Harworth

13 September 2022

Harworth Group plc

Half Year Results for the six months ended 30 June 2022

Delivery on strategy and robust demand drive significant first half valuation growth

Harworth Group plc ("Harworth" or the "Group"), a leading regenerator of land and property for sustainable development and investment, today announces its half year results for the six months ended 30 June 2022.

Key Non-Statutory Measures[1]	H1 2022	H1 2021	FY 2021	Key Statutory Measures	H1 2022	H1 2021	FY 2021
Total Return (%)	**14.1**	15.4	24.6	Operating profit (£m)	**99.9**	76.5	121.9
EPRA NDV per share (p)[2]	**224.7**	183.2	197.6	Net asset value (£m)	**655.1**	541.0	578.0
Value gains (£m)	**110.3**	107.5	160.5	Total dividend per share (p)[3]	**0.404**	0.367	1.2
Net loan to portfolio value (%)	**7.6**	13.4	3.4	Net debt (£m)	**67.8**	100.2	25.7

Lynda Shillaw, Chief Executive of Harworth, commented: "Harworth made significant operational and financial progress in the first half. We undertook a record level of direct development in our industrial & logistics portfolio, continued to accelerate our residential sales, and made several acquisitions to grow our development pipeline. It is our management actions that have materially contributed to the growth in EPRA NDV, supported by the strong market during the period for our residential and industrial & logistics products, demonstrating that we are continuing to deliver successfully against our growth strategy outlined a year ago.

"We are alive to the complex geopolitical and macroeconomic environment impacting economies across the world, and we remain closely attuned to the potential impact on our markets. We are confident that Harworth's strong financial position, and the scale and mix of our portfolio, positions us well to respond to these challenges and adapt to the changing risk environment. However, as previously stated, it is our expectation that as a result of this market backdrop, valuation gains during 2022 are likely to be first half-weighted.

"The supply and demand factors supporting our markets have been resilient to date, our pipeline remains robust, and our through-the-cycle investment and management actions continue to drive value across our portfolio. Our proven successful track record as a developer of large complex sites to create high-quality sustainable places provides a solid platform for growth as we continue to deliver on our strategic plan to reach £1bn of EPRA NDV."

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

- Total Return[1] of 14.1% (H1 2021: 15.4%)
- EPRA NDV[1][2] per share increased by 13.7% to 224.7p (31 Dec 2021: 197.6p), driven by valuation gains across both industrial & logistics and residential sites, largely resulting from progress at our development sites
- EPRA NDV increased by 13.7% to £724.8m (31 December 2021: £637.5m)
- An underlying increase of 10% in the interim dividend per share to 0.404p, in line with the Group's dividend policy

Increased direct development unlocking value from 32.2m sq. ft industrial & logistics pipeline

- Currently, 97% of budgeted industrial & logistics land sales for the year have completed, exchanged or in heads of terms, either in line with, or at a premium to, 31 December 2021 book value
- After period-end, reached practical completion on 432,000 sq. ft, including 332,000 sq. ft of Grade A space at Bardon Hill, Leicestershire, which is 92% let and has embedded Net Zero Carbon principles in its design
- Development underway on a further 203,000 sq. ft at the Advanced Manufacturing Park ("AMP"), Waverley and Gateway 36, Barnsley
- After period-end, completed the sale of Kellingley development site in North Yorkshire for £54.0m, in line with 30 June 2022 valuation and at a significant premium to pre-sale book value

Progressing 28,990 plot residential pipeline through sales of serviced plots, and launch of single-family Build to Rent ("BTR") product

- Currently over 100% of budgeted residential plot sales for the year have completed, exchanged or are in heads of terms, either in line with, or at a premium to, 31 December 2021 book value
- Completed the Group's largest serviced residential land sale to date: a £29m sale at Waverley to Barratt and David Wilson Homes, capable of delivering approximately 450 homes

- Diversification of residential product with launch of a portfolio of up to 1,200 single-family BTR homes to be built across 10 sites, and to be delivered through a forward funding agreement: significant interest received and exchange targeted for later in 2022

Targeting a 12-15 year land supply through acquisitions and progressing sites through planning

- 1,143 plots and 3.9m sq. ft added to Harworth's total development pipeline in the first half, predominantly through land assembly acquisitions for future strategic sites
- Targeting planning determinations in the next six months for 3.0m sq. ft of industrial & logistics space across: Gascoigne Wood, North Yorkshire; Skelton Grange, Leeds; and Houghton Main, Barnsley

Investment Portfolio showing strong operational metrics:

- A vacancy rate[(4)] of 3.9% as at 30 June 2022 (31 December: 4.1%) with 99% of rent collected for the first half
- Completed leasing deals added £0.1m of annualised rent; new lettings at an average 17% premium to estimated rental values ("ERVs"), and renewals on average 15% ahead of previous passing rent

Maintaining a strong balance sheet and financial position, with low LTV and significant available liquidity

- As at 30 June 2022, net debt was £67.8m (31 December 2021: £25.7m) resulting in a net loan to portfolio value of 7.6% (31 December 2021: 3.4%)
- Available liquidity as at 30 June 2022 of £144.4m (31 December 2021: £128.0m), following the signing of a new £200m revolving credit facility ("RCF") earlier in the period; no major refinancing requirements until 2027

Notes:

(1) Harworth discloses both statutory and alternative performance measures ('APMs'). A full description of, 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) The Ex-dividend date, Record date and Payment date for the 2022 interim dividend can be found in the Shareholder Information section of this announcement
(4) Calculated using the EPRA Best Practices Recommendations Guidelines, with comparator recalculated on the same basis

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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: https://stream.brrmedia.co.uk/broadcast/62fe2a8b00178269f821b014

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

Chief Executive's Review

In September last year, we unveiled our strategy to grow Harworth to £1bn of EPRA NDV*, centred around four key drivers of growth. One year on, I am delighted to report that the business is delivering across all areas of this strategy. Our strong operational and financial performance during the first half is testament to this progress, as well as the strength of the market for our residential and industrial & logistics products.

The supply and demand factors underlining our performance have been resilient to date, our pipeline is robust and our through-the-cycle investment and management actions continue to drive value across our portfolio. However, notwithstanding our significant achievements during the period, the macroeconomic backdrop has undoubtedly become more challenging, and we are closely attuned to the potential impact this may have on our business and our focus markets.

Our markets

Harworth's focus markets of residential and industrial & logistics remain characterised by favourable supply and demand dynamics.

The industrial & logistics market saw record demand in the first half of 2022 according to data from Savills, with take-up for units over 100,000 sq. ft totalling 28.6m sq. ft, surpassing the previous record of 24.5m sq. ft set in the first half of 2021. The market also saw increased diversity of occupier demand. For example, online retailers accounted for just 18% of the first half take-up, compared with 35% in the previous year, but this reduction was more than offset by third-party logistics companies and the manufacturing and automotive sectors, which took more space in the first half of 2022 than in the whole of 2021. Supply for these units meanwhile remains constrained, rising by only 1% in the first half, which has resulted in a low vacancy rate of just 3% market-wide. When all space under construction to be delivered during 2022 and 2023 is added to current supply, it would remain below the five-year average vacancy and represents only a year's worth of supply in our regional markets (based on long-term take-up data).

However, the industrial & logistics sector is not immune from the current macroeconomic headwinds, rising interest rates and the tightening of debt markets. ONS data suggests that squeezed household budgets and low consumer confidence are already impacting retail sales, and this will potentially impact demand for space from online and high street retailers. Nevertheless, many drivers of demand, such as the increase in on-shoring and near-shoring, and the drive from occupiers and investors for more sustainable buildings, represent long-term structural shifts and will provide some resilience through the cycle.

Turning to the residential market, reporting from UK housebuilders and industry data suggests that, although the strong momentum in the market seen during the first half is easing, orderbooks remain elevated, cancellation rates are still low and so far build cost inflation has been offset by house price inflation. More recent indicators suggest that the impact of rising interest rates on mortgage affordability, and increasing inflation on household budgets are likely to begin to impact pricing. That said, supply of new homes still remains close to record lows, with a mix of factors such as planning delays, a shortage of labour, a lack of near-term sites, and supply chain issues all restricting supply. This tightness in the market has been evidenced at a number of our sites, with a very competitive bidding environment for our serviced residential plots, which are a highly attractive de-risked product for housebuilders.

The BTR housing market is performing strongly, with supply and investment volumes in the first half significantly above the long-term average across the sector, and the largest pipeline ever of developments currently in planning, according to data from Savills and the British Property Federation. Despite this, it is estimated that of the 237,000 BTR homes currently under construction, only 8% are in suburban locations. This highlights the difficulty for developers in reaching the necessary scale in this market, and the sizeable opportunity for Harworth as it progresses its single-family BTR product.

Operational performance

Our strategy, outlined in September 2021, set out a clear road map for our ambition to grow EPRA NDV* to £1bn, 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 continued to deliver across all elements of our strategy. First, levels of direct development of industrial & logistics stock has reached new highs, with 432,000 sq. ft completed just after period end, including our Bardon Hill development, which embeds Net Zero Carbon principles and is already 92% pre-let to several occupiers including a manufacturer and third-party logistics specialist, with significant interest in the final unit. We are also underway with a further 203,000 sq. ft across two established development sites at the AMP and Gateway 36. Together, these mark significant progress towards our ambition of developing an average 800,000 sq. ft per annum by the end of our strategic plan.

In our residential portfolio, over 100% of budgeted residential land sales were either completed, exchanged or in heads of terms at period-end, comprising mainly serviced land parcels. During the first half we completed our single largest residential land sale, with Barratt and David Wilson Homes, which will deliver up to 450 new houses at Waverley. We also launched our first single-family BTR portfolio of up to 1,200 homes to be built across 10 sites, which has attracted significant levels of interest from potential funding partners. Offering this combination of "build to sell" and BTR products will allow us to accelerate the delivery, and enhance the vibrancy, of our residential sites, as we target the sale of 2,000 residential plots per annum.

Turning to acquisitions, we grew our strategic landbank by 1,143 plots and 3.9m sq. ft of industrial & logistics space in the first half. This predominantly relates to land assembly projects, and negotiations are underway on remaining land parcels at these sites in order to progress these to the next stage of development. The size of our landbank remains a key differentiator for us, providing flexibility, smoothing our returns profile at a portfolio level and unlocking exciting new opportunities for the business.

Finally, our Investment Portfolio continued to deliver robust operational metrics, with a vacancy rate of just 3.9% at period end and 99% of rent currently collected for the first half. We also completed 47,900 sq. ft of leasing deals in the first half at significant premiums to estimated rental values and previous passing rents, whilst after the period-end we completed a number of such agreements at Bardon Hill. With the space at Bardon Hill added to the Investment Portfolio, the proportion of space that is Grade A rises from 11% at 31 December 2021 to 19% .

Financial performance

Strong operational progress translated into a strong financial performance in the first half, with Total Return of 14.1%, compared to 15.4% in the first half of 2021. Over the six months, EPRA NDV* at 30 June 2022 was £724.8m (31 December 2021: £637.5m) representing a per share increase of 13.7% to 224.7p.

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £62.6m (H1 2021: £18.9m). This increase derived primarily from accelerated serviced land sales in line with our growth strategy. Supported by this performance we declared an interim dividend of 0.404p (H1 2021: 0.367p) per share, representing a 10% increase in line with our policy.

As we enter a more uncertain economic period, we continue to maintain a strong balance sheet and financial position, with significant available liquidity to fund the delivery of our strategy, namely £144.4m as at 30 June 2022 (31 December 2021: £128.0m), following the signing of a new £200m RCF earlier in the year. Our net loan to portfolio value at period-end was 7.6% (31 December 2021: 3.4%), one of the lowest in our sector, affording us a high degree of flexibility and resilience.

