Harworth

12 September 2023

Harworth Group plc
Half Year Results for the six months ended 30 June 2023
Management actions underpin uptick in valuations and resilient EPRA NDV performance
Strong balance sheet with significant available liquidity

Harworth Group plc ("Harworth" or the "Group"), a leading regenerator of land and property for sustainable development and investment, today announces its results for the six months ended 30 June 2023.

Key non-statutory measures(1)	H1 2023	H1 2022	FY 2022	Key statutory measures	H1 2023	H1 2022	FY 2022
Total Return (%)	**0.1**	14.1	0.1	Operating profit (£m)	**8.0**	99.9	44.5
EPRA NDV per share (p)(2)	**195.7**	224.7	196.5	Net asset value (£m)	**603.1**	655.1	602.7
Value gains (£m)	**7.5**	110.3	(2.0)	Total dividend per share (p)(3)	**0.444**	0.404	1.3
Net loan to portfolio value (%)	**8.6**	7.6	6.6	Net debt (£m)	**63.7**	67.8	48.4

Lynda Shillaw, Chief Executive of Harworth, commented: "Harworth's first half performance reflected good progress against strategic objectives, coupled with a strong operational delivery, which highlights the resilience of our through-the-cycle model, and sustained demand for our serviced residential land and industrial & logistics assets. In particular, the combination of sales of more mature industrial & logistics sites and our development of new high-specification space has accelerated the transition of our Investment Portfolio towards our goal of 100% Grade A. In residential, we continue to transact with a range of housebuilders, both national and regional, alongside progressing our alternative product offerings, including Build-to-Rent and Affordable Housing.

"Our management actions and sustained demand for our products have resulted in an uptick in valuations and EPRA NDV remaining broadly stable over the first six months of the year. The industrial & logistics market has stabilised over the period, albeit transactions are taking longer to complete, and the residential Build-to-Rent market is experiencing sustained demand. However, interest rate rises, cost inflation and planning delays are all impacting the housebuilders. House prices have remained reasonably resilient supported by reduced volumes of new build. While land buying is subdued and selective, we are seeing a good level of demand for our de-risked consented serviced land product.

"Harworth is a long-term through-the-cycle business, and we remain confident that our strategy to become a £1bn business by 2027 will deliver long-term value. Our significant landbank, specialist skillset and strong balance sheet position us well to maximise the significant value embedded in our sites."

Good occupier interest as direct development of industrial & logistics stock continues across 37.3m sq. ft pipeline:

- Completed 110,000 sq. ft of Grade A space at Gateway 36 in Barnsley: 35% let, with good interest for remaining units
- On-site with 166,000 sq. ft at the Advanced Manufacturing Park ('AMP') in Rotherham, which is 44% pre-let

Progressing sales and broadening the range of residential products across 28,359-plot pipeline:

- After period-end, completed the sale of serviced land at Thoresby Vale, Nottinghamshire to Barratt and David Wilson Homes for £9.9m, in line with 31 December 2022 valuations
- Working towards exchange of contracts with selected investment and construction partners for development of a single-family Build-to-Rent ('BTR') portfolio; good progress securing planning approvals
- Strong levels of interest received for Affordable Housing portfolio, launched in April 2023

Scaling up through land acquisitions and land promotion activities:

- Acquisitions added 1.1m sq. ft of industrial & logistics space and 700 residential plots to the pipeline
- Secured planning for 397 residential units and 0.3m sq. ft of industrial & logistics space
- Applications for 7.4m sq. ft of industrial & logistics space and 1,641 residential plots progressing through the planning system

Investment Portfolio now 29% Grade A (31 December 2022: 18%)

- Significant progress in transitioning portfolio by largely retaining directly developed assets and disposing of those where value has been maximised through asset management initiatives
- Investment Portfolio sales completed in H1 totalled £52.1m, with a further £17.9m of disposals completed after period end, all at prices in line with December 2022 valuations before selling costs

- Vacancy rate[4] of 11.6% at 30 June 2023 (31 December 2022: 8.3%); reduced to 1.1% by excluding vacant space completed in the preceding 12 months (31 December 2022: 2.7%)
- Leasing activity added £0.9m (6%) to annualised rent; new lettings, renewals and reviews at an average 4% premium to estimated rental values ('ERV'), with renewals and reviews 27% ahead of previous passing rent

Continued focus on making a lasting positive impact on the planet and communities

- Publication of Net Zero Carbon ('NZC') Pathway in April 2023, outlining the steps that the Group is taking to achieve its ambition of being operationally NZC by 2030 and NZC for all emissions by 2040
- Opening of new 50-acre country park at Cadley Park in Derbyshire, providing new recreational space and wildlife habitats at the 600-home development

Management actions drive broadly stable EPRA NDV

- EPRA NDV[1][2] per share decreased by 0.4% to 195.7p (31 December 2022: 196.5p), as first half valuation gains of £7.5m were offset by net operating costs, interest expenses and tax
- Statutory net assets increased by 0.1% to £603.1m (31 December 2022: £602.7m)
- Underlying increase of 10% in the interim dividend to 0.444p per share, in line with Group's dividend policy
- At reporting date, 98% of budgeted sales of the year either completed, exchanged or in heads of terms

Strong balance sheet and financial position, with low gearing and significant available liquidity

- As at 30 June 2023 net debt was £63.7m (31 December 2022: £48.4m), representing an LTV of 8.6% (31 December 2022: 6.6%)
- Available liquidity of £163.5m at 30 June 2023 (31 December 2022: £175.6m); 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 ('EPRA') Net Disposal Value ('NDV')
(3) The Ex-dividend date, Record date and Payment date for the 2023 interim dividend can be found in the Shareholder Information section of this announcement
(4) Calculated using the EPRA Best Practices Recommendations Guidelines. Occupier Ilke Homes, which represents 7% of headline rent roll, entered administration during the period, but has remained in occupation to date. The related space is therefore classified as occupied for the purposes of this calculation.

For further information

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Results presentation

Harworth will host a presentation for analysts and investors at 10.00am today. A live webcast and playback of this presentation can be accessed at the following link: https://brrmedia.news/HWG_HY23

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 over 13,000 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

Harworth's first half performance reflected good progress against strategic objectives, coupled with a strong operational delivery, which highlights the resilience of our through-the-cycle model, and sustained demand for our serviced residential land and industrial & logistics assets. This sustained demand for our products, and our management actions, have resulted in our valuations increasing and EPRA NDV remaining broadly stable over the first six months of the year.

Our markets

Harworth's focus markets of residential and industrial & logistics both continue to be characterised by favourable supply and demand dynamics, and are fundamental to delivering growth in the UK economy.

For the industrial & logistics sector, the structural drivers of demand seen in recent years remain intact, with the growth of e-commerce, on-shoring and near-shoring and an increasing focus amongst occupiers on securing modern and sustainable spaces. Data from Savills shows that, although take-up of industrial space in the first half was lower than the record-breaking levels seen in the previous three years, it was broadly in line with levels seen before the pandemic. There also continues to be a diverse range of sectors driving demand, with manufacturing accounting for a record proportion of take-up in the first half.

The decline in demand during the first half saw a corresponding rise in supply, with Savills estimating a market-wide vacancy rate of 6.3% as at 30 June 2023, increased from 3.0% a year ago, but broadly in line with the long-term pre-pandemic average, and expected to gradually fall as speculative development in the market is curtailed. Across Harworth's focus regions of Yorkshire & Central, the North West and the Midlands, vacancy remains below the national average with less than one year's supply based on current take-up, underpinning the particularly favourable supply and demand dynamics of our regional markets. What is more, we continue to see rental growth from our letting activity and rent reviews.

Following a rapid valuation correction in the industrial & logistics market in the second half of 2022, asset prices have stabilised, and there are signs that liquidity is returning. We can evidence sustained demand for high-quality, well-located assets through our sale of £70.0m of Investment Portfolio assets so far this year, at prices that are in line with, or ahead of, December 2022 book values. Figures from MSCI show that capital values for UK industrial assets remained broadly stable over the six months to 30 June 2023, which reflects our own valuation performance.

In residential markets, consumer demand remains subdued, as a result of higher mortgage rates, challenging affordability and lower consumer confidence, albeit interest rates appear to be nearing their peak. Reporting from housebuilders suggests reduced construction volumes over the coming year and a more selective approach to land acquisitions. Despite this, we have seen good levels of demand from a wide range of housebuilders, both national and regional, many of whom we have long-term relationships with, underscoring the differentiated nature of our serviced and, therefore, de-risked land product. It also reflects the reality that, due to a defective planning system and lower levels of applications for major schemes, the supply of consented land across the market is becoming increasingly constrained.

The institutional BTR market has continued to grow despite the wider market uncertainty, demonstrating the defensive nature of the product and the acute shortage of rental homes in the UK. Savills reports that investment volumes in the sector had a record-breaking second quarter in 2023, bringing the total investment in the first half to £2.1bn. The UK's BTR stock now stands at 88,100 homes, representing growth of 12% in the last 12 months, with regional markets growing faster than London. Despite this, only 11% of the built stock is single-family and transactions remain focused on multifamily, which have accounted for around 60% of investment over the last 12 months. Rents in the sector continue to grow, but challenges facing consumers highlight the importance of providing affordable products. Our single-family BTR and Affordable Housing portfolios of sites are particularly well-positioned to address the acute supply imbalance.

Operational performance

Our strategy sets out a clear road map for our ambition to grow EPRA NDV* to £1bn by 2027. It aims to accelerate the delivery of our sites and achieve our NZC ambitions, drawing on our highly specialist expertise and extensive land bank. The table below shows our progress to date against the four key growth drivers of this strategy.

Growth driver	2021	2022	Progress in H1 2023	Ambition by 2027
Increasing direct development of industrial & logistics stock	51,000 sq. ft developed	432,000 sq. ft developed	110,000 sq. ft developed On-site with 166,000 sq. ft, of which 44% is pre-let	800,000 sq. ft completed on average per annum
Accelerating sales and broadening the range of our residential products	1,411 plots sold	2,236 plots sold	92% of budgeted plot sales for the year completed, exchanged or in heads of terms	2,000 plots sold on average per annum
Scaling up land acquisitions and promotion activities	Land supply of 12-15 years		Maintained 12-15 year land supply through acquisitions representing 1.1m sq. ft and 700 plots	Maintain a land supply of 12-15 years
Repositioning our Investment Portfolio to modern Grade A	11% of the Investment Portfolio was Grade A	18% of the Investment Portfolio was Grade A	29% of the Investment Portfolio was Grade A at period end	100% of the Investment Portfolio to be Grade A

In January, we completed the development of 110,000 sq. ft as part of the next phase of Gateway 36, with one unit already let and another in heads of terms. As we have previously indicated, our focus for 2023 will be on built-to-suit and pre-let direct development opportunities, as well as land sales to potential occupiers. In line with this strategy, we have pre-let a 73,000 sq. ft unit at the AMP to a technology occupier and are in advanced discussions on build-to-suit opportunities with other potential occupiers at the site.

Our residential land sales are typically heavily weighted towards the second half of the year. Therefore, our focus in the first half has been on progressing transactions and carrying out land preparation and infrastructure works across our development sites. Underscoring the level of demand, we have on average received seven housebuilder bids for each residential land parcel marketed so far this year (2022: seven bids), with average headline bids ahead of book values. Shortly after period end, we completed a sale to Barratt and David Wilson Homes of a land parcel at Thoresby Vale, for the construction of 174 homes.

