Harworth

22 March 2022

Harworth Group plc

Full year results for the year ended 31 December 2021

Strong operational performance and market tailwinds deliver record Total Return as Harworth steps into its growth strategy

Harworth Group plc ("Harworth" or the "Group"), a leading regenerator of land and property for sustainable development and investment, today announces its full year results for the year ended 31 December 2021.

Key Non-Statutory Measures[1]	2021	2020	Key Statutory Measures	2021	2020
Total Return (%)	**24.6**	3.0	Operating profit (£m)	**121.9**	27.8
EPRA NDV per share (p)[2]	**197.6**	160.0	Net asset value (£m)	**578.0**	488.7
Value gains (£m)	**160.5**	22.3	Total dividend per share (p)[3]	**1.2**	1.8
Net loan to portfolio value (%)	**3.4**	11.5	Net debt (£m)	**25.7**	71.2

Lynda Shillaw, Chief Executive of Harworth, commented: "Harworth maintained its strong momentum throughout 2021, as we stepped into our ambitious strategy to reach £1bn of EPRA NDV over five to seven years. Our performance, combined with tailwinds in our end markets, has translated into a significant increase in EPRA NDV and our highest annual Total Return to date.

"In addition to the significant progress made in planning, direct development, lettings and land sales across our portfolio during the year, we agreed terms for the sales of our Ansty strategic land site and Kellingley development site, conditional on planning consent, at significant premiums to book value. The proceeds from these sales once completed, alongside the larger senior debt facility we have secured, will provide us with additional firepower to deploy across our development sites and acquisition pipeline.

"Our core sectors continue to perform well, but are not immune to wider macroeconomic pressures. Our focus now is on the execution of the strategy, ensuring that, as we work through our plans, the team has the skills and resources to deliver consistently and successfully, sustainably growing the business and delivering returns through the cycle. This will ensure that we continue to deliver places where people want to live and work."

Strong returns, driven by active management and structural growth in our markets

- Total Return[1] increased to 24.6% in 2021, from 3.0% in 2020
- EPRA NDV[1] per share increased 23.5% to 197.6p as at 31 Dec 2021 (31 Dec 2020: 160.0p), driven by valuation gains, particularly for industrial & logistics sites, and planning and development progress
- EPRA NDV increased 23.6% to £637.5m as at 31 Dec 2021 (31 Dec 2020: £515.9m)
- Dividend per share saw an underlying increase of 10% to 1.2p, in line with our dividend policy

Progressing our 28.2m sq. ft industrial & logistics pipeline, through planning, sales and direct development

- Construction underway of 332,000 sq. ft of Grade A space at Bardon Hill, due to complete this summer
- Planning secured for 1.1m sq. ft of space at Wingates site in Bolton, with plans submitted for a further 2.8m sq. ft across sites at Skelton Grange, Leeds and Gascoigne Wood, North Yorkshire
- Conditionally exchanged on sales of strategic land site in Ansty, Warwickshire for £53.5m, and Kellingley site in Selby, North Yorkshire for £54.0m, at significant premiums to book value

Accelerating land sales and placemaking across our 30,804-plot residential pipeline

- Total plot sales of 1,411, (2020: 873) to nine different housebuilders
- Planning secured for 1,000-home mixed-use regeneration scheme at Ironbridge, Shropshire

Growing our strategic land portfolio and land promotion activities

- Completed £14.3m of site acquisitions, including a number of smaller sites as part of land assembly
- Freehold acquisitions of two strategic land sites: Rothwell, Northamptonshire, capable of delivering 1.5m sq. ft of industrial & logistics, and Staveley, Derbyshire, capable of delivering 600 new homes

Active year for lettings in our Investment Portfolio; operational metrics remain robust

- 267,500 sq. ft of new lettings, including a 149,300 sq. ft unit as part of Phase 2 of Multiply Joint Venture, and a 131,000 sq. ft plot, completing the scheme and triggering one-off promote fees
- Rent collection of 99% for the year, while vacancy remains low at 2.7% (2020: 4.5%)

Robust balance sheet

- Available liquidity of £128.0m (31 Dec 2020: £62.7m) and net debt[1] of £25.7m (31 Dec 2020: £71.2m)
- Net loan to portfolio value[1] of 3.4% (31 Dec 2020: 11.5%); within target to be below 20% by year-end
- New five-year debt package agreed post year-end, increasing RCF to £200m with a £40m uncommitted accordion, with a new lender added to syndicate

New appointments bring significant additional expertise and strengthen senior leadership team

- Appointment of Chief Investment Officer, Chief Operating Officer, Head of Strategy, Investment & Business Development and Head of Mixed Tenure

Embedding ESG into everything we do through the Harworth Way

- ESG Board Committee formed to provide oversight of ESG strategy and activities
- Eight Focus Impact Areas established based on the three impact pillars of the Harworth Way: Communities, Planet and People, including a Net Zero Carbon target

Notes:

(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 statements

(2) European Public Real Estate Association Net Disposal Value per share

(3) Total dividend per share in 2020 comprised a payment of 1.102p for 2020 supplemented by an additional payment of 0.698p representing the previously cancelled 2019 final dividend. The Ex-dividend date, Record date and Payment date for the 2021 final dividend can be found in the Shareholder Information section of this announcement

For further information

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Results presentation

Harworth will host a presentation for analysts and investors at 9.30am today. A live webcast and playback of this presentation can be accessed at the following link:
webcasting.brrmedia.co.uk/broadcast/62022cd9636d105baf478dec

About Harworth

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 14,000 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 and industrial & logistics developments. Visit www.harworthgroup.com for further information. LEI: 213800R8JSSGK2KPFG21

Chair's Statement

Last year, when writing on the subject of business value, I commented on the Harworth share price standing at a 20% discount to EPRA NDV*. In considering how to address this I wrote that "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 future investors. These are the key measures of success against which the Board will assess the achievement of our management". I am, therefore, very pleased that at the end of 2021 our share price represented just a 2% discount to our last reported EPRA NDV, testament to a very strong year's trading and the recognised demonstration of progress already achieved against the clear and ambitious strategic objectives set out by Lynda Shillaw, our Chief Executive, at the time of the interim statement. She articulated her goal to double the EPRA NDV* of Harworth from £515.9m at the end of 2020 to in excess of £1bn over the following five to seven years. After 12 months, supported by strong market tailwinds, a quarter of that ambition has already been achieved.

Our strategy and its delivery

These revised strategic objectives do not fundamentally alter what Harworth is: rather they seek to realise greater value and pace from the core capabilities of our specialist and highly experienced team in acquiring, assembling, master-planning, and developing a strategic land bank of primarily large complex sites frequently requiring fundamental regeneration.

We have no plans to alter materially our historic focus both on the regions of the North and the Midlands outside city centres and on the industrial & logistics and residential sectors. We see these as having strong underlying drivers of growth and, therefore, of demand for engineered land, whether these be the chronic failure of housing supply to match demand, the e-tailing revolution that has been turbo-charged by the pandemic, or the political aim of levelling-up the country between the South and the North.

The management team does, however, plan to take a larger share of the value chain that we create and to move faster through our landbank. Hence, we are increasing the direct development of industrial & logistics stock on our sites to create our own investment portfolio of modern Grade A buildings. This in turn will allow us to dispose of those assets from our existing portfolio where we have already maximised value through the completion of asset management initiatives. At the end of this year we have 432,000 sq. ft of such development underway and another 191,000 sq. ft planned to start in 2022. To move through sites faster we are broadening the range of our residential products in response to increasing consumer and investor appetite for Build to Rent ("BTR") products. We plan to test this market in 2022 with our first such portfolio of BTR houses.

Lynda and her team are also planning to increase the scale of what we do, growing our strategic land portfolio and land promotion activities. The corollary of a strong market for engineered land is strong competition for strategic sites capable of such transformation. That requires us to ensure that those who create and facilitate land supply know well what Harworth is looking for, recognise our distinctive capabilities to regenerate and master-plan sites that would deter others, and trust us to deliver on our commitments both as to what we say we will do and how quickly we will do it. We have, therefore, been very pleased to announce acquisitions such as that of a 107-acre strategic site at Rothwell, Northamptonshire, on which we plan to directly develop up to 1.5m sq. ft of Grade A industrial & logistics space in this prime Midlands industrial location.

Resourcing our strategy

Defining a strategy is one thing: delivering on it another. At the core of our ability to deliver are our people and the financial resources we have at our disposal.

We are hugely fortunate to have a team of very experienced and highly committed people who have achieved excellent results over the past years. That core team is in turn strongly supported by those external organisations that supplement our core master-planning, project management and development. If, however, we are to tackle more sites and work through them more quickly we need to grow both that core team and the external support we contract-in. Hence, from 75 people making up Harworth at the end of 2020 we entered 2022 with 91. Finding individuals with the skills, experience, and culture that we require is not easy. Alongside expanding our leadership team to add the necessary expertise in such areas as direct development and residential BTR, we are also committed to growing our own, providing opportunities for young people to join us and then helping them to develop their skills and experience to move into more senior roles.

In terms of financial resources we were very pleased to reach agreement shortly after the year-end on a new five-year Revolving Credit Facility with our existing lenders NatWest and Santander in which they have been joined by HSBC. The facility in place during 2021 was increased during the second half of the year, from its previous level of £130m to £150m and the new Revolving Credit Facility agreed in 2022 was increased to £200m, which in turn follows the growth in Harworth's asset value. Whilst this increases the funding we have available to accelerate through our sites and undertake more direct development we intend to retain our principle of low financial gearing, planning only a modest increase in maximum year-end loan to value from 20% to 25%. We know from our discussions with our shareholders that our approach to low gearing has their support.

Our Environmental, Social & Governance ("ESG") credentials

In early 2020 we established what we call the Harworth Way – the way in which we deliver on our purpose of investing to transform land and property into sustainable places where people want to live and work. We deliver through five principal themes to address major social, economic and environmental trends: Communities, Planet, People, Partners and Governance. In turn we map these elements of the Harworth Way onto the relevant UN Sustainable Development Goals.

These elements, which are at the heart of how Harworth does business, are now recognised as the bedrock of a company's ESG credentials and I am personally greatly heartened by the speed with which ESG considerations have moved up the corporate and financial sector agenda. Investors in both debt and equity now seek to understand companies' positions against relevant measures of their ESG credentials and their plans to develop those credentials as they deliver against their strategic objectives, whether this be their environmental credentials in terms of their pathway to Net Zero Carbon or their social credentials in terms of the diversity of their boards and businesses. Such considerations are no longer statistics in the pages of the annual report but core elements by which businesses are judged.

Last year we established an ESG Committee of the Board and I am very grateful to Angela Bromfield, our Senior Independent Director, for her willingness to chair this new committee. Harworth has a considerable impact on the environment as a developer and oft times regenerator of strategic land, and on communities through our bringing forward of substantial commercial and residential development, often creating whole new communities where people live and work. How we plan, and take input from our stakeholders on, that impact is fundamental to what our teams do every day. A strategic site will often be developed fully over 10 or more years: our teams have to consider now what the world will need in 10 years' time as they masterplan the nature of our developments and their infrastructure.

In considering our impact on the environment and on communities we must have regard to both what we cause and also the impact of our supply chain, the tenants in our commercial portfolio, and those who will live in the developments we make possible. Suffice it to say these considerations are complex and in many parts uncertain, whilst there are also sharply contrasting scenarios as to how the environment may itself be influenced by climate change. Hence there is a need to create a focal point in the Board process where these topics can be discussed and strategies agreed, at the same time establishing oversight over increasingly complex and varied reporting of these issues. We recognise that defining the pathway to achieve our Net Zero Carbon objectives and developing comprehensive TCFD reporting remains work-in-progress, as it does for many others, but we are committed to maintaining the achievement of these objectives at the forefront of Board decision-making.

My thanks

Covid-19 made 2021 another difficult year for our people and those in the organisations that support us. Working from home predominated and for some families that meant both parents seeking to fulfil their work commitments from home alongside home schooling their children – an almost impossible ask! That we achieved what we did despite this backdrop is testament to the commitment and capability of our teams and those who support them, to all of whom I express my gratitude.

Having had considerable change in our Board last year I was delighted to have neither departures nor arrivals during 2021. Within our executive I would like to mark Ian Ball, our Chief Operating Officer, leaving the business at the end of January after more than seven years. Having started his career with Harworth managing our Investment Portfolio and then broadening his role to have oversight over all our regions' operating activities, Ian's deep commercial understanding of our sites and their potential has been a mainstay of Harworth: we could not have achieved what we have without his input and we wish him all the best for the future. However, as one door closes another opens and we were very pleased to welcome both Andrew Blackshaw, as our new Chief Operating Officer, and Jonathan Haigh, who has taken the new role of Chief Investment Officer. They both have considerable experience in our sector and are already making a marked contribution to our business.

I would also thank Nigel Turner, our interim Chief Financial Officer, for stepping into the big gap left by Kitty Patmore's maternity leave – not easy to take the helm of a ship moving at speed with the wind full in its sails! Our congratulations to Kitty on the birth of her son.

Finally, my thanks to Lynda Shillaw, our Chief Executive, for what she has achieved in her first year with us, redefining Harworth's strategy and repositioning our medium-term objectives whilst at the same time putting in place the resources, human and financial, she needs to deliver against them, and leading the achievement of a very strong outturn for the year.