Our people

Our people have been, and will always continue to be, critical to our success. So far this year, we have increased resourcing across our central and regional teams in order for us to grow our landbank, build our presence in the regions and enhance our technical expertise to successfully deliver our strategy. We saw a record number of promotions across the business, reflecting both our commitment to recognise achievement and to develop our people, and our goal to retain and attract the best talent in the industry.

Sustainability is central to the way we work at Harworth and the developments that we deliver. In April we were delighted to appoint Peter Henry as our first Director of Sustainability, to work across the business and our stakeholders to further develop the scope and reporting of our sustainability programme, the Harworth Way, and ensure it is implemented. Peter has over a decade of existing experience working at a senior level at Harworth and has been integral to formulating many of our key driving principles for sustainable regeneration and placemaking. His initial focus has been to evolve and embed sustainable development principles into Harworth's large-scale regeneration projects and to develop Harworth's Net Zero Carbon pathway, and we look forward to sharing more details on our progress in those areas at year-end.

I would also like to welcome Marzia Zafar, who joined our Board in June as a Non-Executive Director. Marzia brings a wealth of experience in sustainability, having spent over 20 years working on policies and strategies to enable energy transition across many sectors. We are already benefitting from her expertise and perspectives, particularly in regard to our emerging strategy for our natural resources portfolio.

Outlook

During the past couple of years, Harworth has performed consistently well despite an unprecedented macroeconomic backdrop of Brexit, the pandemic and Ukraine conflict. This resilience has not come about by accident: it is the result of deliberate management actions to focus on the right markets and products, build market-leading expertise, and maintain strong relationships with all stakeholders based on trust, shared values, and a track record of delivery.

Harworth is particularly well-positioned within our markets: we sell serviced and, therefore, de-risked residential land to housebuilders for the delivery of affordable products, we develop industrial & logistics sites in underserved regional markets, and the scale of our portfolio and range of our products, including our newly launched single-family BTR portfolio, provide significant diversification.

Over the past six months, the near-term outlook for the UK economy has weakened considerably. The war in Ukraine has had a dramatic impact on energy prices and food supply chains across Europe and beyond. Globally, inflation and interest rates have been rising and UK inflation stands at a 40-year high with interest rates rising sharply. This is placing huge pressure on household budgets and consumer confidence. We are beginning to see signs that both the residential and industrial & logistics markets are coming off record highs as a number of these factors begin to take hold. Debt markets are tightening as interest rates rise, and supply chains and labour markets remain restricted. Investors still have a substantial amount of capital to deploy into the right product in the right sectors, and Harworth's products are in two of the most resilient real estate asset classes and, fundamentally, both sectors are still undersupplied.

These economic stresses are impacting everyone, and whilst there is little we at Harworth can do to change these factors, we can ensure that we monitor and respond to them. We are confident that Harworth is well-placed to do this, and that we are adapting to the changing risk environment. However, it is our expectation at this stage that, as a result of this market backdrop, valuation gains during 2022 will be first half-weighted.

Harworth's strength comes from the long-term nature of our business and our ability to work through, and adapt to, changes in market cycles. Our substantial landbank gives us significant diversification and optionality, allowing us to change the nature, scale and pace of our development as these changes occur. We are passionate about what we do and how we do it, and believe that the developments that we bring forward across the North of England and the Midlands really matter to our regional economies as we continue to create sustainable places where people want to live and work.

Conclusion

The first half of 2022 has been one of significant strategic, operational, and financial momentum across our business, and I am so proud of what we have achieved as a team, working closely with our stakeholders. With a strong strategic direction, a focus on the right markets, and our extensive skillset, landbank and financial firepower, we look to the future with confidence. I would like to thank everyone at Harworth for their hard work and commitment in delivering these impressive first half results.

In concluding, I would also like to pay tribute to Her late Majesty Queen Elizabeth II, following her passing last Thursday. The Queen exemplified selfless dedication, compassion, and foresight throughout her remarkable 70-year reign, and she continues to be an inspiration to us all.

Lynda Shillaw
Chief Executive
13 September 2022

[*]Harworth discloses both statutory and alternative performance measures ("APMs"). A full description of, and reconciliation to, the APMs is set out in Note 2 to the financial statements

Operational Review

Industrial & logistics land portfolio

At 30 June 2022, the industrial & logistics pipeline totalled 32.2m sq. ft (31 December 2021: 28.2m sq. ft), of which 7.2m sq. ft was consented (31 December 2021: 7.3m sq. ft), and 6.1m sq. ft was in the planning system awaiting determination (31 December 2021: 6.1m sq. ft). The pipeline was 66% owned freehold, while 34% related to Planning Promotion Agreements ("PPAs") or Options.

Acquisitions and land assembly

Completed freehold industrial & logistics land acquisitions totalled £0.2m, and along with Options and PPAs signed in the period, added 3.9m sq. ft to the pipeline. These acquisitions form part of land assembly works at a number of new sites, meaning that further land parcel acquisitions are required before a masterplan is finalised.

Planning

At period end, 6.1m sq. ft was in the planning system and awaiting determination. We are targeting planning determinations over the next six months in relation to 3.0m sq. of space across three sites:

- 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.

- Houghton Main, Barnsley, West Yorkshire: Plans have been submitted for 206,000 sq. ft of flexible employment space, including ancillary parking and landscaping, on the site of the former Houghton Main Colliery.

Direct development and placemaking

After period-end, practical completion was reached on two direct developments:

- A 100,000 sq. ft build-to-suit facility at the AMP in Waverley, South Yorkshire, on time and within budget. The unit was directly developed for sportswear manufacturer SBD Apparel, which has upsized from a smaller unit elsewhere at the AMP.

- The Bardon Hill development in Leicestershire, providing 332,000 sq. ft of logistics and manufacturing space across six units. The site is currently 92% pre-let to a range of occupiers, underlining the demand for Grade A space in this strategically-located site just two miles from Junction 22 of the M1. Once completed, these lettings will generate an additional £2.2m of annualised rent.

  As part of our Building Greener focus area, the construction process for Bardon Hill targeted the reduction of embodied carbon in construction through a sustainable approach to material specification and the offsetting of the remaining construction-related embodied carbon through the use of Verified Carbon Standard or Gold Standard schemes focused on tree planting and ecology, renewable energy, and social projects. The units are also designed to be capable of being Net Zero Carbon in operation through the inclusion of integrated renewable energy in the form of solar PV on roofs, enhanced build specification, and the incorporation of green lease terms.

  The site also features storm attenuation ponds and a 10-acre wildlife centre, with extensive wildflower planting, habitats for wildlife and seating areas, ensuring protection for local wildlife and the provision of outdoor spaces to enhance employee wellbeing.

Direct development works totalling 203,000 sq. ft are currently underway at two sites:

- AMP, Waverley, South Yorkshire: The next phase of the AMP will see the delivery of three buildings ranging from 15,000 sq. ft to 40,000 sq. ft, to be marketed as "R-Evolution Phase 4"

- Gateway 36, Barnsley, South Yorkshire: The first part of Phase 2 on this site will see the delivery of three buildings ranging from 20,000 sq. ft to 49,500 sq. ft, which will be marketed as "R-Evolution 36". Demand for these units has been strong, with 38,500 sq. ft currently under offer and expressions of interest on the other units. This will support the development of two additional buildings as part of the second part of Phase 2, which will deliver a further 425,000 sq. ft of space.

Land sales

Currently, 97% of the Group's budgeted industrial & logistics land sales for the year have completed, exchanged or are in heads of terms. This includes the sale of the Kellingley site in North Yorkshire for £54.0m, which completed after period-end.

Residential land portfolio

As at 30 June 2022, the residential pipeline had the potential to deliver 28,990 housing plots (31 December 2021: 30,804), of which 7,071 were consented (31 December 2021: 9,978), and 811 were in the planning system awaiting determination (31 December 2021: 811). The pipeline was 49% owned freehold, while 51% was subject to PPAs, options or overages.

Acquisitions and land assembly

Completed residential land acquisitions totalled £1.5m and added 1,143 plots to the pipeline. These acquisitions form part of land assembly works at a number of new sites, meaning that further land parcel acquisitions are required before a masterplan can be finalised.

Plot sales

At period-end, over 100% of the Group's budgeted residential land sales for the year had completed, exchanged or were in heads of terms. This included completed residential land sales totalling 1,652 plots (H1 2021: 728 plots), with the significant increase on the prior year mainly due to the expediting of sales to take advantage of particularly buoyant housebuilder demand. Sales were either in line with, or ahead of, 31 December 2021 valuations, and the headline sales prices ranged from £46k to £64k per serviced plot (H1 2021: £36k to £77k).

Sales were completed with a range of housebuilders, and included the Group's largest serviced land sale to date by number of residential plots, being a £29m sale at Waverley to Barratt and David Wilson Homes, for the delivery of 450 new homes. The period also saw the completion of a number of PPAs – arrangements whereby Harworth receives a fee from a landowner for securing a planning approval and plot sale on their behalf – generating £3.7 million in fees.

Marketing also began for the first phase of serviced residential land at our Ironbridge development in Shropshire, which has adopted the marketing name 'Benthall Grange'. Significant interest was received, and heads of terms have been agreed with a purchaser after period-end.

Placemaking

At South East Coalville in Leicestershire, plans are well advanced to deliver a new sustainable community within the National Forest, which will see the provision of over 2,000 homes, a local centre, primary school and extensive green space. Placemaking works are continuing on site, with the submission in May of a planning application for a new 420-place "Forest School" which maximises opportunities for learning both inside and outside the classroom, and integrates several sustainability features including solar PV panel coverage and air source heat pumps.

At Waverley in South Yorkshire, construction is underway of a new 150-bedroom hotel, which will also feature a restaurant and gym facilities. The hotel will occupy a prominent position at the entrance to the development, providing an important community asset for use by residents and businesses at the adjacent AMP. Planning permission has also been granted for a new primary health centre at the site, in conjunction with the local Clinical Commissioning Group, which will have capacity for 6,000 patients. Plans have also been approved for Highwall Park, a new 1.5km linear park running through the heart of development, which will connect the AMP to the Waverley lakes, and construction is expected to begin shortly.

Single family Built to Rent portfolio

In May, Harworth launched its single family BTR portfolio, of up to 1,200 homes across 10 development sites. This new product will be complementary to Harworth's existing product of serviced plots sold to housebuilders for their "build to sell" product, and will support the Group's ambition to sell 2,000 residential plots per annum. It will also help to diversify Harworth's residential product range and therefore strengthen its resilience in the face of any downturn in the build to sell market. The introduction of BTR housing will also add to the vibrancy and attractiveness of these existing communities, further enhancing the investment in delivering extensive green space, civic amenities and a well-designed public realm.

This product represents a unique forward funding and long-term investment opportunity for a prospective partner, and bids have been invited based on two potential funding models: a fully forward funded model and the option for Harworth to co-invest, taking at least a 10% stake in any holding vehicle. Exchange of contracts with a potential partner is targeted by the end of 2022, and the product is expected to be delivered over the subsequent three years.

Investment portfolio

This portfolio comprises industrial & logistics assets that have been acquired and increasingly those that have been directly developed and retained. It provides recurring rental income in addition to asset management opportunities and the potential for capital value growth. As at 30 June 2022, it does not include Bardon Hill, which reached practical completion after period end.