Some of our budgeted residential sales for the year relate to our BTR portfolio, for which we are making good progress towards exchanging contracts with our preferred investment and construction partners. While timelines have become protracted in places owing mainly to a challenging planning environment, we have been successful in achieving planning approvals across several of our portfolio sites. For Harworth, this is not about delivering any transaction, but doing the right transaction and ensuring that we manage the risks as the market has shifted around us. It has also been critical throughout for us to identify partners with whom we can develop a long-term relationship based on shared values and ambitions.

We also launched an Affordable Housing portfolio during the year, which comprises approximately 400 homes that meet the National Planning Policy Framework criteria for affordable housing (which entails social rents, affordable rents, and a range of intermediate rent and for-sale products such as the shared ownership scheme). We have had good levels of interest in the portfolio, which will allow us to further accelerate the delivery and enhance the vibrancy of our residential sites.

Turning to acquisitions, we added 1.1m sq. ft of industrial & logistics space and 700 residential plots to our pipeline during the period. These were achieved through a combination of freehold acquisitions and Planning Promotion Agreements ('PPAs'). The size of our landbank remains a key differentiator for us, providing flexibility and the potential to smooth our returns profile at a portfolio level, as well as unlocking exciting new opportunities for the business.

During the period, we accelerated our plans to reposition the Investment Portfolio, with the proportion of Grade A space within it rising from 18% at the beginning of the period to 29%. This was driven by a significant sales programme of assets where we had maximised value through asset management or development initiatives. These sales totalled £52.1m in the first half, with a further £17.9m of disposals completed after period end, all at prices that were in line with December 2022 valuations before selling costs. Letting activity remains strong, with completed deals adding £0.9m of annualised rent during the period (H1 2022: £0.1m) representing significant uplifts to previous passing rents and a modest premium to 31 December 2022 ERVs.

Our sustainability programme, The Harworth Way, is our framework for integrating sustainability and social value into both our business and the developments we create. Perhaps the most tangible output of this is the placemaking that we create across our development sites, and I was delighted that we have been able to progress several initiatives in this space so far this year. In April we opened a new 50-acre country park at our Cadley Park development in Derbyshire, which benefits from new purpose-built footpaths and cycleways, a picnic area and community orchard, as well as new habitats to protect and promote local wildlife, alongside a memorial pit wheel, commemorating the site's rich mining history. We are continuing work on further country parks at our Thoresby Vale and Pheasant Hill Park sites, both of which are expected to be open next year.

Financial performance

Despite the challenging macroeconomic environment, management actions offset adverse valuation movements on our major development sites and drove value across our Investment Portfolio and strategic land sites, resulting in EPRA NDV per share* remaining broadly flat at 195.7p (31 December 2022: 196.5p), which translated into a Total Return of 0.1% for the first half of 2023 (H1 2022: 14.1%). Statutory net asset value was £603.1m (31 December 2022: £602.7m).

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £18.2m (H1 2022: £62.6m). Revenue was broadly in line with H1 2020 and H1 2021, the reduction from H1 2022 primarily reflecting lower residential development property sales, which were brought forward into 2022 to capitalise on the strength of the residential market at the time.

The Board is proposing an interim dividend of 0.444p per share, representing 10% underlying growth from 2022, in line with our dividend policy.

We maintain a strong balance sheet and financial position, with significant available liquidity of £163.5m as at 30 June 2023 (31 December 2022: £175.6m) and no major refinancing events until 2027. Our LTV at period-end was 8.6% (31 December 2022: 6.6%), affording us a high degree of flexibility and resilience as we pursue our strategy.

Outlook

The economic outlook for the UK is likely to remain challenging in the near term, although there are encouraging signs that inflationary pressures are easing and interest rates are approaching their peak. For the industrial & logistics market, the structural drivers of demand remain largely intact, while supply remains constrained, particularly for Grade A energy efficient buildings and across our regions where supply represents less than a year of demand. For residential, while affordability challenges are weighing on house buyer demand, our sites are located in the more affordable regions and housebuilders remain attracted to our serviced residential land product, which is ready to build on from day one. At the same time, our increasingly diversified residential products range will provide exposure to significant growth markets.

Harworth is a long-term through-the-cycle business. Most of our sites will be in development, planning or land assembly through the next few years and into the next decade. Our landbank is significant, with the ability to deliver 37.3m sq. ft of industrial and logistics space and 28,359 homes, and our nearer term sites (those classified as Major Developments) have a combined gross development value of around £2.4bn. Crucially, we have the team with the specialist skillset to look through near-term market conditions and deliver these schemes and, where we need to, invest to create the future value and returns that we can unlock from our sites.

Finally, I would like to thank my colleagues across the business, who have embraced the ambition of our strategy and have worked extremely hard to deliver another six months of strong progress. Our robust financial performance and operational progress against a challenging market backdrop is a testament to their dedication, determination, skills, and teamwork.

Lynda Shillaw
Chief Executive
12 September 2023

**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 2023, the industrial & logistics pipeline totalled 37.3m sq. ft (31 December 2022: 35.0m sq. ft), of which 5.6m sq. ft was consented (31 December 2022: 5.4m sq. ft), and 7.4m sq. ft was in the planning system awaiting determination (31 December 2022: 5.6m sq. ft). The pipeline was 57% owned freehold, with the remaining 43% controlled via options or PPAs.

Acquisitions and land assembly

During the period, freehold acquisitions added 1.1m sq. ft to the pipeline. These comprised:

- Parkside East, St Helens, Merseyside: a 50-acre site with direct access to Junction 22 of the M6, close to the M62 interchange. The site was allocated in the recently adopted local plan and forms part of a wider regeneration area, supported by the council. Harworth is developing a masterplan for up to 0.8m sq. ft of employment space, which will be submitted for planning approval.

- A land parcel at Skelton Grange, Leeds: a parcel of land adjacent to the Group's existing Skelton Grange site, which has the potential to deliver an additional 0.3m sq. ft of industrial & logistics space.

Planning

During the period, planning approval was secured for 0.3m sq. ft of industrial & logistics space across two sites: 0.2m sq. ft on the site of the former Houghton Main Colliery in South Yorkshire, and 0.1m sq. ft at Bardon West, adjacent to the Group's existing Bardon Hill site in Leicestershire.

Three significant planning applications currently remain in the system awaiting determination:

- Cinderhill, Derbyshire: Proposals for a mixed-use development comprising 1.8m sq. ft of high specification employment space alongside 300 houses and a new junction on the A38 trunk road.

- 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 1.5m sq. ft of rail-linked industrial & logistics space at the site.

- Skelton Grange, Leeds: 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.

Direct development and placemaking

During the period, 110,000 sq. ft of industrial & logistics space was completed at Gateway 36 in Barnsley, representing the start of the development's second phase. The units were delivered to Harworth's sustainable commercial building specification, targeting EPC A and BREEAM Excellent, with whole life carbon assessments and renewable energy provision incorporated into the design.

Direct development works currently underway total 166,000 sq. ft, all at the AMP. The works comprise 93,000 sq. ft of speculative construction as part of the next phase of the development, which has received significant occupier interest, and a 73,000 sq. ft built-to-suit development which has been pre-let to a technology occupier.

Residential land portfolio

As at 30 June 2023, the residential pipeline had the potential to deliver 28,359 housing plots (31 December 2022: 29,311), of which 6,508 were consented (31 December 2022: 6,111), and 1,641 were in the planning system awaiting determination (31 December 2022: 1,890). The pipeline was 51% owned freehold, with the remaining 49% subject to PPAs, options or overages.

Acquisitions and land assembly

During the period, a PPA was signed on a parcel of land at Aughton, Rotherham, capable of delivering up to 700 homes. Harworth will work with local stakeholders to bring forward a masterplan in advance of submitting a planning application.

Planning

During the period, planning consent was secured for 397 homes at a site in Killamarsh, Derbyshire. The site is now being marketed for sale, and bids have been received from a range of housebuilders.

Plot sales

As at reporting date, 92% of the Group's budgeted residential land sales for the year had been completed, exchanged or were subject to heads of terms.

Residential products

One of the Group's key strategic objectives is broadening the range of its residential products, and to date it has launched two portfolios of sites to deliver on this:

- Single-family BTR portfolio: approximately 1,000 single-family homes across nine sites, to be delivered through a forward-funding agreement. The Group has secured planning consents across several sites in the first half and is now progressing towards exchange with its preferred investment and delivery partners.

- Affordable Housing portfolio: approximately 400 homes across four sites, that meet the National Planning Policy Framework criteria for affordable housing (social rents, affordable rents, as well as a range of intermediate rent and for-sale products, such as the shared ownership scheme), to be delivered by a forward-funding agreement. The portfolio has received good levels of interest.

Placemaking

As a master developer, Harworth prides itself on investing in its residential sites to provide enhanced infrastructure, amenities and green spaces. This investment creates a sense of community that improves the wellbeing of residents and enhances the attractiveness of these developments to housebuilders and a wide range of partners. During the period, several placemaking initiatives were undertaken across the portfolio:

- Cadley Park, Derbyshire: In April 2023, a new 50-acre country park was opened, having been developed by Harworth working in close partnership with South Derbyshire District Council as well as the National Forest, RSPB, Derbyshire Wildlife Trust and the local community. The park benefits from new purpose-built footpaths and cycleways, a picnic area and community orchard, as well as new habitats to protect and promote local wildlife. The site also features a memorial pit wheel, commemorating the site's rich mining history.

- South East Coalville, Leicestershire: a land sale to Aldi was completed, for the construction of a new supermarket that will form a key part of the site's proposed local centre.

- Waverley, South Yorkshire: construction is underway of a new 150-bedroom hotel, including a restaurant and gym facilities, which will also be available to residents on site. Planning permission has also been granted for a new primary health centre, and a planning application has been submitted for a revised design for Olive Lane, a new centre of the community with cafes, restaurants and shops. These amenities are expected to be delivered by late 2024.

- Moss Nook, Merseyside: In March 2023, a planning application was submitted for new sports facilities at the site, which will be the home of a local junior football team and help to unlock the next phase of residential development.

Investment Portfolio

This portfolio comprises both industrial & logistics assets that have been acquired by Harworth 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 2023, the Investment Portfolio comprised 14 sites covering 2.9m sq. ft (31 December 2022: 19 sites covering 4.0m sq. ft). It generated £15.8m of annualised rent (31 December 2022: £19.7m), equating to a gross yield of 6.6% (31 December 2022: 7.0%) and a net initial yield of 5.9% (31 December 2022: 6.2%). Annualised rent for the portfolio decreased during the period, as a result of a highly successful sales programme of more mature assets, which was partially offset by the creation of new Grade A space at Gateway 36 and a 3.0% like-for-like increase in rents . Grade A space represented 29% of the portfolio (31 December 2022: 18%).

During the period, 277,000 sq. ft of leasing deals were completed (H1 2022: 48,000 sq. ft), adding £0.9m of annualised rent (H1 2022: £0.1m). New lettings, renewals and reviews at an average 4% premium to estimated rental values ('ERV'), with renewals and reviews 27% ahead of previous passing rent.