Alastair Lyons
Non-Executive Chair
21 March 2022

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Chief Executive's Review

Introduction

The end of 2021 marked my first full year at Harworth, one which has been both exciting and challenging, as we navigated delivering business as usual, and developing and mobilising a new strategic plan, through another year which was impacted by Covid-19.

Our results show that 2021 was a very strong year for Harworth both in terms of our performance - delivering significant growth in EPRA NDV* and a Total Return* during the period of 24.6%, our highest annual Total Return on record - and the launch and completion of my strategic review of the business. This outlined an ambitious growth strategy, building on the skills of our people and our asset base to drive growth, maximise returns to investors and grow the business to £1bn of EPRA NDV* over five to seven years, starting from the end of 2020.

Our strategy is evolution not revolution, and fundamentally we remain a business that is regionally focused in the industrial & logistics and residential sectors. We have a deep understanding of the regions that we operate in and continue to deploy our specialist skills to assemble complex sites and work them through the planning process and into production. Our strategy work has identified the potential of our landbank to do more, faster, and provides a roadmap to enable us to scale up the creation of sustainable places where people want to live and work.

Our markets

The industrial & logistics and residential markets remained buoyant throughout 2021 and both are still characterised by structural undersupply. We continued to see a depth of market demand from occupiers and investors for both built stock and, increasingly, strategic land within our industrial & logistics portfolio, as well as for our residential serviced land product.

Investor, occupier and homeowner demand strengthened through 2021, despite cost and supply chain pressures also surfacing, and our sales during the year were either ahead of, or in line with, December 2020 valuations, as we continued both to drive value into our sites through our management activities as well as capture a strong market in underlying land values. We exchanged on the sales of our Kellingley development site in North Yorkshire for £54.0m and Ansty strategic land site in Warwickshire for £53.5m towards the end of the year. Whilst both conditional, these transactions highlight the quality and potential of our landbank, also providing future funds to reinvest to deliver our strategy.

Government policy remains focussed on rebalancing the UK economy and in particular driving investment into, and the regeneration and growth of, the economies of the regions. With the pandemic diverting government resources and focus, the reality of this on the ground is a slower pace of change than the expectation set.

The publication of the Integrated Rail Plan and more recently the Levelling Up White Paper have started to provide more colour and a framework for business to work within: however, there is much more to do to bring this to life. Harworth is extremely well placed to do this: regeneration in the regions is our core skillset, something that is at the heart of what we do as a business. We have a long track record of regenerating former brownfield sites successfully, and we understand better than most how to assemble and remediate strategic sites and create sustainable places where people want to live and work. These capabilities are central to our growth to date and our strategy going forward.

Progress against our strategy

Our strategy, outlined in September 2021, set out a clear road map for our ambition to grow EPRA NDV* from £515.9m at the end of 2020 to £1bn over five to seven years, through:

- increasing direct development of industrial & logistics stock;
- accelerating sales and broadening the range of our residential products;
- scaling up land acquisitions and promotion activities; and
- repositioning our Investment Portfolio to modern Grade A.

We have made a strong start on our strategic ambition. Our EPRA NDV* at 31 December 2021 was £637.5m, a 23.5% increase on 31 December 2020 (and a 7.9% increase on 30 June 2021). Net assets increased 18% from £488.7m as at 31 December 2020 to £578.0m as at 31 December 2021.

Our plans are ramping up to increase direct development from c.200,000 sq. ft per annum over the past six years, to 800,000 sq. ft per annum by 2027. During 2021 we delivered and let a 50,800 sq. ft unit at Logistics North and started on site with 432,000 sq. ft in total at Bardon Hill, Leicestershire and the Advanced Manufacturing Park ("AMP") in Waverley, South Yorkshire. In early 2022 we expect to begin a further 191,000 sq. ft of development at Gateway 36 in Barnsley, South Yorkshire and the AMP. Also during 2022, we will begin site preparation works for 2.0m sq. ft of development at Wingates in Bolton, Greater Manchester and Chatterley Valley in Staffordshire, and target planning determinations for 2.8m sq. ft at our Skelton Grange and Gascoigne Wood sites in Yorkshire.

In 2021, we delivered a step change in residential plot sales, completing 1,411, a 64% increase on our average annual rate of 862 plots per annum over the past six years, as we start to move towards our strategic target of 2,000 plot sales per annum. Sales were achieved across all three of our regions to a range of different housebuilders, with the largest contributors of plots being our developments in Moss Nook, Merseyside; Simpson Park, Nottinghamshire; and South East Coalville, Leicestershire. In addition, we secured planning consent to deliver c.1,000 residential plots at our Ironbridge site, and for an additional 500 new homes across a number of smaller sites. Diversifying our product at residential sites is a key component of our strategy, and to that end we recruited James Crow as Head of Mixed Tenure to oversee the development and launch of our first BTR portfolio in 2022.

We take a long-term view of replenishing our landbank, and our strategy targets maintaining a 12-15 year land supply throughout our five year plan period. During 2021, we have been active in acquiring new sites to replenish our portfolio, adding Rothwell in Northamptonshire, which has the potential to deliver up to 1.5m sq. ft of industrial & logistics space, and Staveley in Derbyshire, which is capable of delivering up to 600 new homes.

Our Investment Portfolio continues to deliver robust operational metrics, with 99% of rents due in 2021 now collected, and, as at 31 December 2021, a vacancy rate of 2.7% (31 December 2020: 4.5%) and a WAULT of 11.5 years (31 December 2020: 12.5 years). During the year we completed 696,400 sq. ft of leasing deals, including 267,500 sq. ft of new lettings. The new lettings included: (i) a 149,300 sq. ft unit to complete Phase 2 of the Multiply scheme, triggering further one-off promote fees, amounting to £12m in total, and (ii) a 50,800 sq. ft unit at Logistics North.

Harworth remains well-capitalised and continues to manage its cashflows sustainably. As at 31 December 2021, net debt* was £25.7m (31 December 2020: £71.2m), providing significant headroom and flexibility. To support our growth strategy, since the year-end we have completed on a new five-year £200m facility with a £40m uncommitted accordion. The new facility is provided by Natwest, Santander, and HSBC, a new lender for Harworth.

ESG is a priority for Harworth, and is embedded into the way that we work and the developments we deliver. Harworth prides itself on being a responsible business, and we have continued our work embedding The Harworth Way through our strategy and operations during the year with particular focus on the design and carbon use in operation of the logistics assets that we build.

Throughout the year we have been working with our Board ESG Committee to ensure that the ESG targets and metrics that we set and measure ourselves against going forward are right for Harworth. This has culminated in the identification of eight Focus Impact Areas, centred around the Communities, Planet and People pillars of the Harworth Way. These will inform our ESG approach in the coming years, and we intend to report our progress against them regularly.

Through the work that we undertook in 2021 we have also recognised the need to increase ESG resources, and are delighted that after a short sabbatical, Peter Henry will return to the business as Director of Sustainability, to lead our work in this important area.

People

In my first Chief Executive's Review last year I highlighted the capabilities and resilience of Harworth people and that the culture of the business is apparent in everything that we do. I believe that these characteristics set us apart as a business, and while 2021 has been another challenging year as we have scaled up and have started to implement our strategy, these fundamentals have again shone through.

However, I recognise that it is not just about our growth strategy: change is unsettling for people within any organisation and managing the development of a new strategy and change through video calls is difficult. We have made a great start, but there is still much to do to deliver on the opportunities that we have identified and show the world what we are capable of.

Front and centre of this is ensuring that we have the right level of skills and resources in the business, the right culture, and that we are a great place to work. We have been successful in hiring 16 great people into our business during 2021 to support the delivery of our strategy and I would like to welcome to the senior leadership team: Andrew Blackshaw as Chief Operating Officer; Jonathan Haigh as Chief Investment Officer; and Haroon Akram as Director of Strategy, Investment and Business Development. It has not just been about new hires though: we have also focussed on the talent within the business, ensuring that there are opportunities for individuals to thrive and develop, and we have made a number of promotions and enabled departmental moves as a result.

During the year, we have reviewed most of our policies, from Diversity and Inclusion through to Maternity, Adoption, Paternity, and Shared Parental leave, to ensure that they are at the market leading end of the spectrum, as well as introducing a salary sacrifice car scheme for low or zero emission vehicles. One of the most significant policy changes during the year was the introduction of hybrid working, which enables our people to work more flexibly and underpins our focus on wellbeing and ensuring that they have more choice as to where they work and when they start and finish their day. Another significant change is focused on widening share ownership within the business and from 2022 we are proposing to extend the scale and application of our Restricted Share Plan and Share Incentive Plan, reaching all employees in our business.

At Harworth, how we lead, our behaviours and the culture that we are part of are things that we are immensely proud of, and I am really pleased to highlight that in our recent engagement survey 97% of people said they were proud to work for Harworth, and 93% of people said they would recommend Harworth as a good place to work.

Outlook

Our 2021 results build on our strong performance in 2020 and highlight both the demand for our focus sectors and the resilience of our business model. Our new strategy builds on our existing strengths, capabilities and scale, and unlocks the potential within our strategic landbank, delivering growth and sustainable returns to investors. We have created a clear plan to reach £1bn of ERPA NDV* over five to seven years. Our focus is now fully on the execution of the strategy, but I am acutely aware that, for a strategic land business, it is a marathon, not a sprint, and the flying start presented by our 2021 results will moderate as we move through the cycle – some of our sites take in excess of a decade to assemble and deliver. My focus is on ensuring that, as we work through our plans, the team has the skills and resources to deliver consistently and successfully, sustainably growing the business and delivering returns through the cycle.

The early months of 2022 have been extraordinary. Against the backdrop of continued strong demand for our products we are seeing rising inflation and interest rates in the UK, and a war in Europe, which has potentially wide-reaching implications in the near term for Western European economies, particular in our energy and some core commodity markets. Our core markets are currently performing well, but are not immune to global supply issues, or any downturn in the economy driven by a combination of global and UK economic factors. Government policy remains focused on driving up regional investment and growth and delivering a more equal balance of economic outcomes and opportunities for UK citizens.

Looking forward, overall commercial property returns are expected to be lower in 2022. The industrial sector is still expected to continue to perform well, driven by a huge weight of capital seeking access to occupiers chasing finite available stock, causing record low void rates. The shortage in supply of new homes seen in 2021 pushed prices higher and this has continued into 2022. Order books and demand for developable land from housebuilders, and rental product from investors, are robust, with prices rising ahead of inflation and cost increases, and the end of the stamp duty holiday having remarkably little impact on buyer demand. The sector does however face some headwinds as interest rates rise, the cladding repair crisis remains unresolved and the sector digests the changes to Building Regulations and the Future Homes Standards pathway.

We remain a resilient, well capitalised, through-the-cycle business and we have made a great start as we step into the delivery of our strategy, doing what Harworth does best – creating sustainable places where people want to live and work.

What Harworth does in the regions and how we do it matters. I believe that Harworth has both a track record of delivery and a deep understanding of what it takes to successfully deliver large scale regeneration and that we can, therefore, play a key role in helping local and central Government to deliver on their core agendas on housing, levelling up and the green economy.

Conclusion

I have had a very enjoyable first year as Chief Executive of Harworth, and this is because of the people in our business. I would like to thank the Harworth team for their hard work and dedication, for delivering an outstanding set of results in 2021, and for stepping up to help to develop and mobilise our new strategy.

I would also like to thank Ian Ball, our former Chief Operating Officer who left the business in January, for the invaluable support that he has provided to me and his service to the business over the last seven years. I also extend a thank you to Nigel Turner, who joined us as Interim Chief Financial Officer to cover Kitty's maternity leave, and to welcome Kitty back into the business.

I am excited by our strategy and extremely proud to lead Harworth and to work with such a talented team.

Lynda Shillaw
Chief Executive
21 March 2022

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Operational Review

Industrial & logistics land portfolio

At 31 December 2021, the industrial & logistics pipeline totalled 28.2m sq. ft (31 December 2020: 27.3m sq. ft), of which 7.3m sq. ft was consented (31 December 2020: 9.2m sq. ft), and 6.1m sq. ft was in the planning system awaiting determination (31 December 2020: 1.3m sq. ft). At the same date, the pipeline was 76% owned freehold, while 24% related to PPAs or Options.

Acquisitions and land assembly

During the year, completed industrial & logistics land acquisitions totalled £10.6m. A large proportion of this related to the freehold acquisition in November of a 107-acre site in Rothwell, Northamptonshire. Located at Junction 3 of the A14, connecting to the A6, the site has a strong strategic position within the prime Midlands industrial location known as the 'Golden Triangle'. Harworth will work with local stakeholders, including the newly-formed North Northamptonshire unitary authority, to bring forward a planning application for 1.5m sq. ft of Grade A industrial & logistics space.

The remainder related to land assembly works at Harworth's Ansty strategic land site in Warwickshire. Contracts were exchanged for the conditional sale of the entire site in December 2021.

Planning

During the year, Harworth submitted planning applications for 6.1m sq. ft of industrial & logistics space, including:

- Gascoigne Wood, North Yorkshire: This 185-acre former colliery site benefits from an existing rail connection and close proximity to the A1(M) and M62. Revised plans have been submitted for 2.0m sq. ft of rail-linked industrial & logistics space at the site.