As at 30 June 2022, the Investment Portfolio comprised 18 sites covering 3.7m sq. ft (31 December 2021: 18 sites covering 3.7m sq. ft). It generated £17.9m of annualised rent (31 December 2021: £18.0m), equating to a gross yield of 6.1% (31 December 2021: 6.5%) and a net initial yield of 5.2% (31 December 2021: 5.6%). Annualised rent reduced marginally during the period but increased on a like-for-like basis. Grade A space represented 11% of the portfolio (31 December 2021: 11%).

During the first half, 47,900 sq. ft of leasing deals were completed, adding £0.1m of annualised rent. Lease renewals and regears were completed at terms which, on average, represented a 15% uplift to previous passing rents. New lettings were completed on average at a 17% premium to 31 December 2021 estimated rental values ("ERVs").

The portfolio had an average rent per tenant of £6.48 per sq. ft at 30 June 2022 (31 December 2021: £6.32) and a weighted average rent of £4.63 per sq. ft (31 December 2021: £4.50).

Across the Investment Portfolio, operational metrics remained strong, with 99% of rents falling due in the first half currently collected, vacancy falling to 3.9% as at 30 June 2022 (31 December 2020: 4.1%), and a robust Weighted Average Unexpired Lease Term ("WAULT") of 11.1 years as at 30 June 2022 (31 December 2021: 11.5 years).

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. In the first half of the year, it generated £4.0m of annualised gross rent (31 December 2021: £4.1m).

A review of the strategy for this portfolio is underway to determine how best to protect and optimise value while maximising the role these assets can play in realising the Group's sustainability ambitions, particularly with regards to meeting energy demand, delivering biodiversity net gain and carbon offsetting. A further update on this strategy will be provided in the Full Year Results.

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 Group's culture, strategy and operations, and is seen as critical to making a lasting positive impact on communities and the environment. To this end, the first half saw the appointment of Harworth's first Director of Sustainability, Peter Henry, and also the appointment of Marzia Zafar, who has significant expertise in this area, as a Non-Executive Director.

In 2021, the Group committed to become Net Zero Carbon for Scope 1, Scope 2 and the business travel and employee commuting categories of Scope 3 emissions by 2030, and to become Net Zero Carbon for all emissions by 2040. Work is underway to formulate a pathway to reaching these targets, with the first step being to analyse the Group's embodied emissions, operational emissions and the opportunities that exist to develop an internal offset mechanism across different parts of the business. Further details will be provided in the Full Year Results announcement and the 2022 Annual Report.

Financial Review

Overview

Our first half financial performance was strong, delivering a Total Return (the movement in EPRA NDV* plus dividends per share paid in the period expressed as a percentage of opening EPRA NDV per share) of 14.1% (H1 2021: 15.4%). This was driven by delivering on the strategy we set out in September 2021, particularly the progress achieved on increased direct development and further acceleration across our residential sites capitalising on high demand for our serviced land product. Whilst EPRA NDV growth in the first half of 2022 was lower than the first half of 2021, it remains high relative to historical levels and reflects this active asset management within robust markets.

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £62.6m (H1 2021: £18.9m). This increase derived primarily from accelerated serviced land sales in line with our growth strategy. Looking forward, the sales profile is robust with over 100% of budgeted residential plot sales and 97% of budgeted industrial & logistics land sales for the full year completed, exchanged or subject to heads of terms (September 2021: 100% of all budgeted sales completed, exchanged or subject to heads of terms). This includes the sale of our Kellingley site which completed in early September for £54m cash consideration. Fees from PPA and build to suit development revenue totalled £7.9m (H1 2021: £nil) and within the Investment Portfolio, rent collection remained strong, with 99% collected for the first half of the year to date.

BNP Paribas and Savills, our independent valuers, completed a desktop valuation of our portfolio as at 30 June 2022, resulting in valuation gains* during the period of £105.5m (H1 2021: £105.7m), including the movement in the market value of development properties, in addition to profit on sales of £4.9m (H1 2021: £1.9m). These external independent valuations demonstrate the impact of development progress and placemaking across the portfolio supported by the continued strength through H1 2022 of the industrial & logistics market for both investment properties and development land, and the continued robust demand for residential serviced land.

The fair value of investment properties increased by £85.3m (H1 2021: £66.5m), which contributed to an operating profit to 30 June 2022 of £99.9m (H1 2021: £76.5m) and a profit after tax of £79.1m (H1 2021: £56.4m).

Over the six months, net asset value grew to £655.1m (31 December 2021: £578.0m). With EPRA adjustments for development property valuations included, EPRA NDV* at 30 June 2022 was £724.8m (31 December 2021: £637.5m) representing a per share increase of 13.7% to 224.7p (31 December 2021: 197.6p).

The Group has declared an interim dividend of 0.404p (H1 2021: 0.367p) per share, representing a 10% increase in line with our policy.

During the period, a new five-year £200m RCF was agreed, together with a £40m uncommitted accordion facility. We welcomed HSBC to our lender syndicate alongside existing lenders NatWest and Santander. This new facility provides greater 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, 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 Equiniti Share Plan Trustees Limited 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 and cash equivalents 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 interim financial statements.

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

	H1 2022				H1 2021			
	Capital Growth £m	**Income Generation £m**	**Central £m**	**Total £m**	Capital Growth £m	Income Generation £m	Central £m	Total £m
Revenue	47.0	15.6	-	**62.6**	5.2	13.6	-	18.9
Cost of sales	(32.9)	(4.2)	-	**(37.1)**	0.8	(3.6)	-	(2.8)
Gross profit	**14.1**	**11.4**	**-**	**25.5**	6.0	10.0	-	16.0
Administrative expenses	(2.1)	(1.3)	(7.5)	**(10.9)**	(1.6)	(1.2)	(5.9)	(8.7)
Other gains	72.6	12.8	-	**85.4**	44.9	24.3	-	69.2
Operating profit/(loss)	**84.5**	**22.9**	**(7.5)**	**99.9**	49.3	33.1	(6.0)	76.5
Share of profit of JVs	1.0	1.2	-	**2.2**	2.2	2.9	-	5.1
Net interest expense	-	-	(3.4)	**(3.4)**	0.1	-	(1.7)	(1.5)
Profit/(loss) before tax	**85.6**	**24.1**	**(10.9)**	**98.8**	51.7	36.0	(7.7)	80.1
Tax charge	-	-	(19.7)	**(19.7)**	-	-	(23.6)	(23.6)
Profit/(loss) after tax	**85.6**	**24.1**	**(30.6)**	**79.1**	51.7	36.0	(31.3)	56.4

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

Revenues in H1 2022 were £62.6m (H1 2021: £18.9m), of which Capital Growth contributed £47.0m (H1 2021: £5.2m) and Income Generation £15.6m (H1 2021: £13.6m).

Increased Capital Growth revenue, which primarily relates to the sale of development properties, reflected accelerated land sales. Capital Growth revenue also includes fees from PPAs of £3.7m (H1 2021: £nil) and build to suit development revenue totalling £4.2m (H1 2021: £nil), including the construction of a new 100,000 sq. ft facility at the AMP following on from the associated 2021 land sale.

Revenue from Income Generation (the Investment Portfolio, Natural Resources and Agricultural Land) mainly comprises property rental and royalty income. Revenue of £15.6m (H1 2021: £13.6m) was higher as a result of increased rental income, following the 2021 property acquisition of Towngate Business Park, Widnes and asset management initiatives, and increased royalty income. Rental income from the Investment Portfolio decreased on an annualised basis from £18.0m to £17.9m in the first half of 2022, but increased on a like-for-like basis by £0.1m when the office in the portfolio, our head office, is excluded.

Cost of sales comprises the inventory cost of development property sales, costs incurred in undertaking build to suit development and the direct costs of the Income Generation business. Cost of sales increased to £37.1m (H1 2021: £2.8m) of which £26.8m related to the inventory cost of development property sales (H1 2021: £1.5m) and also included additional costs related to build to suit development not incurred in the previous year. In H1 2022, we saw a net reduction in the net realisable value provision on development properties of £2.4m (H1 2021: £2.4m) following the valuation process as at 30 June 2022.

Administrative expenses increased in H1 2022 by £2.2m. This was principally due to higher salary expenses, resulting from increased employee numbers reflecting the growth in the Group to deliver our strategy. Administrative expenses expressed as a percentage of revenue remained in line with the year ended 31 December 2021 at 17% reflecting increased sales of development property offsetting the increase in administrative expenses.

Other gains comprised an £85.3m (H1 2021: £67.6m) 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 £0.1m (H1 2021: £1.6m).

Joint venture profits of £2.2m (H1 2021: £5.1m) were largely a result of an increase in the value of the Logistics North Multiply site (£1.2m) and Aire Valley Land (£1.0m). 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		**H1 2022**			H1 2021			**30 June 2022**	31 Dec 2021
	Categorisation	**Profit on sale**	**Revaluation gains/(losses)**	**Total**	Profit on sale	Revaluation gains/(losses)	Total	**Total valuation**	Total valuation
Capital Growth									
Major Developments	Mixed	**4.7**	**49.3**	**53.9**	1.3	51.2	52.5	**366.5**	308.2
Strategic Land	Investment	**0.2**	**42.1**	**42.3**	0.1	28.6	28.7	**192.4**	144.0
Income Generation									
Investment Portfolio	Investment	**-**	**14.7**	**14.7**	0.1	25.3	25.4	**294.5**	277.5
Natural Resources	Investment	**-**	**(0.7)**	**(0.7)**	-	0.4	0.4	**29.8**	30.6
Agricultural Land	Investment	**-**	**0.1**	**0.1**	0.4	0.2	0.6	**5.5**	5.4
Total		**4.9**	**105.5**	**110.3**	1.9	105.7	107.5	**888.7**	765.7

Notes: A full description and reconciliation of the APMs in the above table is included in Note 2 to the condensed consolidated interim financial statements. There are some minor differences on some totals due to roundings. Movement in Total Valuation from 31 December 2021 to 30 June 2022 is net of acquisitions and disposals.

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

- Major Developments: key contributions included direct development progress, particularly at our Bardon Hill development, progress towards meeting the Kellingley sale conditions, and continued robust housebuilder demand for residential sites;
- Strategic Land: the strong half year performance included progress at our Ironbridge site which will shortly move from demolition and remediation into development, as well as master planning of other earlier stage sites coupled with continued demand for well-located industrial & logistics sites;

- Investment Portfolio: management driven gains with solid rent collection and good letting progress achieved across our portfolio reducing vacancy and increasing rents;
- Natural Resources: valuations remained broadly consistent; and
- Agricultural Land: valuations remained broadly consistent

Profit on sale of £4.9m (H1 2021: £1.9m) reflected the completion of sales above book value. Revaluation gains were £105.5m (H1 2021: £105.7m) and are outlined in the table below.

	H1 2022 £m	H1 2021 £m
Increase in fair value of investment properties	**85.3**	66.5
Increase in fair value of AHFS	**-**	1.1
Movement in net realisable value provision on revaluation of development properties	**2.4**	2.4
Contribution to statutory operating profit	**87.7**	70.0
Share of profit of joint ventures	**2.2**	5.1
Unrealised gains on development properties and overages*	**15.6**	30.5
Total non-statutory revaluation gains	**105.5**	105.7

The net realisable value provision as at 30 June 2022 was £6.3m (31 December 2021: £12.2m) and was held against five development properties. The movement in the net realisable value provision reflects the valuation increase of development properties of £2.4m, the net realisable value provision released on disposal of £0.7m and the net realisable value provision released on transfer to investment property of £2.8m. This provision is held to reduce the value of these development properties from their deemed cost (the fair value at which they were transferred from investment to development property plus additional development expenditure) to their net realisable value at 30 June 2022 where lower than cost. 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* of £39.0m in H1 2022 (H1 2021: £11.5m), achieving a total profit on sale of £4.9m (H1 2021: £1.9m). Sales comprised residential plot sales of £38.8m (H1 2021: £0.5m), industrial & logistics land sales of £0.2m (H1 2021: £4.1m) and sales of other, mainly mature, income-generating sites and agricultural land, of £nil (H1 2021: £6.9m).

