the second half of 2021.

Delivery

The UK also remains a highly competitive landscape for strategic land and investment property acquisitions, with no COVID-19 distress reflected in pricing in either market yet. Despite a strong pipeline, this is reflected in a "high" acquisitions risk status. Some local authorities have slowed progress on their local plans pending progress and clarity on central Government planning reforms, which could affect our short-term pipeline of planning applications.

That said, at the time of publishing this announcement, it appears that local and mayoral elections will go ahead which may assist with local political stability in some respects. Overall, we have retained a “high” risk status for our planning risk. Our project delivery risk also retains a “high” risk status, reflecting concerns about supply chain pressures attributable to multiple factors, including COVID-19, the recognised skills shortage within the construction industry, and the increased cost of insurance. Our other Delivery category risks remain unchanged, all carrying a “medium” risk status.

Politics
Whilst the macro-political backdrop and local political climate are reflected in our Markets and Delivery risk categories, our Politics category risks are informed by changes in central Government policy. Overall, this category remains largely unchanged.

Finance
There have been reductions in our capital, income and cashflow risks, reflecting strong financial performance and metrics in 2020 including our net debt position and the corresponding headroom in our RCF, rent collections, sales and deferred consideration receipts, and investment property acquisitions, offset to some extent by higher insurance costs and higher headcount costs. That said, our capital and income risks continue to carry “high” risk scores. This reflects persistent economic uncertainty and that expanding our capital sources and increasing the breadth and resilience of our income portfolio, in both cases to support the growth of the business, remain strategic priorities. Our valuations risk, which monitors the risk of deficiencies in the valuation process, has reduced now that material uncertainty clauses have been dropped and we have transaction evidence from the second half of 2020. The insurance risk has been increased to a “high” risk status, reflecting a very challenging 2021 renewal, resulting in markedly higher pricing, material increases in excesses on certain sites and some deterioration in the scope of certain aspects of cover.

People
Our resourcing risk has increased to a “high” risk status, reflecting resource stretch due to COVID-19 in the short-term and the growth trajectory of the business. Short-term measures have been and continue to be implemented to mitigate the COVID-19 impact whilst longer-term measures will take time to bear fruit. Our other People risks have either remained unchanged or reduced, reflecting the extensive work undertaken to promote internal communication, employee engagement and wellbeing, all of which have been impactful and well received, demonstrated by the positive results from our most recent employee survey.

Social
Our sustainability risk has increased to a “high” risk status reflecting the current and anticipated impact of the climate change agenda on the business (as opposed to the currently low impact of climate change itself which is measured in our Environment risk category) including on project delivery and costs, investor expectations, planning obligations, market demand and, ultimately, valuations. The status of our other Social risks remains unchanged.

Our **Environment**, **Governance** and **Legal and Regulatory** risks remain largely unchanged and no material movements are expected over the next 6 months. They are all “medium” or “low” risks, save for our investors risk which retains a “high” risk status given the current share price discount to EPRA NDV which has narrowed but persists.

The 2020 Annual Report and Financial Statements will include a detailed analysis of the Group's principal risks and uncertainties, reflecting the latest review of the GRR by the Management Board and Board. This analysis will: (A) show the status of each risk, after mitigation; (B) identify movements in risk during 2020 and those forecast in 2021; (C) give examples of the mitigation measures undertaken in 2020 and those planned for 2021; and (D) indicate how each risk category could impact our strategic priorities.

Unaudited Consolidated Income Statement

for the year ended 31 December 2020

	Note	**Unaudited year ended 31 December 2020 £000**	Audited year ended 31 December 2019 £000
Revenue	3	**70,001**	85,455
Cost of sales	3	**(59,385)**	(57,512)
Gross profit	3	**10,616**	27,943
Administrative expenses	3	**(14,522)**	(12,926)
Other gains	3	**31,734**	9,313
Other operating expense	3	**(63)**	(69)
Operating profit	3	**27,765**	24,261
Finance costs	4	**(3,473)**	(2,775)
Finance income	4	**377**	368
Share of profit of joint ventures	9	**8,655**	8,449
Profit before tax		**33,324**	30,303
Tax charge	5	**(7,528)**	(4,823)
Profit for the financial year		**25,796**	25,480

Earnings per share from continuing operations attributable to the owners of the Group during the year

	Note	**pence**	pence
Basic	7	**8.0**	7.9
Diluted	7	**8.0**	7.9

Unaudited Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
Profit for the financial year	**25,796**	25,480
Other comprehensive (expense)/income - *items that will not be reclassified to profit or loss:*		
Net actuarial loss in Blenkinsopp Pension scheme	**(339)**	(430)
Revaluation of Group occupied property	**48**	-
Deferred tax on other comprehensive expense items	**115**	149
Other comprehensive expense - *items that may be reclassified to profit or loss:*		
Fair value of financial instruments	**(267)**	(449)
Total other comprehensive expense	**(443)**	(730)
Total comprehensive income for the year	**25,353**	24,750

Unaudited Consolidated Balance Sheet

as at 31 December 2020

	Note	Unaudited as at 31 December 2020 £000	Audited as at 31 December 2019 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,007**	1,050
Right of use assets		**170**	122
Trade receivables		**-**	12,754
Investment properties	8	**373,079**	293,840
Investment in joint ventures	9	**25,316**	33,072
		399,572	340,838
Current assets			
Inventories	11	**182,666**	205,900
Trade and other receivables		**56,441**	46,455
Assets classified as held for sale	12	**7,594**	11,252
Cash		**12,710**	11,833
		259,411	275,440
Total assets		**658,983**	616,278
LIABILITIES			
Current liabilities			
Borrowings	13	**-**	(2,842)
Trade and other payables		**(66,486)**	(56,608)
Lease liability		**(77)**	(58)
Current tax liabilities		**(209)**	(2,725)
		(66,772)	(62,233)
Net current assets		**192,639**	213,207
Non-current liabilities			
Borrowings	13	**(83,882)**	(79,902)
Trade and other payables		**(1,954)**	(1,200)
Lease liability		**(102)**	(70)
Derivative financial instruments		**(826)**	(558)
Deferred income tax liabilities		**(15,767)**	(7,765)
Retirement benefit obligations		**(968)**	(771)
		(103,499)	(90,266)
Total liabilities		**(170,271)**	(152,499)
Net assets		**488,712**	463,779
SHAREHOLDERS' EQUITY			
Capital and reserves			
Called up share capital	14	**32,253**	32,191
Share premium account		**24,567**	24,359
Fair value reserve		**132,833**	116,121
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(73)**	(67)
Retained earnings		**227,412**	219,771
Current year profit		**25,796**	25,480
Total shareholders' equity		**488,712**	463,779