- Skelton Grange, Leeds, West Yorkshire: Formerly the location of Skelton Grange Power Station, this 50-acre site was acquired by Harworth in 2014 and is adjacent to Junction 45 of the M1, to the south-east of Leeds city centre. Plans have been submitted for 800,000 sq. ft of space across five units, in addition to infrastructure upgrades, new cycle ways and footpaths, and ecological enhancements.

Planning was secured by Harworth during the year for 1.3m sq. ft of industrial & logistics space. The majority of this related to the Wingates development site in Bolton, Greater Manchester. In June, planning consent was granted for 1.1m sq. ft of space at the site, which is adjacent to Junction 6 of the M61, in close proximity to Harworth's now-completed Logistics North development.

Direct development

In September, construction commenced at the Bardon Hill site in Leicestershire, which will see the direct development by Harworth of 332,000 sq. ft of logistics and manufacturing space across six units. The development is expected to reach practical completion in the second half of 2022, resulting in a total GDV of between £40m and £50m. Harworth is also currently underway with the delivery of a 100,000 sq. ft facility at the AMP in Waverley, South Yorkshire, on behalf of sportswear manufacturer SBD Apparel.

In May, practical completion was reached on LN50, a 50,800 sq. ft unit at Logistics North, concluding Harworth's eight-year build-out of the development site. LN50 was designed, built and future-proofed to allow it to be Net Zero Carbon in operation, and was let to a manufacturing occupier after the year-end.

Land sales

Harworth completed £18.1m of industrial & logistics land sales during the year, at prices above or in line with 31 December 2020 valuations. The largest disposal was of a 24-acre land parcel at Gateway 36 in Barnsley, South Yorkshire, to Firethorn for £11.6m. The land parcel represents Phase 3 of the development and will be used to develop a BREEAM 'Excellent' rated 340,000 sq. ft logistics facility.

At year-end there were two significant land sales on which Harworth had conditionally exchanged contracts:

- Kellingley, North Yorkshire: The sale of the development site was agreed for £54.0m. The transaction will only complete if all sale conditions are satisfied prior to the transaction's long-stop date of 31 August 2022. These conditions include, but are not limited to, the approval of a reserved matters planning application, which is submitted and currently awaiting determination.

- Ansty, Warwickshire: The sale of this strategic land site was agreed for £53.5m. The completion of this transaction is conditional on the granting of a hybrid planning permission, which is to be submitted by Harworth and the purchaser. The planning application is expected to be submitted later this year, with a determination in 2023.

Residential land portfolio

As at 31 December 2021, the residential pipeline had the potential to deliver 30,804 housing plots (31 December 2020: 30,668), of which 9,978 were consented (31 December 2020: 9,355), and 811 were in the planning system awaiting determination (31 December 2020: 2,536). At the same date, the pipeline was 55% owned freehold, while 45% was subject to PPAs, Options or Overages.

Acquisitions and land assembly

During the year, completed residential land acquisitions totalled £3.8m. The largest purchase was the freehold acquisition in December of a 133-acre brownfield site in Staveley, Derbyshire. The site is located in the Staveley & Rother Valley Corridor, which is allocated to deliver up to 1,500 new dwelling and employment opportunities in Chesterfield Borough Council's Local Plan. We intend to leverage our placemaking skills to deliver 600 homes, alongside new green spaces, a retail hub and other amenities.

Planning

In September, planning was secured for a 1,000-home mixed use development at Ironbridge, Shropshire. The 350-acre former power station site was acquired by Harworth in June 2018. Alongside new homes, the development will deliver up to 0.2m sq. ft of employment space, a retirement village, and a local centre offering convenience retail and other services. Demolition works to remove the power station structures were largely completed by year-end, and enabling works for the first phase of development at the site began in early 2022.

Planning was also secured for up to 500 homes across a number of smaller sites in the portfolio. This included approvals for: up to 250 new homes at a 25-acre site in Awsworth, Nottinghamshire; up to 132 new homes in Little Lever, Bolton, on a former industrial site that was acquired by Harworth in 2020; and up to 118 homes on a site in Birdwell, South Yorkshire.

Plot sales

During the year, completed residential land sales grew significantly to 1,411 plots (2020: 873 plots). Sales were either in line with, or ahead of, 31 December 2020 valuations. Sales were made to a range of different housebuilders across eight sites, including: Moss Nook, Merseyside; Simpson Park, Nottinghamshire; and South East Coalville, Leicestershire. The headline sales prices ranged from £30k to £73k per serviced plot (2020: £37k to £70k).

Investment portfolio

The Investment Portfolio, previously referred to as the Business Space portfolio, mainly comprises industrial & logistics assets that have been directly developed and retained, and standing assets that have been acquired. This portfolio provides recurring rental income in addition to providing asset management opportunities and the potential for capital value growth.

As at 31 December 2021, the Investment Portfolio comprised 18 sites covering 3.7m sq. ft (31 December 2020: 19 sites covering 3.4m sq. ft). It generated £18.0m of annualised rent (31 December 2020: £15.7m), equating to a gross yield of 6.5% (31 December 2020: 6.8%) and a net initial yield of 5.6% (31 December 2020: 6.1%). Grade A space represented 11% of the portfolio (31 December 2020: 9%).

Acquisitions

In March, Harworth acquired Towngate Business Park, Widnes for £12.7m, reflecting a net initial yield of 7.1% and a reversionary yield of 9.4%. The asset comprises 262,000 sq. ft of fully-let industrial space across nine industrial units, with easy access to the M62. Harworth will leverage its asset management expertise to capture rental reversion at the site and explore infill development opportunities over the medium term.

Asset management

During the year we completed 696,400 sq. ft of leasing deals, including 267,500 sq. ft of new lettings. Lease renewals and regears were completed at terms which, on average, represented a 28% uplift to previous passing rents. New lettings were completed on terms either in line with, or ahead of, estimated rental values (“ERVs”). Most of this activity related to two transactions at Logistics North: the letting in June of a 149,300 sq. ft Grade A warehouse as part of Phase 2 of the Company’s Multiply Joint Venture (“Multiply”) with the LPPI Real Estate Fund; and the letting of LN50.

In September, Harworth completed the letting of a further plot at Multiply Logistics North, with planning permission for a 131,300 sq. ft industrial unit. The plot represented Phase 3 of Multiply and the completion of the development, triggering significant one-off promote fees.

Across the Investment Portfolio, operational metrics remain strong, with 99% of rents falling due in the year collected, vacancy falling to 2.7% as at 31 December 2021 (31 December 2020: 4.5%), and a sustainable Weighted Average Unexpired Lease Term (“WAULT”) of 11.5 years as at 31 December 2021 (31 December 2020: 12.5 years).

From 2022, Harworth will adjust the calculation of its Investment Portfolio vacancy metric to align it with the EPRA Best Practice Guidelines, which use the ERV of vacant space rather than sq. ft. Based on this calculation, Investment Portfolio vacancy as at 31 December 2021 was 4.1%.

Sales

Completed Investment Portfolio sales totalled £8.8m during the year, at prices in line with, or ahead of 31 December 2020 valuations, and representing a net initial yield of 5.1%. These disposals were mainly of mature assets where asset management or development initiatives had been completed.

Natural Resources portfolio

The Natural Resources portfolio comprises sites used for a wide range of energy production and extraction purposes, including wind and solar energy schemes, battery storage and methane capture. Sales from this portfolio during the year totalled £13.9m, with sales prices ahead of 31 December 2020 valuations. These sites included the former Harworth Tip in Nottinghamshire, the former Alcan smelter at Lynefield Park, Northumberland and the former North Selby Mine.

The Harworth Way

Harworth's Purpose is to transform land and property into sustainable places where people want to live and work. A commitment to sustainability is embedded across the Company's culture, strategy and operations, and is seen as critical to making a lasting positive impact on communities and the environment. This commitment is delivered through the Harworth Way, and its three Impact Pillars: Communities, Planet and People, and two Supporting Pillars: Partners and Governance.

The year saw significant progress in the development and delivery of the Harworth Way. In April, a Board ESG Committee was established, chaired by Senior Independent Director, Angela Bromfield and supported by an ESG Steering Group comprising staff from across the business. The Company has also established a set of eight Focus Impact Areas for the first time, centred around the three Impact Pillars of the Harworth Way, and six principal UN Sustainable Development Goals ("SDGs") which are most relevant to the business. These are: SDG 3 (Good Health & Wellbeing); SDG 8 (Decent Work & Economic Growth); SDG 9 (Industry, Innovation & Infrastructure); 10 (Reduced Inequalities); SDG 11 (Sustainable Cities & Communities); and SDG 12 (Responsible Consumption & Production).

The table below summarises key highlights of the Harworth Way during the period, and our Focus Impact Areas. More details can be found on Pages 48-69 of our 2021 Annual Report.

Impact Pillar	Highlights during 2021	Focus Impact Areas
Communities Creating, strengthening and supporting our communities today and for the future **UN SDG link:** 3, 11, 12	• Portfolio now has the potential to deliver £4.1bn of GVA per annum, enabling over 72,000 jobs and over 30,000 homes • Advanced plans for two innovative cycling infrastructure schemes at Thoresby Vale and Waverley • Donated over £67,000 and volunteered 71 hours of staff time to support local causes	1. Delivering homes, supporting jobs and creating communities 2. Promoting healthy lifestyles and wellbeing in our communities
Planet Minimising our environmental impact, building climate resilience and promoting biodiversity **UN SDG link:** 9, 11, 12	• Harworth's first building capable of being Net Zero Carbon in operation, LN50, delivered at Logistics North • Launch of a staff salary sacrifice car scheme exclusively for low or zero emission vehicles • Solar panels installed at Advantage House head office, generating 80KWh of renewable electricity per annum	3. Increasing biodiversity 4. Reducing CO_2 emissions 5. Building greener 6. Developing responsibly
People Building an inclusive, supportive and empowered culture in which our people can fulfil their potential **UN SDG link:** 3, 8, 10	• Launch of enhanced hybrid working, maternity and adoption, and paternity policies • 97% of staff said they were proud to work for Harworth in our annual employee engagement survey • To date, five staff have been trained as mental health first aiders	7. Engaging our people 8. Prioritising health & safety

Transformation to Net Zero

The climate emergency and the transition imperative to a Net Zero Carbon economy have particular implications for property owners and developers – and for those invested in them – due to the significant contribution that the building and construction sectors make to global carbon emissions. Harworth is poised to embrace this challenge and to capture the opportunities that the transition to Net Zero presents.

Harworth's *Transformation to Net Zero* is our commitment to reaching Net Zero Carbon by 2030 for Scope 1 and Scope 2 emissions, and the business travel and employee commuting categories of Scope 3 emissions. We commit to becoming Net Zero Carbon by 2040 for all emissions. Achieving this goal will ensure Harworth develops and holds assets that are fit for the future, underpinning shareholder value in the long-term, whilst taking full responsibility for the climate-related impacts of its activities and those in its value chain. Whilst ambitious, this commitment builds upon some significant areas of progress that we have already achieved.

Further details of Harworth's *Transformation to Net Zero,* including our CO_2 emissions baseline (with additional Scope 3 emissions data), our investment boundary and delivery plan, including short-, medium- and long-term goals, will be provided later in 2022.

Financial Review

Overview

Our 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) for 2021 was 24.6% (2020: 3.0%), our highest annual Total Return to date and a significant increase on 2020, which was especially impacted by Covid-19. Our 2021 performance was the result of strong operational delivery, good progress towards our strategic objectives, a resilient residential market and buoyant demand for industrial & logistics land and properties.

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £109.9m (2020: £70.0m). This increase derived from accelerated serviced land sales in line with our growth strategy as well as some rephasing of serviced land sales during the Covid-19 pandemic. Rent collection remained strong, driven by new acquisitions in 2020 and asset management initiatives. Included within the £109.9m, there were one-off promote fees totalling £12.0m at Multiply Logistics North. Looking forward, the sales profile is robust with 36% of 2022 budgeted sales by value already agreed or exchanged.

BNP Paribas and Savills, our independent valuers, completed a full valuation of our portfolio as at 31 December 2021, resulting in valuation gains* during the year of £148.0m (2020: £15.6m), including the movement in the market value of development properties, in addition to profit on sales of £12.5m (2020: £6.7m). These external independent valuations demonstrate the strength of the industrial & logistics market for both investment properties and development land, as well as continued demand for residential serviced land.

The fair value of investment properties increased by £84.0m (2020: £25.4m), which contributed to an operating profit of £121.9m (2020: £27.8m) and a profit after tax of £94.0m (2020: £25.9m).

Over the year, the net asset value grew to £578.0m (31 December 2020: £488.7m). With EPRA adjustments for development property valuations included, EPRA NDV* at 31 December 2021 was £637.5m (31 December 2020: £515.9m) representing a per share increase of 23.5% to 197.6p (31 December 2020: 160.0p).

The Group has declared a final dividend of 0.845p per share, bringing the total dividend per share for 2021 to 1.212p, representing 10% underlying growth from 2020, in line with our dividend policy.

During 2021, the Group's RCF was increased from £130m to £150m and maturity extended to February 2024. In early 2022, a new five-year £200m RCF was agreed with a £40m uncommitted accordion facility. We welcome HSBC to our lender syndicate alongside existing lenders Natwest and Santander. This new facility provides more flexibility and the additional liquidity will support the delivery of our growth strategy.