Cash proceeds from sales in the period were £33.7m (H1 2021: £20.4m) as shown in the table below:

	H1 2022 £m	H1 2021 £m
Total property sales[(1)]	**39.0**	11.5
Less deferred consideration on sales in the period	**(5.3)**	-
Add receipt of deferred consideration from sales in prior years	**-**	8.9
Total cash proceeds	**33.7**	20.4

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

Tax

The income statement charge for taxation for the period was £19.7m (H1 2021: £23.6m) which comprised a current tax charge of £3.9m (H1 2021: £1.8m) and a deferred tax charge of £15.8m (H1 2021: £21.8m).

The current tax charge resulted primarily from profits from the sale of development properties, investment properties and a change in the utilisation of losses. The deferred tax charge largely related to unrealised gains on investment properties.

At 30 June 2022, the Group had deferred tax liabilities of £62.6m (31 December 2021: £46.9m) and deferred tax assets of £4.0m (31 December 2021: £4.3m). The net deferred tax liability was £58.6m (31 December 2021: £42.6m).

Basic earnings per share and dividends

Basic earnings per share for the year increased to 24.5p (H1 2021: 17.5p) reflecting the increase in the valuation of the land and property portfolio as at 30 June 2022.

The Board has determined that it is appropriate for an interim dividend to be paid of 0.404p (H1 2021: 0.367p) per share, an increase of 10% in line with the Group's policy.

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. Where development relates to future income producing assets expected to be held within the Investment Portfolio, these are held as investment property.

As at 30 June 2022, the balance sheet value of all our development properties was £160.4m (31 December 2021: £172.7m) and their independent valuation by BNP Paribas was £244.7m (31 December 2021: £245.2m), reflecting a £84.3m 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

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Properties(1)	**800.0**	684.6	689.8
Cash and cash equivalents	**38.4**	3.9	12.0
Trade and other receivables	**71.6**	57.0	55.1
Other assets	**5.7**	5.4	5.3
Total assets	**915.7**	750.9	762.2
Gross borrowings	**106.2**	104.2	37.8
Net deferred tax liability	**58.6**	37.7	42.6
Derivative financial instruments	-	0.5	0.2
Other liabilities	**95.8**	67.5	103.6
Statutory net assets	**655.1**	541.0	578.0
Mark to market value adjustment on development properties and overages less notional deferred tax(2)	***69.7***	*49.7*	59.5
EPRA NDV(2)	***724.8***	*590.7*	*637.5*
Number of shares in issue less Employee Benefit Trust & Equiniti Share Plan Trustees Limited -held shares	**322,586,735**	322,520,876	322,539,284
EPRA NDV per share(2)	***224.7p***	*183.2p*	*197.6p*

(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 interim financial statements

EPRA NDV* at 30 June 2022 was £724.8m (31 December 2021: £637.5m) which includes the mark-to-market adjustment on the value of development properties and overages. The total portfolio value as at 30 June 2022 was £888.7m, an increase of £123.0m from 31 December 2021 (£765.7m).

The Group's share of profit from joint ventures resulted in investments in joint ventures increasing to £39.5m (31 December 2021: £36.1m).

Trade and other receivables include deferred consideration on sales as set out above. At 30 June 2022, deferred consideration of £32.6m (31 December 2021: £27.4m) was outstanding, of which 76% was due within one year.

The table below sets out our top ten sites by value as at 30 June 2022, which represent 48% 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 as at 30 June 2022
South East Coalville	Major Development	Development	Midlands	2,016 residential units consented, land sold representing 679 units
Ironbridge	Strategic Land	Investment	Midlands	1,000 residential units consented, now marketing first land parcel for sale
Kellingley(1)	Major Development	Development	Yorkshire & Central	1.4m sq. ft of industrial & logistics space consented, less than 0.1m sq. ft sold
Bardon Hill	Major Development	Investment	Midlands	Construction of 0.3m sq. ft of industrial & logistics completed post period-end
AMP	Investment Portfolio	Investment	Yorkshire & Central	2.1m sq. ft of industrial & logistics space consented, 1.6m sq. ft built or sold
Nufarm	Investment Portfolio	Investment	Yorkshire & Central	n/a
Ansty(2)	Strategic Land	Investment	Midlands	Proposed industrial & logistics site, planning not yet submitted
Knowsley	Investment Portfolio	Investment	North West	n/a
Gateway 36	Major Development	Investment	Yorkshire & Central	1.3m sq. ft of industrial & logistics space consented, of which 0.5m sq. ft is sold
Waverley	Major Development	Development	Yorkshire & Central	2,900 residential units consented, land sold representing 2,336 units

(1) Kellingley development site sold post period-end
(2) Contracts exchanged for the sale of the Ansty strategic land site in December 2021. Completion of the transaction is conditional on the granting of a hybrid planning permission.

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% during the year. 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 with NatWest and Santander had been in place since 2015. During the first half of 2022, we entered into a new five year £200m RCF, together 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 us to pursue our 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 forward the development of logistics units.

The Group had total borrowings and loans of £106.2m at 30 June 2022 (31 December 2021: £37.8m; 30 June 2021: £104.2m), being the new RCF drawn balance (net of capitalised loan fees) of £92.4m (31 December 2021: £33.3m) and infrastructure or direct development loans (net of capitalised loan fees) of £13.9m (31 December 2021: £4.5m). The Group's cash and cash equivalents balances at 30 June 2022 were £38.4m (31 December 2021: £12.0m), higher as a result of the completion of the sale at Waverley on 30 June 2022 with sales proceeds applied to reduce debt at the beginning of July 2022. The resulting net debt was £67.8m (31 December 2021: £25.7m).

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

	30 June 2022 £m	**30 June 2021 £m**
Opening net debt as at 31 December	**25.7**	**71.2**
Cash (inflow)/outflow from operations	(3.2)	8.0
Property expenditure and acquisitions	31.2	22.3
Disposal of investment property, AHFS and overages	(0.1)	(8.6)
Investments in and distributions from joint ventures	1.1	0.5
Interest and loan arrangement fees	4.0	1.5
Dividends paid	2.7	4.7
Tax paid	6.9	0.4
Other cash and non-cash movements	(0.5)	0.2
Closing net debt as at 30 June	**67.8**	**100.2**

The weighted average cost of debt, using an end of month average 2022 balance and 30 June 2022 rates, was 2.89% with a 0.94% non-utilisation fee on undrawn RCF amounts (31 December 2021: 2.90% with a 0.9% non-utilisation fee). The weighted average term of debt is now 5 years (31 December 2021: 2.2 years).

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. With the completion of the new RCF in early 2022, the previous £45m fixed rate interest swap in place for the original RCF was terminated concurrently and at 30 June 2022, £13.9m of fixed rate loans were in place with no further interest rate hedging. Projected drawn debt and hedging requirements remain under active review with any new hedging put in place over the second half of 2022 aligned to future net debt requirements.

As at 30 June 2022, the Group's gross loan to portfolio value* was 12.0% (31 December 2021: 4.9%) and its net loan to portfolio value was 7.6% (31 December 2021: 3.4%). If gearing is assessed against the value of the core income generation portfolio (the Investment Portfolio and Natural Resources portfolio) only, this equates to a gross loan to core income generation portfolio value of 35.9% (31 December 2021: 13.0%) and a net loan to core income generation portfolio value of 22.9% (31 December 2021: 8.9%). Gross loans are higher at 30 June 2022 due to the seasonal nature of expenditure on our sites, alongside the timing of sales receipts on 30 June 2022. Under the new RCF, the Group could withstand a material fall in portfolio value, property sales or rental income before reaching covenant levels.

At 30 June 2022, undrawn facilities under the new RCF were £106.0m, providing headroom to execute our growth strategy.

Conclusion

The first half of 2022 saw a strong financial performance for the Group, and we moved into the second half of the year in a solid position with low gearing and cash and available facilities of £144.4m with no refinance requirements for a further four years. Our sales are well progressed for the year and the Kellingley transaction completed post period end increasing our cash balances by £54.0 million.

We own the majority of our sites which allows us to determine the scale and pace of development each year to manage our risk profile. We have a track record of delivering value through management actions and as demonstrated over the last couple of years, we have a high level of discretionary spend and the ability to reduce development risk through a range of sales structures. We will continue to monitor closely the external environment and we will use these skills, our flexibility and our solid foundation to target our capital to drive long-term value for shareholders.

Kitty Patmore
Chief Financial Officer
13 September 2022

[*]Harworth discloses both statutory measures and APMs. A full description and reconciliation to the APMs is set out in Note 2 to the interim financial statements

Appendix 1: Supplementary operational information

1.1 Main industrial & logistics sites (as at 30 June 2022)

Name	Location	Sold or developed (m sq. ft)	Consented or planned (m sq. ft)	Estimated GDV remaining to develop (£m)	Delivery time
Advanced Manufacturing Park	Rotherham, South Yorkshire	1.6	2.1 consented	50 – 60	to 2027
Gateway 36	Barnsley, South Yorkshire	0.5	1.3 consented	85 – 90	to 2026
Chatterley Valley	Stoke-on-Trent, Staffordshire	-	1.2 consented	140 – 150	to 2027
Wingates	Bolton, Greater Manchester	-	1.1 consented	160 – 170	to 2026
Bardon Hill	Coalville, Leicestershire	- (1)	0.3 consented	45 - 55	2022
Gascoigne Wood	Sherburn-in-Elmet, North Yorkshire	n/a	2.0 planned	240 – 260	to 2028
Rothwell	Rothwell, Northamptonshire	n/a	1.5 planned	240 – 250	to 2028
Skelton Grange	Leeds, West Yorkshire	n/a	0.8 planned	120 – 130	to 2027

(1) Bardon Hill reached practical completion after period end

1.2 Main residential sites (as at 30 June 2022)

Name	Location	Sold (plots)	Consented or planned (plots)	Delivery time
Waverley	Rotherham, South Yorkshire	2,336	2,900(1) consented	to 2025
South East Coalville	Coalville, Leicestershire	679	2,016 consented	to 2031
Simpson Park	Harworth, Nottinghamshire	564	1,615 consented	to 2028
Pheasant Hill Park	Doncaster, South Yorkshire	540	1,200 consented	to 2027
Ironbridge	Ironbridge, Shropshire	-	1,000 consented	to 2030
Moss Nook	St Helens, Merseyside	256	900 consented	to 2026
Staveley	Staveley, Derbyshire	n/a	600 planned	to 2028

(1) Consented plots revised to reflect the number of homes that can be built on remaining land at the site

Principal Risks & Uncertainties

A detailed explanation of the Group's risk management framework, the principal risks and uncertainties affecting the Group and the steps it takes to mitigate these risks, can be found on pages 70 to 77 of the Annual Report and Financial Statements for the year ended 31 December 2021 (the "**2021 Annual Report**"), available at harworthgroup.com/investors.