Unaudited Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Called up share capital £000	Share premium £000	Merger reserve £000	Fair value reserve £000	Capital redemption reserve £000	Investment in own shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019 (audited)	**32,150**	**24,351**	**45,667**	**118,563**	**257**	**(194)**	**221,142**	**441,936**
Profit for the financial year	-	-	-	-	-	-	25,480	25,480
Fair value gains	-	-	-	10,090	-	-	(10,090)	-
Transfer of unrealised gains on disposal of properties	-	-	-	(12,532)	-	-	12,532	-
Other comprehensive (expense)/income:								
Actuarial loss in Blenkinsopp pension Scheme	-	-	-	-	-	-	(430)	(430)
Fair value of financial instruments	-	-	-	-	-	-	(449)	(449)
Deferred tax on other comprehensive (expense)/income items	-	-	-	-	-	-	149	149
Total comprehensive (expense)/income for year ended 31 December 2019	-	-	-	(2,442)	-	-	27,192	24,750
Transaction with owners:								
Share-based payments	-	-	-	-	-	127	(71)	56
Dividends paid	-	-	-	-	-	-	(3,012)	(3,012)
Share issue	41	8	-	-	-	-	-	49
Balance at 31 December 2019 (audited)	**32,191**	**24,359**	**45,667**	**116,121**	**257**	**(67)**	**245,251**	**463,779**
Profit for the financial year	-	-	-	-	-	-	25,796	25,796
Fair value gains	-	-	-	35,658	-	-	(35,658)	-
Transfer of unrealised gains on disposal of properties	-	-	-	(18,994)	-	-	18,994	-
Other comprehensive (expense)/income:								
Actuarial loss in Blenkinsopp pension scheme	-	-	-	-	-	-	(339)	(339)
Revaluation of Group occupied property	-	-	-	48	-	-	-	48
Fair value of financial instruments	-	-	-	-	-	-	(267)	(267)
Deferred tax on other comprehensive (expense)/income items	-	-	-	-	-	-	115	115
Total comprehensive income for year ended 31 December 2020	-	-	-	16,712	-	-	8,641	25,353
Transaction with owners:								
Share-based payments	-	-	-	-	-	(6)	393	387
Dividends paid	-	-	-	-	-	-	(1,077)	(1,077)
Share issue	62	208	-	-	-	-	-	270
Balance at 31 December 2020 (unaudited)	**32,253**	**24,567**	**45,667**	**132,833**	**257**	**(73)**	**253,208**	**488,712**

Unaudited Statement of Cash Flows

for the year ended 31 December 2020

	Note	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
Cash flows from operating activities			
Profit before tax for the year		**33,324**	30,303
Net finance costs		**3,096**	2,407
Other gains		**(31,734)**	(9,313)
Share of profit of joint ventures	9	**(8,655)**	(8,449)
Share based transactions(1)		**618**	(19)
Depreciation of property, plant and equipment and right of use assets		**285**	139
Pension contributions in excess of charge		**(140)**	(120)
Operating cash (outflow)/inflow before movements in working capital		**(3,206)**	14,948
Decrease in inventories		**19,385**	2,161
Decrease in receivables		**2,768**	7,490
Increase in payables		**6,830**	4,953
Cash generated from operations		**25,777**	29,552
Interest paid		**(2,924)**	(2,337)
Corporation tax paid		**(2,127)**	(1)
Cash generated from operating activities		**20,726**	27,214
Cash flows from investing activities			
Interest received		**377**	368
Investment in joint ventures	9	**(289)**	(2,592)
Distributions from joint ventures	9	**8,930**	3,799
Acquisition of group of assets	10	**(4,092)**	-
Net proceeds from disposal of investment properties, assets held for sale and overages		**27,651**	18,108
Expenditure on investment properties and assets held for sale		**(51,987)**	(49,574)
Expenditure on property, plant and equipment		**(115)**	(352)
Cash used in investing activities		**(19,525)**	(30,243)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**237**	49
Repayment of bank loans	13	**(78,000)**	(15,000)
Proceeds from bank loans	13	**82,000**	32,000
Repayment of other loans		**(2,932)**	(7,669)
Loan arrangement fees		**(479)**	(62)
Payment in respect of leases		**(73)**	(39)
Dividends paid		**(1,077)**	(3,012)
Cash (used)/generated from financing activities		**(324)**	6,267
Increase in cash		**877**	3,238
At 1 January		**11,833**	8,595
Increase in cash		**877**	3,238
At 31 December		**12,710**	11,833

(1) Share based transactions reflect the non-cash expenses relating to share based payments included within the income statement.

Notes to the financial information

for the year ended 31 December 2020

1. Accounting policies
The principal accounting policies adopted in the preparation of this unaudited consolidated financial information are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

General information
Harworth Group plc, company number 02649340, (the "Company") is a company, limited by shares, incorporated and domiciled in the UK. The address of its registered office is Advantage House, Poplar Way, Catcliffe, Rotherham, South Yorkshire, S60 5TR.

The Company is a public company listed on the London Stock Exchange.