Presentation of financial information

As our property portfolio includes development properties and joint venture arrangements, Alternative Performance Measures ("APMs") can provide valuable insight into our business alongside statutory measures. In particular, revaluation gains on development properties are not recognised in the Consolidated Income Statement and Balance Sheet. The APMs outlined below measure movements in development property revaluations, overages and joint ventures. 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 the business, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability net of any resulting tax. EPRA NDV per share is EPRA NDV divided by the number of shares in issue at the end of the period, less shares held by the Employee Benefit Trust or Yorkshire Building Society to satisfy Long Term Incentive Plan and Share Incentive Plan awards.

- Value gains: these are the realised profits from the sales of properties and unrealised profits from property valuation movements including joint ventures, and the mark-to-market movement on development properties and overages

- Net loan to portfolio value: 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 provided in Note 2 to the consolidated financial statements.

Profit excluding value gains (PEVG) is no longer included as a key APM from 2021 as it forms part of the EPRA NDV per share and Total Return key APMs but is a non-material component of these measures. PEVG is defined as property net rental, royalty and fee income, net of running costs of the business (adjusted operating profit): this represents the underlying profitability of the business excluding property value gains or profits from the sales of properties.

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

Income Statement

	2021				2020			
	Capital Growth £m	**Income Generation £m**	**Central Overheads £m**	**Total £m**	Capital Growth £m	Income Generation £m	Central Overheads £m	Total £m
Revenue	81.1	28.8	-	**109.9**	49.6	20.4	-	70.0
Cost of sales	(53.1)	(8.1)	-	**(61.2)**	(56.2)	(3.2)	-	(59.4)
Gross profit/(loss)	**28.0**	**20.7**	**-**	**48.7**	(6.6)	17.2	-	10.6
Administrative expenses	(3.4)	(2.1)	(13.7)	**(19.2)**	(3.1)	(1.9)	(9.6)	(14.5)
Other gains	57.5	35.0	-	**92.5**	12.6	19.1	-	31.7
Other operating expense	-	-	(0.1)	**(0.1)**	-	-	(0.1)	(0.1)
Operating profit/(loss)	**82.2**	**53.5**	**(13.8)**	**121.9**	2.9	34.4	(9.7)	27.8
Share of profit of JVs	4.5	4.7	-	**9.2**	8.0	0.7	-	8.7
Net interest expense	0.2	-	(4.1)	**(3.9)**	0.4	-	(3.5)	(3.1)
Profit/(loss) before tax	**86.9**	**58.2**	**(17.9)**	**127.2**	11.3	35.1	(13.2)	33.4
Tax charge	-	-	(33.2)	**(33.2)**	-	-	(7.5)	(7.5)
Profit/(loss) after tax	**86.9**	**58.2**	**(51.1)**	**94.0**	11.3	35.1	(20.7)	25.9

Note: There are minor differences on some totals due to roundings

Revenue in the year was £109.9m (2020: £70.0m), of which Capital Growth contributed £81.1m (2020: £49.6m) and Income Generation contributed £28.8m (2020: £20.4m).

Capital Growth revenue, which primarily relates to the sale of development properties, increased reflecting accelerated land sales under the new strategy as well as due to Covid-19, which had a subsequent impact on development programmes and resulted in a catch-up of sales in 2021. Capital Growth revenue also includes a £12.0m promote fee from our now completed Multiply joint venture at Logistics North.

Revenue from Income Generation (the Investment Portfolio, previously known as Business Space, and the Natural Resources portfolio) mainly comprises property rental and royalty income. Revenue of £28.8m (2020: £20.4m) was higher as a result of increased rental income from property acquisitions and asset management initiatives which drove rent increases. Rental income from the Investment Portfolio increased on an annualised basis from £15.7m to £18.0m in 2021 following new lettings, re-gears and the acquisition of Towngate Business Park, Widnes.

Cost of sales comprises the inventory cost of development property sales and the direct costs of the Income Generation business. Cost of sales increased to £61.2m (2020: £59.4m) of which £55.1m related to the inventory cost of development property sales (2020: £43.9m). In the year, we saw a reduction in the net realisable value provision on development properties of £5.2m (2020: £10.4m increase) following the valuation process as at 31 December 2021.

Administrative expenses increased in the year by £4.7m. This was due to higher salary expenses, resulting from increased employee numbers, and higher bonus costs for 2021, increased insurance costs following the 2021 insurance renewal driven by changes in the insurance market, and costs incurred as part of the strategy review of the business. Administrative expenses expressed as a percentage of revenue decreased from 21% in 2020 to 17% in 2021 reflecting the acceleration in activity relating to sales of development property as well as the promote fee from the Multiply joint venture at Logistics North.

Other gains comprised an £85.0m (2020: £25.1m) net increase in the fair value of investment properties and assets held for sale ("AHFS") plus the profit on sale of investment properties, AHFS and overages of £7.4m (2020: £6.6m).

Joint venture profits of £9.2m (2020: £8.7m) were largely a result of an increase in the value of the Multiply Logistics North site (£4.7m) and Aire Valley Land (£4.5m). Value gains/(losses) on a non-statutory basis are outlined below.

Non-statutory value gains/(losses)*

Value gains/(losses) are made up of profit on sale, revaluation gains/(losses) on investment properties (including joint ventures), and revaluation gains/(losses) on development properties, AHFS and overages. A reconciliation between statutory and non-statutory value gains can be found in Note 2 to the financial statements.

£m		2021			2020			2021	2020
	Categorisation	**Profit on sale**	**Revaluation gains/(losses)**	**Total**	Profit on sale	Revaluation gains/(losses)	Total	**Total valuation**	Total valuation
Capital Growth									
Major Developments	Mixed	6.6	79.4	**86.0**	0.1	(10.4)	(10.3)	**308.2**	248.1
Strategic Land	Investment	1.1	34.4	**35.5**	6.1	6.5	12.6	**144.0**	96.2
Income Generation									
Investment Portfolio	Investment	0.1	36.2	**36.3**	(0.2)	14.8	14.6	**277.5**	227.6
Natural Resources	Investment	3.5	(1.9)	**1.6**	0.0	5.1	5.1	**30.6**	38.3
Agricultural Land	Investment	1.2	(0.2)	**1.1**	0.7	(0.4)	0.3	**5.4**	8.0
Total		**12.5**	**148.0**	**160.5**	6.7	15.6	22.3	**765.7**	618.2

Notes: A full description and reconciliation of the APMs in the above table is included in Note 2 to the condensed consolidated financial statements. There are some minor differences on some totals due to roundings

Profit on sale of £12.5m (2020: £6.7m) reflected the completion of sales above book value. Revaluation gains were £148.0m (2020: £15.6m) and are outlined in the table below.

	2021 £m	2020 £m
Increase in fair value of investment properties	**84.0**	25.4
Increase/(decrease) in value of assets held for sale	**1.1**	(0.3)
Movement in net realisable value provision on development properties	**2.8**	(11.8)
Contribution to statutory operating profit	**87.9**	13.3
Share of profit of joint ventures	**9.2**	8.7
Unrealised gains/(losses) on development properties and overages*	**50.9**	(6.4)
Total non-statutory revaluation gains	**148.0**	15.6

The principal revaluation gains and losses across the divisions reflected the following:

- Major Developments: the major contribution came from industrial & logistics development sites with planning permission including the conditional sale at our Kellingley development, alongside robust housebuilder demand for residential sites;
- Strategic Land: increased market appetite, in particular for industrial & logistics sites including the conditional sale of Ansty, as well as planning permission received at our Wingates and Ironbridge sites;
- Investment Portfolio: strong rent collection and good letting progress achieved across our portfolio reducing vacancy with increased demand for industrial & logistics properties;
- Natural Resources: valuations remained broadly consistent with minor valuation decline in the waste and recycling portfolio; and
- Agricultural Land: profits achieved on sales

The net realisable value provision on development properties as at 31 December 2021 was £12.2m (31 December 2020: £17.3m). This provision is held to reduce the value of six development properties from their deemed cost (the fair value at which they were transferred from an investment to a development categorisation) to their net realisable value at 31 December 2021. The transfer from Investment to development property takes place once planning is secured and development with a view to sale has commenced.

Cash and sales

The Group made property sales* in the year of £108.3m (2020: £75.8m), achieving a total profit on sale of £12.5m (2020: £6.7m). Sales comprised residential plot sales of £64.9m (2020: £44.4m), industrial & logistics land sales of £18.1m (2020: £15.4m) and sales of other, mainly mature, income-generating sites and agricultural land, of £25.3m (2020: £16.0m)

Cash proceeds from sales in the period were £114.5m (2020: £83.8m) as shown in the table below:

	2021 £m	2020 £m
Total property sales(1)	**108.3**	75.8
Less deferred consideration on sales in the year	**(27.4)**	(21.6)
Add receipt of deferred consideration from sales in prior years	**33.6**	29.6
Total cash proceeds	**114.5**	83.8

(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 for the period was £33.2m (2020: £7.5m) which comprised a current year tax charge of £6.4m (2020: £0.4m credit) and a deferred tax charge of £26.8m (2020: £7.9m).

The current tax charge resulted primarily from profits from the sale of development properties, investment property, AHFS and PEVG*.

The increase in deferred tax largely relates to unrealised gains on investment properties. In addition, the March 2021 Budget announced a further increase to the main rate of corporation tax to 25% effective from April 2023. This increase was substantively enacted on 24 May 2021. As such, the deferred tax balance has been calculated using either 19% or 25%, dependent on the rate expected to apply on the date the liability is reversed. The deferred tax movement resulting from the impact of the tax rate change was £10.7m.

At 31 December 2021, the Group had deferred tax liabilities of £46.9m (31 December 2020: £23.1m) and deferred tax assets of £4.3m (31 December 2020: £7.3m). The net deferred tax liability was £42.6m (31 December 2020: £15.8m).

Basic earnings per share and dividends

Basic earnings per share for the year increased to 29.1p (2020: 8.0p) reflecting the increase in the valuation of the land and property portfolio as at 31 December 2021.

In addition to the interim dividend of 0.367p, the Board has determined that it is appropriate for a final dividend of 0.845p (2020: 1.466p) per share to be paid, bringing the total dividend for the year to 1.212p (2020: 1.800p) per share. The 2020 final dividend was increased to reflect the cancelled final 2019 dividend excluding which, the 2020 dividends totalled 1.102p per share. Given this, the recommended 2021 final dividend and 2021 total dividend represent a 10% increase in line with our dividend policy. There is no change to the current dividend policy to continue to grow dividends by 10% each year.

Property categorisation

Until sites receive planning permission and their 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. We categorise properties and land that have received planning permission, and where development with a view to sale has commenced, as development properties.

As at 31 December 2021, the balance sheet value of all our development properties was £172.7m (2020: £177.7m) and their independent valuation by BNP Paribas was £245.2m, reflecting a £72.5m 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 how we state our investment properties, we use EPRA NDV*, which includes the market value of development properties and overages less notional deferred tax, as our primary net assets metric.

Net asset value

	31 Dec 2021 £m	31 Dec 2020 £m
Properties(1)	**689.8**	584.5
Cash	**12.0**	12.7
Trade and other receivables	**55.1**	56.4
Other assets	**5.3**	5.4
Total assets	**762.2**	659.0
Gross borrowings	**37.8**	83.9
Deferred tax liability	**42.6**	15.8
Derivative financial instruments	**0.2**	0.8
Other liabilities	**103.6**	69.8
Statutory net assets	**578.0**	488.7
Mark to market value adjustment on development properties and overages less notional deferred tax(2)	**59.5**	**27.2**
EPRA NDV(2)	***637.5***	*515.9*
Number of shares in issue less Employee Benefit Trust & YBS(3) held shares	**322,539,284**	322,410,320
EPRA NDV per share(2)	***197.6p***	*160.0p*

(1) Properties include investment properties, development properties, AHFS, 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
(3) Yorkshire Building Society

EPRA NDV* at 31 December 2021 was £637.5m (31 December 2020: £515.9m) which includes the mark to market adjustment on the value of the development properties and overages. The total portfolio value as at 31 December 2021 was £765.7m, an increase of £147.5m from 31 December 2020 (£618.2m).

The Group's share of profit from joint ventures resulted in investments in joint ventures increasing to £36.1m (31 December 2020: £25.3m).

Trade and other receivables include deferred consideration on sales as set out above. At 31 December 2021, deferred consideration of £27.4m (31 December 2020: £33.5m) was outstanding, of which 84% is due within one year.

The table below sets out our top ten sites by value, which represent 44% 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	Site type	Categorisation in Balance Sheet	Region	Progress to date
South East Coalville	Major Development	Development	Midlands	2,016 residential units consented, land sold representing 679 units
Nufarm	Investment Portfolio	Investment	Yorkshire & Central	-
Kellingley*	Major Development	Development	Yorkshire & Central	1.4m sq. ft of industrial & logistics space consented, less than 0.1m sq. ft sold
Waverley	Major Development	Development	Yorkshire & Central	3,890 residential units consented, land sold representing 1,886 units
Waverley AMP	Investment Portfolio	Investment	Yorkshire & Central	2.1m sq. ft of industrial & logistics space consented, 1.6m built or sold
Knowsley	Investment Portfolio	Investment	North West	-
Ansty*	Strategic Land	Investment	Midlands	Proposed industrial & logistics site, planning not yet submitted
Ironbridge	Major Development	Investment	Midlands	1,000 residential units consented, enabling works commenced
Four Oaks Business Park	Investment Portfolio	Investment	North West	-
Pheasant Hill Park	Major Development	Development	Yorkshire & Central	1,200 residential units consented, land sold representing 540 units

*Contracts had been conditionally exchanged for the sale of the site at year-end

Financing strategy

Harworth's financing strategy remains to be prudently geared. The Income Generation portfolio provides a recurring income source to service debt facilities and this is supplemented by proceeds from sales. The Group has an established sales track record that has been built up since re-listing in 2015.