The challenging macroeconomic and geopolitical environment impacts certain of our principal risks, as the factors set out below continue to affect the growth of the UK economy:

- Inflation reaching a 40-year high
- Rising interest rates
- The war in Ukraine and resultant increase in energy costs and supply chain disruption
- Pressure on household budgets and a reduction in consumer confidence
- Labour shortages
- Uncertainty of the Government's response to the above factors pending, and now immediately following, the outcome of the Conservative leadership election

The impact of these factors on our '*residential and industrial & logistics markets*' risk is becoming increasingly difficult to predict and is continuously evolving. Whilst there has unquestionably been a downturn in market sentiment and outlook over the summer, there has been limited evidence as yet of a reduction in demand across Harworth's core markets. In any event, our strong operational and financial performance during the Covid pandemic demonstrated that Harworth is well-positioned to capitalise on core markets which benefit from long-term, structural tailwinds: the Group sells serviced and therefore de-risked residential land to housebuilders; develops industrial & logistics sites in underserved regional markets; and the scale in its portfolio and range of products, including the newly launched single-family BTR portfolio, provides significant diversification. We have a strong operational base and can control which and when sites are brought forward, and whether risk is shared through the introduction of third-party capital. We remain well-capitalised with low gearing and a positive long-term outlook, which should enable the Group to mitigate and adapt to changes in the external environment.

The evolving macroeconomic headwinds also impact our '*supply chain and delivery partner management (counter-party)*' risk, potentially exposing Harworth to increasing supplier and delivery partner failure and/or delays in delivery. In response, we are undertaking a thorough procurement review and transformation exercise to enhance our selection and management of counterparties to ensure that we remain well positioned to deliver against our key strategic objectives.

In recent weeks we have seen some evidence that the rate of cost inflation in our supply chain has softened. However, alongside skilled labour shortages in our sectors, we expect the supply chain to remain a challenge in the short term, such that our '*supply chain cost inflation and constraints*' risk remains unchanged for the time being.

We are also alert to the impacts of energy security and rising energy costs across our occupier base and supply chain alongside the Government's accelerated commitments to address climate change. Throughout 2022 we are progressing our work to develop an Energy and Natural Capital strategy across our asset base and our Net Zero Carbon pathway to address our '*managing climate change transition*' risk.

Against the backdrop of the macroeconomic and geopolitical risks and opportunities outlined above, the Board has considered the principal risks and uncertainties which could affect Harworth for the remainder of the year and considers there has been no material change from those set out on pages 72 to 77 of the 2021 Annual Report. The Board is confident in the resilience of Harworth's business model and believes that existing mitigating actions remain appropriate as we focus on what can be controlled within the business. The residual risk ratings for the Group's 11 principal risks remain unchanged from the 2021 Annual Report. However, the rating for our '*residential and commercial markets'* risk will trend from '*medium*' to '*high*' over the second half of the financial year if deteriorating market sentiment manifests itself in transactional evidence of a downturn in our core markets. We do not expect any material change to our other risk ratings over the second half of the year.

Directors’ Responsibilities Statement

For the six months ended 30 June 2022

The Directors who held office at the date of approval of these Financial Statements confirm that to the best of their knowledge:

1. the Condensed Consolidated Interim Financial Statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and in accordance with IAS 34 ‘Interim Financial Reporting’ as contained in UK-adopted international accounting standards; and

2. the Interim Management Report includes a fair review of the information required by:

    a. Rule 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the six months ended 30 June 2022 and their impact on the Condensed Consolidated Interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

    b. Rule 4.2.8R of the Disclosure and Transparency Rules, being related parties' transactions that have taken place in the six months ended 30 June 2022 and that have materially affected the financial position or performance of the Group during that period, and any changes in the related parties' transactions described in the last Annual Report and Financial Statements that could do so.

The Directors who served during the six months ended 30 June 2022 were as follows:

Alastair Lyons	Chair
Lynda Shillaw	Chief Executive
Katerina Patmore	Chief Financial Officer
Angela Bromfield	Senior Independent Director
Ruth Cooke	Independent Non-Executive Director
Lisa Scenna	Independent Non-Executive Director
Patrick O’Donnell Bourke	Independent Non-Executive Director
Steven Underwood	Non-Executive Director
Martyn Bowes	Non-Executive Director
Marzia Zafar (appointed 1 June 2022)	Independent Non-Executive Director

By order of the Board

Chris Birch
General Counsel and Company Secretary
13 September 2022

Cautionary statement

This report for the six months ended 30 June 2022 contains certain forward-looking statements with respect to the Company's financial condition, results, operations and business. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this report should be construed as a profit forecast.

Directors' liability

Neither the Company nor the Directors accept any liability to any person in relation to this report for the six months ended 30 June 2022 except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

Shareholder Information

Financial Calendar

Interim results for the six months ended 30 June 2022	Announced	13 September 2022
Interim dividend for the year ending 31 December 2022	Ex-dividend date Record date Payable	22 September 2022 23 September 2022 21 October 2022
Results for the year ending 31 December 2022	Announced	March 2023
Annual report and financial statements for the year ending 31 December 2022	Published	April 2023
2023 Annual General Meeting	Scheduled	May 2023
Final dividend for the year ending 31 December 2023	Payable	June 2023

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").

Shareview service

The Shareview service from Equiniti allows shareholders to manage their shareholding online. It gives shareholders direct access to their data held on the share register, including recent share movements and dividend details and the ability to change their address or dividend payment instructions online.

To visit the Shareview website, go to www.shareview.co.uk. There is no charge to register but the ‘shareholder reference’ printed on proxy forms or dividend stationery will be required.

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

	Note	**Unaudited 6 months ended 30 June 2022 £'000**	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Revenue	3	**62,560**	18,848	109,884
Cost of sales	3	**(37,090)**	(2,833)	(61,185)
Gross profit	3	**25,470**	16,015	48,699
Administrative expenses	3	**(10,940)**	(8,720)	(19,202)
Other gains	3	**85,402**	69,249	92,488
Other operating expense	3	**(27)**	(21)	(58)
Operating profit	3	**99,905**	76,523	121,927
Finance costs	4	**(3,428)**	(1,694)	(4,100)
Finance income	4	**72**	115	182
Share of profit of joint ventures	9	**2,236**	5,123	9,225
Profit before tax		**98,785**	80,067	127,234
Tax charge	5	**(19,681)**	(23,641)	(33,244)
Profit for the period/year		**79,104**	56,426	93,990
Earnings per share from continuing operations attributable to the owners of the Group		**Pence**	Pence	Pence
Basic	7	**24.5**	17.5	29.1
Diluted	7	**24.2**	17.4	28.9

The notes 1 to 15 are an integral part of these condensed consolidated interim financial statements.

All activities are derived from continuing operations.

Consolidated statement of comprehensive income

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Profit for the period/year	**79,104**	56,426	93,990
Other comprehensive income/(expense) – *items that will not be reclassified to profit or loss:*			
Net actuarial gain in Blenkinsopp Pension scheme	**388**	200	262
Revaluation of Group occupied property	**(34)**	(62)	(200)
Deferred tax on other comprehensive expense items	**(127)**	(85)	(137)
Other comprehensive income – *items that may be reclassified to profit or loss:*			
Fair value of financial instruments	**156**	340	670
Total other comprehensive income	**383**	393	595
Total comprehensive income for the period/year	**79,487**	56,819	94,585

Consolidated balance sheet

ASSETS	Note	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Non-current assets				
Property, plant and equipment		**712**	880	681
Right of use assets		**327**	132	94
Trade and other receivables		**7,508**	-	5,369
Investment properties	8	**588,278**	455,368	478,355
Investments in joint ventures	9	**39,475**	30,926	36,131
		636,300	487,306	520,630
Current assets				
Inventories	10	**165,651**	188,614	177,822
Trade and other receivables		**64,081**	57,030	49,755
Assets classified as held for sale	11	**11,165**	14,017	1,925
Cash and cash equivalents	12	**38,424**	3,942	12,037
Current tax asset		**111**	-	-
		279,432	263,603	241,539
Total assets		**915,732**	750,909	762,169
LIABILITIES				
Current liabilities				
Trade and other payables		**(90,887)**	(62,315)	(94,316)
Lease liabilities		**(103)**	(66)	(42)
Derivative financial instruments		**-**	(486)	-
Current tax liabilities		-	(1,586)	(2,947)
		(90,990)	(64,453)	(97,305)
Net current assets		**188,442**	199,150	144,234
Non-current liabilities				
Borrowings	13	**(106,236)**	(104,177)	(37,781)
Trade and other payables		**(4,509)**	(2,815)	(5,686)
Lease liabilities		**(235)**	(67)	(52)
Derivative financial instruments		**-**	-	(156)
Net deferred income tax liabilities		**(58,612)**	(37,679)	(42,647)
Retirement benefit obligations		**(93)**	(687)	(558)
		(169,685)	(145,425)	(86,880)
Total liabilities		**(260,675)**	(209,878)	(184,185)
Net assets		**655,057**	541,031	577,984
SHAREHOLDERS' EQUITY				
Called up share capital	14	**32,298**	32,271	32,272
Share premium account		**24,672**	24,617	24,627
Fair value reserve		**278,928**	198,996	199,629
Capital redemption reserve		**257**	257	257
Merger reserve		**45,667**	45,667	45,667
Investment in own shares		**(45)**	(32)	(24)
Retained earnings		**194,176**	182,829	181,566
Current year profit		**79,104**	56,426	93,990
Total shareholders' equity		**655,057**	541,031	577,984

Condensed consolidated statement of changes in shareholders' equity

	Called up share capital	Share premium account	Merger reserve	Fair value reserve	Capital redemption reserve	Investment in own shares	Retained earnings	Total equity
Balance at 1 January 2021 (audited)	**32,253**	**24,567**	**45,667**	**132,833**	**257**	**(73)**	**253,208**	**488,712**
Profit for the six months to 30 June 2021	-	-	-	-	-	-	56,426	56,426
Fair value gains	-	-	-	68,349	-	-	(68,349)	-
Transfer of unrealised gains on disposal of investment property	-	-	-	(2,124)	-	-	2,124	-
Other comprehensive (expense)/income:								
Actuarial gain in Blenkinsopp pension scheme	-	-	-	-	-	-	200	200
Revaluation of Group occupied property	-	-	-	(62)	-	-	-	(62)
Fair value of financial instruments	-	-	-	-	-	-	340	340
Deferred tax on other comprehensive (expense)/income items	-	-	-	-	-	-	(85)	(85)
	-	**-**	**-**	**66,163**	**-**	**-**	**(9,344)**	**56,819**
Transactions with owners:								
Share-based payments	-	-	-	-	-	68	120	188
Dividends paid	-	-	-	-	-	-	(4,729)	(4,729)
Share issue	12	50	-	-	-	-	-	62
Purchase of own shares	-	-	-	-	-	(21)	-	(21)
Issue of own shares	6	-	-	-	-	(6)	-	-
Balance at 30 June 2021 (unaudited)	**32,271**	**24,617**	**45,667**	**198,996**	**257**	**(32)**	**239,255**	**541,031**
Profit for the six months to 31 December 2021	-	-	-	-	-	-	37,564	37,564
Fair value gains	-	-	-	20,237	-	-	(20,237)	-
Transfer of unrealised gains on disposal of investment property	-	-	-	(19,466)	-	-	19,466	-
Other comprehensive (expense)/income:								
Actuarial gain in Blenkinsopp pension scheme	-	-	-	-	-	-	62	62
Revaluation of Group occupied property	-	-	-	(138)	-	-	-	(138)
Fair value of financial instruments	-	-	-	-	-	-	330	330
Deferred tax on other comprehensive (expense)/income items	-	-	-	-	-	-	(52)	(52)
	-	**-**	**-**	**633**	**-**	**-**	**37,133**	**37,766**
Transactions with owners:								
Share-based payments	-	-	-	-	-	8	352	360
Dividends paid	-	-	-	-	-	-	(1,184)	(1,184)
Share issue	1	10	-	-	-	-	-	11
Balance at 31 December 2021 (audited)	**32,272**	**24,627**	**45,667**	**199,629**	**257**	**(24)**	**275,556**	**577,984**
Profit for the six months to 30 June 2022	-	-	-	-	-	-	79,104	79,104
Fair value gains	-	-	-	86,224	-	-	(86,224)	-
Transfer of unrealised gains on disposal of investment property	-	-	-	(6,891)	-	-	6,891	-
Other comprehensive expense:								
Actuarial gain in Blenkinsopp pension scheme	-	-	-	-	-	-	388	388
Revaluation of group occupied property	-	-	-	(34)	-	-	-	(34)
Fair value of financial instruments	-	-	-	-	-	-	156	156
Deferred tax on other comprehensive (expense)/income items	-	-	-	-	-	-	(127)	(127)
	-	**-**	**-**	**79,299**	**-**	**-**	**188**	**79,487**
Transactions with owners:								
Share-based payments	-	-	-	-	-	-	263	263
Dividends paid	-	-	-	-	-	-	(2,727)	(2,727)
Share issue	26	45	-	-	-	(21)	-	50
Balance at 30 June 2022 (unaudited)	**32,298**	**24,672**	**45,667**	**278,928**	**257**	**(45)**	**273,280**	**655,057**