The portfolio had an average rent per tenant of £6.55 per sq. ft at 30 June 2023 (31 December 2022: £6.43) and, weighted by area, an average rent of £5.32 per sq. ft (31 December 2022: £4.69).

Across the Investment Portfolio, operational metrics remain robust. Vacancy was 11.6% at 30 June 2023 (31 December 2022: 8.3%), which reduces to 1.1% when space completed in the preceding 12 months is excluded (31 December 2022: 2.7%); while the weighted average unexpired lease term ("WAULT") was 12.5 years (31 December 2022: 11.3 years).

Occupier Ilke Homes, which represents 7% of headline rent roll, entered administration during the period, but has remained in occupation to date. The related space is therefore classified as occupied for the purposes of the vacancy calculation. The Group is currently exploring options for the site, including reletting, refurbishment or redevelopment of the unit.

Disposals

A key element of Harworth's growth strategy is to transition its Investment Portfolio to modern Grade A, by retaining more direct development but also by disposing of assets where value has already been maximised through asset management and development initiatives.

The sales of five Investment Portfolio sites were completed in the first half for total consideration of £52.1m, with a further £17.9m of disposals completed after period end. These sales were all at prices in line with December 2022 valuations before selling costs.

Natural Resources portfolio

Harworth's Natural Resources portfolio comprises sites used by occupiers for a wide range of energy production and extraction purposes, including wind and solar energy schemes, battery storage and methane capture. As part of the Group's Energy & Natural Capital strategy, the aim is to grow this portfolio, alongside strategic partners where appropriate, through developing renewable energy generation solutions and other sustainability initiatives such as battery storage, solar, EV charging, multi-fuel hubs and reforestation/rewilding. The strategy has a wider focus on embedding these energy concepts and future-proofing principles across all of Harworth's sites to maximise energy availability and resilience, create economic value and help fulfil the Group's NZC ambitions.

As at 30 June 2023, the Natural Resources portfolio generated £2.4m of annualised gross rent (31 December 2022: £2.1m).

Net Zero Carbon pathway

In 2022, the Group committed to becoming NZC for Scope 1, Scope 2 and Scope 3 business travel emissions by 2030 and to being NZC for all emissions by 2040. To meet these objectives, the Group has developed a NZC pathway and embedded NZC commitments into a range of workstreams and targets to guide the Group's growth strategy in the development of industrial & logistics and residential sites.

Further information on The Harworth Way and the Group's NZC pathway can be found within the 2022 Annual Report and standalone NZC Pathway Report, which were both published in April 2023.

Financial review

Overview

Our first half financial performance was resilient, 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 0.1% (H1 2022: 14.1%). Positive revaluation gains achieved across the portfolio were offset by net operating costs, interest costs, tax and dividends, enabling EPRA NDV to remain broadly flat at 195.7p per share (31 December 2022: 196.5p). Our performance reflected good progress against strategic objectives, coupled with a strong operational delivery, and provides a good foundation for the Group's future growth.

Sales of serviced land and property, in addition to income from rent, royalties and fees, resulted in Group revenue of £18.2m during the period (H1 2022: £62.6m). Revenue was broadly in line with H1 2020 and H1 2021, the reduction from H1 2022 primarily reflecting lower residential development property sales, which were brought forward into 2022 to capitalise on the strength of the residential market at the time. The prior year period also included revenue from a built-to-suit project and fees from a PPA. Rental income collection has been consistently strong, with like-for-like income increases of 3.0% across the portfolio. Management actions included the completion of direct development at Gateway 36 in Barnsley, lettings and rent reviews, which offset the reductions resulting from the sale of investment property during the period as we continued to transition the Investment Portfolio towards Grade A. Looking forward, the sales profile is robust, with 98% of 2023 budgeted sales by value already completed, exchanged or in heads of terms at the time of reporting (at the time of reporting H1 2022: 98%).

The fair value of investment properties increased by £15.0m (FY 2022: £19.7m decrease, H1 2022: £85.3m increase), which contributed to an underlying operating profit of £8.0m (FY 2022: £44.5m, H1 2022: £99.9m) and profit after tax of £2.8m (FY 2022: £27.8m, H1 2022: £79.1m).

The Group has declared an interim dividend of 0.444p (H1 2022: 0.404p) per share, representing a 10% growth from 2022, in line with our dividend policy.

BNP Paribas and Savills, our independent valuers, completed a desktop valuation of our portfolio as at 30 June 2023, resulting in first half valuation gains* of £11.1m (FY 2022: £15.0m losses, H1 2022: £105.5m gains), including the movement in the market value of development properties. These gains were the result of management actions including progress on development sites, obtaining planning permissions, completing direct development schemes and asset management initiatives, against the backdrop of an industrial & logistics market which had stabilised over the period. However, the revaluation gains were held back by the wider economic environment and offset by further outward movement in investment yields in some instances alongside higher construction costs. Beyond valuation movements, losses on sales were £3.5m (H1 2022: profit of £4.9m). Although sales prices were in line with book values overall, the loss was driven by the impact of selling costs and higher levels of estimated future site-wide infrastructure costs allocated to prior period sales, in particular at our Waverley site where increased costs were driven by a change in the site masterplan. This gave us total value gains of £7.5m (H1 2022: £110.3m).

Over the period, net asset value grew to £603.1m (31 December 2022: £602.7m). With EPRA adjustments for development property valuations included, EPRA NDV at 30 June 2023 reduced very slightly to £631.2m (31 December 2022: £633.8m) representing a per share decrease of 0.4% to 195.7p (31 December 2022: 196.5p).

The Group remains well capitalised and as at 30 June 2023 had available liquidity of £163.5m (31 December 2022: £175.6m). Net debt was £63.7m (31 December 2022: £48.4m) resulting in a net loan to portfolio value at 30 June 2023 of 8.6% (31 December 2022: 6.6%). At the same date, 30% of the Group's drawn debt was subject to fixed rates (31 December 2022: 34%). We currently do not have interest rate hedging in place against drawings under our Revolving Credit Facility (RCF), although this will remain under review.

Presentation of financial information

As our property portfolio includes development properties and joint venture arrangements, Alternative Performance Measures ('APMs') can provide valuable insight into our business alongside statutory measures. In particular, revaluation gains on development properties are not recognised in the Consolidated Income Statement and the 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 period 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 Restricted Share Plan and Share Incentive Plan awards.)

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

- Net loan to portfolio value: Group debt net of cash held expressed as a percentage of portfolio value.

A full description of all non-statutory measures and reconciliations between all statutory and non-statutory measures are provided in Note 2 to the condensed 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 2023				H1 2022			
	Capital Growth £m	**Income Generation £m**	**Central Overheads £m**	**Total £m**	Capital Growth £m	Income Generation £m	Central Overheads £m	Total £m
Revenue	4.3	13.9	-	**18.2**	47.0	15.6	-	62.6
Cost of sales	(6.1)	(3.5)	-	**(9.6)**	(32.9)	(4.2)	-	(37.1)
Gross profit	**(1.8)**	**10.4**	**-**	**8.6**	14.1	11.4	-	25.5
Administrative expenses	(2.2)	(2.3)	(9.8)	**(14.3)**	(2.1)	(1.3)	(7.5)	(10.9)
Other gains	12.5	1.3	-	**13.8**	72.6	12.8	-	85.4
Operating profit/(loss)	**8.5**	**9.4**	**(9.8)**	**8.0**	84.5	22.9	(7.5)	99.9
Share of (loss)/profit of JVs	(0.9)	0.1	-	**(0.8)**	1.0	1.2	-	2.2
Net interest credit/(expense)	0.3	-	(3.1)	**(2.8)**	-	-	(3.4)	(3.4)
Profit/(loss) before tax	**7.9**	**9.5**	**(12.9)**	**4.5**	85.6	24.1	(10.9)	98.8
Tax charge	-	-	(1.6)	**(1.6)**	-	-	(19.7)	(19.7)
Profit/(loss) after tax	**7.9**	**9.5**	**(14.5)**	**2.8**	85.6	24.1	(30.6)	79.1

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

Capital Growth revenue, which primarily relates to the sale of development properties, decreased during the period due to accelerated residential land sales undertaken in H1 2022 to capitalise on the market conditions at the time. H1 2022 also saw fees generated from PPAs and build-to-suit development, which together totalled £7.9m.

Revenue from Income Generation (the Investment Portfolio, Natural Resources and Agricultural Land) mainly comprises property rental and royalty income. Revenue of £13.9m (H1 2022: £15.6m) was lower due to the final sales of coal fines inventory occurring during H1 2022. Revenue for the first half also included the impact of new lettings related to direct development and asset management initiatives, as well as increased royalties from energy assets. Rental income from the Investment Portfolio decreased on an annualised basis from £19.7m at 31 December 2022 to £15.8m, reflecting the successful sale of assets totalling £52.1m where we had maximised value through asset management initiatives. Excluding the impact of these sales and the practical completion of our Gateway 36 Barnsley development, rent grew by 3.0%.

Cost of sales comprises the inventory cost of development property sales and both the direct and recoverable service charge costs of the Income Generation business. Cost of sales decreased to £9.6m (H1 2022: £37.1m), of which £5.3m related to the inventory cost of development property sales (H1 2022: £26.8m). H1 2022 also included additional costs related to build-to-suit development. In the year, we saw a small increase in the net realisable value provision on development properties of £0.3m (H1 2022: £2.4m reduction) following the valuation process as at 30 June 2023.

Administrative expenses increased in the period by £3.4m (H1 2022: £2.2m increase). This included the impact of increased employee numbers, primarily driven by recruitment in 2022 to right size the resources of the Group to deliver our strategy, as well as the impact of inflationary cost increases. Growth in employee numbers has slowed during 2023. Administrative expenses also included an increase in provisions for bad and doubtful debts as well as an impairment of lease incentives, together totalling £1.5m (H1 2022: £0.3m), which included the £1.2m impact of one of our occupiers, Ilke Homes, entering administration in June 2023. Costs were also incurred in relation to strategic workstreams such as the development of our mixed tenure products and ESG initiatives. Administrative expenses expressed as a percentage of revenue over the 12 months to 30 June 2023 was 21%, increasing from 14% for the 12 months to 30 June 2022, reflecting the increases in costs as well as the timing of revenue generating activity, in particular the acceleration in activity relating to sales of development property to capitalise on the positive market conditions during H1 2022.

Other gains comprised a £14.8m combined net increase (H1 2022: £85.3m) in the fair value of investment properties and assets held for sale (‘AHFS’) less the loss on sale of investment properties and AHFS of £1.1m including transaction fees (H1 2022: £0.1m profit).

Joint venture losses of £0.8m (H1 2022: £2.2m profit) were largely the result of a small decrease in the property valuation at Aire Valley Land. Value gains/(losses) on a non-statutory basis are outlined below.

Non-statutory value gains/(losses)*

Value gains/(losses) are made up of profit/(loss) 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 condensed consolidated interim financial statements.