To deliver its strategic plan, the Group has adopted a target net loan to portfolio value* at year end of below 20%, with a maximum of 25%. As a principle, the Group will seek to maintain its cash flows in balance by funding the majority of infrastructure expenditure through disposal proceeds whilst allowing for growth in the portfolio.

The Group intends to continue to enter into site-specific development and infrastructure loans alongside the main banking facilities to support its growth strategy.

Debt facilities

An RCF (the "Original RCF") with Natwest and Santander has been in place since 2015. During 2021, this Original RCF was increased from £130m to £150m in support of the strategy set out in the Group's interim results in September 2021 and expiry date extended to February 2024. Since the 2021 year-end, we have entered into a new five year £200m RCF (the "New RCF"), with a £40m uncommitted accordion option, which replaces the Original RCF. Natwest and Santander continue to support us in the New RCF and we welcome HSBC to our banking group. The New RCF is aligned to the Group's strategy and provides significant additional liquidity and flexibility to enable it to pursue its strategic objectives. The interest rate of the New RCF is on an LTV ratchet mechanism with a margin payable above SONIA in the range of 2.25% to 2.50%.

As part of its funding structure, the Group also uses infrastructure financing provided by public bodies and site-specific direct development loans to promote the development of major sites and bring forwards the development of logistics units. Consistent with this, during the year the Group signed three new facilities totalling £37.6m to fund the development of logistics units at Bardon Hill, Leicestershire (£23.5m), Gateway 36 in Barnsley (£7.5m) and the AMP at Waverley, South Yorkshire (£6.6m).

The Group had borrowings and loans of £37.8m at 31 December 2021 (2020: £83.9m), being the Original RCF drawn balance (net of capitalised loan fees) of £33.3m (2020: £79.7m) and infrastructure or direct development loans (net of capitalised loan fees) of £4.5m (2020: £4.2m). The Group's cash balances at 31 December 2021 were £12.0m (2020: £12.7m). The resulting net debt was £25.7m (2020: £71.2m).

Net debt* decreased with the completion of serviced land and property sales. The movements in net debt over the year are shown below:

	2021 £m	2020 £m
Opening net debt as at 1 January	**71.2**	**70.9**
Cash inflow from operations	(57.0)	(25.8)
Property expenditure and acquisitions	41.0	56.1
Disposal of investment property, AHFS and overages	(44.5)	(27.7)
Investments in and distributions from joint ventures	1.6	(8.6)
Interest and loan arrangement fees	4.6	3.4
Dividends paid	5.9	1.1
Tax paid	3.6	2.1
Other cash and non-cash movements	(0.7)	(0.4)
Closing net debt as at 31 December	**25.7**	**71.2**

The weighted average cost of debt, using an end of month average 2021 balance and 31 December 2021 rates, was 2.90% with a 0.9% non-utilisation fee on undrawn RCF amounts (2020: 2.70% with a 0.9% non-utilisation fee).

From 2022, the Group’s hedging strategy to manage its exposure to interest rate risk will be to hedge the lower of around half its average debt during the year or its net debt* balance at year end. At 31 December 2021 the Group had a £45m fixed rate interest swap (maturing in 2022) 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. With the completion of the New RCF in early 2022, the fixed rate interest swap was terminated concurrently. New hedging will be put in place over 2022.

As at 31 December 2021, the Group’s gross loan to portfolio value* was 4.9% (31 December 2020: 13.6%) and its net loan to portfolio value was 3.4% (31 December 2020: 11.5%). If gearing is assessed against the value of the core income portfolio (the Investment Portfolio and Natural Resources portfolio) only, this equates to a gross loan to core income portfolio value of 13.0% (31 December 2020: 33.8%) and a net loan to core income portfolio value of 8.9% (31 December 2020: 28.7%). Under the New RCF, the Group could withstand a material fall in portfolio value, property sales or rental income before reaching covenant levels.

At 31 December 2021, undrawn facilities under the Original RCF were £116.0m. Going forwards, the New RCF provides additional liquidity of £50m and headroom to execute our growth strategy

Kitty Patmore
Chief Financial Officer
21 March 2022

[*]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 statements

Principal Risks & Uncertainties

The Board is responsible for identifying, setting the risk appetite for, and evaluating the Group's principal risks, being those risks that could threaten the delivery of our strategy, our business model, future performance, solvency or liquidity and/or reputation. Over the last 12 months, the Board has identified through a series of workshops a refreshed set of principal risks and uncertainties, informed by the growth strategy. A detailed analysis of each principal risk is set out below and on Pages 70–77 of the 2021 Annual Report.

The Senior Executive and Board are monitoring closely the conflict in Ukraine, its macro-economic implications and potential impacts on the business. The profile of our principal risks remains subject to very regular review at an operational level, both in the context of the Ukraine/Russia conflict, and more widely.

<table>
<tr><td colspan="6">Risk: Availability of and competition for strategic sites
Failure to acquire strategic land at appropriate prices due to constrained supply or competition
Current risk</td></tr>
<tr><td colspan="2">Inherent risk
(before mitigating actions)</td><td colspan="2">Residual risk
(after mitigating actions)</td><td colspan="2">Change in residual risk in the year</td></tr>
<tr><td colspan="2">Very high</td><td colspan="2">High</td><td colspan="2">No change</td></tr>
<tr><td colspan="6">Commentary
In the current strong market for industrial & logistics and residential sites, competition for acquisitions remains a key risk as acquiring new sites is fundamental to maintaining target returns and driving growth consistent with our strategy. Having said that, we have a landbank of around 14,000 acres with a pipeline of 28.2m sq. ft (7.3m sq. ft consented) of industrial space and 30,804 plots (of which 9,978 were consented), which means we can be patient if hurdle return aspirations cannot be met in the current market.</td></tr>
<tr><td colspan="3">Mitigation</td><td colspan="3">Additional measures planned for 2022</td></tr>
<tr><td colspan="3">• Extensive external stakeholder engagement to identify opportunities supported by internal coordination via regular internal acquisitions meetings
• As part of the strategy review, we commissioned reports from external consultants to inform our acquisition strategy
• We seek input from our valuers prior to acquisition to inform pricing
• Via our portfolio strategy, we manage the timing of acquisitions</td><td colspan="3">• Further development of acquisition strategy
• Refresh stakeholder maps
• Development of Customer Relationship Management system
• Additional acquisitions resource</td></tr>
</table>

Risk: Planning
Planning promotion risk including uncertainty around local and national changes to planning regime with potential for adverse effect on promotion activity
Current and emerging risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
Very high	High	No change

Commentary
Changes to the planning regime have the potential to impact adversely on promotion activity and financial returns. There is greater uncertainty since the Government's flagship planning reforms have been put on hold.

Mitigation	Additional measures planned for 2022
• We regularly review greenbelt exposure at a portfolio level • Through key stakeholder groups, we respond to emerging planning policy • Stakeholder mapping is undertaken at a project level • Local political advisers are appointed on individual sites, where appropriate • Strong relationships with local planning authorities and key local stakeholders	• Refresh stakeholder maps • Develop a Customer Relationship Management system

Risk: Supply chain cost inflation and constraints
Supply chain pricing pressures and constraints (affecting both labour and raw materials) resulting in development cost increases and delays
Current risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	Medium	Increase

Commentary
Both we and our customers are experiencing supply chain challenges including shortages in raw materials and labour constraints.

Mitigation	Additional measures planned for 2022
• Our procurement approach is considered early in project planning • We undertake rigorous tender processes • We have established a suite of legal precedents to promote consistency in land remediation and direct development procurement • We utilise market intelligence regarding contractors' commitments and workload	• Additional direct development and technical resource

Risk: Supply chain and delivery partner management (counterparty risk)
Increase in exposure to supply chain, delivery and investment partners leading to increased risk of disputes with and/or default by and/or insolvency of counterparties
Current and emerging risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	Medium	Increase

Commentary
Our strategy to increase direct development activity and enter the Build to Rent market increases delivery and execution risk within the business, resulting in a growing need to select, monitor and manage counterparties effectively.

Mitigation	Additional measures planned for 2022
• Our procurement approach is considered early in project planning • A consistent process is followed for "onboarding" suppliers • We have established a suite of legal precedents to promote consistency in land remediation and direct development procurement • Our central technical team monitors contractor "concentration risk" and promotes consistencies and knowledge-sharing across our portfolio	• Upgrades to our supplier onboarding process, extending to all counterparties, and implementation of improvements to ongoing monitoring regime • Explore viability of framework agreements with suppliers who undertake works at volume and/or scale

Risk: Statutory costs of development
Legislative reforms which do or may impose a tax or levy on development, or have the effect of levying an additional cost on development
Current and emerging risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	Medium	Increase

Commentary
Short-term higher risk areas are focused on biodiversity net gains, now mandated via the Environment Act 2021, changes to Part L of the Building Regulations and the recently implemented residential property developer tax. On the horizon are planning reforms and the future Homes Standard.

Mitigation	Additional measures planned for 2022
• The known and potential impact of changes in the Building Regulations, implementation of biodiversity net gain requirements and planning reforms is modelled into project appraisals ahead of acquisition • Through key stakeholder groups, we respond to emerging policy • Initial modelling suggests limited direct impact from the residential property developer tax at this stage	• Enhanced horizon scanning regime • Ongoing work to determine how we can best address the challenges and capitalise on the opportunities arising from mandated biodiversity net gain requirements

Risk: Residential and commercial markets Downturn in industrial & logistics and/or residential market conditions leading to falls in property values **Current risk**		
Inherent risk (before mitigating actions)	**Residual risk (after mitigating actions)**	**Change in residual risk in the year**
High	Medium	No change

Commentary

We continue to focus on both residential and industrial & logistics markets. The Group is currently operating in a very buoyant commercial market reflecting strong demand in the industrial & logistics sector. The residential market also performed well through 2021, with strong house prices and housing sales volumes nationally including on our sites.

Mitigation	**Additional measures planned for 2022**
• Regular feedback is received from advisers on the status of residential and industrial & logistics markets in our core regions to supplement generic market commentary • Pursuant to our strategy we are working to take full advantage of current market conditions and mitigate a potential downturn by accelerating residential sales, introducing new products at our residential sites, repositioning our Investment Portfolio and increasing the quantum and speed of direct development (but with controlled exposure to speculative development) • Appointed a Head of Mixed Tenure, a Development Director, a Director of Strategy, Investment & Business Development, and we are recruiting additional resource	• Roll-out of the first wave of our Build to Rent product • Repositioning of Investment Portfolio including selective disposal of certain legacy assets

Risk: Resourcing

Insufficient and/or inappropriate resources, including overworked staff and/or inability to retain and/or attract necessary talent

Current risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	Medium	Decrease

Commentary

Resource stretch, in particular exacerbated by the work implications of Covid-19 and the current challenging labour market, is currently one of the biggest concerns amongst the Board and Senior Executive as the Group must be able to attract and retain the right people to deliver the strategy. Significant work has been, and continues to be, undertaken on recruitment, employee engagement and well-being initiatives.

Mitigation	Additional measures planned for 2022
• Development of a people strategy to complement our business strategy. External benchmarking of organisational design, recruitment and retention, competitiveness of reward, health and well-being • We continue to progress recruitment for replacement and new roles and succession planning • New maternity, paternity, adoption and shared parental leave policies • Introduced hybrid working • Widened share ownership through the Restricted Share Plan and Share Incentive Plan • Alignment of Group and personal objectives on delivery of strategy	• Continued implementation of people strategy including expansion of talent development programme

Risk: Availability of appropriate capital

Inability to access appropriate equity and/or debt funding to support the strategy

Current risk

Inherent risk (before mitigating actions)	Residual risk (after mitigating actions)	Change in residual risk in the year
High	Low	Decrease

Commentary

There is a need to match capital to the operational and project specific needs of the business, accommodating the increase in pace and scale of activity, particularly development, under our strategy. In 2021 we engaged extensively with existing and prospective funders culminating in the entering into of a new senior debt facility in early 2022.