Basis of preparation
The preliminary results for the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 are unaudited. The financial information set out in this announcement does not constitute the Group's financial statements for the year ended 31 December 2020 or 31 December 2019 as defined by Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2019 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The previous auditors, PricewaterhouseCoopers LLP, reported on those accounts and their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2020 will be finalised on the basis of the financial information presented by the Directors in these preliminary results and will be delivered to the Registrar of Companies following the Annual General Meeting of Harworth Group plc.

Going Concern

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board prepares forecasts based upon its assumptions with particular consideration to the key risks and uncertainties as summarised in the 'Principle Risks and Uncertainties' section, as well as taking into account available borrowing facilities. The going concern period assessed is until June 2022 which has been selected as it can be projected with a good degree of expected accuracy and covers a complete period of reporting under the Revolving Credit Facility. The Group traded well throughout 2020 and COVID-19. Capital was prioritised on sites with sales during the year, sales of strategic and non-core land have continued and new lettings have been secured on properties. Discretionary overhead expenditure was reduced where possible. This aligns with our existing strategy to manage cashflows to fund our development spend and acquisition activity. In April 2020, RBS and Santander agreed to increase the limit of the Revolving Credit Facility to £130m and provided greater flexibility in covenants for part of the going concern period. Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors considered it appropriate to adopt a going concern basis of accounting in the preparation of this financial information.

Other than as set out below the same accounting policies and methods of computation have been followed as in the latest published audited accounts for the year ended 31 December 2019, which are available on the Group's website at harworthgroup.com.

Changes in accounting policy and disclosures
(a) New standards, amendments and interpretations
A number of new standards and amendments to standards and interpretations will be effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing this preliminary financial information. None of these have a significant effect on the financial statements of the Group.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing this preliminary financial information. None of these are expected to have a significant effect on the financial statements of the Group.

Estimates and judgements

The significant judgements made by management in applying the Group`s accounting policies and the key sources of estimation were the same as those that applied to the latest published audited accounts for the year ended 31 December 2019. There have been no significant changes for the year ended 31 December 2020.

2. Alternative Performance Measures ("APMs")

Introduction

The Group has applied the December 2019 European Securities and Markets Authority ("ESMA") guidance on APMs and the November 2017 Financial Reporting Council ("FRC") corporate thematic review of APMs in these results. An APM is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Overview of our use of APMs

The Directors believe that APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. APMs assist our stakeholder users of the accounts, particularly equity and debt investors, through the comparability of information. APMs are used by the Directors and management, both internally and externally, for performance analysis, strategic planning, reporting and incentive-setting purposes.

APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including peers in the real estate industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The derivations of our APMs and their purpose

The primary differences between IFRS statutory amounts and the APMs that we use are as follows:

1. Capturing all sources of value creation – Under IFRS, the revaluation movement in development properties and assets held for sale which are held in inventory, is not included in the balance sheet. Also, overages are not recognised in the balance sheet until they are highly probable. These movements, which are verified by BNP Paribas and Savills (independent external property valuers), are included within our APMs;
2. Recategorising income statement amounts – Under IFRS, the grouping of amounts, particularly within gross profit and other gains, does not clearly allow Harworth to demonstrate the value creation through its business model. In particular, the statutory grouping does not distinguish value gains (being realised profits from the sales of properties and unrealised profits from property value movements) from the ongoing profitability of the business which is less susceptible to movements in the property cycle. Finally, the Group includes profits from joint ventures within our APMs as our joint ventures conduct similar operations to Harworth, albeit in different ownership structures; and
3. Comparability with industry peers – Harworth discloses some APMs which are European Public Real Estate Association ("EPRA") measures as these are a set of standard disclosures for the property industry and thus aid comparability for our stakeholder users.

New EPRA APMs

In October 2019, EPRA published new best practice recommendations (BPR) for financial disclosures by public real estate companies. The BPR introduced three new measures of net asset value; EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). The Group has adopted these new guidelines from 1 January 2020 and considers EPRA NDV to be the most relevant of these new measures and therefore this now acts as our primary measure of net asset value replacing EPRA NNNAV. Total return, another of our key APMs, is now calculated based upon EPRA NDV rather than EPRA NNNAV.

2. Alternative Performance Measures (continued)

Our key APMs

The key APMs that the Group focuses on are as follows:

- Total return – The movement in EPRA NDV plus dividends per share paid in the year expressed as a percentage of opening EPRA NDV per share
- EPRA NDV per share –EPRA NDV divided by the number of shares in issue less shares held by the Employee Benefit Trust
- Value gains – These are the realised profits from the sales of properties and unrealised profits from property value movements including joint ventures and the mark to market movement on development properties, assets held for sale and overages
- Profit excluding value gains – Property net rental, royalty and fee income, net of running costs of the business which represents the underlying profitability of the business not reliant on property value gains or profits from the sales of development and investment properties
- Net loan to portfolio value – Group debt net of cash held expressed as a percentage of portfolio value

Changes to APMs

The APMs have been changed for the inclusion of the new EPRA net asset value measures described above and the EPRA NDV per share growth metric has been replaced with EPRA NDV per share. Other than these changes, the Group's APMs have been defined, calculated and used on a consistent basis. The previously reported EPRA measures of net assets are also included below for comparative purposes.