£m	Category	H1 2023 Loss on sale	H1 2023 Reval. gains/ (losses)	H1 2023 Total	H1 2022 Profit on sale	H1 2022 Reval. gains/ (losses)	H1 2022 Total	30 Jun 23 Total valuation	31 Dec 22 Total valuation
Capital Growth									
Residential Major Developments	Development	(2.3)	(2.2)	(4.5)	5.2	5.8	11.0	234.4	228.1
Industrial & logistics Major Developments	Mixed	(0.2)	(2.3)	(2.5)	(0.5)	43.4	42.9	75.8	68.2
Residential Strategic Land	Investment	(0.1)	3.3	3.2	0.2	34.1	34.3	55.6	51.4
Industrial & logistics Strategic Land	Investment	-	9.9	9.9	-	8.0	8.0	105.2	82.2
Income Generation									
Investment Portfolio	Investment	(0.9)	2.5	1.6	-	14.7	14.7	240.2	280.9
Natural Resources	Investment	-	(0.2)	(0.2)	-	(0.7)	(0.7)	20.1	20.3
Agricultural Land	Investment	-	0.1	0.1	-	0.1	0.1	6.5	5.7
Total		(3.5)	11.1	7.5	4.9	105.5	110.3	737.8	736.8

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. Profit/(loss) on sale includes the impact of transaction fees incurred.

Loss on sale of £3.5m (H1 2022: £4.9m profit) reflected the completion of sales broadly in line with book value, offset by selling costs, and included an increase in the estimate of shared infrastructure costs attributable to prior period sales, in particular at our Waverley site where increased costs were driven by a change in the site masterplan. Revaluation gains were £11.1m (H1 2022: £105.5m) and are outlined in the table below.

	H1 2023 £m	H1 2022 £m
Increase in fair value of investment properties	15.0	85.3
Decrease in value of assets held for sale	(0.2)	-
Movement in net realisable value provision on development properties	(0.3)	2.4
Contribution to statutory operating profit	14.6	87.7
Share of (loss)/profit of joint ventures	(0.8)	2.2
Unrealised (losses)/gains on development properties and overages*	(2.7)	15.6
Total non-statutory revaluation gains	11.1	105.5

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

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

Industrial & logistics

Following significant investment yield increases in the second half of 2022, the industrial & logistics market remained relatively stable over the first half of 2023 with small increases in yields of 25bps. Occupier demand remained resilient during the period and market rents across the sector increased. For development sites, costs of construction increased over the period but at a lower rate compared to 2022. Combined, this resulted in revaluation losses of £2.3m on Major Developments. Strategic Land valuations increased due to the progression of site strategies on individual sites.

Investment Portfolio property yields moved in line with the market and our management actions securing sales, new leases, renewals and rent reviews resulted in the net initial yield moving 30bps to 5.9% from 6.2% as at 31 December 2022. The equivalent yield moved from 7.8% to 7.4%.

Residential

The residential land market was stable during the first half. Supply of serviced land remained constrained and house prices were maintained in our regions with demand remaining from a range of housebuilders for serviced land. Progress toward residential land sales on our Major Development sites continued to demonstrate demand for our serviced land product and underpin valuations. As we saw with industrial & logistics development sites, costs of construction increased over the period, which resulted in revaluation losses of £2.2m on Major Developments.

Sites progressing through the planning process supported Strategic Land valuations, with planning secured for 397 residential units at a development site in South Yorkshire leading to a valuation gain.

Natural Resources

Valuations remained broadly consistent during the period, with a minor valuation decline due to the discontinuation of coal mine methane extraction.

Agricultural Land

We experienced a small valuation increase as a result of improving agricultural land prices.

Net realisable value provision

The net realisable value provision on development properties as at 30 June 2023 was £10.1m (31 December 2022: £9.8m). This provision is held to reduce the value of six development properties from their deemed cost (the fair value at which they were transferred from an investment to a development categorisation) to their net realisable value at 30 June 2023. The transfer from investment to development property takes place once planning is secured and development with a view to sale has commenced.

Cash and sales

The Group made property sales* in the period of £56.2m (H1 2022: £39.0m), realising a total loss on sale of £3.5m (H1 2022: profit of £4.9m). Sales comprised residential development sales of £4.0m (H1 2022: £38.8m), industrial & logistics land sales of £nil (H1 2022: £0.2m) and disposals of income-generating sites where value has been maximised through asset management initiatives of £52.2m (H1 2022: £nil), accelerating progress towards a 100% Grade A Investment Portfolio.

Cash proceeds from sales in the period were £58.2m (H1 2022: £33.7m) as shown in the table below:

	H1 2023 £m	H1 2022 £m
Total property sales[1]	**56.2**	39.0
Less deferred consideration on sales in the period	**(1.0)**	(5.3)
Add receipt of deferred consideration from sales in prior years	**3.0**	-
Total cash proceeds	**58.2**	33.7

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 £1.6m (H1 2022: £19.7m), which comprised a current year tax charge of £0.3m (H1 2022: £3.9m) and a deferred tax charge of £1.3m (H1 2022: £15.8m).

The current tax charge was low in the first half, primarily as a result of tax on investment property sales having been crystalised upon their transfer to AHFS in the prior year, coupled with administrative costs and interest offsetting trading profits during the period. The increase in deferred tax largely relates to unrealised gains on investment properties. The deferred tax balance has been calculated based on the rate expected to apply on the date the liability is reversed.

At 30 June 2023, the Group had deferred tax liabilities of £29.6m (31 December 2022: £25.9m) and deferred tax assets of £4.1m (31 December 2022: £1.8m). The net deferred tax liability was £25.5m (31 December 2022: £24.1m).

Basic earnings per share and dividends

Basic earnings per share for the period decreased to 0.9p (H1 2022: 24.5p) reflecting the lower valuation gains on the land and property portfolio in H1 2023, compared to a significant valuation gain in H1 2022, as well as accelerated sales activity during H1 2022 to capitalise on the market conditions at the time.

The Board has determined to pay an interim dividend of 0.444p (H1 2022: 0.404p) 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.

As at 30 June 2023, the balance sheet value of all our development properties was £219.2m (31 December 2022: £205.0m) and their independent valuation by BNP Paribas was £249.7m, reflecting a £30.5m cumulative uplift in value since they were classified as development properties. In order to highlight the market value of development properties, and overages, and to be consistent with how we state our investment properties, we use EPRA NDV*, which includes the market value of development properties and overages less notional deferred tax, as our primary net assets metric.

Net asset value

	30 Jun 2023 £m	30 Jun 2022 £m	31 Dec 2022 £m
Properties[(1)]	**700.3**	800.0	695.4
Cash	**8.5**	38.4	11.6
Trade and other receivables	**57.3**	71.6	60.7
Other assets	**14.2**	5.7	11.8
Total assets	**780.3**	915.7	779.5
Gross borrowings	**(72.1)**	(106.2)	(60.0)
Deferred tax liability	**(25.5)**	(58.6)	(24.1)
Other liabilities	**(79.6)**	(95.8)	(92.7)
Statutory net assets	**603.1**	655.1	602.7
Mark to market value adjustment on development properties and overages less notional deferred tax[(2)]	**28.1**	69.7	31.2
EPRA NDV[(2)]	**631.2**	724.8	633.8
Number of shares in issue less Employee Benefit Trust & Equiniti Share Plan Trustees Limited-held shares	**322,612,685**	322,586,735	322,612,685
EPRA NDV per share[(2)]	**195.7p**	224.7p	196.5p

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 consolidated financial statements.

EPRA NDV* at 30 June 2023 was £631.2m (31 December 2022: £633.8m), which includes the mark-to-market adjustment on the value of the development properties and overages. The total portfolio value as at 30 June 2023 was £737.8m, an increase of £1.0m from 31 December 2022. The Group’s share of losses from joint ventures of £0.8m (H1 2022: £2.2m profit) resulted in investments in joint ventures decreasing to £29.1m (31 December 2022: £29.8m). Trade and other receivables include deferred consideration on sales as set out previously. At 30 June 2023, deferred consideration of £32.5m was outstanding (31 December 2022: £34.6m), of which 94% is due within one year.

The table below sets out our top ten sites by value, which represent 48% of our total portfolio, split according to their categorisation:

Site	Site type	Categorisation in Balance Sheet	Region	Progress to date
Benthall Grange, Ironbridge	Major Development	Investment	Midlands	1,000 residential units consented, land sold for 110 units
South East Coalville	Major Development	Development	Midlands	2,016 residential units consented, land sold for 771 units
Bardon	Investment Portfolio	Investment	Midlands	Units completed, with 57% of site by area let
Nufarm	Investment Portfolio	Investment	Yorkshire & Central	n/a
Ansty(1)	Strategic Land	Investment	Midlands	Proposed industrial & logistics site, planning not yet submitted
Waverley AMP	Investment Portfolio	Investment	Yorkshire & Central	2.1m sq. ft of industrial & logistics space consented, 1.6m sq. ft built or sold
Thoresby	Major Development	Development	Yorkshire & Central	800 residential units consented, land sold for 362 units
Waverley	Major Development	Development	Yorkshire & Central	3,038 residential units consented, land sold for 2,442 units
Knowsley	Investment Portfolio	Investment	North West	n/a
Wingates	Major Development	Development	North West	Up to 1.1m sq. ft of industrial & logistics space consented

1. Contracts have been conditionally exchanged for the sale of the site

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% in-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, while allowing for growth in the portfolio.

The Group intends to continue to enter into development and infrastructure loans alongside its RCF to support its growth strategy.

Debt facilities

The Group has a £200m RCF, together with a £40m uncommitted accordion option, which was entered into in 2022. The RCF is provided by NatWest, Santander and HSBC and is aligned to the Group's strategy, providing significant liquidity and flexibility to enable us to pursue our strategic objectives. The interest rate on the RCF is based on a loan-to-value ratchet mechanism with a margin payable above SONIA in the range of 2.25% to 2.50%. The Group has no major refinancing requirements until 2027.

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 industrial & logistics units.

The Group had borrowings and loans of £72.1m at 30 June 2023 (31 December 2022: £60.0m; 30 June 2022: £106.2m), being the RCF drawn balance (net of capitalised loan fees) of £43.7m (31 December 2022: £34.6m; 30 June 2022: £92.4m) and infrastructure or direct development loans (net of capitalised loan fees) of £28.4m (31 December 2022: £25.4m; 30 June 2022: £13.9m). The Group's cash balances at 30 June were £8.5m (31 December 2022: £11.6m; 30 June 2022: £38.4m). The resulting net debt was £63.7m (31 December 2022: £48.4m; 30 June 2022: £67.8m).

Net debt* increased with property expenditure and acquisitions offset by the completion of serviced land and property sales. The movements in net debt over the period are shown below:

	H1 2023 £m	H1 2022 £m
Opening net debt as at 1 January	**(48.4)**	(25.7)
Cash (outflow)/inflow from operations	**(22.4)**	3.2
Property expenditure and acquisitions	**(28.8)**	(31.2)
Disposal of investment property, AHFS and overages	**50.5**	0.1
Investments in joint ventures	**-**	(1.1)
Interest and loan arrangement fees	**(2.1)**	(4.0)
Dividends paid	**(3.0)**	(2.7)
Tax paid	**(8.5)**	(6.9)
Other cash and non-cash movements	**(1.0)**	0.5
Closing net debt as at 30 June	**(63.7)**	(67.8)

The weighted average cost of the Group's debt, using an end of month average 2023 balance and 30 June 2023 rates was 6.19% with a 0.9% non-utilisation fee on undrawn RCF amounts (31 December 2022: 5.52% with a 0.9% non-utilisation fee; 30 June 2022: 2.89% with a 0.9% non-utilisation fee). The weighted average term of drawn debt is now 2.9 years (31 December 2022: 3.2 years; 30 June 2022: 5 years).