Mitigation	Additional measures planned for 2022
• Development of a financing strategy to complement our business strategy, supported by external consultants • Informed by that strategy, we have entered into a new senior debt facility with a resulting £50m increase to £200m • This is supplemented by accessing project specific funding where relevant • We continue to pursue and unlock grant funding	• Continue to identify scheme specific funding • The prospect of raising additional equity, if required to pursue specific development opportunities, is kept under consideration

<table>
<tr><td colspan="4">Risk: Health and safety
Incident causing injury and/or death resulting in liability, penalties and/or reputational damage
Current risk</td></tr>
<tr><td>Inherent risk
(before mitigating actions)</td><td colspan="2">Residual risk
(after mitigating actions)</td><td>Change in residual risk in the year</td></tr>
<tr><td>High</td><td colspan="2">Low</td><td>No change</td></tr>
<tr><td colspan="4">Commentary
The health, safety and welfare of people involved in or affected by Harworth's activities are of prime importance. This risk ranges from the health and safety of visitors and workers on our sites, and trespassers (given the nature of our sites), through to the health and safety of employees and visitors in an office environment. Full compliance with all relevant legislation is the minimum acceptable standard but we and our partners aim to achieve the highest possible standards of good practice.</td></tr>
<tr><td colspan="2">Mitigation</td><td colspan="2">Additional measures planned for 2022</td></tr>
<tr><td colspan="2">• Appropriate policies are in place, including a Safety, Health and Environmental Management System (SHEMS) Policy and an Employee Health and Safety Policy
• A Risk and Compliance (R&C) function has been established with a focused remit on health and safety and environmental assurance
• The R&C team undertakes a rigorous site inspection regime and maintains a sites risk register through which it monitors and reports the risk health and safety status of each of our sites
• We have a panel of health and safety consultants who support our project delivery
• Health, safety and environment management meetings are held quarterly and attended by representatives from all operational divisions
• We host compulsory health and safety training for all employees every two years, supplemented by an annual schedule of mandatory online learning
• We have a programme of health and wellbeing initiatives for employees, including access to internal physical and mental health first aiders and an external Employee Assistance Programme</td><td colspan="2">• Transition to a cloud-based health, safety and environment management platform
• Review the effectiveness of our health and safety consultant panel arrangements
• Additional R&C departmental resource</td></tr>
</table>

Risk: Managing climate change transition Failure to manage transitional risks associated with climate change covering both operational activity and reporting **Current and emerging risk**		
Inherent risk (before mitigating actions)	**Residual risk (after mitigating actions)**	**Change in residual risk in the year**
High	Medium	Decrease

Commentary

The climate change agenda has a wide-ranging impact on the Group, from our investment case to shareholders and reporting to the stock market through to operational activity, including the need to embed environmental sustainability into all our projects.

Mitigation	Additional measures planned for 2022
• We have established an ESG Board Committee to oversee formulation and delivery of our ESG strategy, target-setting and reporting • At an operational level, the Committee is supported by the ESG Steering Group, comprising members from every team across the business • External consultants are appointed to advise on ESG strategy formulation, implementation and reporting • Initial measures and short-term and long-term targets have been developed for all areas of the ESG strategy • We have identified a decarbonisation target and initial measures to achieve zero carbon on Scope 1, 2 and some Scope 3 emissions • We are making progress in capturing relevant environmental and social data (recognising that there is more work to do) • We have joined the UK Green Building Council which facilitates sharing of knowledge and best practice	• Embed fully environmental and social analysis into our project appraisals and approvals process • Continue to improve capture and analysis of environmental and social data to enhance and extend our climate change disclosures • Appointment of a Director of Sustainability, reporting to the CEO

Risk: Cyber security Successful cyber-attack jeopardising business continuity **Current risk**		
Inherent risk (before mitigating actions)	**Residual risk (after mitigating actions)**	**Change in residual risk in the year**
High	Low	Decrease

Commentary

Cyber-attacks pose an evolving threat to all businesses and Harworth, like others, is at risk of regular attacks. Strategic and technical measures are in place to monitor and mitigate this risk.

Mitigation	Additional measures planned for 2022
• We have an established IT Disaster Recovery Plan which is subject to annual desktop testing • We have an external provider for IT support which remains vigilant to the evolving cyber security backdrop and an outsourced Information Security manager • We take out cyber risk insurance • We undertake phishing simulations, IT system vulnerability scanning and annual penetration testing • We have a rolling cyber and information security awareness programme for all employees	• Rollout of a new information security policy set • Our IT Disaster Recovery Plan will be incorporated into an updated Business Continuity Plan

Chris Birch
General Counsel and Company Secretary
21 March 2022

Directors' Responsibilities Statement

The Directors' Responsibilities Statement below has been prepared in connection with the full Annual Report and financial statements for the year ended 31 December 2021.

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK-adopted international accounting standards ("IFRSs"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.
In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether UK-adopted international accounting standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/ or the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Responsibility statements

The directors (see the list of names and roles on Pages 82-85 of the 2021 Annual Report) confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Disclosure of information to the auditor

Each of the Directors who were in office at the date of approval of this Report also confirms that:

- so far as he or she is aware, there is no relevant audit information of which the auditor is unaware; and
- each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant information and to establish that the Group's and Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 Companies Act 2006.

This Statement of Directors' Responsibilities was approved by the Board and signed by order of the Board:

Chris Birch
General Counsel and Company Secretary
21 March 2022

Cautionary statement and Directors' liability

This announcement and the 2021 Annual Report and financial statements contain 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 statement is 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 or the 2021 Annual Report and financial statements 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 or the 2021 Annual Report and financial statements should be construed as a profit forecast.

This announcement and the 2021 Annual Report and financial statements have been prepared for, and only for, the shareholders of the Company, as a body, and no other persons. Neither the Company nor the Directors accept or assume any liability to any person to whom this announcement or the 2021 Annual Report and financial statements is shown or into whose hands they may come except to the extent that such liability arises and may not be excluded under English law.

Shareholder Information

Financial Calendar

Annual Report and Accounts for the year ended 31 December 2021	Published	April 2022
2022 Annual General Meeting	Scheduled	24 May 2022
Final dividend for the year ending 31 December 2021	Ex-dividend date Record date Payable	05 May 2022 06 May 2022 27 May 2022
Half-year results for the six months ending 30 June 2022	Announced	September 2022

Registrars

All administrative enquiries relating to shareholdings should, in the first instance, be directed to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (telephone: 0371 384 2301) and should state clearly the registered shareholder's name and address.

Dividend Mandate

Any shareholder wishing dividends to be paid directly into a bank or building society should contact the Registrars for a dividend mandate form. Dividends paid in this way will be paid through the Bankers' Automated Clearing System ("BACS").

Website

The Group's website (harworthgroup.com) gives further information on the Group. Detailed information for shareholders can be found at harworthgroup.com/investors.

Consolidated Income Statement

for the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue	3	**109,884**	70,001
Cost of sales	3	**(61,185)**	(59,385)
Gross profit	3	**48,699**	10,616
Administrative expenses	3	**(19,202)**	(14,522)
Other gains	3	**92,488**	31,734
Other operating expense	3	**(58)**	(63)
Operating profit	3	**121,927**	27,765
Finance costs	4	**(4,100)**	(3,473)
Finance income	4	**182**	377
Share of profit of joint ventures	9	**9,225**	8,655
Profit before tax		**127,234**	33,324
Tax charge	5	**(33,244)**	(7,528)
Profit for the year		**93,990**	25,796

Earnings per share from operations		Pence	Pence
Basic	7	**29.1**	8.0
Diluted	7	**28.9**	8.0

Notes 1 to 16 are an integral part of these condensed consolidated financial statements. All activities are derived from continuing operations.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit for the year	**93,990**	25,796
Other comprehensive income/(expense) - *items that will not be reclassified to profit or loss:*		
Net actuarial gain/(loss) in Blenkinsopp Pension scheme	**262**	(339)
Revaluation of Group occupied property	**(200)**	48
Deferred tax on other comprehensive (expense)/income items	**(137)**	115
Other comprehensive income/(expense) - *items that may be reclassified to profit or loss:*		
Fair value of financial instruments	**670**	(267)
Total other comprehensive income/(expense)	**595**	(443)
Total comprehensive income for the year	**94,585**	25,353

Consolidated Balance Sheet

as at 31 December 2021

	Note	As at 31 December 2021 £'000	As at 31 December 2020 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		**681**	1,007
Right of use assets		**94**	170
Trade and other receivables		**5,369**	-
Investment properties	8	**478,355**	373,079
Investment in joint ventures	9	**36,131**	25,316
		520,630	399,572
Current assets			
Inventories	10	**177,822**	182,666
Trade and other receivables		**49,755**	56,441
Assets held for sale	11	**1,925**	7,594
Cash	12	**12,037**	12,710
		241,539	259,411
Total assets		**762,169**	658,983
LIABILITIES			
Current liabilities			
Trade and other payables		**(94,316)**	(66,486)
Lease liabilities		**(42)**	(77)
Current tax liabilities	5	**(2,947)**	(209)
		(97,305)	(66,772)
Net current assets		**144,234**	192,639
Non-current liabilities			
Borrowings	13	**(37,781)**	(83,882)
Trade and other payables		**(5,686)**	(1,954)
Lease liabilities		**(52)**	(102)
Derivative financial instruments		**(156)**	(826)
Deferred income tax liabilities	5	**(42,647)**	(15,767)
Retirement benefit obligations		**(558)**	(968)
		(86,880)	(103,499)
Total liabilities		**(184,185)**	(170,271)
Net assets		**577,984**	488,712
SHAREHOLDERS' EQUITY			
Capital and reserves			
Called up share capital	14	**32,272**	32,253
Share premium account		**24,627**	24,567
Fair value reserve		**199,629**	132,833
Capital redemption reserve		**257**	257
Merger reserve		**45,667**	45,667
Investment in own shares		**(24)**	(73)
Retained earnings		**181,566**	227,412
Current year profit		**93,990**	25,796
Total shareholders' equity		**577,984**	488,712

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	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 2020	**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 investment property	-	-	-	(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	-	-	-	-	-	-	115	115
Total comprehensive income for year ended 31 December 2020	-	-	-	16,712	-	-	8,641	25,353
Transactions with owners:								
Share-based payment	-	-	-	-	-	(6)	393	387
Dividends paid	-	-	-	-	-	-	(1,077)	(1,077)
Share issue	62	208	-	-	-	-	-	270
Balance at 31 December 2020	**32,253**	**24,567**	**45,667**	**132,833**	**257**	**(73)**	**253,208**	**488,712**
Profit for the financial year	-	-	-	-	-	-	93,990	93,990
Fair value gains	-	-	-	88,586	-	-	(88,586)	-
Transfer of unrealised gains on disposal of investment property	-	-	-	(21,590)	-	-	21,590	-
Other comprehensive (expense)/income:								
Actuarial gain in Blenkinsopp pension scheme	-	-	-	-	-	-	262	262
Revaluation of group occupied property	-	-	-	(200)	-	-	-	(200)
Fair value of financial instruments	-	-	-	-	-	-	670	670
Deferred tax on other comprehensive (expense)/income items	-	-	-	-	-	-	(137)	(137)
Total comprehensive income for year ended 31 December 2021	-	-	-	66,796	-	-	27,789	94,585
Transactions with owners:								
Purchase of own shares	-	-	-	-	-	(21)	-	(21)
Share-based payment	-	-	-	-	-	76	472	548
Dividends paid	-	-	-	-	-	-	(5,913)	(5,913)
Share issue	19	60	-	-	-	(6)	-	73
Balance at 31 December 2021	**32,272**	**24,627**	**45,667**	**199,629**	**257**	**(24)**	**275,556**	**577,984**

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Cash flows from operating activities			
Profit before tax for the year		**127,234**	33,324
Net finance costs	4	**3,918**	3,096
Other gains		**(92,488)**	(31,734)
Share of profit of joint ventures		**(9,225)**	(8,655)
Share-based transactions		**426**	618
Depreciation of property, plant and equipment and right of use assets		**234**	285
Pension contributions in excess of charge		**(148)**	(140)
Operating cash inflow/(outflow) before movements in working capital		**29,951**	(3,206)
Decrease in inventories		**4,133**	19,385
(Increase)/decrease in receivables		**(3,715)**	2,768
Increase in payables		**26,669**	6,830
Cash generated from operations		**57,038**	25,777
Interest paid		**(3,531)**	(2,924)
Corporation tax paid		**(3,646)**	(2,127)
Cash generated from operating activities		**49,861**	20,726
Cash flows from investing activities			
Interest received	4	**182**	377
Investment in joint ventures	9	**(1,624)**	(289)
Distribution from joint ventures	9	**34**	8,930
Acquisition of group of assets		**-**	(4,092)
Net proceeds from disposal of investment properties, assets held for sale and overages		**44,472**	27,651
Expenditure on investment properties and assets held for sale		**(22,851)**	(42,647)
Property acquisitions		**(18,105)**	(9,340)
Expenditure on property, plant and equipment		**(32)**	(115)
Cash generated from/(used in) investing activities		**2,076**	(19,525)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**68**	237
Purchase of own shares		**(21)**	-
Proceeds from other loans		**4,900**	-
Repayment of other loans		**(4,425)**	(2,932)
Proceeds from bank loans		**45,000**	82,000
Repayment of bank loans		**(91,000)**	(78,000)
Loan arrangement fees		**(1,134)**	(479)
Payment in respect of leases		**(85)**	(73)
Dividends paid		**(5,913)**	(1,077)
Cash used in financing activities		**(52,610)**	(324)
(Decrease)/Increase in cash		**(673)**	877
Cash as at beginning of year	12	**12,710**	11,833
(Decrease)/Increase in cash		**(673)**	877
Cash as at end of year	12	**12,037**	12,710

Notes to the financial information

for the year ended 31 December 2021

1. Accounting policies

The principal accounting policies adopted in the preparation of this audited 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.

The consolidated financial statements for the year ended 31 December 2021 consolidate the results of the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Accounting Standards ("IFRS").

Going-concern basis

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Company prepares cash flow and banking covenant forecasts based upon its assumptions with particular consideration to the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until June 2023 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 Group's RCF.