					31 December 2020
	EPRA NDV £000	EPRA NTA £000	EPRA NRV £000	EPRA NNNAV £000	EPRA NAV £000
Net assets attributable to shareholders	**488,712**	**488,712**	**488,712**	**488,712**	**488,712**
Cumulative unrealised gains on development properties	**29,848**	**29,848**	**29,848**	**29,848**	**29,848**
Cumulative unrealised gains on assets held for sale	**775**	**775**	**775**	**775**	**775**
Cumulative unrealised gains on overages	**3,000**	**3,000**	**3,000**	**3,000**	**3,000**
Deferred tax liabilities (IFRS)	**-**	**15,767**	**15,767**	**-**	**15,767**
Notional deferred tax on unrealised gains	**(6,388)**	**-**	**-**	**(6,388)**	**-**
Deferred tax liabilities @50%	**-**	**(11,078)**	**-**	**-**	**-**
Mark to market valuation of financial instruments	**-**	**826**	**826**	**-**	**826**
Purchaser costs	**-**	**-**	**42,973**	**-**	**-**
Net assets used in per share calculation	**515,947**	**527,850**	**581,901**	**515,947**	**538,928**

2. Alternative Performance Measures (continued)

					31 December 2019
	EPRA NDV £000	EPRA NTA £000	EPRA NRV £000	EPRA NNNAV £000	EPRA NAV £000
Net assets attributable to shareholders	463,779	463,779	463,779	463,779	463,779
Cumulative unrealised gains on development properties	40,135	40,135	40,135	40,135	40,135
Cumulative unrealised gains on assets held for sale	584	584	584	584	584
Cumulative unrealised gains on overages	3,566	3,566	3,566	3,566	3,566
Deferred tax liabilities (IFRS)	-	7,765	7,765	-	7,765
Notional deferred tax on unrealised gains	(7,529)	-	-	(7,529)	-
Deferred tax liabilities @50%	-	(7,647)	-	-	-
Mark to market valuation of financial instruments	-	558	558	-	558
Purchaser costs	-	-	40,691	-	-
Net assets used in per share calculation	500,535	508,740	557,078	500,535	516,387

Reconciliation of APMs
Set out below is a reconciliation of the APMs used in these results to the statutory measures.

1) Reconciliation to statutory measures

a. Revaluations gains	Note	**Unaudited year ended 31 December 2020 £000**	Audited year ended 31 December 2019 £000
Increase in fair value of investment properties	3	**25,405**	5,841
Decrease in fair value of assets classified as held for sale	3	**(295)**	(229)
Share of profit of joint ventures	3	**8,655**	8,449
Net realisable value provision of development properties	3	**(16,208)**	(3,574)
Reversal of previous net realisable value provision of development properties	3	**4,408**	3,061
Amounts derived from statutory reporting		**21,965**	13,548
Unrealised (losses)/gains on development properties		**(5,992)**	21,385
Unrealised gains on assets held for sale		**191**	584
Unrealised (losses)/gains on overages		**(566)**	25
Revaluation gains		**15,598**	35,542

b. Profit on sale			
Profit on sale of investment properties	3	**5,030**	545
Profit on sale of assets classified as held for sale	3	**554**	3,156
Profit on sale of development properties	3	**2,999**	10,882
Release of net realisable value provision on disposal of development properties	3	**1,359**	1,168
Profit on sales of overages	3	**1,040**	-
Amounts derived from statutory reporting		**10,982**	15,751
Unrealised gains on development properties released on sale in the year		**(4,295)**	(7,247)
Profit on sale		**6,687**	8,504

c. Value gains			
Revaluation gains		**15,598**	35,542
Profit on sale		**6,687**	8,504
Value gains		**22,285**	44,046

d. Profit excluding value gains (PEVG)			
Operating profit		**27,765**	24,261
Add pension charge		**63**	69
Less other gains	3	**(31,734)**	(9,313)
Add/(less) gross profit/(loss) from development properties	3	**7,442**	(11,537)
PEVG		**3,536**	3,480

Notes to the financial information

for the year ended 31 December 2020

e. Total property sales	Note	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
Revenue		**70,001**	85,455
Less revenue from other property activities	3	**(2,676)**	(964)
Less revenue from income generation activities	3	**(20,396)**	(23,468)
Add proceeds from sales of investment properties, assets held for sale and overages		**28,858**	18,836
Total property sales		**75,787**	79,859

f. Operating profit contributing to growth in EPRA NDV			
Operating profit		**27,765**	24,261
Share of profit of joint ventures	9	**8,655**	8,449
Unrealised (losses)/gains on development properties		**(5,992)**	21,385
Unrealised gains on assets classified as assets held for sale		**191**	584
Unrealised (losses)/gains on overages		**(566)**	25
Less previously unrealised gains on development properties released on sale		**(4,295)**	(7,247)
Operating profit contributing to growth in EPRA NDV		**25,758**	47,457

g. Portfolio value			
Land and buildings (included within Property, plant and equipment)		**835**	787
Investment properties		**373,079**	293,840
Investments in joint ventures		**25,316**	33,072
Assets classified as held for sale		**7,594**	11,252
Development properties	11	**177,712**	202,092
Amounts derived from statutory reporting		**584,536**	541,043
Cumulative unrealised gains on development properties as at year end		**29,848**	40,135
Cumulative unrealised gains on assets held for sale as at year end		**775**	584
Cumulative unrealised gains on overages as at year end		**3,000**	3,566
Portfolio value		**618,159**	585,328

h. Net debt			
Gross borrowings	13	**(83,882)**	(82,744)
Cash		**12,710**	11,833
Net debt		**(71,172)**	(70,911)

Net debt		**(71,172)**	(70,911)
Portfolio value		**618,159**	585,328
Net loan to portfolio value (%)		**11.5%**	12.1%

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for the year ended 31 December 2020

j. Net loan to core income portfolio value (%)	Note	**Unaudited year ended 31 December 2020 £000**	Audited year ended 31 December 2019 £000
Net debt		**(71,172)**	(70,911)
Income portfolio value (business space and natural resources)	8	**248,004**	200,984
Net loan to core income portfolio value (%)		**28.7%**	35.3%

k. Gross loan to portfolio value			
Gross borrowings		**(83,882)**	(82,744)
Portfolio value		**618,159**	585,328
Gross loan to portfolio value (%)		**13.6%**	14.1%

l. Gross loan to core income portfolio value (%)			
Gross borrowings		**(83,882)**	(82,744)
Income portfolio value (business space and natural resources)	8	**248,004**	200,984
Gross loan to core income portfolio value (%)		**33.8%**	41.2%

m. Number of shares used for per share calculations			
Number of shares in issue at 31 December	14	**322,530,807**	321,909,382
Employee Benefit Trust Shares (own shares) at 31 December		**(120,487)**	(132,015)
Number of shares used for per share calculations		**322,410,320**	321,777,367

n. Net Asset Value (NAV) per share			
NAV £'000		**488,712**	463,779
Number of shares used for per share calculations		**322,410,320**	321,777,367
NAV per share (p)		**151.6**	144.1