The Group's hedging strategy to manage its exposure to interest rate risk is to hedge the lower of around half its average debt during the year or its net debt* balance at year-end. At 30 June 2023 30% (31 December 2022: 34%) of the Group's drawn debt, reflecting 35% of net debt (31 December 2022: 44%), was subject to fixed rate interest rates with no hedging instruments in place on the remaining floating rate debt. Projected drawn debt and hedging requirements remain under active review with any new hedging to be aligned to future net debt requirements.

As at 30 June 2023, the Group's gross loan to portfolio value* was 9.8% (31 December 2022: 8.1%; 30 June 2022: 12.0%) and its net loan to portfolio value was 8.6% (31 December 2022: 6.6%; 30 June 2022: 7.6%). If gearing is assessed against the value of the core income portfolio (the Investment Portfolio and Natural Resources portfolio) only, this equates to a gross loan to core income generation portfolio value of 31.7% (31 December 2022: 26.1%; 30 June 2022: 35.9%) and a net loan to core income portfolio value of 28.0% (31 December 2022: 21.0%; 30 June 2022 22.9%). Under the RCF, the Group could withstand a material fall in portfolio value, property sales or rental income before reaching covenant levels.

At 30 June 2023, undrawn capacity under the RCF was £155.0m (31 December 2022: £164.0m; 30 June 2022: £106.0m). Going forwards, the RCF, alongside selected use of infrastructure loans where appropriate, will continue to provide the Group with sufficient liquidity to execute our growth strategy.

Kitty Patmore
Chief Financial Officer
12 September 2023

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

Appendix 1: Supplementary operational information

1.1 Main industrial & logistics sites (as at 30 June 2023)

Name	Location	Sold or developed (m sq. ft)	Consented or planned (m sq. ft)	Estimated GDV remaining to develop (£m)	Completion date
Advanced Manufacturing Park	Rotherham, South Yorkshire	1.6	2.1 consented	45 – 55	2027
Gateway 36	Barnsley, South Yorkshire	0.6	1.3 consented	70 – 80	2026
Chatterley Valley	Stoke-on-Trent, Staffordshire	-	1.2 consented	135 – 145	2027
Wingates	Bolton, Greater Manchester	-	1.0 consented	130 – 140	2028
North Yorkshire site	North Yorkshire	n/a	3.0 planned	300 – 350	2040
Junction 15, M1	Northampton, Northamptonshire	n/a	1.6 planned	200 – 220	2030
Rothwell	Rothwell, Northamptonshire	-	1.5 planned	190 – 210	2028
Gascoigne Wood	Sherburn-in-Elmet, North Yorkshire	-	1.5 planned	180 – 190	2028
Skelton Grange	Leeds, West Yorkshire	-	1.1 planned	150 – 160	2027

1.2 Main residential sites (as at 30 June 2023)

Name	Location	Sold (plots)	Consented or planned (plots)	Completion date
Waverley	Rotherham, South Yorkshire	2,442	3,038 consented	to 2025
South East Coalville	Coalville, Leicestershire	793	2,016 consented	to 2031
Simpson Park	Harworth, Nottinghamshire	628	1,615 consented	to 2027
Pheasant Hill Park	Doncaster, South Yorkshire	645	1,200 consented	to 2028
Benthall Grange, Ironbridge	Ironbridge, Shropshire	110	1,000 consented	to 2030
Moss Nook	St Helens, Merseyside	256	900 consented	to 2026
Thoresby Vale	Edwinstowe, Nottinghamshire	536	800 consented	to 2027
Huyton	Knowsley, Merseyside	n/a	1,500 planned	to 2033
Staveley	Staveley, Derbyshire	n/a	590 planned	to 2028

Principal risks and 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 43 to 53 of the Annual Report and Financial Statements for the year ended 31 December 2022 (the "**2022 Annual Report**"), available at harworthgroup.com/investors.

The Board has assessed the principal and emerging risks facing the Group and considers that, save as outlined below, there have been no material changes to the risks set out in the 2022 Annual Report.

Availability of and competition for strategic sites

The Board has determined the status of this risk to have reduced to "medium" as uncertain market conditions have constrained the appetite of capital for long-term strategic sites moderating the level of competition for land. At the same time, our strong balance sheet enables us to continue to grow our strategic land portfolio, and during the first half of the year acquisitions added 1.1m sq. ft of industrial & logistics space and 700 housing plots to the pipeline.

Power infrastructure capacity

The Board identified a new principal risk reflecting the challenges in securing adequate power capacity for development sites creating uncertainty in the cost and programme for development. This new risk has a "medium" residual risk status, which is expected to reduce in the medium term should the connections application process change (currently under consultation by the National Grid). In the meantime, Harworth is focused on early engagement with Distribution Network Operators and National Grid, and entry into reservation commitments where necessary.

Development supply chain

The previous "Supply chain cost inflation and constraints" risk has been expanded to incorporate all risks associated with management of the development supply chain. The Board recognised that cost inflation in the supply chain had been identified as a distinct principal risk to reflect a persistently high inflationary environment following the Covid pandemic, but with starts on site reducing through 2023 and supply chains beginning to normalise, this risk is starting to subside. At the same time the impact of rising interest rates on the cost of borrowing and a stalling economy are beginning to put pressure on the development supply chain. This new risk therefore combines supply chain counterparty risk, including the risk of insolvencies, as well as inflation risk and has a "medium" residual risk status. However, post the end of the half-year there have been insolvencies both in our supply chain and those of our end users, and we are aware of an increased prevalence of financial distress across the construction sector more generally. As such, this risk is trending higher and continues to be the subject of intensive scrutiny and management during the second half of the year.

Counterparties: service providers

The previous "Supply chain and delivery partner management (counter-party risk)" has been revised to reflect the heightened risk of insolvencies amongst the Company's critical service providers beyond those in our development supply chain. This reframed risk has a "medium" residual risk status.

In addition to the changes outlined above, the Board is closely monitoring the "Planning", "Residential and Commercial markets" and "Availability of appropriate capital" principal risks, all of which may trend higher during the second half of the year. Planning remains challenging reflecting both policy and local authority resourcing headwinds, however Harworth continues to make progress through management actions and secured planning for 397 residential units and 0.3m sq. ft of industrial & logistics space during H1. Whilst economic headwinds continue and the cost of capital is increasing (though inflation appears to be slowly easing), Harworth's core markets of industrial & logistics and residential remain key drivers of economic growth, and the Group remains well capitalised with low balance sheet gearing. This strong financial position, coupled with the scale and mix of Harworth's portfolio, positions the Group well to mitigate and adapt to changes in the external environment. Given these factors, the Board is confident in the resilience of Harworth's business model and believes that existing mitigating actions remain appropriate as management focuses on what can be controlled within the business.

Directors' Responsibilities Statement

For the six months ended 30 June 2023

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 2023 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 party transactions that have taken place in the six months ended 30 June 2023 and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party 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 2023 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
Marzia Zafar	Independent Non-Executive Director
Steven Underwood	Non-Executive Director
Martyn Bowes	Non-Executive Director

By order of the Board

Chris Birch
General Counsel and Company Secretary
12 September 2023

Cautionary statement

This report for the six months ended 30 June 2023 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 2023 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 2023	Announced	12 September 2023
Interim dividend for the year ending 31 December 2023	Ex-dividend date Record date Payable	21 September 2023 22 September 2023 20 October 2023
Results for the year ending 31 December 2023	Announced	March 2024
Annual report and financial statements for the year ending 31 December 2023	Published	April 2024
2024 Annual General Meeting	Scheduled	May 2024
Final dividend for the year ending 31 December 2023	Payable	June 2024

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 2023 £'000**	Unaudited 6 months ended 30 June 2022 £'000	Audited Year ended 31 December 2022 £'000
Revenue	3	**18,237**	62,560	166,685
Cost of sales	3	**(9,609)**	(37,090)	(83,292)
Gross profit	3	**8,628**	25,470	83,393
Administrative expenses	3	**(14,349)**	(10,940)	(22,090)
Other gains/(losses)	3	**13,774**	85,402	(16,761)
Other operating expenses	3	**(45)**	(27)	(56)
Operating profit	3	**8,008**	99,905	44,486
Finance costs	4	**(3,105)**	(3,428)	(6,367)
Finance income	4	**335**	72	227
Share of (loss)/profit of joint ventures (including impairment)	9	**(773)**	2,236	(7,487)
Profit before tax		**4,465**	98,785	30,859
Tax charge	5	**(1,618)**	(19,681)	(3,021)
Profit for the period/year		**2,847**	79,104	27,838
Earnings per share from operations		**pence**	pence	pence
Basic	7	**0.9**	24.5	8.6
Diluted	7	**0.9**	24.2	8.5

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 2023 £'000	Unaudited 6 months ended 30 June 2022 £'000	Audited Year ended 31 December 2022 £'000
Profit for the period/year	**2,847**	79,104	27,838
Other comprehensive income/(expense) – items that will not be reclassified to profit or loss:			
Net actuarial gain in Blenkinsopp Pension scheme	**86**	388	295
Revaluation of Group occupied property	**(67)**	(34)	(133)
Deferred tax on other comprehensive expense items	**(22)**	(127)	(101)
Other comprehensive income – items that may be reclassified subsequently to profit or loss:			
Fair value of financial instruments	**-**	156	156
Total other comprehensive (expense)/income	**(3)**	383	217
Total comprehensive income for the period/year	**2,844**	79,487	28,055

Consolidated balance sheet

	Note	**Unaudited As at 30 June 2023 £'000**	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		**1,236**	712	600
Right of use assets		**557**	327	254
Trade and other receivables		**2,735**	7,508	4,013
Investment properties	8	**430,366**	588,278	400,363
Investments in joint ventures	9	**29,055**	39,475	29,828
Retirement benefit asset		**31**	-	-
		463,980	636,300	435,058
Current assets				
Inventories	10	**231,304**	165,651	216,393
Trade and other receivables		**54,538**	64,081	56,658
Assets held for sale	11	**20,811**	11,165	59,790
Cash	12	**8,493**	38,424	11,583
Current tax asset		**1,142**	111	-
		316,288	279,432	344,424
Total assets		**780,268**	915,732	779,482
LIABILITIES				
Current liabilities				
Borrowings	13	**-**	-	(3,067)
Trade and other payables		**(76,315)**	(90,887)	(82,499)
Lease liabilities		**(152)**	(103)	(82)
Current tax liabilities		**-**	-	(7,013)
		(76,467)	(90,990)	(92,661)
Net current assets		**239,821**	188,442	251,763
Non-current liabilities				
Borrowings	13	**(72,145)**	(106,236)	(56,911)
Trade and other payables		**(2,733)**	(4,509)	(2,819)
Lease liabilities		**(410)**	(235)	(172)
Net deferred tax liabilities		**(25,460)**	(58,612)	(24,141)
Retirement benefit obligations		**-**	(93)	(114)
		(100,748)	(169,685)	(84,157)
Total liabilities		**(177,215)**	(260,675)	(176,818)
Net assets		**603,053**	655,057	602,664
SHAREHOLDERS' EQUITY				
Called up share capital	14	**32,345**	32,298	32,305
Share premium account		**24,688**	24,672	24,688
Fair value reserve		**179,339**	278,928	174,520
Capital redemption reserve		**257**	257	257
Merger reserve		**45,667**	45,667	45,667
Investment in own shares		**(90)**	(45)	(50)
Retained earnings		**318,000**	194,176	297,439
Current year profit		**2,847**	79,104	27,838
Total shareholders' equity		**603,053**	655,057	602,664