Consolidated statement of cash flows

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Cash flows from operating activities			
Profit before tax for the period/year	**98,785**	80,067	127,234
Net finance costs	**3,356**	1,579	3,918
Other gains	**(85,402)**	(69,249)	(92,488)
Share of profit of joint ventures	**(2,236)**	(5,123)	(9,225)
Share-based transactions[(1)]	**281**	192	426
Depreciation of property, plant and equipment and right of use assets	**71**	126	234
Pension contributions in excess of charge	**(77)**	(83)	(148)
Operating cash inflow before movements in working capital	**14,778**	7,509	29,951
Decrease/(increase) in inventories	**6,731**	(11,659)	4,133
Increase in receivables	**(16,465)**	(589)	(3,715)
(Decrease)/increase in payables	**(1,845)**	(3,310)	26,669
Cash generated from/(used in) operations	**3,199**	(8,049)	57,038
Interest paid	**(2,023)**	(1,510)	(3,531)
Corporation tax paid	**(6,920)**	(437)	(3,646)
Cash (used in)/generated from operating activities	**(5,744)**	(9,996)	49,861
Cash flows from investing activities			
Interest received	**72**	115	182
Investment in joint ventures	**(1,108)**	(521)	(1,624)
Distribution from joint ventures	**-**	34	34
Net proceeds from disposal of investment properties, AHFS and overages	**127**	8,590	44,472
Property acquisitions	**(4,509)**	(16,749)	(18,105)
Expenditure on investment properties and AHFS	**(26,699)**	(5,590)	(22,851)
Expenditure on property, plant and equipment	**(91)**	(24)	(32)
Cash (used in)/generated from investing activities	**(32,208)**	(14,145)	2,076
Cash flows from financing activities			
Net proceeds from share issue	**49**	57	68
Purchase of own shares	**-**	(21)	(21)
Proceeds from other loans	**9,050**	2,400	4,900
Repayment of other loans	**-**	-	(4,425)
Proceeds from bank loans	**139,000**	23,750	45,000
Repayment of bank loans	**(79,000)**	(6,000)	(91,000)
Loan arrangement fees	**(2,001)**	(38)	(1,134)
Payment in respect of leases	**(32)**	(46)	(85)
Dividends paid	**(2,727)**	(4,729)	(5,913)
Cash generated from/(used in) financing activities	**64,339**	15,373	(52,610)
Increase/(decrease) in cash	**26,387**	(8,768)	(673)
Cash and cash equivalents as at beginning of period/year	**12,037**	12,710	12,710
Increase/(decrease) in cash	**26,387**	(8,768)	(673)
Cash and cash equivalents as at end of period/year	**38,424**	3,942	12,037

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

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2022

1. Basis of preparation of the condensed consolidated interim financial statements

General information
Harworth Group plc (the "Company") is a company limited by shares, incorporated and domiciled in the UK (England). 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 condensed consolidated interim financial statements for the six months ended 30 June 2022 comprise the accounts of the Company and its subsidiaries (together referred to as the "Group").

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information presented for the year ended 31 December 2021 is derived from the statutory accounts for that year. Statutory accounts for the year ended 31 December 2021 were approved by the Board of Directors on 21 March 2022 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements for the six months ended 30 June 2022, which have not been audited, were approved by the Board on 9 September 2022.

Basis of preparation
These condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and in accordance with IAS 34 'Interim Financial Reporting' as contained in UK-adopted international accounting standards.

These condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK adopted international financial reporting standards (IFRS).

Going-concern basis
These condensed consolidated interim financial statements are prepared on the basis that the Group is a going concern. In assessing going concern and determining whether there are material uncertainties, the Directors consider the Group's business activities, together with factors that are likely to affect its future development and position.

A review of the Group's cashflows, solvency, liquidity positions and borrowing facilities has taken place alongside a review of progress against five-year financial projections.

A key focus of the assessment of going concern is the management of liquidity and compliance with borrowing facilities for a minimum of the next 12 months. During the period a new five year £200m RCF was agreed with HSBC joining as a new lender in addition to current lenders NatWest and Santander. 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 new facility is subject to financial covenants, including minimum interest cover, maximum infrastructure debt as a percentage of property value and gearing. Available resources, including cash and cash equivalents and bank facility headroom were £144.4m as at 30 June 2022.

Consideration has been given to the potential impact of the changes in the macroeconomic environment following on from Russia's invasion of Ukraine. The Group benefits from diversification across its Capital Growth and Income Generation businesses including its industrial and renewable energy property portfolio. Taking into account the independent desktop valuation by BNP Paribas and Savills, the Group net loan-to-portfolio value remains low at 7.6%, within the Board's target range and with headroom to allow for falls in property values. Rent collection remained strong, with 99% collected to date for the first half.

A severe but plausible downside scenario has been run which considers delays on remaining sales scheduled for 2022, falls in valuations, increased costs and higher interest rates. In this scenario, for at least 12 months from the date of these financial statements, the Group continues to have sufficient cash reserves, continues to operate with headroom on lending facilities and associated covenants and has mitigation measures that could be deployed to create further cash and covenant headroom. Across base case and downside scenario forecasts, the Group has sufficient headroom over covenants to withstand a drop of greater than 40% in portfolio value and maintains at least 100% headroom above interest cover requirements.

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 confirm their belief that it is appropriate to adopt a going concern basis of accounting in the preparation for these condensed consolidated interim 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 2022. None of these have a significant effect on the financial statements of the Group.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023 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 condensed consolidated interim 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 condensed consolidated interim 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 2021.

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 IFRS.

Overview of our use of APMs

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

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

The derivations of our APMs and their purpose

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

1. Capturing all sources of value creation – Under IFRS, the revaluation movement in development properties 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 valuer BNP Paribas, and also at year end by Savills, are included within our APMs;
2. Recategorising income statement amounts – Under IFRS, the grouping of amounts, particularly within gross profit and other gains, does not clearly allow Harworth to demonstrate the value creation through its business model. In particular, the statutory grouping does not distinguish value gains (being realised profits from the sales of properties and unrealised profits from property value movements) from the ongoing profitability of the business which is less susceptible to movements in the property cycle. Finally, the Group includes profits from joint ventures within 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:

- 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 Equiniti Share Plan Trustees Limited 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 value movements including joint ventures and the mark to market movement on development properties, assets held for sale and overages
- Net loan to portfolio value – Group debt net of cash and cash equivalents held expressed as a percentage of portfolio value

EPRA Net Asset Measures

EPRA introduced a new set of Net Asset Value metrics in 2020: EPRA Net Reinstatement Value ("NRV"), EPRA Net Tangible Assets ("NTA") and EPRA NDV. While the Group uses only EPRA NDV as a key APM, the EPRA Best Practices Recommendations guidelines require companies to report all three EPRA NAV metrics and reconcile them to IFRS. This disclosure is provided below.

			30 June 2022
	EPRA NDV	**EPRA NTA**	**EPRA NRV**
	£'000	**£'000**	**£'000**
Net assets	**655,057**	**655,057**	**655,057**
Cumulative unrealised gains on development properties	**84,271**	**84,271**	**84,271**
Cumulative unrealised gains on overages	**4,500**	**4,500**	**4,500**
Deferred tax liabilities (IFRS)	**-**	**58,612**	**58,612**
Notional deferred tax on unrealised gains	**(19,070)**	**-**	**-**
Deferred tax liabilities @ 50%	**-**	**(38,841)**	**-**
Mark to market valuation of financial instruments	**-**	**-**	**-**
Purchaser costs	**-**	**-**	**66,590**
	724,758	**763,599**	**869,030**

			30 June 2021
	EPRA NDV	**EPRA NTA**	**EPRA NRV**
	£'000	**£'000**	**£'000**
Net assets	541,031	541,031	541,031
Cumulative unrealised gains on development properties	59,884	59,884	59,884
Cumulative unrealised gains on overages	3,500	3,500	3,500
Deferred tax liabilities (IFRS)	-	37,679	37,679
Notional deferred tax on unrealised gains	(13,694)	-	-
Deferred tax liabilities @ 50%	-	(25,687)	-
Mark to market valuation of financial instruments	-	486	486
Purchaser costs	-	-	55,692
	590,721	616,893	698,272

			31 December 2021
	EPRA NDV	**EPRA NTA**	**EPRA NRV**
	£'000	**£'000**	**£'000**
Net assets	577,984	577,984	577,984
Cumulative unrealised gains on development properties	72,452	72,452	72,452
Cumulative unrealised gains on overages	3,500	3,500	3,500
Deferred tax liabilities (IFRS)	-	42,647	42,647
Notional deferred tax on unrealised gains	(16,483)	-	-
Deferred tax liabilities @ 50%	-	(29,565)	-
Mark to market valuation of financial instruments	-	156	156
Purchaser costs	-	-	51,105
	637,453	667,174	747,844