2) Reconciliation to EPRA measures

a. EPRA NDV	Note	**Unaudited year ended 31 December 2020 £000**	Audited year ended 31 December 2019 £000
Net assets		**488,712**	**463,779**
Cumulative unrealised gains on development properties		**29,848**	**40,135**
Cumulative unrealised gains on assets held for sale		**775**	**584**
Cumulative unrealised gains on overages		**3,000**	**3,566**
Notional deferred tax on unrealised gains		**(6,388)**	**(7,529)**
EPRA NDV		**515,947**	**500,535**

b. EPRA NDV per share (p)			
EPRA NDV £'000		**515,947**	**500,535**
Number of shares used at 31 December for per share calculations	14	**322,410,320**	**321,777,367**
EPRA NDV per share (p)		**160.0**	**155.6**

c. EPRA NDV growth and total return		
Opening EPRA NDV/share (p)	**155.6**	**145.2**
Closing EPRA NDV/share (p)	**160.0**	**155.6**
Movement in the year	**4.4**	**10.4**
EPRA NDV growth	**2.8%**	**7.2%**
Dividends paid per share (p)	**0.3**	**0.9**
Total return per share	**4.7**	**11.3**
Total return as a percentage of opening EPRA NDV	**3.0%**	**7.8%**

d. Net loan to EPRA NDV		
Net debt	**(71,172)**	**(70,911)**
EPRA NDV	**515,947**	**500,535**
Net loan to EPRA NDV	**13.8%**	**14.2%**

3. Segment information

Segmental Income Statement (Unaudited) — **31 December 2020**

	Capital Growth				
	Sale of development properties £000	Other property activities £000	Income Generation £000	Central overheads £000	Total £000
Revenue	**46,929**	**2,676**	**20,396**	**-**	**70,001**
Cost of sales	(54,371)	(1,834)	(3,180)	-	(59,385)
Gross profit [1]	**(7,442)**	**842**	**17,216**	**-**	**10,616**
Administrative expenses	-	(3,080)	(1,872)	(9,570)	**(14,522)**
Other gains [2]	-	12,598	19,136	-	**31,734**
Other operating expense	-	-	-	(63)	**(63)**
Operating profit/(loss)	**(7,442)**	**10,360**	**34,480**	**(9,633)**	**27,765**
Net finance income/(costs)	-	367	1	(3,464)	**(3,096)**
Share of profit of joint ventures	-	7,953	702	-	**8,655**
Profit/(loss) before tax	**(7,442)**	**18,680**	**35,183**	**(13,097)**	**33,324**

[1] Gross profit

Gross profit is analysed as follows:

Gross profit excluding sales of development properties	-	842	17,216	-	18,058
Gross profit on sale of development properties	2,999	-	-	-	2,999
Net realisable value provision on development properties	(16,208)	-	-	-	(16,208)
Reversal of previous net realisable value provision on development properties	4,408	-	-	-	4,408
Release of net realisable value provision on disposal of development properties	1,359	-	-	-	1,359
	(7,442)	**842**	**17,216**	**-**	**10,616**

[2] Other gains

Other gains are analysed as follows:

Increase in fair value of investment properties	-	6,459	18,946	-	25,405
Decrease in the fair value of assets classified as held for sale	-	-	(295)	-	(295)
Profit/(loss) on sale of investment properties	-	5,099	(69)	-	5,030
Profit on sale of assets classified as held for sale	-	72	482	-	554
Profit on sale of overages	-	968	72	-	1,040
	-	**12,598**	**19,136**	**-**	**31,734**

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for the year ended 31 December 2020

Segmental Balance Sheet (Unaudited) — **31 December 2020**

	Capital Growth £000	Income Generation £000	Central overheads £000	Total £000
Non-current assets				
Property, plant and equipment	-	-	1,007	**1,007**
Right of use assets	-	-	170	**170**
Trade receivables	314	-	-	**314**
Investment properties	118,940	254,139	-	**373,079**
Investments in joint ventures	13,434	11,882	-	**25,316**
	132,688	**266,021**	**1,177**	**399,886**
Current assets				
Inventories	182,017	649	-	**182,666**
Trade and other receivables	39,422	12,574	4,131	**56,127**
Assets classified as held for sale	1,384	6,210	-	**7,594**
Cash and cash equivalents	-	-	12,710	**12,710**
	222,823	**19,433**	**16,841**	**259,097**
Total assets	**355,511**	**285,454**	**18,018**	**658,983**

Financial liabilities and derivative financial instruments are not allocated to the reporting segments as they are managed and measured on a Group basis.

5. Tax (continued)

The tax for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
Profit before tax	**33,324**	30,303
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	**(6,332)**	(5,758)
Effects of:		
Adjustments in respect of prior periods- deferred taxation	**136**	849
Adjustments in respect of prior periods- current taxation	**838**	549
Non-taxable income	**-**	6
Expenses not deducted for tax purposes	**(109)**	(526)
Revaluation losses	**(2,848)**	(4,287)
Share of profit of joint ventures	**1,644**	1,605
Land remediation relief	**-**	341
Difference between current tax rate and rate of deferred tax	**(914)**	456
Losses not previously recognised	**-**	1,921
Share options	**57**	21
Total tax charge	**(7,528)**	(4,823)

The revaluation losses in the tax reconciliation of £2.9m (2019: £4.3m) relate to movements in inherent chargeable gains and losses of investment property.

In 2019, the tax losses not previously recognised of £1.9m, were recognised during the year, as a result of increased certainty regarding their availability to the Group.

The submission of the prior year tax computations and returns to reflect the land remediation relief and capital allowances claims following a review, as well as revised utilisation of losses, resulted in an adjustment in respect of prior years of a £0.8m current tax credit (2019: £0.5m) and a deferred tax credit of £0.1m (2019: £0.8m) compared to the original tax provision prepared for inclusion within the prior year financial statements.