The Group remains in a strong financial position, with cash and bank headroom of £128m (as at 31 December 2021). The spread of sites across its three core regions, and at all stages of their lifecycle, enables the close management of non-committed expenditure to preserve liquidity. The Group benefits from diversification across its Capital Growth and Income Generation businesses including an industrial property portfolio. The Income Generation portfolio has continued to generate income that supports coverage of the overheads of the business and interest from loan facilities, with rent collections for 2021 at 99%.

The key risks considered are:

- Finance – availability of capital, interest costs, shortfalls in income and valuations;
- Markets – a severe but temporary downturn in residential or industrial & logistics markets could reduce potential sales of serviced land and potentially impact on valuations;
- Climate Change – the potential impacts of managing climate change transition;
- Project Delivery – delays in project works on sites and planning approval processes, and
- People – impact on capacity and productivity or increased costs.

Following the 2021 strategic review, work was undertaken obtaining financing that supports the requirements and ambitions of the updated strategy. In early 2022 a new £200m Revolving Credit Facility was agreed with HSBC joining as a new lender in addition to current lenders NatWest and Santander. The new five-year agreement significantly increases the level of the facility from £150m to £200m.

In addition to the base forecast, a sensitised forecast was produced that reflected a number of severe but plausible downsides. This downside included:

- a severe reduction in sales to the housebuilding sector as well as lower investment property sales;
- notwithstanding strong rent collection to date in line with previous quarters, a prudent material increase in bad debts across the portfolio over the majority of the going concern assessment period;
- a material decline in the value of land and investment property values; and
- a significant increase in interest rates, impacting the cost of the Group's RCF.

A scenario has also been run which demonstrates that very severe loss of revenue, valuation reductions and interest cost increases would be required to breach cashflow and banking covenants. A scenario with initial consideration of potential climate change impacts was also examined for the first time as part of the Group's increasing focus on climate related risks and opportunities. Consideration has been given to the impact of the Russian invasion of Ukraine which, while not directly impacting the activities of the Group, has the potential to impact through changes in the wider macro-economic environment. Even in the downside scenarios, for the going concern period from the signing of these financial statements, the Group expects to continue to have sufficient cash reserves to continue to operate with headroom on lending facilities and associated covenants and has additional mitigation measures within management's control, for example reducing development and acquisition expenditure and reducing operating costs, that could be deployed to create further cash and covenant headroom.

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 the Group's and Company's financial statements.

Accounting policies
Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations

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 these financial statements. None of these would 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 2022 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

Estimates and judgements
The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the consolidated financial statements 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 under International Financial Reporting Standards ("IFRS").

Overview of 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 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 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 our independent valuers BNP Paribas and Savills, are included within our APMs;
2. Re-categorising 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 its APMs as its joint ventures conduct similar operations to Harworth, albeit in different ownership structures; and
3. Comparability with industry peers – 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 stakeholder users.

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

- EPRA NDV per share – EPRA NDV divided by the number of shares in issue less shares held by the Employee Benefit Trust and Yorkshire building society to satisfy Long Term Incentive Plan and Share Incentive Plan awards
- 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
- 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 and overages
- Net loan to portfolio value – Group debt net of cash held expressed as a percentage of portfolio value

Profit excluding value gains (PEVG) has not been included as a key APM from 30 June 2021 as it forms part of the EPRA NDV per share and Total Return key APMs but is a non-material component of these measures. PEVG is defined as property net rental, royalty and fee income, net of running costs of the business (adjusted operating profit). It represents the underlying profitability of the business not reliant on property value gains or profits from the sales of properties.

1) Reconciliation to statutory measures

a. Revaluation gains	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Increase in fair value of investment properties	**83,961**	25,405
Increase/(decrease) in fair value of assets held for sale	**1,078**	(295)
Share of profit of joint ventures	**9,225**	8,655
Net realisable value provision on development properties	**(1,574)**	(16,208)
Reversal of previous net realisable value provision on development properties	**4,393**	4,408
Amounts derived from statutory reporting	**97,083**	21,965
Unrealised gains/(losses) on development properties	**50,437**	(5,992)
Unrealised (losses)/gains on assets held for sale	**(15)**	191
Unrealised gains/(losses) on overages	**500**	(566)
Revaluation gains	**148,005**	15,598

b. Profit on sale

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit on sale of investment properties	**1,824**	5,030
Profit on sale of assets held for sale	**5,625**	554
Profit on sale of development properties	**11,223**	2,999
Release of net realisable value provision on disposal of development properties	**2,367**	1,359
Profit on sale of overages	**-**	1,040
Amounts derived from statutory reporting	**21,039**	10,982
Unrealised gains on development properties released on sale	**(7,833)**	(4,295)
Less previously unrealised gains on assets held for sale released on sale	**(760)**	-
Profit on sale	**12,446**	6,687

c. Value gains

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revaluation gains	**148,005**	15,598
Profit on sale	**12,446**	6,687
Value gains	**160,451**	22,285

d. Profit excluding value gains (PEVG)

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating profit	**121,927**	27,765
Add pension charge	**58**	63
Less other gains	**(92,488)**	(31,734)
Less gross (profit)/loss from development properties	**(16,409)**	7,442
PEVG	**13,088**	3,536

e. Total property sales

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue	**109,884**	70,001
Less revenue from other property activities	**(14,799)**	(2,676)
Less revenue from income generation activities	**(28,773)**	(20,396)
Add proceeds from sales of investment properties, assets held for sale and overages	**41,956**	28,858
Total property sales	**108,268**	75,787

f. Operating profit contributing to growth in EPRA NDV

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating profit	**121,927**	27,765
Share of profit of joint ventures	**9,225**	8,655
Unrealised gains/(losses) on development properties	**50,437**	(5,992)
Unrealised (losses)/gains on assets held for sale	**(15)**	191
Unrealised gains/(losses) on overages	**500**	(566)
Less previously unrealised gains on development properties released on sale	**(7,833)**	(4,295)
Less previously unrealised gains on assets held for sale released on sale	**(760)**	-
Operating profit contributing to growth in EPRA NDV	**173,481**	25,758

g. Portfolio value

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Land and buildings (included within property, plant and equipment)	**635**	835
Investment properties	**478,355**	373,079
Investments in joint ventures	**36,131**	25,316
Assets held for sale	**1,925**	7,594
Development properties (included within inventories)	**172,701**	177,712
Amounts derived from statutory reporting	**689,747**	584,536
Cumulative unrealised gains on development properties as at year end	**72,452**	29,848
Cumulative unrealised gains on assets held for sale as at year end	**-**	775
Cumulative unrealised gains on overages as at year end	**3,500**	3,000
Portfolio value	**765,699**	618,159

h. Net debt

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Gross borrowings	**(37,781)**	(83,882)
Cash	**12,037**	12,710
Net debt	**(25,744)**	(71,172)

i. Net loan to portfolio value %

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Net debt	**(25,744)**	(71,172)
Portfolio value	**765,699**	618,159
Net loan to portfolio value (%)	**3.4%**	11.5%

j. Net loan to income generation portfolio value (%)

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Net debt	**(25,744)**	(71,172)
Core income generation portfolio value (investment portfolio and natural resources)	**290,277**	248,004
Net loan to core income generation portfolio value (%)	**8.9%**	28.7%

k. Gross loan to portfolio value (%)

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Gross borrowings	**(37,781)**	(83,882)
Portfolio value	**765,699**	618,159
Gross loan to portfolio value (%)	**4.9%**	13.6%

l. Gross loan to core income generation portfolio value (%)

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Gross borrowings	**(37,781)**	(83,882)
Core income generation portfolio value (investment portfolio and natural resources)	**290,277**	248,004
Gross loan to core income generation portfolio value (%)	**13.0%**	33.8%

m. Number of shares used for per share calculations (number)

	As at 31 December 2021	As at 31 December 2020
Number of shares in issue	**322,724,566**	322,530,807
Employee Benefit Trust and Yorkshire Building Society held shares (own shares)	**(185,282)**	(120,487)
Number of shares used for per share calculations	**322,539,284**	322,410,320

n. Net Asset Value (NAV) per share

	As at 31 December 2021	As at 31 December 2020
NAV (£'000)	**577,984**	488,712
Number of shares used for per share calculations	**322,539,284**	322,410,320
NAV per share (p)	**179.2**	151.6

2) Reconciliation to EPRA measures

a. EPRA NDV

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Net assets	577,984	488,712
Cumulative unrealised gains on development properties	72,452	29,848
Cumulative unrealised gains on assets held for sale	-	775
Cumulative unrealised gains on overages	3,500	3,000
Notional deferred tax on unrealised gains	(16,483)	(6,388)
EPRA NDV	637,453	515,947

b. EPRA NDV per share (p)

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
EPRA NDV £'000	637,453	515,947
Number of shares used for per share calculations	322,539,284	322,410,320
EPRA NDV per share (p)	197.6	160.0

c. EPRA NDV growth and Total Return

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Opening EPRA NDV/share (p)	160.0	155.6
Closing EPRA NDV/share (p)	197.6	160.0
Movement in the year (p)	37.6	4.4
EPRA NDV growth	23.5%	2.8%
Dividends paid per share (p)	1.8	0.3
Total Return per share (p)	39.4	4.7
Total Return as a percentage of opening EPRA NDV	24.6%	3.0%

d. Net loan to EPRA NDV

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Net debt	**(25,744)**	(71,172)
EPRA NDV	**637,453**	515,947
Net loan to EPRA NDV	**4.0%**	13.8%

3. Segment information

Segmental Income Statement — Year ended 31 December 2021

	Capital Growth				
	Sale of development properties	Other property activities	Income Generation	Central overheads	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	**66,312**	**14,799**	**28,773**	**-**	**109,884**
Cost of sales	(49,903)	(3,169)	(8,113)	-	(61,185)
Gross profit [1]	**16,409**	**11,630**	**20,660**	**-**	**48,699**
Administrative expenses	-	(3,365)	(2,130)	(13,707)	**(19,202)**
Other gains [2]	-	57,483	35,005	-	**92,488**
Other operating expense	-	-	-	(58)	**(58)**
Operating profit/(loss)	**16,409**	**65,748**	**53,535**	**(13,765)**	**121,927**
Finance costs	-	-	-	(4,100)	**(4,100)**
Finance income	-	172	-	10	**182**
Share of profit of joint ventures	-	4,524	4,701	-	**9,225**
Profit/(loss) before tax	**16,409**	**70,444**	**58,236**	**(17,855)**	**127,234**

[1] **Gross profit**					
Gross profit is analysed as follows:					
Gross profit excluding sales of development properties	-	11,630	20,660	-	32,290
Gross profit on sale of development properties	11,223	-	-	-	11,223
Net realisable value provision on development properties	(1,574)	-	-	-	(1,574)
Reversal of previous net realisable value provision on development properties	4,393	-	-	-	4,393
Release of net realisable value provision on disposal of development properties	2,367	-	-	-	2,367
	16,409	**11,630**	**20,660**	**-**	**48,699**

[2] **Other gains**					
Other gains are analysed as follows:					
Increase in fair value of investment properties	-	55,220	28,741	-	83,961
Increase in the fair value of assets held for sale	-	364	714	-	1,078
Profit/(loss) on sale of investment properties	-	1,871	(47)	-	1,824
Profit on sale of assets held for sale	-	28	5,597	-	5,625
	-	**57,483**	**35,005**	**-**	**92,488**

Segmental Balance Sheet

As at 31 December 2021

	Capital Growth £'000	Income Generation £'000	Central overheads £'000	Total £'000
Non-current assets				
Property, plant and equipment	-	-	681	**681**
Right of use assets	-	-	94	**94**
Trade and other receivables	4,285	1,084	-	**5,369**
Investment properties	182,666	295,689	-	**478,355**
Investments in joint ventures	18,929	17,202	-	**36,131**
	205,880	**313,975**	**775**	**520,630**
Current assets				
Inventories	177,720	102	-	**177,822**
Trade and other receivables	35,737	13,665	353	**49,755**
Assets held for sale	1,925	-	-	**1,925**
Cash and cash equivalents	-	-	12,037	**12,037**
	215,382	**13,767**	**12,390**	**241,539**
Total assets	**421,262**	**327,742**	**13,165**	**762,169**

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

Segmental Income Statement

Year ended 31 December 2020

	Capital Growth				
	Sale of development properties	**Other property activities**	**Income Generation**	**Central overheads**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'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**
Finance costs	-	-	-	(3,473)	**(3,473)**
Finance income	-	367	1	9	**377**
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 held for sale	-	-	(295)	-	(295)
Profit/(loss) on sale of investment properties	-	5,099	(69)	-	5,030
Profit on sale of assets held for sale	-	72	482	-	554
Profit on sale of overages	-	968	72	-	1,040
	-	**12,598**	**19,136**	**-**	**31,734**

Segmental Balance Sheet

As at 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**
Investment properties	118,940	254,139	-	**373,079**
Investments in joint ventures	13,434	11,882	-	**25,316**
	132,374	**266,021**	**1,177**	**399,572**
Current assets				
Inventories	182,017	649	-	**182,666**
Trade and other receivables	39,736	12,574	4,131	**56,441**
Assets held for sale	1,384	6,210	-	**7,594**
Cash and cash equivalents	-	-	12,710	**12,710**
	223,137	**19,433**	**16,841**	**259,411**
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 at a Group level.