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 2022 (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)/income:								
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 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**
Loss for the six months to 31 December 2022	-	-	-	-	-	-	(51,266)	(51,266)
Fair value losses	-	-	-	(96,243)	-	-	96,243	-
Transfer of unrealised gains on disposal of investment property	-	-	-	(8,066)	-	-	8,066	-
Other comprehensive (expense)/income:								
Actuarial loss in Blenkinsopp pension scheme	-	-	-	-	-	-	(93)	(93)
Revaluation of Group occupied property	-	-	-	(99)	-	-	-	(99)
Deferred tax on other comprehensive income items	-	-	-	-	-	-	26	26
	-	-	-	(104,408)	-	-	52,976	(51,432)
Transactions with owners:								
Purchase of own shares	-	-	-	-	-	(26)	-	(26)
Share-based payments	-	-	-	-	-	-	326	326
Dividends paid	-	-	-	-	-	-	(1,305)	(1,305)
Share issue	7	16	-	-	-	21	-	44
Balance at 31 December 2022 (audited)	**32,305**	**24,688**	**45,667**	**174,520**	**257**	**(50)**	**325,277**	**602,664**
Profit for the six months to 30 June 2023	-	-	-	-	-	-	2,847	2,847
Fair value gains	-	-	-	17,888	-	-	(17,888)	-
Transfer of unrealised gains on disposal of investment property	-	-	-	(13,002)	-	-	13,002	-
Other comprehensive (expense)/income:								
Actuarial gain in Blenkinsopp pension scheme	-	-	-	-	-	-	86	86
Revaluation of group occupied property	-	-	-	(67)	-	-	-	(67)
Deferred tax on other comprehensive expense items	-	-	-	-	-	-	(22)	(22)
	-	**-**	**-**	**4,819**	**-**	**-**	**(1,975)**	**2,844**
Transactions with owners:								
Purchase of own shares	-	-	-	-	-	(40)	-	(40)
Share-based payments	-	-	-	-	-	-	546	546
Dividends paid	-	-	-	-	-	-	(3,001)	(3,001)
Share issue	40	-	-	-	-	-	-	40
Balance at 30 June 2023 (unaudited)	**32,345**	**24,688**	**45,667**	**179,339**	**257**	**(90)**	**320,847**	**603,053**

Consolidated statement of cash flows

	Unaudited 6 months ended 30 June 2023 £'000	Unaudited 6 months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Cash flows from operating activities			
Profit before tax for the period/year	**4,465**	98,785	30,859
Net finance costs	**2,770**	3,356	6,140
Other (gains)/losses	**(13,774)**	(85,402)	16,761
Share of loss/(profit) of joint ventures (including impairment)	**773**	(2,236)	7,487
Share-based transactions[1]	**533**	281	728
Depreciation of property, plant and equipment and right of use assets	**112**	71	152
Pension contributions in excess of charge	**(59)**	(77)	(149)
Operating cash (outflows)/inflows before movements in working capital	**(5,180)**	14,778	61,978
(Increase)/decrease in inventories	**(15,311)**	6,731	16,502
Decrease/(increase) in receivables	**3,397**	(16,465)	(6,482)
(Decrease)/increase in payables	**(5,325)**	(1,845)	(13,137)
Cash (used in)/generated from operations	**(22,419)**	3,199	58,861
Interest paid	**(2,065)**	(2,023)	(3,998)
Corporation tax paid	**(8,462)**	(6,920)	(17,702)
Cash (used in)/generated from operating activities	**(32,946)**	(5,744)	37,161
Cash flows from investing activities			
Interest received	**335**	72	227
Investment in joint ventures	-	(1,108)	(1,849)
Distribution from joint ventures	-	-	665
Net proceeds from disposal of investment properties, AHFS and overages	**50,506**	127	14,232
Property acquisitions	**(12,019)**	(4,509)	(13,445)
Expenditure on investment properties and AHFS	**(16,801)**	(26,699)	(53,107)
Expenditure on property, plant and equipment	**(238)**	(91)	(110)
Cash generated from/(used in) investing activities	**21,783**	(32,208)	(53,387)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	-	49	67
Proceeds from other loans	**5,309**	9,050	19,850
Repayment of other loans	**(3,116)**	-	-
Proceeds from bank loans	**20,000**	139,000	154,000
Repayment of bank loans	**(11,000)**	(79,000)	(152,000)
Loan arrangement fees	**(66)**	(2,001)	(2,022)
Payment in respect of leases	**(53)**	(32)	(91)
Dividends paid	**(3,001)**	(2,727)	(4,032)
Cash generated from financing activities	**8,073**	64,339	15,772
(Decrease)/increase in cash	**(3,090)**	26,387	(454)
Cash as at beginning of period/year	**11,583**	12,037	12,037
(Decrease)/increase in cash	**(3,090)**	26,387	(454)
Cash as at end of period/year	**8,493**	38,424	11,583

(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 2023

1. Accounting policies

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

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 2023 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 2022 is derived from the statutory accounts for that year. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 13 March 2023 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 2023, which have not been audited, were approved by the Board on 08 September 2023.

Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2023 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 2022, which were 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 forming its opinion as to going concern, the Company prepares cash flow and banking covenant forecasts based upon assumptions, with particular consideration to the key risks and uncertainties and the macro-economic environment as well as taking into account available borrowing facilities. The going concern period assessed is until December 2024 which has been selected as it can be projected with a reasonable degree of accuracy and covers a complete period of reporting under the Group's RCF.

A key focus of the assessment of going concern is the management of liquidity and compliance with borrowing facilities for the period to December 2024. In 2022, a new five year £200m RCF was agreed with HSBC joining as a new lender in addition to existing 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, all of which have been tested through the going concern assessment undertaken. Available liquidity, including cash and cash equivalents and bank facility headroom was £163.5m as at 30 June 2023.

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 carried out by BNP Paribas and Savills as at 30 June 2023, the Group net loan-to-portfolio value remains low at 8.6%, within the Board's target range and with headroom to allow for falls in property values. Rent collection remained strong, with 98% collected to date for H1 2023.

In addition to the Company’s base cashflow forecast, a sensitised forecast was produced that reflected a number of severe but plausible downsides. This downside included: 1) a severe reduction in sales to the housebuilding sector as well as lower investment property sales; 2) notwithstanding strong rent collection to date in line with previous quarters, a prudent material increase in bad debts across the portfolio over the majority of the going concern assessment period; 3) a material decline in the value of land and investment property values as a result of macro-economic conditions; and 4) a significant increase in interest rates, impacting the cost of the Group’s RCF.

A scenario has also been run which demonstrates that very severe loss of revenue, valuation reductions and interest cost increases would be required to breach banking covenants. A scenario with consideration of potential climate change and related transition impacts was also examined as part of the Group’s focus on climate-related risks and opportunities.

Even in the downside scenarios, for the going concern period to December 2024, the Group expects to continue to have sufficient cash reserves to continue to operate with headroom on lending facilities and associated covenants and has additional mitigation measures within management’s control, for example reducing development and acquisition expenditure and reducing operating costs, that could be deployed to create further cash and covenant headroom if required.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the Group’s 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 2023. 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 2024 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 2022.

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

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

The derivations of our APMs and their purpose

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

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

Our key APMs

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

- 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 and overages
- Net loan to portfolio value - Group debt net of cash 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. These disclosures are provided below.

			30 June 2023
	EPRA NDV	EPRA NTA	EPRA NRV
	£'000	£'000	£'000
Net assets	603,053	603,053	603,053
Cumulative unrealised gains on development properties	30,500	30,500	30,500
Cumulative unrealised gains on overages	7,000	7,000	7,000
Deferred tax liabilities (IFRS)	-	25,460	25,460
Notional deferred tax on unrealised gains	(9,321)	-	-
Deferred tax liabilities @ 50%	-	(17,391)	-
Purchaser costs	-	-	51,142
	631,232	648,622	717,155
Number of shares used for per share calculations	322,612,685	322,612,685	322,612,685
Per share	195.7	201.1	222.3

			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)	-
Purchaser costs	-	-	66,590
	724,758	763,599	869,030
Number of shares used for per share calculations	322,586,735	322,586,735	322,586,735
Per share	224.7	236.7	269.4

			31 December 2022
	EPRA NDV	EPRA NTA	EPRA NRV
	£'000	£'000	£'000
Net assets	602,664	602,664	602,664
Cumulative unrealised gains on development properties	33,852	33,852	33,852
Cumulative unrealised gains on overages	7,500	7,500	7,500
Deferred tax liabilities (IFRS)	-	24,141	24,141
Notional deferred tax on unrealised gains	(10,171)	-	-
Deferred tax liabilities @ 50%	-	(17,156)	-
Purchaser costs	-	-	46,307
	633,845	651,001	714,464
Number of shares used for per share calculations	322,612,685	322,612,685	322,612,685
Per share	196.5	201.8	221.5

1) Reconciliation to statutory measures

a. Revaluation gains/(losses)	**Unaudited 6 months ended 30 June 2023 £'000**	Unaudited 6 months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Increase/(decrease) in fair value of investment properties	**15,005**	85,274	(19,725)
(Decrease)/increase in fair value of AHFS	**(172)**	2	(199)
Share of (loss)/profit of joint ventures	**(773)**	2,236	(7,487)
Net realisable value provision on development properties	**(1,019)**	(1,880)	(7,074)
Reversal of previous net realisable value provision on development properties	**744**	4,260	5,030
Amounts derived from statutory reporting	**13,785**	89,892	(29,455)
Unrealised (losses)/gains on development properties	**(2,210)**	14,574	10,493
Unrealised (losses)/gains on overages	**(500)**	1,000	4,003
Revaluation gains	**11,075**	105,466	(14,959)

b. (Loss)/profit on sale	**Unaudited 6 months ended 30 June 2023 £'000**	Unaudited 6 months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
(Loss)/profit on sale of investment properties	**(427)**	157	923
(Loss)/profit on sale of AHFS	**(632)**	(31)	2,071
(Loss)/profit on sale of development properties	**(1,344)**	6,787	57,252
Release of net realisable value provision on disposal of development properties	**-**	713	1,649
Profit on sale of overages	**-**	-	169
Amounts derived from statutory reporting	**(2,403)**	7,626	62,064
Less previously unrealised gains on development properties released on sale	**(1,142)**	(2,755)	(49,093)
(Loss)/profit on sale	**(3,545)**	4,871	12,971

c. Value gains/(losses)	**Unaudited 6 months ended 30 June 2023 £'000**	Unaudited 6 months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Revaluation gains/(losses)	**11,075**	105,466	(14,959)
(Loss)/profit on sale	**(3,545)**	4,871	12,971
Value gains/(losses)	**7,530**	110,337	(1,988)

d. Total property sales	**Unaudited 6 months ended 30 June 2023 £'000**	Unaudited 6 months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Revenue	**18,237**	62,560	166,685
Less revenue from other property activities	**(283)**	(8,196)	(10,478)
Less revenue from income generation activities	**(13,929)**	(15,587)	(31,251)
Add proceeds from sales of investment properties, AHFS and overages	**52,125**	250	13,550
Total property sales	**56,150**	39,027	138,506

e. Operating profit contributing to growth in EPRA NDV

	Unaudited 6 months ended 30 June 2023 £'000	Unaudited 6 months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Operating profit	**8,008**	99,905	44,486
Share of (loss)/profit on joint ventures	**(773)**	2,236	(7,487)
Unrealised (losses)/gains on development properties	**(2,210)**	14,574	10,493
Unrealised (losses)/gains on overages	**(500)**	1,000	4,003
Less previously unrealised gains on development properties released on sale	**(1,142)**	(2,755)	(49,093)
Operating profit contributing to growth in EPRA NDV	**3,383**	114,960	2,402

f. Portfolio value

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
Land and buildings (included within Property, plant and equipment)	**933**	600	500
Investment properties	**430,366**	588,278	400,363
Investments in joint ventures	**29,055**	39,475	29,828
AHFS	**20,811**	11,165	59,790
Development properties (included within inventories)	**219,153**	160,444	204,952
Amounts derived from statutory reporting	**700,318**	799,962	695,433
Cumulative unrealised gains on development properties as at period/year end	**30,500**	84,271	33,852
Cumulative unrealised gains on overages as at period/year end	**7,000**	4,500	7,500
Portfolio value	**737,818**	888,733	736,785

g. Net debt

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
Gross borrowings	**(72,145)**	(106,236)	(59,978)
Cash and cash equivalents	**8,493**	38,424	11,583
Net debt	**(63,652)**	(67,812)	(48,395)

h. Net loan to portfolio value (%)