At 31 December 2020, the Group had a current tax liability of £0.2m (2019: £2.7m).

5. Tax (continued)

Deferred tax

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated balance sheet:

	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
Deferred tax liabilities	(23,159)	(15,637)
Deferred tax assets	7,392	7,872
	(15,767)	(7,765)

The movement on the deferred tax account is as follows:

	Investment properties £000	Tax losses £000	Other temporary differences £000	**Total £000**
At 1 January 2019	(11,791)	5,957	870	(4,964)
Recognised in the consolidated income statement	(3,846)	231	589	(3,026)
Recognised in the consolidated statement of comprehensive income	-	-	149	149
Recognised in the consolidated statement of equity	-	-	76	76
At 31 December 2019 and 1 January 2020	(15,637)	6,188	1,684	(7,765)
Recognised in the consolidated income statement	(7,522)	(414)	19	(7,917)
Recognised in the consolidated statement of comprehensive income	-	-	115	115
Recognised in the consolidated statement of equity	-	-	(200)	(200)
At 31 December 2020	**(23,159)**	**5,774**	**1,618**	**(15,767)**

There is deferred tax on UK corporation tax losses carried forward of £5.8m (2019: £6.2m); these may be carried forward indefinitely as there is no time limit in respect of using these deferred tax assets.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019: 17%).

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 December 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

5. Tax (continued)

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate was announced post year-end and therefore was not substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended 25% rate the impact on the closing deferred tax position would be to increase the deferred tax liability by £5.0m.

Deferred tax assets and liabilities are offset when there is a legally enforced right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred tax assets of £5.6m at 31 December 2020 have not been recognised owing to the uncertainty as to their recoverability. Deferred tax assets of £3.7m were not recognised at 31 December 2019.

6. Dividends

	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
Interim dividend of 0.334p per share for the six months ended 30 June 2020	**1,077**	-
Full year dividend of 0.633p per share for the year ended 31 December 2018	-	2,035
Interim dividend of 0.304p per share for the six months ended 30 June 2019	-	977
	1,077	3,012

The Board remained committed throughout 2020 to considering, at the time of the final 2020 dividend, an increased payment for 2020 to reflect the cancellation of the 2019 full-year dividend following the onset of COVID-19. Given the full-year 2020 performance, the Board has approved the recommendation of a 2020 final dividend of 1.466p. This comprises the cancelled 0.698p per share final 2019 dividend and a 0.768p per share final 2020 dividend. The 2020 final dividend excluding the cancelled final 2019 dividend and 2020 interim dividend together total of 1.102p per share, an underlying increase of 10%.

7. Earnings per share

Earnings per share has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue and ranking for dividend during the year.

	Unaudited year ended 31 December 2020	Audited year ended 31 December 2019
Profit from continuing operations attributable to owners of the parent (£000)	**25,796**	25,480
Weighted average number of shares used for basic earnings per share calculation	**322,104,415**	321,502,838
Basic earnings per share (pence)	**8.0**	7.9
Weighted average number of shares used for diluted earnings per share calculation	**323,840,504**	322,943,178
Diluted earnings per share (pence)	**8.0**	7.9

8. Investment properties

Investment property at 31 December 2020 and 31 December 2019 has been measured at fair value. The Group holds five categories of investment property being agricultural land, natural resources, business space, major developments and strategic land in the UK, which sit within the operating segments of Income Generation and Capital Growth.

	Income Generation			Capital Growth		
	Agricultural Land £000	Natural Resources £000	Business Space £000	Major Developments £000	Strategic Land £000	Total £000
At 1 January 2019 (audited)	**11,742**	**45,479**	**142,169**	**9,889**	**45,130**	**254,409**
Direct acquisitions	-	454	20,507	5,337	11,973	38,271
Subsequent expenditure	56	946	811	498	8,651	10,962
Disposals	-	(463)	(120)	-	(40)	(623)
(Decrease)/increase in fair value	(584)	3,306	3,430	(835)	524	5,841
Transfers between divisions	(514)	1,183	(6,000)	-	5,331	-
Re-categorisation as development properties	-	-	-	-	(1,052)	(1,052)
Net transfer (to)/from assets classified as held for sale	(2,581)	(10,718)	-	-	(669)	(13,968)
At 31 December 2019 (audited)	**8,119**	**40,187**	**160,797**	**14,889**	**69,848**	**293,840**
Direct acquisitions	-	1,825	38,168	27	18,300	58,320
Subsequent expenditure	46	157	864	2,446	5,796	9,309
Disposals	(9)	(1,012)	-	-	(6,552)	(7,573)
(Decrease)/increase in fair value	(339)	5,218	14,067	4,514	1,945	25,405
Transfers between divisions	400	(9,500)	4,150	2,850	2,100	-
Re-categorisation from development properties	-	-	1,025	2,824	-	3,849
Net transfer (to)/from assets classified as held for sale	(2,082)	(3,777)	(4,165)	-	(47)	(10,071)
At 31 December 2020 (unaudited)	**6,135**	**33,098**	**214,906**	**27,550**	**91,390**	**373,079**

During the year £3.8m (2019: £nil) of development property was re-categorised as investment property to reflect a change in use. During the year no investment property was re-categorised to development properties (2019: £1.1m).

Investment property is transferred between divisions to reflect a change in the activity arising from the asset.

Valuation process

The properties were valued in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (the 'Red Book') by BNP Paribas Real Estate and Savills at 31 December 2020 and 31 December 2019. Both are independent firms acting in the capacity of external valuers with relevant experience of valuations of this nature.

8. Investment properties (continued)

The valuations are on the basis of Market Value as defined by the Red Book, which RICS considers meets the criteria for assessing Fair Value under International Financial Reporting Standards. The valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in arriving at its valuation.