1) Reconciliation to statutory measures

a. Revaluation gains	**Unaudited 6 months ended 30 June 2022 £'000**	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Increase in fair value of investment properties	**85,274**	66,533	83,961
Increase in fair value of AHFS	**2**	1,078	1,078
Share of profit of joint ventures	**2,236**	5,123	9,225
Net realisable value provision on development properties	**(1,880)**	(436)	(1,574)
Reversal of previous net realisable value provision on development properties	**4,260**	2,857	4,393
Amounts derived from statutory reporting	**89,892**	75,155	97,083
Unrealised gains on development properties	**14,574**	30,036	50,437
Unrealised losses on AHFS	**-**	(15)	(15)
Unrealised gains on overages	**1,000**	500	500
Revaluation gains	**105,466**	105,676	148,005

b. Profit on sale	**Unaudited 6 months ended 30 June 2022 £'000**	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Profit on sale of investment properties	**157**	506	1,824
(Loss)/profit on sale of AHFS	**(31)**	1,132	5,625
Profit on sale of development properties	**6,787**	725	11,223
Release of net realisable value provision on disposal of development properties	**713**	267	2,367
Amounts derived from statutory reporting	**7,626**	2,630	21,039
Less previously unrealised gains on development properties released on sale	**(2,755)**	-	(7,833)
Less previously unrealised gains on AHFS released on sale	**-**	(760)	(760)
Profit on sale	**4,871**	1,870	12,446

c. Value gains	**Unaudited 6 months ended 30 June 2022 £'000**	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Revaluation gains	**105,466**	105,676	148,005
Profit on sale	**4,871**	1,870	12,446
Value gains	**110,337**	107,546	160,451

d. Total property sales	**Unaudited 6 months ended 30 June 2022 £'000**	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Revenue	**62,560**	18,848	109,884
Less revenue from other property activities	**(8,196)**	(3,013)	(14,799)
Less revenue from income generation activities	**(15,587)**	(13,579)	(28,773)
Add proceeds from sales of investment properties, AHFS and overages	**250**	9,254	41,956
Total property sales	**39,027**	11,510	108,268

e. Operating profit contributing to growth in EPRA NDV	**Unaudited 6 months ended 30 June 2022 £'000**	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Operating profit	**99,905**	76,523	121,927
Share of profit on joint ventures	**2,236**	5,123	9,225
Unrealised gains on development properties	**14,574**	30,036	50,437
Unrealised losses on AHFS	**-**	(15)	(15)
Unrealised gains on overages	**1,000**	500	500
Less previously unrealised gains on development properties released on sale	**(2,755)**	-	(7,833)
Less previously unrealised gains on AHFS released on sale	**-**	(760)	(760)
Operating profit contributing to growth in EPRA NDV	**114,960**	111,407	173,481

f. Portfolio value	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Land and buildings (included within Property, plant and equipment)	**600**	772	635
Investment properties	**588,278**	455,368	478,355
Investments in joint ventures	**39,475**	30,926	36,131
AHFS	**11,165**	14,017	1,925
Development properties (included within inventories)	**160,444**	183,492	172,701
Amounts derived from statutory reporting	**799,962**	684,575	689,747
Cumulative unrealised gains on development properties as at period/year end	**84,271**	59,884	72,452
Cumulative unrealised gains on overages as at period/year end	**4,500**	3,500	3,500
Portfolio value	**888,733**	747,959	765,699

g. Net debt	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Gross borrowings	**(106,236)**	(104,177)	(37,781)
Cash and cash equivalents	**38,424**	3,942	12,037
Net debt	**(67,812)**	(100,235)	(25,744)

h. Net loan to portfolio value (%)	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Net debt	**(67,812)**	(100,235)	(25,744)
Portfolio value	**888,733**	747,959	765,699
Net loan to portfolio value (%)	**7.6%**	13.4%	3.4%

i. Net loan to core income generation portfolio value (%)	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000

Net debt	**(67,812)**	(100,235)	(25,744)
Core income generation portfolio value (investment portfolio and natural resources)	**295,986**	282,412	290,277
Net loan to core income generation portfolio value (%)	**22.9%**	**35.5%**	**8.9%**

j. Gross loan to portfolio value (%)	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Gross borrowings	**(106,236)**	(104,177)	(37,781)
Portfolio value	**888,733**	747,959	765,699
Gross loan to portfolio value (%)	**12.0%**	13.9%	4.9%

k. Gross loan to core income generation portfolio value (%)	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Gross borrowings	**(106,236)**	(104,177)	(37,781)
Core income generation portfolio value (investment portfolio and natural resources)	**295,986**	282,412	290,277
Gross loan to core income generation portfolio value (%)	**35.9%**	36.9%	13.0%

l. Number of shares used for per share calculations (number)	**Unaudited As at 30 June 2022**	Unaudited As at 30 June 2021	Audited As at 31 December 2021
Number of shares in issue at end of period/year	**322,982,941**	322,712,239	322,724,566
Less Employee Benefit Trust and Equiniti Share Plan Trustees Limited held shares (own shares) at end of period/year	**(396,206)**	(191,363)	(185,282)
Number of shares used for per share calculations	**322,586,735**	322,520,876	322,539,284

m. Net Asset Value (NAV) per share	**Unaudited As at 30 June 2022**	Unaudited As at 30 June 2021	Audited As at 31 December 2021
NAV (£'000)	**655,057**	541,031	577,984
Number of shares used for per share calculations	**322,586,735**	322,520,876	322,539,284
NAV per share (p)	**203.1**	167.8	179.2

2) Reconciliation to EPRA measures

a) EPRA NDV	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Net assets	**655,057**	541,031	577,984
Cumulative unrealised gains on development properties	**84,272**	59,884	72,452
Cumulative unrealised gains on overages	**4,500**	3,500	3,500

Notional deferred tax on unrealised gains	**(19,070)**	(13,694)	(16,483)
EPRA NDV	**724,759**	590,721	637,453

b) EPRA NDV per share (p)	**Unaudited As at 30 June 2022**	Unaudited As at 30 June 2021	Audited As at 31 December 2021
EPRA NDV £'000	**724,759**	590,721	637,453
Number of shares used for per share calculations	**322,586,735**	322,520,876	322,539,284
EPRA NDV per share (p)	**224.7**	183.2	197.6

c) EPRA NDV growth and total return	**Unaudited 6 months ended 30 June 2022**	Unaudited 6 months ended 30 June 2021	Audited year ended 31 December 2021
Opening EPRA NDV/share (p)	**197.6**	160.0	160.0
Closing EPRA NDV/share (p)	**224.7**	183.2	197.6
Movement in the period/year (p)	**27.1**	23.2	37.6
EPRA NDV growth	**13.7%**	14.5%	23.5%
Dividends paid per share (p)	**0.8**	1.5	1.8
Total return per share (p)	**27.9**	24.7	39.4
Total return as a percentage of opening EPRA NDV	**14.1%**	15.4%	24.6%

d) Net loan to EPRA NDV	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Net debt	**(67,812)**	(100,235)	(25,744)
EPRA NDV	**724,759**	590,721	637,453
Net loan to EPRA NDV	**9.4%**	17.0%	4.0%

3. Segment information

	Capital Growth				
Unaudited 6 months ended 30 June 2022	**Sale of Development Properties £'000**	**Other Property Activities £'000**	**Income Generation £'000**	**Central £'000**	**Total £'000**
Revenue	38,777	8,196	15,587	-	**62,560**
Cost of sales	(28,897)	(3,969)	(4,224)	-	**(37,090)**
Gross profit[1]	9,880	4,227	11,363	-	**25,470**
Administrative expenses	-	(2,117)	(1,328)	(7,495)	**(10,940)**
Other gains[2]	-	72,553	12,849	-	**85,402**
Other operating expense	-	-	-	(27)	**(27)**
Operating profit/(loss)	**9,880**	**74,663**	**22,884**	**(7,522)**	**99,905**
Finance costs	-	-	-	(3,428)	**(3,428)**
Finance income	60	12	-	-	**72**
Share of profit of joint ventures	-	991	1,245	-	**2,236**
Profit/(loss) before tax	**9,940**	**75,666**	**24,129**	**(10,950)**	**98,785**

[1]Gross profit					
Gross profit is analysed as follows:					
Gross profit excluding sale of development properties	-	4,227	11,363	-	**15,590**
Gross profit on sale of development properties	6,787	-	-	-	**6,787**
Net realisable value provision on development properties	(1,880)	-	-	-	**(1,880)**
Reversal of previous net realisable value provision on development properties	4,260	-	-	-	**4,260**
Release of previous net realisable value provision on disposal of development properties	713	-	-	-	**713**
	9,880	**4,227**	**11,363**	**-**	**25,470**

[2]Other gains					
Other gains are analysed as follows:					
Increase in fair value of investment properties	**-**	72,399	12,875	-	**85,274**
Increase in fair value of AHFS	**-**	2	-	-	**2**
Profit/(loss) on sale of investment properties	**-**	170	(13)	-	**157**
Loss on sale of AHFS	**-**	(18)	(13)	-	**(31)**
	-	**72,553**	**12,849**	**-**	**85,402**

Unaudited as at 30 June 2022

	Capital Growth £'000	Income Generation £'000	Central £'000	Total £'000
Non-current assets				
Property, plant and equipment	-	-	712	**712**
Right of use assets	-	8	319	**327**
Trade and other receivables	7,508	-	-	**7,508**
Investment properties	286,790	301,488	-	**588,278**
Investments in joint ventures	21,028	18,447	-	**39,475**
	315,326	**319,943**	**1,031**	**636,300**
Current assets				
Inventories	165,651	-	-	**165,651**
Trade and other receivables	47,250	16,174	657	**64,081**
AHFS	1,925	9,240	-	**11,165**
Cash and cash equivalents	-	-	38,424	**38,424**
Current tax asset	-	-	111	**111**
	214,826	25,414	39,192	**279,432**
Total assets	**530,152**	**345,357**	**40,223**	**915,732**

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

	Capital Growth				
			Unaudited 6 months ended 30 June 2021		
	Sale of Development Properties £'000	Other Property Activities £'000	Income Generation £'000	Central £'000	Total £'000
Revenue	2,256	3,013	13,579	-	**18,848**
Cost of sales	1,157	(389)	(3,601)	-	**(2,833)**
Gross profit [(1)]	**3,413**	**2,624**	**9,978**	**-**	**16,015**
Administrative expenses	-	(1,615)	(1,169)	(5,936)	**(8,720)**
Other gains [(2)]	-	44,932	24,317	-	**69,249**
Other operating expenses	-	-	-	(21)	**(21)**
Operating profit/(loss)	**3,413**	**45,941**	**33,126**	**(5,957)**	**76,523**
Finance costs	-	-	-	(1,694)	**(1,694)**
Finance income	115	-	-	-	**115**
Share of profit of joint ventures	-	2,238	2,885	-	**5,123**
Profit/(loss) before tax	**3,528**	**48,179**	**36,011**	**(7,651)**	**80,067**

[(1)]Gross profit					
Gross profit is analysed as follows:					
Gross profit excluding sale of development properties	-	2,624	9,978	-	**12,602**
Gross profit on sale of development properties	725	-	-	-	**725**
Net realisable provision on development properties	(436)	-	-	-	**(436)**
Reversal of previous net realisable value provision on development properties	2,857	-	-	-	**2,857**
Release of previous net realisable value provision on disposal of development properties	267	-	-	-	**267**
	3,413	**2,624**	**9,978**	**-**	**16,015**

[(2)]Other gains					
Other gains are analysed as follows:					
Increase in fair value of investment properties	-	44,205	22,328	-	**66,533**
Increase in fair value of AHFS	-	364	714	-	**1,078**
Profit on sale of investment properties	-	363	143	-	**506**
Profit on sale of AHFS	-	-	1,132	-	**1,132**
	-	**44,932**	**24,317**	**-**	**69,249**

Unaudited as at 30 June 2021

	Capital Growth £'000	Income Generation £'000	Central £'000	Total £'000
Non-current assets				
Property, plant and equipment	-	-	880	**880**
Right of use assets	-	25	107	**132**
Investment properties	167,230	288,138	-	**455,368**
Investments in joint ventures	15,740	15,186	-	**30,926**
	182,970	**303,349**	**987**	**487,306**
Current assets				
Inventories	188,192	422	-	**188,614**
Trade and other receivables	23,021	30,461	3,548	**57,030**
AHFS	3,196	10,821	-	**14,017**
Cash and cash equivalents	-	-	3,942	**3,942**
	214,409	**41,704**	**7,490**	**263,603**
Total assets	**397,379**	**345,053**	**8,477**	**750,909**

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

Audited year ended 31 December 2021

	Capital Growth				
	Sale of Development Properties £'000	**Other Property Activities £'000**	**Income Generation £'000**	**Central £'000**	**Total £'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	-	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 fair value of AHFS	-	364	714	-	**1,078**
Profit/(loss) on sale of investment properties	-	1,871	(47)	-	**1,824**
Profit on sale of AHFS	-	28	5,597	-	**5,625**
	-	**57,483**	**35,005**	**-**	**92,488**

Audited as at 31 December 2021

	Capital Growth £'000	Income Generation £'000	Central £'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**
AHFS	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.