4. Finance costs and finance income

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Finance costs		
- Bank interest	(2,795)	(2,654)
- Amortisation of RCF up-front fees and other fees	(1,107)	(622)
- Other interest	(198)	(197)
Total finance costs	(4,100)	(3,473)
Finance income	182	377
Net finance costs	(3,918)	(3,096)

5. Tax

Analysis of tax (charge)/credit in the year	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Current tax		
Current year	(6,747)	(449)
Adjustment in respect of prior periods	372	838
Total current tax (charge)/credit	(6,375)	389
Deferred tax		
Current year	(15,974)	(7,139)
Adjustment in respect of prior periods	(162)	136
Difference between current tax rate and rate of deferred tax	(10,733)	(914)
Total deferred tax charge	(26,869)	(7,917)
Tax charge	(33,244)	(7,528)

Other comprehensive income items		
Deferred tax – current year	(137)	115
Total	(137)	115

The tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit before tax	127,234	33,324
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2020: 19%)	(24,174)	(6,332)
Effects of:		
Adjustments in respect of prior periods- deferred taxation	(162)	136
Adjustments in respect of prior periods- current taxation	372	838
Expenses not deducted for tax purposes	(291)	(109)
Revaluation gains/(losses)	68	(2,848)
Share of profit of joint ventures	1,753	1,644
Difference between current tax rate and rate of deferred tax	(10,733)	(914)
Share options	(77)	57
Total tax charge	(33,244)	(7,528)

The difference between current tax rate and rate of deferred tax of £10.7m (2020: £0.9m) relates to the increase in deferred tax as a result of new corporation tax rates being substantively enacted. The 2021 reconciling item of £10.7m is reflective of the enacted rate change from 19% to 25% whilst the 2020 reconciling item of £0.9m is reflective of the enacted rate change from 17% to 19%.

At 31 December 2021, the Group had a current tax liability of £2.9m (2020: £0.2m).

Deferred tax

The following is the analysis of deferred tax liabilities presented in the consolidated balance sheet:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Deferred tax liabilities	(46,988)	(23,159)
Deferred tax assets	4,341	7,392
	(42,647)	(15,767)

The movements on the deferred tax account were as follows:

	Investment properties £'000	Tax losses £'000	Other temporary differences	Total £'000
At 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 and 1 January 2021	(23,159)	5,774	1,618	(15,767)
Recognised in the consolidated income statement	(23,829)	(3,216)	176	(26,869)
Recognised in the consolidated statement of comprehensive income	-	-	(137)	(137)
Recognised in the consolidated statement of equity	-	-	126	126
At 31 December 2021	(46,988)	2,558	1,783	(42,647)

There is deferred tax on UK corporation tax losses carried forward of £2.6m (2020: £5.8m); this balance may be carried forward indefinitely as there is no time limit in respect of using these deferred tax assets.

In the March 2020 Budget it was announced that the main rate of UK corporation tax will not reduce to 17% from 1 April 2020 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 deferred tax balances at 31 December 2020 were calculated at 19%.

In the Spring Budget 2021, the Government announced an increase in the corporation tax rate from 19% to 25% from 1 April 2023. The rate was substantively enacted on 24 May 2021 and as such the deferred tax balances have been calculated in full on temporary differences under the liability method using the rate expected to apply at the time of the reversal of the balance. As such, the deferred tax assets and liabilities have been calculated using 19%, 25% or a blended rate (2020: 19%) as appropriate.

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 £5.3m at 31 December 2021 have not been recognised owing to the uncertainty as to their recoverability. Deferred tax assets of £5.6m were not recognised at 31 December 2020.

6. Dividends

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interim dividend of 0.367p per share for the six months ended 30 June 2021	1,184	-
Final dividend of 1.466p for the year ended 31 December 2020	4,729	-
Interim dividend of 0.334p per share for the six months ended 30 June 2020	-	1,077
	5,913	1,077

In addition to the interim dividend of 0.367p, the Board has determined that it is appropriate for a final dividend of 0.845p (2020: 1.466p) to be paid per share, bringing the total dividend for the year to 1.212p (2020: 1.800p). The 2020 final dividend was increased to reflect the cancelled final 2019 dividend excluding which, the 2020 dividends totalled 1.102p per share. Given this, the recommended 2021 final dividend and 2021 total dividend represent a 10% increase in line with our dividend policy. There is no change to the current dividend policy to continue to grow dividends by 10% each year.

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.

	Year ended 31 December 2021	Year ended 31 December 2020
Profit from continuing operations attributable to owners of the parent (£'000)	**93,990**	25,796
Weighted average number of shares used for basic earnings per share	**322,493,443**	322,104,415
Basic earnings per share (pence)	**29.1**	8.0
Weighted average number of shares used for diluted earnings per share	**325,059,137**	323,840,504
Diluted earnings per share (pence)	**28.9**	8.0

The difference between the weighted average number of shares used for the basic and diluted earnings per share calculation is the effect of share options and own shares.

8. Investment properties

Investment properties at 31 December 2021 and 31 December 2020 have been measured at fair value. The Group holds five categories of investment property being Agricultural Land, Natural Resources, the Investment Portfolio (previously called 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**	**Investment Portfolio £'000**	**Major Developments £'000**	**Strategic Land £'000**	**Total £'000**
At 1 January 2020	**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	-
Transfer from development properties	-	-	1,025	2,824	-	3,849
Net transfer to assets held for sale	(2,082)	(3,777)	(4,165)	-	(47)	(10,071)
At 31 December 2020	**6,135**	**33,098**	**214,906**	**27,550**	**91,390**	**373,079**
Direct acquisitions	-	-	13,502	-	14,274	27,776
Subsequent expenditure	12	239	1,988	8,956	6,877	18,072
Disposals	-	-	(2,497)	(11,207)	(986)	(14,690)
(Decrease)/increase in fair value	(151)	(1,912)	30,804	21,609	33,611	83,961
Transfers between divisions	115	-	6,101	(6,626)	410	-
Net transfer from development properties	-	-	-	5,711	(5,000)	711
Net transfer to assets held for sale	(699)	(874)	(5,078)	(509)	(3,394)	(10,554)
At 31 December 2021	**5,412**	**30,551**	**259,726**	**45,483**	**137,183**	**478,355**

During the year £5.7m (2020: £3.8m) of development property was re-categorised as investment property to reflect a change in use. During the year £5.0m (2020: £nil) of investment property was re-categorised to development properties.

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 2021 and 31 December 2020. Both are independent firms acting in the capacity of external valuers with relevant experience of valuations of this nature.

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 IFRS. 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 2021 (2020: 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 discounted cash flow for the operating life of the asset with regard to the residual land value.

Investment Portfolio
The industrial and logistics investment 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. In the past, income acquisitions have been made at high yields where value can be added. As assets are enhanced and improved, these would also be expected to be valued at lower yields. Subject to market backdrop, properties that are built by Harworth will be modern Grade A with typically lower yields.

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 smaller development sites.

Strategic land
Strategic land is valued on the basis of discounted cash flow, 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

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At start of year	25,316	33,072
Investment in joint ventures	1,624	289
Distributions from joint ventures	(34)	(8,930)
De-recognition on acquisition	-	(7,770)
Share of profit of joint ventures	9,853	8,655
Impairment	(628)	-
At end of year	36,131	25,316

10. Inventories

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Development properties	172,701	177,712
Planning promotion agreements	3,865	2,961
Option agreements	1,154	1,344
Finished goods	102	649
Total inventories	177,822	182,666

The movement in development properties is as follows:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At start of year	177,712	202,092
Acquisitions	40	-
Subsequent expenditure	29,482	27,860
Disposals	(39,008)	(37,950)
Net realisable value provision release/(charge)	5,186	(10,441)
Net transfer to investment properties	(711)	(3,849)
At end of year	172,701	177,712

The movement in net realisable value provision was as follows:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At start of year	17,340	6,899
Charge for the year	1,574	16,208
Released on disposals	(2,367)	(1,359)
Reversal of previous net realisable value provision	(4,393)	(4,408)
At end of year	12,154	17,340

11. Assets held for sale

Assets classified as held for sale relate to investment properties identified as being for sale within 12 months, where a sale is considered highly probable and the property is immediately available for sale.

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At start of year	7,594	11,252
Net transfer from investment properties	10,554	10,071
Subsequent expenditure	1	24
Increase/(decrease) in fair value	1,078	(295)
Disposals	(17,302)	(13,458)
At end of year	1,925	7,594

12. Cash

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Cash	12,037	12,710

13. Borrowings

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Non-current:		
Secured – bank loans	**(33,318)**	**(79,740)**
Secured – infrastructure loans and direct development loans	**(4,463)**	**(4,142)**
	(37,781)	**(83,882)**
Total borrowings	**(37,781)**	**(83,882)**

Loans are stated after deduction of unamortised fees of £1.2m (2020: £0.4m).

		As at 31 December 2021 £'000	As at 31 December 2020 £'000
Infrastructure loans			
Homes and Communities Agency	Simpson Park	-	(4,142)
Merseyside Pension Fund	Bardon Hill	(1,572)	-
North West Evergreen Limited Partnership	Plot H Logistics North, Bolton	(2,891)	-
Total infrastructure loans		(4,463)	(4,142)
Bank loans		(33,318)	(79,740)
Total borrowings		(37,781)	(83,882)

The bank borrowings are part of a £150.0m (2020: £130.0m) Revolving Credit Facility ("RCF") provided by Natwest and Santander in place at 31 December 2021. The term of the facility was extended for two years on 13 February 2018 and was repayable on 13 February 2023 (five year term) on a non-amortising basis and subject to financial and other covenants. In November 2021 Natwest and Santander agreed to increase the RCF by £20.0m to £150.0m and extend the repayment date to February 2024. Following the year end, a new RCF has been put in place with Natwest, Santander and HSBC. The new RCF has a limit of £200.0m with an uncommitted accordion facility of £40.0m and is repayable in 2027. The bank borrowings are secured by fixed equitable charges over investment properties. The facility is non-amortising and subject to financial and other covenants.

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 they are repaid on agreed dates or when disposals are made from the sites.

14. Share capital

Issued, authorised and fully paid

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
At start of year	32,253	32,191
Shares issued	19	62
At end of year	32,272	32,253

Issued, authorised and fully paid – number of shares

	As at 31 December 2021	As at 31 December 2020
At start of year	322,530,807	321,909,382
Shares issued	193,759	621,425
At end of year	322,724,566	322,530,807
Own shares held	(185,282)	(120,487)
At end of year	322,539,284	322,410,320

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.

	Year ended/as at 31 December 2021 £'000	Year ended/as at 31 December 2020 £'000
PEEL GROUP		
Revenue		
Profit on sale from overages	-	987
Disposal proceeds at Logistics North	2,019	-
Purchases		
Reimbursement of technical due diligence	91	-
Receivables		
Deferred consideration for land at Logistics North	200	-
MULTIPLY LOGISTICS NORTH HOLDINGS LIMITED		
& MULTIPLY LOGISTICS NORTH LP		
Revenue		
Recharges of costs	136	-
Asset management fee	271	107
Water charges	107	100
Purchases		
Diversion of surface water drain	-	97
Receivables		
Trade receivables	66	153
Other receivables	-	285

	Year ended/as at 31 December 2021 £'000	Year ended/as at 31 December 2020 £'000
BANKS GROUP		
Revenue		
Annual options sums	5	5
Provision of certificate regarding title	-	1
Payables		
Trade payables	-	(5)
Deferred payment in respect of the acquisition of land at Moss Nook	-	(1,000)
POLYPIPE		
Revenue		
Rent	25	5
Receivables		
Trade receivables	6	-
WAVERLEY SQUARE LIMITED (1)		
Shareholder loan made during the year	-	169
THE AIRE VALLEY LAND LLP		
Partner loan repayment	-	(7,951)
Profit share received during the year	-	(979)
Receivable	26	2
BATES REGENERATION LIMITED (2)		
Shareholder loan repayment	(4)	-
CRIMEA LAND MANSFIELD LLP		
Partner loan repayment	(30)	-
Receivable	-	2

	Year ended/as at 31 December 2021 £'000	Year ended/as at 31 December 2020 £'000
NORTHERN GATEWAY DEVELOPMENT VEHICLE LLP		
Partner loan made during the year	1,003	-
Receivable	25	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)

(1) Waverley Square Limited became a fully owned subsidiary of the Group on 26 June 2020 and was placed into liquidation, to complete within 12 months of the year end.
(2) Bates Regeneration Limited was dissolved during the year, on 12 October 2021.

16. Post balance sheet events

Following the balance sheet date Harworth has agreed a new senior debt package comprising a five-year £200m revolving credit facility ("RCF") together with a £40m uncommitted accordion option, provided by Natwest, Santander and HSBC.

The facility replaces Harworth's previous RCF with Natwest and Santander, which was increased from £130m to £150m in 2021, and had an expiry date of February 2024.

The new RCF is aligned to Harworth's strategy to reach £1bn of EPRA NDV* over five to seven years and provides significant additional liquidity and flexibility. The interest rate of the facility is on a ratchet mechanism with a margin payable above SONIA in the range of 2.25% to 2.50%.

Harworth's financing strategy remains to be prudently geared. The Income Generation portfolio provides a recurring income source to service debt facilities and this is supplemented by proceeds from an established sales track record that has been built up since re-listing in 2015.

To deliver the strategic plan, Harworth has adopted a target net loan to portfolio value at year end of below 20%, with a maximum year end net loan to portfolio value of 25%. The Group will continue to use site-specific development and infrastructure loans alongside the main banking facilities to support the revised strategy.

**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 statements*