At each financial year end, management:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

The Directors determine the applicable hierarchy that each investment property falls into by assessing the level of unobservable inputs used in the valuation technique. As a result of the specific nature of each investment property, valuation inputs are not based on directly observable market data and therefore all investment properties were determined to fall into Level 3.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstance that caused the transfer. There were no transfers between hierarchy levels in the year ended 31 December 2020 (2019: none).

Valuation techniques underlying management's estimation of fair value are as follows:

Agricultural land
Most of the agricultural land is valued using the market comparison basis, with an adjustment made for the length of the remaining term on any tenancy and the estimated cost to bring the land to its highest and best use. Where the asset is subject to a secure letting, this is valued on a yield basis, based upon sales of similar types of investment.

Natural resources
Natural resource sites in the portfolio are valued based on a discounted cash flow for the operating life of the asset with regard to the residual land value.

Business space
The business parks and individual business space properties are valued on the basis of market comparison with direct reference to observable market evidence including current rent and estimated rental value (ERV), yields and capital values and adjusted where required for the estimated cost to bring the property to its highest and best use. The evidence is adjusted to reflect the quality of the property assets, the quality of the covenant profile of the tenants and the reliability/ volatility of cash flows. The Group's portfolio has a spread of yields. New income acquisitions are generally acquired at high yields where value can be added. Properties that are built by Harworth new typically have lower yields. As assets are enhanced and improved, these are also valued at lower yields.

8. Investment properties (continued)

Major developments
Major development sites are generally valued using residual development appraisals, a form of discounted cash flow which estimates the current site value from future cash flows measured by current land and/or completed built development values, observable or estimated development costs, and observable or estimated development returns. Where possible development sites are valued by direct comparison to observable market evidence with appropriate adjustment for the quality and location of the property asset, although this is generally only a reliable method of measurement for the smaller development sites.

Strategic land
Strategic land is valued on the basis of discounted cash flows, with future cash flows measured by current land values adjusted to reflect the quality of the development opportunity, the potential development costs estimated by reference to observable development costs on comparable sites, and the likelihood of securing planning consent. The valuations are then benchmarked against observable land values reflecting the current existing use of the land, which is generally agricultural and, where available, observable strategic land values. The discounted cash flows across the different property categories utilise value per acre, which takes account of the future expectations of sales over time discounted back to a current value, and cost report totals, which take account of the cost, as at today's value, to complete remediation and provide the necessary site infrastructure to bring the site forward.

9. Investment in joint ventures

	Unaudited as at 31 December 2020 £000	Audited as at 31 December 2019 £000
At 1 January	**33,072**	25,830
Investment in joint ventures	**289**	2,592
Distributions from joint ventures	**(8,930)**	(3,799)
De-recognition on acquisition[1]	**(7,770)**	-
Share of profits of joint ventures	**8,655**	8,449
At 31 December	**25,316**	33,072

[1] On 12 November 2020, the Group acquired the remaining interest of Ansty Development Vehicle LLP for £7.8m. The net assets and performance have been fully consolidated from the date of acquisition as set out in note 10.

10. Group of assets acquisition

Summary of acquisition

On 12 November 2020, Harworth Group acquired the remaining 50% interest in Ansty Development Vehicle LLP ("ADV LLP") for total consideration of £7.8m. The Group had previously acquired a 50% interest in ADV LLP on 28 October 2019, when the Group entered into a joint venture agreement with Hallam Land Management Limited to establish ADV LLP. As at 31 December 2019 and 30 June 2020, the Group's interest in ADV LLP was recognised as an investment in joint venture asset following the equity method of accounting under IAS 28.

The acquisition was not treated as an acquisition of a business as ADV LLP held only assets and liabilities and there were no activities or operational processes acquired as part of the acquisition of ADV LLP. Accordingly, no goodwill or deferred taxation arises. The identifiable assets and liabilities acquired were recorded at acquisition cost which were equal to their fair values on the acquisition date.

	£000
Investment properties	15,861
Current assets	407
Current liabilities	(604)
Net Assets acquired	**15,664**

The fair value of investment property was determined in line with the Group's policy and processes for the valuation of investment property.

As an acquisition of assets achieved in stages, the total consideration includes the derecognition of the Group's previous interest in ADV LLP.

	£000
Carrying value of previously held interest in ADV LLP at acquisition date	7,770
Initial cash consideration and fees	4,092
Deferred Consideration	3,802
Total consideration of acquisition achieved in stages	**15,664**

Fees of £46,000 were incurred as part of the acquisition. Due to minimal activity within Ansty Development Vehicle LLP during the period from acquisition on 12 November 2020 to 31 December 2020, the impact on the Group's consolidated results was negligible.

There were no group of asset acquisitions in the year ending 31 December 2019.

10. Group of assets acquisition (continued)

Acquisition related cash outflows

	Unaudited Year ended 31 December 2020 £000
Cash consideration paid	4,046
Cash outflow - acquisition related costs	46
Cash outflow of acquisitions	**4,092**

11. Inventories

	Unaudited as at 31 December 2020 £000	Audited as at 31 December 2019 £000
Development properties	**177,712**	202,092
Planning promotion agreements	**2,961**	2,051
Option agreements	**1,344**	1,074
Finished goods	**649**	683
	182,666	205,900

The movement in the development properties was as follows:

	Unaudited as at 31 December 2020 £000	Audited as at 31 December 2019 £000
At 1 January	**202,092**	204,157
Acquisitions	**-**	3,158
Subsequent expenditure	**27,860**	23,235
Disposals	**(37,950)**	(30,165)
Movement in net realisable value provision	**(10,441)**	655
Re-categorisation (to)/from investment properties	**(3,849)**	1,052
At 31 December	**177,712**	202,092

11. Inventories (continued)

The movement in the net realisable value provision on development properties was as follows:

	Unaudited as at 31 December 2020 £000	Audited as at 31 December 2019 £000
At 1 January	**6,899**	7,554
Net realisable value provision for the year	**16,208**	3,574
Released on disposals	**(1,359)**	(1,168)
Reversal of previous net realisable value provision	**(4,408)**	(3,061)
At 31 December	**17,340**	6,899

12. Assets classified as held for sale

Assets classified as held for sale relate to investment properties expected to be sold within twelve months.