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
Net debt	**(63,652)**	(67,812)	(48,395)
Portfolio value	**737,818**	888,733	736,785
Net loan to portfolio value (%)	**8.6%**	7.6%	6.6%

i. Net loan to core income generation portfolio value (%)	**Unaudited As at 30 June 2023 £'000**	Unaudited As at 30 June 2022 £’000	Audited As at 31 December 2022 £’000
Net debt	**(63,652)**	(67,812)	(48,395)
Core income generation portfolio value (investment portfolio and natural resources)	**227,567**	295,986	230,133
Net loan to core income generation portfolio value (%)	**28.0%**	22.9%	21.0%

j. Gross loan to portfolio value (%)	**Unaudited As at 30 June 2023 £'000**	Unaudited As at 30 June 2022 £’000	Audited As at 31 December 2022 £’000
Gross borrowings	**(72,145)**	(106,236)	(59,978)
Portfolio value	**737,818**	888,733	736,785
Gross loan to portfolio value (%)	**9.8%**	12.0%	8.1%

k. Gross loan to core income generation portfolio value (%)	**Unaudited As at 30 June 2023 £'000**	Unaudited As at 30 June 2022 £’000	Audited As at 31 December 2022 £’000
Gross borrowings	**(72,145)**	(106,236)	(59,978)
Core income generation portfolio value (investment portfolio and natural resources)	**227,567**	295,986	230,133
Gross loan to core income generation portfolio value (%)	**31.7%**	35.9%	26.1%

l. Number of shares used for per share calculations (number)	**Unaudited As at 30 June 2023**	Unaudited As at 30 June 2022	Audited As at 31 December 2022
Number of shares in issue at end of period/year	**323,449,828**	322,982,941	323,051,124
Less Employee Benefit Trust and Equiniti Share Plan Trustees Limited held shares (own shares) at end of period/year	**(837,143)**	(396,206)	(438,439)
Number of shares used for per share calculations	**322,612,685**	322,586,735	322,612,685

m. Net Asset Value (NAV) per share	**Unaudited As at 30 June 2023**	Unaudited As at 30 June 2022	Audited As at 31 December 2022
NAV (£’000)	**603,053**	655,057	602,664
Number of shares used for per share calculations	**322,612,685**	322,586,735	322,612,685
NAV per share (p)	**186.9**	203.1	186.8

2) Reconciliation to EPRA measures

a) EPRA NDV	**Unaudited As at 30 June 2023 £'000**	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
Net assets	**603,053**	655,057	602,664
Cumulative unrealised gains on development properties	**30,500**	84,272	33,852
Cumulative unrealised gains on overages	**7,000**	4,500	7,500
Notional deferred tax on unrealised gains	**(9,321)**	(19,070)	(10,171)
EPRA NDV	**631,232**	724,759	633,845

b) EPRA NDV per share (p)	**Unaudited As at 30 June 2023**	Unaudited As at 30 June 2022	Audited As at 31 December 2022
EPRA NDV £'000	**631,232**	724,759	633,845
Number of shares used for per share calculations	**322,612,685**	322,586,735	322,612,685
EPRA NDV per share (p)	**195.7**	224.7	196.5

c) EPRA NDV growth and total return	**Unaudited As at 30 June 2023**	Unaudited As at 30 June 2022	Audited As at 31 December 2022
Opening EPRA NDV/share (p)	**196.5**	197.6	197.6
Closing EPRA NDV/share (p)	**195.7**	224.7	196.5
Movement in the period/year (p)	**(0.8)**	27.1	(1.1)
EPRA NDV growth	**(0.4%)**	13.7%	(0.6%)
Dividends paid per share (p)	**0.9**	0.8	1.2
Total return per share (p)	**0.1**	27.9	0.1
Total return as a percentage of opening EPRA NDV	**0.1%**	14.1%	0.1%

d) Net loan to EPRA NDV	**Unaudited As at 30 June 2023 £'000**	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
Net debt	**(63,652)**	(67,812)	(48,395)
EPRA NDV	**631,232**	724,759	633,845
Net loan to EPRA NDV	**10.1%**	9.4%	7.6%

3. Segment information

Segmental Income Statement

Unaudited 6 months ended 30 June 2023

	Capital Growth				
	Sale of development properties	**Other property activities**	**Income Generation**	**Central**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue [(1)]	4,025	283	13,929	-	18,237
Cost of sales	(5,644)	(479)	(3,486)	-	(9,609)
Gross profit [(2)]	**(1,619)**	**(196)**	**10,443**	**-**	**8,628**
Administrative expenses	-	(2,231)	(2,332)	(9,786)	(14,349)
Other gains [(3)]	-	12,502	1,272	-	13,774
Other operating expense	-	-	-	(45)	(45)
Operating profit/(loss)	**(1,619)**	**10,075**	**9,383**	**(9,831)**	**8,008**
Finance costs	-	33	-	(3,138)	(3,105)
Finance income	-	333	2	-	335
Share of loss of joint ventures	-	(896)	123	-	(773)
Profit/(loss) before tax	**(1,619)**	**9,545**	**9,508**	**(12,969)**	**4,465**

[(1)] **Revenue**

Revenue is analysed as follows:

Sale of development properties	4,025	-	-	-	4,025
Revenue from PPAs	-	36	-	-	36
Rent, service charge and royalties revenue	-	235	13,444	-	13,679
Other revenue	-	12	485	-	497
	4,025	**283**	**13,929**	**-**	**18,237**

[(2)] **Gross profit**

Gross profit is analysed as follows:

Gross profit excluding sales of development properties	-	(196)	10,443	-	10,247
Gross profit on sale of development properties	(1,344)	-	-	-	(1,344)
Net realisable value provision on development properties	(1,019)	-	-	-	(1,019)
Reversal of previous net realisable value provision on development properties	744	-	-	-	744
	(1,619)	**(196)**	**10,443**	**-**	**8,628**

[3] **Other gains**					
Other gains are analysed as follows:					
Increase in fair value of investment properties	-	12,726	2,279	-	15,005
Decrease in the fair value of AHFS	-	(114)	(58)	-	(172)
Loss on sale of investment properties	-	(110)	(317)	-	(427)
Loss on sale of AHFS	-	-	(632)	-	(632)
	-	**12,502**	**1,272**	**-**	**13,774**

Segmental Balance Sheet — As at 30 June 2023

	Capital Growth £'000	Income Generation £'000	Central £'000	Total £'000
Non-current assets				
Property, plant and equipment	-	-	1,236	**1,236**
Right of use assets	-	-	557	**557**
Trade and other receivables	2,735	-	-	**2,735**
Investment properties	196,328	234,038	-	**430,366**
Investments in joint ventures	15,566	13,489	-	**29,055**
Retirement benefit asset	-	-	31	**31**
	214,629	**247,527**	**1,824**	**463,980**
Current assets				
Inventories	231,304	-	-	**231,304**
Trade and other receivables	35,485	12,782	6,271	**54,538**
AHFS	2,514	18,297	-	**20,811**
Cash and cash equivalents	-	-	8,493	**8,493**
Current tax asset	-	-	1,142	**1,142**
	269,303	**31,079**	**15,906**	**316,288**
Total assets	**483,932**	**278,606**	**17,730**	**780,268**

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

Segmental Income Statement

Unaudited 6 months ended 30 June 2022

	Capital Growth: Sale of development properties £'000	Capital Growth: Other property activities £'000	Income Generation £'000	Central £'000	Total £'000
Revenue [(1)]	38,777	8,196	15,587	-	62,560
Cost of sales	(28,897)	(3,969)	(4,224)	-	(37,090)
Gross profit [(2)]	**9,880**	**4,227**	**11,363**	-	**25,470**
Administrative expenses	-	(2,117)	(1,328)	(7,495)	(10,940)
Other gains [(3)]	-	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 loss of joint ventures	-	991	1,245	-	2,236
Profit/(loss) before tax	**9,940**	**75,666**	**24,129**	**(10,950)**	**98,785**

[(1)] **Revenue**

Revenue is analysed as follows:

Sale of development properties	38,777	-	-	-	38,777
Revenue from PPAs	-	3,675	-	-	3,675
Build-to-suit development revenue	-	4,215	-	-	4,215
Rent, service charge and royalties revenue	-	301	13,971	-	14,272
Revenue from coal fines	-	-	1,018		1,018
Other revenue	-	5	598	-	603
	38,777	**8,196**	**15,587**	**-**	**62,560**

[(2)] **Gross profit**

Gross profit is analysed as follows:

Gross profit excluding sales 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 net realisable value provision on disposal of development properties	713	-	-	-	713
	9,880	**4,227**	**11,363**	**-**	**25,470**

[(3)] **Other gains**					
Other gains are analysed as follows:					
Increase in fair value of investment properties	-	72,399	12,875	-	85,274
Decrease in the 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**

Segmental Balance Sheet

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 are not allocated to the reporting segments as they are managed and measured at a Group level.