4. Finance costs and finance income

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Finance costs			
– Bank interest	**(1,594)**	(1,336)	(2,795)
– Amortisation of up-front fees and other fees	**(1,372)**	(283)	(1,107)
– Other interest	**(462)**	(75)	(198)
	(3,428)	(1,694)	(4,100)
Finance income	**72**	115	182
Net finance costs	**(3,356)**	(1,579)	(3,918)

5. Income Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Income taxes			
Current income tax expense	**3,862**	1,813	6,375
Deferred income tax expense relating to origination and reversal of temporary differences	**15,819**	21,828	26,869
Income tax expense recognised in income statement	**19,681**	23,641	33,244

The deferred tax charge largely relates to unrealised gains on investment properties.

6. Dividends

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Full year dividend of 1.466p per share for the year ended 31 December 2020	**-**	4,729	4,729
Interim dividend of 0.367p per share for the six months ended 30 June 2021	**-**	-	1,184
Full year dividend of 0.845p per share for the year ended 31 December 2021	**2,727**	-	-
	2,727	4,729	5,913

The full year dividend for the year ended 31 December 2020 was increased by £2.252m to reflect the cancellation of the final dividend for the year ended 31 December 2019 following the onset of COVID-19.

The Board has determined that it is appropriate for an interim dividend to be paid of 0.404p (H1 2021: 0.367p) per share, an increase of 10% in line with the Group's policy.

There is no change to the current dividend policy to continue to grow the 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 period/year.

	Unaudited 6 months ended 30 June 2022	Unaudited 6 months ended 30 June 2021	Audited year ended 31 December 2021
Profit from continuing operations attributable to owners of parent (£'000)	**79,104**	56,426	93,990
Weighted average number of shares used for basic earnings per share calculation	**322,544,685**	322,454,919	322,493,443
Basic earnings per share (pence)	**24.5**	17.5	29.1
Weighted average number of shares used for diluted earnings per share calculation	**326,444,715**	324,851,791	325,059,137
Diluted earnings per share (pence)	**24.2**	17.4	28.9

The difference between the weighted average number of shares used for the basic and diluted earnings per share calculation is the effect of share-based payments, the save as you earn scheme and own shares.

8. Investment properties

The Group holds five categories of investment property being Agricultural Land, Natural Resources, the Investment Portfolio, 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	Natural Resources	Investment Portfolio	Major Developments	Strategic Land	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021 (audited)	**6,135**	**33,098**	**214,906**	**27,550**	**91,390**	**373,079**
Direct acquisitions	-	-	13,532	-	3,232	16,764
Subsequent expenditure	14	183	904	1,914	2,560	5,575
Disposals	-	-	(2,497)	(1,069)	(577)	(4,143)
Increase in fair value	161	475	21,693	17,423	26,781	66,533
Transfer between divisions	115	-	6,101	(6,627)	411	-
Transfers from development properties	-	-	-	5,711	-	5,711
Net transfer to AHFS	(699)	(905)	(5,078)	-	(1,469)	(8,151)
At 30 June 2021 (unaudited)	**5,726**	**32,851**	**249,561**	**44,902**	**122,328**	**455,368**
Direct acquisitions	-	-	-	-	11,042	11,042
Subsequent expenditure	-	56	1,052	7,042	4,317	12,467
Disposals	-	-	-	(10,138)	(409)	(10,547)
(Decrease) / increase in fair value	(314)	(2,387)	9,113	4,185	6,831	17,428
Transfer between divisions	-	-	-	1	(1)	-
Transfers to development properties	-	-	-	-	(5,000)	(5,000)
Net transfer (to)/from AHFS	-	31	-	(509)	(1,925)	(2,403)
At 31 December 2021 (audited)	**5,412**	**30,551**	**259,726**	**45,483**	**137,183**	**478,355**
Direct acquisitions	-	-	-	-	1,748	1,748
Subsequent expenditure	-	3	2,159	21,043	3,494	26,699
Increase/(decrease) in fair value	90	(743)	13,528	31,304	41,095	85,274
Transfers from development properties	-	-	-	5,440	-	5,440
Net transfer to AHFS	-	(9,238)	-	-	-	(9,238)
At 30 June 2022 (unaudited)	**5,502**	**20,573**	**275,413**	**103,270**	**183,520**	**588,278**

Valuation process

The Directors' valuation as at 30 June 2022 was based on a desktop valuation completed by BNP Paribas and Savills on the portfolio of properties. BNP Paribas and Savills are independent firms acting in the capacity of external valuers with relevant experience of valuations of this nature.

9. Investment in joint ventures

	Unaudited As at 30 June 2022 £'000	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
At 1 January	**36,131**	25,316	25,316
Investments in joint ventures	**1,108**	521	1,624
Distributions from joint ventures	**-**	(34)	(34)
Share of profits of joint ventures	**2,236**	5,123	9,853
Impairment	**-**	-	(628)
At end of period/year	**39,475**	30,926	36,131

10. Inventories

	Unaudited As at 30 June 2022 £'000	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Development properties	**160,444**	183,492	172,701
PPAs	**2,931**	3,556	3,865
Options	**2,276**	1,144	1,154
Finished goods	**-**	422	102
Total inventories	**165,651**	188,614	177,822

The movement in development properties is as follows:

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Unaudited 6 months ended 31 December 2021 £'000
At start of period	**172,701**	177,712	183,492
Acquisitions	**-**	-	40
Subsequent expenditure	**16,855**	10,801	18,681
Disposals	**(26,765)**	(1,998)	(37,010)
Net realisable value provision release	**3,093**	2,688	2,498
Net transfer (to)/from investment properties	**(5,440)**	(5,711)	5,000
At end of period	**160,444**	183,492	172,701

The movement in net realisable value provision was as follows:

	Unaudited 6 months ended 30 June 2022 £'000	Unaudited 6 months ended 30 June 2021 £'000	Unaudited 6 months ended 31 December 2021 £'000
At start of period	**12,154**	17,340	14,652
Charge for the period	**1,880**	436	1,138
Reversal of previous net realisable value provision	**(4,260)**	(2,857)	(1,536)
Released on disposals	**(713)**	(267)	(2,100)
Released on transfer to investment property	**(2,773)**	-	-
At end of period	**6,288**	14,652	12,154

11. Assets held for sale

AHFS 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.

	Unaudited As at 30 June 2022 £'000	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
At start of period	**1,925**	7,594	7,594
Net transfer from investment properties	**9,238**	8,151	10,554
Subsequent expenditure	**-**	-	1
Increase/(decrease) in fair value	**2**	1,078	1,078
Disposals	**-**	(2,806)	(17,302)
At end of period	**11,165**	14,017	1,925

12. Cash and cash equivalents

	Unaudited As at 30 June 2022 £'000	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Cash and cash equivalents	**38,424**	3,942	12,037
	38,424	3,942	12,037

13. Borrowings

	Unaudited As at 30 June 2022 £'000	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Non-current:			
Secured – bank loan	**(92,386)**	(97,526)	(33,318)
Secured – infrastructure and direct development loans	**(13,850)**	(6,651)	(4,463)
Total non-current borrowings	**(106,236)**	(104,177)	(37,781)
Total borrowings	**(106,236)**	(104,177)	(37,781)

Loans are stated after deduction of unamortised borrowing costs:

		Unaudited As at 30 June 2022 £'000	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
Infrastructure loans				
Merseyside Pension Fund	Bardon Hill	**(10,884)**	-	(1,572)
North West Evergreen Limited Partnership	Plot H Logistics North, Bolton	**(2,966)**	(2,326)	(2,891)
Homes and Communities Agency	Simpson Park	**-**	(4,325)	-
Total infrastructure and direct development loans		**(13,850)**	(6,651)	(4,463)
Bank loan		**(92,386)**	(97,526)	(33,318)
Total borrowings		**(106,236)**	(104,177)	(37,781)

During the first half of 2022, the Group entered into a new five year £200m RCF, with a £40m uncommitted accordion option, which replaced the previous RCF which had been in place since 2015. NatWest and Santander continue to provide bank borrowings in this new RCF and have been joined by HSBC.

The RCF is subject to financial and other covenants. The bank borrowings are secured by way of a floating debenture over assets not otherwise used as security under specific infrastructure loans. Proceeds from and repayments of bank loans are reflected gross in the cashflow and reflect timing of utilisation of the RCF facility.

The infrastructure loans provided by public bodies and the site-specific direct development loans are provided in order to promote the development of major sites and bring forwards the development of logistics units. The loans are drawn as work on the respective sites is progressed and are repaid on agreed dates or when disposals are made from the sites.

14. Share capital

Issued, authorised and fully paid	**Unaudited As at 30 June 2022 £'000**	Unaudited As at 30 June 2021 £'000	Audited As at 31 December 2021 £'000
At start of period/year	**32,272**	32,253	32,253
Shares issued	**26**	18	19
At end of period/year	**32,298**	32,271	32,272

Issued, authorised and fully paid – number of shares	**Unaudited As at 30 June 2022**	Unaudited As at 30 June 2021	Audited As at 31 December 2021
At start of period/year	**322,724,566**	322,530,807	322,530,807
Shares issued	**258,375**	181,432	193,759
At end of period/year	**322,982,941**	322,712,239	322,724,566
Own shares held	**(396,206)**	(191,363)	(185,282)
At end of period/year	**322,586,735**	322,520,876	322,539,284

15. Related party transactions

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

	Unaudited 6 months ended 30 June 2022 £000	Unaudited 6 months ended 30 June 2021 £000	Audited year ended 31 December 2021 £000
PEEL GROUP			
Sales			
Disposal proceeds at Logistics North	**-**	-	2,019
Additions			
Reimbursement of technical due diligence	**-**	-	91
Receivables			
Deferred consideration for land at Logistics North	**-**	-	200
MULTIPLY LOGISTICS NORTH HOLDINGS LIMITED & MULTIPLY LOGISTICS NORTH LP			
Sales			
Recharges of costs	**-**	136	136
Asset management fee	**58**	114	271
Water charges	**60**	51	107
Receivables			
Trade receivables	**-**	164	66

Other receivables	**-**	869	-
BANKS GROUP*			
Sales			
Annual option sums	**-**	5	5
Payables			
Deferred consideration for the acquisition of land at Moss Nook	**-**	(1,000)	-
GENUIT GROUP (FORMERLY POLYPIPE)			
Sales			
Rent	**10**	15	25
Receivables			
Trade receivables	**6**	-	6
THE AIRE VALLEY LAND LLP			
Receivable	**26**	20	26
CRIMEA LAND MANSFIELD LLP			
Partner loan repayment	**-**	(30)	(30)
Receivable	**1**	5	-
NORTHERN GATEWAY DEVELOPMENT VEHICLE LLP			
Partner loan made during the year	**1,108**	300	1,003
Receivable	**-**	728	25
HALLAM LAND MANAGEMENT LIMITED			
Payables			
Deferred payment in respect of the acquisition of Ansty Development Vehicle LLP	**-**	(3,803)	-
BATES REGENERATION LIMITED*			
Shareholder loan repayment	**-**	(4)	(4)

*Banks Group and Bates Regeneration Limited ceased to be related parties in October 2021