	Unaudited as at 31 December 2020 £000	Audited as at 31 December 2019 £000
At 1 January	**11,252**	10,956
Net transfer from investment properties	**10,071**	13,968
Subsequent expenditure	**24**	341
Decrease in fair value	**(295)**	(229)
Disposals	**(13,458)**	(13,784)
At 31 December	**7,594**	11,252

13. Borrowings and loans

	Unaudited as at 31 December 2020 £000	Audited as at 31 December 2019 £000
Current:		
Secured – infrastructure loans	-	(2,842)
	-	(2,842)
Non-current:		
Secured – bank loans	**(79,740)**	(75,785)
Secured – infrastructure loans	**(4,142)**	(4,117)
	(83,882)	(79,902)
Total borrowings	**(83,882)**	(82,744)

13. Borrowings and loans (continued)

Loans are stated after deduction of unamortised fees of £0.4m (2019: £0.3m).

		Unaudited as at 31 December 2020 £000	Audited as at 31 December 2019 £000
Infrastructure loans			
Sheffield City Region JESSICA Fund	Advanced Manufacturing Park, Waverley	-	(2,842)
Homes and Communities Agency	Simpson Park	**(4,142)**	(4,117)
Total infrastructure loans		**(4,142)**	(6,959)
Bank loan		**(79,740)**	(75,785)
Total borrowings		**(83,882)**	(82,744)

The bank borrowings are part of a £130m (FY 2019: £100m) revolving credit facility ("RCF") provided by the Royal Bank of Scotland and Santander. The RCF is repayable on 13 February 2023 (five year term) on a non-amortising basis and is subject to financial and other covenants. In May 2020, the Royal Bank of Scotland and Santander agreed to increase the limit of the RCF by £30m to £130m. The RCF limit decreases to £100m in June 2022. The bank borrowings are secured by fixed equitable charges over development and investment properties. Proceeds from and repayments of bank loans are reflected gross in the cashflow and reflect timing of utilisation of the RCF facility.

The infrastructure loans are provided by public bodies in order to promote the development of major sites. The loans are drawn as work on the respective sites is progressed and are repayable on agreed dates or when disposals are made from the sites.

14. Called up share capital

Issued and fully paid

	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
At 1 January	**32,191**	32,150
Shares issued	**62**	41
At 31 December	**32,253**	32,191

The shares have a nominal value of 10 pence each.

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for the year ended 31 December 2020

14. Called up share capital (continued)

Issued and fully paid – number of shares

	Unaudited year ended 31 December 2020	Audited year ended 31 December 2019
At 1 January	**321,909,382**	321,496,760
Shares issued	**621,425**	412,622
At 31 December	**322,530,807**	321,909,382
Own shares held	**(120,487)**	(132,015)
At 31 December	**322,410,320**	321,777,367

The own shares represent the number and cost of shares purchased in the market and held by the Harworth Group plc Employee Benefit Trust to satisfy Long Term Incentive Plan awards for Executive Directors and Senior Executives and Share Investment Plan awards to employees. Also included in own shares are shares issued and held for employees under Save As You Earn (SAYE) and Share Incentive Plans (SIP).

15. Related party transactions

The Group carried out the following transactions with related parties. The following entities are related parties as a consequence of shareholdings, joint venture arrangements and partners of such and/or common Directorships. All related party transactions are clearly justified and beneficial to the Group, are undertaken on an arm's-length basis on fully commercial terms and in the normal course of business.

	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
PEEL GROUP		
Revenue		
Profit on sale from overages	**987**	-
Cost of sales/administrative expenses		
Recharges in respect of fees for Steven Underwood, a non-executive director	**-**	(45)
MULTIPLY LOGISTICS NORTH HOLDINGS LIMITED		
& MULTIPLY LOGISTICS NORTH LP		
Revenue		
Sale of land	**-**	2,175
Recharges of costs	**-**	2
Asset management fee	**107**	121
Water charges	**100**	92
Purchases		
Diversion of surface water drain	**97**	-
Receivables		
Trade receivables	**153**	10
Other receivables	**285**	-
Partner loan made during the year	**-**	407

15. Related party transactions (continued)

	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
BANKS GROUP		
Revenue		
Annual option sums	**5**	15
Provision of certificate regarding title	**1**	-
Acquisition of land		
Acquisition of land at Cinderhill	**-**	2,412
Payables		
Trade payables	**(5)**	-
Deferred payment in respect of the acquisition of land at Moss Nook	**(1,000)**	(1,200)
POLYPIPE		
Revenue		
Rent	**5**	-
WAVERLEY SQUARE LIMITED		
Shareholder loan made during the year	**169**	25
THE AIRE VALLEY LAND LLP		
Partner loan made during the year	**-**	250
Partner loan repayment	**(7,951)**	(3,000)
Profit share received during the year	**(979)**	-
Receivable	**2**	-
BATES REGENERATION LIMITED		
Shareholder loan repayment	**-**	(799)
ANSTY DEVELOPMENT VEHICLE LLP		
Partner loan made during the year	-	1,496
CRIMEA LAND MANSFIELD LLP		
Partner loan made during the year	-	495
Receivable	2	-

Notes to the financial information

for the year ended 31 December 2020

15. Related party transactions (continued)

	Unaudited year ended 31 December 2020 £000	Audited year ended 31 December 2019 £000
NORTHERN GATEWAY DEVELOPMENT VEHICLE LLP		
Partner loan made during the year	-	22
Receivable	528	-
HALLAM LAND MANAGEMENT LIMITED		
Purchases		
Purchase of share of interest of Ansty Development Vehicle LLP	**7,848**	-
Payables		
Deferred payment in respect of the acquisition of Ansty Development Vehicle LLP	**(3,803)**	-