Segmental Income Statement

Audited year ended 31 December 2022

	Capital Growth				
	Sale of development properties	**Other property activities**	**Income Generation**	**Central**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue (1)	124,956	10,478	31,251	-	166,685
Cost of sales	(68,099)	(6,305)	(8,888)	-	(83,292)
Gross profit (2)	**56,857**	**4,173**	**22,363**	**-**	**83,393**
Administrative expenses	-	(4,123)	(1,877)	(16,090)	(22,090)
Other gains/(losses) (3)	-	17,788	(34,549)	-	(16,761)
Other operating expense	-	-	-	(56)	(56)
Operating profit/(loss)	**56,857**	**17,838**	**(14,063)**	**(16,146)**	**44,486**
Finance costs	-	(168)	-	(6,199)	(6,367)
Finance income	-	227	-	-	227
Share of loss of joint ventures	-	(4,317)	(3,170)	-	(7,487)
Profit/(loss) before tax	**56,857**	**13,580**	**(17,233)**	**(22,345)**	**30,859**

(1) **Revenue**

Revenue is analysed as follows:

Sale of development properties	124,956	-	-	-	124,956
Revenue from PPAs	-	5,810	-	-	5,810
Build-to-suit development revenue	-	4,215	-	-	4,215
Rent, service charge and royalties revenue	-	426	28,151	-	28,577
Revenue from coal fines	-	-	2,113	-	2,113
Other revenue	-	27	987	-	1,014
	124,956	**10,478**	**31,251**	**-**	**166,685**

(2) **Gross profit**

Gross profit is analysed as follows:

Gross profit excluding sales of development properties	-	4,173	22,363	-	26,536
Gross profit on sale of development properties	57,252	-	-	-	57,252
Net realisable value provision on development properties	(7,074)	-	-	-	(7,074)
Reversal of previous net realisable value provision on development properties	5,030	-	-	-	5,030
Release of net realisable value provision on disposal of development properties	1,649	-	-	-	1,649
	56,857	**4,173**	**22,363**	**-**	**83,393**

(3) **Other gains/(losses)**				
Other gains/(losses) are analysed as follows:				
Increase/(decrease) in fair value of investment properties	-	17,958	(37,683)	-	(19,725)
Decrease in the fair value of AHFS	-	(199)	-	-	(199)
Profit on sale of investment properties	-	76	847	-	923
(Loss)/profit on sale of AHFS	-	(216)	2,287	-	2,071
Profit on sale of overages	-	169	-	-	169
	-	**17,788**	**(34,549)**	**-**	**(16,761)**

Segmental Balance Sheet

As at 31 December 2022

	Capital Growth £'000	Income Generation £'000	Central £'000	Total £'000
Non-current assets				
Property, plant and equipment	-	-	600	**600**
Right of use assets	-	-	254	**254**
Trade and other receivables	4,013	-	-	**4,013**
Investment properties	164,533	235,830	-	**400,363**
Investments in joint ventures	16,462	13,366	-	**29,828**
	185,008	**249,196**	**854**	**435,058**
Current assets				
Inventories	216,393	-	-	**216,393**
Trade and other receivables	41,287	14,913	458	**56,658**
AHFS	2,627	57,163	-	**59,790**
Cash and cash equivalents	-	-	11,583	**11,583**
	260,307	**72,076**	**12,041**	**344,424**
Total assets	**445,315**	**321,272**	**12,895**	**779,482**

Financial liabilities 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 2023 £'000	Unaudited 6 months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Finance costs			
– Bank interest	**(1,294)**	(1,594)	(2,206)
– Facility fees	**(771)**	(428)	(1,791)
– Amortisation of up-front fees	**(331)**	(345)	(685)
– Acceleration of amortisation of up-front fees following extinguishment of Facility	**-**	(599)	(599)
– Other interest	**(709)**	(462)	(1,086)
	(3,105)	(3,428)	(6,367)
Finance income	**335**	72	227
Net finance costs	**(2,770)**	(3,356)	(6,140)

5. Tax

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

	Unaudited 6 months ended 30 June 2023 £'000	Unaudited 6 months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Tax charges/(credits)			
Current tax charge	**307**	3,862	21,768
Deferred tax charge/(credit) relating to origination and reversal of temporary differences	**1,311**	15,819	(18,747)
Tax charge recognised in income statement	**1,618**	19,681	3,021

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

6. Dividends

	Unaudited 6 months ended 30 June 2023 £'000	Unaudited 6 months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Full year dividend of 0.929p per share for the year ended 31 December 2022	**3,001**	-	-
Interim dividend of 0.404p per share for the six months ended 30 June 2022	**-**	-	1,305
Full year dividend of 0.845p per share for the year ended 31 December 2021	**-**	2,727	2,727
	3,001	2,727	4,032

The Board has determined that it is appropriate for an interim dividend for the year ending 31 December 2023 to be paid of 0.444p (H1 2022: 0.404p) 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 2023	Unaudited 6 months ended 30 June 2022	Audited year ended 31 December 2022
Profit from continuing operations attributable to owners of parent (£'000)	**2,847**	79,104	27,838
Weighted average number of shares used for basic earnings per share calculation	**322,603,991**	322,544,685	322,571,783
Basic earnings per share (pence)	**0.9**	24.5	8.6
Weighted average number of shares used for diluted earnings per share calculation	**328,033,119**	326,444,715	326,317,353
Diluted earnings per share (pence)	**0.9**	24.2	8.5

The difference between the weighted average number of shares used for the basic and diluted earnings per share calculation is due to the effect of share options that are dilutive.

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 £'000	Natural Resources £'000	Investment Portfolio £'000	Major Developments £'000	Strategic Land £'000	Total £'000
At 1 January 2022 (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**
Direct acquisitions	-	-	-	-	10,115	10,115
Subsequent expenditure	-	9	663	19,885	5,850	26,407
Disposals	-	(860)	-	-	-	(860)
Increase/(decrease) in fair value	192	580	(51,330)	(36,661)	(17,780)	(104,999)
Transfers to development properties	-	-	-	-	(60,513)	(60,513)
Net transfer to AHFS	-	(576)	(56,589)	-	(900)	(58,065)
At 31 December 2022 (audited)	**5,694**	**19,726**	**210,407**	**44,244**	**120,292**	**400,363**
Direct acquisitions	655	-	-	-	10,401	11,056
Subsequent expenditure	-	29	293	12,759	3,647	16,728
Disposals	-	-	(11,136)	-	-	(11,136)
Increase/(decrease) in fair value	122	(242)	2,400	(1,050)	13,775	15,005
Transfers between divisions	-	-	8,140	(8,140)	-	-
Transfers from development properties	-	-	-	400	-	400
Transfers to property, plant and equipment	-	-	(500)	-	-	(500)
Net transfer to AHFS	-	-	(1,550)	-	-	(1,550)
At 30 June 2023 (unaudited)	**6,471**	**19,513**	**208,054**	**48,213**	**148,115**	**430,366**

Valuation process

The Directors' valuation as at 30 June 2023 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 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
At 1 January	**29,828**	36,131	36,131
Investments in joint ventures	**-**	1,108	1,849
Distributions from joint ventures	**-**	-	(665)
Share of (losses)/profits of joint ventures	**(773)**	2,236	(7,487)
At end of period/year	**29,055**	39,475	29,828

10. Inventories

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
Development properties	**219,153**	160,444	204,952
Planning promotion agreements	**3,581**	2,931	2,994
Option agreements	**8,570**	2,276	8,447
Total inventories	**231,304**	165,651	216,393

The movement in development properties is as follows:

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
At start of period	**204,952**	172,701	172,701
Subsequent expenditure	**17,436**	16,855	35,430
Disposals	**(2,560)**	(26,765)	(57,857)
Net realisable value (provision)/release	**(275)**	3,093	(395)
Net transfer (to)/from investment properties	**(400)**	(5,440)	55,073
At end of period	**219,153**	160,444	204,952

The movement in net realisable value provision was as follows:

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 £'000	Unaudited As at 31 December 2022 £'000
At start of period	**9,776**	12,154	12,154
Charge for the period	**1,019**	1,880	7,074
Reversal of previous net realisable value provision	**(744)**	(4,260)	(5,030)
Released on disposals	**-**	(713)	(1,649)
Released on transfer to investment property	**-**	(2,773)	(2,773)
At end of period	**10,051**	6,288	9,776

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 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
At start of period	**59,790**	1,925	1,925
Net transfer from investment properties	**1,550**	9,238	67,303
Subsequent expenditure	**73**	-	1
(Decrease)/increase in fair value	**(172)**	2	(199)
Disposals	**(40,430)**	-	(9,240)
At end of period	**20,811**	11,165	59,790

12. Cash

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
Cash	**8,493**	38,424	11,583

13. Borrowings

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
Current:			
Secured – infrastructure and direct development loans	**-**	-	(3,067)
	-	-	(3,067)
Non-current:			
Secured – bank loan	**(43,731)**	(92,386)	(34,558)
Secured – infrastructure and direct development loans	**(28,414)**	(13,850)	(22,353)
Total non-current borrowings	**(72,145)**	(106,236)	(56,911)
Total borrowings	**(72,145)**	(106,236)	(59,978)

Loans are stated after deduction of unamortised fees of £1.7m (30 June 2022: £2.3m, 31 December 2022: £2.0m).

		Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
Infrastructure and direct development loans				
Scrudf Limited Partnership	Gateway 36	**(6,726)**	-	(1,413)
Merseyside Pension Fund	Bardon Hill	**(21,688)**	(10,884)	(20,940)
North West Evergreen Limited Partnership	Logistics North	**-**	(2,966)	(3,067)
Total infrastructure and direct development loans		**(28,414)**	(13,850)	(25,420)
Bank loan		**(43,731)**	(92,386)	(34,558)
Total borrowings		**(72,145)**	(106,236)	(59,978)

The bank borrowings are part of a £200m Revolving Credit Facility ("RCF"), with a £40m uncommitted accordion option, provided by NatWest, Santander and HSBC. The term of the facility is five years and it is repayable in March 2027.

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 Consolidated Statement of Cash Flows and reflect timing of utilisation of the RCF.

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

14. Share capital

Issued, authorised and fully paid	**Unaudited As at 30 June 2023 £'000**	Unaudited As at 30 June 2022 £'000	Audited As at 31 December 2022 £'000
At start of period/year	**32,305**	32,272	32,272
Shares issued	**40**	26	33
At end of period/year	**32,345**	32,298	32,305

Issued, authorised and fully paid – number of shares	**Unaudited As at 30 June 2023**	Unaudited As at 30 June 2022	Audited As at 31 December 2022
At start of period/year	**323,051,124**	322,724,566	322,724,566
Shares issued	**398,704**	258,375	326,558
At end of period/year	**323,449,828**	322,982,941	323,051,124
Own shares held	**(837,143)**	(396,206)	(438,439)
At end of period/year	**322,612,685**	322,586,735	322,612,685

There is only one class of share in issue: ordinary shares of 10 pence each. All shares carry equal rights to dividends, voting and return of capital on a winding up of the Company, as set out in the Company's Articles of Association.

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/as at 30 June 2023 £'000	Unaudited 6 months ended/as at 30 June 2022 £'000	Audited year ended/ as at 31 December 2022 £'000
MULTIPLY LOGISTICS NORTH HOLDINGS LIMITED & MULTIPLY LOGISTICS NORTH LP			
Sales			
Recharges of costs	**4**	-	-
Asset management fee	**25**	58	145
Water charges	**84**	60	113
Purchases			
Recharge of costs	**1**	-	-
Receivables			
Other receivables	**4**	-	-
GENUIT GROUP (FORMERLY POLYPIPE)			
Sales			
Rent	**16**	10	20

Receivables			
Trade receivables	**6**	6	6
THE AIRE VALLEY LAND LLP			
Receivable	**26**	26	26
CRIMEA LAND MANSFIELD LLP			
Receivable	**9**	1	9
NORTHERN GATEWAY DEVELOPMENT VEHICLE LLP			
Partner loan made during the year	**-**	1,108	1,849
INVESTMENT PROPERTY FORUM			
Purchases	**-**	-	1